



th

year

ANNUAL REPORT
 2015-16

Board of Directors



Dr. Jayaram Nayar
Chairman



G. Sreeram
Managing Director & CEO



P. Mohanan



Chella K. Srinivasan



Dr. Lakshmy Devi K. R.



E. Madhavan



C. K. Gopinathan



P. S. Sreekumar



Arun Rao M. G.



Susobhan Sinha
Addl. Director (RBI)



S. T. Kannan
Addl. Director (RBI)



P. Manikandan
Chief General Manager



A. K. S. Namboodiri
General Manager - RBS & IT



Rajan A.
General Manager - HR & Recovery

Registered and Corporate Office

Dhanlaxmi Bank Limited, P. B. No. 9, Dhanalakshmi Buildings
Naickanal, Thrissur – 680 001

Kindly refer to the website for other offices

Company Secretary

Santosh Kumar Barik

Secretarial Auditor

M. Vasudevan, Practicing Company Secretary, Thrissur

Auditors

K Venkatachalam Aiyer & Co, Chartered Accountants, Ernakulam

Legal Advisors

M/s. Menon & Pai, Ernakulam

M/s. B. S. Krishnan Associates, Ernakulam

M/s. Varghese & Jacob, Ernakulam

M/s. C. K. Karunakaran & Associates, Ernakulam

Stock Exchanges

National Stock Exchange of India Limited (NSE)

BSE Limited (formerly known as Bombay Stock Exchange Limited)

Registrar & Transfer Agents

Karvy Computershare Private Limited,

Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli,

Financial District, Nanakramguda, Serilingampally,

Hyderabad – 500 032

Table of Contents

3	Directors' Report	56	Balance Sheet
20	Management Discussion and Analysis Report	57	Profit & Loss Account
32	Report on Corporate Governance	58	Cash Flow Statement
54	Independent Auditor's Report	60	Schedules

Vision

Banking on Relationships forever

Mission

To Become a Strong and Innovative Bank with Integrity and Social Responsibility to Maximise Customer Satisfaction as well as that of the Employees, Shareholders and the Society.

Directors' Report

Dear Shareholders,

It gives the Board pleasure to place before you the highlights of your Bank's performance during the financial year 2015-16. Details of the achievements and initiatives taken by the Bank are provided in the 89th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2016 and the Profit and Loss Account for the year ended on that date. It has been a challenging year with the bank focusing on working towards improving its performance in the medium term.

Your bank's operating environment remained a cause for concern with the private investment climate and economic sectors under some pressure. The declining oil prices seem to have started impacting on the domestic remittance expecting sectors of the economy of Kerala too. Your bank has experienced subdued deposit and credit growth but has had to grapple with stressed asset quality. These factors have weakened profitability and adversely impacted on your bank's capital position.

Performance Highlights

The salient features of the Bank's performance for the financial year ended March 31, 2016 are:

- CASA share to Total Deposits reached 25.06% as on 31st March 2016.
- Retail segment advance to total advance increased from 39% as on 31.03.2015 to 47% as on 31.03.2016.
- Achieved operating profit of ₹3.28 crore for the financial year 2015-16.
- Interest expended reduced by ₹85.15 crore during the financial year 2015-16 as compared to previous FY 2014-15.
- Net NPA is reduced to 2.78% on 31.03.2016 as against 3.29% as on 31.03.2015 and Gross NPA is reduced to 6.36% as against 7.00% as on 31.03.2015.
- Provision for NPA is reduced to ₹93.74 crore in the Financial Year 2015-16 as against ₹294.77 crore in 2014-15.
- The share of Retail Deposits to Term deposit recorded an increase of 7.86% from 52.84% as on 31st March 2015 to 60.70% as on 31st March 2016.
- The Bank has revived the insurance business which has yielded an income of ₹3.52 crore in Financial Year 2015-16 as against ₹1.42 crore in 2014-15.
- Book value per share is ₹28.63.

Capital and Reserves

The Bank's Paid up capital and reserves stood at ₹507.95 crore as on 31.03.2016.

Total Business

The total Business of the Bank as on 31.03.2016 stood at ₹18737.77 crore as against ₹20503.58 crore as on 31.03.2015.

Deposits

The total Deposits of the Bank stood at ₹11353.76 crore as on 31.03.2016 as against ₹12381.68 crore as on 31.03.2015.

Advances

The Bank's total advance stood at ₹7384.01 crore as on 31.3.2016 as against ₹8121.90 crore as on 31.03.2015.

PRIORITY SECTOR ADVANCES

The Bank continued its constructive approach towards priority sector lending in conformity with the national policies, regulatory expectations and fulfillment of social objectives. The Bank's priority sector advances stood at 40.27% and its agricultural advance is at 16.70% of the adjusted net bank credit. The weaker section advances were at 10.42%, which is above the prescribed norm of 10%. Lending under various socio-economic schemes has shown satisfactory progress.

Profitability

The bank's operating profit during the year was ₹3.28 crore as against ₹16.58 crore during the previous year. The bank declared a net loss of ₹209.45 crore during the year under report and the same at the previous year was ₹241.47 crore.

Dividend

In view of the net loss recorded by the Bank during the year, no dividend is recommended.

Non-Performing Assets

The RBI has taken a number of proactive steps to address concerns confronting the banking sector's NPA accretions. The RBI undertook special asset quality review (AQR) across the banking industry. As a result, the gross NPA of banks and provisioning requirements increased significantly affecting their profitability. However, the various monitoring/recovery measures employed by the Bank helped it in restricting further slippages into NPA to

a considerable extent and ensured reasonable recovery from the existing NPA accounts. The provision requirement for current year was ₹93.73 crore as against ₹294.77 crore in the previous financial year.

During the year the new slippage to NPA in the Bank was ₹250.75 crores, in comparison with the figure of ₹337.17 crores of the previous year.

The total recovery in NPA which include Cash Recovery and Upgradation, during the current fiscal was ₹176.72 crore. The corresponding figure for the past year was ₹84.51 crore.

The Bank has sold 2 assets to Assets Reconstruction Company with a gross balance of ₹61.65 crores (last year-NIL) with a view to reduce NPA.

Both the Gross NPA and Net NPA percentages have reduced from 7% to 6.36% and from 3.29% to 2.78% respectively during the financial year 2015-16.

The Provision Coverage Ratio (PCR) which was 67.82% as on 31.3.2015 has improved to 75.67% as on 31.3.2016.

Customer Service

The Bank has taken a series of measures during the year through deployment of technology and otherwise for enhancing service quality. A well defined and full-fledged Customer Grievance Redressal Mechanism is put in place at the Bank.

The Customer Service Committee of the Board monitors the implementation of customer service measures periodically. Customer Service Committees, comprising of Bank personnel as well as our constituents, have been formed at the apex level

and at branches for monitoring service quality and bringing about improvements on an ongoing basis. The Bank has a 24 x 7 Phone Banking Call Centre at Thrissur.

The Bank is a member of Banking Codes & Standards Board of India (BCSBI) and is actively implementing the Code of Commitment to Customers as also the Code for Micro and Small Enterprises formulated by the BCSBI. In the annual Compliance survey conducted by BCSBI on implementation of BCSBI Code, the Bank has achieved "Above Average" rating for compliance. The Bank has achieved a "High Level" of compliance rating with regard to the "Grievance Redressal" segment thereby placing the Bank among the top five private sector banks on the said parameter.

During the financial year 2015-16, the Bank resolved 5388 complaints as against of total of 5411 complaints received. The organized structure for handling complaints at Branches, Regional offices, ATM Reconciliation Desk, Call Centre and Corporate Office, has helped the Bank in better customer service.

Customer Touch points

The Bank's customer immediate touch points stood at 678 as on 31.03.2016, comprising 266 branches, 398 ATMs and 14 processing centres.

We have received a total of 107 recommendations from the Reserve Bank of India's Committee on Customer Service. Out of the 100 recommendations applicable to your bank, we have implemented 85 recommendations and the implementation of remaining items is in process.

Particulars	Contact Centre	RO & CO	ATM Recon	Banking Ombudsman	Total
Number of complaints outstanding at the beginning of the year	3	0	8	5	16
Number of complaints received during the year	1425	105	3842	39	5411
Number of complaints resolved during the year	1419	103	3824	42	5388
Number of complaints pending during the year	9	2	26	2	39

New Products and Services introduced:

- **Facility for Online submission of Social Security Scheme Applications**

During the last Financial Year, the Bank has developed in-house a web based software application accessible by branches to key in/capture the details of applications received at branches for Social Security Schemes such as the Prime Minister's Jeevan Jyothi Bima Yojana (PMJJBY), Prime Minister's Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) announced by Central Government.

- **Implementation of Sovereign Gold Bond Scheme**

Bank has implemented a scheme introduced by RBI where the public can subscribe to gold bonds through scheduled commercial Banks. This has been smoothed with software application to capture the customer and subscription details and onward upload to RBI E-kuber portal.

'DhanSmart' Mobile Banking Application is extended for iOS & Windows Mobile OS.

As part of Bank's continuous efforts to facilitate its customers with technology products, new and enhanced Mobile banking application has been extended to iOS & Windows mobile operating systems.

- **Transaction Limit enhancement in Mobile Banking**

Recognizing the need to cater to the observed upward trend in Mobile Banking transactions and taking in to account customer convenience as also respecting the feedback received from customers, the Bank has enhanced the transaction limit in 'DhanSmart' – Mobile Banking application from ₹10000/- to ₹25000/- with effect from 1st March, 2016.

- **Introduction of Dhanam Genius – Kids/ Student account**

With a view to broaden the product offerings to the savings account segment, especially in the young/students category, bank has introduced a new savings account product- Dhanam Genius. This has enriched features like Sweep in / out facility and ATM card with personalized photographs.

- **Introduction of Dhanam Yuvak Savings account**

Bank has introduced new savings account- 'Dhanam Yuvak' which exclusively caters to the needs of Youth segment with special features like ATM card with personalized photo and many more conveniences.

- **New Application for Wage Protection System- An Initiative by Labour Department**

The Bank is empanelled in the implementation of Wage

Protection System (WPS) announced by the Government of Kerala. Bank has developed an application to download available data from the Labour Department server, based on which the system will enable disbursement of salaries to employees.

Investor Education and Protection Fund

In accordance with the provisions of Section 125 of the Companies Act, 2013, during the year, the Bank transferred ₹9,50,056/-, being the unclaimed / unpaid dividend for the financial year 2007-08, to the Investor Education and Protection Fund (IEPF).

Listing on Stock Exchanges

The equity shares of the Bank are listed on BSE Ltd. and National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the financial year 2016-17.

Particulars regarding conservation of energy, Technology Absorption and Foreign Exchange Earnings and outgo.

The Bank has supported various initiatives for energy conservation at its various premises. The Bank uses information technology extensively in its operation and consistently pursuing its goal of technological up-gradation in a cost effective manner for delivering quality customer service.

The Company, being a banking company and an Authorized Dealer in Foreign Exchange, has taken all possible steps to encourage foreign exchange business.

Number of cases filed, if any, and their disposal under Section 22 of the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has zero tolerance approach towards any action on the part of any executive/employee which may fall under the ambit of "Sexual Harassment" at work place, and is fully committed to uphold and maintain the dignity of woman staff working in the Bank. The policy provides for protection against sexual harassment of women at work place and for prevention and redressal of such complaints. All the employees (permanent, contractual, temporary, trainees) are covered under this policy.

Number of complaints pending as on the beginning of the financial year – Nil

Number of complaints filed during the financial year – Nil

Number of complaints pending as on the end of the financial year – Nil

Particulars of employees

The Bank has no employee whose particulars are required to be given in terms of Section 197 of the Companies Act, 2013 read with Rule 5 (2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

The ratio of the remuneration of each Director to the median employees' remuneration and other details in terms of Section 197 (12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this report.

Green Initiatives in Corporate Governance

The Bank supports and pursues the 'Green Initiative' of the Ministry of Corporate Affairs, Government of India. All the documents including the notice and explanatory statement of Annual General Meeting, Audited Financial Statements, Directors' Report and Auditors' Report are being sent electronically to all shareholders who have registered their e-mail addresses with their Depository Participants or with the Bank's Registrar & Transfer Agents. Shareholders holding shares in electronic form are requested to update their e-mail addresses in their respective DP accounts. Shareholders holding shares in physical form are requested to update their e-mail addresses with Bank's Registrar and Transfer Agents by a written request if they require electronic delivery of documents.

ANTI-MONEY LAUNDERING (AML)

Transactions processed through the Core Banking Solution is monitored for detecting suspicious transaction using Infrasoftware Technologies –AML application, to discharge the obligation cast on the Bank under Prevention of Money Laundering Act.

The Offsite Monitoring Teams set up for post facto verification of KYC Compliance while establishing new customer relationships by the branches are stabilized fully now.

The Bank has attached great importance to compliance of KYC/AML/CFT norms by the customers as per the Reserve Bank of India directive.

Directors

The composition of the Board of Directors of the Bank is in accordance with the Banking Regulation Act, 1949, the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the best practices of Corporate Governance. As on March 31, 2016, the Board comprises 8 Directors including Managing Director & CEO, 5 non-executive Directors and 2 nominee Directors. All the Directors have rich experience

and specialized knowledge in various sectors like banking, agriculture & rural economy, small scale industry, economics and accountancy.

Declarations have been taken from Independent Directors as required under the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI guidelines. The remuneration paid to the Directors during the year is disclosed in Report on Corporate Governance.

Changes in the Board

Sri T. Y. Prabhu ceased to be Part-time Chairman of the Bank on completion of the stipulated period. Sri Jayakumar P. G. ceased to be Managing Director & CEO of the Bank. Dr. B. Ravindran Pillai and Sri Rohit Jain ceased to be Directors on the Board of the Bank.

The Board places on record its appreciation for the invaluable services rendered by them during their tenure as Directors on the Board of the Bank.

Dr. Jayaram Nayar was appointed as Part-time Chairman and Sri G. Sreeram took over as Managing Director & CEO of the Bank. Sri E. Madhavan was appointed as Additional Director. RBI nominated Sri S. T. Kannan as Additional Director on the Board of the Bank in terms of Section 36AB of the Banking Regulation Act, 1949.

Composition of Audit Committee

The Board of the Bank has constituted a five member Audit Committee. All the five members of the Committee are non-executive Directors, with Mr. Chella K. Srinivasan, who is a Chartered Accountant, as its Chairman and Dr. Lakshmy Devi K. R., Mr. K. Jayakumar, Mr. Susobhan Sinha and Mr. S. T. Kannan as the other members. The Committee has been constituted in accordance with regulatory requirements. The terms of reference of the Committee are in accordance with the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI guidelines.

Declaration by Independent Directors

The Bank has duly obtained necessary declarations from each Independent Director under Section 149(7) of the Companies Act, 2013 that he/she meets the criteria of independence as laid down in the Section 146(6) of the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The Bank has also obtained the 'Fit & Proper' declaration as prescribed by the Reserve Bank of India.

Board Level Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the performance evaluation of the Board as a whole, the individual Directors and various Committees of the Board are undertaken annually. The Nomination & Remuneration Committee has formulated the criteria for performance evaluation of Directors.

A separate meeting of independent Directors evaluates the performance of non-independent Directors, Chairman and the Board as a whole. The Board evaluates the performance of the Directors who are Members of the Nomination & Remuneration Committee. The Nomination & Remuneration Committee evaluates the performance of the Directors who are Members of the Board who are not Members of the Committee. The evaluation of the individual Directors is being done in the absence of the Director being evaluated.

The Board evaluates the performance of Board level committees. Nomination & Remuneration Committee recommends the appointment / reappointment / continuation of Directors to the Board. Based on the recommendation of the Committee, the Board will take the appropriate action.

The criteria for performance evaluation of Directors, Board and its Committees are as under:

- Attendance at Board and various Committee meetings;
- Participation and contribution in Board and Committee meetings;
- Composition of the Board and its diversity;
- Roles of various Committees of the Board;
- Compliance and understanding of regulatory requirements;
- Contribution to effective corporate governance and transparency in the Bank's operations;
- Updation of Knowledge and familiarization programmes conducted for Directors;
- Appropriateness of decisions made by the Board and its Committees;
- Quality, quantity and timeliness of flow of information to the Board;
- Understanding by individual Directors for their roles and responsibilities as Director;
- Contributions towards the performance and strategies of the Bank;

- Conduct of Meetings;
- Professionalism in the Board and Committees.

Changes in Key Managerial Personnel (KMP)

Sri Jayakumar P.G. ceased to be Managing Director & CEO of the Bank and Sri G. Sreeram took over as Managing Director & CEO for a period of 3 years w.e.f. April 6, 2015.

Sri Krishnan K.S., who was the Chief Financial Officer & Company Secretary, vacated office on September 30, 2015. Sri Bhasi K.V. was appointed as Chief Financial Officer of the Bank w.e.f. October 1, 2015. Sri Santosh Kumar Barik took over as Company Secretary of the Bank w.e.f. October 1, 2015.

Explanation for the Auditors' comments in the Report

The Auditors' report for the year 2015-16 does not contain any qualifications. However, it includes the following emphasis of matters;

Emphasis of matter

- i. Note No.6 (iv) of the financial statements regarding deferment of shortfall arising from the sale of certain Non Performing Assets during the year ended 31st March, 2016 in terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated 1st July, 2015 and the unamortized balance as at 31st March, 2016 amounting to ₹10.97 crores.
- ii. Note No.23 of the financial statements regarding retention of deferred tax assets amounting to ₹37.06 crores.

Since the above comments read with respective notes are self explanatory, no explanation is offered in this regard.

Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013, the Board had appointed Sri M. Vasudevan, Practicing Company Secretary, Thrissur as the Secretarial Auditor to conduct the Secretarial Audit of the Bank for the financial year 2015-16. The Bank has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The report of the Secretarial Auditor for the financial year 2015-16 is annexed to this report. The response of the Bank to the observations made in the Secretarial Audit Report is given below:

Sl. No.	Observations of Secretarial Auditor	Response of the Bank
1	The Reserve Bank of India had vide its letter dated 13.10.2015 imposed a penalty of ₹100 lakhs on the Bank for violation of KYC guidelines in the account of M/s. Esesvi Developers (India) Pvt. Ltd.	The Bank was fined by the Regulator in respect of some transactions happened during 2012 in the accounts maintained in the Bank by M/s Esesvi Developers (India) Private Limited. There was no terrorist funding/ money laundering involved. The customer (a private limited company promoted by Shri Srikanth Reddy, Ex-Director of the Bank) was well associated with the Bank. During the said period our KYC/ AML software was not fully integrated with robust rule engines. Identifying the gaps, Bank acquired new KYC/AML software in October 2013 and implemented the same. Now all the regulatory guidelines on the AML alerts prescribed by the Regulators are implemented. Presently we have a very pragmatic and proactive AML desk, equipped with qualified personnel and supported by good and efficient software. Proper mechanism has also now been put in place to identify and report attempted suspicious transactions. The AML Software is also upgraded to enable reporting of attempted suspicious transactions online . For a robust Transaction monitoring in newly opened accounts, in addition to other alerts in newly opened accounts, the concept of Threshold Limit has also been implemented from the FY 2016-17.
2	The Adjudicating Officer, Govt. of Maharashtra, had pursuant to Section 46 of the Information Technology Act, 2008, issued an order dated 12.01.2015 imposing a compensation of ₹18 lakhs. An appeal before Cyber Appellate Tribunal, New Delhi is pending regarding the said matter.	The appellate authority is not yet constituted and the matter is posted to 12.8.2016. We have already obtained stay of the order of Adjudicating Authority from the High Court of Delhi since the appellate authority is not yet constituted.
3	Financial Intelligence Unit under Ministry of Finance, Government of India, has imposed a fine of ₹1 lakh for failure in detecting and reporting attempted suspicious transactions pursuant to Section 12 of Prevention of Money Laundering Act, 2002.	On August 2015, the Bank was fined by the Director, Financial Intelligence Unit-India for the reason that Bank failed to have proper internal mechanism for detecting and reporting attempted suspicious transactions based on the sting operations made by online reporting channel M/s Cobra Post. Presently, we have been made ONLINE facility to all our branches through our AML software to report any attempted suspicious transactions. Branches are also educated to report the IBA prescribed 22 non transactional alert scenarios. We are also obtaining necessary monthly Certificate from the Branches for Compliance of the same.
4	As per the audited financial statements as on 31.03.2016, the Total Capital Adequacy Ratio of the Bank stood at 7.51%. The Reserve Bank of India vide circular DBR.No.BRBC.1/21.06.201/2015-16 dated July 1, 2015 has stipulated that all scheduled commercial banks operating in India are required to maintain a minimum Pillar 1 Capital to Risk-weighted Assets Ratio (CRAR) of 9% on an on-going basis.	Bank proposes to raise Tier I capital of ₹140 crore during the current financial year. Out of this, Bank is in the process of raising minimum ₹100 crore by August 31, 2016. Bank would be able to meet the CRAR requirements upon infusion of the capital proposed. Moreover, Bank has sufficient headroom for raising Tier 2 capital, which the Bank could raise for further improvement of CRAR ratio, if required.

Corporate Governance

A separate report on Corporate Governance as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and certificate from Statutory Auditors certifying compliance with the conditions of Corporate Governance are annexed to this report.

Number of Board Meetings

A total of 12 Board Meetings were held during the year. The Board meetings were held in accordance with the regulatory requirements. The details of the meetings held are provided in the Corporate Governance Report that forms part of this Annual Report.

Extracts of Annual Return

Pursuant to Section 92 (3) of the Companies Act, 2013 read with Rule 12 (1) of the Companies (Management and Administration) Rules 2014, Extract of Annual Return as on the financial year ended March 31, 2016 in Form No. MGT - 9 is annexed to this report.

Subsidiary Companies

The Bank does not have any subsidiary companies.

Related Party Transactions

The Bank has adopted the "Policy on materiality of related party transactions and dealing with related party transactions" in accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy is hosted on the website of the Bank www.dhanbank.com.

During the financial year, the Bank did not enter into any related party transactions with its Directors or Senior Management or their Relatives that would potentially conflict with and/or adversely affect the interests of the Bank, except the vehicle loan advanced to the Chief Financial Officer and the remuneration paid to the Managing Director & CEO, Chief Financial Officer and Company Secretary. There was no related party transaction for which Form AOC-2 was applicable

Strictures and Penalties

During the last three years, there were no penalties or strictures imposed on the Bank by the Stock exchanges(s) and/or SEBI and/ or any other statutory authorities on matters relating to capital market.

Disclosure

In November 2015, Bank was fined ₹1 crore by Reserve Bank of India in respect of KYC/ AML violations happened during the year 2012 in one of the accounts maintained with the Bank. In order to avoid future recurrence of such cases Bank has put in place a new KYC/AML software in the Year 2013.

In August 2015, Bank was fined ₹1 lakh by Director, Financial Intelligence Unit-India, for the reason that the Bank failed to have proper internal mechanism for detecting and reporting attempted suspicious transactions based on the sting operation made by M/s Cobra Post in the Year 2013. Bank has now built in necessary internal mechanism and checks to ensure that such incidents do not recur.

Further details are mentioned in Point No.VII, of Form No.MGT-9, Extract of Annual Return, which is given as Annexure to Directors Report.

The Bank is working under the Prompt Corrective Action Framework of the Reserve Bank of India

Management Discussion and Analysis Report

This has been dealt with in a separate section in the Annual Report.

Directors' Responsibility Statement

Pursuant to the provisions of Section 134 (5) of the Companies Act, 2013 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- (a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year 2015-16 and of the profit and loss of the Bank for that period;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively;
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgements

The Board of Directors places on record its gratitude to the Government of India, Reserve Bank of India, State Governments, Securities and Exchange Board of India and other Regulatory bodies including stock exchanges where the Bank's shares are listed for their support and guidance. The Board also places on record its gratitude to the Bank's customers, shareholders, other stakeholders and well wishers for their valued patronage. The Board further places on record its appreciation for the valuable services rendered by M/s K. Venkatachalam Aiyer & Co., Statutory Central Auditors of the Bank. The Board expresses its sincere appreciation for the dedicated services rendered by officers and employees of the Bank at all levels.

Place : Thrissur
Date : 11.08.2016

By Order of the Board
Sd/
(Dr. Jayaram Nayar)
Chairman

Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2016

A. Summary			
Sl. No.	Particulars	ESOP 2009	ESOS 2013
1	Number of options granted	39,99,225	24,77,400
2	The Pricing Formula	Closing price prior to the date of meeting of the Remuneration Committee in which the options are granted, on the Stock Exchange where there is highest trading volume on the said date	As fixed by the Remuneration committee
3	Number of options vested	4,71,352	7,40,500
4	Number of options exercised	20,719	NIL
5	Total number of shares arising as a result of exercise of options	20,719	NIL
6	Number of options lapsed	35,07,154	26170
7	Variation in the terms of options	NA	NA
8	Money realised by exercise of options (₹)	24,52,094	NIL
9	Total number of options in force	4,71,352	24,51,230
B. Employee-wise details of options granted to			
(i)	Senior managerial personnel	No options were granted during the current year	No options were granted during the current year
(ii)	Employees who were granted, in any one year, options amounting to 5% or more of the options granted during the year	None	None
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None	None
C. Diluted Earning per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20			
D. The impact on the Profits and EPS of the fair value method is given in the table below -			
	Net Profit as reported	(₹209.45)	(₹241.15)
	Basic Earnings Per Share(EPS) as reported	(11.80)	(13.61)
	Diluted EPS as reported	(11.80)	(13.61)
E. Weighted average exercise price and fair value of options			
Weighted average exercise price of options whose			
(a)	Exercise price equals market price		
(b)	Exercise price is greater than market price	The Price of stock options granted is ₹ 118.35	The Price of stock options granted is ₹ 40.73
(c)	Exercise price is less than market price		
Weighted average fair value of options whose			
(a)	Exercise price equals market price	-	-
(b)	Exercise price is greater than market price	-	-
(c)	Exercise price is less than market price	-	-
F. Method and Assumptions used to estimate the fair value of options granted during the year			
		Fair Value Method	Fair Value Method

Annexure to Directors Report for the year ended March 31, 2016

PARTICULARS PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sl. No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year	MD & CEO Mr. G Sreeram 6.06 :1 For this purpose the sitting fees paid to Chairman and other members of the Board have not been considered as remuneration.
II	The percentage increase in remuneration of each director, CFO, CEO, CS in financial year	Mr. G Sreeram (MD & CEO) NIL Mr. P. G. Jayakumar NIL (Ex-MD & CEO) Mr. Bhasi K. V. (CFO) NIL Mr. Santosh Kumar Barik NIL (Company Secretary) Mr. Krishnan K. S. NIL (CFO & CS till Sep 2015)
III	The percentage increase in the median remuneration of employees in the financial year	19.46 %
IV	The number of permanent employees on the rolls of the Bank	There were 2185 employees as on March 31, 2016
V	The explanation on the relationship between average increase in remuneration and Bank performance	Bank being part of Bipartite settlement entered into by IBA with workmen and officers, calculation of yearly increase in employee remuneration is done based on this and increase in dearness allowance is linked to consumer price index.
VI	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Bank	For the year 2015-16, the Bank declared a loss of ₹209.45 crore.
VII	Variations in the market capitalization of the Bank, price earnings ratio as at the closing date of the current FY and previous FY and percentage increase over decrease in the market quotations of the shares of the Bank in comparison to the rate at which the Bank came out with the last public offer.	The Market capitalization of the Bank has decreased from ₹548.29 crore as on March 31, 2015 to ₹347.78 crore as on March 31, 2016
VIII	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	There was no increase in salaries of employees other than managerial personnel except for normal annual increments and increase in Dearness Allowance which is linked to consumer price index and paid across banks as per the industry level wage settlement.
IX	Comparison of each remuneration of the Key Managerial Personnel against the performance of the Bank	For the year 2015-16, the Bank declared a loss of ₹209.45 crore.
X	The key parameters for any variable component of remuneration availed by the directors	None of the Directors, including Chairman and MD & CEO, have been paid any variable remuneration during the Financial Year, as only sitting fees are paid to them.
XI	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	No Top Management Executives who are not directors receive remuneration in excess of the highest paid director during the year.
XII	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed.

Notes:

- The median salary of the staff members is arrived by taking 12 months comparable gross salary.
- Remuneration of MD and CEO is regulated by RBI guidelines.

Annexure to Directors Report for the year ended March 31, 2016

SECRETARIAL AUDIT REPORT

For the financial year ended 31st March, 2016

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]**

To,

The Members,
Dhanlaxmi Bank Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Dhanlaxmi Bank Limited (hereinafter called the "company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minutes, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2016 complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minutes, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2016 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- vi. The other laws applicable specifically to the company are as follows:
 - a) The Reserve Bank of India Act, 1934;
 - b) The Banking Regulation Act, 1949;
 - c) The Banking Companies Regulation (Companies Rules), 1949.
 - d) The Banking Companies (Period of preservation of Records) Rules, 1985.

- e) Prevention of Money Laundering Act, 2002
- f) Credit Information Companies (Regulation) Act, 2005
- g) The Deposit Insurance and Credit Guarantee Corporation Act, 1961

I have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards 1 and 2 issued by The Institute of company Secretaries of India.
- ii. The Listing Agreements entered into by the company with Stock Exchange(s).

During the period under review the company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- i. The Reserve Bank of India had vide its letter dated 13.10.2015 imposed a penalty of ₹100 lakhs on the Bank for violation of KYC guidelines in the account of M/s. Esesvi Developers (India) Pvt. Ltd.
- ii. The Adjudicating Officer, Govt. of Maharashtra, had pursuant to Section 46 of the Information Technology Act, 2008, issued an order dated 12.01.2015 imposing a compensation of ₹18 lakhs. An appeal before Cyber Appellate Tribunal, New Delhi is pending regarding the said matter.
- iii. Financial Intelligence Unit under Ministry of Finance, Government of India, has imposed a fine of ₹1 lakh for failure in detecting and reporting attempted suspicious transactions pursuant to Section 12 of Prevention of Money Laundering Act, 2002.
- iv. As per the audited financial statements as on 31.03.2016, the Total Capital Adequacy Ratio of the Bank stood at 7.51%. The Reserve Bank of India vide circular DBR.No.BRBC.1/21.06.201/2015-16 dated July 1, 2015 has stipulated that all scheduled commercial banks operating in India are required to maintain a minimum Pillar 1 Capital to Risk-weighted Assets Ratio (CRAR) of 9% on an on-going basis.

I further report that

The Board of Directors of the company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through and the views expressed by the Board members were also captured and recorded as part of the minutes. We understand that there were no dissenting views for being captured in the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the company has made the following specific events / actions having a major bearing on the company's affairs in pursuance of the rules, regulations, guidelines, standards, etc. referred to above:

- i. Members have provided approval to increase the issued and paid up capital of the company up to the extent of ₹50 crores by further issue of equity shares pursuant to Section 62(1)(c) of the Companies Act, 2013 at the 88th Annual General Meeting held on September 29, 2015.

Place : Thrissur

Date : 30.07.2016

Signature: Sd/-

Name of Company Secretary in practice: **M Vasudevan**

FCS No.: 4177

C P No.: 2437

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March, 2016
[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the
Companies (Management and Administration) Rules, 2014]

I. REGISTRATION DETAILS

CIN	L65191KL1927PLC000307
Registration Date	14.11.1927
Name of the Company	Dhanlaxmi Bank Limited
Category/subcategory of the company	Public Company
Address of the Registered office and contact details	Dhanlaxmi Bank Limited, Dhanalakshmi Buildings, Naickanal, Thrissur – 680 001
Whether Listed Company	Yes
Name, Address and contact details of Registrar and Transfer Agents, if any	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No. 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 Tel : +91-40-67161500 Fax : +91-40-23001153 E-mail: einward.ris@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sl. No.	Name and Description of main Products / Services	NIC Code of the Product/ Service	% to total turnover of the Company
1	Banking	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of Shares held	Applicable section
Not Applicable					

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK-UP AS PERCENTAGE OF TOTAL EQUITY)

(i) **Category-wise Shareholding**

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% of change during the year	
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares		
A. Promoters										
(1) Indian										
a) Individual/HUF	0	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0	0
e) Banks/Fl	0	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0	0
Sub-total (A) (1)	0	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
(2) Foreign									
a) NRIs – Individuals	0	0	0	0	0	0	0	0	0
b) Other – Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/Fl	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A) (2)	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter (A)=(A) (1)+(A) (2)	0	0	0	0	0	0	0	0	0
B. Public Shareholding									
1. Institutions	0	0	0	0	0	0	0	0	0
a) Mutual Fund	1732	700	2432	0.00	1951	700	2651	0.00	0.00
b) Banks/Fl	351478	0	351478	0.20	203040	0	203040	0.11	0.08
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govts.	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	442277	0	442277	0.25	442277	0	442277	0.25	0.00
g) Fls	36751570	0	36751570	20.71	33399961	0	33399961	18.82	1.89
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-Total (B)(1)	37547057	700	37547757	21.16	34047229	700	34047929	19.19	1.97
2. Non-Institutions									
a) Bodies Corp	27432093	74808	27506901	15.50	22548457	74808	22623265	12.75	2.75
b) Individuals									
i) Individual Shareholders holding nominal share capital upto ₹1 Lakh	25808760	3541541	29350301	16.54	30007427	3478187	33485614	18.87	-2.33
ii) Individual Shareholders holding nominal share capital in excess of ₹1 Lakh	57330708	92630	57423338	32.36	59071010	92630	59163640	33.34	-0.98
c) Others (specify)									
Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
Trust	6800	30	6830	0.00	6800	30	6830	0.00	0.00
Clearing Member	261622	0	261622	0.15	215990	0	215990	0.12	0.03
HUF	1856427	0	1856427	1.05	1960694	0	1960694	1.10	-0.06
Directors& their relatives	800	0	800	0.00	1000	0	1000	0.00	0.00
Escrow Account	0	0	0	0.00	0	0	0	0.00	0.00
Non-Resident Indians	23414859	72784	23487643	13.24	25864773	71884	25936657	14.62	-1.38
ESOS	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Portfolio Investor (Corporate)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B) (2)	136112069	3781793	139893862	78.84	139676151	3717539	143393690	80.81	-1.97
Total Public Shareholding (B)=(B) (1) + (B)(2)	173659126	3782493	177441619	100.00	173723380	3718239	177441619	100.00	0.00
C. Shares held by Custodians for GDRs and ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	173659126	3782493	177441619	100.00	173723380	3718239	177441619	100.00	

(ii) Shareholding of Promoters/Promoter Group

Sl. No.	Shareholders Name	Shareholding at the beginning of the year	Shareholding at the end of the year	% of change in shareholding during the year
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Not Applicable

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year (as on 01.04.2014 on the basis of SHP of 31.03.2014)		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company

1 At the beginning of the year

2 Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)

Not Applicable

3 At the end of the year

(iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on March 31, 2016

Sl. No.	Name of Shareholder	Shareholding at the beginning of the year (as on 01.04.2015 on the basis of Shareholding Pattern of 31.03.2015)		Change in Share holding (No. of shares)		Shareholding at the end of the year	
		No. of shares	% of total shares of the Company	Increase	Decrease	No. of shares	% of total shares of the company
1	B. Ravindran Pillai	8850000	4.99	0	0	8850000	4.99
2	Yussufali Musaliyam Veetil Abdul Kader	5289980	2.98	2364655	0	7654635	4.31
3	Shital Raghu Kataria	6655780	3.75	0	0	6655780	3.75
4	P. Raja Mohan Rao	6412000	3.61	0	0	6412000	3.61
5	Kapilkumar Wadhawan	0	0.00	6200000	0	6200000	3.49
6	Elara India Opportunities Fund Limited	6129220	3.45	60000	0	6189220	3.48
7	Antara India Evergreen Fund Ltd.	6100000	3.44	0	0	6100000	3.44
8	Viral Amal Parikh	0	0.00	5700000	0	5700000	3.21
9	Marshal Global Capital Fund Ltd.	5500000	3.10	0	0	5500000	3.10
10	Reliance Life Insurance Company Limited	0	0.00	5325002	0	5325002	3.00

(v) Shareholding of Directors and Key Managerial Personnel as on March 31, 2016

Sl. No.	Name of Director and KMP	Shareholding at the beginning of the year		Change in shareholding (No. of Shareholding)		Shareholding at the end of the year	
		No. of shares	% of total shares of the Bank	Increase	Decrease	No. of shares	% of total shares of the Bank
1	Sri G. Sreeram, MD & CEO	0	0.00	0	0	0	0.00
2	Sri P. Mohanan	200	0.00	0	0	200	0.00
3	Sri Chella K. Srinivasan	200	0.00	0	0	200	0.00
4	Sri K. Jayakumar	200	0.00	0	0	200	0.00
5	Dr. Lakshmy Devi K.R.	200	0.00	0	0	200	0.00
6	Sri E. Madhavan	0	0.00	0	0	0	0.00
7	Sri Susobhan Sinha, RBI Additional Director	0	0.00	0	0	0	0.00
8	Sri S.T. Kannan, RBI Additional Director	0	0.00	0	0	0	0.00
Key Managerial Personnel (other than MD & CEO)							
1	Sri Bhasi K.V., Chief Financial Officer	0	0.00	0	0	0	0.00
2	Sri Santosh Kumar Barik, Company Secretary	0	0.00	0	0	0	0.00

V. INDEBTEDNESS AS ON MARCH 31, 2016

Indebtedness of the Bank including interest outstanding /accrued but not due for payment

(₹ in Cr.)

Particulars	Secured Loan excluding deposit	Unsecured loans	Deposit	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	567.00	374.35	-	941.35
ii) Interest due but not paid				
iii) Interest accrued but not due	0.29	14.81	-	15.10
Total (i + ii + iii)	567.29	389.16	-	956.45
Change in Indebtedness during financial year				
Addition	5196.05	0	-	5196.05
Reduction	5695.05	190.51	-	5885.56
Net Charge				
Indebtedness at the end of the financial year				
i) Principal Amount	68.00	198.65	-	266.65
ii) Interest due but not paid				
iii) Interest accrued but not due	0.02	6.48	-	6.50
Total (i + ii + iii)	68.02	205.13	-	273.15

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time Directors and/or Manager

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager				
		MD & CEO		WTD	Manager	Total
		Sri G. Sreeram	Sri P. G. Jayakumar			
1	Gross Salary					
	(a) Salary as per provisions contained in Section 17(1) of the Companies Act, 1961	35,50,000	63,226	NA	NA	36,13,226
	(b) Value of perquisites u/s 17(2) of Income-Tax Act, 1961	32,400	0	NA	NA	32,400
	(c) Profits in lieu of salary under section 17(3) of Income-Tax Act, 1961	0	0	NA	NA	0
2	Stock Option					
	Granted during the year	0	0	NA	NA	0
	Exercised during the year	0	0	NA	NA	0
3	Sweat Equity	0	0	NA	NA	0
4	Commission					
	- As % of profit	0	0	NA	NA	0
	- Others, specify	0	0	NA	NA	0
5	Others, Please specify	0	0	NA	NA	0
	Total (A) (Total Remuneration does not include the number of Stock Options)	35,82,400	63,226	NA	NA	36,45,626
	Ceilings as per the Act	The remuneration paid to Managing Director & CEO is in accordance with the provisions of Companies Act, 2013 and the guidelines of Reserve Bank of India.				

B. Remuneration to other Directors

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount (₹)
		Sri T. Y. Prabhu*	Sri P. Mohanan	Sri Chella K. Srinivasan	Sri K. Jayakumar	Dr. Lakshmy Devi K.R.	
1	Independent Directors						
	- Fee for attending Board/Committee Meetings	2,30,000/-	6,00,000/-	6,50,000/-	4,00,000/-	5,00,000/-	23,80,000/-
	- Commission	0	0	0	0	0	0
	- Others, Please specify	0	0	0	0	0	0
	Total (1)	2,30,000/-	6,00,000/-	6,50,000/-	4,00,000/-	5,00,000/-	23,80,000/-
2	Other Non-Independent Directors	Sri B. Ravindran Pillai	Sri E. Madhavan	Sri Rohit Jain, RBI Additional Director	Sri Susobhan Sinha, RBI Additional Director	Sri S.T. Kannan, RBI Additional Director	
	- Fee for attending Board/Committee Meetings	1,00,000/-	-	-	-	-	1,00,000/-
	- Commission	0	-	-	-	-	0
	- Others, Please specify	0	-	-	-	-	0
	Total(2)	1,00,000/-	-	-	-	-	1,00,000/-
	Total(B)=(1+2)						24,80,000/-
	Total Managerial Remuneration						
	Overall ceiling as per the Act #	The remuneration paid to non-executive Directors is in accordance with the provisions of Companies Act, 2013					

RBI Directors are not paid any sitting fees / remuneration by the Bank

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		Sri Krishnan K.S., Chief Financial Officer & Company Secretary*	Sri Bhasi K.V., Chief Financial Officer**	Sri Santosh Kumar Barik, Company Secretary**	
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax, 1961	6,60,000/-	6,97,764/-	6,21,738/-	19,79,502/-
	(b) Value of perquisites u/s 17(2) of Income Tax, 1961		-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax, 1961		-	-	-
2	Stock Option				
	– Granted during the year		-	-	-
	– Exercised during the year		-	-	-
3	Sweat Equity				
4	Commission				
	– As % of profit		-	-	-
	– Others, specify		-	-	-
5	Others, please specify				
	Total (A) (Total Remuneration does not include the number of Stock Options)	6,60,000/-	6,97,764/-	6,21,738/-	19,79,502/-

* Sri Krishnan K.S. held the post of Chief Financial Officer & Company Secretary upto September 30, 2015.

** Sri Bhasi K.V. was appointed as Chief Financial Officer and Sri Santosh Kumar Barik was appointed as Company Secretary w.e.f. October 1, 2015.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of penalty/punishment/compounding fee imposed	Authority (RD/NCLT/COURT)	Appeal Made, if any (give details)
A. Company					
Penalty		1. FIU Order No 8/DIR/FIU-IND/2015 Dated 06 th August, 2015 Failure in detecting and reporting attempted suspicious transactions in terms of Sec 12 of PMLA read with Rules 2,3,7 and 8 of the Rules	Penalty of ₹ 0.10 million. Penalty was remitted on 25.09.2015	-	-
		2. DBS.CO.Pvt. SBMD.No.4389/15.01.061/2015-16 dated October 13 – Contravention of KYC/AML Guidelines-M/s.Essesvi Developers (India) Pvt. Ltd.	Penalty of ₹ 10 million. Penalty was remitted on 20.10.2015	-	-
Punishment					
Compounding					
B. Directors					
		None			
Penalty					
Punishment					
Compounding					
C. Other Officers in default					
		None			
Penalty					
Punishment					
Compounding					

Management Discussion and Analysis Report

GLOBAL ECONOMY

Global growth was 3.1% in 2015-16, and International Monetary Fund has projected a growth of 3.2% for the FY 2016-17 against the earlier projection of 3.4%. The major factors hindering global economic growth are

- Weak recovery of developed market economies
- Economic slowdown of emerging markets
- Rising international debt
- Declining global commodity prices
- Slow growth of international trade.

There is growing optimism that both the world economy and the banking industry are recovering from the impact of the financial crisis. But the financial world has changed permanently, both in terms of the balance of power within the industry and how banks will be allowed to operate in future. Banks in emerging markets are now well capitalised and well funded and big enough to compete directly against their western counterparts in the global marketplace. However, the regulatory environment for banking sector will differ greatly from one country to the next. A key challenge lies in the dichotomy that financial markets are increasingly global while regulators are predominantly national. Greater international co-operation will therefore be needed to improve the stability of the global financial system. Perhaps the biggest lesson from the crisis is that banks all around the world have learnt that they must co-operate more.

INDIAN ECONOMY

The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's the economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance

banks. The central bank granted in-principle approval to 11 payments banks and 10 small finance banks in FY 2015-16. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

KERALA ECONOMY

Service industry dominates the Kerala economy. Kerala leads many other Indian States and territories in terms of per capita GDP (₹74,620) and economic productivity, and Kerala's Human Development Index is the best in India. According to the *Global Hunger Index 2008*, the severity of hunger situation in Kerala is "serious", which is better than the grade "alarming" received by many Indian States. Kerala's low GDP and productivity figures juxtaposed with higher development figures than in most Indian States is often dubbed the "Kerala Phenomenon" or the "Kerala Model" of development by economists, political scientists, and sociologists. This phenomenon arises mainly from Kerala's land reforms, social upliftment of entire communities and reforms introduced by many Social reformers and the influence of communist movement which held the State for a long period of time. Some describe Kerala's economy as a "democratic socialist welfare State". Some, such as Financial Express, use the term "Money Order Economy". Kerala's economic progress is above the national average, but relatively few major Corporations and manufacturing plants are headquartered in Kerala.

Around 30,00,000 Keralites are working abroad, mainly in Persian Gulf; to where migration started with the Gulf Boom. The Kerala Economy is therefore largely dependent on trade in services and resulted remittances. In 2012, the state was the highest receiver of overall remittances to India which stood at \$66.13 billion (₹3,42,884.05 crore), followed by Tamil Nadu, Punjab and Uttar Pradesh. Many economists describe the situation as "Remittances from global capitalism are carrying the whole Kerala economy". Unemployment recently dropped from a large 19.1% in 2003 to 9.4% in 2007 and only 4.2% in 2011.

Financial Performance

The Bank's operating profit during the year was ₹3.28 crore as against ₹16.58 crore during the previous year. The total Business of the Bank as on 31.03.2016 stood at ₹18737.77 crore as against ₹20503.58 crore as on 31.03.2015. The total Deposits of the Bank stood at ₹11353.76 crore and total advance stood at ₹7384.01 crore as on 31.3.2016. Net NPA is reduced to 2.78% on 31.03.2016 as against 3.29% as on 31.03.2015 and Gross NPA is reduced to 6.36% as against 7.00% as on 31.03.2015. The capital adequacy ratio as per Basel II and Basel III was 7.68% and 7.51% respectively. The Bank declared a net loss of

₹209.45 crore for the year ended March 31, 2016 as against ₹241.47 crore during the previous year. The book value per share was ₹ 28.63.

CREDIT

Credit Risk is defined as the possibility of losses associated with attenuation in the credit quality of borrowers or counterparties. Credit risk is managed through a framework which sets out Policies and procedures covering its measurement and management.

To manage the credit risk, a comprehensive Credit Policy has been put in place in the Bank with the following broad objectives:

- Maintain quality of loan assets.
- Ensure reasonable return on the assets.
- Ensure an acceptable risk profile.
- Achieve proper sectoral / geographical distribution of assets.
- Compliance with regulatory norms in respect of exposure caps, pricing, IRAC guidelines, targeted credit, etc.

Bank is adopting a careful assessment of risk-return tradeoff, which is critical to its success. Branch centric model has been introduced and branches are given more delegated financial powers for sanctioning the loans.

The practice of providing an internal rating to borrowers, besides the external rating, has been put in place by the bank. The credit policy of the bank has prescribed exposure cap to ensure a fairly diversified spread of the credit portfolio to avoid credit concentrations either to a sector or to any borrower/group. Bank expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio.

As part of these exercises, the credit dispensation function was trifurcated as Credit Sourcing, Credit Sanction and Credit Monitoring. Branches are allocated to individual credit officers for speedy decision. Recovery of the non-performing assets was handled by a separate team with the requisite expertise. To enable taking a focused view within the credit portfolio, Bank has fixed targets for the following segments and achievement under these segments is monitored regularly.

- Corporate Banking
- SME
- Retail Assets
- Agri & Microcredit

CORPORATE BANKING

Bank provides its corporate and institutional clients a wide range of commercial and transactional banking products, backed by high quality service and relationship management. Funded and non-funded products including working capital finance, term loan finance, trade services, foreign exchange, cash

management and distribution products are offered by the Bank. The main focus is on growth sectors like pharmaceuticals, infrastructure, hospitality, education, etc. The Credit policy framework is intended to provide efficient delivery of products and services to corporates with all possible safeguards for prudent management of credit portfolio under this segment. Since the advances are of varied nature under this segment and deeper understanding of the industry is required for the management of credit portfolio, the central credit team takes care of the exposure under this segment.

LENDING TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Micro, Small and Medium Enterprises (MSME) segment is a key business area for the Bank. MSMEs play a vital role in the development of the economy and generation of employment. Bank is able to participate in both fund and non-fund based credit limits, diversification of risk and cross-selling.

Importantly, Bank can also fulfill their priority sector obligations by lending to MSME. One of the routes for achieving financial inclusion is by supporting small and micro enterprises, which in turn provide employment opportunities to the financially excluded. The Bank offers complete banking solutions to micro, small and medium scale enterprises across industry segments, including manufacturers, retailers, wholesalers / traders and services. The entire suite of financial products – including cash credit, overdrafts, term loans, bills discounting, letter of credit, bank guarantees, cash management services and other structured products – is made available to customers. Bank has entered into agreement with Credit Guarantee Trust Fund for Micro and Small Enterprises to provide collateral free credit facilities to the borrowers in this segment.

RETAIL ADVANCES

Retail exposure is mostly in the segments of mortgage, vehicle loan, education loan and other commercial loans. Bank has developed an array of parameterized retail credit products to suit the requirements of retail customers. Customized credit products are available for individuals, traders, contractors, businessmen, professionals, etc. The products are mostly decentralized and are offered through the branch channels.

CREDIT GUARANTEE FUND TRUST FOR MICRO & SMALL ENTERPRISES (CGTMSE)

Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) is launched to reassure the lender that, in the event of a MSE unit, which availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 75/80/85 per cent of the credit facility. The Bank is one of the Member Lending Institution. As usual this year also the Bank has enrolled twenty nine borrowers under the scheme.

MICROFINANCE AND AGRICULTURE LENDING

The Bank has been working with various Self Help Groups to cater to a wide consumer base through its own branch network. Bank has NGO partners who work with the objective of providing credit for income generation activities by providing training, vocational guidance, and marketing support to their members. The Bank continues to focus on agriculture lending as a large portion of India's un-banked population relies on agriculture as their main source of livelihood. The Bank provides various loans to farmers through its suite of specifically designed products – such as Kissan Credit Card plus SB scheme, crop loans, livestock loans, plantation loans etc. The Bank targets specific sectors to capture supply chain of certain crops from the production stage to the sales stage. On the basis of these cash flows, the Bank is able to finance specific needs of the farmers. Bank has given specific focus on lending to poultry farmers, rubber, pineapple and other fruit growers through government agriculture departments, associations, commodity board, etc.

Highlights of the Bank's Microfinance and Agri-business during the year were:

- Loan Outstandings in the area of Micro Credit was ₹537.63 crore as on 31.03.2016.
- The Bank's total agriculture advances stand at 16.70% of ANBC as against a target of 18%. The bank has extended 10.42% of ANBC to weaker section as against a target of 10% of ANBC Focus on grass root level lending to SHGs through Direct SHG – Bank Linkage Lending Model in Kerala & Tamil Nadu.
- There are more than 20000 number of SHGs maintaining savings bank account with our various branches. Credit facilities availed by SHGs from the Bank stood at ₹537.63 crore as on 31.03.2016. Kisan Credit Cards amounting to ₹8.41 crore were issued to 206 farmers as on 31.03.2016.
- Tie-up with dairies for providing cattle loans under JLG model and with NGOs for providing rural housing loans to SHG members.

MUDRA Scheme

To improve MSME lending we had introduced MUDRA scheme

Under the aegis of Pradhan Mantri Mudra Yojana (PMMY), MUDRA has formulated following three schemes to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur :

1. Shishu : Loans up to ₹50000/-
2. Kishore : Loans above ₹50000/- and up to ₹5.00 Lakhs
3. Tarun : Loans above ₹5.00 lakhs to ₹10.00 Lakhs

All non farm sector income generating activities such as manufacturing, trading and services whose credit needs below ₹10.00 lakh are MUDRA loans under Pradhan Manthri Mudra Yojana (PMMY).

For upliftment of the economically weaker sections the following schemes were introduced:

1. **To improve the educational loans the Bank has implemented - ACSISOBCEBC SCHEME (Dr. Ambedkar Central Sector Scheme of Interest Subsidy on Educational Loan for Overseas Studies for Other Backward Classes (OBCs) and Economically Backward Classes (EBCs)**

The scheme of Interest Subsidy on educational loans for overseas studies is to promote educational advancement of student from Other Backward Classes (OBCs) and Economically Backward Classes (EBCs). The objective of the scheme is to award interest subsidy to meritorious students belonging to other weaker sections of the society and economically backward classes so as to provide them better opportunities for higher education abroad and enhance their employability skills.

2. **To improve the lending under Housing loan in priority, bank has implemented Credit Risk Guarantee Fund Scheme for Low Income Housing (CRGFS).**

Under this scheme **Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH)** will provide the guarantee in respect of housing loans in the Economically Weaker Section(EWS)/Lower Income Group (LIG) categories.

3. **The Bank has implemented 'PMAY' (Pradhan Manthri Awas Yojana – Housing for all (Urban) Mission) - A scheme for providing affordable housing for weaker section through credit linked subsidy scheme.**

A central government scheme in which interest subsidy at the rate of 6.5% is available on housing loans which can be availed by the beneficiaries belonging to economically weaker section [EWS] and low income group [LIG] categories. This subsidy would be provided on the loan components to the extent of ₹6.00 Lakhs for a tenure of 15 years.

4. To improve the lending to Minorities and weaker sections under priority sector lending, Bank has implemented Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC).
5. To Promote Educational Loans under priority sector CGFSEL (CREDIT GUARANTEE FUND SCHEME FOR EDUCATION LOANS scheme has been implemented.
6. To promote the skill development loans under priority sector lending under MSME, Bank has approved for implementing CGFSSD Credit Guarantee Fund Scheme for Skill Development.

Credit Cards

A robust system as per international standards is in place for credit card operations in the Bank. Bank is issuing globally valid Platinum and Gold credit cards in association with the Visa International Service Association (VISA). The end to end activity

of credit card operations is managed by a well experienced vendor and closely monitored by the Bank. All credit card processes, such as on-line authorization, cardholder alerts on the credit card activities are automated.

CREDIT MONITORING

In order to ensure safety and quality of credit portfolio, Credit Monitoring Team plays a key role in the post sanction credit process such as, timely and orderly dispensation of credit, account management, monitoring the conduct of the assets, quality of asset portfolio, safeguarding securities charged to the bank, reporting of irregularities and adherence to terms of sanction through continuous liaison with the branches. This team helps to strengthen the post sanction activities in the weak prone areas and plug the gaps. Remedial measures are taken proactively to prevent slippages.

Well defined procedures as amended from time to time as per the regulatory guidelines / directives of Board on the process flow for credit disbursement / administration are put in place by the Bank.

BUSINESS DEVELOPMENT AND PLANNING

This department is serving as a research team, in introduction of new products/business lines designed on the basis of a broad assessment of market trends to satisfy growing needs of customers. It also acts as an effective coordinator between the Management, various regional administrative offices and the branches which are the business generating units.

The department is also responsible for implementing the RBI/BCSBI guidelines/Damodaran Committee recommendations on customer service and management of complaints including from Banking Ombudsman.

During last year, many products, campaigns and new services were introduced to serve the customers better:

- Bank has introduced new savings bank account - Dhanam Yuvak which exclusively cater to the needs of Youth segment with special features like ATM card with personalized photo and many more conveniences.
- Introduction of Health insurance campaign - BAGIC Health Festival for 15 days with a view to facilitate growth of non interest income for the Bank.
- Bank has tied up with LIC for distributing life insurance policies under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and has also entered into a similar tie up with United India Insurance Company Limited (UIIC) to promote the Pradhan Mantri Suraksha Bima Yojana (PMSBY).
- Sovereign Gold Bond Scheme Series-I (Financial Year 2015-16) which was announced by Government of India with a view to

enable Indian investors to purchase gold from Government which can be later encashed for money or for physical gold. Special campaigns during three tranche periods were organized by the Bank and a total of 45836 gms equaling gold bonds were sold through the branches during financial year 2015-16.

- Bank has entered into an arrangement with M/s Bajaj Allianz General Insurance Company Limited to roll out Sabarimala Welcare Policy for the benefit of pilgrims travelling to Sabarimala with coverage for Accidental loss of life for ₹ 2,50,000/-.
- The Bank has introduced a new savings account product- Dhanam Genius with enriched features like Sweep in/out facility and ATM card with personalized photo. This will help in broadening the customer offerings in savings account segment especially in kids/students category.

GOVERNMENT BUSINESS

The Bank is honoured to be bankers to scores of Government, Quasi-government, Body Corporates, Statutory Bodies Institutions under the Centre and State governments. In the state of Kerala, we have the privilege to be bankers many reputed organizations viz. Travancore Devaswom Board (TDB), Cochin Devaswom Board, Guruvayur Devaswom Board, Kerala State Financial Enterprises (KSFE), Kerala State Beverages Corporation (KSBC), Kerala Head Load Workers Welfare Fund Board, Greater Cochin Development Authority (GCDA), Abkari Workers Welfare Fund Board, Shops and Establishments Workers Welfare Fund Board, Tailor Workers Welfare Fund Board, Motor Workers Welfare Fund Board, Poultry Development Corporation, Building and Constructions Workers Welfare Fund Board etc. At the Central level, we also serve government undertakings like LIC, GIC, NABARD, HUDCO, Army Welfare Housing Organisation, National Co-op Development Corporation, NTPC-SAIL Pvt Ltd, Tourism Finance Corporation of India, PEC Ltd, Railway Vikas Nigam Ltd and Power Finance Corporation.

The Bank has been honoured once again as the committee appointed by Hon. Supreme Court of India has entrusted the Bank to take care of the entire Hundi collection of the famous Sri Padmanabha Swami Temple, Thiruvananthapuram.

Bank has won compliments from these government institutions for the services rendered. As a Bank committed to the social cause, the Bank has large number of micro credit initiatives. Bank continues its commitment to various schemes for the benefit of weaker sections of the society, particularly in Kerala.

THE BANK'S OPERATIONS AT SABARIMALA

The Bank became the principal bankers to Travancore Devaswom Board in late 1970s. Since then the Bank has been extending the best of services to the TDB and the temples administered by it.

Over the years, the Bank has expanded its services by opening satellite branches at Sannidhanam, Pampa, Erumeli and Nilakkal during the season viz. mid November to mid January every year and during the monthly poojas. The Bank has also deployed modern office equipments like Cash Sorting / Counting machines, Coin Counting / Bundling machines and has also extended anywhere banking services under Centralised Banking System at these branches.

Bank has established ATMs at Pamba and Sannidhanam for the benefit of millions of Lord Ayyappa devotees. The personnel of the Bank have displayed unmatched commitment to the work despite numerous hardships. The branches at Sannidhanam, Pampa, Erumeli, Mavelikkara and Nanthancode are functioning from the TDB premises.

In addition to the regular services provided, we have facilitated Travancore Devaswom Board with following services also.

- Handling the Prasadam Counters at Sannidhanam by deploying more than 130 bank official at a time during the Mandalam Makaravilakku Season each year.
- Facility of online advance booking of Pooja and Prasadam through payment gateway provided by the Bank. All pilgrims booking Pooja/ Prasadam were serviced at exclusive counters opened for the purpose by the Bank at Sannidhanam.
- Newly introduced Prasadam Kits containing Appam, Aravana, Manjal, Kunkumam and Vibhuthi were distributed through Bank counters at Sannidhanam.

THIRD PARTY PRODUCTS DISTRIBUTION

Life Insurance

Bank tie-up with M/s. Bajaj Allianz Life Insurance Company has insured 1129 Customers with Premium Collection of ₹3.73 Crore. Out of this we have generated an income of ₹ 88.00 Lakh.

Non-Life Insurance

On Non-Life insurance Front, Bank distributed 9352 Policies with Premium of ₹4.70 Crore.

Policies were issued on various heads such as Motor Insurance (Commercial Vehicles, Two Four Wheelers) Medical Insurance, Liability, Health, Property, Rural and Marine Insurance. Out of this bank has generated ₹ 37 Lakh revenue from General Insurance.

Money Transfer Service Scheme (MTSS)

Money Transfer Service Scheme (MTSS) is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. We have tie ups with 4 major MTSS companies viz Western Union Money Transfer, Instant cash, Xpress Money, Money Gram.

3-in-1 account

Our **3-in-1 account** comprises with **DLB CASA account, DLB Demat account** and the **Trading Platform** provided by one of India's leading Broking houses **M/s Religare Securities Ltd.**

Home reference Loan arrangement with DHFL

Bank tied up with Dewan Housing Finance Limited (DHFL), in which we are referring home loan cases which do not satisfy our policy norms.

FOREX BUSINESS

Forex business is one of the most important focus areas of the Bank in deposit mobilization and exchange earnings. At the end of the year 2015-16, Bank had Rupee Drawing Arrangement (RDA) with 2 Exchange Houses under the DDA Procedure and 7 Exchange House under the Speed Remittance arrangement. There has been a increase in remittance volumes under Speed remittance arrangements owing to competitive pricing of transactions vis-à-vis peer banks. The increase in routing transactions is also contributed by other factors like timely and seamless processing of the transaction, support and services extended to the exchange house in the remittance operations.

On the NRI business front NRI deposits of the Bank stood at ₹1918 crore at the end of FY 2015-16. NRI business clocked growth of 6.73% over FY 2014-15 with overall book growth of ₹ 121 crore.

FINANCIAL INCLUSION AND BUSINESS CORRESPONDENTS MODEL

Financial inclusion is delivery of banking services at an affordable cost ('no frills' / Basic Savings Bank Deposit Accounts) to the vast sections of disadvantaged and low income group. The Bank has initiated number of measures to promote financial inclusion widely. State Level Bankers Committee (SLBC) and Reserve Bank of India had allotted four villages in Kerala and one village in Tamil Nadu for the purpose of financial inclusion activities.

As on 31st March 2016, there were 172 Business Correspondents in various parts of Kerala and Tamil Nadu.

Business Correspondents have actively participated in the following Campaigns

- PMJDY (Prime Minister's Jan Dhan Yojana),
- PMJJBY (Pradhan Manthri Jeevan Jyothi Bima Yojana),
- PMSBY (Pradhan Manthri Suraksha Bima Yojana),
- SGB (Sovereign Gold Bond)
- APY (Atal Pension Yojana) as well as other welfare schemes launched by the Government of India.

The Bank has issued close to 30000 RUPAY debit Cards to our Financial Inclusion customers, who have opened PMJDY accounts through Business Correspondents.

These customers, in addition to using their RuPay debit cards at the TABs operated through Business Correspondents, are eligible for using the same at all ATM locations as well as POS.

CENTRAL PROCESSING CENTRE

The Bank has a full fledged Central Processing Centre (CPC) to support branch operations and customer service across the country. To have better operational control and facilitate the Branches to function in a smooth and hassle free manner, CPC is structured into eight teams under the respective Team Leaders. All teams function under a set process and encourage cross functional learning. CPC handles many routine and time bound activities for the branch thereby enabling branches with sufficient time to interact with the customers. Account opening and customer service request processing is done through a workflow management system that is completely integrated with the core banking system. The automation is capable of reducing account opening and service request processing time to hours as compared to 5-6 days taken earlier. CPC handles a variety of activities such as

- Opening of new CASA accounts through hub and spoke model. Document scrutiny by RPCs (Regional Processing Centres) and account activation at CPC.
- Opening of loan accounts including loan account modifications, interest rate changes, limit extensions, loan rescheduling, re structuring etc.
- Making customer and account level static data changes such as address, contact details, etc.
- Processing customer requests for cheque books, debit cards, internet banking related requests, mobile banking related requests including logistics management of deliverables.
- Production and dispatch of security stationery such as cheque books, demand drafts / bankers's cheques, pregenerated account opening kits, etc. to branches.
- Depository Participant operations.
- Electronic Clearing Services such as ECS Fund transfer, Mandate Registration, Schedule of Charges, Direct Debit lodgments and transactions.
- Local and Outstation and Cheque collection, Fund Transfer for Corporate customers through Cash Management Service.
- All NEFT and RTGS operations such as Bulk PAN Verification, Aadhaar number updation and processing of Direct Benefit Funds, etc. Electronic Channel Transaction Reconciliation of NEFT Inward / Outward, RTGS Inward / Outward, ATM, IMPS, POS, Internet Banking, Payment Gateway, Forex card and Bullion reconciliation transactions.
- Other Centralised activities.

CURRENCY CHESTS

Bank is having two Currency Chests, one attached to Pushpagiri Branch, Thrissur and the other one attached to Attukal Branch,

Thiruvananthapuram. Both the Chests are equipped with machines for currency counting, sorting and counterfeit detection. Transactions in the Currency Chests have recorded a growth of 26% during the Financial Year 2015-16.

PUBLIC RELATIONS AND PUBLICITY

It is very evident that the existence of the Bank has little value without the existence of the customer. The key task of the Bank is not only to create and win more and more customers but also to retain them through effective customer service. Customers are attracted through promises and are retained through satisfaction of expectations, needs and wants. Marketing as related to banking is to define an appropriate promise to a customer through a range of services (products) and also to ensure effective delivery through satisfaction. Bank had consciously kept a tight leash on our expenditures during the last financial year. To ensure that the Bank continues its publicity and marketing efforts, despite the financial limitations, it concentrated on localized and regional initiatives in reaching out to its customers. As a part of its community involvement, Bank participated in and encouraged local events and functions thereby growing with the society.

ALTERNATE CHANNELS

ATMs

Bank has a total of 398 ATMs spread across India to cater to the requirements of customers.

During the year, Bank introduced several cost cutting measures in terms of ATM Management and has streamlined the ATM operations.

- With a view to bringing down Monthly Management Fee on ATMs, Bank migrated the cash loading and FLM (First Level Maintenance) activities of 89 Onsite ATMs from CRA to branches, thereby saving a whopping amount of ₹5,15,600/- on a monthly basis.
- Auto generated E-mails and SMS were introduced by which prompt alerts were sent to branch custodians in case of ATM failure or Hardware related issues. This reduced the latency in attending to ATM related issues especially at the branch level and has enhanced the customer service.
- An In-house ATM support has been provided by the ATM vendor by way of deploying dedicated personnel at the bank premises, particularly to co-ordinate the ATM activities with their field staff / engineers thereby ensuring speedy & timely resolution of ATM issues. This considerably brought down the downtime of ATMs.
- With a view to bringing down the operational cost on ATMs, Bank has re-deployed 11 low hit ATMs to more viable locations thereby saving on the operational cost of ATMs. This has directly contributed to Ban's profitability.

POS

Bank has launched Point of Sale (POS) business in the FY 2013-14, as part of merchant acquisition service. We have increased our base in 2014-15, by increasing the number of PoS terminals to 702 as on 31st March, 2016.

The following value additions were done in the FY 2015-16:

- Introduced differential pricing in MDR for reducing the loss from issuer interchange remittance fee.
- Introduced IP (Ethernet) enabled terminals for faster processing.
- Migrated switch from Eftex Sydney to AGS India as per Regulatory compliance.
- Introduced Weekly/Monthly alerts to those branches with nil POS transactions for reducing operational loss on POS deployment.
- Introduced Monthly POS profitability analysis report to facilitate branches on better monitoring of their POS Merchants as well as increasing profitability.

Debit Cards

Starting 1st February, 2016, Bank had started issuing EMV Chip debit card to all new account holders. Existing customers who were using Magnetic stripe debit cards were supplied with new EMV chip debit cards. Customers are replaced with EMV chip debit cards on request as well.

Bank has introduced end to end Photo/Picture cards last year. The same has been upgraded to EMV chip and is being issued towards Dhanam Yuvak & Dhanam Genius accounts.

Rupay debit cards are continued to be issued towards PMJDY accounts.

CORPORATE WEBSITE

- Bank maintains its corporate website (www.dhanbank.com) with a dedicated internal team.
- The website is updated on a daily basis with product updates, information to customers, latest news while also ensuring availability of information as required by regulators.
- The corporate website has approximately 2.55 lac page views / hits per month.

PAYMENT GATEWAYS

Payment gateway throws wider options for the acceptance of payments and a key component to do business and accept online payments. Payment gateways allows multiple payment options like Credit or Debit Cards of Master, Visa, Maestro, Diners, AMEX, Rupay, etc. Currently the Bank has integrated 8 payment gateways in online banking covering almost 95% of online merchants/service providers.

MOBILE BANKING/PAYMENTS AND SMS BANKING

Interbank Mobile Payment Service (IMPS) is an instant interbank electronic fund transfer service through mobile phones. IMPS facilitate customers to use mobile instruments as a channel for accessing their banks accounts and remitting funds there from. Bank is a member of NPCI and is listed for offering IMPS services. The users shall be able to receive funds via IMPS. IMPS can be done from any user of other bank via Mobile or Internet as their Bank's IMPS function availability. Bank has also launched Phase 2 of Mobile Banking which includes m-Commerce, Bill Payment, Credit Card Payment and Debit Card blocking/Card/PIN reissuance requests via Mobile. In Financial Year 2015-16 enhanced Mobile banking application has been extended to iOS & Windows mobile operating system.

NACH (NATIONAL AUTOMATED CLEARING HOUSE)

NACH is owned by NPCI (National Payments Corporation of India) and promoted by Finance Ministry of India. The main objective of this system to execute DIRECT CASH TRANSFER SCHEME or any same kind of scheme to the eligible citizens of India based on AADHAAR CARD NUMBER [Aadhar Based Payment System] or to execute the same scheme to Non-AADHAAR CARD Holders also; based on bank account number [ECS & NACH-Debit /Credit].

The Bank has been on board for NACH since March, 2013. The Bank has become beneficiary / destination bank to receive subsidy to the customer account based on the Aadhaar Number or Bank Account Number. Eligible customers can receive funds from the government agencies under the respective schemes to their accounts with the Bank. The Bank has already started receiving direct benefit transfers into accounts of customers who have provided their Aadhaar numbers for linkage to their accounts.

IT INITIATIVES

Online submission facility for Social Security Scheme Applications

Central Government has announced launch of the following 3 social security and welfare schemes

- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Atal Pension Yojana (APY)

During the last Financial Year, Bank has developed in-house web based software application accessible from all branches to key in/capture the details of the application forms submitted by customers for enrolment to the above schemes.

Implementation of Software Application for Sovereign Gold Bond Scheme

RBI has launched another scheme where the public can

subscribe for gold bonds through scheduled commercial Banks and designated post offices. Bank has implemented necessary software application to capture the customer and subscription details and onward upload to RBI E-kuber portal.

In connection with SGB Tranche II, our SGB module has been enhanced with the below two options.

- SGB RBI Response file updation. (Helps to reverse update the Investor ID allotted by RBI to each subscriber)
- SGB Pending Subscriptions at Branches. (A new report for the details of subscriptions Pending for Approval)

'DhanSmart' Mobile Banking Application is extended for iOS & Windows Mobile Operating System

As part of our continuous strives to facilitate our customers with technology products, new and enhanced Mobile banking application has been extended to iOS & Windows mobile operating system. Now Bank's customers can access and manage their Dhanlaxmi Accounts from their iPhone, Ipad and Windows based smart phones. The Android, iOS & Windows flavours of mobile application can now be downloaded from AppStore, Google PlayStore & WindowStore respectively.

New Payment Gateway facility in Retail Internet Banking (RIB)

Currently, in RIB we have payment gateway facility which covers almost all merchants. Recently SBI has started payment aggregator facility and our bank is also partnering with them. We have added SBI Payment Gateway services in RIB, there by our bank customers would be able to do online transactions through various Government organisations.

Payment Gateway (PG) Facility in Corporate Internet Banking (CIB)

Bank has successfully integrated following two payment gateways in Corporate Internet Banking (CIB).

- SBI e-Pay – Covering many commercial and government organizations/merchants
- BillDesk – Covering many highly demanded orgs like ESI/EPF and many others.

IVR facility for transaction access in Mobile Banking (MB) and Retail Internet Banking (RIB)

Bank has introduced Interactive Voice Response (IVR) system through customer care team for activating transaction access facility for the Retail Internet Banking and Mobile Banking customers. With the help of this facility, customers can avoid visiting branch for placing a request for availing transaction access in their existing Net banking or Mobile banking application and avail the same by just calling the Customer Care and validating ATM/Debit card credentials.

Transaction Limit enhancement in Mobile Banking

Considering the upward trend in Mobile Banking transactions owing to the convenience and feedback put forth, Bank had enhanced the transaction limit in DhanSmart – our Mobile Banking application from ₹10000/- to ₹25000/- with effect from 1st March, 2016.

New Application for Wage Protection System - Initiative by Labour Department

The Bank is empanelled in the implementation of Wage Protection System (WPS). Bank has developed an application to download data from Labour Department server, where the data has been uploaded by various employers who participate in the system. Based on the file uploaded by the employer, the system will disburse the salary to the employees by debiting employers account. The Bank would subsequently update the payment status back to WPS as per the required format.

New application for Collection of welfare fund - KMTWWF Board

Bank had implemented a web based application and integrated with PaySmart for the collection of welfare fund from the members of Kerala Motor Transport Workers' Welfare Fund Board (KMTWWWF).

TREASURY AND FOREX OPERATIONS

The Financial year passed had mixed reaction in equity and fixed income segments. Yield of the 10 year bench mark Central government security had been trading in the range of 7.46% to 8.00% during the period. BSE Sensex was in the range of 22494 to 29094 and closed at 25341.

The Bank had made profit of ₹4.93 crore by trading in Fixed income securities and Equity.

Gross investment of the Bank as on March 31, 2016 was ₹3893.59 crore.

In foreign exchange, merchant turnover was equivalent to ₹8379.42 crore. Profit from foreign exchange during the FY 2015-16 was ₹6.54 crore.

INSPECTION AND VIGILANCE

The Bank has a detailed Inspection Manual and a robust Inspection Policy which are updated periodically. The Policy takes care of modifications in the audit methodology in line with the changes brought in the organizational structure and business models with the objective of auditing an activity of the place of its origin. This comprises of Risk Based Internal Audit (RBIA) of branches, Concurrent Audit of branches, Central processing Centre (CPC), Regional Processing Centres (RPC), Trade Finance,

and Integrated Treasury. A system of Credit Audit is in vogue since FY 2012-13 in order to monitor the documentation of big advances. RBIA of the branches is done at periodic intervals as per the risk rating awarded to the branch in the previous audit. During the year 2015-16, 221 branches were subjected to RBIA. Similarly 66 branches, Integrated Treasury, 8 Regional Processing Centres, Central Processing Centre, Central Trade Finance Division and HO Expenses were covered under the purview of Concurrent Audit. The above 66 branches put together covered 55.70% of Total Deposits, 69.88% of Total Advances and 61.39% of the Total Business. Out of this, audit of 12 Branches, 4 RPCs, CPC, Trade Finance, Integrated Treasury and HO Expenses were undertaken by our own Internal Audit officers..

Vigilance Department of the Bank is responsible for implementing policies laid down in this regard by the Government of India, RBI and the Bank's Board and monitoring it periodically. All fraud related issues are handled as per regulatory norms. The Bank ensures timely reporting of frauds to RBI. The Bank also conducts investigations into frauds/serious complaints/irregularities and takes remedial measures for non-recurrence of the same. The Preventive Vigilance Committee meetings at branches and follow-up of the proceedings are a notable initiative taken by the Bank.

INFORMATION SECURITY

Bank has established a robust information security framework for securing its IT infrastructure and systems. The Bank has an Information Security Group (ISG) functioning at Corporate Office. ISG is primarily responsible for identifying, assessing and proposing mitigation for every information-security-related risk. This responsibility is carried out by interacting with various committees and stakeholders and preparing plans, proposals, policies, procedures and guidelines. ISG is also responsible for the Education, Awareness and Promotion of Information Security initiatives across the bank.

Bank's critical IT assets have been monitored for any security breaches through 24X7 Security Operation Centre (SOC). ISG used to carry out periodic vulnerability assessment and penetration testing exercise for critical information system assets.

LEGAL

The Bank has to its credit a well defined Legal Policy which defines and takes care of the functions of the Legal Department of the Bank inter-alia the following:

- to devise ways and means to suggest and implement preventive legal measures in tune with the statutory provisions, regulatory prescriptions and judicial expositions,
- to suggest the best legal practices in documentation and legal steps to be initiated from time to time to secure the interests of the Bank,

- to minimize the legal risks in the decision making process of the Bank in general and other Departments of the Bank in particular, thus mitigating the legal and operating risks in a time bound manner.

The Bank is also having a well structured and defined Manual on Documentation, updated from time to time, in tune with the statutory changes and judicial decisions.

Legal Department takes care of the updation of legal knowledge and statutory changes among the field functionaries by circulating an internal monthly journal called "Legal Pro" which conveys latest judicial decisions and statutory changes affecting bankers.

Legal Department of the Bank is well equipped and has put in place all the necessary and statutory checks and balances to protect and safeguard the interests of the Bank.

"KNOW YOUR CUSTOMER" (KYC) AND "ANTI MONEY LAUNDERING" (AML)

The Bank has attached great importance to Know Your Customer and Anti-Money Laundering. The customer transactions of all the branches of the Bank have been brought under the ambit of AML software. The alerts generated from the AML software are monitored on a daily basis and suspicious transactions, if any, are reported to FIU-India. Apart from that, all monthly reports like Cash Transaction Report (CTR), Non Profit Organization Transactions Report (NTR) Cross Border Wired Transfer Report (CBWTR) and Counterfeit Currency Report (CCR) are also submitted to FIU-IND through their online gateway.

Our new AML Software Omni Enterprises of M/s. Infracsoft Tech is now equipped with the Alert scenarios prescribed by the Indian Bank Association.

RISK MANAGEMENT

Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices, which address the risk management aspects of the different risk classes namely, credit risk, market risk and operational risk. The Policies, procedures and practices adopted in the Bank are benchmarked to the best in the industry on a continuous basis and the Bank has a clear goal to reach an advanced level of sophistication in risk management. The Bank continued with the system of comprehensive risk profiling of the Bank in line with regulatory guidelines that will facilitate integrated risk management.

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of risks are in place. The Bank has a Board level subcommittee

for Risk Management. At the executive level, the Bank has a Risk Management Committee of Executives (RMCE), Asset Liability Committee (ALCO), Credit Risk Management Committee (CRMC) and Operational Risk Management Committee (ORMC). These Committees along with the Investment Committee and the Credit Committees ensures adherence to the implementation of the risk management policies and controlling credit commitments on behalf of the Bank within prescribed limits.

The risk management policies like ICAAP (Internal Capital Adequacy Assessment Process) Policy, Credit Risk Management Policy, Asset Liability Management Policy, Operational Risk Management Policy and Integrated Risk Management Policy were comprehensively reviewed during the year. The Bank has also developed a Stress testing Policy and formulated different stress scenarios according to the RBI guidelines. The impact of various risks under stress situation on the profitability of the Bank and on the CRAR of the Bank are analyzed and reviewed periodically. Bank also has a Credit Policy and Integrated Treasury Policy which are reviewed annually.

BASEL II and BASEL III guidelines

The Bank is Basel II compliant and assesses the capital adequacy under the New Capital Adequacy Framework (NCAF) on a quarterly basis as per RBI guidelines. Under **Pillar I** the Bank computes capital for credit risk under Standardized Approach, for market risk under Standardized Duration Approach and for Operational Risk under Basic Indicator Approach. Under **Pillar II**, the Bank has put in place the ICAAP (Internal Capital Adequacy Assessment Process) frame work for integrating capital planning with budgetary planning and to capture the residual risks which are not addressed in **Pillar I** like credit concentration risk, interest rate risk in the banking book, liquidity risk, earnings risk, strategic risk, reputation risk etc. Bank has adopted a common framework for additional disclosures under **Pillar III** for adhering to market discipline of Basel II and Basel III guidelines. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner. The Bank has taken necessary steps to comply with the 'Guidelines on implementation of Basel-III capital regulations in India' in a phased manner as directed by the RBI.

CREDIT RISK

The Bank is exposed to credit risks through its lending and investment activities. The Bank assesses the credit risk at the portfolio level as well as at the exposure or counterparty level. It has a robust credit risk management framework comprising of the three distinct building blocks namely Policy & Strategy, Organisational structure and Operations/Systems.

The Credit Risk Management (CRM) policy, which is reviewed annually deals with various areas of credit risk, goals to be achieved, current practices and future strategies. It further details credit risk identification, measurement, monitoring/controlling mechanisms and concentration risk. The credit risk management aims at ensuring sustained growth of healthy credit portfolio. Bank has stipulated minimum standards for origination, benchmarks for certain key financial risk parameters, and has a multi-tier credit approval system based on exposure, rating and transaction risks. Exposure caps in terms of individual, group, industry / sector and segment level are defined to control risk concentrations and to ensure a fairly diversified spread of credit portfolio.

Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Bank currently has 23 rating/scoring models covering Corporates, SME, Traders, NBFC, Small Loans, Non-SLR investments, inventory/construction finance, asset buy out, individuals and micro credit. All these models were reviewed and revised during the year based on the portfolio specific characteristics of the bank, best practices prevalent in the industry and market scenario. All exposures of ₹2 lakh and above will come under the purview of rating.

The Bank has put in place 'Rating Migration Analysis' of all credit exposures of ₹1 crore and above on a quarterly basis. Rating migration analysis covering all advances above ₹25 lakh is also being conducted on an annual basis. Credit risks inherent in investments in non-SLR Bonds are being assessed independently by mid office treasury using the internal rating models. The Bank has been conducting industry analysis / study as a proactive credit risk management practice, which would facilitate an effective review of distribution of credit portfolio across various industries/sectors, assessing the degree of credit concentration, basis for selection of industry to which increased exposure can be considered and provide necessary information to increase/hold/decrease exposure.

The CRMC which is involved in implementing Credit Risk Management Policy and controlling credit commitments on behalf of the Bank consists of the Bank's senior management including MD & CEO as members.

MARKET RISK

Market Risk is defined as the possibility of loss to a bank caused by changes in the market variables. Market risk arises from changes in interest rates, foreign exchange rate, equity prices and commodity price. Small changes in these market variables can cause substantial changes in income and economic value

of the Bank. Besides, market risk is also about the bank's ability to meet its obligations as and when they fall due, which can vary with market conditions.

Liquidity risk which is the risk to a bank's earnings and capital arising from its inability to timely meet obligations when they come due without incurring unacceptable losses. Liquidity obligation of the Bank arises from withdrawal of deposits, repayment of borrowed funds at maturity and meeting credit and working capital needs. The primary tool of monitoring liquidity is the mismatch/gap analysis, which is monitored over successive time bands on a static basis. The Bank is generating daily Structural Liquidity Statement which is used by the Treasury Department for effective liquidity management. Apart from the above, the trend in the major liquidity ratios are measured and analyzed on a weekly basis. The Bank also prepares liquidity projections on a weekly basis. Moreover, the funds readily available as a back stop to meet contingency situations are measured and analyzed on a continuous basis.

Interest Rate Risk is another major risk involved in market risk. It is the exposure of a Bank to financial loss through movements in interest rates. The immediate impact of changes in interest rates is on bank's earnings due to change in Net Interest Income (NII). The change in net interest income in the event of adverse change in interest rates is measured in terms of EAR (Earning at Risk) using Traditional Gap Analysis. A long term impact of changing interest rates is on bank's market value of equity (MVE) or Networth as the economic value of bank's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. The Bank measures the impact on EVE on a monthly basis using Duration Gap Analysis. Bank uses VaR limits in the trading portfolios to determine the potential loss on a 10 day holding period basis with a 99% confidence level.

The ALCO consisting of the Bank's senior management is responsible for reviewing Bank's liquidity position and ensuring/ adhering to the limits set by the Board. ALCO plays an important role in deciding the business strategy of the Bank in line with the Bank's budget, Corporate Goals and risk tolerance levels decided by the Board having regard to the Capital Adequacy and Regulatory prescriptions.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank has a comprehensive policy on Operational Risk Management to ensure that all the operational risks within the Bank are identified, monitored and reported in a structured manner. The ORMC consisting of the Bank's senior management including MD & CEO is responsible for the implementation of the Operational risk policy/strategy approved by the Board.

Every new product or service introduced is subject to risk review and sign-off process where all relevant risks are identified and assessed. To mitigate operational risks arising from frauds, the Bank has put in place "Fraud Risk Management policy". The above framework lays down the steps to be adopted for preventive vigilance. People risk is mitigated by implementation of directives laid down in operational risk, human resources and training policies. The risk of probable losses due to technical failures and business disruptions are mitigated through business continuity planning, adequate backup facilities, the existence of disaster setup and regular testing rolled out by the Department of Information Technology. Operational risk from external events, were brought down by transferring the risk outside the Bank by means of appropriate insurance cover.

Bank had rolled out the Risk Control Self Assessment (RCSA) to pro-actively identify emerging risks at operational level for devising mitigants at source itself during 2010-11 and has successfully completed RCSAs in majority of the branches and other business functions. Collation of "Loss Events" is also being continued a first measure to move towards The Standardized Approach (TSA)/Advanced Measurement Approach (AMA) for capital calculation.

Risk Based Supervision (RBS)

Risk Based Supervision, the new supervisory framework of RBI on scheduled commercial banks, is being implemented in the Bank in a phased manner. A team of experts having skills and aptitude in data collection and analysis is being developed in the Bank to ensure smooth switch over to the new supervisory regime.

HUMAN RESOURCES

Bank has been taking steps constantly to increase the momentum of its growth, profitability and better customer service. Bank is in a transformation process to increase the productivity of the workforce and per employee business to achieve the desired objectives. The Bank's employee strength, which was 2279 as on 31st March, 2015, stood reduced to 2185 as on 31st March, 2016. The number of Sales Executives including Business Development Executives also reduced to 107 as on 31st March, 2016 from the level of 173 as on 31st March, 2015.

Training has become a necessity to increase the productivity, commitment and morale of the employees. Bank has provided training to the employees on various areas to improve their efficiency to accelerate the growth. During the year 2015-16, training was given to 1349 employees, which accounted for 62% of the workforce as on 31.03.2016. 1233 employees were trained through in house programmes and 116 employees were trained through external training programmes by reputed institutions during the year. As part of e-learning initiatives, the Bank conducted online exams for the employees.

CORPORATE SOCIAL RESPONSIBILITY

An enlightened business recognizes that it is in its own interests to be socially responsible, since an enhanced brand image is more likely to be attractive to investors, customers, employees and governments. Bank continued the DLB-TMA scholarship programs for the deserving two MBA students seeking financial assistance to meet their educational requirements. Bank also continued the maintenance of "Walkers Park" in Thrissur. During the month of December 2015, Bank had collected a sum of ₹ 4,36,044/- within few days through the generous contribution and support by all the staff members towards the Chennai Flood Relief. Our employees visited the affected families and areas in and around Chennai and provided the basic relief materials like Medicines, Bed Sheets, Sarees and Dhotis to them. Bank has also provided Flood Relief Loan to Staff Members in flood affected areas of State of Tamilnadu. The bank had participated in the event, "TCS Fit4life Corporate Challenge" to promote awareness on physical fitness amongst the work force and to contribute towards a social cause. More than 100 employees from the Bank participated in the 10 Kms marathon held on February 28th, 2016 at Kochi.

The Bank understands its responsibility towards the society and environment in which it operates. The Bank has constituted Corporate Social Responsibility Committee at the Board Level to monitor the CSR activities. Members of the committee are:

1. Dr. Jayaram Nayar (Chairman of the Committee)
2. Mr. G. Sreeram (MD & CEO)
3. Dr. K. R. Lakshmy Devi (Member)
4. Mr. E. Madhavan (Member)

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Internal controls

The Bank is having a full-fledged Inspection and Vigilance Department, which ensures adherence to the set rules and regulations by the Branches/Regional Offices/Departments at the Administrative Office. Internal Inspectors conduct inspection at regular intervals and such reports are placed to Audit Committee of Executives (ACE)/Audit Committee of Board (ACB) as the case may be. ACE/ACB reviews the reports and ensures that corrective steps are taken to rectify the lapses/irregularities pointed out.

Risk Management Practices

It is imperative to have good risk management practices not only to manage risk inherent in the banking business but also the risks emanating from financial markets as a whole. The Bank has put in place risk management architecture and practices that is overseen by a Committee of Directors. The bank has in place a robust risk management structure which proactively identifies the risk faced by the Bank and helps in mitigating it, while maintaining proper tradeoff between risk and return thereby maximizing the shareholder value.

Business Continuity Plan has been totally revamped to suit the present scenario covering all critical processes of the Bank. The Bank has also set up an operationalised Disaster Recovery Centre for its Core Banking Operations and also made use of the same during the year.

Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure with Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid-office at Treasury Department/International Banking Division at operational level.

The Bank continued with the system of comprehensive risk profiling of the bank in line with regulatory guidelines that will facilitate integrated risk management.

The Bank has also taken steps to move into the advanced approaches under the Basel II framework as stipulated by the Reserve Bank of India.

The Bank has taken necessary steps to comply with the Guidelines on implementation of Basel-III capital regulations in India in a phased manner as directed by RBI.

Human Resource Development/Industrial Relations

Human Resources policies are systems of codified decisions, established by an organization to support administrative personnel functions, performance management, employee relations and resource planning. Monitoring and ensuring the strict compliance of policies enables strengthening and developing employee efficiency, morale and productivity. The Bank's Staff Training College identifies the skill gap in employee's productivity and upskill them to achieve the business goals.

Report on Corporate Governance

Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement entered into with Stock Exchanges and forming part of the report of the Board of Directors.

Report on Corporate Governance

(This Report forms part of the Directors' Report for the year ended March 31, 2016)

The Corporate Governance philosophy of the Bank places strong emphasis on transparency, accountability and integrity in all the business activities of the Bank. The objective is to uphold transparency and integrity in all its operations, thereby optimizing shareholder value. The Bank believes that its business plans and strategies should be consistent with the above objective leading to sustained growth and long-term benefit to all. The Bank follows this principle meticulously in all its business dealings and decisions.

1. BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank is in accordance with the Banking Regulation Act, 1949, the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the best practices of Corporate Governance.

Composition of Board

The composition of the Board of Directors, the category of each Director, the sector represented by them according to the Banking Regulation Act, 1949 and the shares held by each Director in the Bank as on March 31, 2016 are given below.

Sl. No.	Name of Director	Category of Director	Sector represented by the Director according to the Banking Regulation Act, 1949	No. of shares held	% of share holding
1	Sri Tekkar Yashwanth Prabhu, Part-time Chairman	Non-Executive Director	Majority – Banking	200	0.00
2	Sri Jayakumar P. G., MD & CEO	Whole Time Director	Majority – Banking	-	-
3	Sri G. Sreeram, MD & CEO	Whole Time Director	Majority – Banking	-	-
4	Sri P. Mohanan, Director	Independent Non-Executive Director	Majority – Banking & SSI	200	0.00
5	Sri Chella K. Srinivasan, Director	Independent Non-Executive Director	Majority – Accountancy	200	0.00
6	Sri K. Jayakumar, Director	Independent Non-Executive Director	Majority – Agriculture & Rural Economy	200	0.00
7	Dr. Lakshmy Devi K. R., Director	Independent Non-Executive Director	Majority – Economics	200	0.00
8	Dr. B. Ravindran Pillai, Director	Non-Executive Director	Minority	88,51,000	4.99
9	Sri E. Madhavan, Additional Director	Non-Executive Director	Majority – Banking	-	-
10	Sri Rohit Jain, RBI Additional Director	RBI Nominee	NA	-	-
11	Sri Susobhan Sinha, RBI Additional Director	RBI Nominee	NA	-	-
12	Sri S.T. Kannan, RBI Additional Director	RBI Nominee	NA	-	-

Dr. Jayaram Nayar has been appointed as Part-time Chairman of the Bank for a period of 3 years w.e.f. 06.04.2016.

Board Meetings

A total of 12 Board Meetings were held during the year and the dates are as under: 28.04.2015, 28.05.2015, 29.05.2015, 19.06.2015, 12.08.2015, 29.09.2015, 26.10.2015, 13.11.2015, 11.12.2015, 29.01.2016, 12.02.2016 and 30.03.2016.

The details of attendance of each Director at the Board meetings and at the last Annual General Meeting (AGM) held on September 29, 2015 are as follows:

Sl. No.	Name of Director	No. of Board Meetings		Attendance at last AGM
		Held during the Tenure	Attended	
1	Sri Tekkar Yashwanth Prabhu	7	7	Present
2	Sri G. Sreeram	12	12	Present
3	Sri P. Mohanan	12	12	Present
4	Sri Chella K. Srinivasan	12	12	Present
5	Sri K. Jayakumar	12	11	Present
6	Dr. Lakshmy Devi K. R.	12	11	Present
7	Dr. B. Ravindran Pillai	11	5	Not Present
8	Sri E. Madhavan	3	Nil	NA
9	Sri Rohit Jain	11	6	NA
10	Sri Susobhan Sinha	12	10	NA
11	Sri S. T. Kannan	1	1	NA

Change in Directors during the year

During the year, Sri Tekkar Yashwanth Prabhu ceased to hold office of Part-time Chairman of the Bank and Sri Jayakumar P. G. ceased to hold office of Managing Director & CEO of the Bank. Sri B. Ravindran Pillai and Sri Rohit Jain ceased to be Directors on the Board of the Bank.

Sri G. Sreeram was appointed as Managing Director & CEO of the Bank.

Sri E. Madhavan was appointed as Additional Director and RBI had nominated Sri S.T. Kannan as Additional Director on the Board of the Bank.

Committee position of Directors in the Bank as on March 31, 2016

Sl. No.	Name of Director	Chairman	Member
1	Sri G. Sreeram	1. Large Value Fraud Monitoring Committee 2. Redressal Committee on Willful Defaulters 3. Review Committee on Non-cooperative Borrowers	1. Management Committee 2. NPA Monitoring Committee 3. Risk Management Committee 4. HR & IT Strategy Committee 5. Customer Service Committee 6. Stakeholders' Relationship Committee 7. Corporate Social Responsibility Committee 8. Committee for Overseeing Construction of HO Building

Sl. No.	Name of Director	Chairman	Member
2	Sri P. Mohanan	1. Management Committee 2. NPA Monitoring Committee 3. HR & IT Strategy Committee	1. Nomination & Remuneration Committee 2. Risk Management Committee 3. Large Value Fraud Monitoring Committee 4. Committee for Overseeing Construction of HO Building 5. Redressal Committee on Willful Defaulters 6. Review Committee on Non-cooperative Borrowers
3	Sri Chella K. Srinivasan	1. Audit Committee 2. Risk Management Committee	1. Management Committee 2. Nomination & Remuneration Committee 3. NPA Monitoring Committee 4. HR & IT Strategy Committee 5. Large Value Fraud Monitoring Committee 6. Redressal Committee on Willful Defaulters 7. Review Committee on Non-cooperative Borrowers
4	Sri K. Jayakumar	1. Nomination & Remuneration Committee 2. Customer Service Committee 3. Stakeholders' Relationship Committee 4. Corporate Social Responsibility Committee 5. Committee for Overseeing Construction of HO Building	1. Audit Committee 2. HR & IT Strategy Committee 3. Large Value Fraud Monitoring Committee
5	Dr. Lakshmy Devi K. R.	—	1. Audit Committee 2. Management Committee 3. Customer Service Committee 4. Large Value Fraud Monitoring Committee 5. Stakeholders' Relationship Committee 6. Corporate Social Responsibility Committee 7. Committee for Overseeing Construction of HO Building
6	Sri Susobhan Sinha	—	Audit Committee
7	Sri S. T. Kannan	—	Audit Committee

None of the Directors is a member of more than ten Audit / Stakeholders' Relationship Committees or Chairman of more than five such Committees across all listed companies in which he is a director, as required under Regulation 26 of Security Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Directorship of Directors in other Public Limited Companies

None of the Directors holds Directorship in any other Public Limited Company.

2. COMMITTEES OF BOARD

The Board has constituted various Committees of Directors to take informed decisions in the best interests of the Bank. These Committees monitor the activities falling within their terms of reference. The terms of reference of these Committees and composition of the Committees as on March 31, 2016 and the number / dates of meetings of various Committees in the financial year 2015-16 along with the attendance of the Directors in such meetings are detailed below.

(A) Audit Committee

(i) Composition

The Board of the Bank has constituted a five member Audit Committee. All the five members of the Committee are non-executive Directors, with Sri Chella K. Srinivasan, who is a Chartered Accountant, as its Chairman and Dr. Lakshmy Devi K. R., Sri K. Jayakumar, Sri Susobhan Sinha and Sri S. T. Kannan as the other members.

(ii) Terms of reference

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board the appointment, reappointment, and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the Board for approval with particular reference to:
 - a) Matters required to be included in the Directors Responsibility Statement to be included in the board's report in terms of clause (C) of Sub-section 3 of section 134 of the Companies Act 2013.
 - b) Changes if any in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustment made in the financial statement arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to the financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
5. Reviewing with the management the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modification of transactions of the company with related parties.
9. Scrutiny of inter-corporate loans and investments.
10. Valuation of undertakings or assets of the company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing with the management performance of the statutory and internal auditors and adequacy of the internal control system.
13. Reviewing the adequacy of internal audit function if any including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
14. Discussion with internal auditors regarding any significant findings and follow-up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
16. Discussion with statutory auditors before audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern and following up all the issues brought out in the Long Form Audit Report (LFAR) and interacting with the Statutory Auditors before finalisation of the annual financial accounts and reports.
17. Following up on all the issues / concerns raised in the Annual Financial Inspection (AFI) reports of Reserve Bank of India.
18. To look into the reasons for substantial defaults in the payments to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
19. To review the function of whistle blower mechanism in case the same exists.
20. Monitoring the end use of funds raised through public offers and related matters.
21. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
22. Reviewing the Risk Based Internal Audit (RBIA) / audit function – the system, its quality and effectiveness in terms of follow up.
23. Reviewing the RBIA reports of all branches (First Review) and final review of branches having High, Medium and above Risk level with "Increasing" trend.

24. Review of Revenue leakage detected in RBIA / Revenue / Concurrent Audit.
25. Focusing on the follow-up of:
 - a) Reconciliation of inter-branch adjustment accounts;
 - b) Long outstanding entries in inter-bank accounts and nostro accounts;
 - c) Arrears in balancing of books at various branches;
 - d) Frauds and
 - e) Other key areas of housekeeping.
26. Reviewing half yearly reports from the Compliance Officers of the Bank.
27. Review of Concurrent Audit of Depository Department.
28. Review of dishonoured cheques of ₹ 1 Crore and above and cheques issued by broker entities.
29. Review of forex transactions.
30. Review of Concurrent audit of Integrated Treasury and branches (quarterly).
31. Summary of Risk Control Self Assessment (RCSA) of functions/branches done together with open and closed issues.
32. Monthly review of the working of the Vigilance department.
33. Quarterly report on the activity of the Inspection department.
34. Review of the functioning of the meetings of Audit Committee of Executives.
35. Review of reports of inspection of Regional Offices.
36. Quarterly/Annual review of frauds.

(iii) Number of Meetings during the year

The Committee met 5 times during the year on 28.05.2015, 20.06.2015, 12.08.2015, 13.11.2015 and 12.02.2016.

(i) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the tenure	Attended
1	Sri Chella K. Srinivasan, Chairman of the Committee	05	05
2	Dr. Lakshmy Devi K. R.	05	05
3	Sri K. Jayakumar *	01	01
4	Sri Rohit Jain	05	03
5	Sri Susobhan Sinha	05	05

*Inducted to the Committee w.e.f. 13.11.2015

(B) Management Committee

(i) Composition

The Board of Directors at its meeting held on 26th October, 2015 decided to merge the Management Committee and the Committee of Directors and form the Management Committee of Board.

Sri P. Mohanan is the Chairman of the Committee and Sri G. Sreeram, Sri Chella K. Srinivasan and Dr. Lakshmy Devi K.R. are the other members of the Committee.

(ii) Terms of reference

1. Approves all financial sanctions / exposures between ₹6 Crore and ₹25 Crore
2. Exercises sanction of one-time settlement & write-off and administrative powers

(iii) Number of Meetings during the year

Before merger, the Management Committee met once on 19.06.2015 and Committee of Directors met 5 times during the year on 28.04.2015, 20.06.2015, 12.08.2015, 28.09.2015 and 26.10.2015. After merger, the new Management Committee met 5 times on 13.11.2015, 11.12.2015, 28.01.2016, 12.02.2016 and 30.03.2016. In total, the Committee met 11 times during the year.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri P. Mohanan, Chairman of the Committee	11	11
2	Sri G. Sreeram	11	11
3	Sri Chella K. Srinivasan**	10	10
4	Dr. Lakshmy Devi K.R.**	10	9
5	Sri K. Jayakumar*	01	01

* Sri K. Jayakumar, who was Chairman of Management Committee before merger, ceased to be its Member after merger.

** Sri Chella K. Srinivasan and Dr. Lakshmy Devi K.R., who were Members of Committee of Directors before merger, were inducted as Members of Management Committee after merger.

(C) Nomination and Remuneration Committee

(i) Composition

The Board of Directors at its meeting held on 26th October, 2015 decided to merge the Nomination Committee and the Remuneration Committee and form the Nomination & Remuneration Committee of Board in compliance with the requirements of the Companies Act, 2013.

Sri K. Jayakumar was the Chairman of the Committee and the other members are Sri P. Mohanan and Sri Chella K. Srinivasan.

(ii) Terms of reference

1. Frame a policy describing the qualification, experience and other positive attributes for selection of executive/whole time directors including their age of retirement;
2. Formulate and put in place guiding principles to determine the qualities, qualifications, and the parameters to determine the 'fit and proper' criteria for appointment of independent Directors keeping in mind the diversity quotient the Bank's Board shall maintain from time to time and subject to the applicable regulatory requirements;
3. Conduct the process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as Director on the Board, based on the specific criteria prescribed by Reserve Bank of India and the requirements of the Companies Act, 2013;
4. Filling in a timely manner vacancies on the Board of the company including the position of executive/whole time directors;
5. Selection of directors, key management personnel and persons to be appointed in senior management positions as defined by the Board and recommend to the Board for their appointment and removal thereof;
6. Formulate and recommend to the Board for its approval a policy relating to the remuneration for the directors, key managerial personnel and other employees from time to time to ensure that:
 - a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Bank successfully;
 - b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 - c) Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.
7. Review the performance of individual Directors of the Bank on a yearly basis at the end of each financial year or at such periodicity as the Committee deem fit and recommend to the Board on the basis of such review, whether a director to be recommended for re-appointment or not;

8. Review the performance of the executive/whole time Directors of the Bank and fix suitable compensation packages in consideration of their performance, contributions, the general business environment in which the Bank operates and financial position of the Bank. The remuneration package may be a combination of fixed and performance based bonus/incentives for the period under review;
9. Review the performance of key managerial personnel and senior management persons on a periodical basis and fix their remuneration packages in accordance with the policies approved by the Board, provided the period of gap between two such reviews shall not elapse fifteen months;
10. Ensure that at all times, the Board of the Bank has a fair combination of independent, non-executive and executive directors meeting the governance standards set by the Board and in compliance with regulatory requirements and listing agreements prevailing from time to time;
11. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the Bank;
12. Evaluate and put in place proper mechanism for refreshment trainings for Directors on relevant subject;
13. Evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the Bank;
14. Put in place, subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other Directors on the board of the Bank;
15. Ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the Bank;
16. Oversee the overall governance standards and policies of the Bank and delegation of authorities to match with the best practices in relation to the size of the Bank and the level of its operations to protect the interest of all stake holders.

(iii) Number of Meetings during the year

Before merger, the Nomination Committee met 2 times on 28.05.2015 and 12.08.2015. After merger, the Nomination & Remuneration Committee met 2 times on 13.11.2015 and 28.01.2016. In total, the Committee met 4 times during the year.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri K. Jayakumar, Chairman of the Committee	04	04
2	Sri Tekkar Yashwanth Prabhu*	02	02
3	Sri P. Mohanan	04	04
4	Sri Chella K. Srinivasan	04	04

* Ceased to be a Director of the Bank and Member of the Committee w.e.f. 07.11.2015

(D) Risk Management Committee

(i) Composition

Sri Chella K. Srinivasan is the Chairman of the Committee and Sri G. Sreeram and Sri P. Mohanan are other members of the Committee.

(ii) Terms of reference

1. Overseeing the development and implementation of the risk management strategy and practices by the Bank and assess the effectiveness thereof;
2. Review the risk management framework and risk appetite of the Bank, examine the adequacy and effectiveness of the risk management policy, and ensure appropriate/adequate reporting to the Board;
3. Overseeing the implementation of Risk Management guidelines prescribed by the Reserve Bank of India;
4. Ensure that the Bank has an appropriate and effective mechanism to identify, measure, control and monitor all applicable risks on a timely basis and as accurately as feasible;

5. Call for appropriate data / information to confirm the risk assessments of the past or projections for the future including development of any key performance or risk tolerance indicators;
6. Ensure that the risk management policy in force is in tune with regulatory requirements, corporate governance standards, emerging new risks and industry best practices;
7. Review major breaches in policy;
8. Appraise uncovered / residual risks to the Board;
9. Assess the capacity of the Bank to withstand major 'shocks', financial or otherwise, caused by market forces, regulatory directives, environment, any other external factors or internal upheavals;
10. Call for any studies, information, data or analyses in matters pertaining to management of risk from the officers of the Bank, issue orders for investigation on any risk related subject including constitution of any sub-committee for such purpose and seek the opinions or reports of independent experts/professionals where considered desirable or essential

(iii) Number of Meetings during the year

The Committee met 4 times during the year on 19.06.2015, 28.09.2015, 11.12.2015 and 30.03.2016.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri Chella K. Srinivasan, Chairman of the Committee	04	04
2	Sri Tekkar Yashwanth Prabhu, Chairman of the Committee*	02	02
3	Sri G. Sreeram	04	04
4	Sri P. Mohanan**	02	02

* Ceased to be a Director of the Bank and Chairman of the Committee w.e.f. 07.11.2015

**Inducted to the Committee w.e.f. 11.12.2015

(E) NPA Monitoring Committee

(i) Composition

Sri P. Mohanan is the Chairman of the Committee. Sri G. Sreeram and Sri Chella K. Srinivasan are the other members.

(ii) Terms of reference

1. Overview the NPA Management of the Bank;
2. Reviewing top NPA accounts and suggesting steps for recovery;
3. Reviewing top SMA-1 / SMA-2 accounts and suggesting steps for recovery.

(iii) Number of Meetings during the year

The Committee met 8 times during the year on 29.05.2015, 20.06.2015, 12.08.2015, 28.09.2015, 26.10.2015, 11.12.2015, 28.01.2016 and 30.03.2016.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri P. Mohanan, Chairman of the Committee	08	08
2	Sri G. Sreeram	08	08
3	Sri Chella K. Srinivasan	08	08

(F) HR & IT Strategy Committee**(i) Composition**

The Board of Directors at its meeting held on 26th October, 2015 decided to merge the HRD Committee and the IT Committee and form the HR & IT Committee of Board, which was later renamed as HR & IT Strategy Committee by the Board at its meeting held on 11th December, 2015.

Sri P. Mohanan is the Chairman of the Committee. Sri G. Sreeram, Sri Chella K. Srinivasan and Sri K. Jayakumar are the other members of the Committee.

(ii) Terms of reference

1. Oversee the overall manpower planning of the Bank;
2. Recruitment for and promotions to Scale VI and above;
3. Recommend to the Board for purchase of any IT-related hardware/software;
4. Examine other IT-related issues in the Bank and recommend necessary action to the Board

(iii) Number of Meetings during the year

Before merger, the Human Resources Development Committee met once on 20.06.2015 and the Information Technology Committee met 2 times on 20.06.2015 and 28.09.2015. After merger, the HR & IT Strategy Committee met 2 times on 13.11.2015 and 30.03.2016. In total, the Committee met 5 times during the year.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri P. Mohanan, Chairman of the Committee	05	05
2	Sri Tekkar Yashwanth Prabhu*	01	01
3	Sri G. Sreeram**	05	05
4	Sri Chella K. Srinivasan***	04	04
5	Sri K. Jayakumar***	03	03

* Sri Tekkar Yashwanth Prabhu was Chairman of Human Resources Development Committee before merger and ceased to be a Director of the Bank and Member of the Committee w.e.f. 07.11.2015.

** Sri G. Sreeram was Chairman of Information Technology Committee before merger.

*** Sri Chella K. Srinivasan was a Member of Information Technology Committee before merger and Sri K. Jayakumar was a Member of Human Resources Development Committee before merger.

(G) Large Value Fraud Monitoring Committee**(i) Composition**

Sri G. Sreeram is the Chairman of the Committee. Sri P. Mohanan, Sri K. Jayakumar, Sri Chella K. Srinivasan and Dr. Lakshmy Devi K. R. are the members of the Committee.

(ii) Terms of reference

1. Monitor and review all large value frauds of ₹ 1.00 Crore and above;
2. Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same;
3. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and Reserve Bank of India;
4. Monitor progress of CBI/Police investigation and recovery position;
5. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time;

6. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;
7. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds

(iii) Number of Meetings during the year

The Committee met 3 times during the year on 20.06.2015, 28.09.2015 and 11.12.2015.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri G. Sreeram, Chairman of the Committee	03	03
2	Sri Chella K. Srinivasan	03	03
3	Dr. Lakshmy Devi K. R.	03	03
4	Sri P. Mohanan*	01	01
5	Sri K. Jayakumar*	01	01

* Inducted to the Committee w.e.f. 26.10.2015.

(H) Stakeholders' Relationship Committee

(i) Composition

The Board of Directors at its meeting held on 26th October, 2015 decided to rename the Shareholders' Grievance Redressal Committee as Stakeholders' Relationship Committee.

Sri K. Jayakumar was the Chairman of the Committee and Sri G. Sreeram and Dr. Lakshmy Devi K. R. are the other members of the Committee.

(ii) Terms of reference

1. Monitor investor complaints/grievances;
2. Ensure quick redressal of investor complaints associated with transfer/transmission of shares, non receipt of Annual Reports, non-receipt of declared dividends and issued dividend warrants;
3. Consider and resolve grievances of security holders of the Bank.

(iii) Number of Meetings during the year

The Committee met 4 times during the year on 19.06.2015, 28.09.2015, 13.11.2015 and 12.02.2016.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Dr. Lakshmy Devi K. R., Chairperson of the Committee	04	04
2	Sri Tekkar Yashwanth Prabhu, Chairman of the Committee*	02	02
3	Sri G. Sreeram	04	04
4	Sri K. Jayakumar	04	03

* Ceased to be a Director of the Bank and Chairman of the Committee w.e.f. 07.11.2015.

(v) Number of investor complaints received and attended to by the Bank during the year

Sl. No.	Nature of complaint	No. of complaints pending as on 01.04.2015	No. of complaints received	No. of complaints resolved	No. of complaints pending as on 31.03.2016
1	Transfer related Complaints	0	0	0	0
2	Dividend related Complaints	0	0	0	0
3	Others	0	2	2	0
	Total	0	2	2	0

(I) Customer Service Committee

(i) Composition

The Committee is chaired by Sri K. Jayakumar. Sri G. Sreeram and Dr. Lakshmy Devi K.R. are the other members.

(ii) Terms of reference

1. Formulation of a comprehensive deposit policy;
2. Issues such as the treatment of death of a depositor for operations of his account;
3. Product approval process with a view to suitability and appropriateness;
4. Annual survey of depositor satisfaction;
5. Tri-ennial audit of such services;
6. Monitor the progress in bringing about improvements in the quality of service provided to customers of the Bank;
7. Review the implementation of guidelines and procedures prescribed by Reserve Bank of India that have a bearing on customer service of the Bank and make suitable recommendations;
8. Examine any other issues having a bearing on the quality of customer service rendered.

(iii) Number of Meetings during the year

The Committee met 3 times during the year 19.06.2015, 28.09.2015 and 28.01.2016.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri K. Jayakumar, Chairman of the Committee	03	03
2	Sri Tekkar Yashwanth Prabhu, Chairman of the Committee*	02	02
3	Sri G. Sreeram	03	03
4	Dr. Lakshmy Devi K. R.	03	03

*Ceased to be a Director of the Bank and Chairman of the Committee w.e.f. 07.11.2015

(J) Committee for Overseeing HO Building Construction

(i) Composition

Sri K. Jayakumar was the Chairman of the Committee. Sri G. Sreeram, Sri P. Mohanan and Dr. Lakshmy Devi K. R. are the other members.

(ii) Terms of reference

1. Oversee the construction of new HO Building at Poonkunnam;
2. Approving allocations of funds for the construction of the building within the limits approved by the Board.

(iii) Number of Meetings during the year

The Committee met 2 times during the year on 19.06.2015 and 28.01.2016.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri K. Jayakumar, Chairman of the Committee	02	02
2	Sri G. Sreeram	02	02
3	Sri P. Mohanan	02	02
4	Dr. Lakshmy Devi K. R.	02	02

(K) Corporate Social Responsibility Committee

(i) Composition

Sri K. Jayakumar was the Chairman of the Committee. Sri G. Sreeram and Dr. Lakshmy Devi K. R. are the other members.

(ii) Terms of reference

1. Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013;
2. Recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
3. Monitor the implementation of the Corporate Social Responsibility Policy;
4. Review the Corporate Social Responsibility Policy of the Bank from time to time.

(iii) Number of Meetings during the year

The Committee met once during the year on 28.09.2015.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri K. Jayakumar, Chairman of the Committee	01	01
2	Sri G. Sreeram	01	01
3	Dr. Lakshmy Devi K. R.	01	01

(L) Redressal Committee on Willful Defaulters

(i) Composition

Sri G. Sreeram is the Chairman of the Committee. Sri P. Mohanan and Sri Chella K. Srinivasan are the other members of the Committee.

(ii) Terms of reference

1. Review the willful defaulters of the Bank;
2. Negotiate with willful defaulters for settlement

(iii) Number of Meetings during the year

The Committee met once during the year on 30.03.2016.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri G. Sreeram, Chairman of the Committee	01	01
2	Sri P. Mohanan	01	01
3	Sri Chella K. Srinivasan	01	01

(M) Review Committee on Non-cooperative Borrowers

(i) Composition

Sri G. Sreeram is the Chairman of the Committee. Sri P. Mohanan and Sri Chella K. Srinivasan are the other members of the Committee.

(ii) Terms of reference

1. Review the decision of committee of higher functionaries of the Bank to classify a borrower as non-cooperative borrower and confirm the same, as required.

(iii) Number of Meetings during the year

The Committee met once during the year on 30.03.2016.

(iv) Details of attendance of each Director at the meetings

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri G. Sreeram, Chairman of the Committee	01	01
2	Sri P. Mohanan	01	01
3	Sri Chella K. Srinivasan	01	01

3. SEPARATE MEETING OF INDEPENDENT DIRECTORS

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of Independent Directors of the Bank was held on November 13, 2015. The agenda for the meeting included:

- a) Reviewing the performance of non-independent directors and the Board as a whole;
- b) Reviewing the performance of the Chairman of the Bank, taking into account the views of executive directors and non-executive directors;
- c) Assessing the quality, quantity and timeliness of flow of information between the Bank management and the Board that is necessary for the Board to effectively and reasonably perform their duties;
- d) Performing such other roles as may be prescribed by the Companies Act, 2013, Listing Agreement, SEBI Regulations, Banking Regulation Act, 1949 and the Circulars/Regulations issued by the Regulatory Authorities from time to time;

Sri P. Mohanan, Independent Director, was Chairman of the meeting. Sri Chella K. Srinivasan and Dr. Lakshmy Devi K. R., Independent Directors, attended the meeting.

4. REMUNERATION POLICY

(A) Remuneration Policy for Employees of the Bank

The Bank has a Board approved Compensation Policy which deals with the Compensation & Benefits of the Employees of the Bank and Whole-time Directors.

The objectives of the Compensation Policy of the Bank inter-alia includes, to provide a fair and persistent basis for motivating, inspiring and rewarding the employees appropriately, according to their jobs/role size, performance, accomplishments, contribution, skill, aptitude and competence to implement standards on sound compensation practices and incentives and to provide effective governance of compensation payable to the Whole-time Directors/MD & CEO and other staff, alignment of compensation with prudent risk taking and effective supervisory oversight. The disclosure requirement of the remuneration is separately provided in "Disclosure under Basel III norms."

(B) Remuneration Policy for Directors

Remuneration of Executive Directors

The Board approved Compensation Policy deals with the Compensation & Benefits of the Whole-time Directors/MD & CEO. The remuneration of the Whole-time Directors/MD & CEO is recommended by the Remuneration Committee to the Board for approval after considering the factors prescribed under the Compensation Policy.

The Board considers the recommendations of the Nomination & Remuneration Committee and approves the remuneration, with or without modifications, subject to regulatory approvals. The remuneration payable to Whole-time Directors/MD & CEO is subject to prior approval of the Reserve Bank of India (RBI). Therefore, the remuneration or any revision in remuneration to Whole-time Directors/MD & CEO is payable only after receipt of the approval from RBI.

Remuneration of Non-Executive Directors (NEDs)

The NEDs are paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other regulatory guidelines, as amended from time to time. The Board while recommending any change in the sitting fees considers various factors like size and complexity of organization, comparison with the peer banks and regulatory guidelines as applicable. Apart from sitting fees, the Bank does not pay any other remuneration to the non-executive Directors.

Remuneration paid to Directors during the year ended March 31, 2016

1. The Bank paid the following remuneration to Managing Director & CEO during the year:-

Sl. No.	Name of Managing Director & CEO	Period	Total Remuneration including Perquisites paid during the year ended March 31, 2016	
1	Sri G. Sreeram	06.04.2015 to 31.03.2016	Basic	- ₹ 35,50,000/-
			Perquisites on Vehicle	- ₹ 32,400/-
			Total	- ₹ 35,82,400/-
2	Sri Jayakumar P. G.	01.04.2015 to 06.04.2015	Basic	- ₹ 63, 226/-
			Total	- ₹ 63,226/-

2. As provided under Article 52 of the Articles of Association of the Bank, the sitting fees payable to a non-executive Director for attendance at a Board / Committee Meeting attended by him shall be such amount as may be fixed by the Board of Directors with the approval of Reserve Bank of India from time to time in accordance with the provisions of the Banking Regulation Act, 1949 and such other applicable laws. The Board of Directors has approved the payment of ₹20,000 as sitting fee for each Meeting of the Board and ₹10,000 as sitting fee for each Meeting of the Committee attended. Accordingly, the Bank paid sitting fees during the financial year 2015-16 as under:

Sl. No.	Name of Director	Total amount of Sitting Fees paid during the year ended March 31, 2016
1	Sri Tekkar Yashwanth Prabhu	₹ 2,30,000/-
2	Sri P. Mohanan	₹ 6,00,000/-
3	Sri Chella K. Srinivasan	₹ 6,50,000/-
4	Sri K. Jayakumar	₹ 4,00,000/-
5	Dr. Lakshmy Devi K.R.	₹ 5,00,000/-
6	Dr. B. Ravindran Pillai	₹ 1,00,000/-

The Remuneration Policy of the Bank is hosted on the website of the Bank www.dhanbank.com
(Link:<http://www.dhanbank.com/pdf/Nomination-Policy-Board.pdf>)

5. INFORMATION PURSUANT TO REGULATION 36 (3) OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 IN RESPECT OF THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT (INFORMATION GIVEN IS AS ON DATE OF THIS REPORT)

(A) SRI ARUN RAO M.G.

Sri Arun Rao M.G. (DIN-07547651), aged 29 years, was appointed as Additional Non-executive Director of the Bank w.e.f. July 04, 2016. He is representing "Majority sector- Law" under Section 10A (2)(a) of the Banking Regulation Act, 1949. Sri Arun Rao M.G. is a Practising Company Secretary. He is a member of the Institute of Company Secretaries of India (ICSI) and holds a degree in law. He has more than 5 years of experience in Company Secretarial Practice and Corporate Laws. He has also completed his master's degree in commerce and business laws.

Sri Arun Rao M.G. is not a member of any Committee.

Sri Arun Rao M.G. does not hold any shares of the Bank and is not a Director in any other listed company. Sri Arun Rao M.G. is not related to any other Director of the Bank.

(B) SRI P. S. SREEKUMAR

Sri P. S. Sreekumar (DIN-07555178), aged 60 years, was appointed as Additional Non-executive Director of the Bank w.e.f. July 04, 2016. He is representing "Majority sector- Co-operation" under Section 10A(2)(a) of the Banking Regulation Act, 1949. Sri P. S. Sreekumar retired as Private Secretary to the Chief Minister of Kerala. He has worked as supervisory officer in the Co-operative department in Government Secretariat and as Special Secretary in the Public Works Department of Government of Kerala. Presently, he is government nominated Director of Mannam Co-operative Sugar Mills Limited. He holds a degree in law and MA in Public Administration. He has also completed his degree in commerce and post graduate diploma in journalism. He has attended World Bank training at Baltimore, USA and training sponsored by ADB at Manila, Philippines.

Sri P. S. Sreekumar is not a member of any Committee.

Sri P. S. Sreekumar does not hold any shares of the Bank and is not a Director in any other listed company. Sri P. S. Sreekumar is not related to any other Director of the Bank.

(C) SRI C. K. GOPINATHAN

Sri C. K. Gopinathan (DIN-01236752), aged 62 years, was appointed as Additional Non-executive Director of the Bank w.e.f. August 11, 2016. He is representing "Minority sector" under the Banking Regulation Act, 1949. Sri C. K. Gopinathan holds a degree in commerce. He is the promoter Director of C. K. G. Supermarket Limited and Managing Director of C. K. G. Securities and Investments Limited. He was also Director in the Catholic Syrian Bank Limited, Thrissur. He has more than 25 years of experience in banking and finance sectors.

Sri C. K. Gopinathan is not a member of any Committee.

Sri C. K. Gopinathan holds 25 lakh shares of our Bank and is not a Director in any other listed company. Sri C. K. Gopinathan is not related to any other Director of the Bank.

6. DETAILS OF LAST THREE ANNUAL GENERAL MEETINGS

Name of Meeting	Day, Date & Time	Venue	Whether any Special Resolution(s) Passed?
88 th Annual General Meeting	29.09.2015; 10.00 a.m.	Vadakke Samooha Madom, Thrissur	Yes. 1. To reappoint Sri P. Mohanan as Independent Director of the Bank, not liable to retire by rotation 2. To reappoint Sri Chella K. Srinivasan as Independent Director of the Bank, not liable to retire by rotation 3. To reappoint Sri K. Jayakumar as Independent Director of the Bank, not liable to retire by rotation 4. To authorize the Board of Directors to increase the issued and paid-up capital
87 th Annual General Meeting	20.09.2014; 11.30 a.m.	Vadakke Samooha Madom, Thrissur	Yes. 1. To increase in the Authorized Capital and amend the Capital Clause (Clause V) of the Memorandum of Association and Article 2 of Articles of Association of the Bank accordingly 2. To exercise the borrowing powers of the Bank pursuant to Section 180(1) (c) of the Companies Act, 2013 3. To amend the Articles of Association of the Bank in compliance with the new Companies Act, 2013 and amendments in the Banking Regulation Act, 1949
86 th Annual General Meeting	27.08.2013; 11.00 a.m.	Kousthubham Auditorium, Thrissur	Yes. 1. To introduce ESOP Scheme 2013 of the Bank replacing the existing ESOP Scheme 2009 2. To issue of 75,50,000 equity shares of ₹10/- each at a premium of ₹40/- aggregating to ₹37.75 Cr. equity shares through Preferential Allotment

No resolution was passed by postal ballot during the financial year under review.

7. DISCLOSURES

(A) MD & CEO / CFO Certification

The Managing Director & CEO and the Chief Financial Officer have issued certificate pursuant to the provisions of Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Bank's affairs. The said certificate is annexed and forms part of the Annual Report.

(B) Related Party Transactions

The Bank has adopted the "Policy on materiality of related party transactions and dealing with related party transactions" in accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy is hosted on the website of the Bank www.dhanbank.com (link-<http://www.dhanbank.com/pdf/Policy-Materiality-Related-Party-Transactions-Dealing-Related-Party-Transactions.pdf>).

During the financial year, the Bank did not enter into any related party transactions with its Directors or Key Managerial Personnel or their Relatives that would potentially conflict with and / or adversely affect the interests of the Bank, except the vehicle loan advanced to the Chief Financial Officer and the remuneration paid to the Managing Director & CEO, Chief Financial Officer and Company Secretary.

(C) Disclosure of Accounting Treatment

In preparation of financial statements for the year ended March 31, 2016, there has been no treatment different from that prescribed in the Accounting Standard that is being followed in the preceding financial year ended March 31, 2015.

(D) Internal Control Systems

Insider Trading Code

The Bank has adopted a "Code of Conduct to Regulate, Monitor and Report Trading by Insiders" and "Code of practices and procedures of Unpublished Price sensitive Information" in accordance with the requirements of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Companies Act, 2013 with a view to regulate trading in securities by the Directors and designated employees of the Bank. The Code requires pre-clearance for dealing in the Bank's shares beyond threshold limits. Further, it prohibits the purchase or sale of Bank shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Bank and during the period when the Trading Window is closed. The Directors and designated employees of the Bank have affirmed compliance with the Codes. The Codes are hosted on the website of the Bank www.dhanbank.com. (link- <http://www.dhanbank.com/pdf/code-regulate-monitor-report-trading-insiders.pdf> and <http://www.dhanbank.com/pdf/code-practices-procedures-unpublished-price-sensitive-information.pdf>).

Code of Conduct

The Board of Directors has framed the "Code of Conduct for the Board of Directors and Senior Management Personnel of the Bank", as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on Corporate Governance. The confirmation from the Managing Director & CEO regarding compliance with the Code by all the Directors and Senior Management forms part of the Report. The Code is hosted on the website of the Bank www.dhanbank.com. (link <http://www.dhanbank.com/pdf/Corp-Gov-coc-Dir-Senior-Management.pdf>).

Whistle Blower Policy

The Bank has formulated a Whistle Blower Policy with a view to provide a mechanism for employees of the Bank to approach the Chairman of the Audit Committee of the Bank/Ethics Counsellor (Chief of Internal Vigilance) in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank and to prohibit managerial functionaries from taking any adverse personal action against those employees. The Policy is hosted on the website of the Bank www.dhanbank.com. (link- http://www.dhanbank.com/pdf/Whistle_Blower_Policy_&_Code_of_Conduct-%28VIG_8_10.10.2012%29.pdf).

Familiarization Programmes

The Bank had conducted various sessions during the financial year to familiarize Directors, including Independent Directors, of the Bank, their roles, rights, responsibilities in the Bank, nature of the banking industry, business position of the Bank, business model, risk management system and technology architecture of the Bank. The details of such familiarization programmes are displayed on the website of the Bank www.dhanbank.com (link- <http://www.dhanbank.com/pdf/Training-Fam-pro-individual.pdf>).

Information supplied to the Board

The Board is regularly presented with all information under the following heads whenever applicable and materially significant. These are submitted either as a part of the agenda papers well in advance of the Board/Committee Meetings or are tabled in course of the Board/Committee Meetings.

Besides, all periodical returns and statements as prescribed by RBI are placed before the Board. All the policy documents relating to different aspects of Bank's functioning are also placed before the Board for their approval.

Among others, the following information is also furnished to the Board:

1. Review of annual operating plans of business, capital budgets, updates;
2. Quarterly results of the Bank and its operating divisions or business segments;
3. Minutes of meetings of Audit Committee and all other Committees;
4. Any materially relevant default in financial obligations to and by the Bank;
5. Significant developments in human resources and industrial relations fronts;
6. Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer;
7. Materially important show cause, demand, prosecution and penalty notices.

The Bank has adhered to all the mandatory requirements of Corporate Governance norms as prescribed by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent applicable to the Bank.

8. MEANS OF COMMUNICATION

The unaudited/audited quarterly/half yearly/annual financial results of the Bank are forwarded to the BSE Ltd. and National Stock Exchange of India Ltd. immediately after the Board meeting. The highlights of quarterly results and audited annual results were published in leading one national and one vernacular newspaper. The result and Annual Report including Notice and Explanatory Statement are also displayed on the Bank's Website at www.dhanbank.com.

9. GENERAL SHAREHOLDER INFORMATION

89 th Annual General Meeting	Date	September 29, 2016
	Time	10.00 a.m.
	Venue	Vadakke Samooha Madom, Shornur Road, Thrissur – 680 001
Name and other details regarding Compliance Officer	Sri Santosh Kumar Barik Company Secretary Dhanlaxmi Bank Ltd. Dhanalakshmi Buildings, Naickanal, Thrissur – 680 001 Phone : 0487-6617000 Fax : 0487-2335367 E-mail : investors@dhanbank.co.in	
Financial Year	2015-16	
Date of Book Closure	September 24, 2016	
Dividend Payment Date	Not Applicable	
Listing on Stock Exchanges	The equity shares of the Bank are listed on - 1. BSE Ltd. 2. National Stock Exchange of India Ltd.	
Stock Code – Equity Shares	1. BSE Ltd. - 532180 2. National Stock Exchange of India Ltd. - DHANBANK	
Registrar and Transfer Agents	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No. 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032 Tel : +91-40-67161500 Fax : +91-40-23001153 E-mail : einward.ris@karvy.com Contact Person : Mrs. Varalakshmi - Asst. General Manager	
Registered Office and Address for Correspondence	Dhanlaxmi Bank Ltd. P.B. No. 9, Dhanalakshmi Buildings, Naickanal, Thrissur – 680 001	
Corporate Identity Number (CIN)	L65191KL1927PLC000307	

10. LISTING OF THE BANK'S EQUITY SHARES

(A) The Bank's shares are listed on the following Stock Exchanges in India and their Stock Codes are as under:

1. The National Stock Exchange of India Ltd. (Stock Code: DHANBANK)
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051
Tel. No.: (022) 26598100 - 8114, Fax. No.: (022) 26598120
2. The BSE Ltd. (Stock Code: 532180)
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001
Phones : (022) 22721233/4, Fax : (022) 22721919

The listing fees payable to the Stock Exchanges for the financial year 2016-17 have already been remitted.

(B) Market Price Data of Bank's Shares

The monthly high and low prices of the Bank's shares traded in The National Stock Exchange of India Ltd. (NSE) and BSE Ltd. during the financial year are as under:

Month	NSE		BSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2015	35.00	30.50	34.90	30.60
May 2015	43.40	30.70	43.25	30.85
June 2015	36.40	28.85	36.40	28.80
July 2015	34.40	29.50	34.25	29.45
August 2015	33.00	26.10	32.90	25.70
September 2015	30.40	25.50	30.25	25.45
October 2015	30.70	26.60	30.75	27.00
November 2015	28.45	22.95	28.40	24.40
December 2015	27.45	20.95	27.40	20.95
January 2016	23.95	18.70	23.80	18.70
February 2016	19.60	16.80	19.50	16.90
March 2016	19.75	18.25	20.50	18.00

(C) Distribution of shareholding as on March 31, 2016

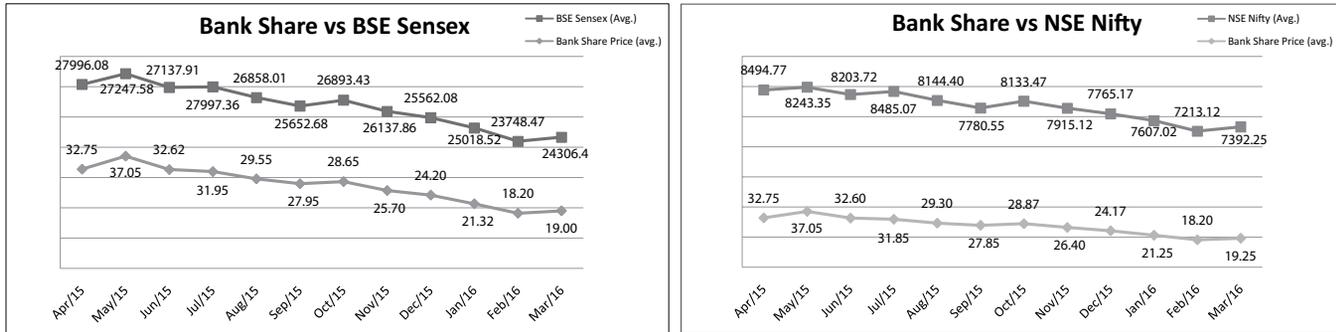
Category (No. of Shares)	Physical		Demat	
	No. of Holders	Shares	No. of Holders	Shares
upto 1-5000	14293	3421485	70211	28205186
5001-10000	27	177844	690	5159109
10001-20000	3	36310	315	4555725
20001-30000	4	82600	109	2709440
30001-40000	0	0	38	1342677
40001-50000	0	0	46	2142124
50001-100000	0	0	60	4228380
100001 & above	0	0	83	125380739
Total	14327	3718239	71552	173723380

Total number of shareholders both physical and electronic put together is 85879.

(D) Category – wise distribution of shareholding as on March 31, 2016

Sl. No.	Description	Cases	Shares	% Equity
1	BANKS	6	203040	0.11
2	CLEARING MEMBERS	73	215990	0.12
3	DIRECTORS	6	8851000	4.99
4	FOREIGN INSTITUTIONAL INVESTOR	8	19417381	10.94
5	FOREIGN PORTFOLIO INVESTORS	8	13982580	7.88
6	H U F	1222	1960694	1.10
7	INSURANCE COMPANIES	2	442277	0.25
8	BODIES CORPORATES	838	22541998	12.70
9	MUTUAL FUNDS	3	2651	0.00
10	NBFC	9	81267	0.05
11	NON RESIDENT INDIANS	1309	17086657	9.63
12	RESIDENT INDIVIDUALS	82391	92649254	52.21
13	TRUSTS	4	6830	0.00
	Total:	85879	177441619	100.00

(E) Performance of the Bank's Equity Shares relative to NSE Nifty & BSE Sensex



(F) Dematerialisation of Shares and Liquidity

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 680A01011. As on March 31, 2016, 37,18,239 shares constituting 2.10% and 17,37,23,380 shares constituting 97.90% of the paid-up capital were held in physical and electronic mode respectively.

As per SEBI directives, the trading of the Bank's shares is to be compulsorily done in dematerialised form. In the case of physical transfers, the share transfer instruments as and when received are duly processed and shares in respect of valid share transfer instruments transferred in the names of transferee, complying with the rules in force.

UNCLAIMED / UNPAID DIVIDEND

All Dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year 1993-94 have been transferred to the General Reserve Account of the Central Government. Any claim in respect of transferred amounts shall be made to the Registrar Of Companies, Kerala Company Law Bhavan, Bharath Matha College, P.O., Kochi – 682 021.

In terms of Section 125 of the Companies Act, 2013, the amount which has remained unclaimed/unpaid for a period of 7 years from the date of transfer to the unpaid /unclaimed Dividend Account has to be transferred to the "Investors' Education and Protection Fund" and thereafter, no claim can be made by any shareholder against the Bank or the fund for the dividend amount of that year. The unpaid dividend for the financial year 2008-09 is due for transfer to this fund in the financial year 2016-17.

The Ministry of Corporate Affairs has notified Investor Education and Protection Fund (IEPF) (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, whereby companies are required to identify and upload information regarding unclaimed amounts due to be transferred to IEPF on the Ministry's website and also on Bank's website.

Accordingly, the details of such unpaid/unclaimed amounts along with their respective due dates for transfer to IEPF are provided for the benefit of investors. The shareholders may please claim their unclaimed/unpaid amount due to them by making a request to the Bank giving their particulars before the same are transferred to IEPF.

12. COMPLIANCE STATUS OF LISTING AGREEMENT / SEBI (LODR) REGULATIONS, 2015

The Bank has complied with all mandatory recommendations prescribed in the Listing Agreement/ Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. A certificate to this effect from the Bank's Statutory Auditors is annexed as Annexure II to this report.

13. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

I, G. Sreeram, Managing Director & CEO hereby declare that the Code of Conduct for Directors and Senior Management of the Bank has been accepted and has been complied with, by all Board Members and Senior Management Personnel of the Bank, as required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on Corporate Governance.

Place : Thrissur
Date : 11.08.2016

By and on behalf of the Board
Sd/-
G. Sreeram
Managing Director & CEO

CEO / CFO Certification

We, G. Sreeram, Managing Director and CEO and Bhasi K. V., Chief Financial Officer, of Dhanlaxmi Bank Limited hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
 - (ii) these statements together present a true and unfair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- d) We have indicated, to the Auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in Bank's internal control system over financial reporting.

Yours faithfully

G. SREERAM
Managing Director & CEO

BHASI K. V.
Chief Financial Officer

Place : Thrissur
Date : May 30, 2016

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Shareholders of
DHANLAXMI BANK LIMITED
THRISSUR

We have examined the compliance of conditions of Corporate Governance by M/s. **Dhanlaxmi Bank Limited** for the year ended 31st March, 2016 as stipulated under Schedule V (E) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 49 of the previous Listing Agreements with the Stock Exchanges

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

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

As required by the Guidance Notes issued by the Institute of Chartered Accountants of India, we hereby state that no investor grievance is pending for a period exceeding one month against the Bank and as per the records maintained by the Stakeholders' Relationship Committee.

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

Place : Thrissur
Date : 11.08.2016

Sd/-
M. Vasudevan, F.C.S
FCS 4177/ CP 2437
Company Secretary
Soorya Gardens Apartments
Paliyam Road, Thrissur – 680 001

Independent Auditor's Report

To

The Members of Dhanlaxmi Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Dhanlaxmi Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31 March, 2016, the Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements. Incorporated in these financial statements are the returns of ten branches/offices and Treasury division audited by us, 269 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We have conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the Principal Accounting Policies and Notes appended thereto give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view of the state of affairs of the Bank as at 31 March 2016, its loss and its cash flows for the year ended on that date.

Emphasis of Matter:

We draw attention to the following matters in the Notes to the financial statements:

- (i) Note No. 6 (iv) of the financial statements regarding deferment of shortfall arising from the sale of certain Non Performing Assets during the year ended March 31, 2016 in terms of RBI Master Circular DBR.No. BPBC 2/21.04.048/2015-16 on prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances dated 1st July 2015 and the unamortized balance as at 31st March 2016 amounting to ₹ 10.97 Crores.
- (ii) Note no. 23 of the financial statements regarding retention of Deferred Tax Asset amounting to ₹37.06 Crores.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated October 6, 2015, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - (c) The returns received from the Offices and branches of the Bank have been found adequate for the purpose of our audit. We have conducted audit of ten branches/offices and Treasury division in connection with our Central Statutory audit.
3. Further, as required by section 143(3) of the Companies Act, 2013, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) 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;
 - (c) The reports on the accounts of the branch offices audited by branch auditors of the Bank under section 143(8) of the Companies Act, 2013 have been sent to us and have been properly dealt with by us in preparing this report;
 - (d) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (f) On the basis of written representations received from the directors as on 31 March, 2016 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March,

2016 from being appointed as a director in terms of Section 164 (2) of the Act;

- (g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report; and
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 36 to the financial statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts – Refer Note 37 to the financial statements; and
 - iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Bank.

For **K. Venkatachalam Aiyer & Co.**
Chartered Accountants
Firm Registration Number: 004610S

K. Narayanan
Partner
Membership Number: 7024

Place : Thrissur
Date : 30 May 2016

Annexure 1 to The Independent Auditor's Report of even date on the Financial Statements of Dhanlaxmi Bank Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Dhanlaxmi Bank Limited

We have audited the internal financial controls over financial reporting of Dhanlaxmi Bank Limited ("the Bank") as of 31 March 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We have conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and

perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Concept of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **K. Venkatachalam Aiyer & Co.**
Chartered Accountants
Firm Registration Number: 004610S

K. Narayanan
Partner
Membership Number: 7024

Place : Thrissur
Date : May 30, 2016

Balance Sheet

As at March 31, 2016

(₹ in '000)

	Schedule No.	As at 31-Mar-16	As at 31-Mar-15
CAPITAL AND LIABILITIES			
Capital	1	1,774,416	1,774,416
Share Application Money Pending Allotment		-	-
Reserves and Surplus	2	3,305,130	5,464,134
Deposits	3	113,537,574	123,816,833
Borrowings	4	2,518,459	9,413,518
Other Liabilities and Provisions	5	3,494,247	3,050,185
TOTAL		124,629,826	143,519,086
ASSETS			
Cash and Balances with Reserve Bank of India	6	5,794,814	6,693,310
Balances with Banks and Money at call and short notice	7	2,536,518	6,207,928
Investments	8	37,922,357	44,966,451
Advances	9	69,526,817	76,698,142
Fixed Assets	10	1,789,173	2,027,988
Other Assets	11	7,060,147	6,925,267
TOTAL		124,629,826	143,519,086
Contingent Liabilities	12	6,984,779	7,731,004
Bills for Collection		2,494,542	2,584,577

Mr. K. V .Bhasi
Chief Financial Officer

Mr. G. Sreeram
Managing Director & CEO

Mr. Chella K. Srinivasan
Director

Mr. S. T. Kannan
Director

As per our Report of even Date
For **Venkatachalam Aiyer & Co.**
Chartered Accountants
Firm Registration No.004610S

CA. K. Narayanan
Membership No. 7024

Place : Thrissur
Date : 30.05.2016

Mr. Santosh Kumar Barik
Company Secretary

Dr. Jayaram Nayar
Chairman

Dr. K. R. Lakshmi Devi
Director

Mr. Susobhan Sinha
Director

Mr. Manikandan P.
Chief General Manager

Mr. P. Mohanan
Director

Mr. E. Madhavan
Director

Profit & Loss Account

for the year ended March 31, 2016

(₹ in '000)

	Schedule No.	Year ended 31-Mar-16	Year ended 31-Mar-15
INCOME			
Interest Earned	13	12,042,729	12,835,942
Other Income	14	767,267	849,454
Total		12,809,996	13,685,396
EXPENSE			
Interest expended	15	8,995,965	9,847,511
Operating Expenses	16	3,809,029	3,581,957
Provisions and Contingencies		2,099,524	2,670,624
Total		14,904,518	16,100,092
Net Profit/(Loss) for the year		(2,094,522)	(2,414,696)
Profit/(Loss) brought forward		(6,150,618)	(3,708,448)
Transfer from Dividend Payable Account including Dividend Tax			
Total		(8,245,140)	(6,123,144)
Appropriations			
Transfer to Statutory Reserve		-	-
Transfer to Capital Reserve		5,043	27,474
Transfer to Special Reserve U/s.36(1)(viii) of Income Tax Act		-	-
Transfer to Other Reserve		-	-
Proposed dividend		-	-
Dividend tax		-	-
Balance carried forward to Balance Sheet		(8,250,183)	(6,150,618)
Total		(8,245,140)	(6,123,144)
Earnings Per Share (in ₹)			
Basic EPS		-11.80	-13.61
Diluted EPS		-11.80	-13.61

Mr. K. V .Bhasi
Chief Financial Officer

Mr. Santosh Kumar Barik
Company Secretary

Mr. Manikandan P.
Chief General Manager

Mr. G. Sreeram
Managing Director & CEO

Dr. Jayaram Nayar
Chairman

Mr. P. Mohanan
Director

Mr. Chella K. Srinivasan
Director

Dr. K. R. Lakshmi Devi
Director

Mr. E. Madhavan
Director

Mr. S. T. Kannan
Director

Mr. Susobhan Sinha
Director

As per our Report of even Date
For **Venkatachalam Aiyer & Co.**
Chartered Accountants
Firm Registration No.004610S

CA. K. Narayanan
Membership No. 7024

Place : Thrissur
Date : 30.05.2016

Cash Flow statement

for the year ended March 31, 2016

(₹ in '000)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Cash flow from operating activities		
Net profit before income tax	(1,961,627)	(2,414,696)
Adjustments for :		
Depreciation on fixed assets	265,869	189,481
Depreciation on Investments	112,638	(500,520)
Amortisation of premia on investments	79,279	95,111
Loan Loss provisions including write off	937,354	2,947,694
Provision against standard assets	(16,100)	(9,000)
Provision for wealth tax	(72)	200
Provision for Deferred Tax Asset	0	-
Provision for NPA (Investments)	55,729	178,400
Provision for restructured assets	(12,457)	(30,008)
Provision for fraud	(30)	2,570
Provision for OIS MTM Loss	(560)	(556)
(Profit)/ Loss on sale of fixed assets	537	(2,817)
Provision for unhedged Forex Exposure	(2,189)	10,800
Adjustments for :		
(Increase)/ Decrease in Investments	6,796,448	(3,450,985)
(Increase)/ Decrease in Advances	6,246,428	(286,210)
Increase / (Decrease) in Borrowings	(5,395,059)	(3,942,291)
Increase/ (Decrease) in Deposits	(10,279,259)	2,484,772
(Increase) / Decrease in Other assets	(262,430)	427,493
Increase/ (Decrease) in Other liabilities and provisions	463,013	(1,748,641)
Direct taxes paid (net of refunds)	(5,345)	(1,879)
Net cash flow from operating activities	(2,977,833)	(6,051,082)

(₹ in '000)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Cash flows from investing activities		
Purchase of fixed assets	(93,961)	(123,909)
Proceeds from sale of fixed assets	1,888	26,452
Net cash used in investing activities	(92,073)	(97,457)
Cash flows from financing activities		
Proceeds from issue of equity shares	0	515,070
"Proceeds from issue of Upper and Lower Tier II capital instruments net of repayment	(1,500,000)	-
Proceeds from Share Premium (net of share issue expenses)	0	1,781,293
Dividend provided last year paid during the year including dividend tax	-	-
Net cash generated from financing activities	(1,500,000)	2,296,363
Net increase in cash and cash equivalents	(4,569,906)	(3,852,176)
Cash and cash equivalents as at April 1st	12,901,238	16,753,414
Cash and cash equivalents as at March 31st	8,331,332	12,901,238

Mr. K. V .Bhasi
Chief Financial Officer

Mr. Santosh Kumar Barik
Company Secretary

Mr. Manikandan P.
Chief General Manager

Mr. G. Sreeram
Managing Director & CEO

Dr. Jayaram Nayar
Chairman

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Director

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As per our Report of even Date
For **Venkatachalam Aiyer & Co.**
Chartered Accountants
Firm Registration No.004610S

CA. K. Narayanan
Membership No. 7024

Place : Thrissur
Date : 30.05.2016

Schedules to the Financial Statements

As at March 31, 2016

(₹ in '000)

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 1 - CAPITAL		
Authorised Capital		
30,00,00,000 Equity Shares of ₹10 each	3,000,000	3,000,000
Issued, Subscribed and Paid up		
17,74,41,619 Equity Shares of ₹10 each	1,774,416	1,774,416
Total	1,774,416	1,774,416
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVES		
Opening Balance	772,614	772,614
Additions: Transfer from Profit and Loss Account	-	-
	772,614	772,614
II. REVENUE AND OTHER RESERVES		
Opening Balance	805,850	805,850
Additions : Transfer from Profit and Loss Account	-	-
Adjustments during the year	-	-
	805,850	805,850
III. BALANCE IN PROFIT AND LOSS ACCOUNT	(8,250,183)	(6,150,618)
IV. SECURITIES PREMIUM ACCOUNT		
Opening Balance	8,770,256	6,988,963
Additions during the year (net of share issue expenses)	-	1,781,293
	8,770,256	8,770,256
V. CAPITAL RESERVES		
Opening Balance	1,206,175	1,185,017
Additions: Due to Revaluation of Premises	-	-
Transfer from Profit and Loss Account	5,043	27,474
Deduction due to depreciation on revalued premises	(64,482)	(6,316)
	1,146,736	1,206,175
VI. SPECIAL RESERVE U/s.36(1)(viii) OF INCOME TAX ACT, 1961		
Opening Balance	59,857	59,857
Additions: Transfer from Profit and Loss account	-	-
Less: Transfer to Profit and Loss Account	-	-
	59,857	59,857
Total	3,305,130	5,464,134

(₹ in '000)

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
(i) From Banks	14,971	15,378
(ii) From Others	7,424,261	10,127,341
	7,439,232	10,142,719
II. Savings Bank Deposits	20,977,173	19,993,340
III. Term Deposits		
(i) From Banks	71,170	5,568,073
(ii) From Others	85,049,999	88,112,701
	85,121,169	93,680,774
Total	113,537,574	123,816,833
B I. Deposits of Branches in India	113,537,574	123,816,833
II. Deposits of Branches outside India	-	-
Total	113,537,574	123,816,833
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	680,000	5,670,000
(ii) Other Banks	-	-
(iii) Other Institutions and Agencies	386,459	791,518
	1,066,459	6,461,518
II. Tier II bonds in India		
Upper Tier II bonds	275,000	275,000
Lower Tier II bonds	1,177,000	2,677,000
	1,452,000	2,952,000
III. Borrowings Outside India	-	-
	-	-
Total	2,518,459	9,413,518
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	399,479	605,217
II. Interest accrued	510,775	615,842
III. Inter Office Adjustments (Net)	8,586	23,446
IV. Others (including Provisions)	2,575,407	1,805,680
Total	3,494,247	3,050,185
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash on Hand (including foreign currency notes)	1,189,660	1,920,135
II. Balances with Reserve Bank of India		
(a) In current accounts	4,605,154	4,773,175
(b) In other accounts	-	-
	4,605,154	4,773,175
Total	5,794,814	6,693,310

(₹ in '000)

	As at 31-Mar-16	As at 31-Mar-15
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks :		
(a) In current accounts	248,650	266,087
(b) In other deposit accounts	1,800,000	3,000,000
	2,048,650	3,266,087
(ii) Money at Call and Short Notice		
(a) With banks	420,000	2,250,000
(b) With other institutions	-	499,466
	420,000	2,749,466
Total	2,468,650	6,015,553
II. Outside India		
(a) In current account	67,868	192,375
(b) In other deposit accounts	-	-
	67,868	192,375
Total	2,536,518	6,207,928
SCHEDULE 8 - INVESTMENTS		
A Investments in India in		
(i) Government Securities	30,721,862	36,873,551
(ii) Approved securities	-	-
(iii) Shares	95,285	151,968
(iv) Debentures and Bonds	932,404	482,404
(v) Subsidiaries/Joint Ventures	-	-
(vi) Others	6,172,806	7,458,528
Total	37,922,357	44,966,451
B Investments outside India		
	-	-
	37,922,357	44,966,451
(i) Gross Value of Investments		
(a) In India	38,935,939	45,811,667
(b) Outside India	-	-
	38,935,939	45,811,667
(ii) Provision for Depreciation		
(a) In India	1,013,582	845,216
(b) Outside India	-	-
	1,013,582	845,216
(iii) Net Value of Investments		
(a) In India	37,922,357	44,966,451
(b) Outside India	-	-
	37,922,357	44,966,451
SCHEDULE 9 - ADVANCES		
A		
(i) Bills Purchased and discounted	398,106	761,045
(ii) Cash Credits, Overdrafts and Loans repayable on Demand	24,133,653	27,739,793
(iii) Term Loans	44,995,058	48,197,304
Total	69,526,817	76,698,142
B		
(i) Secured by Tangible assets	66,010,435	74,340,009
(ii) Covered by Bank/Govt. Guarantee	2,397,896	1,840,400
(iii) Unsecured	1,118,486	517,733
Total	69,526,817	76,698,142

(₹ in '000)

		As at 31-Mar-16	As at 31-Mar-15
C	I. ADVANCES IN INDIA		
	(i) Priority Sectors	30,258,664	29,869,845
	(ii) Public Sector	846,455	889,345
	(iii) Banks	-	1,608
	(iv) Others	38,421,698	45,937,344
	Total	69,526,817	76,698,142
	II. ADVANCES OUTSIDE INDIA	-	-
	Total	69,526,817	76,698,142

SCHEDULE 10 - FIXED ASSETS

A	Premises		
	At cost as per last Balance Sheet	1,243,393	1,243,393
	Additions during the year due to revaluation of Premises	-	-
	Additions/Adjustments during the year	-	-
	Deductions during the year	-	-
	Depreciation to date	299,343	181,712
	Net Block	944,050	1,061,681
B	Other Fixed Assets (includes Furniture and Fixture and Computers)		
	At cost as per last Balance Sheet	2,466,729	2,481,218
	Additions/Adjustments during the year	52,797	57,754
	Deductions during the year	64,082	72,243
	Depreciation to date	1,880,174	1,687,381
		575,270	779,348
	Capital Work in progress	269,853	186,959
	Net Block	1,789,173	2,027,988

SCHEDULE 11 - OTHER ASSETS

I.	Interest Accrued	1,951,187	1,857,610
II.	Inter Office Adjustments (Net)	-	-
III.	Tax paid in advance and Tax Deducted at Source (net of provisions)	300,549	427,986
IV.	Deferred Tax Asset	370,591	370,591
V.	Stationery and stamps	3,077	5,711
VI.	Non Banking Assets acquired in satisfaction of claims	36,965	36,965
VII.	Others	4,397,778	4,226,404
	Total	7,060,147	6,925,267

SCHEDULE 12 - CONTINGENT LIABILITIES

I.	Claims against the bank not acknowledged as debts	240,575	735,996
II.	Liabilities on account of outstanding forward exchange contracts	2,928,240	3,640,798
III.	Guarantees given on behalf of constituents in India	2,725,753	2,714,222
IV.	Acceptance, endorsements and other obligations	719,925	596,915
V.	Other items for which Bank is contingently liable #	370,286	43,073
	#(Amount transferred to DEAF)	137,149	
	#(Disputed Tax Liability)	233,137	
	Total	6,984,779	7,731,004

Schedules to the Financial Statements

for the year ended March 31, 2016

(₹ in '000)

	Year ended 31-Mar-16	Year ended 31-Mar-15
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/bills	8,342,830	8,938,534
II. Income on Investments	3,275,995	3,301,496
III. Interest on balance with RBI/other inter Bank funds	221,173	336,602
IV. Others	202,731	259,310
Total	12,042,729	12,835,942
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	59,431	59,771
II. Profit/(Loss) on sale of Investments (Net)	49,388	122,353
III. Profit on sale of land, building and other Assets (Net)	537	2,816
IV. Profit on exchange transactions (Net)	65,955	126,257
V. Income from Insurance	35,173	14,251
VI. Miscellaneous Income	556,783	524,006
Total	767,267	849,454
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	8,657,493	8,965,964
II. Interest on RBI/Inter Bank Borrowing	151,183	534,823
III. Others	187,289	346,724
Total	8,995,965	9,847,511
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	2,131,529	2,114,698
II. Rent, Taxes and Lighting	468,057	468,680
III. Printing and Stationery	27,759	27,266
IV. Advertisement and Publicity	3,286	6,454
V. Depreciation to Banks property	248,958	183,165
VI. Directors Fee, Allowance and Expense	2,480	3,974
VII. Auditors Fee and Expense (including Branch Auditors)	7,203	6,027
VIII. Law charges	43,185	32,617
IX. Postage, Telegram, Telephone etc.	86,591	105,337
X. Repairs and Maintenance	25,382	48,940
XI. Insurance	149,376	113,372
XII. Other Expenditure	615,223	471,427
Total	3,809,029	3,581,957
PROVISIONS & CONTINGENCIES		
I. Provision for NPA (incl BDW)	937,354	2,947,694
II. Provision for Standard Assets	(16,100)	(9,000)
III. Provision for Restructured Advances	(12,457)	(30,008)
IV. Provision for Dep. on Investments	112,638	(500,520)
V. Provision for NPI	55,729	178,400
VI. Provision for Income Tax/ Wealth Tax	(72)	200
VII. Provision for Deferred Tax	-	-
VIII. Provision for Fraud	(30)	2,570
IX. Provision for OIS MTM Loss	(560)	(556)
X. Provision for Unhedged Forex Exposure	(2,189)	10,800
XI. Other Provisions	1,025,211	71,044
Total	2,099,524	2,670,624

SCHEDULE 17 – PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

CORPORATE INFORMATION

Dhanlaxmi Bank Limited ('DBL' or the 'Bank') is a private sector bank incorporated in the year 1927. Dhanlaxmi Bank Limited is a publicly held bank engaged in providing a wide range of banking and financial services. Dhanlaxmi Bank Limited is a banking company governed by the Banking Regulations Act, 1949. 55% of the branches of the Bank is in Kerala. The Bank has branches in other states of India also.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with the requirements prescribed under the "Third Schedule" (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform in all material aspects to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) notified under Sec. 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules 2014 to the extent applicable and practices generally prevalent in the banking industry in India. The bank follows the accrual method of accounting and the historical cost convention except where otherwise stated. The Accounting Policies adopted by the bank are consistent with the previous year except as disclosed otherwise.

USE OF ESTIMATES

The preparation of Financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates and assumptions used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

SIGNIFICANT ACCOUNTING POLICIES

1. REVENUE RECOGNITION

- a) Interest income from loans and advances, investments (including deposits placed with banks and other institutions) are recognized over the period of the loans and advances, Investments, Deposits etc. on accrual basis except in the case of non-performing assets. Interest on non-performing assets is recognized upon realization as per the prudential norms of the RBI.
- b) Dividend on investments in shares and units of mutual funds are accounted on accrual basis when the bank's right to receive the dividend is established.
- c) Insurance claims, Locker Rent, Interest on Income Tax refund, Commission on Distribution of Mutual Fund products and Commission from Depository services are accounted on receipt basis.
- d) Commission income on issuance of Bank Guarantee/Letter of Credit and Discount on Bill Discounted is collected upfront and is recognized over the period of the underlying liability.
- e) Processing fee/upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/facility is recognized in the year of receipt without spreading it over the period of loan/facility.
- f) Corporate agency commission from Insurance Company for solicitation and distribution of the Insurance products is recognized on accrual basis.
- g) All other amounts collected from customers as Non interest income or recovery of expenses towards provision of various services/facilities are accounted/recognized on receipt basis.

2. EXPENSES RECOGNITION

- A) Interest Expenses
All interest expenses relating to deposits accepted and borrowings are recognised on accrual basis. Interest on unclaimed matured deposits is provided as per RBI directives.
- B) Employee benefits
The liability on employee benefits are recognized in accordance with Accounting Standard 15 (revised) specified under Sec.133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules 2014.

- a) Provident Fund
The contribution made by the bank to Dhanlaxmi Bank Ltd. Employees Provident Fund, administered by the trustees is charged to Profit & Loss account.
 - b) Pension Fund
The contribution towards Dhanlaxmi Bank Ltd. Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the accounts.
 - c) Gratuity
The Bank makes annual contribution to Dhanlaxmi Bank Ltd. Employees' Gratuity Trust Fund administered and managed by the trustees. The cost of providing such benefits is determined using the Projects Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.
 - d) Compensation for absence on Privilege / Sick / Casual Leave
The employees of the bank are entitled to compensated absence on account of privilege/sick/casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the accounts.
 - e) Employees Stock Option Scheme (ESOS)
The Bank has formulated Employee Stock Option Scheme (ESOS) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and are to be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. In accordance with the SEBI Guidelines Regulations, 2014 and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.
- C) Other Operating Expenses are generally accounted on accrual basis. In the case of Rent where rent agreement has expired, rent is accounted on the basis of expired agreement till new rent agreement is signed.

3. NET PROFIT

Net Profit is arrived at after provisions for contingencies, which include Provision for:

- i) Depreciation on Investments;
- ii) Standard Assets, Restructured Advances and Non-Performing Advances and Investments;
- iii) Taxation in accordance with statutory requirements.

4. ADVANCES

- A) Valuation / Measurement
 - a) Advances are classified into Standard, Sub-standard, Doubtful and Loss assets in accordance with the Reserve Bank of India guidelines and are stated net of provisions made towards non performing advances.
 - b) Provision for non performing advances comprising Sub-standard, Doubtful and Loss assets is made in accordance with the Reserve Bank of India guidelines.
 - c) General provisions in respect of Standard Assets is created as per the Reserve Bank of India guidelines from time to time.
 - d) In respect of restructured (Standard and Non Performing) advances, provision is made for the present value of principal and interest component sacrificed at the time of restructuring the assets, based on the RBI guidelines.
 - e) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary based on the current status of the borrower are recognized in the profit and loss account.
- B) Recording / Presentation
Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created for NPA is netted against gross amount of advance without adjusting the same at individual account level. Provision held against an individual account is adjusted against individual account's balance only at the time of write off of the account.

5. INVESTMENTS

- A) Classification
 - (a) In accordance with the RBI guidelines, investments are categorized in to "Held for Trading", "Available for Sale" and

"Held to Maturity" and further classified under six groups, viz. Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Subsidiaries/Joint Ventures and Other investments for the purposes of disclosure in the Balance Sheet.

- (b) Investments which are Held for sale within 90 days from the date of purchase are classified as "Held for Trading".
- (c) Investments which the bank intends to hold till maturity are classified as "Held to Maturity".
- (d) Investments which are not classified in either of the above two categories are classified as "Available for Sale".

B) Valuation

The cost of investments is determined on the weighted average basis. Broken period interest paid on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission etc. paid at the time of acquisition of investments are charged to revenue.

The valuation of investments is made in accordance with the RBI Guidelines:

- a) Held for Trading/ Available for Sale – Each security in this category is valued at the market price or fair value and the net depreciation of each group is recognised in the Profit and Loss account. Net appreciation, if any, is ignored.

The market value of investments where current quotations are not available is determined as per the norms prescribed by RBI.

- b) Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortized over the remaining maturity of the security using constant yield method. Any diminution, other than temporary, in the value of such securities is provided for.

- c) Repurchase and Reverse Repurchase transactions – These are accounted as collateralized borrowing and lending transactions respectively. The difference between the clean price of the first leg and the clean price of the second leg is recognized as interest income / interest expense over the period of the transaction.

In respect of Repo transactions under Liquidity Adjustment Facility (LAF) with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse Repo transactions under LAF, monies paid to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

- d) In respect of securities included in any of the three categories of investments where interest/principal is in arrears, for more than 90 days, income is not recognized and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing investments. Debentures / Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government securities as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)/Primary Dealers Association of India (PDAI) and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose.

C) Transfer Between Categories

Transfer between categories is done at the lower of the acquisition cost/ book value/market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for. Transfer of securities from/to Held to Maturity category is done as per guidelines issued by RBI from time to time.

D. Profit or Loss on Sale/Redemption of Investments

- a) Held for Trading and Available for Sale – Profit or loss on sale/ redemption is recognized in the Profit and Loss account.
- b) Held to Maturity – Profit or Loss on Sale/Redemption of Investments is recognized in the Profit and Loss account. In case of Profits, the same is appropriated to Capital Reserve, after adjustments for tax and transfer to statutory reserve.

6. FIXED ASSETS AND DEPRECIATION

- a) The Fixed Assets (other than those, which are revalued) are stated at historical cost less depreciation.
- b) The revalued assets are stated at the revalued amount less depreciation. The appreciation in value consequent to revaluation is credited to Asset Revaluation Reserve. Depreciation on assets revalued is charged on the historical cost or the amount substituted for the historical cost. The bank transfers difference between depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost to the Revaluation Reserves.
- c) Amount expended towards acquisition of Software is capitalized where it is reasonably estimated that the software has an enduring useful life. Software is amortized over an estimated useful life of 5 years on straight-line basis.

- d) Depreciation on Fixed Assets is provided based on the useful life of the asset as prescribed under Part C of Schedule II to the Companies Act, 2013. Depreciation for fixed assets except 'premises' are based on 'Straight Line Method' whereas premises are depreciated using Written Down Value method based on the technical evaluation of useful life. For assets purchased/sold during the year, depreciation is being provided on pro rata basis by the Bank.
- e) Capital work-in-progress includes cost of fixed assets that are not ready for their intended use.

7. IMPAIRMENT OF ASSETS

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An assets recoverable amount is the higher of an assets net selling price and its value in use. If such assets are considered to be impaired, the impairment is recognized by debiting the profit and loss account and is measured as the amount by which the carrying amount of the assets exceeds the recoverable amount of the assets.

8. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

- i) Monetary assets and liabilities are translated to Indian Rupee equivalent at the exchange rates notified by FEDAI as on the Balance Sheet date.
- ii) Forward Exchange contracts are translated to Indian Rupee equivalent at the exchange rate prevailing on the date of commitments. Gain/ Losses on outstanding forward exchange contracts are taken to revenue as per the FEDAI guidelines.
- iii) Income and Expenditure in foreign currency are accounted for at the exchange rate prevailing on the date of transaction.

9. TAXES ON INCOME

The income tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognized subject to prudence and judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using tax rates under tax laws that have been enacted before the balance sheet date. Changes in deferred tax assets/ liabilities on account of changes in enacted tax rates are given effect to in the profit and loss account in the period of the change.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realised in future. In case of unabsorbed depreciation or carried forward loss under taxation laws, all deferred tax assets are recognized only if there is virtual certainty of realization of such assets supported by convincing evidence. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realised.

10. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The bank does not recognize a contingent liability but discloses its existence in the financial statements.

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

11. ACCOUNTING CONTROLS AND PROCEDURES

The above policies are in the nature of general principles adopted by the bank for recognizing, recording, and summarizing the financial transactions of the bank.

Banking services are extended from various offices of the bank spread across India. For proper accounting, accounting aspects of such events/services are first recorded at such offices from where these transactions/services/events become measurable in monetary terms. Transactions thus generated are further compiled at Head Office to prepare the financial statements of the bank.

Detailed rules covering procedural aspects of accounting, including accounting controls, of various products/services at branches and Head Office are included in the policies, Manuals and circulars issued from time to time.

12. CASH AND CASH EQUIVALENT

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

13. LEASES

Leases where the lessor effectively retains substantially all risks and benefits of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

14. EARNINGS PER SHARE

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard (AS) 20, "Earnings per Share" notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. Basic earnings per equity share have been computed by dividing net profit after tax for the year by the weighted average number of equity shares outstanding for the period.

Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti dilutive.

15. NON-BANKING ASSETS

Non-banking assets acquired in settlement of debts/dues are accounted at the lower of their cost of acquisition or net realizable value.

16. SEGMENT REPORTING

Business Segments have been identified and reported taking into account, the target customer profile, the nature of product and services, the differing risks and returns, the organization structure, the internal business reporting system and guidelines issued by the RBI vide notification dated April 18, 2007. The Bank operates in the following business segments:

- a) Treasury:
The treasury services segment primarily consists of interest earnings on investments portfolio of the bank, gain or losses on investment operations and earnings from foreign exchange business. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.
- b) Corporate/Wholesale Banking
The Corporate/Wholesale Banking segment provides loans and other banking services to corporate segment identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to corporate customers and charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.
- c) Retail Banking:
The Retail banking segment provides loans and other banking services to non-corporate customers identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to non-corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.
- d) Other Banking Operations:
This segment includes income from para banking activities such as debit card, third party product distribution and associated costs.

GEOGRAPHIC SEGMENT

The Bank operations are predominantly confined within one geographical segment (India) and accordingly this is considered as the only secondary segment.

SCHEDULE 18 - NOTES TO THE FINANCIAL STATEMENTS

1. Capital commitments

(₹ in Crore)

	March 31, 2016	March 31, 2015
	14.01	15.96

2. (a) Provisions and Contingencies

The breakup of Provisions and Contingencies for the year ended March 31, 2016 and March 31, 2015 are given below:

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Provision for depreciation on Investments	11.27	(50.05)
Provision for Non Performing Investments	5.57	17.84
Provision for Standard Assets	(1.61)	(0.90)
Provision against Fraud	-	0.26
Provision for OIS MTM Loss	(0.06)	(0.06)
Provision for NPA (including Bad Debts written off)	93.73	294.77
Provision for Restructured Advances	(1.24)	(3.00)
Provision for Income Tax, Wealth Tax etc.	(0.01)	0.02
Provision for Unhedged Forex Exposure	(0.22)	1.08
Income Tax Written off (Note No.: 12)	13.29	-
Provision for Pension/DA increase (Note No.: 26)	89.56	-
Other Provisions (Net)*	(0.33)	7.10
Total	209.95	267.06

* Other provision shown net of current year provision made against other assets and reversal of provisions made during earlier years.

(b) Floating Provisions

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
(a) Opening balance	0.67	1.34
(b) Additional Provisions made during the year	-	-
(c) Amount of draw down made during the year	-	0.67
(d) Closing balance	0.67	0.67

3. CAPITAL ADEQUACY

The Bank is subject to the Basel-III Capital Regulations stipulated by Reserve Bank of India (RBI) effective from April 1, 2013. The transition to the Basel-III Capital Regulations is in a phased manner and during the transitional period the Bank is subject to the compliance with the regulatory limits and minima as prescribed under Basel-III Capital Regulation on an on-going basis. Basel-III Capital Regulations will be fully implemented as on March 31, 2019. As per the Reserve Bank of India (RBI) guidelines, the total regulatory capital consists of sum of the following:

- 1) Tier-1 Capital (Going Concern Capital*)
 - a. Common Equity Tier-1 (CET-1)
 - b. Additional Tier-1

- 2) Tier-2 Capital (Gone Concern Capital**)

* From Regulatory perspective, Going Concern Capital is the Capital, which can absorb losses without triggering bankruptcy of the Bank.

** From Regulatory perspective, Gone Concern Capital is the Capital, which will absorb losses only in a situation of liquidation of the Bank.

Transitional Arrangements

In order to ensure smooth transition to the Basel-III Capital Regulations without aggravating any near term stress, the Reserve Bank of India (RBI) has made transitional arrangements for compliance with Basel-III Capital Regulations in a phased manner. The phasing in of the Minimum Capital Requirement under Basel-III is as follows:

(% of Risk Weighted Assets [RWAs])

Minimum Capital Ratios	As on March 31,			
	2016	2017	2018	2019
Minimum Common Equity Tier-1 (CET-1)	5.5	5.5	5.5	5.5
Capital Conservation Buffer (CCB)	0.625	1.25	1.875	2.5
Minimum Common Equity Tier-1 (CET-1)+Capital Conservation Buffer (CCB)	6.125	6.75	7.375	8
Minimum Tier-1 Capital	7	7	7	7
Minimum Total Capital	9	9	9	9
Minimum Total Capital +Capital Conservation Buffer (CCB)	9.625	10.25	10.875	11.5

As at March 31, 2016, Basel-III guidelines require the Bank to maintain a minimum capital to risk weighted assets ratio (CRAR) of 9% with minimum CET-1 CRAR of 5.5%, Minimum Tier-1 CRAR of 7% and Capital Conservation Buffer (CCB) CRAR of 0.625%.

The following table sets forth, for the period indicated, computation of capital adequacy as per Basel-III framework:

(₹ in Crore)

Sl. No.	Items	March 31, 2016	March 31, 2015
		Basel III	Basel III
(i)	Tier-1 Capital (₹)	410.29	566.28
(ii)	Common Equity Tier-1 Capital (CET-1) (₹)	410.29	566.28
(iii)	Additional Tier-1 Capital (₹)	0	0
(iv)	Tier-2 Capital (₹)	93.49	165.75
(v)	Total Capital (₹)	503.78	732.03
(vi)	Total Risk Weighted Assets (₹)	6704.82	7632.09
(vii)	Common Equity Capital Adequacy Ratio (%)	6.12	7.42
(viii)	Tier I Capital Adequacy Ratio (%)	6.12	7.42
(ix)	Tier II Capital Adequacy Ratio (%)	1.39	2.17
(x)	Total Capital Adequacy Ratio (%)	7.51	9.59
(xi)	Percentage of the shareholding of the Government of India in public sector banks	NA	NA
(xii)	Amount of equity capital raised	-	229.64
(xiii)	Amount of Additional Tier 1 capital raised ; Of which Perpetual Non-Cumulative Preference Shares (PNCPS) ; Perpetual Debt Instruments (PDI) :	NIL	NIL
(xiv)	Amount of Tier 2 capital raised ; Of which Debt Capital Instrument: Preference Share Capital Instruments :	NIL NIL NIL	NIL NIL NIL
	[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]		

4. INVESTMENTS

(₹ in Crore)

Items	March 31, 2016	March 31, 2015
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	3893.59	4581.17
(b) Outside India	-	-
(ii) Provisions for Depreciation on investments		
(a) In India	101.36	84.52
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	3792.23	4496.65
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	84.52	116.73
(ii) Add: Provisions made during the year	19.03	31.09
(iii) Less: (Write-off/write-back of excess provisions during the year)	2.19	63.30
(iv) Closing Balance	101.36	84.52

Repo Transactions (in Face Value Terms)

(₹ in Crore)

Particulars	Minimum outstanding during the year ended March 31,		Maximum outstanding during the year ended March 31,		Daily Average outstanding during the year ended March 31,		As on March 31, 2016	As on March 31, 2015
	2016	2015	2016	2015	2016	2015		
Securities sold under repos								
i) Government Securities	NIL	NIL	29.99	341.51	0.12	56.02	NIL	NIL
ii) Corporate Debt Securities	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Securities purchased under reverse repos								
i) Government Securities	NIL	NIL	170.39	221.78	7.53	10.02	NIL	NIL
ii) Corporate Debt Securities	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Note: As per RBI/2009-2010/356 IDMD/4135/11.08.43/2009-10 dt. March 23, 2010 only Market repo & Market reverse repo Transactions have been taken into Account; Repo/Reverse repo Transactions conducted under Liquidity Adjustment Facility (LAF) with RBI have not been counted.

• Outstanding Repo/Reverse Repo Transactions with Reserve Bank of India (RBI) under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF)

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Repo under Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF)	70.72	589.68
Reverse Repo under Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF)	43.68	104.00

• Issuer wise composition of Non SLR investments as on March 31, 2016

(₹ in Crore)

Sl. No.	Issuer	Amount @	Extent of Private Placement#	Extent of 'Below Investment Grade' Securities#	Extent of 'Unrated' Securities #*	Extent of 'Unlisted' Securities#**
(i)	Public Sector Undertakings	11.11	9.14	0.00	0.00	0.00
(ii)	Financial Institutions	84.96	84.77	5.57	5.57	5.67
(iii)	Banks	556.57	553.95	0.00	0.00	0.00
(iv)	Private Corporates	43.69	36.68	24.18	21.34	36.68
(v)	Subsidiaries/Joint Ventures	0.00	0.00	0.00	0.00	0.00
(vi)	Others (Security Receipts and PTC)	95.72	95.72	0.00	4.68	95.72
(vii)	Less: Provision held towards depreciation and NPI	(72.00)	(68.84)	(29.75)	(31.59)	(68.84)
	Total	720.05	711.42	0.00	0.00	69.23

@ The Total under column no.:1 is the total of investments included under the following categories in Schedule-8 to the Balance Sheet;

iii. Shares.

iv. Debentures and Bonds.

v. Subsidiaries/Joint Ventures.

vi. Others.

Amounts reported under these columns 2, 3, 4 and 5 above are not mutually exclusive.

* Excludes investments in equity shares, units of equity oriented mutual funds and deposits with NABARD, SIDBI, NHB, RIDF, RHDF and MSME deposits under the priority/weaker sector lending schemes in line with extant RBI guidelines.

** Excludes investments in equity shares, units of equity oriented mutual funds and deposits with NABARD, SIDBI, NHB, RIDF, RHDF and MSME deposits under the priority/weaker sector lending schemes in line with extant RBI guidelines.

• Issuer wise composition of Non SLR investments as on March 31, 2015

(₹ in Crore)

Sl. No.	Issuer	Amount@	Extent of Private Placement#	Extent of 'Below Investment Grade' Securities#	Extent of 'Unrated' Securities#*	Extent of 'Unlisted' Securities#**
(i)	Public Sector Undertakings	10.02	9.14	-	-	-
(ii)	Financial Institutions	45.33	44.77	5.57	5.57	5.67
(iii)	Banks	664.09	661.49	-	-	-
(iv)	Private Corporates	42.37	36.68	24.18	1.34	36.68
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others (Security Receipts and PTC)	100.44	100.44	-	4.68	100.44
(vii)	Less: Provision held towards depreciation and NPI	(52.96)	(51.36)	(25.21)	(7.05)	(51.36)
	Total	809.29	801.16	4.54	4.54	91.43

@ The Total under column no.:1 is the total of investments included under the following categories in Schedule-8 to the Balance Sheet;

iii. Shares.

iv. Debentures and Bonds.

v. Subsidiaries/Joint Ventures.

vi. Others.

Amounts reported under these columns 2, 3, 4 and 5 above are not mutually exclusive.

* Excludes investments in equity shares, units of equity oriented mutual funds and deposits with NABARD, SIDBI, NHB, RIDF, RHDF and MSME deposits under the priority/weaker sector lending schemes in line with extant RBI guidelines.

** Excludes investments in equity shares, units of equity oriented mutual funds and deposits with NABARD, SIDBI, NHB, RIDF, RHDF and MSME deposits under the priority/weaker sector lending schemes in line with extant RBI guidelines.

• **Non Performing Non-SLR Investments**

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Opening balance	29.79	26.95
Additions during the year	5.57	2.84
Reductions during the year	NIL	NIL
Closing balance	35.36	29.79
Total provisions held	35.36	29.79

• **Details of Investments Category-Wise**

The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity is as under:

(₹ in Crore)

Particulars	As at March 31, 2016				As at March 31, 2015			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities	0.00	1,280.93	1,820.62	3,101.55	0.00	1,740.82	1,978.10	3,718.92
Other Approved Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares (Includ pref shares)	0.46	30.84	0.00	31.30	0.00	29.24	0.00	29.24
Debentures and Bonds	0.00	116.08	0.00	116.08	0.00	71.08	0.00	71.08
Subsidiaries/Joint Ventures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others (certificate of deposits, SR and PTC)	0.00	644.66	0.00	644.66	0.00	761.93	0.00	761.93
Total	0.46	2,072.51	1,820.62	3,893.59	0.00	2,603.07	1,978.10	4,581.17

• **Sale and Transfers to / from HTM Category**

Particulars of period, value Date of sale & Security Details			Sales in Regular Market attracting 5% Cap		
Quarter	Value Date of sale	Name of security	FV (₹ in Cr)	Sale ₹ in Cr (FV*Price)	B.V. ₹ in Cr
Q2	04-Sep-15	7.59% GOI 12-04-2016	20.00	20.01	19.92
Q2	04-Sep-15	7.59% GOI 12-04-2016	25.00	25.02	24.90
Q2	04-Sep-15	7.59% GOI 12-04-2016	25.00	25.02	24.90
Q2	04-Sep-15	7.59% GOI 12-04-2016	25.00	25.01	24.90
Q3	16-Oct-15	7.46% GOI 28-08-2017	15.00	15.00	14.93
			110.00	110.06	109.55
Sale in terms of % to 31/03/2015 Position			5.54%		

During the year ended March 31, 2016, the aggregate book value of investments sold from, and transferred to/from Held to Maturity (HTM) category was 0.54% (Total 5.54%) in excess of the 5% of the book value of investments held in Held to Maturity (HTM) category at the beginning of the year. The Market Value of Investments held in the HTM category (excluding deposits with NABARD, SIDBI, RIDF, RHDF and NHB under priority sector/weaker sector lending schemes) was ₹ 1820.42 Crore (Previous Year ₹ 1959.80 Crore) and the excess of book value over market value was ₹ 0.20 (Previous Year ₹ 18.29 Crores) as on 31.03.2016. In accordance with Reserve Bank of India (RBI) guidelines, sale from, and transfer to/from Held to Maturity (HTM) category excludes:

- One-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with the approval of the Board of Directors; and
- Sale to the Reserve Bank of India (RBI) under pre-announced Open Market Operation Auctions

• **Investments Kept as Margin (in Face Value Terms)**

Particulars	March 31, 2016	March 31, 2015
Collateralized Borrowing and Lending Obligation (CBLO)	165.00	165.00
Clearing of Securities	35.00	50.00
Forex Forward Segment-Default Fund with Clearing Corporation of India Limited	3.00	2.00
National Securities Clearing Corporation of India Ltd.	0.00	0.00
MCX-SX Clearing Corporation Ltd.	0.00	0.00
Real Time Gross settlement System (RTGS)	275.00	310.00
Total	478.00	527.00

• **CBLO Transactions**

Collateralized Borrowing and Lending Obligation (CBLO) is a discounted money market instrument, established by the Clearing Corporation of India Limited (CCIL) and approved by the Reserve Bank of India. Collateralized Borrowing and Lending Obligation (CBLO) refers to a fully collateralized and secured instrument, for borrowing/lending money.

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Outstanding CBLO Borrowing	NIL	NIL
Outstanding CBLO Lending	NIL	50.00
Amortized Book Value of Securities given as collateral to Clearing Corporation of India Ltd. (CCIL)	166.58	167.33

5. DERIVATIVES

• **Forward Rate Agreement (FRA) / Interest Rate Swaps (IRS)**

The Bank enters into Forward Rate Agreement (FRA) and Interest Rate Swap (IRS) for balance sheet management and market making purpose. Forward Rate Agreement (FRA) and Interest Rate Swap (IRS) are such instruments which can provide effective hedge against interest rate risks.

A Forward Rate Agreement (FRA) is a financial contract between two parties to exchange interest payments for a 'notional principal' amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date, cash payments based on contract (fixed) and the settlement rate, are made by the parties to one another. The settlement rate is the agreed benchmark/reference rate prevailing on the settlement date. The benchmark used in Forward Rate Agreement (FRA) contracts is London Inter-Bank Offered Rate (LIBOR).

An Interest Rate Swap (IRS) is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'notional principal' amount on multiple occasions during a specified period. Such contracts generally involve exchange of a 'fixed to floating' or 'floating to floating' rates of interest. Accordingly, on each payment date - that occurs during the swap period - cash payments based on fixed/ floating and floating rates, are made by the parties to one another. The Bank deals in interest rate benchmarks like Mumbai Inter-Bank Offered Rate (MIBOR), Indian Government Securities Benchmark Rate (INBMK), Mumbai Inter Bank Forward Offer Rate (MIFOR) and LIBOR of various currencies.

These contracts are subject to the risks of changes in the market interest rates as well as the settlement risk with the counterparties. The following table sets for the details of Forward Rate Agreements (FRAs)/Interest Rate Swaps (IRSs):

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
i) The notional principal of swap agreements	50.00	50.00
ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	(0.03)	(0.08)
iii) Collateral required by the bank upon entering into swaps	NIL	NIL
iv) Concentration of credit risk arising from the swaps *	(0.03)	(0.08)
v) The fair value of the swap book	49.97	49.92

OIS (Overnight Index Swap) position

The bank has outstanding OIS (Overnight Index Swap) position of ₹50 Crore (Previous Year 50.00 Crore) as at the end of March 2016 and has MTM loss of ₹ 0.03 crore. These positions are trading swaps. List of Outstanding transactions are detailed as below.

As at March 31, 2016

(₹ in Crore)

Sl No.	Pay/Receive	Start Date	Maturity Date	Coupon	Notional	Frequency	Counter party	MTM
1	Pay	12-May-11	12-May-16	8.38%	25.00	2	Axis Bank	(24.64)
2	Receive	24-May-11	24-May-16	8.13%	25.00	2	Axis Bank	24.61
Total								(0.03)

As at March 31, 2015

(₹ in Crore)

Sl No.	Pay/Receive	Start Date	Maturity Date	Coupon	Notional Amount	Frequency	Counter party	MTM
1	Pay	12-May-11	12-May-16	8.38%	25.00	2	Axis Bank	(0.30)
2	Receive	24-May-11	24-May-16	8.13%	25.00	2	Axis Bank	0.22
Total								(0.08)

Details of the nature and terms of Interest Rate Swap (IRS) as on March 31, 2016 : NIL

Details of the nature and terms of Interest Rate Swap (IRS) as on March 31, 2015 : NIL

Details of the nature and terms of Forward Rate Agreement (FRA) as on March 31, 2016 : NIL

Details of the nature and terms of Forward Rate Agreement (FRA) as on March 31, 2015 : NIL

Un-hedged / uncovered foreign currency exposure of the Bank

The Bank's foreign currency exposures as at March 31, 2016 that are not hedged/ covered by either derivative instruments or otherwise are within the Net Overnight Open Position limit (NOOP) and the Aggregate Gap limit, as approved by the RBI. NOOP is ₹ 0.64 crore (March 31, 2015 ₹ 0.51 crores).

Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sl. No.	Particulars	March 31, 2016	March 31, 2015
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March (instrument-wise)	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

Currency Futures

The Bank does not deal in exchange traded currency futures during the current and previous Financial Years.

Disclosures on risk exposure in derivativesQualitative Disclosure

Bank discusses its risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion includes:

- the structure and organization for management of risk in derivatives trading ;
- the scope and nature of risk measurement, risk reporting and risk monitoring systems;
- policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants; and
- accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

Quantitative Disclosures

(₹ in Crore)

Sl. No.	Particulars	March 31, 2016		March 31, 2015	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)	-	50.00	-	50.00
	a) For hedging	-	-	-	-
	b) For trading	-	50.00	-	50.00
(ii)	Marked to Market Positions [1]	-	49.97	-	49.92
	a) Asset (+)	-	-	-	-
	b) Liability (-)	-	-	-	-
(iii)	Credit Exposure [2]	-	0.53	-	0.58
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	-	-	-	-
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	0.002	-	0.007
(v)	Maximum and Minimum of 100*PV01 observed during the year	-	-	-	-
	a) on hedging	-	0.01	-	0.008
	b) on trading	-	0.002	-	0.006

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year March 31, 2016 and March 31, 2015.

6. ASSET QUALITY

i. Non-Performing Advances

Details of movement of gross NPAs, net NPAs and provisions during the year ended March 31, 2016 and March 31, 2015 are given below:

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
(i) Net NPAs to Net Advances (%)	2.78	3.29
(ii) Movement of NPAs (Gross)		
(a) Opening balance	558.29	485.82
(b) Additions during the year (fresh NPAs during the year)	250.75	337.17
(c) Reductions during the year	350.12	264.70
(d) Closing balance	458.92	558.29
(iii) Movement of Net NPAs		
(a) Opening balance	252.63	301.88
(b) Additions during the year	207.49	174.77
(c) Reductions during the year	265.57	219.79
(d) Add: ECGC Collection	0.00	0
(e) Less: CGTMSE	0.30	(0.07)
(f) Less: Diminution in fair value of restr. NPA accounts	(0.29)	7.94
(g) Add: Floating Provision	0.00	0.67
(h) Add: Counter Cyclical Buffer provision	0.00	2.97
(i) Less: Provision buffer-Sale to ARC	1.35	0
(j) Closing balance	193.19	252.63
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	295.63	181.68
(b) Provisions made during the year	135.85	312.67
(c) Write-off/ write-back of excess provisions	175.78	198.72
(d) Closing balance	255.70	295.63

ii. Details of Loan Assets subjected to Restructuring as on March 31, 2016

(₹ in Crore)

Sl. No.	Type of Restructuring	Under CDR Mechanism						Under SME Debt Restructuring Mechanism						Others			Total				
		Stand- dard	Sub- stand- dard	Doubt- ful	Loss	Total	Stand- dard	Sub- stand- dard	Doubt- ful	Loss	Total	Stand- dard	Sub- stand- dard	Doubt- ful	Loss	Total	Stand- dard	Sub- stand- dard	Doubt- ful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figs)	0	13.00	155.36	0	168.36	10.58	0	2.13	0	12.71	39.93	0.07	0.13	0.44	40.57	50.51	13.07	157.62	0.44	221.64
	Provision thereon	0	5.43	113.31	0	118.74	0.37	0	0.82	0	1.19	1.89	0.01	0.04	0.48	2.42	2.26	5.44	114.17	0.48	122.35
2	Fresh Restructuring during the year	0	0	0	0	0	0	0	0	0	0	0	38	0	0	38	0	38	0	0	38
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0.33	0	0	0.33	0	0.33	0	0	0.33
3	Up-gradations to restructured standard category during the FY	0	0	0	0	0	1	0	(1)	0	0	3	(1)	(1)	(1)	0	4	(1)	(2)	(1)	0
	Provision thereon	0	0	0	0	0	1.37	0	(1.77)	0	(0.40)	0.20	(0.07)	(0.13)	(0.01)	(0.01)	1.57	(0.07)	(1.90)	(0.01)	(0.41)
	Provision thereon	0	0	0	0	0	0.14	0	(0.71)	0	(0.57)	0.02	(0.01)	(0.04)	(0.01)	(0.04)	0.16	(0.01)	(0.75)	(0.01)	(0.61)
4	Restructured standard advances which cease to attract higher provision- ing and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

(₹ in Crore)

Sl. No.	Type of Restructuring	Under CDR Mechanism						Under SME Debt Restructuring Mechanism						Others						Total							
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
5	Down gradations of restructured accounts during the FY	0	(4)	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1)	(4)	5	0	0
	No. of Borrowers																										
	Amount Outstanding	0	(13.00)	13.14	0	0.14	0	0	0	0	0	(31.70)	0	36.49	0	4.79	(31.70)	0	49.63	0	4.93						
	Provision thereon	0	(5.43)	10.71	0	5.28	0	0	0	0	(1.83)	0	10.95	0	9.12	(1.83)	0	21.66	0	14.40							
6	Write-offs of restructured accounts during the FY/ Sold to ARC	0	0	(2)	0	(2)	0	0	0	0	0	0	0	0	(2)	0	0	(2)	0	(4)							
	No. of Borrowers																										
	Amount Outstanding	0	*(83.62)	0	0	(83.62)	0	0	0	0	0	0	0	0	(0.43)	0	(83.62)	0	(84.05)								
	Provision thereon	0	*(75.22)	0	0	(75.22)	0	0	0	0	0	0	0	0	(0.47)	0	(75.22)	0	(75.69)								
7	Movement in the account during the year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	No. of Borrowers																										
	Amount Outstanding	0	0	(0.43)	0	(0.43)	0.28	0	0	0.28	1.17	0	0	0	1.17	1.45	0	(0.43)	0	1.02							
	Provision thereon	0	0	8.39	0	8.39	0.01	0	0.05	0.06	(0.02)	0	0	0	(0.02)	0	8.44	0	8.43								
8	Restructured accounts as on March 31 of the FY (closing figures8*)	0	0	6	0	6	5	0	1	6	5	0	0	1	44	10	38	8	56								
	No. of Borrowers																										
	Amount Outstanding	0	0	84.45	0	84.45	12.23	0	0.36	12.59	9.60	0	36.49	0	47.25	21.83	1.16	121.30	0	144.29							
	Provision thereon	0	0	57.19	0	57.19	0.52	0	0.16	0.68	0.06	0	10.95	0	11.34	# 0.58	0.33	68.30	0	69.21							

* Represents the assets sold to ARC ₹ 8.62 crores (Provision ₹8.62 crores) and the account exited from CDR ₹ 75 crores (Provision ₹66.38 crores)
Excluding provision on restructured standard asset ₹ 1.07 crores provided as per para 17.4.1 of Master Circular DBR.No.BPBC.2/21.04.048/2015-16 dated July 1, 2015 issued by RBI.

iii. Details of Loan Assets subjected to Restructuring as on March 31, 2015

(₹ in Crore)

Sl. No.	Type of Restructuring	Under CDR Mechanism						Under SME Debt Restructuring Mechanism						Others			Total					
		Stand- dard	Sub- Stand- dard	Doubt- ful	Loss	Total	Stand- dard	Sub- Stand- dard	Doubt- ful	Loss	Total	Stand- dard	Sub- Stand- dard	Doubt- ful	Loss	Total	Stand- dard	Sub- Stand- dard	Doubt- ful	Loss	Total	
1	Restructured Accounts as on April 1 of the FY (opening figs)	5	1	0	0	6	5	1	0	0	6	7	1	1	1	10	17	3	1	1	1	22
		108.78	25.61	0	0	129.39	16.29	0.37	0	0	16.66	5.41	0.37	8.19	0.14	14.11	125.48	26.35	8.19	0.14	160.16	
		12.70	5.05	0	0	17.75	0.31	0.08	0	0	0.39	0.20	0.12	3.11	0.11	3.54	13.21	5.25	3.11	0.11	21.68	
2	Fresh Restructuring during the year	0	0	2	0	2	0	0	0	0	0	4	1	1	2	8	4	1	3	2	10	
		0	0	62.01	0	62.01	0	0	0	0	0	48.60	0.07	0.13	72.92	121.72	48.60	0.07	62.15	72.92	183.74	
		0	0	37.47	0	37.47	0	0	0	0	0	2.14	0.01	0.04	65.93	68.12	2.14	0.01	37.50	65.93	105.58	
3	Upgradations to restructured standard category during the FY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
4	Restructured standard advances which cease to attract higher provision-ing and/or additional risk weight at the end of the FY and hence	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

(₹ in Crore)

Sl. No.	Type of Restructuring	Under CDR Mechanism						Under SME Debt Restructuring Mechanism						Others						Total							
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
	need not be shown as restructured standard advances at the beginning of the next FY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Downgradations of restructured accounts during the FY	0	3	1	0	4	0	0	0	0	0	0	0	0	0	0	0	1	1	2	0	0	3	2	1	6	0
		0	4.60	101.70	0	106.30	0	0	0	0	0	0	0	0	0	0	0	1.78	72.91	74.69	0	0	4.60	103.49	72.91	181.00	0
		0	2.00	67.86	0	69.86	0	0	0	0	0	0	0	0	0	0	0	0.71	65.92	66.63	0	0	2.00	68.57	65.92	136.49	0
6	Write-offs of restructured accounts during the FY/ sold to ARC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	1	1	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	72.91	72.91	72.91	0	0	0	72.91	72.91	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	65.92	65.92	65.92	0	0	0	65.92	65.92	0
7	Restructured accounts as on March 31 of the FY (closing figures)	0	4	4	0	8	4	0	2	6	3	1	1	3	8	0	0	1	3	8	0	7	5	7	3	22	0
		0	14.85	192.41	0	207.26	10.58	0	2.20	12.78	39.93	0.07	0.13	0.53	40.66	0	0	0.07	0.53	40.66	0	50.51	14.93	194.75	0.53	260.72	0
		0	5.43	113.31	0	118.74	0.37	0	0.82	1.19	1.89	0.01	0.04	0.48	2.42	0	0	0.01	0.48	2.42	2.26	5.44	114.17	0.48	122.35	0	

Note: Amount outstanding shown during the financial year 2014-15 are before deducting interest suspense in the case of NPA accounts, while 2015-16 figures are shown net of interest suspense.

iv. Details of financial assets sold to Securitization / Reconstruction Company:

A. Details of Sales

(₹ in Crore)

Sl. No.	Item	March 31, 2016	March 31, 2015
(i)	No. of accounts	2	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	39.79	-
(iii)	Aggregate consideration (Net Book Value of ₹ 39.79 crores)	28.84	-
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain/loss over net book value. (*)	(10.95)	-

(*) There has been a gain of ₹ 1.59 crore in the sale of M/s. Arch Pharamalab Limited and an amount of ₹1.35 crores is transferred to Provision for Buffer ARC Sale and the loss of ₹ 12.54 crore on the sale of M/s. Bilcare Ltd. is absorbed over a period of 8 quarters. Hence 1/8th of this i.e. ₹1.57 crore has been absorbed for the quarter ended March 31, 2016 and the balance loss on sale of M/s Bilcare Ltd. ₹ 10.97 Crores is shown as "Other Assets" in the financial statements and will be amortized over a period of next seven quarters.

B. Details of Book Value of Investments in Security Receipts

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
I) Backed by NPA's sold by the bank as underlying (*)	95.69	95.69
II) Backed by NPA's sold by the other banks/Financial Institutions /NBFC as underlying	-	-
Total	95.69	95.69

(*) The Asset Reconstruction Company did not allot security receipts for an amount of ₹ 24.51 crores paid to them outstanding, the sales were made during the end of the Financial Year, this amount is included in 'Other Assets' in the Financial Statements.

v. Details of non-performing financial assets purchased/sold (from/to banks):

A. Details of non-performing financial assets purchased (from other banks): NIL

B. Details of non-performing financial assets sold to other Banks: NIL

vi. Provisions on Standard Assets

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Provisions towards standard Assets	25.74	27.35

vii. Unsecured advances against intangible assets:

As at March 31, 2016, the amount of unsecured advances against intangible assets was Nil and the estimated value of the intangible collaterals was Nil.

7. BUSINESS RATIOS

Sl. No.	Particulars	March 31, 2016	March 31, 2015
(i)	Interest Income as a percentage to Working Funds (%) *	9.26	9.39
(ii)	Non-interest income as a percentage to Working Funds (%) *	0.59	0.62
(iii)	Operating Profit as a percentage to Working Funds (%) *	0.03	0.19
(iv)	Return on Assets (%) *	(1.61)	(1.77)
(v)	Business (Deposits plus net advances) per employee – ₹ in Crore #	8.36	8.99
(vi)	Profit/(Loss) per employee - ₹ in Crore #	(0.10)	(0.11)

* Working funds represents the average of total assets as reported in Return Form X to RBI under Section 27 of the Banking Regulation Act, 1949.

For the purpose of computation of business per employee (deposits plus advances), interbank deposits have been excluded and average employees have been considered.

Provision Coverage Ratio (PCR)

Particulars	March 31, 2016	March 31, 2015
Provision Coverage Ratio	75.67%	67.82%

8. ASSET LIABILITY MANAGEMENT

In compiling the information of maturity pattern, estimates and assumptions have been made by the management and have been relied upon by the auditors. For Investment Securities, the Bank bucket HFT portfolio in 29-90 days bucket or actual maturity whichever is earlier.

Specified assets and liabilities as at March 31, 2016:

(₹ in Crore)

Particulars	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days upto 3 months	Over 3 Months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	66.53	218.28	219.80	311.39	1091.11	1423.43	3241.74	4441.87	249.57	90.04	11353.76
Advances (Net)	31.77	54.90	80.89	102.22	285.16	427.87	711.50	3182.02	583.61	1492.74	6952.68
Investments (Gross)	-	135.95	-	24.17	329.66	315.51	114.79	488.82	255.73	2228.96	3893.59
Borrowings	-	68	-	-	-	20.26	18.39	94.80	22.90	27.50	251.85
Foreign currency Assets	131.64	30.71	16.42	10.59	110.52	104.85	29.90	0.34	1.58	6.01	442.56
Foreign currency Liabilities	61.65	28.26	15.35	17.98	83.51	39.27	11.58	131.74	44.38	-	433.72

Specified assets and liabilities as at March 31, 2015:

(₹ in Crore)

Particulars	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days upto 3 months	Over 3 Months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	234.78	524.87	483.15	385.03	1390.52	1546.76	3477.87	3542.12	713.64	82.92	12381.68
Advances	165.51	312.44	242.11	65.78	376.02	388.20	869.74	3049.42	697.71	1502.92	7669.81
Borrowings	0	92.00	175.00	300.00	150.00	20.25	20.25	38.65	117.70	27.50	941.35
Investments (Gross)	0	49.78	0	145.96	835.31	144.29	226.26	592.79	243.25	2343.52	4581.16
Foreign currency Assets	90.19	61.04	0.70	5.57	83.02	61.28	33.56	0	3.50	6.52	345.38
Foreign currency Liabilities	30.53	96.62	0.26	1.92	87.93	33.03	11.24	14.31	120.13	0.49	396.42

9. LENDING TO SENSITIVE SECTOR

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market and real estate.

i) Exposure to Real Estate Sector

The exposure, representing the higher of funded and non-funded limits sanctioned or outstanding to real estate sector, is given in the table below:

(₹ in Crore)

Category	March 31, 2016	March 31, 2015
a) Direct exposure		
(i) Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (A)	352.99	329.33
Of Which individual Housing loan eligible for inclusion in Priority Sector Advances	185.64	162.61
(ii) Commercial Real Estate –		
Landings 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.). Exposure would also include non-fund based (NFB) limits; (B)	207.85	261.28
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	-	-
b. Commercial Real Estate	-	-
(iv) Other Direct Exposure (C)	293.94	278.52
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) (D)	40.73	49.07
Total Exposure to Real Estate Sector (A+B+C+D)	895.51	918.20

ii) Exposure to Capital Market

The exposure, representing the higher of funded and non-funded limits sanctioned or outstanding to capital market sector, is given in the table below:

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	24.38	22.33
(ii) advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	0.01
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	2.00	1.80

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
(vi) loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows/issues;	-	-
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) financing to stockbrokers for margin trading;	-	-
(x) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	26.38	24.14

Capital market exposure is reported in line with Para 2.3 of RBI's Master Circular on Exposure Norms dated July 1, 2015 (DBR.No.Dir.BC.12/13.03.00/2015-16).

10. RISK CATEGORY-WISE COUNTRY EXPOSURE

(₹ in Crore)

Risk Category	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016	Exposure (net) as at March 31, 2015	Provision held as at March 31, 2015
Insignificant	38.98	-	15.49	-
Low	0.09	-	0.34	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	39.07	-	15.83	-

As the Bank's exposure for the year in respect of risk category-wise Country Exposure (Foreign Exchange Transactions) is less than 1% of total assets of the Bank, no provision is considered necessary.

11. DETAILS OF SINGLE BORROWER LIMIT, GROUP BORROWER LIMIT

During the year ended March 31, 2016 and March 31, 2015 the bank has complied with the Reserve Bank of India guidelines on single borrower and borrower group limit.

12. PROVISION FOR TAX

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Income Tax	-	-
Wealth Tax	-	0.02
Deferred Tax	-	-

Income Tax paid during earlier years to the extent of ₹ 13.29 crore was written off based on the review of the management of the present status of the appeals before various appellate authorities.

13. DISCLOSURE FOR CUSTOMER COMPLAINTS/UNIMPLEMENTED AWARDS OF BANKING OMBUDSMAN

Customer complaints

Particulars	2015-16	2014-15
(a) No. of complaints pending at the beginning of the year	16	53
(b) No. of complaints received during the year	5411	4738
(c) No. of complaints redressed during the year	5388	4775
(d) No. of complaints pending at the end of the year	39	16

The above information is as certified by the Management and relied upon by the auditors.

Unimplemented awards of Banking Ombudsmen

Particulars	2015-16	2014-15
(a) No. of unimplemented awards at the beginning of the year	NIL	NIL
(b) No. of Awards passed by the Banking Ombudsmen during the year	NIL	NIL
(c) No. of Awards implemented during the year	NIL	NIL
(d) No. of unimplemented Awards at the end of the year	NIL	NIL

The above information is as certified by the Management and relied upon by the auditors.

14. DISCLOSURE OF LETTER OF COMFORTS (LOCs) ISSUED BY THE BANK

During the year the Bank has not issued Letter of Comforts.

15. (I) CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAs

a) Concentration of Deposits

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Total Deposits of twenty largest depositors	2972.48	3206.26
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	26.18%	25.90%

b) Concentration of Advances

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Total Advances to twenty largest borrowers	1168.95	1245.97
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	15.83%	15.62%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBR.No.Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

c) Concentration of Exposures

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Total Exposure to twenty largest borrowers/customers	1239.99	1514.61
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers /customers	15.55%	16.53%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

d) Concentration of NPAs

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Total Exposure to top four NPA accounts	182.33	277.66

Note: The Bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

(II) Sector-wise advances

(₹ in Crore)

Sl. No.	Sector	March 31, 2016			March 31, 2015		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A Priority Sector							
1	Agriculture and allied activities	1169.05	10.62	0.91	1619.54	14.90	0.92
2	Advances to industries sector eligible as priority sector lending	917.72	42.14	4.59	659.78	14.96	2.27
3	Services	582.68	33.16	5.69	487.03	10.64	2.18
4	Personal loans	407.72	29.77	7.30	263.01	47.20	17.95
Sub-total (A)		3077.17	115.69	3.76	3029.36	87.70	2.90
B Non Priority Sector							
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry	808.28	188.82	23.36	1545.45	221.68	14.34
3	Services	1782.60	91.81	5.15	113.67	80.07	70.44
4	Personal loans	1550.30	62.60	4.04	3287.10	168.84	5.14
Sub-total (B)		4141.18	343.23	8.29	4946.22	470.59	9.51
Total (A+B)		7218.35	458.92	6.36	7975.58	558.29	7.00

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

(III) Movement of NPAs

(₹ in Crore)

Particulars	2015-16	2014-15
Net NPA to Net Advances	2.78%	3.29%
Gross NPA as at the beginning of the year	558.29	485.82
Additions (Fresh NPAs) during the year	250.75	337.17
Sub-total (A)	809.04	822.99
Less:		
(i) Up gradations	110.02	20.94
(ii) Recoveries (excluding recoveries made from upgraded accounts)	66.70	63.57
(iii) Write-offs	1.99	6.39
(iv) Technical write off	109.76	173.80
(v) Sale to ARC	61.65	0
Sub-total (B)	350.12	264.70
Gross NPA as at the end of the year (A-B)	458.92	558.29

Stock of technical write-offs and the recoveries made thereon:

(₹ in Crore)

Particulars	2015-16	2014-15
Opening balance of Technical / Prudential written-off accounts as at April 1	227.19	53.59
Add : Technical / Prudential write-offs during the year	109.76	173.80
Sub-total (A)	336.95	227.39
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	0.43	0.20
Less : Other charges receivable excluded from Gross balance	1.39	0
Closing balance as at March 31 (A – B)	335.13	227.19

(IV) OVERSEAS ASSETS, NPA AND REVENUE

₹ in Crore

Particulars	March 31, 2016	March 31, 2015
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

(V) OFF-BALANCE SHEET SPVS SPONSORED (WHICH ARE REQUIRED TO BE CONSOLIDATED AS PER ACCOUNTING NORMS) (₹ in Crore)

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

16. ESOP SCHEME

a) The details of the Employees Stock Option Plan-2009 currently in vogue in the Bank as at March 31, 2016 are as under:

Sl. No.	Particulars	ESOP 2009	ESOS 2013
1.	Details of Approval	Remuneration Committee resolution, dated August 6, 2009	Remuneration Committee approval dated August 14, 2014
2.	Implemented through	Directly by Bank	Directly by Bank
3.	Total number of shares	40,42,470	24,77,400
4.	Price per option	₹ 118.35	₹ 40.73
5.	Granted	39,99,225	24,77,400
6.	Vested	39,99,225	7,40,500
7.	Exercised	20,719	Nil
8.	Cancelled options	35,07,154	26,170
9.	Vested and unexercised	4,71,352	7,40,500
10.	Total number of options in force	4,71,352	24,51,230
11.	Money realized	₹ 2,452,094	Nil
12.	Exercise period	10 years from the date of grant or 5 years from the date of vesting whichever is later	3 years from the date of vesting within which the grantee should exercise the options vested to him/her.

b) The Bank accounts for 'Employee Share Based Payments' using the fair value method.

c) The movement of stock options during the year ended March 31, 2016 is summarized below:

Particulars	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Scheme Name	ESOP 2009		ESOS 2013	
Options outstanding at the beginning of the year	607082	725615	2477400	Nil
Options granted during the year	Nil	Nil	Nil	2477400
Options forfeited/cancelled during the year	135730	118533	26170	Nil
Options exercised during the year	Nil	Nil	Nil	Nil
Options expired during the year	Nil	Nil	Nil	Nil
Options outstanding at the end of the year	471352	607082	2451230	2477400
Options exercisable at the end of the year	471352	607082	2451230	2477400

17. EMPLOYEE BENEFITS (AS 15)

The summarized position of various defined benefits recognized in the profit and loss account and balance sheet along with the funded status are as under:

i) Pension and Gratuity

A. Expenses recognized in Profit and Loss Account

(₹ in Crore)

Particulars	Pension		Gratuity	
	2015-16	2014-15	2015-16	2014-15
Current Service Cost	9.14	7.21	3.34	3.13
Interest cost on benefit obligation	9.69	11.36	3.50	3.69
Expected return on plan assets	(8.24)	(7.59)	(3.13)	(2.59)
Net actuarial (gain)/loss recognized in the year	27.77	21.98	1.52	(1.87)
Past Service Cost PSL- amortization	-	-	-	-
Expenses recognized in the Profit and Loss account	38.36	32.96	5.22	2.36

B. The amount recognized in the Balance Sheet

(₹ in Crore)

Particulars	Pension		Gratuity	
	2015-16	2014-15	2015-16	2014-15
Present Value of obligation at the end of the year (i)	143.64	120.10	42.64	40.37
Fair value of plan assets at the end of the year (ii)	130.04	102.56	41.93	38.01
Difference (ii) – (i)	(13.60)	(17.54)	(0.71)	(2.36)
Unrecognized past service liability	-	-	-	-
Net asset/(liability) recognized in the Balance Sheet	(13.60)	(17.54)	(0.71)	(2.36)

C. Changes in the present value of the defined benefit obligations:

(₹ in Crore)

Particulars	Pension		Gratuity	
	2015-16	2014-15	2015-16	2014-15
Present value of obligation at the beginning of the year	120.10	114.50	40.37	36.60
Interest cost	9.69	11.36	3.50	3.70
Current Service Cost	9.14	7.21	3.34	3.13
Benefits paid	(4.47)	(3.89)	(6.30)	(7.56)
Net actuarial (gain)/loss on obligation	27.53	25.31	1.74	4.50
Past service cost	-	-	-	-
Settlements	(18.35)	(34.39)	-	-
Present value of the defined benefit obligation at the end of the year	143.64	120.10	42.65	40.37

D. Change in the fair value of plan assets:

(₹ in Crore)

Particulars	Pension		Gratuity	
	2015-16	2014-15	2015-16	2014-15
Fair value of plan assets at the beginning of the year	102.56	103.07	38.01	31.41
Expected return on plan assets	8.24	7.59	3.13	2.59
Contributions by employer	34.84	24.21	6.87	5.19
Contributions by employee	7.46	2.64	-	-
Benefit paid	(4.47)	(3.89)	(6.30)	(7.56)
Settlements	(18.35)	(34.39)	-	-
Actuarial gain/(loss)	(0.24)	3.33	0.22	6.38
Fair value of plan assets at the end of the year	130.04	102.56	41.93	38.01
Total Actuarial Gain/(Loss) to be recognized immediately	(27.77)	21.98	(1.52)	1.87

E. Details of the Plan Asset

The details of the plan assets (at cost) are as follows:

(₹ in Crore)

Particulars	Pension		Gratuity	
	2015-16	2014-15	2015-16	2014-15
Central Government securities	20.26	20.20	-	-
State Government securities	28.35	30.95	5.01	5.01
Investment in Public Sector Undertakings	4.00	5.80	-	-
Investment in Private Sector Undertakings	18.50	19.80	2.50	4.51
Others	53.68	20.23	32.97	26.99
Total	124.79	96.98	40.48	36.51

F. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Pension Project Unit Credit Method		Gratuity Project Unit Credit Method	
	2015-16	2014-15	2015-16	2014-15
Discount rate	7.80%	8.00%	7.80%	8.00%
Expected rate of return on assets	8.00%	8.50%	8.00%	8.50%
Future salary increase	2.50%	2.50%	5.00%	5.00%

ii) Leave encashment benefit

A. Expenses recognized in Profit and Loss Account

Particulars	Leave		Sick Leave	
	2015-16	2014-15	2015-16	2014-15
Current Service Cost	3.13	2.59	0.31	-
Interest cost on benefit obligation	2.22	2.03	0.23	-
Expected return on plan assets	-	-	-	-
Net actuarial (gain)/loss recognized in the year	6.06	2.33	-	-
Past Service Cost PSL- amortization	-	-	2.25	-
Expenses recognized in the Profit and Loss account	11.42	6.95	2.79	-

B. The amount recognized in the Balance Sheet

Particulars	Leave		Sick Leave	
	2015-16	2014-15	2015-16	2014-15
Present Value of obligation at the end of the year (i)	26.95	24.05	2.79	-
Fair value of plan assets at the end of the year (ii)	-	-	-	-
Difference (ii) – (i)	(26.95)	(24.05)	(2.79)	-
Unrecognized past service liability	-	-	-	-
Net asset/(liability) recognized in the Balance Sheet	(26.95)	(24.05)	(2.79)	-

C. Changes in the present value of the defined benefit obligations:

Particulars	Leave		Sick Leave	
	2015-16	2014-15	2015-16	2014-15
Present value of obligation at the beginning of the year	24.05	22.90	-	-
Interest cost	2.22	2.03	0.23	-
Current Service Cost	3.13	2.59	0.31	-
Benefits paid	(8.51)	(5.80)	-	-
Net actuarial (gain)/loss on obligation	6.06	2.33	-	-
Past service cost	-	-	2.25	-
Settlements	-	-	-	-
Present value of the defined benefit obligation at the end of the year	26.95	24.05	2.79	-

D. Change in the fair value of plan assets:

Particulars	Leave		Sick Leave	
	2015-16	2014-15	2015-16	2014-15
Fair value of plan assets at the beginning of the year	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions by employer	8.51	5.80	-	-
Benefit paid	(8.51)	(5.80)	-	-
Settlements	-	-	-	-
Actuarial gain/(loss)	-	-	-	-
Fair value of plan assets at the end of the year	-	-	-	-
Total Actuarial Gain/(Loss) to be recognized immediately	(6.06)	(2.33)	-	-

E. Details of the Plan Asset

The details of the plan assets (at cost) are as follows:

Particulars	Leave		Sick Leave	
	2015-16	2014-15	2015-16	2014-15
Central Government securities	-	-	-	-
State Government securities	-	-	-	-
Investment in Public Sector Undertakings	-	-	-	-
Investment in Private Sector Undertakings	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

F. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Leave		Sick Leave	
	Project Unit Credit Method		Project Unit Credit Method	
	2015-16	2014-15	2015-16	2014-15
Discount rate	7.80%	8.00%	7.80%	-
Expected rate of return on assets	-	-	-	-
Future salary increase	5.00%	5.00%	5.00%	-

The bank provided for the compensated absence due to sick leave for the first time during this year, hence previous year figures are shown as Nil.

18. PROVISIONING PERTAINING TO FRAUD IN ADVANCES

The Bank has reported 57 cases of fraud that has a possible impact on the bank in the Financial year ended March 31, 2016 amounting to ₹ 1.96 crores. The Bank has expensed off/provided for the expected loss arising from these frauds and does not have any unamortized provision.

19. SEGMENT REPORTING (AS 17)

The Bank has recognized Business segments as primary reporting segment and Geographical segments as secondary segment in line with RBI guidelines on compliance with Accounting Standard 17.

I. Primary Segments: *Business segments*.

- (a) Treasury Operations
- (b) Corporate / Wholesale Banking
- (c) Retail banking
- (d) Other banking business operations

II. Secondary Segments: *Geographical segments*.

Since the Bank is having domestic operations only, no reporting does arise under this segment.

SEGMENT RESULTS – March 31, 2016

(This section has been intentionally left blank)

*Includes Income Tax paid during previous years written off during the year amounting to ₹ 13.29 crore (Note No.12)

₹ in Crore

Business Segments	Treasury		Retail Banking		Wholesale Banking		Other Banking Operations		Unallocated		Total	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Revenue	335.83	404.56	453.94	540.41	491.23	417.51	-	-	-	6.06	1281.00	1368.54
Results	(7.89)	17.25	33.22	(3.10)	(24.83)	(3.63)	-	-	-	6.06	0.50	16.58
Unallocated Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operating Profit	-	-	-	-	-	-	-	-	-	-	0.50	16.58
Total provisions	-	-	-	-	-	-	-	-	-	-	196.66*	258.03
Tax Expenses	-	-	-	-	-	-	-	-	-	-	-	0.02
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Profit After Tax	-	-	-	-	-	-	-	-	-	-	(196.16)	(241.47)
<i>Other Information</i>												
Segment Assets	4164.62	5705.84	3685.16	4828.35	4546.09	3737.29	-	-	-	-	12395.87	14271.48
Unallocated Assets	-	-	-	-	-	-	-	-	67.11	80.43	67.11	80.43
Total Assets	-	-	-	-	-	-	-	-	-	-	12462.98	14351.91
Segment Liabilities	4129.59	5580.44	3574.08	4534.53	4251.36	3513.08	-	-	-	-	11955.03	13628.05
Unallocated Liabilities	-	-	-	-	-	-	-	-	507.95	723.86	507.95	723.86
Total Liabilities	-	-	-	-	-	-	-	-	-	-	12462.98	14351.91

20. RELATED PARTY DISCLOSURES (AS 18)

Key Management Personnel	2015-16		2014-15	
	From	To	From	To
Sri P. G. Jayakumar, MD & CEO	01.04.2015	06.04.2015	01.04.2014	31.03.2015
Sri G. Sreeram, MD & CEO	07.04.2015	31.03.2016	NA	NA
Sri K. S. Krishnan (CFO & CS)	01.04.2015	30.09.2015	01.04.2014	31.03.2015
Sri K. V. Bhasi, CFO	14.09.2015	31.03.2016	NA	NA
Sri Santosh Kumar Barik CS	01.10.2015	31.03.2016	NA	NA

Key Management Personnel	Nature of Transaction	2015-16	2014-15
Sri P. G. Jayakumar, MD & CEO	Remuneration including perquisites	₹ 63,226/-	₹ 34,79,361/-
Sri G. Sreeram, MD & CEO	Remuneration including perquisites	₹ 35,82,400/-	NA
Sri K. S. Krishnan (Previous CFO)	Remuneration including perquisites	₹ 6,60,000/-	₹ 12,73,065/-
	Remuneration including perquisites	₹ 7,33,538/-	NA
Sri K. V. Bhasi, CFO	Vehicle Loan Given	₹ 9,00,000/-	NA
	Vehicle Loan Outstanding	₹ 8,54,340/-	NA
	Interest Income	₹ 4,725/-	NA
Sri Santosh Kumar Barik CS	Remuneration including perquisites	₹ 6,32,172/-	NA
	Rent Advance	₹ 48,000/-	NA

21. Penalties levied by the Reserve Bank of India

The Penalty imposed by RBI during the year ended March 31, 2016 was ₹1.00 Crore for the contraventions of various KYC/AML requirements/directions of the Reserve Bank of India. (Previous Year ₹10,500/-)

22. EARNINGS PER SHARE (AS 20)

Particulars	March 31, 2016	March 31, 2015
Net Profit/ (Loss) after tax (₹ in Crore)	(209.45)	(241.47)
Weight average number of equity shares for Basic EPS	177 441 619	177 441 619
Weight average number of equity shares for Diluted EPS	177 441 619	177 441 619
Earnings per share (Basic) in ₹	(11.80)	(13.61)
Earnings per share (Diluted) in ₹	(11.80)	(13.61)

23. ACCOUNTING FOR TAXES ON INCOME (AS 22)

Based on prudence, the Bank has not recognized any additional Deferred Tax Asset during the year ended March 31, 2016 and March 31, 2015 as the Bank has incurred loss during these years. The Deferred Tax Asset recognized in March 31, 2014 amounting to ₹ 37.06 Crores is retained during the year ended March 31, 2016. Accordingly the components of Deferred Tax Assets and Liabilities shown below represents the component of Deferred Tax Assets and Liabilities recognized at the time of recognition of the Net Deferred Tax Asset ₹ 37.06 crores as on March 31, 2014.

(₹ in Crore)

Particulars	March 31, 2016	March 31, 2015
Deferred Tax Asset		
Leave Encashment	0.47	0.47
Provision for Standard Assets	0.17	0.17
Amortization of HTM Securities	3.21	3.21
Carry forward loss	36.11	36.11
Total (A)	39.96	39.96
Deferred Tax Liability		
Depreciation on Fixed Assets	0.82	0.82
Special Reserve u/s 36(1)(viii)	2.04	2.04
Others	0.04	0.04
Total (B)	2.90	2.90
Net Deferred Tax Asset (A-B)	37.06	37.06

24. BANCASSURANCE BUSINESS

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income	2015-16	2014-15
1	For selling life insurance policies	3.14	-
2	For selling non life insurance policies	0.38	1.42
	Total	3.52	1.42

25. OTHER ASSETS (SCHEDULE NO.: 11) & FIXED ASSETS (SCHEDULE NO.:10)

Reconciliation of rent advance/security deposit for premises occupied by branches/offices, etc. (as per Schedule No. 11) and physical verification of fixed assets (Schedule No. 10) are in progress. However a provision of ₹ 3.19 crore against Fixed Assets and ₹ 1.05 crore against Advances/Deposits were made to cover the possible impact of reconciliation in the profit and loss account.

26. Provision for the liability towards Pension/DA increase to Retired/VRS opted employees in the years 2000 to 2010 amounting to ₹ 89.56 crore has been created in the account based on the liability ascertained as per present annuity rates. This was included under other provision in the profit and loss account for the year ended March 31, 2016.

27. Prior Period Expenses debited to the Profit and Loss Account for the year ended are given below:

Sl. No.	Description	Item under which it is included	Amount in ₹ crore
1	Provision for Pension/DA increase for the VRS/Retired employees (Note No. 26)	Other Provision	89.56
2	Provision for the benefit due towards sick leave (Note No. 17(ii))	Miscellaneous Expense	2.25
3	Prior period depreciation	Miscellaneous Expense	0.53
	Total		92.34

28. Disclosures on Remuneration

a. Information relating to the composition and mandate of the nomination & remuneration committee.

Composition

The remuneration committee of the Board consists of four members of which one member from the Risk Management Committee of the Board facilitates effective governance of compensation.

The terms of reference of the nomination & remuneration committee are as follows:

1. Frame a policy describing the qualification, experience and other positive attributes for selection of executive/whole time directors including their age of retirement;
2. Formulate and put in place guiding principles to determine the qualities, qualifications, and the parameters to determine the 'fit and proper' criteria for appointment of independent Directors keeping in mind the diversity quotient the Bank's Board shall maintain from time to time and subject to the applicable regulatory requirements;
3. Conduct the process of due diligence to determine the suitability of the person for appointment/continuing to hold appointment as Director on the Board, based on the specific criteria prescribed by Reserve Bank of India;
4. Filling in a timely manner vacancies on the Board of the company including the position of executive/whole time directors;
5. Selection of directors, key management personnel and persons to be appointed in senior management positions as defined by the Board and recommend to the Board for their appointment and removal thereof;
6. Formulate and recommend to the Board for its approval a policy relating to the remuneration for the directors, key managerial personnel and other employees from time to time to ensure that:
 - a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Bank successfully;
 - b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 - c) Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
7. Review the performance of individual Directors of the Bank on a yearly basis at the end of each financial year or at such periodicity as the Committee deem fit and recommend to the Board on the basis of such review, whether a director to be recommended for re-appointment or not;
8. Review the performance of the executive/whole time Directors of the Bank and fix suitable compensation packages in consideration of their performance, contributions, the general business environment in which the Bank operates and financial position of the Bank. The remuneration package may be a combination of fixed and performance based bonus/incentives for the period under review.
9. Review the performance of key managerial personnel and senior management persons on a periodical basis and fix their remuneration packages in accordance with the policies approved by the Board, provided the period of gap between two such reviews shall not elapse fifteen months;
10. Ensure that at all times, the Board of the Bank has a fair combination of independent, non-executive and executive directors meeting the governance standards set by the Board and in compliance with regulatory requirements and listing agreements prevailing from time to time;
11. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the Bank;
12. Evaluate and put in place proper mechanism for refreshment trainings for Directors on relevant subject;
13. Evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the Bank;
14. Put in place, subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other Directors on the board of the Bank;
15. Ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the Bank;
16. Oversee the overall governance standards and policies of the Bank and delegation of authorities to match with the best practices in relation to the size of the Bank and the level of its operations to protect the interest of all stake holders
 - a. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its Circular No. DBOD No.BC.72/29.67.001/2011-12 dated 13-01-2012.

The fixed remuneration and other allowances including retirement benefits of all subordinates, clerical and officers up to the rank of General Manager (Scale - VII) is governed by the industry level wage settlement under Indian Banks Association pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board/Committee.

Further, the compensation structure for the Whole-Time Directors/Managing Director and Chief Executive Officer of the Bank is subject to approval of Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949.
 - b. Human Resource Management department under the guidance of MD & CEO shall administer the compensation and the benefit structure in line with the best suited practices and statutory requirements as applicable.

- c. The Bank has not identified any employee as risk taker for the purpose of variable pay under the compensation policy.
- d. Employee Stock Option Scheme as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.
- e. Variable pay means the compensation as fixed by the Board on the recommendation of the committee which is base on the performance appraisal of the employee in that role, i.e. how well they accomplish their goals.

(₹ in Crore)

Quantitative Disclosures	2015-16	2014-15
(a) <ul style="list-style-type: none">• Number of meetings held by the Nomination & Remuneration Committee during the financial year• Remuneration paid to its members	2 0.006	1 0.004
(b) (i) Number of employees having received a variable remuneration award during the financial year.	Nil	-
(ii) Number and total amount of sign-on awards made during the financial year.	Nil	-
(iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus.	Nil	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	Nil	-
(c) (i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	Nil	-
(ii) Total amount of deferred remuneration paid out in the financial year.	Nil	-
(d) Breakdown of amount awards for the financial year to show fixed and variable deferred and non-deferred	Nil	
<ul style="list-style-type: none">• Fixed• Variable• Deferred• Non Deferred		- - - -
(e) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments.	Nil	-
(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.	Nil	-
(iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	Nil	-

29. Securitization Transactions

The Bank has not done any securitization transaction during the year ended March 31, 2016 and March 31, 2015.

30. Intra-Group Exposures

Bank does not have any group entities.

31. Transfers to Depositor Education and Awareness Fund

In accordance with the guidelines issued by RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of 10 years or any deposit or any amount remaining unclaimed for more than 10 years to the DEAF. Details of amount transferred to DEAF are set out below:

Particulars	March 31, 2016	March 31, 2015
Opening balance of amounts transferred to DEAF	4.31	NIL
Add : Amounts transferred to DEAF during the year	9.48	4.31
Less : Amounts reimbursed by DEAF towards claims	0.07	NIL
Closing balance of amounts transferred to DEAF	13.72	4.31

32. Unhedged Foreign Currency Exposure of Bank's Customers

The Bank has a policy on managing credit risk arising out of unhedged foreign currency exposure of its borrowers. In line with the policy, assessment of unhedged foreign currency exposure is a part of assessment of borrowers and is undertaken while proposing limits or at the review stage. The Bank has fixed a maximum limit on unhedged position on borrowers, while sanctioning limits for all clients. The unhedged portion of foreign currency credit exposure of large corporate/SMEs are monitored and reviewed on a monthly basis. Any sanction of fresh loans/ adhoc loans/renewal of loans to new/existing borrowers done after obtaining/sharing necessary information.

The Bank also maintains incremental provision towards the unhedged foreign currency exposure of its borrowers in line with the extant RBI guidelines.

The Bank has maintained a provision of 0.86 crore (previous year – 1.08 crore) and an additional capital of ₹14.47 crore (previous year – nil) on account of unhedged foreign currency exposure of its borrowers as at March 31, 2016.

33. Liquidity Coverage Ratio

Below mentioned is a position of Liquidity Coverage Ratio computed based on Simple Average of month-end position during the year ended March 31, 2016 and quarter ended March 31, 2015.

(₹ in Crore)

Particulars	Average of month end position during the year ended 31.03.2016		Average of month end position during the quarter ended 31.03.2015	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets				
1. Total High Quality Liquid Assets (HQLA)		1651.15		1663.63
Cash Outflows				
2. Retail deposits and deposits from small business customers, of which:	7665.90	611.87	7040.39	552.96
(i) Stable deposits	3094.41	154.72	3021.54	151.07
(ii) Less stable deposits	4571.49	457.15	4018.85	401.89
3. Unsecured wholesale funding, of which:	494.96	399.72	550.91	503.36
(i) Operational deposits (all counterparties)	-	-	-	-
(ii) Non-operational deposits (all counterparties)	494.96	399.72	550.91	503.36
(iii) Unsecured debt				
4. Secured wholesale funding				
5. Additional requirements, of which	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-
6. Other contractual funding obligations	358.67	30.28	514.05	45
7. Other contingent funding obligations	341.47	16.51	331.83	16.59
8. Total Cash Outflows		1058.38		1117.91
Cash Inflows				
9. Secured lending (e.g. reverse repos)	-	-	-	-
10. Inflows from fully Performing exposures	-	-	-	-
11. Other cash inflows	125.24	125.24	179.99	179.99
12. Total Cash Inflows	125.24	125.24	179.99	179.99
		Total Adjusted Value		Total Adjusted Value
21. TOTAL HQLA		1651.15		1663.63
22. Total Net Cash Outflows		933.14		937.93
23. Liquidity Coverage Ratio (%)		176.95%		177.37%

Qualitative Disclosure

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circular dated June 09, 2014 on "Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards" as amended for "Prudential Guidelines on Capital Adequacy and Liquidity Standards" dated March 31, 2015. The LCR guidelines aim to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken. Banks are required to maintain High Quality Liquid Assets of a minimum of 100% of its Net Cash Outflows by January 1, 2019. However, with a view to provide transition time, the guidelines mandate a minimum requirement of 60% w.e.f. January 01, 2015 and a step up of 10% every year to reach the minimum requirement of 100% by January 01, 2019. The adequacy in the LCR maintenance is an outcome of a conscious strategy of the Bank towards complying with LCR mandate ahead of the stipulated timeliness. The maintenance of LCR, both on end of period and on an average basis, has been on account of multiple factors viz, increases in excess SLR, existing eligibility in corporate bond investments, increase in retail deposits and increase in non callable deposits. Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows) except where otherwise mentioned in the circular and LCR template. Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows). Board of Directors of the Bank has empowered ALCO (Top Management Executive Committee) to monitor and strategize the Balance Sheet profile of the Bank.

The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement; Certificate of Deposits issued by Banks with rating A1+ and above apart from regulatory dispensation allowed upto 7% of NDTL (additional 3% effective February 16) in the form of borrowing limit available through Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). Average LCR for the year ended March 31, 2016 is 176.95% (March 31, 2015: 177.37%), which is comfortably above RBI prescribed minimum requirement of 70%.

LCR for the quarter end March 31, 2015 had been computed based on the guidelines applicable at that point in time. Subsequently there have been amendments in the RBI guidelines w.e.f. April 2015. Hence, LCR computed based on 3 months average for March 15 is not comparable with those reported for the current financial year based on 12 months average.

34. DUES TO MICRO AND SMALL ENTERPRISES

Under the Micro and Small Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro and Small enterprises. On the basis of information and records available with the management and confirmation sought by the management from suppliers on their registration with the specified authority under the said Act, there have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

35. SOFTWARE CAPITALIZED UNDER FIXED ASSETS

The Bank has capitalized software under Fixed Asset amounting to ₹ 0.68 crore and ₹ 0.69 crore during the financial year ended March 31, 2016 and March 31, 2015 respectively.

(₹ in Crore)

Particulars	As at March 31, 2016	As at March 31, 2015
At cost at March 31st of the preceding year	62.77	62.08
Additions during the year	0.68	0.69
Deductions during the year	(3.86)	-
Depreciation to date	(49.89)	(42.61)
Net Block	9.70	20.16

36. DESCRIPTION OF CONTINGENT LIABILITIES

1. Claims against the Bank not acknowledged as debts

The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.

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 interbank participants and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. Hence the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

3. Guarantees given on behalf of constituents, acceptances, endorsements and other obligations

As a part of its commercial banking activities the Bank issued documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

4. Other items for which the Bank is contingently liable

- Value dated purchase of securities
- Disputed Tax
- Amount deposited with RBI under Depositor Education Awareness Fund
- Foreign Exchange Contracts (Tom & Spot)

(Refer Schedule 12 for amounts relating to Contingent Liability)

37. PROVISION FOR LONG TERM CONTRACTS

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

Previous year figures have been re-grouped/ re-classified wherever considered necessary to conform to current year's classification.

Signatories to Schedule 1 to 18

Mr. K. V .Bhasi
Chief Financial Officer

Mr. Santosh Kumar Barik
Company Secretary

Mr. Manikandan P.
Chief General Manager

Mr. G. Sreeram
Managing Director & CEO

Dr. Jayaram Nayar
Chairman

Mr. P. Mohanan
Director

Mr. Chella K. Srinivasan
Director

Dr. K. R. Lakshmi Devi
Director

Mr. E. Madhavan
Director

Mr. S. T. Kannan
Director

Mr. Susobhan Sinha
Director

As per our Report of even Date
For **Venkatachalam Aiyer & Co**
Chartered Accountants
Firm Registration No. 004610S

CA. K. Narayanan
Membership No. 7024

Place : Thrissur
Date : 30.05.2016

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2016

1. Scope of Application and Capital Adequacy

Table DF 1 – SCOPE OF APPLICATION

Dhanlaxmi Bank is a Commercial Bank, which was incorporated on November 14, 1927 in Thrissur, Kerala. The Bank does not have any subsidiary/Associate companies under its Management.

TABLE DF 2 – CAPITAL ADEQUACY

Qualitative disclosures:

Basel-III guidelines issued by RBI

Reserve Bank of India issued Guidelines based on the Basel III reforms on capital regulation in May 2012, to the extent applicable to Banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India in phases and it will be fully implemented as on March 31, 2019. The Basel III Capital Regulations have been consolidated in Master Circular – Basel III Capital Regulations.

Basel III Capital regulations continue to be based on three-mutually reinforcing pillars viz, minimum capital requirements, supervisory review of capital adequacy and market discipline of the Basel II capital adequacy framework. The circular also prescribes the risk weights for the balance sheet assets, non-funded items and other off-balance sheet exposures and the minimum capital funds to be maintained as ratio to the aggregate of the risk weighted assets (RWA) and other exposures, as also, capital requirements in the trading book, on an ongoing basis and operational risk. The Basel III norms mainly seek to:

- a) Raise the quality of capital to ensure that the Banks are capable to absorb losses on both as going concern and as gone concern basis,
- b) Increase the risk coverage of the capital framework
- c) Introduce leverage ratio to serve as a backstop to the risk-based capital measure
- d) Raise the standards for the supervisory review process and public disclosures etc.

The macro prudential aspects of Basel III are largely enshrined in the capital buffers, viz., capital conservation buffer and countercyclical buffer. Both the buffers are intended to protect the Banking sector from stress situations and business cycles. The Capital Conservation Buffer requirements would start from March 31, 2016 and are to be fully implemented by March 31, 2019. The Reserve Bank of India has released the final guidelines on implementation of Countercyclical Capital Buffer (CCCB) in India vide RBI/2014-15/452 DBR.No.BP. BC.71/21.06.201/2014-15 dated February 5, 2015. The CCCB shall increase gradually from 0 to 2.5 per cent of the RWA of the bank but the rate of increase would be different based on the level/position of credit-to-GDP gap between 3 and 15 percentage points, when notified.

a. Summary

(i) Tier I Capital : *Tier I capital of the Bank includes*

- Equity Share Capital
- Reserves & Surpluses comprising of
 - ✓ Statutory Reserves,
 - ✓ Capital Reserves,
 - ✓ Share Premium and
 - ✓ Balance in P&L account
 - ✓ Revaluation Reserves
 - ✓ Special Reserves

(a) Common Equity Tier I

The Bank has authorized share capital of ₹300 Cr. comprising 30 Cr. equity share of ₹10/- each. As on 31st March 2016, the Bank has issued, subscribed and paid-up capital of ₹ 177,44,16,190/-, constituting 17,74,41,619 Equity Shares of ₹ 10/- each. The Bank's shares are listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) and Cochin Stock Exchange Limited (CSE).

(b) Additional Tier I Capital

As on March 31, 2016 the Bank does not have Additional Tier I Capital.

(ii) **Tier 2 Capital includes** Standard Asset Provisions and Tier II Bonds.

Debt Capital Instruments

The Bank has been raising capital funds by means of issuance of Upper Tier 2 and Subordinated bonds. The details of eligible Upper Tier 2 and Subordinated Debt (Unsecured Redeemable Non-convertible Subordinated Bonds in the nature of Promissory Notes/Debentures) issued by the Bank and outstanding as on March 31, 2016, are given below. The Bonds considered in computation of Tier 2 Capital is as per the criteria for inclusion of Debt Capital Instruments as Tier 2 Capital detailed in the Basel III Master Circular.

(₹ in Crore)

Series	Coupon (%)	Date of Allotment	Maturity Date	Amount of Issue*
Upper Tier II Series I	Payable annually @ 10% for the first 10 years	28.07.2010	30.07.2025	27.50
Series IX	Payable annually @ 11%	20.01.2012	20.07.2018	10.00
Series X- A	Payable half yearly @ 11.90%	29.05.2012	29.04.2018	54.50
Series X- B	Payable half yearly @ 11.95%	29.05.2012	29.05.2019	14.20
Series XI-A	Payable half yearly @ 11.90%	03.08.2012	03.05.2018	29.30
Series XI-B	Payable half yearly @ 11.95%	03.08.2012	03.08.2019	3.70
Series XIII-B	Payable half yearly @ 11.95%	10.12.2012	10.12.2019	5.00

*Of this ₹67.76 crore is eligible for Tier 2 Capital.

Quantitative Disclosures:

Risk exposure and assessment

Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The Bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar-II of Basel guidelines. The adequacy of Bank's capital funds to meet the future business growth is also assessed in the ICAAP document. Capital requirement for current business levels and framework for assessing capital requirement for future business levels has been made. Capital need and capital optimization are monitored periodically by the Committee of Top Executives. The Top Executives deliberate on various options available for capital augmentation in tune with business growth.

Composition of Capital as on 31.03.2016

Items	₹ in million
Paid-up share capital	1774.42
Reserves	11046.31
Common Equity Tier 1 Capital before deductions	12820.72
Less amounts deducted from Tier I capital (accumulated losses, DTA and Intangible Assets)	8717.77
(a) Common Equity Tier 1 Capital	4102.95
(b) Additional Tier-I Capital	0.00
(c) Total Tier-I Capital (a+b)	4102.95
Directly issued Tier II capital instruments subject to phase out	677.60
General Provisions/Revaluation Reserves	257.39
(d) Total Tier-2 Capital	934.99
Total Eligible capital (c+ d)	5037.94

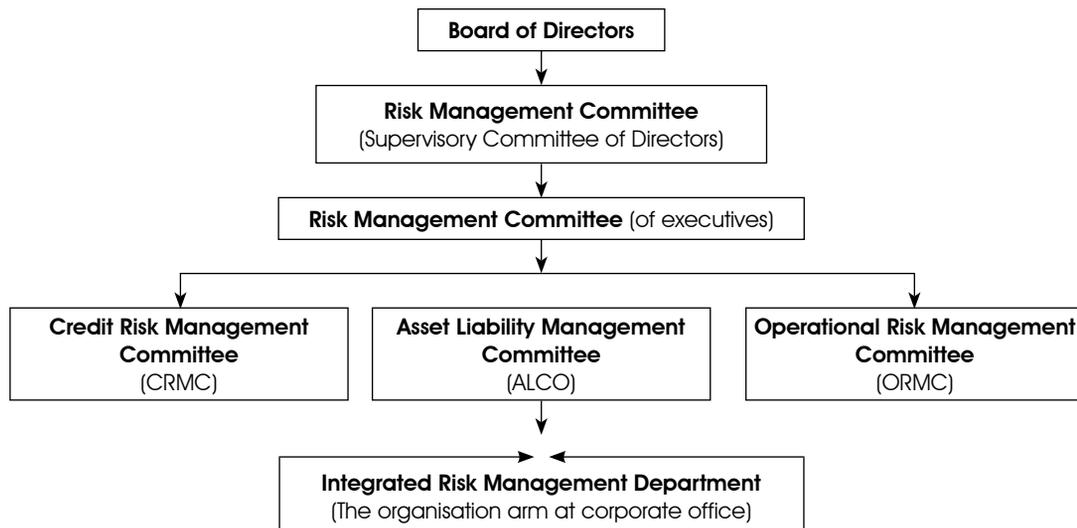
The Bank is following Standardized Approach, Standardized Duration Approach and Basic Indicator Approach for measurement of capital charge in respect of Credit Risk, Market Risk and Operational Risk respectively. The Capital requirements for Credit Risk; Capital requirements for Market Risk; Capital requirements for Operational Risk and the Common Equity Tier 1, Tier 2 and Total Capital Ratios are given below:

(₹ in Crore)

31.03.2016

Items	
(a) Capital requirements for credit risk	
Portfolios subject to standardized approach (9.625%)	515.34
Securitization exposures	
(b) Capital requirements for market risk- Standardized duration approach	
Interest rate risk	38.38
Foreign exchange risk (including gold)	2.25
Equity position risk	11.15
(c) Capital requirements for operational risk	
Basic Indicator Approach	56.27
Total Capital Funds Required @9.625%	645.34
Total Capital Funds Available	503.79
Total Risk Weighted Assets	6704.82
(d) Common Equity Tier 1, Tier 2 and Total Capital Ratios	
Common Equity Tier 1 CRAR (%)	6.12%
Tier 2 CRAR (%)	1.39%
Total CRAR % for the Bank	7.51%

Structure and Organization of the Risk Management function in the Bank



Scope and Nature of Risk Reporting and/or Measurement Systems

The Bank has adopted an integrated approach for the management of risk. The Bank's Integrated Risk Management Department (IRMD) is the organizational arm for risk management functions. The Bank has developed a comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Major initiatives of IRMD are –

- ✓ Risk rating system is drawn up in a structured manner incorporating the parameters from the five main risk areas 1) Financial Risk, 2) Industry/Market Risk, 3) Business Risk, 4) Management Risk, and 5) Facility risk
- ✓ Risk rating system is made applicable for loan accounts with total limits of ₹2 lakhs and above.
- ✓ Different rating models are used for different types of exposures, for e.g. Traders, SME, NBFC, Corporate, small loans, retail loans etc.
- ✓ IRMD validates the ratings of all exposures of ₹25 lakhs and above.
- ✓ An independent analysis is carried out of the various risks attached to the credit proposals including industry analysis.

- ✓ Carries out rating migration analysis of the credit exposures of ₹1 crore & above on a quarterly basis. Rating Migration analysis covering all exposures of ₹25 lacs and above is conducted on an annual basis.
- ✓ Evaluates the asset quality by tracking the delinquencies and migration of borrower from one rating scale to another.

Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. The Bank has in place the following hierarchical functionaries with powers delegated for credit sanction and administration:

- Branch Head with Branch Operational Manager jointly
- Regional Credit Committee
- Corporate Credit Committee at Corporate Office level
- Management Committee
- Board of Directors

Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants

The Bank has put in place a Board approved policy on Credit Risk Mitigation Techniques and Collateral Management, covering the credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes. Apart from the Basel defined collateral, the Bank ensures securities by way of inventories, Book Debts, Plant & Machineries, Land & Buildings and other moveable/immovable assets/properties. The Bank also accepts personal/corporate guarantee as an additional comfort for credit risk mitigation. The securities are subjected to proper valuation as prescribed in the Credit Policy of the Bank.

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals. In order to ensure that documents are properly executed, the function has been brought under the purview of Credit Officers. The Credit Officers at branches ensure documentation, ground level follow up, collection of feedback, closer monitoring of accounts, quality of asset portfolios, statistical analyses, reporting of irregularities, providing guidelines, compliance with policy prescriptions and adherence to terms of sanction.

The Bank has an exclusive set up for Credit monitoring functions in order to have greater thrust on post sanction monitoring of loans and strengthen administering the various tools available under the Bank's policies on loan review mechanism. For effective loan review, the Bank has the following in place:

- On site monitoring tools like Inspection of assets/books/stock of the borrower, stock audit, operations in the account, payment of statutory dues etc.
- Recording of loan sanctioned by each sanctioning authority by the next higher authority.
- Off site monitoring tools like Financial Follow-up Reports, verification of various statutory returns, Audit Reports etc.

TABLE DF 3 – CREDIT RISK: GENERAL DISCLOSURES

Qualitative disclosures:

(a) General:

Definitions of past due and impaired (for accounting purposes)

The Bank has adopted the definition of the past due and impaired (for accounting purposes) as defined by the Regulator for income recognition and asset classification norms which is furnished below:

1. Non performing Assets

An asset, including a leased asset, becomes non performing when it ceases to generate income for the Bank. A non performing asset (NPA) is a loan or an advance where;

- a) interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- b) the account remains 'out of order' as indicated at paragraph 2 below, in respect of an Overdraft/Cash Credit (OD/CC),
- c) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- d) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- e) the installment of principal or interest thereon remains overdue for one crop season for long duration crops,
- f) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated Feb. 1, 2006
- g) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

An account is classified as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

In addition, an account may also be classified as NPA in terms of any temporary deficiencies as defined by the Regulator.

2. 'Out of Order' status: An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order'.

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

Strategies and Processes for Credit Risk Management

Credit Risk Management Committee (CRMC) headed by MD & CEO is the top level functional committee for Credit Risk. The committee considers and takes decisions necessary to manage and control credit risk within overall quantitative prudential limit set up by Board. The committee is entrusted with the job of recommending to the Board for its approval, clear policies on standards for presentation of credit proposal, fine-tuning required in various rating models based on feedbacks or change in market scenario, approval of any other action necessary to comply with requirements set forth in Credit Risk Management Policy/RBI guidelines or otherwise required for managing credit risk. The Bank has implemented a software solution to get system support for calculation of Risk Weighted Assets for CRAR computation.

The Bank's strategies to manage the credit risks in its lending operations are as under:

- a) The Bank has a Comprehensive Board Approved Credit Risk Management Policy which is reviewed and revised annually. In addition to the above, various strategies with regard to Credit risk management are covered under Bank's Credit Policy, Credit Monitoring Policy and Recovery Policy which are periodically reviewed by the Board.
- b) Defined segment exposures delineated into Retail, SME and Corporates.
- c) Industry wise exposure caps on aggregate lending by Bank.
- d) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds in line with RBI guidelines.
- e) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels
- f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit accounts.
- g) A clear and well defined delegation of authority within the Bank in regard to decision making linking exposure, rating and transaction risks.
- h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank.
- i) Credit Risk Management Cell is validating the rating assigned to all individual credit exposures of ₹ 25 Lakh and above.
- j) Bank has an ever improving procedures and structures with respect to Credit Approval Process, Credit Rating, Prudential Limits, Documentation, Credit Monitoring and Review Mechanism.
- a) Credit Audit System by Inspection Department has been put in place for all ₹3 crore and above advances. All new sanctions/enhancements, excluding renewals, made in the quarter will be subjected to credit audit during the first month of succeeding quarter. All loans/advances of ₹1 crore to ₹3 crores shall be subjected to Credit audit by concerned Regional office, through another Branch Head/Credit Officer/ARCO in the region.
- b) Legal Audit is being conducted for all the advances ₹1 Crore and above, backed by mortgage of properties, once in a year.
- c) The review of accounts is usually done once a year. But in case of deterioration of the quality of advance the frequency of review is shortened to half yearly or quarterly as per the case.
- d) The Credit Officers at branch level take care of the security creation and account management.
- e) Credit Monitoring Department monitors the performance of loan assets of the Bank.
- f) Bank also carries out industry study which would provide necessary information to Business line to increase/hold/decrease exposure under various industries.

Quantitative disclosures:

(a) Total Gross credit exposures: (After accounting offsets in accordance with applicable accounting regime and without taking into account the effects of credit risk mitigation techniques e.g. Collateral and netting)

Overall credit exposure		Amount	Total (In Crore)
Fund Based	Loans & advances	7387.47	8770.35
	Cash, RBI and Banks	833.13	
	Others (Fixed Assets & other Assets)	549.75	
Non Fund Based	LC, BG etc.	344.57	1055.47
	Forward Contracts / Interest rate SWAPS	367.82	
	Others	343.08	
Investments (Banking Book only)	–	2152.34	2152.34
Total of Credit Risk exposure	–	11978.17	11978.17

(b) Geographic distribution of exposures:

(₹ in Crore)

Exposures	31.03.2016		TOTAL
	Fund based	Non Fund Based	
Domestic operations	10922.69	1055.47	11978.17
Overseas operations	Bank has no overseas operations		

(c) Industry type distribution of exposures as on 31.03.2016:

Particulars	Funded (Amt. in Crs)	
	Outstanding	Exposure
A. Mining and Quarrying	5.73	6.06
B. Food Processing	228.69	241.31
C. Beverages (excluding Tea & Coffee) and Tobacco	0.19	0.19
D. Textiles	131.04	140.79
E. Leather and Leather products	14.39	14.65
F. Wood and Wood Products	10.90	14.77
G. Paper and Paper Products	79.52	119.43
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0.49	0.60
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	37.51	44.18
J. Rubber, Plastic and their Products	10.49	11.35
K. Glass & Glassware	0.56	0.56
L. Cement and Cement Products	28.97	29.05
M. Basic Metal and Metal Products	35.34	38.77
N. All Engineering	65.06	92.30
O. Vehicles, Vehicle Parts and Transport Equipments	5.85	6.81
P. Gems and Jewellery	364.77	388.64
Q. Construction	105.34	115.43
R. Infrastructure	461.59	503.78
S. Other Industries, pl. specify	90.75	93.27
Other Industries		
All Industries (A to S)	1677.17	1861.93
All Other advances	5541.19	5716.56
Gross Advances	7218.36	7578.49

Exposures to Infrastructure (transport, energy, water sanitation, communication etc.) and Gems and Jewellery accounted for 6.39% and 5.05% of Gross Advances outstanding, respectively. The coverage of advances to the above two industries occupy the top two positions among the total industry sectors.

(d) Residual maturity breakdown of assets as on 31.03.2016:

(₹ in Crore)

Maturity Pattern	Advances (Net)	Investments (Gross)	Foreign Currency
Day 1	31.77	0.00	131.64
2 to 7 Days	54.90	135.95	30.71
8 to 14 days	80.88	0.00	16.42
15 to 28 days	102.22	24.17	20.42
29 days up to 3 months	285.16	335.24	100.69
Over 3 months and up to 6 months	427.87	315.51	104.85
Over 6 months and up to 1 year	711.50	114.79	29.90
Over 1 year and up to 3 years	3182.02	483.25	0.34
Over 3 years and up to 5 years	583.61	255.73	1.58
Over 5 years	1492.74	2228.96	6.01
Total	6952.68	3893.59	442.56

(e) Non-performing assets:

No.	Items	Amount in ₹ in Million 31.03.2016
1	Gross NPAs	4589.24
1.1	Substandard	727.53
1.2	Doubtful 1	1208.37
1.3	Doubtful 2	2536.14
1.4	Doubtful 3	21.73
1.5	Loss	95.47
2	Net NPAs	1931.86
3	NPA Ratios	
3.1	Gross NPAs to Gross Advances (%)	6.36
3.2	Net NPAs to Net Advances (%)	2.78
4	Movement of NPAs (gross)	
4.1	Opening balance	6885.12
4.2	Additions	155.96
4.3	Reductions	2451.84
4.4	Closing balance	4589.24
5	Movement of provisions for NPAs	
5.1	Opening balance	3687.20
5.2	Provisions made during the quarter	345.71
5.3	Write-off	1302.90
5.4	Write back of excess provisions	173.02
5.5	Closing balance	2556.98
6	Amount of non-performing investments	353.60
7	Amount of provisions held for non –performing investments	353.60
8	Movement of Provisions held for NPIs	
8.1	Opening balance	297.90
8.2	Provisions made during the period	55.70
8.3	Write-off/ Write back of excess provisions	-
8.4	Closing balance	353.60

(₹ in Million)

Sl. No.	Industry	Gross Outstanding	Gross NPA	Provision
1	Gems and Jewellery	3647.73	8.56	0.58
2	Food Processing	2286.92	7.28	1.30
3	Textiles	1310.37	35.20	6.97
4	Construction	1053.41	27.19	4.10
5	Paper and Paper Products	795.15	750.27	666.04
	Total	9093.58	828.50	679.00

TABLE DF 4 – DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

Qualitative disclosures:

(a) For Portfolios under the standardized approach

1	Names of credit rating agencies used	Bank has approved all the external credit rating agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts, i.e. CRISIL, CARE, India Ratings & Research Pvt. Ltd., ICRA, Brick Work Ratings, SMERA and International Credit rating agencies, i.e., Standard and Poor, Moody's and FITCH.
2	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same.	No change
3	Types of exposure for which each agency is used	<p>The external rating assigned by an agency is considered only if it fully takes into account the credit exposure of the Bank.</p> <p>Bank is entitled to use the ratings of all the above identified Rating Agency rating for various types of exposures as follows :</p> <p>(i) For Exposure with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short-Term Rating given by ECAs will be applicable</p> <p>(ii) For Domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and / or Term Loan exposures of over one year, Long Term Rating will be applicable.</p> <p>(iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by IRAs will be applicable.</p> <p>(iv) Rating by the agencies is used for both fund based and non-fund based exposures.</p> <p>(v) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.</p>
4	Description of the process used to transfer public issue rating on to comparable assets in the Banking book.	<p>Long – term Issue Specific (our own exposures or other issuance of debt by the same borrower-constituent/counter-party) Ratings or Issuer(borrower-constituent/counter-party) Ratings can be applied to other unrated exposures of the same borrower-constituent/counterparty in the following cases :</p> <p>(i) If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures , any other unrated exposure on the same counter-party will be assigned the same Risk Weight , if the exposure ranks pari-passu or junior to the rated exposure in all aspects</p> <p>(ii) In cases where the borrower-constituent/counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt may be applied to Bank's unrated exposures if the Bank's exposure ranks pari-passu or senior to the specific rated debt in all respects and the maturity of unrated Bank's exposure is not later than Maturity of rated debt.</p>

Quantitative disclosures

Amount of Bank's outstanding (rated & unrated) in major risk buckets- under standardized approach after factoring risk mitigants (i.e., collaterals):

(₹ in Crore)

Particulars	Total
Below 100% risk weight*	7102.74
100% risk weight	2415.65
More than 100% risk weight	247.29
Total Exposure	9765.68

*in below 100% risk weighted exposures, ₹586.18 crore is rated by External Credit Rating Agencies and recognized by the Bank in arriving at the risk weight. However, more than 90% of the exposures are rated as per Internal Credit Rating Exercise.

TABLE DF 5 – CREDIT RISK MITIGATION- STANDARDIZED APPROACH

Qualitative Disclosure:

(a) General

Policies and processes for collateral valuation and management:

The Bank has put in place a Board approved policy on Credit Risk Mitigation Techniques and Collateral Management, covering the credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes.

A description of the main types of collateral taken by the Bank

Collateral used by the Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely: -

- ✓ Cash and fixed deposits of the counterparty with the Bank.
- ✓ Gold: value arrived at after notionally converting these to 99.99% purity.
- ✓ Securities issued by Central and State Governments.
- ✓ Kisan Vikas Patra and National Savings Certificates.
- ✓ Life Insurance Policies restricted to their surrender value.
- ✓ Debt securities rated by an approved Rating Agency.
- ✓ Unrated debt securities issued by Banks, listed in Stock Exchange.
- ✓ Units of Mutual Funds.

Bank has no practice of 'On balance sheet' netting for credit risk mitigation.

The main types of guarantor counterparty and their creditworthiness

Bank accepts guarantees of Individuals or Corporates with adequate network, as an additional comfort for mitigation of credit risk which can be translated into a direct claim on the guarantor and are unconditional and irrevocable. Main types of guarantor counterparty as per RBI guidelines are: -

- ✓ Sovereigns (Central/ State Governments)
- ✓ Sovereign entities like ECGC, CGTMSE, CRGFILH
- ✓ Bank and primary dealers with a lower risk weight than the counterparty
- ✓ Other entities rated AA (-) and above. The Guarantees has to be issued by entities with a lower risk weight than the counterparty.

Information about risk concentrations of collaterals within the mitigation taken as on 31.03.2016:

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (In Crore)	Risk Concentration %
Gold	870.38	65.76%
Cash & Deposits	452.23	34.16%
KVP/IVP/NSC	0.841	0.06%
LIC Policy	0.210	0.02%
Total	1323.66	100.00%

Majority of the financial collaterals held by the Bank are by way of Gold, own deposits, Life Insurance Policies and other approved securities. Bank does not envisage market liquidity risk in respect of financial collaterals.

Concentration on account of collateral is also relevant in the case of land & building. However, as land & building is not recognized as eligible collateral under Basel II standardized approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of housing loan to individuals and non performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

Quantitative Disclosures:

For the disclosed Credit Risk portfolio under the Standardised Approach, the total

Exposure that is covered by:

- (i) Eligible Financial Collateral : ₹ 1323.66 Crores
- (ii) Other eligible Collateral (after Hair Cuts) : ₹ Nil

DF TABLE 6 – SECURITISATION – STANDARDIZED APPROACH

Qualitative Disclosures:

- ❖ Bank has not securitized any of its standard assets till date.

DF TABLE 7 – MARKET RISK IN TRADING BOOK- STANDARDIZED MODIFIED DURATION APPROACH

Qualitative Disclosures:

(a) General :

Strategies and processes

The overall objective of market risk management is to maximize shareholder value by improving the Bank's competitive advantage and reducing loss from all types of market risk loss events. For effective management of market risk, Bank has put in place a well established framework with the Integrated Treasury Policy and Asset Liability Management Policy. The Asset Liability Management Committee is responsible for establishing market risk management and Asset liability management in the Bank. ALCO is a decision making unit responsible for balance sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks. Bank is computing LCR (Liquidity Coverage Ratio) on a monthly basis. ALCO ensures adherence to the limits set by RBI as well as the Board.

Scope and nature of risk reporting/ measurement systems

The Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Various exposure limits for market risk management such as overnight limit, VaR limit, Daylight limit, Aggregate Gap limit, Investment limits etc. are in place. The reporting system ensures time lines, reasonable accuracy with automation, highlight portfolio risk concentrations and include written analysis. The reporting formats and frequency are periodically reviewed to ensure that they suffice for risk monitoring, measuring and mitigation requirements of the Bank. Bank also subjects Non-SLR investments to credit rating.

Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

Board approved policies viz., Integrated Treasury Policy and Asset Liability Management Policy provides the framework for risk assessment, identification, measurement and mitigation, risk limits & triggers, risk monitoring and reporting.

Liquidity risk of the Bank is assessed through Statement of Structural Liquidity Statement which is prepared on a daily basis. The Bank also reviews various liquidity ratios on a fortnight basis in order to control the liquidity position. Interest Rate Risk is analyzed from earnings perspective using Traditional Gap Analysis on a fortnightly basis and economic value perspective using Duration Gap Analysis on a monthly basis. Stress tests are conducted at quarterly intervals to assess the impact of various contingencies on the Bank's earnings and the capital position.

The Bank uses Standardized Duration approach for computation of market risk capital charge on the investment portfolio held under HFT and AFS, Gold and Forex Open positions. The market risk capital charge is calculated on a daily basis and reported to ALCO.

Quantitative Disclosures:

Particulars	Amount of capital requirement 31.03.2016 (₹ in crores)
Interest rate risk	38.38
Equity position risk	11.15
Foreign exchange risk	2.25

TABLE DF 8 – OPERATIONAL RISK

Qualitative disclosures:

(a) General

Strategies and processes: The Bank's strategy is to ensure that the Operational risks which are inherent in Process, People and System and the residual risks are well managed by the implementation of effective Risk management techniques. Keeping this in view, the Bank has been following risk management measures which address the risks before and after implementation of a process, product and system. All new products, processes and systems which are cleared by the Product & Process Approval Committee (PPAC) are risk vetted by the Operational Risk Management (ORM) cell, before implementation. The ORM cell has completed Risk & Control Self Assessment (RCSA) at Thrust Branches and other core functions highlighting the potential risks that can happen during the course of operations and to assess whether the controls are adequate to manage/ mitigate these risks. Risk Based Internal Audit is in place in all the Branches. The Bank has a RCSA document approved by the Risk Management Committee of the Board (RMCB), in place.

The framework for Operational Risk Management is well-defined in the Operational Risk Management (ORM) Policy which is reviewed and revised annually. The ORM Committee at the executive level, which meets at regular intervals oversees Bank-wide implementation of Board approved policies and process in this regard. The Bank has put in place important policies like Information System Security, Know Your Customer & Anti Money Laundering, Fraud Risk Management, Business Continuity and Disaster Recovery Management.

Scope and nature of risk reporting/ measurement systems:

The Bank has adopted Operational Loss Data Reporting Format from the Loss Data Methodology Document for collection of Loss Data, which will enable the Bank to eventually ease the transition to Advanced Measurement Approach for Capital Calculation. The ORM cell has a well-built internal Loss data collection system in place. The risk reporting consists of operational risk loss incidents/ events occurred in branches/ offices relating to people, process, technology and external events.

Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants:

Internal control mechanism is in place to control and minimize the operational risks. If any controls are found to be ineffective during the course of Risk & Control Self Assessment, corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. Bank is using insurance for mitigating operational risk. The various Board approved policies viz., Operational Risk Management Policy, Outsourcing Policy, Compliance Policy, Internal Inspection & Audit Policy, Internet Banking Security Policy; Policy on KYC & AML; Information Systems Security Policy and Business continuity Plans addresses issues pertaining to Operational Risk Management.

Operational Risk capital assessment:

The Bank has adopted Basic Indicator Approach for calculating capital charge for Operational Risk, as stipulated by the Reserve Bank of India. The ORM Cell is focusing on the qualitative and quantitative requirements (RCSA, KRI identification, Business line mapping etc.) prescribed by the regulator and these are being adopted by the Bank to move on to the Advanced Approaches in due course.

TABLE DF 9 – INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

(a) Qualitative Disclosures:

Strategies and processes

The Bank has put in place a comprehensive market risk management framework to address market risks. The Asset Liability Management Policy prescribes the measurement of the interest rate risk under two perspectives – Earnings perspective and Economic Value Perspective.

Under Earnings perspective, Bank uses the Traditional gap analysis method to calculate the Earnings at Risk (EAR), which is the quantity by which net income might change in the event of an adverse change in interest rate. EAR is calculated on a fortnightly basis.

Under Economic value perspective, Bank uses Duration Gap Analysis to assess the impact of interest rate risk. The Duration gap analysis monitors the impact of changes in the interest rates on the Market Value of Equity (MVE). It is calculated on a monthly basis.

The framework for managing interest rate risk (EVE) under Pillar II of Basel II is put in place through ICAAP Policy document.

Scope and nature of risk reporting/measurement systems

Interest rate risk under duration gap analysis is evaluated on a monthly basis. The likely drop in Market Value of Equity for a 200 bps change in interest rates is computed. Earnings at Risk based on Traditional Gap Analysis are calculated on a fortnightly basis and adherence to tolerance limits set in this regard is monitored and reported to ALCO. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.

Policies for hedging/mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants

Bank has operationalised mitigating/hedging measures prescribed by Integrated Treasury Policy, ALM Policy and Stress Testing Policy. The strategy adopted by ALCO for mitigating the risk is by clearly articulating the acceptable levels of exposure to specific risk types (interest rate, liquidity etc). The process for mitigating the risk is initiated by altering the mix of asset and liability composition and with the proper pricing of advances and deposits.

Brief description of the approach used for computation of interest rate risk

The interest rate risk (EVE) is computed through Duration Gap Analysis. The step-by-step approach for computing modified duration gap is as follows:

- i) Identify variables such as principal amount, maturity date / re-pricing date, coupon rate, yield, frequency and basis of interest calculation for each item / category of Rate Sensitive Asset/Rate Sensitive Liability (RSA/RSL).
- ii) Plot each item / category of RSA/RSL under the various time buckets. For this purpose, the absolute notional amount of rate sensitive off-balance sheet items in each time bucket are included in RSA if positive or included in RSL if negative.

- iii) The mid-point of each time bucket is taken as a proxy for the maturity of all assets and liabilities in that time bucket.
- iv) Determine the coupon and the yield curve for arriving at the yields based on current market yields or current replacement cost for computation of Modified Duration (MD) of RSAs and RSLs.
- v) Calculate the MD in each time band of each item/ category of RSA/RSL using the maturity date, yield, coupon rate, frequency, yield and basis for interest calculation.
- vi) Calculate the MD of each item/category of RSA/RSL as weighted average MD of each time band for that item.
- vii) Calculate the weighted average MD of all RSA (MDA) and RSL (MDL) to arrive at Modified Duration Gap (MDG).

(b) Quantitative Disclosures

The impact on earnings and economic value of equity for notional interest rate shocks as on 31.03.2016.

Earnings at Risk		(₹ in Crore)
Change in interest rate	Change in NII	
± 25 bps	6.79	
± 50 bps	13.57	
± 75 bps	20.36	
± 100 bps	27.14	

The Bank is computing market value of equity based on Duration Gap Analysis.

For a 200 bps rate shock, the drop in equity value as on 31.03.2016	3.63%
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TABLE DF 10 – GENERAL DISCLOSURE FOR EXPOSURE RELATED TO COUNTERPARTY CREDIT RISK

Qualitative disclosures

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on a number of financial parameters like net worth, capital adequacy ratio, rating etc. of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach

Quantitative disclosures

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The derivative exposure is calculated using Current Exposure Method and the balance outstanding as on March 31, 2016 is given below.

(₹ in Million)		
Particulars	Notional Amounts	Credit Equivalent
Forward Exchange Contracts	2928.24	77.49
Interest Rate Derivative Contracts	500	5.82

TABLE DF 11 – COMPOSITION OF CAPITAL

₹ in Million

Table DF-11 : Composition of Capital		
Part II : Template to be used before 31 March, 2017 (i.e., during the transition period of Basel III regulatory requirements)		
Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)	Amounts subject to Pre-Basel III Treatment	Ref. No.
Common Equity Tier 1 capital: instruments and reserves (₹ in million)		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	10,544.67
2	Retained earnings	(2,094.52)
3	Accumulated other comprehensive income (and other reserves)	2,276.05
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock CET1 (only applicable to non-joint stock companies)	0
	Public sector capital injections grandfathered until January 1, 2018	0
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0
6	Common Equity Tier 1 capital before regulatory adjustments	10,726.20
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Intangibles other than mortgage-servicing rights (net of related tax liability) - (accumulated loss-₹6155.66 mio and other intangible assets-₹97 mio)	6252.66
10	Deferred tax assets	370.59
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	NA
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA
22	Amount exceeding the 15% threshold	NA
23	of which: significant investments in the common stock of financial entities	NA
24	of which: mortgage servicing rights	NA
25	of which: deferred tax assets arising from temporary differences	NA
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	-
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-
26d	of which: Unamortised pension funds expenditures	0.00

	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	6623.25
29	Common Equity Tier 1 capital (CET1)	4,102.95
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31 + 32)	-
31	<i>of which:</i> classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-
32	<i>of which:</i> classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
36	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory instruments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (41a+41b)	-
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-
	<i>of which:</i> Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
44a	Additional Tier 1 capital reckoned for capital adequacy	-
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	4,102.95

Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	677.60
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	257.39
51	Tier 2 capital before regulatory adjustments	934.99
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (56a+56b)	-
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-
	of which: [INSERT TYPE OF ADJUSTMENT]	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	934.99
58a	Tier 2 capital reckoned for capital adequacy	934.99
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	934.99
59	Total capital (TC = T1 + T2) (45 + 58c)	5,037.94
	Risk Weighted Assets in respect of Amounts subject to Pre-Basel III Treatment	-
	of which:	-
	of which: ...	-
60	Total risk weighted assets (60a + 60b + 60c)	67048.20
60a	of which: total credit risk weighted assets	53542.07
60b	of which: total market risk weighted assets	6472.81
60c	of which: total operational risk weighted assets	7033.31
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	6.12%
62	Tier 1 (as a percentage of risk weighted assets)	6.12%
63	Total capital (as a percentage of risk weighted assets)	7.51%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	NA
65	of which: capital conservation buffer requirement	NA
66	of which: bank specific countercyclical buffer requirement	NA
67	of which: G-SIB buffer requirement	NA

68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) National minima (if different from Basel III)	-
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum) - including CCB of 0.625%	7.625%
71	National total capital minimum ratio (if different from Basel III minimum) - including CCB of 0.625%	9.625%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Notes to Template

(₹ in million)

Row No. of the template	Particulars	
10	Deferred tax assets associated with accumulated losses	361.09
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred Tax Liability	9.5
	Total as indicated in row 10	370.59
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 Capital under row 58b	-

50	Eligible Provisions included in Tier 2 capital	257.39
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	257.39
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

DF 12 – COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENTS

Step 1		Balance sheet as in	Balance sheet under
		financial statements	regulatory scope of
		As on reporting date	As on reporting date
		(₹ in million)	consolidation *
A	Capital & Liabilities		
i.	Paid-up Capital	1,774.42	
	Reserves & Surplus	3,305.13	
	Minority Interest	-	
	Total Capital	5,079.55	
ii	Deposits	113,537.57	
	of which: Deposits from banks	86.14	
	of which: Customer deposits	113,451.43	
	of which: Other deposits (pl. specify)	-	
iii	Borrowings	2,518.46	
	of which: From RBI	680	
	of which: From banks	-	
	of which: From other institutions & agencies	386.46	
	of which: Others - book credit balances in foreign currency minor accounts of India which: Tier 2 Capital instruments	1,452.00	
iv.	Other liabilities & provisions	3,494.25	
	Total	124,629.83	
B	Assets		
i	Cash and balances with Reserve Bank of India	5,794.81	
	Balance with banks and money at call and short notes	2,536.52	
ii	Investments:	37,922.36	
	of which: Government securities	30,721.86	
	of which: Other approved securities	-	
	of which: Shares	95.29	
	of which: Debentures & Bonds	932.40	
	of which: Subsidiaries / Joint Ventures / Associates	-	
	of which: Others (SR : ₹683.05 Mio; PTC-₹0.30 Mio, COD : ₹ 5489.45 Mio)	6,172.81	
iii	Loans and advances	69,526.82	
	of which: Loans and advances to banks	-	
	of which: Loans and advances to customers	69,526.82	
iv	Fixed assets	1,789.17	
v	Other assets	7,060.15	
	of which: Goodwill and intangible assets	-	
	of which: Deferred tax assets	370.59	
vi	Goodwill on consolidation	-	
vii	Debit balance in Profit & Loss account	-	
	Total Assets	124,629.83	

*Bank has no subsidiaries

Step 2		Balance Sheet as in	Balance Sheet under	Ref. No.
		financial statements	regulatory scope of consolidation	
		As on reporting date	As on reporting date	
A	Capital & Liabilities			
i.	Paid-up Capital	1,774.42		(a)
	<i>of which</i> : Amount eligible for CET1	1,774.42		(a) (i)
	<i>of which</i> : Amount eligible for AT1	-		
	Reserves & Surplus	3,305.13		(b)
	<i>of which</i> : Amount eligible for CET1	2,328.54		(b) (i)
	<i>Statutory Reserve</i>	772.61		(b)(ii)
	<i>Share Premium</i>	8,770.26		(b) (iii)
	<i>General Reserve</i>	805.85		(b)(iv)
	<i>Capital Reserve (excluding Revaluation Reserves)</i>	221.27		(b)(v)
	<i>Special reserve under Section 36(i) (viii)</i>	59.86		(b)(vi)
	<i>Balance in P/L a/c at the end of the previous FY</i>	(8,250.18)		(b)(vii)
	<i>Current Financial Year Profit (Not eligible)</i>	-		-
	<i>Revaluation Reserve (part of Tier 2 capital at a discount of 55 percentage)</i>	925.46		(b)(ix)
	<i>Minority Interest</i>	-		
	Total Capital	5,079.55		(a)+(b)
ii	Deposits	113,537.57		(c)
	<i>of which</i> : Deposits from banks	86.14		(c)(i)
	<i>of which</i> : Customer deposits	113451.43		(c)(ii)
	<i>of which</i> : Other deposits (pl. specify)	-		
iii	Borrowings	2,518.46		(d)
	<i>of which</i> : From RBI	680		(d)(i)
	<i>of which</i> : From banks	-		(d)(ii)
	<i>of which</i> : From other institutions &	386.46		(d)(iii)
	<i>of which</i> : Others (Book Credit balances in foreign currency accounts)			(d)(iv)
	<i>of which</i> : Capital instruments -Tier 2	1,452.00		(d)(v)
iv.	Other liabilities & provisions	3,494.25		(e)
	<i>of which</i> : Standard Asset provision included under Tier 2 Capital	257.39		(e)(i)
	<i>of which</i> : DTLs related to goodwill	0		
	<i>of which</i> : Details related to intangible	0		
	Total Assets	124,629.83		(a)+(b)+(c) +(d)+(e)
B	Assets			
i	Cash and balances with Reserve Bank of India	5,794.81		(f)
	Balance India with banks and money at call	2,536.52		(g)
ii	Investments:	37,922.36		(h)
	<i>of which</i> : Government securities	30,721.86		(h)(i)
	<i>of which</i> : Other approved securities	-		-
	<i>of which</i> : Shares	95.29		(h)(ii)
	<i>of which</i> : Debentures & Bonds	932.40		(h)(iii)

Step 2	Balance Sheet as in	Balance Sheet under	Ref. No.
	financial statements	regulatory scope of consolidation	
	As on reporting date	As on reporting date	
	<i>of which: Subsidiaries / Joint Ventures</i>	-	-
	<i>of which: Others (SR : ₹683.05 MI; PTC-₹0.30 MI, COD : ₹ 5489.45 MI)</i>	6,172.81	(h)(iv)
iii	Loans and advances	69,526.82	(i)
	<i>of which: Loans and advances to banks</i>	-	(i)(i)
	<i>of which: Loans and advances to Customers</i>	69,526.82	(i)(ii)
iv	Fixed assets	1,789.17	(j)
v	Other assets	7,060.15	(k)
	<i>of which: Goodwill and intangible assets</i>		-
	Out of which :		
	Goodwill	-	-
	Other Intangibles (excluding MSRs)	-	-
	Deferred tax assets	370.59	(k)(i)
vi	Goodwill on consolidation	-	
vii	Debit balance in Profit & Loss account		
	Total Assets	124,629.83	(f) + (g) + (h) + (i) + (j) + (k)

(Explanatory notes for Item No. (b) (vii): Debit balance in Profit & Loss account have been deducted from Reserves and Surplus reported under Capital & Liabilities in the Balance Sheet)

Step 3: Extract of Basel III common disclosure template (with added column) - Table DF-11 (Part II)

Common Equity Tier 1 Capital : Instruments and Reserves		
	Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from Step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	(a)+ (b) (iii)
2	Retained earnings	(b)(ii)+ (b) (iv)
3	Accumulated other comprehensive income (and other reserves)	(b) (v)
4	Directly issued capital subject to phase out from CET-1 (only applicable to non-joint stock companies)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CER 1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	(a)+ (b)(ii)+ (b)(iii)+ (b)(iv) + (b)(v)
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-

TABLE DF 13 – MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS – ELIGIBLE INSTRUMENTS

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A
1	Issuer	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	680A01011	INE680A09022	INE680A08057	INE680A09030
3	Governing law(s) of the instrument	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements
Regulatory treatment					
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/ group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Common Shares	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (₹ in Million, as on 31.03.2016)	1744.42	165.00	40.00	218.00
9	Par value of instrument	Shares of ₹10/- each	₹1 million	₹1 million	₹1 million
10	Accounting classification	Shareholder's Equity	Liability	Liability	Liability
11	Original date of issuance	Various	28.07.2010	20.01.2012	29.05.2012
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date/ No maturity	No maturity	30.07.2025	20.07.2018	29.04.2018
14	Issuer call subject to prior supervisory approval	No	Yes, Exercise of Call Option is subject to prior approval of RBI (Dept. of Banking Operations & Development)	No Call Option	No Call Option
15	Optional call date, contingent call dates and redemption amount	NA	Bank can exercise Call Option to redeem the Bonds at par at the end of 10th Year from the Deemed Date of Allotment, subject to prior approval from RBI. Optional Call Date is 30.07.2020 and redemption amount is in full.	NA	NA

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA	NA
17	Fixed or floating dividend/coupon	NA	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	10%	11%	11.90%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No
22	Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated claim in case of liquidation	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank
36	Non-compliant transitioned features	No	Yes	No	No
37	If yes, specify non-compliant features	NA	Does not have Point of Non Viability Trigger	NA	NA

Item	Particular	Lower Tier II Series X-B	Lower Tier II Series XI-A	Lower Tier II Series XI-B	Lower Tier II Series XIII-B
1	Issuer	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE680A09048	INE680A09055	INE680A09063	INE680A08065
3	Governing law(s) of the instrument	Applicable Indian Statutory and Regulatory Requirements			
Regulatory treatment					
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/ group/ group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier 2 Debt Instruments			
8	Amount recognized in regulatory capital (₹ in million, as of most recent reporting date)	85.20	117.20	22.20	30.00
9	Par value of instrument	₹1 million	₹1 million	₹1 million	₹1 million
10	Accounting classification	Liability	Liability	Liability	Liability
11	Original date of issuance	29.05.2012	03.08.2012	03.08.2012	10.12.2012
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date (dd/mm/yyyy) / No maturity	29.05.2019	03.05.2018	03.08.2019	10.12.2019
14	Issuer call subject to prior supervisory approval	No Call Option	No Call Option	No Call Option	No Call Option
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA	NA
17	Fixed or floating dividend/ coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	11.95%	11.90%	11.95%	11.95%
19	Existence of a dividend stopper				
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem				
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA			
25	If convertible, fully or partially	NA			

Item	Particular	Lower Tier II Series X-B	Lower Tier II Series XI-A	Lower Tier II Series XI-B	Lower Tier II Series XIII-B
26	If convertible, conversion rate	NA			
27	If convertible, mandatory or optional conversion	NA			
28	If convertible, specify instrument type convertible into	NA			
29	If convertible, specify issuer of instrument it converts into	NA			
30	Write-down feature	No			
31	If write-down, write-down trigger(s)	NA			
32	If write-down, full or partial	NA			
33	If write-down, permanent or temporary	NA			
34	If temporary write-down, description of write-up mechanism	NA			
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Depositors & other Creditors of the Bank			
36	Non-compliant transitioned features	No			
37	If yes, specify non-compliant features	NA			

TABLE DF – 14

Full Terms and Conditions of Regulatory Capital Instruments (Eligible Instruments)

	Upper Tier II-Series I	Series IX	Series X A	Series X B	Series XI A	Series XI B	Series XIII B
Nature of Instrument	#	##	##	##	##	##	##
Amount Subscribed	₹275 million	₹100 million	₹ 545 million	₹142 million	₹293 million	₹ 37 million	₹50 million
Face value of the Bond	₹1 million	₹1 million	₹1 million	₹1 million	₹1 million	₹1 million	₹1 million
Date of Allotment	28.07.2010	20.01.2012	29.05.2012	29.05.2012	03.08.2012	03.08.2012	10.12.2012
Date of Redemption	30.07.2025	20.07.2018	29.04.2018	29.05.2019	03.05.2018	03.08.2019	10.12.2019
Put and Call option (if yes, give details)	###	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Coupon rate and Frequency	10%, annual	11%, Annual	11.9%, Semi annual	11.95%, Semi annual	11.90%, Semi annual	11.95%, Semi annual	11.95%, Semi annual
Listing	NSE	NSE	NSE	NSE	NSE	NSE	NSE

Unsecured, Redeemable, Non-convertible, Subordinated Upper Tier-II Bonds in the nature of Debentures

Unsecured, Redeemable, Non-convertible, Subordinated Lower Tier-II Bonds in the nature of Debentures

Only Call Option. Call option may be exercised by the Bank only if the instrument has run for at least ten years. Call Option shall be exercised by the Bank only with the prior approval of DBOD, RBI. In effect, the Bank reserves Call Option to redeem the Bonds at par at the end of 10th year from the Deemed Date of Allotment (subject to prior approval from RBI).

TABLE DF 15 – DISCLOSURE REQUIREMENTS FOR REMUNERATION

Qualitative disclosures

a. Information relating to the composition and mandate of the Remuneration Committee.

➤ Composition

The Board constituted a Remuneration Committee on 29.02.2008, which was reconstituted on 27.09.2008, 06.10.2009 and 28.02.2013. The Committee was renamed / reconstituted as Nomination & Remuneration Committee by the Board at its meeting held on 26.10.2015. The Nomination & Remuneration Committee comprises of Sri K. Jayakumar, as Chairman and Sri Chella K. Srinivasan and Sri P. Mohanan as members as on March 31, 2016.

The terms of reference of the Committee are as follows:

1. Frame a policy describing the qualification, experience and other positive attributes for selection of executive/whole time directors including their age of retirement;
2. Formulate and put in place guiding principles to determine the qualities, qualifications, and the parameters to determine the 'fit and proper' criteria for appointment of independent Directors keeping in mind the diversity quotient the Bank's Board shall maintain from time to time and subject to the applicable regulatory requirements;
3. Conduct the process of due diligence to determine the suitability of the person for appointment/continuing to hold appointment as Director on the Board, based on the specific criteria prescribed by Reserve Bank of India;
4. Filling in a timely manner vacancies on the Board of the company including the position of executive/whole time directors;
5. Selection of directors, key management personnel and persons to be appointed in senior management positions as defined by the Board and recommend to the Board for their appointment and removal thereof;
6. Formulate and recommend to the Board for its approval a policy relating to the remuneration for the directors, key managerial personnel and other employees from time to time to ensure that:
 - a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Bank successfully;
 - b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 - c) Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
7. Review the performance of individual Directors of the Bank on a yearly basis at the end of each financial year or at such periodicity as the Committee deem fit and recommend to the Board on the basis of such review, whether a director to be recommended for re-appointment or not;
8. Review the performance of the executive/whole time Directors of the Bank and fix suitable compensation packages in consideration of their performance, contributions, the general business environment in which the Bank operates and financial position of the Bank. The remuneration package may be a combination of fixed and performance based bonus/incentives for the period under review.
9. Review the performance of key managerial personnel and senior management persons on a periodical basis and fix their remuneration packages in accordance with the policies approved by the Board, provided the period of gap between two such reviews shall not elapse fifteen months;
10. Ensure that at all times, the Board of the Bank has a fair combination of independent, non-executive and executive directors meeting the governance standards set by the Board and in compliance with regulatory requirements and listing agreements prevailing from time to time;
11. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the Bank;
12. Evaluate and put in place proper mechanism for refreshment trainings for Directors on relevant subject;
13. Evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the Bank;
14. Put in place, subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other Directors on the board of the Bank;
15. Ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the Bank;
Oversee the overall governance standards and policies of the Bank and delegation of authorities to match with the best practices in relation to the size of the Bank and the level of its operations to protect the interest of all stake holders.

The roles and responsibilities of the Compensation & Remuneration Committee (CRC) are as follows:

- ✓ To oversee the framing, review and implementation of compensation policy of the bank on behalf of the board.
- ✓ To ensure the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- ✓ To determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
- ✓ For determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership (ii) to retain employees or skill groups among them (iii) attract talented professionals (iv) to instill a sense of belonging to the Bank, among employees.

b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

Remuneration and other perquisites paid to the Chairman and Managing Director & CEO are as approved by the Reserve Bank of India. Non-executive Directors are being paid sitting fees for each meeting attended by them. During the year, no remuneration, excepting sitting fees and re-imbursment of actual travel and out-of-pocket expenses was paid.

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its circular no. DBOD. No.BC.72/29.67.001/2011-12 dtd. 13/01/2012. The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers covered under Cost to the Company payment scheme, the overall salary will be pegged at 115% of IBA salary of corresponding grade. Officers appointed on contract basis are offered a fixed consolidated pay as determined by Board/Committee/ MD & CEO on a case to case basis.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

The Board of Directors through the Remuneration Committee shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

The factors taken in to account for the annual performance review are:

- ✓ The performance of the Bank
- ✓ The performance of the business unit
- ✓ Individual performance of the employee
- ✓ Other risk perceptions and economic considerations

e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

- ✓ As of now, Bank is not offering variable pay and hence no such deferrals of variable
- ✓ Employee Stock Option Scheme/Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

- ✓ Performance Linked Incentives to those employees who are eligible for incentives
- ✓ Ex-gratia for other employees who are not eligible for Performance linked Incentives.
- ✓ Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.

As of now, Bank is not having a variable pay structure.

Board of the Bank at its meeting held on 14/09/2014 has approved the Employees Stock Options Scheme (ESOS 2013). The salient features of the ESOS 2013 are as under:

- ✓ Confirmed employees who are in the service of the Bank as on 01/05/2014 having more than 2 years of service in the Bank are eligible.
- ✓ Present Grade and completed years of service as on 01/05/2014 are the yard sticks considered for grant of options to employees.
- ✓ Granted shares shall vest as per the following vesting schedule:

- 30 % shall vest on completion of 12 months from the date of grant (14.08.2014) which is on 14.08.2015
- 30 % shall vest on completion of 24 months from the date of grant which is on 14.08.2016
- Remaining 40 % shall vest on completion of 36 months from the date of grant which is on 14.08.2017.
- ✓ Exercise period for the options granted shall be 3 years from the date of vesting.
- ✓ The options are being granted at ₹ 40.73 per option
- ✓ The grade wise/ experience wise eligibility grid is as under:

Completed year of service as on 01/05/2014									
Grade	> 2 years but ≤ 3 years	> 3 years but ≤ to 5 years	> 5 years but ≤ to 10 years	> 10 years but ≤ to 15 years	> 15 years but ≤ 1 to 20 years	> 20 years but ≤ to 25 years	> 25 years but ≤ to 30 years	> 30 years but ≤ to 35 years	> 35 years but ≤ to 40 years
Grade 7	2500	5000	7500	10000	12500	15000	17500	20000	22500
Grade 6	1500	3000	4500	6000	7500	9000	10500	12000	13500
Grade 5	1000	2000	3000	4000	5000	6000	7000	8000	9000
Grade 4	600	1200	1800	2400	3000	3600	4200	4800	5400
Grade 3	500	1000	1500	2000	2500	3000	3500	4000	4500
Grade 2	400	800	1200	1600	2000	2400	2800	3200	3600
Grade 1	300	600	900	1200	1500	1800	2100	2400	2700
Grade E2	200	400	600	800	1000	1200	1400	1600	1800
Clerk	200	400	600	800	1000	1200	1400	1600	1800
Sub Staff	100	200	300	400	500	600	700	800	900

Quantitative disclosures

Number of meetings held by the Remuneration Committee during the six months ended 31.03.2016	NIL
Remuneration paid to the members of Remuneration Committee	NIL
Number of employees having received a variable remuneration award during the financial year.	NIL
Number of sign-on awards made during the financial year.	NIL
Total amount of sign-on awards made during the financial year.	NIL
Details of guaranteed bonus, if any, paid as joining / sign on bonus.	NIL
Details of severance pay, in addition to accrued benefits, if any.	NIL
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	NIL
Total amount of deferred remuneration paid out in the financial year.	NIL
Breakdown of amount of remuneration awards for the year ended 31.03.2016	
Fixed	NIL
Variable	NIL

TABLE DF 16 – EQUITIES – DISCLOSURE FOR BANKING BOOK POSTIONS

The Bank does not have Equities in Banking Book and hence not applicable.

Leverage Ratio

Leverage ratio is a non-risk based measure of all exposures for the Tier-I capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. Presently the indicative benchmark Leverage Ratio prescribed is 4.50% (minimum).

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

TABLE DF 17 – SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

(₹ in Million)

Item		
1	Total consolidated assets as per published financial statements	124629.83
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	20.66
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-467.60
4	Adjustments for derivative financial instruments	83.30
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	447.20
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	4578.73
7	Other adjustments	1878.84
8	Leverage ratio exposure	131170.96

TABLE DF 18 – LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

(₹ in million)

Item		Leverage ratio framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	126529.33
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	467.60
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	126061.73
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	19.70
5	Add-on amounts for PFE associated with all derivatives transactions	63.60
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivative exposures (sum of lines 4 to 10)	83.30
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	420.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	27.2
15	Agent transaction exposures	0

16	Total securities financing transaction exposures (sum of lines 12 to 15)	447.20
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	4578.73
18	(Adjustments for conversion to credit equivalent amounts)	0
19	Off-balance sheet items (sum of lines 17 and 18)	4578.73
Capital and total exposures		
20	Tier 1 capital	4103
21	Total exposures (sum of lines 3, 11, 16 and 19)	131170.96
Leverage ratio		
22	Basel III leverage ratio	3.13%

Newly inducted Directors to Bank's Board were felicitated by Chairman Dr. Jayaram Nayar Sri G. Sreeram Managing Director & CEO and other Members of Director Board during Board Meeting held at Ernakulam.



DhanlaxmiBank 
established 1927

Registered & Head Office:

Dhanlaxmi Bank Ltd.

Dhanalakshmi Buildings, Naickanal,

Thrissur - 680 001, Kerala

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