

Wealth is in the things that
bring us happiness.



Annual Report 2009-2010

Wealth is in the priceless moments spent with the kids.

Wealth is in the words of praise from a guru.

Wealth is in the little treasures of childhood.

Wealth means a lot to a lot of people.

For us, our wealth is not reflected in the pages that follow.

It is beyond a number defining our bottom line.

It's much more than that. It is what we have earned
over the past eight decades - your faith in us.

Registered & Corporate Office

The Dhanalakshmi Bank Limited, PB No. 9,
Dhanalakshmi Building, Naickanal, Thrissur - 680001.

Mumbai Office

The Dhanalakshmi Bank Limited, Trade View,
2nd floor, Near Gate No. 4, Kamala Mills Compound,
Lower Parel, Mumbai - 400013.

Kindly refer to the website for other offices.

Company Secretary

Ravindran K. Warriar

Auditors

M/S Walker Chandio & Co., New Delhi
M/S Shah Gupta & Co., Mumbai

Legal Advisors

Amarchand & Mangaldas
Suresh A. Shroff & Co.
Advocates & Solicitors

Major Exchange Houses

UAE Exchange Centre LLC
Al Ahalia Money Exchange Bureau

Foreign Correspondent Banks

Deutsche Bank Trust Company Americas
Wachovia Bank NA - Wells Fargo Company
Commerzbank AG
National Westminster Bank PLC

Stock Exchanges

National Stock Exchange (NSE)
Bombay Stock Exchange (BSE)
Cochin Stock Exchange (CSE)

Registrar & Transfer Agents

Karvy Computer Share 2 T K Ctd. Plot No. 17-24, Vithal Rao
Nagar, Madhapur, Hyderabad - 500081.

Insurance Partner

Bajaj Allianz

Broking Partner

Destimoney Securities Private Ltd.

Mutual Fund Partners

ICICI Prudential AMC Ltd.
Kotak Mahindra Asset Management Co. Ltd.
UTI Mutual Fund
HDFC Asset Management Co. Ltd.
FIL Fund Management Private Ltd.

SME Rating Partner

CRISIL Limited

Financial Inclusion and Outreach Partners**Technology Partner**

A Little World
Financial Information Network and Operations Ltd.

Business Correspondents

Zero Microfinance & Savings Support Foundation
Fino Fintech Foundation

ATM Services

AGS Infotech Private Ltd. / Wincor Nixdorf GmbH

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Board of Directors

1. V. R. Chalasoni

2. K. Srikanth Reddy

3. S. Santhanakrishnan

5. Amitabh Chaturvedi
Managing Director & CEO

6. G. N. Bajpai
Chairman

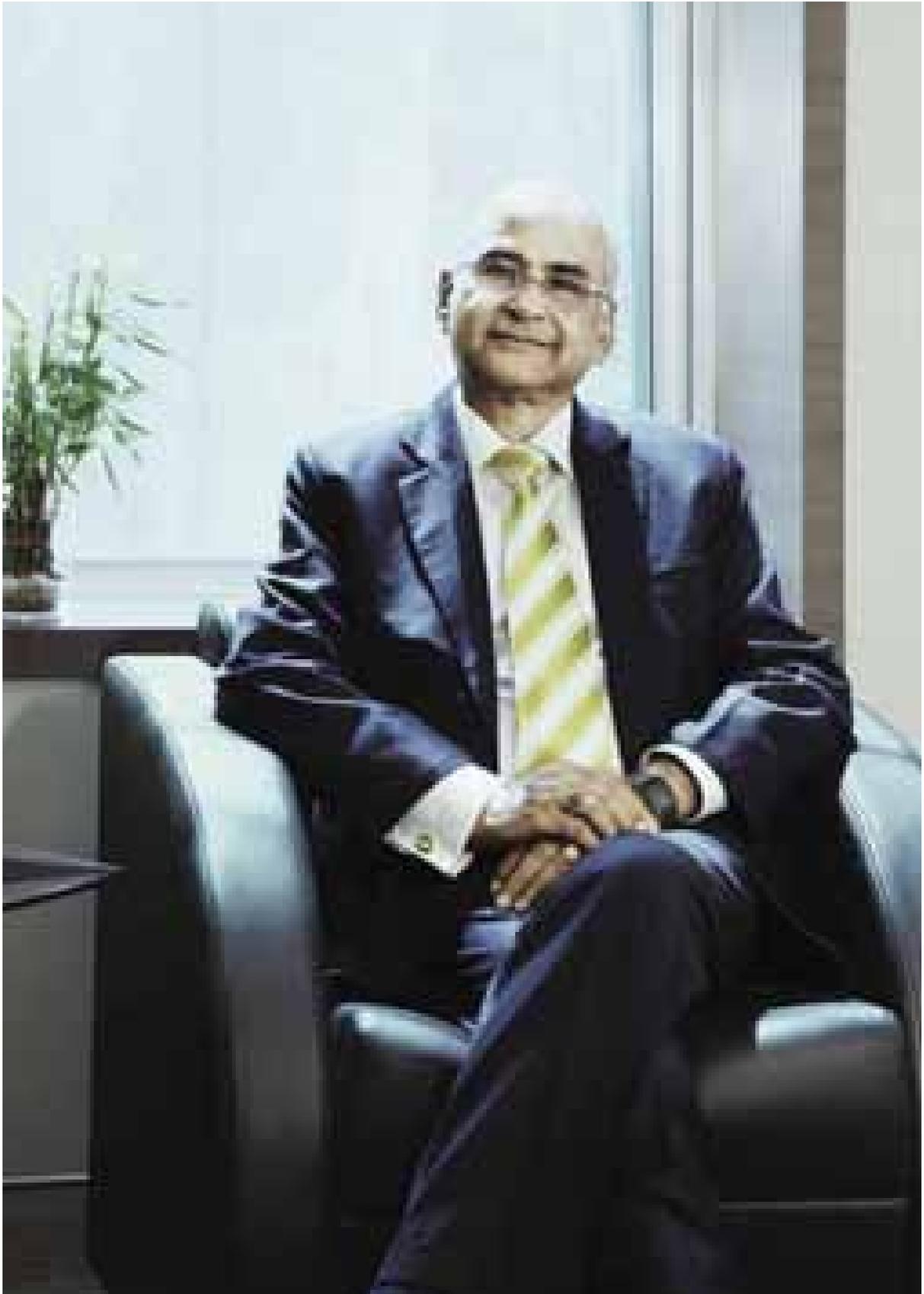
7. Ghanshyam Dass



4. Shallesh V. Haribhakti

Sateesh Kumar Andra
(He was unable to attend the photo shoot)





Ghyanendra Nath Bajpai | Chairman

Chairman's Address

Dear Shareholders,

The triumph of the resilient, never-say-die spirit of India is the singular pick from last year's journey.

2009 was truly a challenging year for the Indian economy. The global economy had slowed down perceptibly; confidence had evaporated substantially, bringing businesses and the financial markets to a virtual standstill. Understandably, the year began on a cautious note. The monsoons played truant, adding yet another layer of uncertainty and risk for the country.

The Government and the Central Bank together managed to combat the situation creditably, through a well-coordinated launch of fiscal and monetary stimulus programmes. While their concerted action did help avert the negative fall-out from the global slowdown successfully, a set of new challenges shaped up: battling food scarcity left behind by a deficient monsoon, and the reining in of the attendant double-digit food inflation, a soaring fiscal deficit, complemented by the Government's borrowing programme.

Fortunately, the winter crop has brought some comfort and the anxiety over food prices has abated somewhat. The economy now seems well poised to achieve all-round growth with industrial production rising every month and investment demand regaining some of its earlier sheen. In the months ahead, the focus will be on strengthening the domestic macro economic environment to help consolidate the rebound in growth and sustain it over the medium term.

The optimism is reflected in the central bank's annual monetary policy statement. The Reserve Bank of India, on the back of growing exports and recovery in industrial sector, has revised the GDP growth forecast to 8%, after an estimated growth of 7.4% during 2009-10. RBI data reveals that credit growth has touched 16%, in-line with its revised estimates. Buoyant industrial production, growth in exports, pick-up in corporate capital expenditure and higher consumer spending is expected to accelerate credit growth further.

But we may not be out of the woods completely, and despite the inherent strength of the Indian economy, we need to remain alert to ripple effects washing up on our shores from the second phase of the global slowdown. The nature of economic crisis has shifted from financial sector excesses to a fiscal mess in the Eurozone, raising the spectre of sovereign defaults. This has tripped the nascent global recovery that was taking roots just a few months ago. We will have to watch out how this new development pans out and be prepared to put in place credible crisis management systems, should the need arise.

We need to recognise some other dark linings as well. Inflation has since spread to non-food items. The surge in demand propelled by the stimulus programmes, with no perceived capacity addition in the past few months, has started nudging up the price line. Managing the fall-out from erratic and volatile capital flows – switching between excessive inflows and / or sudden and sizeable outflows – will be another formidable challenge for managers of the economy. But, I am sure that, given the depth and capability of our economic administration and the central bank, as was ably demonstrated after October 2008 and on earlier occasions, we will continue to be among the world's fastest growing nations.

The Indian economy is clearly in transition. The economy is segueing from medium to high GDP growth. Households are graduating from lower to middle and high income brackets at an awe-inspiring pace. Consumption patterns are undergoing a comprehensive transformation. The levers of sustainable GDP growth are getting fortified. Societal enablers like demography, high domestic savings rate, gross capital formation, rapidly rising domestic consumption, confidence and entrepreneurship are also in place.

As a corollary of high GDP growth, financial services should become the fastest growing industry. Although banking is the mother of all financial services, the opportunity and space in other areas of financial services also hold out enormous potential. Your Bank will definitely try to make reasonable, well-orchestrated and finely-calibrated moves to harness all these opportunities. While the spotlight will remain on the Bank's ambitious pursuit of size, reach and profitability, the hallmark of our journey going forward will be how well we are able to seize many of these opportunities.

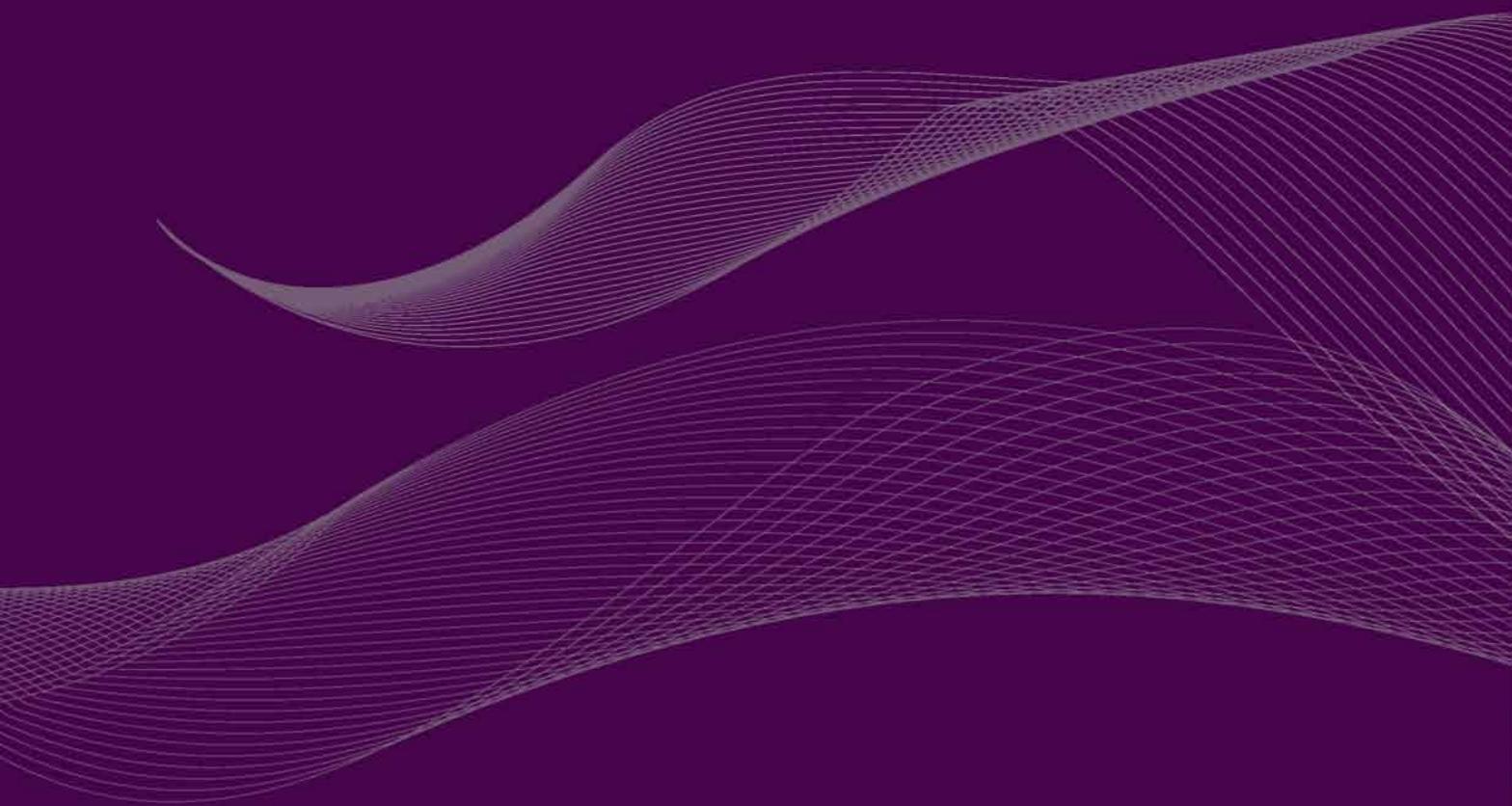
I am proud to inform you that your Bank, which now has a substantially augmented and recharged team at the helm, has performed marvelously in the midst of the economic slowdown last year. Your revitalised and repurposed Bank is expected to march ahead confidently, whatever the external exigencies. The growth machine is now all primed up – the platform is in place, people have been recruited and technology has been stacked up. Today, there is greater faith and confidence in your Bank's, and its team's, ability to scale new peaks in the years ahead.

I wish you all a very rewarding 2010-11.

With best regards,

Yours sincerely,

Ghyanendra Nath Bajpal





Amitabh Chaturvedi | MD & CEO

MD & CEO's Address

Dear Shareholders,

It has been a year since I spoke to you all and a lot has happened since then. It has been a rather eventful year, full of opportunities, challenges and growth impulses. When I spoke to you all last year around the same time, from this very platform, I had promised you a repurposed bank with new people, products, processes, infrastructure and technology. I am glad to inform you that many of these building blocks have now been put in place. I am also proud to state that your Bank has successfully rolled out and implemented the plans I laid out before you last year and we are truly on our way to becoming one of the top private sector banks in India.

I have always believed that your Bank's true value proposition - for all its stakeholders - lies in its impregnable foundation and its deep roots in society. We focused our energies on building on this foundation last year. Let me take the opportunity to highlight some of our achievements.

One of our first challenges was to expand your Bank's footprint and take it national. We were successful in launching 63 new branches and 208 ATMs. Our total customer touch-points have increased to 550 on a pan-India basis. I feel proud to say that today your Bank has a network of 270 branches and 280 ATMs in 136 cities and towns across India.

Expansion of network led to increase in business. For the second year in succession, our growth rates under deposits and advances were far ahead of the banking industry. The Bank's total business increased by 48% to Rs. 12,155 crore from Rs. 8,214 crore, which is a record. While deposits increased by 43% from Rs. 4,969 crore to Rs. 7,098 crore, advances rose from Rs. 3,245 crore to Rs. 5,056 crore at 56%.

Increase in business meant dedicating more resources. Emphasis on people and leadership development across all levels in the organisation helped us attain our growth targets. Last year, we recruited experienced talent across business verticals and support functions, thereby more than doubling our team strength to around 3,500. Your Bank has always been known for its warmth, transparency and high degree of fairness in all its systems and processes. Balanced scorecard, one of the most scientific performance measurement tools, was introduced by your Bank to translate strategies into operational objectives to drive performance and behaviour. The Bank also introduced ESOPs last year not only as a motivation and retention tool, but also to attract talent from the competition.

Although customer appreciation is our highest reward, we were also recognised and awarded by various industry surveys, media houses and the peer group. I feel proud to mention that based on a joint survey undertaken by consultancy company KPMG and

reputed business fortnightly Business Today, your Bank was awarded the Best Mid-Sized Bank on the basis of growth parameters. Your Bank was also awarded the Best Bank in the private sector by the State Forum of Bankers Club of Kerala at their Banking Excellence Awards. The Bank's Human Resources department has also won numerous awards at the World HRD Congress for "Continuous Innovation In HR Strategy at Work," "Most Innovative Recruiting and Staffing Program/Initiative" and "Recruiting & Staffing Industry Leader of the Year." Above all, your Bank was awarded the "Best Employer Brand" among private sector banks by the Employer Branding Institute.

These awards are a testimony to the processes and systems we have put in place and the commitment of the team in achieving your Bank's overall objectives. They are also milestones on the journey to becoming one of the top private sector banks in the country.

As partners in this exciting voyage, let me share with you some of our plans for this year. We have by now created a stable, sturdy and suitable growth engine that should be able to power us into a stronger position by the time 2010-11 draws to an end. The capacity is in place, the people have been hired, the technology has been plugged in. It is now time to wring some productivity from these assets and to prepare the Bank for its entry into the next growth orbit.

If the focus last year was on creating the enabling capacity, this year the focus will clearly be on productivity. The Bank will look to increase volumes across all businesses and improve the bottom line.

Retail banking will be spearheading some of the growth impulses. Your Bank will be launching its retail assets business – encompassing mortgages, credit cards, retail loans, loan against property, commercial vehicle finance, car loans – in a big way this year. Constant innovations in products and services in line with the changing customer requirements aided by customer-centric distribution network will help boost our thrust in the retail segment. The branch network put in place will also contribute to the growth of this business vertical. This presence on the ground would also act as a catalyst for fee and commission based income. Tie-ups with well-known insurance and mutual funds brands will allow us to offer customers meaningful investment products. You will be happy to know that your Bank has also launched a three-in-one account – which offers a normal savings account packaged with a demat account and an internet-based stock trading facility – to complement the wide range of savings products on offer.

Technology is a great enabler and your Bank is leveraging technology to help customers access their accounts in as many ways as possible. After launching innovative ATMs and internet banking for our customers during the year, we will be soon introducing mobile

banking to help customers access their bank accounts from anywhere, at any time. The idea is to use technology to enhance customer ecstasy. You would have also noticed the interesting brand repositioning exercise undertaken by your Bank during the year.

After conducting extensive research, the Bank successfully completed an exercise to acquire a new brand identity – Dhanlaxmi. The new brand is modern, vibrant, contemporary and national. It also emphasises change in continuity, growth without sacrificing the roots, contemporaneity without shaking up the core cultural identity. The entire exercise is just a small step in the Bank's initiatives towards developing a superior value proposition for its customers.

To conclude, we see opportunities in challenges. Our strategy is clear: we have all the resources we need to achieve our goals. I am confident that the Bank will grow from strength to strength in the years to come. Thank you for all your support and encouragement.

Yours sincerely,

Amitabh Chaturvedi

CUSTOMER FEEDBACK

I am happy to place on record the commendable service rendered by Dhanlaxmi Bank to Travancore Devaswom Board as its principal banker for over three decades. The dedication and commitment with which the Bank has worked hand in hand with the Board, particularly during the Sabarimala pilgrim season, is perhaps unparalleled. Millions of devotees have benefitted from this selfless service. Dhanlaxmi Bank has demonstrated what true institutional partnership means.

K. Jayakumar IAS

Chief Commissioner TDB and Additional Chief Secretary, Government of Kerala

Dhanlaxmi Bank offers a full range of corporate banking services and service levels that exceed the industry benchmark. We are really impressed with their strong customer orientation and turnaround time for our requirements. I foresee Dhanlaxmi emerging as one of the leading private sector banks.

Ravi Sud

CFO, Hero Honda Motors

Chambal Fertilisers and Chemicals Ltd. have been dealing with Dhanlaxmi Bank for the past six months. We have found your team to be professional, prompt and courteous in responding to our requirements. I wish you success in all your endeavours.

Anil Kapoor

Managing Director, Chambal Fertilisers and Chemicals Ltd.

Dhanlaxmi Bank is responsive to its customer's requirement. I was pleasantly surprised with their speed and commitment to deliver in time. Its enthusiastic and motivated team will take the bank to greater heights!

Vardhan Dharkar

CFO, KEC International

As a Government undertaking, we have chosen your bank in view of your Bank's reputation for customer care. We gratefully place on record our appreciation for the excellent services rendered to us for nearly a decade as one of our main bankers. Your service to our outlets across the State deserves special mention. We would do our best for utilising your increasing range of services in future.

M.S. Sunilkumar

Finance Manager, Kerala State Beverages Manufacturing and Marketing Corporation Ltd.



**Wealth is in
every honour we earn.**

CORE TEAMS



Face of the Bank

1. Gunavati Karkera

2. Rajan Sleeba

3. Ajaykumar K.V.

4. Sanjit Kumar Dutta

5. G. Chandra Shekhar Rao

6. Muraleedharan M.

7. Dilipkumar J.

8. Surendra Singh Arora

9. Amitabh Chaturvedi



10. Sumeeth C. Menon

11. Vishwanath Purohit

12. Rohit Seth

13. Salil Datar

14. Satheesh Kumar S.

15. Sankaran P. S.

16. Kiran Deshwal



Growth Catalysts

1. Asok Haslagiri
Integrated Risk Management

2. Amlabh Chaturvedi
MD & CEO

3. P. S. Ravikumar
Inspection & Vigilance

4. Ravindran K. Warriar
Company Secretary

5. Rajrishi Singhal
Policy & Research

6. Bipin Kabra
Finance, Insurance, Investments & Treasury



7. Sheran Mehra
Marketing & Corporate Communication

8. Manish Kumar
Human Resources

9. H. Rangarajan
Planning & Development

10. Sachin Saraf
Infrastructure



Business Drivers

1. **Amitabh Chaturvedi**
MD & CEO

2. **Rajeev Deoras**
Wholesale Bank

3. **Manish Sarraf**
Treasury

4. **Suresh Balasubramanian**
Trade and Advances

5. **Jayachandran. B.**
Trade and Advances - Zonal Head

6. **Arvind Hall**
Retail Assets & Credit Cards



7. Tillsa Gupta Kaul
Micro finance and Agriculture lending

8. Deepak Singh
Insurance and Gold

9. D. A. Dhananjaya
Online Broking, Mutual Funds, Foreign Exchange

10. Bipin Kabra
Finance, Insurance, Investments & Treasury



Backbone of the Bank

1. Ramesh Padmanabhan
Credit Mid Office

2. Amitabh Chaturvedi
MD & CEO

3. Sandeep Wirkhare
Retail Credit and Policy

4. Ashwini Nalk
Retail Asset and Credit Card Operations

5. Anand Gupta
Alternate Channels

6. Muralidharan Rajamani
Information Technology & Operations



6

5

2

3

4

7. Jaya Janardanan
Banking Operations

8. Suresh Kumar. S.
Credit Monitoring and Recovery

9. P.G. Jayakumar
Chief Credit Officer

10. J. Renganathan
Credit Sanction



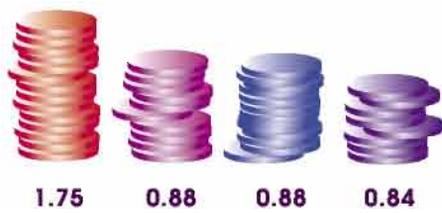
PERFORMANCE



PERFORMANCE



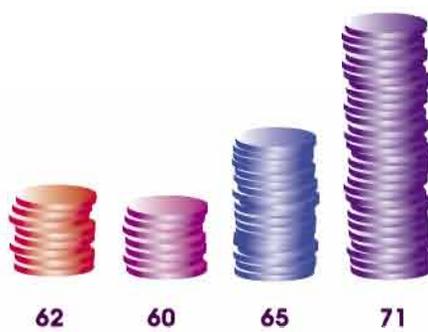
Net NPA (In %)



Gross NPA (In %)



Credit/Deposit Ratio (%)



Capital Adequacy Ratio (%)





**Wealth is in the
knowledge of a lifetime.**

DIRECTORS REPORT

REPORT OF THE BOARD OF DIRECTORS

Your Directors have pleasure in presenting the Bank's 83rd Annual Report, along with the audited balance sheet and profit and loss account, for the year ended March 31, 2010.

PERFORMANCE HIGHLIGHTS

The highlights of the Bank's performance for 2009-10 are:

- 63 branches (including 2 processing centres) and 208 ATMs opened during the year.
- Number of customer outlets nearly doubled from 279 to 550 in 12 months.
- Total deposits rose from Rs. 4,968.81 crore to Rs. 7,098.48 crore, an increase of Rs. 2,129.67 crore at a growth rate of 42.86%.
- CASA balances increased from Rs. 1,207.63 crore to Rs. 1,551.54 crore, an increase of Rs. 343.91 crore, indicating a growth rate of 28.48%.
- Total advances increased from Rs. 3,245.30 crore to Rs. 5,056.49 crore, an increase of Rs. 1,811.19 crore at a growth rate of 55.81%.
- The business growth rates recorded by the Bank were much higher when compared to the growth of the banking industry.
- Credit deposit ratio increased from 65.31% as on March 31, 2009, to 71.23% as on March 31, 2010.
- Priority sector advances, as a percentage to Net Bank Credit (NBC), stood at 43.61% against RBI's benchmark of 40% by the end of March 2010.
- Agricultural outstandings as a percentage of NBC stood at 23.68% against the RBI prescription of 18% by the end of March 2010.
- Weaker section advances, as a percentage of NBC, was 14.76% by March end, 2010, against the RBI norm of 10%.
- Gross NPA percentage declined from 1.99% to 1.54%, and the net NPA figure declined from 0.88% to 0.84% during the year.
- A new brand identity was launched during the year while retaining the original name 'The Dhanalakshmi Bank Limited'.



Dividend

The Board has recommended a dividend of 10% subject to RBI approval.

Capital and Reserves

The Bank's capital and reserves increased from Rs. 424.48 crore as on March 31, 2009, to Rs. 440.08 crore on March 31, 2010. The Capital Adequacy Ratio (CAR) as per Basel I norms was 12.47% on March 31, 2010, against 14.44% on March 31, 2009. Under Basel-II, it was 12.99% on March 31, 2010, against 15.38% on March 31, 2009. The benchmark prescribed by RBI is 9%.

Strengthening the Capital Base

The Bank raised Rs. 150 crore as Tier-II bonds during the year in the international market through private placement.

Branch Expansion

The Bank recorded significant progress in this area during the year by nearly doubling its customer outlets from 279 on March 31, 2009, to 550 as on March 31, 2010. The highlights in the area of branch expansion are as under:

- Opened 63 branches (including two processing centres at Hyderabad and Thrissur), covering 14 states.
- Opened 208 additional ATMs across 13 states.
- Upgraded 26 extension counters into full fledged branches.
- Extended footprint to six more states during the year - Haryana, Punjab, Rajasthan, Uttar Pradesh, Madhya Pradesh and Goa, making the Bank a truly pan-India entity. It currently operates in 136 centres across the country.
- Opened a "B" class currency chest and a small coin depot at Thiruvananthapuram in Kerala.
- Converted asset recovery branches at Coimbatore and Chennai into general category branches.
- Opened regional offices at Thrissur, Thiruvananthapuram & Palakkad during the year and at Ernakulam & Kozhikode thereafter.
- Re-designated 5 service branches at Thiruvananthapuram, Ernakulam, Thrissur, Chennai and Mumbai as regional processing centres during 2009-10 to take on a wider range of functions.

Deposits

Total deposits of the Bank increased from Rs. 4,968.81 crore on March 31, 2009, to Rs. 7,098.48 crore (March 31, 2010) – an increase of Rs. 2,129.67 crore at a rate of 42.86%. This is the highest growth ever recorded by the Bank and compared very favourably with the banking industry's growth. The Bank laid special emphasis during the year on mobilisation of low-cost funds, resulting in CASA balances increasing from Rs. 1,207.63 crore as on March 31, 2009, to Rs. 1,551.54 crore (March 31, 2010) – an increase of Rs. 343.91 crore at 28.48%. The stress on CASA enabled the Bank to reduce the average cost of deposits from 7% in 2008-09 to 6.8% in 2009-10.

As part of its on-going attempts to improve customer service, convenience and delivery, the Bank introduced three new age, innovative products with 'sweep' facility during the year - MaxiGain Current, MaxiGain Savings and MaxiGain FD, which offer customers the dual advantages of easy liquidity and high interest.

The Bank conducted several incentive-based campaigns during the year to strengthen its resource base with special reference to CASA accounts. The number of deposit accounts surpassed the 10-lakh-mark and stood at 11,41,425 on March 31, 2010.

Advances

Total advances on March 31, 2010, amounted to Rs. 5,056.49 crore, compared to Rs. 3,245.30 crore on March 31, 2009, an increase of Rs. 1,811.19 crore showing a growth of 55.81%. This growth is the highest ever for the Bank and compares very favourably with that of the industry. During the year, the credit/deposit ratio improved from 65.31% to 71.23%. The number of borrowal accounts surpassed the two-lakh-mark and stood at 2,08,962 as on March 31, 2010.

Market Share

Our Bank's growth during year 2009-10 was well ahead of the industry's growth on a continuous basis under both deposits and advances. The Bank's market share in deposits increased from 0.119% to 0.153% while that in advances rose from 0.111% to 0.153% during the period. The following table captures the above performance.

Head	Deposits (Actuals)		Advances (Actuals)		Growth (%)	
	27.03.09	26.03.10	27.03.09	26.03.10	Deposits	Advances
Dhanlaxmi Bank	4,569	6,848	3,080	4,964	49.87	61.17
All Scheduled Commercial Banks	38,30,322	44,86,574	27,70,012	32,40,399	17.13	16.98

Revised Business Model

During 2008-09 and 2009-10, the Bank's business growth rates were far higher than the industry's. This was possible only through the gradual adoption of a strategic business model, the essentials of which are as under:

1. Back office functions were progressively centralised, allowing branches to concentrate on customer acquisition, sales and customer service. This has helped accelerate growth as well as improve service quality. This centralisation process is continuing and will cover more areas, with the anticipated introduction of the upgraded Flexcube software in the current year.
2. The new model shifts the focus of business expansion from a geographical, branch-based approach to a segment-based, vertical approach. In the area of asset management, four such verticals were created - wholesale banking, trade & advances group, micro finance & agriculture, and retail assets. Wholesale banking will cater to corporates with a net worth of Rs. 50 crore and above. The trade & advances group (TAG) will look into all cases other than those coming under wholesale banking and cases in the non-individual category. Agri/micro finance will cater to all activities falling in this segment. Retail assets will cover all advances to individuals. While the first three verticals have established themselves firmly during the year, retail assets is currently taking off and is expected to go full stream by September 2010. As part of this revised approach, a number of leading corporates in the country with triple-A ratings established business relationships with the Bank.
3. The revised model also encompasses credit disbursement at the field level through 81 identified thrust branches across the country, while the remaining branches would be linked to them as cluster units.
4. In the HR area, the approach has been to impart the requisite thrust to the growth process through recruiting personnel with appropriate specialisation, both at the operational and administrative levels.

It may be noted that the Bank went through a period of transformation in the past 18 months, covering the entire spectrum of its activities. The transformation has been managed professionally and with a sense of clear purpose.

Priority Sector Advances

The Bank continued its stress on channeling credit to the productive sectors of the economy. Priority sector advances increased from Rs. 1,147.62 crore as at the end of March 2009, to Rs. 1,409.28 crore as at the end of March 2010, recording a growth of 22.8%. The priority sector ratio as at March end 2010, was 43.61%, well above the RBI benchmark of 40%. The Bank also surpassed the RBI norm of 18% in respect of agricultural credit by recording 23.68% as at March end 2010.

Weaker section advances as at March end 2010, stood at Rs. 477.14 crore against Rs. 205.40 crore (March end 2009). Weaker section advances outstandings, as a percentage of net bank credit was 14.76% as at March end 2010, against the RBI benchmark of 10%.

Financial Inclusion and Micro Credit

As part of the overall efforts towards financial inclusion, the Bank is in the process of opening around 50 Customer Service Points (CSP) in Kerala and reaching out to over 50,000 'no-frill' accounts customers through these service points. Each CSP, known as the business correspondent location, will have a representative from the Bank to guide and educate customers on various banking services. These CSPs will be responsible for sourcing 'no-frills' accounts and service the deposit and withdrawal requirements of the customer after opening of these accounts. The Bank will facilitate the use of biometric cards for day-to-day operations.

Other banking services, such as insurance and loan products, will also be offered from the CSP location. The CSPs are being offered marketing, technology and training support required to deliver the above services. The Bank has tied up with NGOs – such as the Nair Service Society, Sree Narayana Dharma Paripalana Yogam, Kudumbasree, etc. – for deepening its overall inclusion activities.

The number of 'no-frill' savings bank accounts opened by the Bank as part of our financial inclusion endeavours increased from 83,046 as on March 31, 2009, to 1,00,010 (March 31, 2010). The balance under this head as on March 31, 2010, was Rs. 23.46 crore, which works out to Rs. 2,345 per account, even though 'no-frills' accounts can be opened and operated with zero balance.

The Bank also continued its thrust on micro credit as an instrument of inclusive banking. The outstandings under this sector more than doubled from Rs. 124.40 crore as on March 31, 2009, to Rs. 270.62 crore (March 31, 2010), thereby showing a growth of 117.54%. The Bank enhanced its product suite under this portfolio by investing in structured products – such as pass-through and portfolio buy-out – during the year.

Operations

A key component of the revised business model adopted by the Bank during the year related to shifting all back office operations to a centralised location. This was implemented to free the branches to focus on customer-facing activities – such as, customer acquisition, sales and customer service, resulting in accelerated growth and improved profitability. Considerable progress was made in this area, the highlights of which are as under:

- Setting up of Dhanam Centralised Solutions (DCS) at Thrissur to handle:
 - a) opening of all deposit/loan accounts and NRI,
 - b) centralised issue of combi pack (cheque book + debit card),
 - c) centralised processing of service requests, internet banking operations (retail & corporate) and RTGS & NEFT,
 - d) NOSTRO reconciliation, FCNR deposits, forex cheque collection,
 - e) centralised doorstep banking,
 - f) centralised demat & trading operations.
- Setting up of trade finance desk at seven locations to handle:
 - a) export and import financing,
 - b) supply chain financing,
 - c) bank guarantees, and letter of credit related transactions.

- A string of other functions - FD processing (new and renewals), Electronic Clearing Services (ECS), clearing (inward and outward), outstation cheque for collection and corporate salary processing - were also centralised at processing centres.
- The Bank has launched a new project –“Customer First”- that envisages a relook into the entire gamut of branch processes from the customer as well as operations perspectives. There will be 10 revised processes in place in a few months that will significantly change the way customer needs are perceived and addressed by the Bank.

The DCS has established a record by processing over two lakh applications since it came into being in February 2009.

Credit Cards

With a view to providing a bouquet of products to the customers, the Bank has launched platinum and gold credit cards during the year under the VISA banner with unique features – such as, pay by transaction, which provides 45 days of interest-free credit period to customers, for every individual purchase. The other facilities include cash back on purchase, priority pass and concierge services. The credit cards are targeted at premium customers and will facilitate the Bank’s business growth, promote our brand, improve customer loyalty and widen the client base.

Credit Monitoring

The Bank has considerably strengthened the credit follow up endeavours during the year through the following measures:

- Full-fledged vertical for credit monitoring established
- Credit monitoring policy revised
- A new software “Loanflo” deployed to facilitate quick turnaround of credit proposals and for efficient monitoring.
- Centralised monitoring of overdrawals introduced
- Follow up of financial follow-up and stock audit reports streamlined

The Bank has established a Credit Mid Office Group (CMOG) during the year to ensure, among other things, compliance of sanction stipulations, execution of security documents, validity of title deeds, mortgage creation, registration of charge with ROC, conduct of stock audit book debts inspection, valuation of securities and insurance of assets. This has considerably helped in laying better focus on credit monitoring.

Profitability

The Bank’s net profit for the year ended March 31, 2010, stood at Rs. 23.30 crore, against Rs. 57.45 crore for the year ended March 31, 2009. The decline in net profit reflects the on-going capacity creation during the year in the form of recruitments and physical infrastructure to meet current and future needs. Productivity gains from such capacity creation have already started accruing and should stand the Bank in good stead in the coming years.

Non-Performing Assets

Concerted efforts were taken during the year to reduce the level of existing Non-Performing Assets (NPAs), as well as preventing fresh accretion of NPAs. This became necessary in the context of rapid asset expansion and prevalence of recessionary conditions in the first half of the year. The percentage of gross NPAs to gross advances declined encouragingly from 1.99% to 1.54% during the year, while the net NPA ratio fell marginally from 0.88% to 0.84% during the period. Total cash recoveries, including upgrade and recoveries in written-off accounts, during the year was Rs. 44.86 crore (Rs. 40.21 crore in 2008-09), surpassing the annual target by Rs.12.56 crore.

Treasury Management

The Bank's treasury operations are categorised into (a) SLR management, (b) liquidity management and (c) proprietary trading and distribution activities. As SLR investments of the Bank form over 90% of the Bank's investments, optimising the yield on portfolio attracted top priority. Net investments of the Bank increased from Rs.1,567.36 crore to Rs. 2,027.79 crore during the year at nearly 30%, whereas the yield on investments rose encouragingly from 6.54% to 6.82% during the same period. The proprietary trading desk ended the year with increased profits despite yields on government securities rising significantly from around 7% as on March 31, 2009 to 7.85% (March 31,2010). The distribution business for corporate bonds was a new line of activity undertaken during the year and contributed well to the bottomline. Another new line of business added was trading in certificates of deposit of various banks. The Bank also entered into interest rate swap deals to hedge its own market risk with banking counterparties.



Foreign Exchange Business

During 2009-10, the Bank laid special stress on this sector with focus on corporate, mid-market and retail segments. The requirements of these segments were analysed and our products/services aligned with the market. The Bank brought on board well trained professionals to provide the requisite impetus to accelerate growth and build the forex business across various verticals.

On the operational front, the Bank has centralised its foreign exchange operations to scale up efficiencies and controls. Dedicated trade processing centres and non-resident account operations were set up at seven locations during the year to cater to the regional business requirements and provide customer-centric services and solutions. The Bank is in the process of deploying the latest technology and processes to bring about service differentiation, which is vital for accelerating growth.

From an international banking (treasury) perspective, the Indian equity markets recovered from their lows during the year, quite in line with global equity markets. This led to a sharp appreciation in the rupee, which rose against the US dollar by almost 11.5% in FY '10. The Bank sharpened the focus on forex business and volumes grew almost two-fold. The Bank added new clients across all segments (including co-operative banks). It also actively participated in the inter-bank market and has become a market-maker quoting two-way prices.

Special facilities to NRIs

Keeping in view the growing involvement of the Indian diaspora in the growth of our economy, the Bank focused the spotlight on widening its NRI base through special measures. The number of 'new to bank' NRI accounts increased by 11,000 during the year, taking our base from 22,000 as on March 31, 2009, to 33,000 (March 31, 2010). Outstanding NRI balances moved up well during this period from Rs. 298.28 crore as on March 31, 2009, to Rs. 349.81 crore (March 31, 2010).

The Bank entered into a new geography by tying up with exchange house Majan Exchange Ilc, Sultanate of Oman, for speedy remittance under rupee drawing arrangement. Arrangements with four other exchange houses were activated during the period. It further operationalised the Remit World tie-up for online remittance from USA to India with Bank of New York Mellon. As part of our overall endeavours in this regard, the Bank deputed seven NRI relationship managers to three exchange houses in UAE.

Information Technology

Extensive deployment of technology to enhance service quality enjoys the pride of place in the Bank's scheme of things. The year was marked by rapid strides in this area to harness the potential of IT as a productivity lever and a growth driver. The Bank has tied up with renowned IT corporations to deploy the best in class technology.

The key measures taken to strengthen the Bank's IT infrastructure were:

- Extensive replacement of old and obsolete equipment with new generation IT hardware.
- Upgrading the current fixed leased line and ISDN combination network to a powerful "MPLS" network to ensure superior connectivity.
- Upgrading the servers in line with the latest technology to facilitate handling far higher data volumes.
- Upgrading the existing Flexcube software into a feature-rich offering, thereby enabling high-end MIS, automation and other facilities.
- Moving to an efficiently managed data centre of international standards in partnership with IBM.
- Migrating to the enterprise wide advanced IBM Lotus Notes mail system, thereby facilitating seamless communication.
- Improving efficacy of communication across branches/offices through IP telephony and other modern equipment. During the year, the Bank also deployed the following IT packages/measures aimed at boosting productivity and improving operational efficiency.
 - ▶ Oracle Financial GLS - an integrated financial accounting, reporting package.
 - ▶ Loanflo - credit sanction and workflow management software.
 - ▶ Connect - a communication and collaboration platform that brings employees together (Bank's Intranet).
 - ▶ Progressively using intranet as a business enabling tool.
 - ▶ Gradually transforming intranet into a multi-utility platform for learning, business and workflow.
 - ▶ Spine Payroll - for centralised processing of payroll.
 - ▶ DP Secure and online broking-top of the line depository platform enabling the offer of three-in-one account.
 - ▶ Secretarial Information System - for better control of Board and Committee proceedings.

The Bank is fully conscious that deployment of modern technology is indispensable to bring about accelerated growth across multiple verticals. The IT structure is therefore periodically reviewed to be in line with latest trends.

Human Resources Development

The performance under HR rested on two pillars - innovation and team building. The Bank recruited over 2,000 employees during the year to take the employee strength to 3,275 as on March 31, 2010, from 1,402 as on March 31, 2009. The staff strength comprises 2,525 officers, 665 clerks and 85 subordinate staff. Further, we have also recruited sales executives across branches and 805 such personnel were on our rolls as on March 31, 2010.

During the year, the Bank successfully attracted talent from some of the well-known organisations in the country. Several channels were utilised for recruitment - lateral recruits from new generation banks/institutions, trained entry level officers through Institute of Finance, Banking and Insurance (IFBI), absorption of data entry operators and marketing executives at the branches, hiring of immediate relatives of employees, etc.

The entire organisational structure has been revamped to take on the new challenges. As part of organisational strategy, the Bank has created 16 functional verticals either by forming new ones or transforming existing verticals.

Keeping in view the Bank's objective to share the fruits of success with employees and to provide them an opportunity to participate in the Bank's growth story, the board approved the introduction of Employee Stock Option Scheme (ESOP), subject to a ceiling of 6% of total shares. The Bank granted stock options to existing employees based on their past association with the Bank/service rendered to the Bank. For the new employees, ESOPs were granted to a select few as part of their joining compensation. Going forward, the scheme would be linked to performance. The statutory information to be published in this connection is furnished in Annexure III. In order to create the best-in-class work environment, the Bank has adopted the best practices of the industry and undertaken a series of initiatives during the year. Introduction of performance management system, balanced score card, comprehensive mediclaim insurance cover to all employees, extension of retirement age of officers, centralised salary payroll and attendance management are a few among them.

The Bank's own Staff Training College conducted 54 programmes for 1,369 participants during the year. Keeping in view the substantial branch and business expansion, the initial training of newly recruited staff was a major activity for the college during the year. In addition, orientation programmes were conducted for staff internally promoted as clerks and junior officers. Other programmes held covered branch operations managers in Kerala, inspectors, concurrent auditors, credit monitoring officers and officers of the newly formed trade and advances group. Long duration training was also arranged for junior officers at the Institute of Finance Banking and Insurance (IFBI).

Corporate Social Responsibility (CSR)

The Bank firmly believes that, as a responsible corporate citizen, its ability to successfully compete largely depends on the way it identifies itself with societal needs and concerns.

As a key step in this direction, the Bank gifted to the citizens of Thrissur a free ambulance on the Bank's 82nd anniversary. The gesture was well received by the local citizens. A two-day health/eye camp for vehicle

drivers was organised as part of the anniversary celebrations that attracted over 600 participants. The Bank has also actively contributed to causes of national concern. As the flood fury swept Andhra Pradesh and Karnataka, our employees swung into action. In association with SERUDS, an organisation working towards relief for the flood-hit, the Bank's representatives personally delivered relief material.

Looking to promote the cause of education, our Bank and the Trichur Management Association (TMA) jointly launched a Merit Scholarship Scheme for management students studying in colleges in areas falling under TMA's purview. Under the scheme, the Bank will sponsor up to Rs.50,000 each for a deserving male and a female student each for a two-year management course. The selected student can do his or her project with the Bank, besides availing of the option of joining the Bank on a preferential basis. The selection will be jointly done by the Bank and TMA on a holistic basis, rather than on the basis of mere academic excellence.

The Bank has chalked out a wider range of involvement in CSR in the current year.

Risk Management

The Bank has adopted an integrated approach for the management of risks. The risk management policies - asset liability policy, stress testing policy, operational risk management policy, credit policy, credit monitoring policy and integrated risk management policy - were evolved in tune with the business requirements and best practices and addressed requirements relating to credit/market/operational risks.

The Bank is Basel II compliant and assesses capital adequacy as per RBI guidelines. It has put in place the ICAAP framework to integrate capital planning with budgetary planning and to capture the residual risks that were not addressed in the earlier dispensation.

A new credit rating model for rating assets of Rs. 2 lakhs and above to below Rs. 50 lakhs was introduced. A majority of the Bank's portfolio has now been brought under credit rating. Further, the scope of rating validation was extended to all accounts of Rs. 25 lakh and above from the current financial year. Credit risks inherent in investments in non-SLR bonds are also assessed independently using the internal rating models.

During the year, the asset liability committee met 31 times to deliberate on various issues that have a vital bearing on effective management of funds. The Bank has complied with both the regulatory as well as the internal prudential limits set for liquidity mismatches during all fortnights of the financial year. The Bank has a comprehensive policy on operational risk management to ensure that all operational risks within the Bank are identified and monitored in a structured manner. To mitigate operational risks arising from frauds, the Bank has put in place "fraud risk management policy" that lays down the steps to be adopted for preventive vigilance.

The Bank has rolled out the risk control self assessment (RCSA) to pro-actively identify emerging risks at operational level for devising mitigating factors at the source itself. It has deployed sophisticated technology in risk management in line with market trends and emerging needs.

Inspection & Vigilance

Keeping in view the rapid expansion in business and consequent need to strengthen the inspection & vigilance machinery, the Bank has widened the scope of these processes through the following:

- Revising the inspection policy in line with changing needs, modifying business rating model for branches and also the risk assessment templates.
- Introducing a new practice of enlisting the services of internal officers for undertaking concurrent audit.

- Initiating a process for off-site surveillance of accounts.
- Bringing Dhanam Centralised Solutions (DCS) under the purview of concurrent audit.

It may be noted that nearly 80% of the Bank's business is covered under concurrent audit spread across 76 branches. Further, during the year, Risk-Based Internal Audit (RBIA) of branches and the integrated treasury were completed and the reports were reviewed by the audit committee of the board.

Customer Service

Extending the highest quality in service to its constituents attracts top priority in the Bank's scheme of things. A customer service committee of the Board, comprising six Directors, monitors the implementation of customer service measures periodically. Customer service committees have been formed at the corporate, zonal and branch levels to monitor service quality and bring about improvements in this area on an ongoing basis. The Bank is also a member of the Banking Codes and Standards Board of India (BCSBI) and is actively implementing the code of commitment to customers (revised in August 2009) as also the code for micro and small enterprises formulated by the BCSBI. The implementation of customer service measures at branches is monitored during the visits of executives to branches.

The position of customer complaints during 2009-10 is as under:

No. of complaints handled	:	174
No. of complaints resolved	:	162
No. of complaints pending	:	12

The Bank has put in motion a process of implementing customer relationship management, bringing within its orbit various processes relating to customer services. For the first time, the bank extended doorstep banking facilities for retail customers and is in the process of extending it to corporates.

Marketing and Corporate Communication - New Brand Identity

As part of its vision to be among the top five private banks in India, the Bank launched a major rebranding exercise during the year, changing with times to go modern, vibrant and contemporary. It unveiled its new brand identity "Dhanlaxmi" in January 2010, retaining in the process the core values of trust and heritage built by the Bank since inception. The new identity reflects the Bank's growth aspirations in the context of the evolving demographics of a young India. Retaining the Bank's core strengths and values, the new identity is aligned to attitudinal positions of today's youth. It is, thus, modern yet rooted in tradition. The Bank has also evolved new approaches in the area of marketing and communication during the year to motivate its personnel to excel in a highly competitive environment.

Product and Process Approval Committee (PPAC)

The Bank has formed a Product and Process Approval Committee (PPAC) comprising senior executives from operations and administration to evaluate all proposals received for introduction of new products/services/processes from diverse sources. The idea is to be in line with emerging trends and market needs and to bring about professionalism in this key area, which has a vital bearing on the growth of the Bank's business.

Alternate Channels

Keeping in view the growing preference of our existing as well as emerging clientele for executing banking transactions from the comfort of their home or office or while on the move, the Bank created a separate vertical - "Alternate Channels" - to meet this need. This vertical focused on ATMs, tele banking, mobile banking and internet banking services. The performance highlights during the year were:

- Increasing the number of ATMs from 72 as on March 31, 2009, to 280 as on March 31, 2010, through a cost-effective outsourcing model
- Launch of phone banking as a home-grown contact centre
- Launch of retail internet banking to facilitate account viewing, funds transfer, fixed deposit opening etc.
- A completely new website with a distinct, user-friendly look and feel that attracted a sharp increase in hits
- Launch of corporate internet banking
- Establishment of Dhanlaxmi Bank payment gateway to facilitate bill payments
- Installation of 15 cash sorting machines with good fake note detection capability in branches with high cash inflow, in line with RBI guidelines. This process is ongoing in nature and more branches will be covered in the current year. The Bank is finalising an ambitious plan to create additional touchpoints through self service terminals, coin vending machines, dynamic queue management system and Internet Banking machines.

Wholesale Banking Group

Wholesale Banking Group at Dhanlaxmi came into existence in April 2009 with the joining of WBG head and has been on a growth trajectory since then.

WBG has achieved steady growth and impressive profits during the first year of its existence. The first step in the direction of growth was taken with the launch of Corporate Banking Group (CBG). The initial strategy of CBG was aimed at achieving high-volume low-risk business by lending to large corporates with high creditworthiness and thereby building a pan India franchisee network by geographical diversification of asset book. CBG successfully expanded its businesses and today spans across various locations like Mumbai, Delhi, Ahmedabad, Hyderabad, Bangalore, Kerala and Chennai. Corporate Banking book has grown by over 120% with approximately 80% of the portfolio being invested in 'A rated' companies and above.

The Group encompasses several verticals apart from CBG in order to provide an entire gamut of products and services to clients. The key verticals are:

- Government and PSU Banking Group (GBG): The group was established with the need identification of servicing government entities. It focused on increasing the deposit and advances base, and was able to increase the advances by 100% and successfully empanelling few marquee names for advances and deposits.
- Investment Banking Group (IBG): IBG team works in close association with the Corporate Banking team on mandates for CPs, NCDs, private placements, public offers etc.
- Trade Finance and Cash Management Group: The group works in association with corporate and government banking group and has initiated CMS services for few large corporate in Kerala and Chennai.
- The most recent vertical introduced under WBG was Capital and Commodity Markets Group. It targets a whole new set of clients which form the broker fraternity. The group in a short span of time has been able to empanel the bank with BSE and MCX with the empanelment for other exchanges in the advanced stages.

FEE-BASED BUSINESS

Insurance Business

As part of our efforts to increase fee income, the Bank tied up with Bajaj Allianz during the year for both life and general insurance business. The licence was received in September 2009. The Bank mobilised a premium of Rs. 93 crore during the year. A series of incentive-based campaigns were held under both life and general insurance during the year in which over 500 employees were rewarded.

Cash Management Services (CMS)

The Bank has been extending speedy cheque collection facilities to customers by entering into appropriate tie-ups with other banks. The idea is to utilise their network at places where we don't have branches and vice versa with a view to improving the speed of cheque collection. During the year, we entered into correspondent banking arrangements with the Union Bank of India and Federal Bank for collection of outstation cheques. Well known corporates such as Berger Paints, Sundaram Finance, Sri Ram City Union Finance and Madras Cements have been roped into the CMS fold during the year, besides Tamil Nadu Mercantile Bank. The Bank is laying considerable emphasis both on retail and corporate businesses for improving CMS business.

Depository Services

Our Bank is a depository participant of NSDL (National Securities Depository Limited). It carries out DP operations through its branches in compliance with SEBI/NSDL guidelines deploying sophisticated technology.

Mutual Fund Distribution

The Bank entered into full fledged distribution of Mutual Fund (MF) products this year. During 2009-10, the Bank tied up with two more companies – ICICI Prudential AMC and Kotak Mahindra AMC. The MF segment is poised to grow significantly in the current year with the deployment of product specialists to drive growth in a competitive environment.

Online Broking

The Bank has launched online broking by entering into an arrangement with Destimoney Securities and will provide bank account and demat account to the customer. The customer will get three accounts through one application form – a bank account, a demat account and a trading account. The Bank will extend this service across its branches in the current year and has ambitious plans to foray into new areas such as IPO, MF investments and trading opportunities in the Futures & Options segment – through the online trading platform. During the year, the Bombay Stock Exchange entered into an agreement empanelling the Bank as a clearing and settlement bank. Through this arrangement, the Bank will provide a seamless interface to all BSE customers to enable safe and easy transactions on a day-to-day basis.

Listing on Stock Exchanges

The equity shares of the Bank are listed on the Bombay Stock Exchange, National Stock Exchange, and Cochin Stock Exchange. The Bank has paid the listing fees to all stock exchanges for the year 2009-10.

Investor Education and Protection Fund

During the year, the Bank transferred the unclaimed, unpaid dividend for the year 2001-02 an amount of Rs. 6,79,603 – to the Investor Education and Protection Fund (IEPF) constituted under Section 205C of the Companies Act, 1956.

During the year, the Bank also transferred to the IEPF share application money amounting to Rs. 1,25,070 that remained unclaimed pertaining to the refund of application money in respect of the rights issue allotment made on September 14, 2002.

The Companies (disclosure of particulars in the report of the Board of Directors) Rules, 1988:

None of the Bank's employees other than MD & CEO falls within the purview of Section 217 (2A) of the Companies Act, 1956.

Name & Designation	I Salaries	II Allowances	III Sitting Fees	IV Bonus	V Employees Contribution to PF, Pension Fund or any other Superannuation fund	VI Payment by way of gratuity pension or otherwise in excess of the employer's contribution & interest thereon	VII Monetary value of any other benefits or perquisites	Total of Item I to VII
Mr. Amitabh Chaturvedi (Managing Director & Chief Executive Officer)	Rs. 36,00,000							Rs. 36,00,000

Information relating to personnel who have drawn Rs. 2 Lakh per month or Rs. 24 Lakh per annum during 2009-10 is given in Annexure I to the report.

DIRECTORS' RESPONSIBILITY STATEMENT**Conservation of energy**

All efforts are being made to reduce energy consumption as much as possible.

Technology Absorption

Being a banking company, the required technology is deployed keeping in view the nature of activities.

Foreign Exchange Earnings and Outgo

Being an authorised dealer in foreign exchange, all possible measures are taken by the Bank to increase forex earnings, the details of which are given separately under the head 'Forex Business'.

Directors' responsibility statement

The directors confirm that in the preparation of the annual accounts for the year ended March 31, 2010:

- The applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- The accounting policies, framed as per RBI guidelines, were applied consistently.

- Reasonable and prudent judgment and estimates were made wherever required so as to present a true and fair view of the state of affairs of the Bank at the end of FY 2010 and the profit of the Bank for the year ended 31st March 2010.
- Proper and sufficient care was taken for maintenance of adequate accounting records in accordance with provisions of applicable laws governing banks in India.
- The accounts have been prepared on a 'going concern' basis.
- Proper systems are in place to ensure compliance of all laws applicable.

Appointment of Auditors

The statutory audit of the Bank was conducted by M/S Walker Chandiook & Co, New Delhi, and M/S Shah Gupta & Co., Mumbai.

Changes in the Board

Ms. Nandini Rangaswamy demitted office as Director with effect from May 13, 2009. The Board places on record its appreciation for the valuable services and guidance rendered by her to the Bank during her tenure.

The shareholders elected Mr. Ghanshyam Dass and Mr. Sateesh Kumar Andra as Directors on the Board at the 82nd Annual General Meeting held on July 31, 2009.

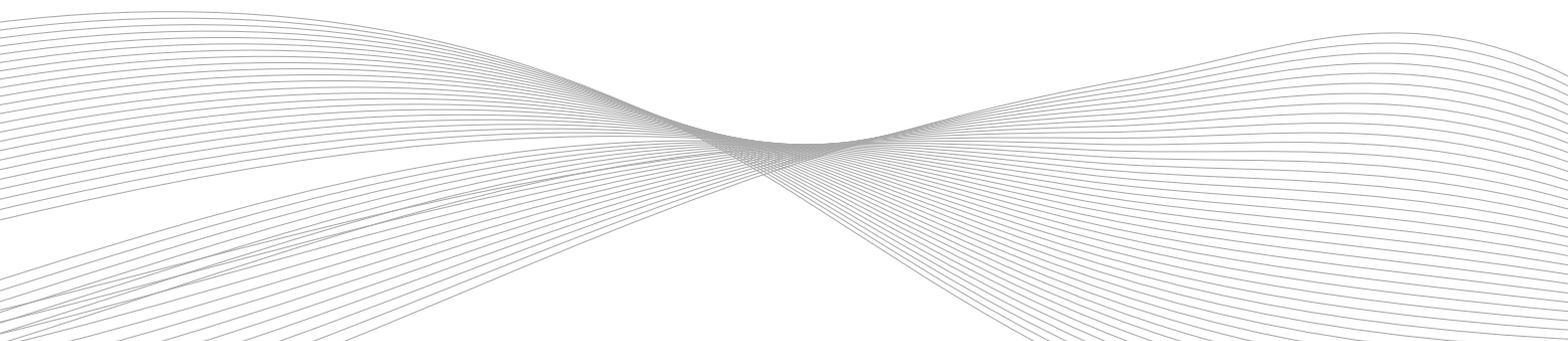
All non-executive Directors of the Bank have certified that, apart from receiving the Director's remuneration/sitting fees, they have not entered into any material pecuniary relationship or transactions with the Bank, its promoters, its Directors, or senior management, which may affect the independence of their Directorship.

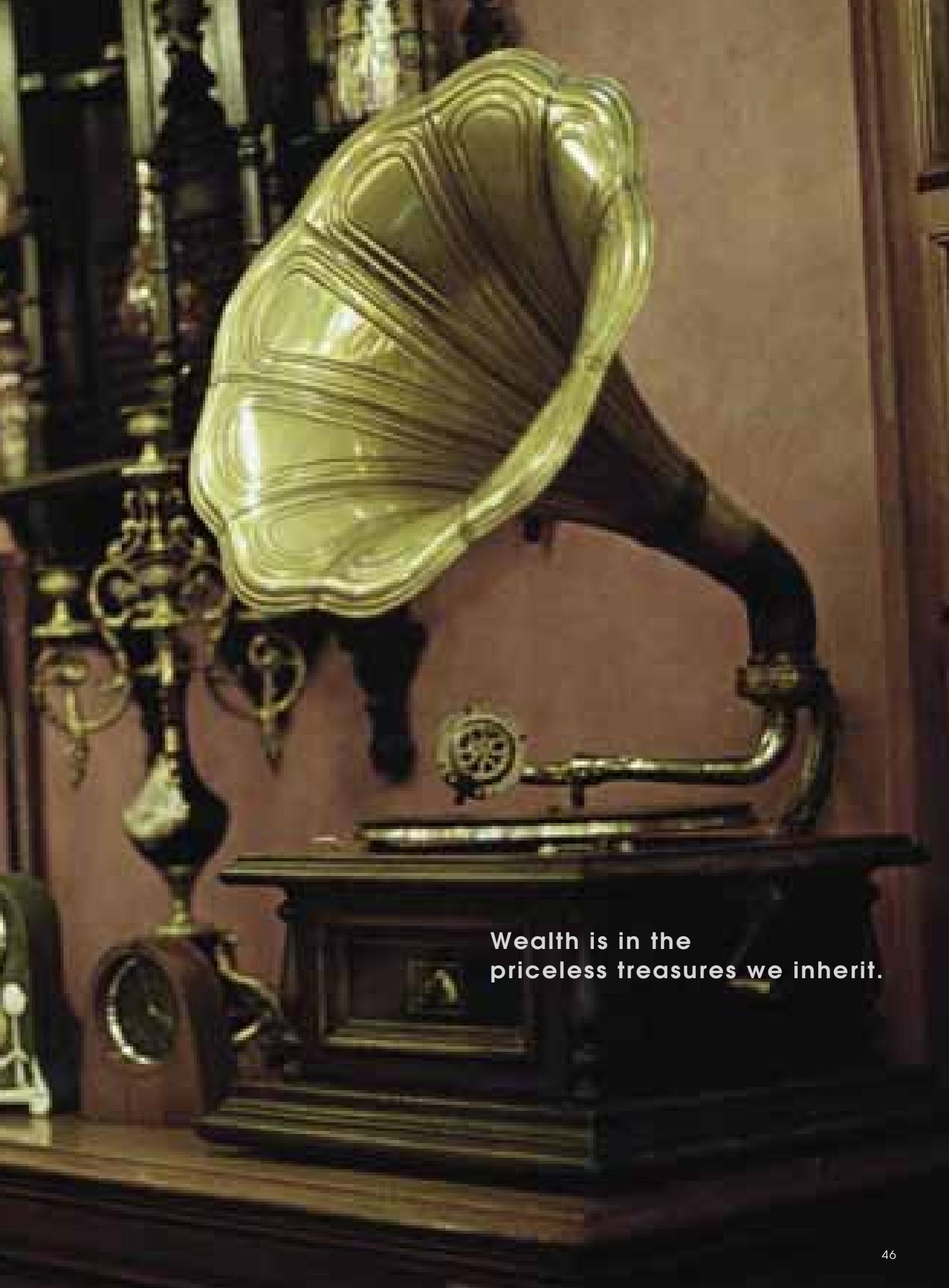
All Directors except Managing Director and CEO are non-executive and independent Directors.

Acknowledgements

The Board is happy to place on record its gratitude to:

- The Government of India, the Reserve Bank of India, State Governments, Securities and Exchange Board of India and other regulatory bodies for their support and guidance.
- The customers, shareholders, other stakeholders and well wishers for their valued patronage.
- The officers and staff for their commitment and contribution to the Bank's growth and development.





Wealth is in the
priceless treasures we inherit.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Global Economy

The global economy has witnessed enormous volatility. Just when hopes were rising that the global economy was showing some signs of a recovery, the situation in the Euro zone has infused a high degree of uncertainty.

Till February 2010, most data releases in global economy pointed to an improving situation. Policymakers across jurisdictions had initiated substantial stimulus packages between October 2008 and March 2009 and the impact began to be felt from May 2009. Financial markets stopped declining. The risk perception – as captured by several risk spreads – lowered and equity markets improved. As confidence levels increased, economic activity also started picking up. Leading advanced economies started registering positive economic growth from October 2009. However, high unemployment continued to remain a concern for policymakers, especially in the US. As a result, central banks in advanced economies continue to maintain very easy interest rates.

Developing economies did not experience the kind of financial crises like the western economies did. Yet, growth in these economies slowed down because of global linkages and the crisis of confidence was transmitted through three basic channels – trade, financial flows and business confidence. This led to a sharp fall in confidence in households and businesses. And, because their basic economic fundamentals were intact, these economies also showed faster gains as the crisis eased. Despite a pick-up in economic activity, central banks in developing economies continue to maintain low rates because of the global uncertainty.

As conditions improved and most economists believed the worst was over, a new concern emerged. Because of the global crisis and the ebbing of business, tax revenues had declined but government expenditures increased sharply to finance the various stimulus programmes. This led to a rise in government deficit and debt levels, especially in the case of advanced economies. So, the concern has now shifted from financial crisis to sovereign crisis.

The situation became particularly severe in the case of a few European economies, such as Greece, Portugal, Italy and Spain. There were concerns that if these economies default on their outstanding loans, the contagion would spread to the UK and the US economies as well. This led to another sharp decline in world equity markets. The markets stabilised as European policymakers passed a stimulus package on May 10, 2010, but it was short-lived. The concern that the package may not be sufficient has again led to uncertainty in the global economy.

The past three years have been very difficult for the global economy. The slowdown has been termed as the worst post World War II and the most severe after the Great Depression in 1930s. In fact, it could be the second prolonged depression, had policymakers not intervened aggressively. IMF has been revising the world growth outlook upwards with every forecast, which is a great positive.

But these government interventions have come at a huge cost with most developed economies facing huge challenges. If they lower their deficits by cutting expenditure, then their currencies may take a long time to recover. But, at the same time, if they do not lower their deficits, financial markets would put them under continuous pressure. Developing economies face a different set of challenges – such as inflation and a surge in capital inflows. Overall, the global economy is still in a highly uncertain zone.

Indian Economy

The Indian economy too started recovering from May 2009. The recovery was led by a sharp rebound in industrial activity. Industrial production, in turn, was sustained because of the various fiscal stimulus measures announced by the government, as well as the easy monetary policy and liquidity initiated by the Reserve Bank of India. This, combined with arrears payout from the Sixth Pay Commission, ensured sustained growth in consumption of consumer durable goods.

Post November 2009, industrial activity became broad-based with high growth seen in capital goods. Despite poor monsoon, overall agriculture growth is expected to decline by only a modest 0.2%. The late rains in many parts of the country came as a blessing for non-foodgrains crops, such as cotton. Government stimulus pushed growth in services' sub-sector – under the specific category of “community, social & personal services” - which helped push growth in services sector. As the services sector constitutes nearly 63-64% of the Indian economy, growth in services is very important.

As the economy gradually improved, private investments also started picking up from the third quarter. Given that growth in private investments was the main driver of the previous high growth period of 2003-08, any improvement in private investment sentiment is a welcome sign for the economy.

The main concern in the Indian economy is high inflation. In the first half of 2009-10, inflation climbed because of poor monsoon, which resulted in high food prices. From November 2009 onwards, inflation became broad-based with prices of non-food items rising sharply. This rise has prompted the Reserve Bank to raise interest rates in March 2010, and again in its April 2010 monetary policy.

In the external sector, exports started picking up from November 2009 after 13 straight months of decline. Imports, especially oil imports, are also showing signs of perking up, exhibiting some signs of a pick-up in economic activity.

Financial Segment

During the year, as the economy gradually moved out of the recessionary phase brought on by the global financial meltdown, the banking sector in the country too moved ahead faster compared to the previous year. The aggregate deposits of Scheduled Commercial Banks increased from Rs. 38,30,322 crores as on March 27, 2009, to Rs. 44,86,574 crores as on March 26, 2010, at a growth rate of 17.13% compared to 16.33% in 2008-09. Our Bank acquitted itself creditably, recording a growth 49.87% during this period.

Further, credit outstandings of Scheduled Commercial Banks increased from Rs. 27,70,012 crore on March 27, 2009, to Rs. 32,40,399 crore on March 26, 2010, at a growth rate of 16.98%, compared to only 13.92% in 2008-09. Our Bank recorded a growth of 61.17% during this period.

The country's equity markets experienced a favourable rebound during the year. The 30-share benchmark index, Sensex, closed March 31, 2009, at 9,568 points and nearly doubled to 17,528 points as on March 31, 2010, testifying to the degree of recovery from the debilitating effects of the global crisis.

Segment-wise Performance

The Bank recorded the highest ever growth of 42.86% in deposits and 55.81% in advances during the period March 31, 2009, to March 31, 2010. The growth in different segments was also encouraging - current deposits

grew at 22.28%, savings bank at 32.3% and term deposits at 47.48%. On the credit front, the sharp increase in credit deposit ratio by over 700 basis points in 12 months pointed to the Bank's calculated aggression on this front at a time when the entire industry was grappling with low credit offtake.

Special mention also needs to be made that credit disbursements cut across different classes of borrowers. This means that even while corporate credit showed excellent growth, the Bank also achieved the RBI mandated norms under priority sector, agriculture and weaker section advances by comfortable margins as at the end of March 2010.

The progress under key business parameters during the year was as under:

(Rs. in crores)

Head	As on March 31, 2009	As on March 31, 2010	Growth (%)
Current Deposits	460.79	563.47	22.28
Savings Bank Deposits	746.84	988.07	32.30
Term Deposits	3761.18	5546.94	47.48
Total Deposits (a)	4968.81	7098.48	42.86
Total Advances (b)	3245.30	5056.48	55.81
TOTAL BUSINESS (a) + (b)	8214.11	12154.96	47.98
Credit Deposit Ratio (%)	65.31	72.41	--

Outlook

The IMF has projected that global growth will recover from -0.8% in 2009 to 3.09% in 2010 and further to 4.3% in 2011. Every economic indicator is poised for an upward movement arising from the favourable effects of massive fiscal rescue packages, increase in confidence levels and strong recovery in key economies.

The Indian economy is also confidently looking ahead. Corporate results during the year have been encouraging and the services sector has exhibited welcome buoyancy. Overall, the outlook for the Indian economy is strong with most growth forecasts for 2010-11 at around 8-8.5%. Even the baseline projection for WPI inflation is 5.5% for March 2011 against the projection of 8.5% for March 2010. There are, however, three concerns for the Indian economy in the coming months – inflation, management of capital inflows and the ripple effects of the global volatility. These are being addressed by an array of fiscal and monetary measures.

Against the above positive backdrop, the RBI has projected, for FY 2011, aggregate deposits of Scheduled Commercial Banks growing at 18% and non-food credit increasing by 20%. The huge allocation of Rs. 1.73 lakh crore to the infrastructure sector in the union budget for 2010-11 opens up immense business possibilities for the banking system.

Factoring the macro economic scenario, as well as the Bank's propensity for accelerated growth, the Bank has set for itself some ambitious and challenging goals for 2010-11. Every effort would be made during the year to squeeze maximum efficiencies out of the large scale capacities created during the year 2009-10.

Risks and Concerns

The Bank's business has grown by nearly 50% during 2009-10 and is set to increase faster in the years to come, in keeping with its challenging vision. A growth of this magnitude is bound to pose new types of risks and consequently trigger concerns about the adequacy of the risk management systems to effectively cope with them. The Bank is conscious of the fact that acceptance and management of risks is inherent in the banking business. Being a commercial organisation, the objective of risk management is to optimise the risk-reward trade-off on an on-going basis. The Bank has, therefore, evolved a robust mechanism that brings within its ambit different levels of risks – micro, macro and strategic – and ways and means of identifying, measuring, and mitigating them wherever possible and necessary.

Adequacy of Internal Control Systems

The Bank has established a robust framework in terms of onsite as well as offsite supervision of its systems and procedures for establishing effective internal control. The internal control process comprises surprise checks/inspections in addition to concurrent, statutory and revenue audits conducted by the Bank's own officers as well as external agencies. The Bank is in the process of launching an "Offsite Surveillance System" that will keep a tab on exceptional transactions at branches. Considerable priority is attached to expeditious rectification of the findings of the inspections/audits. The Bank has also put in place risk-based supervision and risk-based internal audit systems in line with regulatory prescriptions.

Human Resources

The Bank has acquitted itself well in the HR area with special emphasis on adopting innovative practices. The contribution of HR in successfully implementing the revised business model has been significant during the year. This was greatly facilitated by profound changes in the organisational structure that brought a good measure of clarity and understanding in role responsibilities of personnel. This process will be reviewed periodically on the basis of experience gained as well as emerging requirements.

The Bank won several awards in the HR area in recognition of its pioneering work.

The Employer Branding Institute awarded our Bank as the 'Best Employer Brand' among private sector banks in the southern region. In the World HRD Congress held in February 2010, your Bank won three awards. These are:

- (a) "Most Innovative Recruiting and Staffing Program/Initiative"
- (b) "Recruiting & Staffing Industry Leader of the Year" in the RASBIC (The Recruiting And Staffing Best In Class category)
- (c) "Continuous Innovation in HR Strategy at Work" (under The Employer Branding).

Mr. G. N. Bajpai, Chairman of the Bank, was honoured with "Lifetime Achievement Award" under the Global HR Excellence Award category.

The Bank is strongly convinced that organisational development and employee welfare are two sides of the same coin, mutually reinforcing each other in a highly competitive banking environment.

By order of the Board

Sd/-

G.N. BAJPAI

Chairman

Mumbai

07 - 06 - 2010



Wealth is in the
countless moments of joy.



**REPORT ON CORPORATE
GOVERNANCE**

THE DHANALAKSHMI BANK LIMITED
REPORT ON CORPORATE GOVERNANCE - 2009-10

This report on corporate governance forms part of the Directors' Report to shareholders.

The Board of Directors and the management of this bank believe that a strong system of corporate governance is critically important to usher in a value-based organisation that is socially responsible and commercially vibrant. The bank is committed to adhering to the highest standards of corporate governance through constantly benchmarking itself against global best practices.

The essence of the bank's corporate governance philosophy flows from the following:

- All Directors, other than the Managing Director and CEO, are independent Directors.
- The Directors have distinguished themselves in different walks of life through experience and expertise.
- The Board is professional in character with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory compliance.
- The Board's approach to, and outlook, on every aspect of governance is propelled by a keenness to further the realisation of the Bank's vision and mission.

1. Board of Directors:

a) Movement of Directors during the year

Name of the Director	Appointment	Cessation
Mr. Ghanshyam Dass	Director at the 82 nd annual general meeting held on July 31, 2009.	
Mr. Sateesh Kumar Andra	Director at the 82 nd annual general meeting held on July 31, 2009.	
Mr. Vidyadhara Rao Chalasani	Re-appointed as Director and not liable to retire by rotation for a further period of three years w.e.f. 16.02.2010	
Mrs. Nandini Rangaswamy		Director w.e.f. May 13, 2009

b) Composition of the Board as on 31.03.2010:

The composition of the Board is in compliance with para 1A of Clause 49 of the Listing Agreement.

All Directors except Mr. Amitabh Chaturvedi, Managing Director and Chief Executive Officer, are non-executive and independent Directors. The particulars of Directors, and the sectors they represent, for the purpose of Section 10-A (2) of the Banking Regulation Act, 1949, are as below:

Sl. No.	Name of the Director/Designation	Executive/Non-Executive	Sector represented By Director
1	Mr. Ghyanendra Nath Bajpai	Non-executive	Majority - Finance
2	Mr. Amitabh Chaturvedi, MD & CEO	Executive	Majority - Banking & finance
3	Mr. Vidyadhara Rao Chalasani	Non-executive	Minority - Finance
4	Mr. K Srikanth Reddy	Non-executive	Majority - Agriculture & rural economy
5	Mr. Shailesh V. Haribhakti	Non-executive	Majority - Accountancy
6	Mr. S.Santhanakrishnan	Non-executive	Majority - Banking
7	Mr. Ghanshyam Dass	Non-executive	Majority - Banking & Finance
8	Mr. Sateesh Kumar Andra	Non-executive	Majority - Small scale industry

All the Non-Executive Directors have furnished a declaration to the effect that they are independent Directors as per Clause 49 I (A) of the Listing Agreement.

c) Number of Board meetings held during the year 2009-10 with dates

During the year 2009-10, 10 Board meetings were held on the following dates: 29.04.2009, 27.05.2009, 31.07.2009, 27.08.2009, 06.10.2009, 24.10.2009, 14.12.2009, 11.01.2010, 23.01.2010 and 06.03.2010.

d) Attendance of Directors

Sl. No.	Director	Number of Board meetings		Last AGM Attendance
		Held	Attended	
01	Mr. Ghyanendra Nath Bajpai	10	10	Present
02	Mr. Amitabh Chaturvedi	10	10	Present
03	Mrs. Nandini Rangaswamy*	01	00	NA
04	Mr. Vidyadhara Rao Chalasani	10	05	Present
05	Mr. K Srikanth Reddy	10	09	Present
06	Mr. Shailesh V Haribhakti	10	08	Present
07	Mr. S. Santhanakrishnan	10	10	Present
08	Mr. Ghanshyam Dass#	07	06	NA
09	Mr. Sateesh Kumar Andra ##	07	06	NA

* Ceased to be Director w.e.f 13.05.2009

Appointed Director w.e.f. 31.07.2009

Appointed Director w.e.f. 31.07.2009

THE DHANALAKSHMI BANK LIMITED

e) Directors' shareholding as on 31.03.2010

Sl. No.	Director	No of shares held	% of holding
1	Mr. Ghyanendra Nath Bajpai	25,000	0.04
2	Mr. Amitabh Chaturvedi	Nil	0.00
3	Mr. Vidyadhara Rao Chalasani	200	0.00
4	Mr. K. Srikanth Reddy	15,000	0.02
5	Mr. Shailesh V Haribhakti	50,200	0.08
6	Mr. S Santhanakrishnan	700	0.00
7	Mr. Ghanshyam Dass	5,000	0.01
8	Mr. Sateesh Kumar Andra	400	0.00

f) The committees of Directors functioning in the bank during the year ending 31.03.2010 were as under:

1. Audit Committee
2. Remuneration Committee
3. Shareholders' Grievance Redressal Committee
4. Large Value Fraud Monitoring Committee
5. Customer Service Committee
6. Risk Management Committee
7. Nomination Committee
8. Management Committee
9. Human Resources Development Committee
10. Information Technology Committee

Details of committee positions held by the Directors of the bank and also of other companies are given below.

g) Committee positions of Directors in the bank as on 31.03.2010:

Sl. No.	Name of the Director	Member	Chairman
1	Mr. Ghyanendra Nath Bajpai	1. HRD Committee 2. Nomination Committee 3. Risk Management Committee 4. Remuneration Committee 5. Information Technology Committee	1. HRD Committee 2. Nomination Committee 3. Risk Management Committee 4. Remuneration Committee 5. Information Technology Committee
2	Mr. Amitabh Chaturvedi	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Management Committee 4. Human Resource Development Committee 5. Remuneration Committee 6. Nomination Committee 7. Customer Service Committee 8. Risk Management Committee 9. Information Technology Committee	1. Large Value Fraud Monitoring Committee 2. Shareholders' Grievance Redressal Committee
3	Mr. Vidyadhara Rao Chalasani	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Audit Committee 4. Customer Service Committee 5. Risk Management Committee	-
4	Mr. K. Srikanth Reddy	1. Shareholders' Grievance Redressal Committee 2. Management Committee 3. Human Resource Development Committee 4. Remuneration Committee 5. Audit Committee 6. Customer Service Committee 7. Information Technology Committee	-

THE DHANALAKSHMI BANK LIMITED

5	Mr. Shailesh V Haribhakti	<ol style="list-style-type: none"> 1. Large Value Fraud Monitoring Committee 2. Human Resource Development Committee 3. Remuneration Committee 4. Nomination Committee 5. Audit Committee 6. Risk Management Committee 	-
6	Mr. S Santhanakrishnan	<ol style="list-style-type: none"> 1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Management Committee 4. Nomination Committee 5. Audit Committee 6. Customer Service Committee 7. Risk Management Committee 8. Information Technology Committee 	<ol style="list-style-type: none"> 1. Customer Service Committee 2. Audit Committee 3. Management Committee
7	Mr. Ghanshyam Dass	<ol style="list-style-type: none"> 1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Information Technology Committee 4. Customer Service Committee 5. Risk Management Committee 6. Human Resource Development Committee 	-
8	Mr. Sateesh Kumar Andra	<ol style="list-style-type: none"> 1. Large Value Fraud Monitoring Committee 2. Information Technology Committee 3. Audit Committee 4. Customer Service Committee 5. Remuneration Committee 	-

h) Committee position of Directors in other public limited companies as on 31.03.2010:

Sl. No.	Name of the Director	Companies	Membership in Board Committees	Committees of which Chairman
1	Mr. Ghyanendra Nath Bajpai	<ol style="list-style-type: none"> 1. Future Generali India Life Insurance Co Ltd. 2. Future Generali India Insurance Co Ltd. 3. Emaar MGF Land Ltd. 4. Future Capital Holdings Ltd. 5. Kshitij Investment Advisory Company Ltd. 6. Future Capital Investment Advisors Ltd. (Formerly known as Indivision Investment Advisors Ltd.) 7. Future Ventures India Ltd. 8. Mandhana Industries Ltd. 9. Dalmia Cement (Bharat) Ltd. 10. Kingfisher Airlines Ltd. 11. New Horizons India Ltd. 12. PNB Housing Finance Ltd. 13. Nitesh Estates Ltd. 14. Usha Martin Ltd. 	<p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p style="text-align: center;">Audit Committee & Shareholder Grievance Committee</p> <p style="text-align: center;">Audit Committee</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p style="text-align: center;">Audit Committee</p> <p style="text-align: center;">Audit Committee</p> <p style="text-align: center;">-</p>	<p style="text-align: center;">Audit Committee</p> <p style="text-align: center;">Audit Committee</p> <p style="text-align: center;">-</p> <p style="text-align: center;">Shareholder Grievance Committee</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p> <p style="text-align: center;">Audit Committee</p> <p style="text-align: center;">-</p>
2	Mr. Amitabh Chaturvedi, Managing Director & CEO	-	-	-
3	Mr. Vidyadhara Rao Chalasani	-	-	-
4	Mr. K Srikanth Reddy	-	-	-

THE DHANALAKSHMI BANK LIMITED

Sl. No.	Name of the Director	Companies	Membership in Board Committees	Committees of which Chairman
5	Mr. Shailesh V Haribhakti	1. Pantaloon Retail (India) Ltd. 2. Blue Star Ltd. 3. Hexaware Technologies Ltd. 4. Akruiti City Ltd. 5. ACC Ltd. 6. Ambuja Cements Ltd. 7. Future Capital Holdings Ltd. 8. Mahindra Life Space Developers Ltd. 9. Everest Kanto Cylinder Ltd. 10. Hercules Hoists Ltd. 11. J K Paper Ltd. 12. Fortune Financial Services (India) Ltd. 13. Raymond Ltd. 14. Future Capital Financial Services Ltd.	Audit Committee Audit Committee - Audit Committee - Compensation & Remuneration - Audit Committee - - - - - - -	- - Audit Committee - Audit Committee Audit Committee - - - - - - - Audit Committee -
6	Mr. S Santhanakrishnan	1. Reliance Capital Trustee Co. Ltd. 2. ICICI Home Finance Co. Ltd. 3. Easy Access Financial Services Ltd. 4. Sundaram-Clayton Ltd. 5. TVS Credit Services Ltd.	Audit Committee Audit Committee - - -	- - - - -
7	Mr. Ghanshyam Dass	1. Jain Irrigation Systems Ltd. 2. Bio Pure Ltd.	- -	- -
8	Mr. Sateesh Kumar Andra	-	-	-

2. Audit Committee

- i) The Board of the Bank has constituted a five-member Audit Committee. All five members of the committee are Non-Executive Directors, with Mr. S Santhanakrishnan as its Chairman and Mr. Vidyadhara Rao Chalasani, Mr. K. Srikanth Reddy, Mr. Shailesh V Haribhakti and Mr. Sateesh Kumar Andra as other members.

- ii) Brief description of the terms of reference:

Apart from the mandatory items to be taken care of by the Audit Committee in accordance with Para II (D) of Clause 49 of the Listing Agreement, the role of the committee includes the following:

- a) Providing direction, as also overseeing operations of the total audit function in the Bank.
- b) Reviewing the Risk Based Internal Audit (RBIA)/audit function -- the system, its quality and effectiveness in terms of follow up.
- c) Reviewing the (RBIA) reports of all branches (first review) and final review of branches having high, medium and above risk level with "increasing" trend.
- d) Focusing on the follow-up of:
 - Reconciliation of inter-branch adjustment accounts
 - Long outstanding entries in inter-bank accounts and nostro accounts
 - Arrears in balancing of books at various branches
 - Frauds, and
 - Other key areas of housekeeping
- e) Reviewing half-yearly reports from the Compliance Officers of the bank.
- f) Following up on issues brought out in Long Form Audit Report (LFAR) and interacting with statutory auditors before finalisation of annual financial accounts and reports.
- g) Following up on issues/concerns raised in RBIs inspection reports.
- h) Reviewing the quarterly and annual financial statements with the management.
- i) Review of revenue audit
- j) Review of concurrent audit of depository department
- k) Review of dishonored cheques of Rs. 1 crore and cheques issued by broker entities
- l) Review of forex transactions
- m) Review of concurrent audit of integrated treasury
- n) Business rating of all branches

THE DHANALAKSHMI BANK LIMITED

- o) Review of concurrent audit of HO expenses
- p) Review of RBIA
- q) Minutes of audit committee of executives meetings held
- r) Review of inspection reports on zonal offices

iii) Meetings, dates and attendance during the year

No. of meetings held during 2009-10	Dates of meetings
08	29.04.2009, 20.07.2009, 31.07.2009, 06.10.2009, 24.10.2009, 28.12.2009, 23.01.2010 & 05.03.2010

Details of attendance of each Director are as under:

Name of the Director	Number of Audit Committee Meetings	
	Held	Attended
Mr. S Santhanakrishnan	08	08
Mr. V. R. Chalasani#	02	02
Mr. Shailesh V. Haribhakti	08	07
Mr. Sateesh Kumar Andra##	04	04
Mr. K. Srikanth Reddy*	05	04
Mrs. Nandini Rangaswamy**	01	00

Inducted to the committee w.e.f. 21.01.2010

Inducted to the committee w.e.f. 06.10.2009

* Ceased to be member w.e.f. 17.12.2009

** Ceased to be Director w.e.f. 13.05.2009

3. Remuneration Committee:

The Board constituted a Remuneration Committee on 29.02.2008, which was reconstituted on 27.09.2008 and 06.10.2009, to determine 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.

Remuneration and other perquisites paid to the part-time 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.

iii) Meetings, dates and attendance during the year

No. of meetings held during 2009-10	Dates of meetings
03	11.06.2009, 06.08.2009 and 14.09.2009

The details of attendance of each Director are as under:

Name of the Director	Number of Remuneration Committee Meetings	
	Held	Attended
Mr. Ghyanendra Nath Bajpai	03	03
Mr. Amitabh Chaturvedi	03	03
Mr. K. Srikanth Reddy	03	03
Mr. Shailesh V. Haribhakti	03	03
Mr. Sateesh Kumar Andra#	00	00
Mrs. Nandini Rangaswamy*	00	00

Inducted to the Committee w.e.f. 06.10.2009

* Ceased to be Director w.e.f. 13.05.2009

4. Shareholders' Grievance Redressal Committee

- i) Mr. Ghyanendra Nath Bajpai, Mr. Amitabh Chaturvedi, Mr. K. Srikanth Reddy, Mr. S. Santhanakrishnan, Mr. V. R. Chalasani and Mr. Ghanshyam Dass are members of this committee. It reviews redressal of investors' complaints like transfer of shares, non-receipt of annual reports, non-receipt of dividend warrants and other related matters. The committee also approves share transfers/transmission/split/consolidation/name deletion/name transportation/dematerialisation/ rematerialisation. The committee reviews reports from the Registrar and share Transfer Agent to monitor grievances redressal.

During the year, the bank received two complaints from shareholders, which have been resolved.

THE DHANALAKSHMI BANK LIMITED

ii) Details of Compliance Officer and Registrar & Transfer Agent are as follows:

Description of Delegated Authority	Address of Delegated Authority	Telephone	Fax	E-mail ID
Name and designation of Compliance Officer of the Bank	Mr. Ravindran K. Warriar, Secretary to Board & Company Secretary	0487- 6617000, 0487-2334612 (D)	0487-2335367	investors@dhanbank.co.in
Registrar & Share Transfer Agent	M/s. Karvy Computershare P. Ltd.	040-23420815, 23420824	040-23420814	mailmanager@karvy.com

iii) Details of number of meetings of Shareholders' Grievance Redressal Committee held and their dates are as follows:

No. of meetings held during 2009-10	Dates of meetings
06	29.04.2009, 31.07.2009, 06.10.2009, 14.12.2009, 23.01.2010 and 06.03.2010

The attendance of each member of the committee is given below:

Sl. No.	Name of Director	No. of meetings held during Director's tenure	No. of meetings attended
1	Mr. Ghyanendra Nath Bajpai*	03	03
2	Mr. Amitabh Chaturvedi	06	06
3	Mr. K Srikanth Reddy	06	05
4	Mr. S Santhanakrishnan	06	06
5	Mr. V R Chalasani#	03	02
6	Mr. Ghanshyam Dass##	03	02

* Ceased to be a member w.e.f 06.10.2009

Inducted to the committee w.e.f 06.10.2009

Inducted to the committee w.e.f 06.10.2009

iv) Number of investor complaints received and addressed during 2009-10 are as follows:

Sl. No.	Nature of complaint	No. of complaints pending as on 01.04.2009	No. of complaints received	No. of complaints resolved	No. of complaints pending as on 31.03.2010
1	Transfer-related complaints	Nil	1	1	Nil
2	Dividend-related complaints	Nil	1	1	Nil
3	Others	Nil	0	0	Nil
	Total	Nil	2	2	Nil

5. Large Value Fraud Monitoring Committee:

The committee has been constituted to exclusively monitor large frauds of Rs. 1 crore and above.

Meetings, dates and attendance during the year

No. of meetings held during 2009-10	Dates of meetings
02	29.04.2009 and 06.10.2009

The attendance of each member of the committee is given below:

Name of Director	Number of large value fraud monitoring committee meetings	
	Held	Attended
Mr. Amitabh Chaturvedi	02	02
Mr. Shailesh V Haribhakti	02	02
Mr. S. Santhanakrishnan	02	02
Mr. V. R. Chalasani#	00	00
Mr. Ghanshyam Dass##	00	00
Mr. Sateesh Kumar Andra###	00	00
Mrs. Nandini Rangaswamy*	01	00

Inducted to the committee w.e.f. 06.10.2009

Inducted to the committee w.e.f. 06.10.2009

Inducted to the committee w.e.f. 06.10.2009

* Ceased to be a Director w.e.f. 13.05.2009

6. Customer Service Committee:

Customer Service Committee monitors the progress in improving quality of service provided to customers. The committee also reviews implementation of RBI guidelines and procedures that have a bearing on customer service of the bank and makes suitable recommendations.

THE DHANALAKSHMI BANK LIMITED

Meetings, dates and attendance during the year

No of meetings held during 2009-10	Dates of meetings
03	27.08.2009, 23.01.2010 and 31.03.2010

The details of attendance of each Director are as under:

Name of Director	Number of customer service committee meetings	
	Held	Attended
Mr. Amitabh Chaturvedi	03	03
Mr. S. Santhanakrishnan	03	03
Mr. K. Srikanth Reddy	03	03
Mr. V. R. Chalasani #	02	01
Mr. Ghanshyam Dass ##	02	01
Mr. Sateesh Kumar Andra ###	02	02

Inducted to the Committee w.e.f. 06.10.2009

Inducted to the Committee w.e.f. 06.10.2009

Inducted to the Committee w.e.f. 06.10.2009

7. Risk Management Committee:

The Risk Management Committee of the Board oversees implementation of RBI's risk management guidelines. The committee reviews procedures laid down to ensure that the bank controls the risks through a properly defined framework.

Meetings, dates and attendance during the year

No of meetings held during 2009-10	Dates of meeting
04	27.05.2009, 17.07.2009, 14.12.2009 and 31.03.2010

The details of attendance of each Director are as under:

Name of Director	Number of risk management committee meetings	
	Held	Attended
Mr. G N Bajpai	04	04
Mr. Amitabh Chaturvedi	04	04
Mr. V R Chalasani #	02	00
Mr. Shailesh V Haribhakti ##	02	02
Mr. S Santhanakrishnan	04	04
Mr. Ghanshyam Dass ###	02	02
Mrs. Nandini Rangaswamy *	00	00

Inducted to the committee w.e.f. 06.10.2009

Inducted to the committee w.e.f. 06.10.2009

Inducted to the committee w.e.f. 06.10.2009

* Ceased to be Director w.e.f. 13.05.2009

8. Nomination Committee:

The committee undertakes the process of due diligence to determine suitability of the person for appointment/continuing to hold the position of Director on the Board, based on the specific criteria prescribed by RBI.

Meetings, dates and attendance during the year

No. of meetings held during 2009-10	Dates of meetings
05	29.04.2009, 04.07.2009, 17.07.2009, 23.01.2010 and 31.03.2010

The details of attendance of each Director are as under:

Name of Director	Number of nomination committee meetings	
	Held	Attended
Mr. G. N. Bajpai	05	05
Mr. Amitabh Chaturvedi	05	05
Mr. Shailesh V. Haribhakti	05	03
Mr. S. Santhanakrishnan	05	05

THE DHANALAKSHMI BANK LIMITED

9. Management Committee:

The Management Committee exercises all lending powers up to Rs. 6 crore, sanction of one-time settlement & write-off and administrative powers.

Meetings, dates and attendance during the year

No of meetings held during 2009-10	Dates of meetings
08	29.04.2009, 27.05.2009, 31.07.2009, 27.08.2009, 06.10.2009, 14.12.2009, 23.01.2010 and 06.03.2010

The details of attendance of each Director are as under:

Name of Director	Number of Management Committee meetings	
	Held	Attended
Mr. Amitabh Chaturvedi	08	08
Mr. K. Srikanth Reddy	08	07
Mr. S. Santhanakrishnan	08	08
Mrs. Nandini Rangaswamy*	01	00

* Ceased to be Director w.e.f. 13.05.2009

10. Human Resources Development Committee:

This committee oversees the overall manpower planning of the bank and conducts interviews for lateral recruitment and internal promotions.

Meetings, dates and attendance during the year

No of meetings held during 2009-10	Dates of meetings
03	09.11.2009, 25.01.2010 and 31.03.2010

The details of attendance of each Director are as under:

Director	Number of HRD committee meetings	
	Held	Attended
Mr. G. N. Bajpai	03	03
Mr. Amitabh Chaturvedi	03	03
Mr. K. Srikanth Reddy	03	03
Mr. Shailesh V. Haribhakti	03	03
Mr. Ghanshyam Dass #	03	03

Inducted to the Committee w.e.f. 06.10.2009

11. Information Technology Committee

The committee was dissolved on 30.04.08 and revived with the following members on 26.07.08 to address issues relating to IT.

Meetings, dates and attendance during the year

No. of meetings held during the year 2009-10	Dates of meetings
01	09.11.2009

The details of attendance of each Director are as under:

Director	Number of Information Technology Committee meetings	
	Held	Attended
Mr. Ghyanendra Nath Bajpai	01	01
Mr. Amitabh Chaturvedi #	01	01
Mr. K. Srikanth Reddy	01	01
Mr. S. Santhanakrishnan	01	01
Mr. Ghanshyam Dass ##	01	01
Mr. Sateesh Kumar Andra ###	01	01

Inducted to the Committee w.e.f. 06.10.2009

Inducted to the Committee w.e.f. 06.10.2009

Inducted to the Committee w.e.f. 06.10.2009

General Body Meetings

Location and time where last three annual general meetings (AGMs) were held:

THE DHANALAKSHMI BANK LIMITED

AGM Number	Date & Time	Venue
82nd	31.07.2009. 03 P M	Lulu International Convention Centre,
81st	27.09.2008. 11 AM	Thrissur
80th	26.09.2007. 11 AM	Kousthubham, Shornur Road, Thrissur Kousthubham, Shornur Road, Thrissur

Details of special resolutions passed in the three previous AGMs:

No special resolution was passed at the 80th AGM.

At the 81st AGM, a special resolution was passed to increase foreign investments by permitted FIIs and NRIs, not exceeding 49% and 24% respectively of the banks paid up capital.

At the 82nd AGM, two special resolutions were passed -- one to alter Clause (iii) of Article 64 of the banks Articles of Association and the other to implement the Dhanalakshmi Bank Employees Stock Option Scheme 2009.

Postal Ballot

During the year, the bank passed a resolution through postal ballot. RBI, in its annual financial inspection for the year ended March 31, 2008, had observed that the banks memorandum has an enabling clause (item 'n' of Clause III. 1 of Memorandum of Association) to conduct chit fund and kuri business, which was contrary to Section 6 of the Banking Regulation Act, 1949.

After obtaining a 'no objection' from RBI for altering the memorandum, the bank appointed Dr. K. S. Ravichandran, partner, KSR & Co. Company Secretaries, Coimbatore as scrutiniser for this purpose. The bank received the report dated July 18, 2009, from scrutiniser stating that the resolution has been duly carried through as a special resolution. As per the report of the scrutinizer dated July 18, 2009, up to 78,11,127 valid votes were cast. Of the valid votes 77,73,293 were in favour of the special resolution and 37,834 against. The result of postal ballot was declared by the Chairman by a declaration made on July 20, 2009. The resolution stands passed as a special resolution on July 11, 2009, in accordance with Section 189(2) of the Companies Act, 1956.

12. Disclosures

Related Party Transactions

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 be in conflict with and/or adversely affect the banks interests, excepting remuneration paid to the MD & CEO.

Disclosure of Accounting Treatment

In the preparation of financial statements, there has been no treatment different from that prescribed in the accounting standard being followed.

Risk Management

The bank follows an integrated approach to managing risks and the processes are embedded in the fundamental business model. The risk management landscape in the bank covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz., credit, market and operational risks.

The organisation of risk management function in the bank spans various levels of oversight from operatives to the Board, offering lines of defence and escalation. The risk management policies adopted and reviewed periodically articulate and codify the strategy, structure, processes and systems to manage bank-wide risks. These are administered by the structured/internalised roles and functions of the committees, namely Risk Management Committee of the Board (RMC), Risk Management Committee of Executives (RME), Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC) and the Operational Risk Management Committee (ORMC). Key risk management activities are reviewed by the Board-level Risk Management Committee and are reported to the Board.

Remuneration of Directors

Name & Designation	Salary	Perquisites	Total
Mr. Amitabh Chaturvedi, MD & CEO	Rs. 36,00,000	-	Rs. 36,00,000

No other Director is paid any remuneration other than the sitting fees for attending meetings of the Board/Committee of Directors.

During the year:

- The bank has complied with the directives issued by the stock exchanges/Securities and Exchange Board of India (SEBI) and other statutory authorities on all matters related to capital markets and no penalties have been imposed by them.
- The bank has complied with all mandatory requirements and has adopted the following non-mandatory requirements of Clause 49 of the Listing Agreement:
 - The Nomination Committee undertakes the process of due diligence to determine the suitability of the person for appointment/continuing to hold appointment as a Director on the Board.
 - The Company has framed whistle blower policy and affirmed that no personnel have been denied access to the Audit Committee.

THE DHANALAKSHMI BANK LIMITED

13. Means of Communication

The Board took on record the unaudited financial results subjected to a "limited review" by the auditors, in the prescribed proforma of the stock exchanges within one month of the closure of every quarter, and announced immediately thereafter, the results to all stock exchanges where the banks shares are listed. The Board also approved the audited annual results within three months. The highlights of the quarterly results and audited annual results were published in one national and one vernacular newspaper within 48 hours of the conclusion of the Board meeting in which they were taken on record. Information was also placed on the banks website at www.dhanbank.com. All information as per Clause 51 of the Listing Agreement was filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website within the time specified by SEBI.

14. General Shareholder Information

83rd agm	Date	July 15th, 2010 (Thursday)
	Time	11.00 a.m.
	Venue	Lulu International Convention Centre, Thrissur - 680 003
Name and other details regarding compliance officer	Mr. Ravindran K. Warriar Secretary to Board & Company Secretary The Dhanalakshmi Bank Ltd. Naickanal, Thrissur - 680 001	
Financial year	2009-10	
Date of book closure	Friday, July 9th, 2010 to Thursday, July 15th, 2010 (Both days inclusive)	
Dividend payment date	July 19th, 2010	
Listing on stock exchanges	The equity shares of the Bank are listed on - Cochin Stock Exchange Ltd. Bombay Stock Exchange Ltd. National Stock Exchange of India Ltd.	
Stock code - equity shares	532180 - Bombay Stock Exchange Ltd. DHANBANK - National Stock Exchange of India Ltd.	
Registrar and transfer agents	M/s Karvy Computershare Private Ltd. 'Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081. Phone : (040) 23420815 - 824 Fax : (040) 23420814 E-mail : mailmanager@karvy.com	
Dematerialisation of shares and liquidity	The equity shares are available for dematerialisation with ISIN No. INE 680A01011.	
Registered office and address for correspondence	P.B. No.9, Dhanalakshmi Buildings, Naickanal, Thrissur 680 001. E-mail : share@dhanbank.co.in	

Market Price Data

The monthly high and low prices of the banks shares traded on The National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd. (BSE) during each month in the financial year ended March 31, 2010, are as follows:

Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2009	76.00	50.00	74.40	50.10
May 2009	107.10	60.10	107.20	62.30
June 2009	119.00	89.00	118.35	89.10
July 2009	134.95	95.50	134.25	95.05
August 2009	139.80	107.60	140.00	108.00
September 2009	174.60	130.10	174.40	130.30
October 2009	178.30	133.50	178.40	134.10
November 2009	154.70	123.15	154.40	123.55
December 2009	154.95	136.60	154.70	136.65
January 2010	153.70	131.40	153.25	131.95
February 2010	148.50	124.00	148.00	124.00
March 2010	146.70	129.25	147.90	129.60

THE DHANALAKSHMI BANK LIMITED

Distribution of Shareholding as on 31.03.2010:

Share Range	No. of Shares	% of Members	No. of Shares	% of shares
upto 1 - 5000	38038	83.96	60201280	9.39
5001 - 10000	3843	8.48	29961920	4.67
10001 - 20000	1873	4.13	27303040	4.26
20001 - 30000	575	1.27	14391330	2.24
30001 - 40000	231	0.51	8281230	1.29
40001 - 50000	187	0.41	8832180	1.38
50001 - 100000	270	0.60	19703750	3.07
100001 & Above	287	0.63	472481270	73.69
Total	45304	100.00	641156000	100.00

Category-wise Distribution of Shareholding as on 31.03.2010:

Sl. No.	Category	No. of Share holders	No. of Shares held	% of Total Shares
1	Banks	4	231337	0.36
2	Clearing Members	125	103078	0.16
3	Directors	7	96500	0.15
4	Foreign Institutional Investor	16	15947085	24.87
5	HUF	487	745120	1.16
6	Insurance Companies	1	260986	0.41
7	Bodies Corporates	940	14378367	22.43
8	Mutual Funds	6	797448	1.24
9	Non-Resident Indians	731	3696927	5.77
10	Resident Individuals	42984	27858322	43.45
11	Trusts	3	430	0.00
	Total	45304	641156000	100.00

As on 31.03.2010, 47,11,472 shares, constituting 7.35%, and 5,94,04,128 shares, constituting 92.65% of the paid up capital, were held in physical and electronic mode respectively.

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

15. Compliance status of Clause 49 of the listing agreement:

All Board members and senior management personnel have affirmed compliance with the code of conduct. A declaration to this effect by the Managing Director & CEO is annexed as annexure I to this report.

The bank has complied with all mandatory recommendations prescribed in Clause 49 of the Listing Agreement. A certificate to this effect from the banks statutory auditors is annexed as annexure II to this report.

ANNEXURE I

Managing Director & CEO Certification on compliance with the Code of Conduct for Directors and Senior Management personnel of the bank

To the members of THE DHANALAKSHMI BANK LIMITED

I affirm that the Board of Directors and Senior Management Personnel of the Bank have complied with the Code of Conduct during the financial year ended March 31, 2010.

Place: Mumbai
Date: 11 May 2010

Amitabh Chaturvedi
Managing Director & CEO

THE DHANALAKSHMI BANK LIMITED

ANNEXURE II

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the shareholders of The Dhanalakshmi Bank Limited

We have examined the compliance of conditions of Corporate Governance by The Dhanalakshmi Bank Limited for the year ended 31 March 2010 as stipulated in Clause 49 of the Listing Agreement of the Bank with the Stock Exchanges.

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

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

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

For Walker, Chandio & Co

Chartered Accountants

Firm Registration No: 001076N

For Shah Gupta & Co

Chartered Accountants

Firm Registration No: 109574W

per **Khushroo B. Panthaky**

Partner

Membership No: F-42423

per **Vipul K. Choksi**

Partner

Membership No: F-37606

Place: Mumbai

Date: 11 May 2010

THE DHANALAKSHMI BANK LIMITED

ANNEXURE III

TO THE DIRECTORS' REPORT

Disclosure as per SEBI Guideline			
(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2010			
A.			
		Particulars	ESOP Scheme
	1	Number of options granted	3,979,225
	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
	3	Number of options vested	-
	4	Number of options exercised	-
	5	Total number of shares arising as a result of exercise of options	-
	6	Number of options lapsed	-
	7	Variation in the terms of options	NA
	8	Money realised by exercise of options	-
	9	Total Number of Options in force	3,979,225
B. Employee-wise details of options granted to:			
	(i)	Senior managerial personnel	
		Name	No. of options granted
		Amitabh Chaturvedi	1,050,000
		Jayakumar P G	42,000
		Bipin Kabra	350,000
		Rajeev Deoras	300,000
		Manish Kumar	300,000
	(ii)	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	
		Name	No. of options granted
		Amitabh Chaturvedi	1,050,000
		Bipin Kabra	350,000
		Rajeev Deoras	300,000
		Manish Kumar	300,000
		Rajrishi Singhal	300,000
		Manish Sarraf	300,000
	(iii)	Identified employees who were granted option, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	
		Name	No. of options granted
		Amitabh Chaturvedi	1,050,000
C. Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20			
			3.64
D. The impact on the profits and EPS of the fair value method is given in the table below -			
			Rs.
		Profit as reported	23,3037,000
		Add - Intrinsic Value Cost	-
		Less - Fair Value Cost	73,339,887
		Profit as adjusted	159,697,113
			Rs.
		Earning per share (Basic) as reported	3.64
		Earning per share (Basic) adjusted	2.49
			Rs.
		Earning per share (Diluted) as reported	3.64
		Earning per share (Diluted) adjusted	2.49

THE DHANALAKSHMI BANK LIMITED

E.		Weighted average exercise price of Options whose	
	(a)	Exercise price equals market price	118.35
	(b)	Exercise price is greater than market price	Nil
	(c)	Exercise price is less than market price	Nil
		Weighted average fair value of options whose	
	(a)	Exercise price equals market price	72.62
	(b)	Exercise price is greater than market price	Nil
	(c)	Exercise price is less than market price	Nil
F.	Method and Assumptions used to estimate the fair value of options granted during the year:		
	The fair value has been calculated using the Black Scholes Option Pricing model		
	The Assumptions used in the model are as follows:		
	Date of grant	6-Aug-09	6-Aug-09
		ESOP	JESOP
	1. Risk Free Interest Rate	7.19%	7.28%
	2. Expected Life	6.05	6.50
	3. Expected Volatility	63.90%	63.90%
	4. Dividend Yield	1.13%	1.13%
	5. Price of the underlying share in market at the time of the option grant (Rs.)	115.50	115.50

The Bank hereby undertakes:

1. That the approval of shareholders by way of separate resolution in the General Meeting shall be obtained in case of grant of option to employees of subsidiary or holding company.
2. That the lapsed equity shares out of the proposed equity shares to be allotted under "Dhanalakshmi Bank Limited Employee Stock Option Scheme 2009" will be used for future allotment to the eligible employees of the Bank.
3. In case, company calculates employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the company shall be disclosed in the Directors' Report

**ANNEXURE IV
TO THE DIRECTORS' REPORT**

Statement of particulars of employees pursuant to provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors Report for the year ended 31st March, 2010

Emp. ID	Name	Designation	Remuneration Received [Apr '09 - Mar '10]	Nature of Employment	Other Terms & Conditions	Nature of Duties	Qualification	Experience	Date of Joining	Age	Last Employment	Whether the employee holds 2% or more Equity Shares of the Co.
2452	Amitabh Chaturvedi	CEO & Managing Director	36,00,000	On-roll Employment	NA	Managing Director & CEO	B.Com., CA	18	13.10.2008	42	Reliance Capital Ltd.	No
2466	Bipin Kabra	President	19,27,354	On-roll Employment	NA	Chief Financial Officer [CFO]	B.Com., ICWAI, CA	17	17.01.2009	42	Zee Group	No
558	Jayakumar P G	President	16,59,006	On-roll Employment	NA	Head - Credit & Operation	B.Sc., CAIIB	31	16.05.1977	58	N.A.	No
2513	Manish Kumar	President	19,23,097	On-roll Employment	NA	Head - Human Resources & CSR	PGDPM	16	02.04.2009	40	IDFC Ltd.	No
2473	Manish Sarraf	Executive Vice President	18,66,969	On-roll Employment	NA	Head - Treasury	B.Com., MBA	18	23.01.2009	41	Siemens Ltd.	No
3021	Parag Kothari	Executive Vice President	19,78,106	On-roll Employment	NA	Head - Investor Relations	BE, MFM	19	17.08.2009	42	Cholamandalam DBS Finance Ltd.	No
2509	Rajeev Deoras	President	19,23,097	On-roll Employment	NA	Head - Wholesale Banking	B.E., CAIIB	25	02.04.2009	50	Kotak Mahindra Bank	No
2592	Saill Datar	Executive Vice President	17,40,573	On-roll Employment	NA	Head - Branch Banking	B.Com., MMS	19	09.06.2009	43	ICICI Bank	No
3389	Suresh Balasubramanian	Executive Vice President	13,05,864	On-roll Employment	NA	Head - Trade and Advances	B.Com., CA	22	01.10.2009	47	Kotak Mahindra Bank	No
4390	Arvind Halli	Executive Vice President	3,63,576	On-roll Employment	NA	Head - Retail Assets	B.E., MMS	15	03.03.2010	38	Reliance Capital Ltd.	No

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of The Dhanalakshmi Bank Limited, Thrissur as at 31 March 2010 the annexed Profit and Loss Account and the Cash Flow Statement for the year ended on that date, in which are incorporated the audited returns of 11 branches and treasury division audited by us, and 227 Branches audited by the Branch Auditors. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and 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 211 of the Companies Act, 1956.
4. On the basis of our audit and having regard to the reports received by us from the auditors of the branches audited by other auditors, which have been considered by us for issuing our opinion, 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. in our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
5. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to the Bank and are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.
6. We further report that:
 - a. 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;
 - b. in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;
 - c. based on information and explanations given to us, the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956;
 - d. on the basis of the written representations received from the Directors as at 31 March 2010, and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
7. In our opinion and to the best of our information and according to the explanations given to us, and on consideration of reports submitted by the auditors of the branches not audited by us, the said financial statement together with the notes thereon and attached thereto give the information required by the Banking Regulation Act, 1949, as well as the Companies Act, 1956, in the manner so required for banking companies, give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a. in the case of Balance sheet, of the state of affairs of the Bank as at 31 March 2010;
 - b. in the case of Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Walker, Chandiook & Co
Chartered Accountants
Firm Registration No: 001076N

For Shah Gupta & Co
Chartered Accountants
Firm Registration No: 109574W

per **Khushroo B. Panthaky**
Partner
Membership No: F-42423

per **Vipul K. Choksi**
Partner
Membership No: F-37606

Place: Mumbai
Date: 11 May 2010

THE DHANALAKSHMI BANK LIMITED
BALANCE SHEET AS AT 31 MARCH 2010

Rs in thousands			
Capital and Liabilities	Schedule	As at 31 March 2010	As at 31 March 2009
Capital	1	641156	641156
Reserves and Surplus	2	3759615	3603626
Deposits	3	70984840	49688113
Borrowings	4	1205534	-
Other Liabilities and Provisions	5	4277765	2495346
Total		80868910	56428241
Assets			
Cash and Balances with Reserve Bank of India	6	6128986	3949949
Balances with banks and money at call and short notice	7	1374297	2910706
Investments	8	20277927	15673623
Advances	9	50062586	31960564
Fixed Assets	10	794701	462061
Other assets	11	2230413	1471338
Total		80868910	56428241
Contingent Liabilities	12	5575271	2495301
Bills for collection		552374	537043
Significant Accounting Policies and Notes forming part of the Financial Statements	17&18		

Raghu Mohan N.
Senior Vice President (Finance & Accounts)

Ravindran K. Warriar
Company Secretary

Bipin Kabra
Chief Financial Officer

Ghanshyam Dass
Director

Amitabh Chaturvedi
Managing Director & CEO

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Shailesh V. Haribhakti
Director

K. Srikanth Reddy
Director

In terms of our report of even date attached

For Walker, Chandiook & Co.
Chartered Accountants

For Shah Gupta & Co.
Chartered Accountants

per **Khushroo B. Panthaky**
Partner
Membership No: F-42423
Firm Reg. No.: 001076N

per **Vipul K. Choksi**
Partner
Membership No.: F- 37606
Firm Reg. No.:109574W

Date: May 11, 2010
Place: Mumbai

THE DHANALAKSHMI BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Schedule	Year ended 31 March 2010	Year ended 31 March 2009
Rs in thousands			
Income			
Interest earned	13	5345706	4084150
Other income	14	909876	793594
Total		6255582	4877744
Expenditure			
Interest expended	15	3940207	2867958
Operating expenses	16	1928582	1130740
Provisions and contingencies		153756	304532
Total		6022545	4303230
Net Profit/(Loss) for the year		233037	574514
Profit/(Loss) brought forward		100	100
Transfer from Dividend Payable Account including Dividend Tax			37504
Total		233137	612118
Appropriations			
Transfer to Statutory Reserve		69911	172354
Transfer to Capital Reserve		64927	37940
Transfer to Special Reserve U/S 36(1)(viii) of Income Tax Act		15844	14259
Transfer to Other Reserves		7343	312453
Proposed Dividend		64116	64116
Dividend Tax		10896	10896
Balance carried to Balance Sheet		100	100
Total		233137	612118
Earnings Per Share (in Rupees)			
Basic		3.64	9.16
Diluted		3.64	9.16
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

Raghu Mohan N.
Senior Vice President (Finance & Accounts)

Ravindran K. Warriar
Company Secretary

Bipin Kabra
Chief Financial Officer

Ghanshyam Dass
Director

Amitabh Chaturvedi
Managing Director & CEO

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Shailesh V. Haribhakti
Director

K. Srikanth Reddy
Director

In terms of our report of even date attached

For Walker, Chandio & Co.
Chartered Accountants

For Shah Gupta & Co.
Chartered Accountants

per **Khushroo B. Panthaky**
Partner
Membership No: F-42423
Firm Reg. No.: 001076N

per **Vipul K. Choksi**
Partner
Membership No.: F- 37606
Firm Reg. No.:109574W

Date: May 11, 2010
Place: Mumbai

THE DHANALAKSHMI BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
		Rs. in thousands
A. Cash Flow from Operating Activities	(5536)	(1909638)
B. Cash Flow from Investing Activities	(437720)	(71381)
C. Cash Flow from Financing Activities	1085884	1917338
Total	642628	(63681)
D. Balances at the beginning of the year		
Cash and balances with RBI	3949949	3540681
Balances with Bank and Money at Call	2910706	3383655
E. Balances at the end of the year		
Cash and balances with RBI	6128986	3949949
Balances with Bank and Money at Call	1374297	2910706
F. Total Cash Flow during the year (A + B + C) Or (D-E)	642628	(63681)
A. Cash Flow from operating activities I + II		
Interest received during the year from Advances Investments etc	5345706	4084150
Other Income	909876	793594
Less		
Interest paid during the year on Deposits, Borrowings etc.	3940207	2867958
Operating expenses including Provisions and Contingencies	2082337	1435272
Add		
Adjustments for Depreciation and non cash Charges	103045	75467
I Cash Profit Generated from Operations	336083	649981
(prior to changes in operating Assets & Liabilities)		
ii Cash Flow from Operating Assets & Liabilities		
Deposits	21296727	13603911
Borrowings	1205534	(40000)
Other Operating Liabilities	621523	47289
Decrease/(Increase) in Assets		
Advances	(18102022)	(10940232)
Investments	(4604304)	(4923066)
Other Operating Assets	(759076)	(307521)
Total II	(341618)	(2559619)

THE DHANALAKSHMI BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
		Rs. in thousands
Net Cash Flow from Operating Activities (I + II)	(5536)	(1909638)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(543877)	(76485)
Sale of Old Fixed Assets	106157	5104
Net Cash Flow from Investing Activities	(437720)	(71381)
C. Cash Flow from Financing Activities		
Share Capital - Rights Issue	-	320578
Share Premium		1596764
Subordinated Debt(Tier Bonds) raised	1500000	-
Redemption of Tier II Bonds	(350000)	-
Dividend written back	-	37504
Dividend Paid	(64116)	(37508)
Net Cash Flow from Financing Activities	1085884	1917338

Raghu Mohan N.
Senior Vice President (Finance & Accounts)

Ravindran K. Warriar
Company Secretary

Bipin Kabra
Chief Financial Officer

Ghanshyam Dass
Director

Amitabh Chaturvedi
Managing Director & CEO

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Shailesh V. Haribhakti
Director

K. Srikanth Reddy
Director

In terms of our report of even date attached

For Walker, Chandio & Co.
Chartered Accountants

For Shah Gupta & Co.
Chartered Accountants

Date: May 11, 2010
Place: Mumbai

per **Khushroo B. Panthaky**
Partner
Membership No: F-42423
Firm Reg. No.: 001076N

per **Vipul K. Choksi**
Partner
Membership No.: F- 37606
Firm Reg. No.:109574W

THE DHANALAKSHMI BANK LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

(Rs in thousands)

Schedule 1 – Capital	As at 31 March 2010	As at 31 March 2009
Authorised Capital - 100000000 Equity Shares of Rs.10 each	1000000	1000000
Issued Capital - 67374500 Equity Shares of Rs 10 each (Previous Year - 67374500 Equity Shares of Rs 10 each)	673745	673745
Subscribed Capital - 64115600 Equity Shares of Rs.10 each (Previous Year - 64115600 Equity Shares of Rs.10 each)	641156	641156
Called up Capital – 64115600 Equity Shares of Rs 10 each (Previous Year - 64115600 Equity Shares of Rs.10 each)	641156	641156
Paid up Capital - 64115600 Equity Shares of Rs 10 fully each fully paid up (Previous Year - 64115600 Equity Shares of Rs.10 each)	641156	641156
TOTAL	641156	641156
Schedule 2 - Reserves and Surplus		
Statutory Reserves		
Opening Balance	624516	452162
Additions during the year	69911	172354
	694427	624516
Capital Reserves		
Opening Balance	233389	197592
Transfer from Profit & Loss Account	64927	37940
Deductions due to Depreciation of Revalued Premises	(2036)	(2143)
	296280	233389
Share Premium		
Opening Balance	2050268	383262
Additions during the year	–	1667006
	2050268	2050268
Revenue and other Reserves		
Opening Balance	669921	357468
Additions : Transfer from Profit and Loss account	7343	312453
	677264	669921
Special Reserve U/S 36(1)(viii) of Income Tax Act		
Opening Balance	25432	11173
Additions : Transfer from Profit and Loss account	15844	14259
	41276	25432
Balance in Profit and Loss Account	100	100
Total	3759615	3603626

THE DHANALAKSHMI BANK LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

(Rs in thousands)

Schedule 3 - Deposits	As at 31 March 2010	As at 31 March 2009
Demand Deposits		
From Banks	151	140
From Others	5634525	4607719
Savings Bank Deposits	9880748	7468431
Term Deposits		
From Banks	1155000	935000
From Others	54314416	36676823
Total	70984840	49688113
Deposits of Branches in India	70984840	49688113
Deposits of Branches outside India	-	-
Schedule 4 - Borrowings		
Borrowings in India		
Reserve Bank of India	20000	-
Other banks	-	-
Other institutions and Agencies	1185534	-
Borrowings outside India		-
Total	1205534	-
Schedule 5 - Other Liabilities and Provisions		
Bills Payable	690254	523831
Interest accrued	901629	728717
Others (including Provisions)	715882	422798
Unsecured Redeemable Bonds (Subordinated Debt for Tier II Capital)	1970000	820000
Total	4277765	2495346
Schedule 6 - Cash and balance with Reserve Bank of India		
Cash in Hand (including foreign currency notes)	1181108	788698
Balances with Reserve Bank of India		
(i) in Current Accounts	4947878	3161251
(ii) in Other Accounts	-	-
Total	6128986	3949949
Schedule 7 - Balance with Banks and Money at Call and Short Notice		
In India		
I Balances with banks		
in current accounts	486717	272120
in other deposit accounts	768485	2594985
II Money at call & short notice		
with banks	-	-
with other institutions	-	-
Total	1255202	2867105
Outside India		
i) in current accounts	119095	43601
ii) in other deposit accounts	-	-
iii) Money at call and short notice	-	-
Total	119095	43601
Grand Total	1374297	2910706

THE DHANALAKSHMI BANK LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

(Rs in thousands)

Schedule 8 - Investments	As at 31 March 2010	As at 31 March 2009
Investments in India		
In Government Securities	16794051	13875787
In Approved securities	1749894	3654
Shares	6200	19771
Debentures and Bonds	330000	285000
Subsidiaries/Joint Ventures	-	-
Others	1397782	1489411
Total	20277927	15673623
Investment in India (Gross)	20359117	15753882
Less Depreciation and Provisions	81190	80259
Total	20277927	15673623
Investments outside India	-	-
Total	20277927	15673623
Schedule 9 - Advances		
A i) Bills Purchased and discounted	1097056	1675540
ii) Cash Credits Overdrafts and Loans repayable on Demand	17770979	14518686
iii) Term Loans	31194551	15766338
Total	50062586	31960564
B i) Secured by Tangible assets	38580562	27081034
ii) Covered by Bank/Govt Guarantee	97291	492099
iii) Unsecured	11384733	4387431
Total	50062586	31960564
C. I Advances in India		
i) Priority sectors	12553586	10502450
ii) Public Sector	3107579	1575460
iii) Banks	4148	-
iv) Others	34397273	19882654
Total	50062586	31960564
II Advances outside India	-	-
Total	50062586	31960564

THE DHANALAKSHMI BANK LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31 MARCH 2010

(Rs in thousands)

Schedule 10 - Fixed Assets	As at 31 March 2010	As at 31 March 2009
Premises		
At cost as on 31 March of the preceding year	342798	342798
Additions/Adjustments during the year	6416	-
Deductions during the year		
	31.03.2010	31.03.2009
Revaluation Reserve	10369	8333
Depreciation to date	67689	60951
Total	271156	273514
Other Fixed Assets (includes Furniture and Fixture and Computers)		
At cost as on 31st March of the preceding year	756469	685088
Additions during the year	349212	76485
Deductions during the year	(106157)	(5104)
Depreciation to date	(664228)	(567922)
Total	335296	188547
Capital Work-in-progress	188249	-
Total	794701	462061
Schedule 11 - Other Assets		
Inter Office Adjustments (Net)	337272	100862
Interest Accrued	664884	586755
Tax paid in advance and Tax Deducted at Source	427820	250766
Stationery and stamps	648	1409
Non Banking Assets acquired in satisfaction of claims	1682	1110
Deferred Tax Asset	48670	41883
Others	749437	488553
Total	2230413	1471338
Schedule 12 - Contingent Liabilities		
Claims against the bank not acknowledged as debts	26770	16930
Liabilities on account of outstanding forward exchange contracts	3150964	877075
Guarantees given on behalf of constituents in India	1282637	969790
Acceptance endorsements and other obligations	382101	405362
Other items for which Bank is contingently liable (Disputed Income Tax Liability)	732799	226144
Total	5575271	2495301
Schedule 13 - Interest Earned		
Interest/Discount on Advances/bills	4193945	2920938
Income on Investments	1078520	790315
Interest on balance with Reserve Bank of India and other inter bank funds	53131	372897
Others	20110	-
Total	5345706	4084150

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Schedules forming part of the Financial Statements as at 31 March 2010

(Rs in thousands)

Schedule 14 - Other Income	As at 31 March, 2010	As at 31 March, 2009
Commission Exchange and Brokerage	70315	101304
Profit/(Loss) on sale of Investments (Net)	177943	73658
Profit/(Loss) on sale of land building and other assets (Net)	7120	1844
Profit/(Loss) on exchange transactions (Net)	23299	37803
Income from Insurance	56998	73390
Miscellaneous Income	574201	505595
Total	909876	793594
Schedule 15 - Interest Expended		
Interest on Deposits	3702272	2794742
Interest on Reserve Bank of India and inter bank borrowing	108178	6405
Others	129757	66811
Total	3940207	2867958
Schedule 16 - Operating Expenses		
Payments to and Provisions to Employees	1090805	625615
Rent Taxes and Lighting	216027	139138
Printing and Stationery	30700	15274
Advertisement and Publicity	5875	7044
Depreciation to Banks property	103045	75467
Directors Fee Allowance and Expense	3097	2487
Auditors Fee and Expense (including Branch Auditors)	5897	5311
Law charges	1484	5774
Postages, Telegrams, Telephones etc	50675	26131
Repairs and Maintenance	20028	15243
Insurance	51830	37439
Other Expenditure	349119	175817
Total	1928582	1130740
Provisions & Contingencies		
Provision for Non Performing Assets (Advances)	22200	18693
Floating Provision for NPA (Advances)	-	20000
Provision for Standard Assets	74200	5200
Provision for Restructured Advances	4115	6521
Provision for Securitisation	-	49500
Bad Debts Written Off	7930	3221
Provision for Depreciation on Investments (Net)	6731	(9385)
Provision for NPA (Investments)	(5800)	(11331)
Provision for Income Tax/ Wealth Tax/ FBT	51167	226237
Deferred Tax Asset	(6787)	(4124)
Total	153756	304532

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SCHEDULE 17 - PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2010

Back ground

The Dhanalakshmi Bank Limited was incorporated in November 1927 at Thrissur, in Kerala by a group of ambitious entrepreneurs. Dhanalakshmi bank is a banking company governed by The Banking Regulation Act, 1949. It became a scheduled commercial bank since 1977.

PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and in compliance with generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies Accounting Standard Rules 2006 to the extent applicable and in compliance of the current practices prevailing within the banking industry in India.

The preparation of financial statements requires the management to make estimates and assumptions considering the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expense for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may differ from these estimates. Any revision in the accounting estimates is recognized prospectively in the current and future period.

2. Revenue recognition

- Items of income and expenditure are accounted for on accrual basis, except as stated hereunder:
 - Interest on loans and advances is recognized on accrual basis other than on those stipulated in RBIs prudential norms on income recognition, asset classification and provisioning relating to NPAs where the income is recognized on realization.
- In respect of accounts covered under one time settlement, the recoveries are adjusted against book balance and the net balance is written off.
- Income accounted for in the preceding year and remaining unrealized is de-recognised in respect of advances classified as NPA during the year. Interest on NPA is transferred to interest suspense account and recognised in Profit and Loss Account when realised
- Rent on safe deposit lockers, dividends, depository participant business etc are accounted for on cash basis. Discount on bills are recognized upfront except where the tenor exceeds one year.
- Interest on income tax refunds is accounted in the year in which the same is determined.
- In respect of sale of Assets under securitization the Bank has followed RBI guidelines as under:
 - o Sale price received shall be duly accounted for and shall be apportioned to each asset on the basis of respective valuations given to the asset.
 - o If the sale price is below Net Book Value (i.e. Outstanding book balance less interest suspense and provisions held) {Net NPA}, then short fall should be debited to profit and loss account.
 - o If sale value is higher than the Net NPA balance, then excess provisions shall not be reversed but should be utilized to meet the shortfall/loss on account of sale of other non performing Assets.
 - o The cash consideration received in respect of written off accounts shall be taken to Profit and Account and the value of Security Receipts shall be shown under investment and the corresponding provision shall be held.

3. Investments

Investments in Government, other approved securities, shares, debentures, bonds and other securities are categorized into (a) Held to Maturity (b) Held for Trading and (c) Available for Sale in terms of RBI guidelines.

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to revenue.
- Broken period interest on debt instruments is treated as a revenue item.
- Cost of investments is based on the following basis:-
 - o Held to Maturity – Individual cost
 - o Held for Trading – Weighted Average
 - o Available for sale – Weighted Average

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Valuation of Investments is done as under

Particulars	Valuation Norms
Central Government Securities	Prices published by PDAI/FIMMDA
State Government Securities	At YTM published by PDAI/FIMMDA
Other Approved Securities	YTM published by PDAI/FIMMDA duly adjusted as per RBI guidelines
Bonds, Debentures and Preference Shares	As per rates / methodologies prescribed by FIMMDA.
Equity Shares	Valued at book value as per the latest Balance Sheet. Where Balance Sheets are not available, at Re 1/- per Company.
Units of Mutual Fund	Re-purchase price / NAV declared by the Mutual Fund as at the close of the year.
Other securities	As per guidelines prescribed by RBI

The premium (acquisition cost over the face value), if any, is amortised over the remaining period of maturity in respect of securities held under Held to Maturity category based on "Constant Yield Method". Profit on redemption / sale of securities in Held to Maturity category is transferred to Capital Reserve.

The shifting of securities from one category to another is done with the approval of the Board as per RBI guidelines. The shifting is effected at acquisition cost/book /market value on the date of transfer, whichever is the least and the depreciation if any at the time of shifting is fully provided for.

Repo and Reverse Repo Transactions:

In a repo transaction, the bank borrows monies against pledge of securities. The book value of the securities pledged is credited to the investment account. Borrowing costs on repo transactions are accounted for as interest expense. In respect of repo transactions outstanding at the balance sheet date, the difference between the sale price and book value, if the former is lower than the latter, is provided as a loss in the income statement.

In a reverse repo transaction, the bank lends monies against incoming pledge of securities. The securities purchased are debited to the investment account at the market price on the date of the transaction. Revenues thereon are accounted as interest income.

In respect of repo transactions under Liquidity Adjustment Facility with RBI (LAF), 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.

4. Advances

Advances are classified as performing and non-performing based on the Reserve Bank of India guidelines and further into Standard, Sub-Standard, Doubtful and Loss Assets and are stated net of bills rediscounted, specific provisions, floating provisions, interest in suspense for non-performing advances and claims received from Export Credit Guarantee Corporation.

Specific loan loss provisions in respect of non-performing advances (NPAs) are made based on management's assessment of the degree of impairment of wholesale and retail advances, subject to the minimum provisioning level prescribed in the RBI guidelines.

The Bank maintains general provision for standard assets at levels stipulated by RBI from time to time. Provision for standard assets is included under Other Liabilities. Provisions made in excess of these regulatory levels or provisions which are not made with respect to specific non-performing assets or assets which are restructured / securitised are categorised as floating provisions.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance/securities, which would generally include, among others, alteration of repayment period/repayable amount/the amount of installments/rate of interest (due to reasons other than competitive reasons). Restructured accounts are reported as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made.

5. Fixed assets and depreciation

Fixed assets, except those revalued, are stated at cost less accumulated depreciation. Cost includes cost of purchase and all expenditure like site preparation, installation costs, professional fees and other expenses incurred on the asset before it is ready to use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit/functioning capability from/of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a written down value basis except on computers. The rates of depreciation are given below:

- Owned Premises at 5.00% per annum
- Office equipment at 18.10% per annum
- Motor cars at 25.89% per annum
- Electrical items at 13.91%
- Items (excluding staff assets) costing less than Rs. 5,000/- are fully depreciated in the year of purchase
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956
- Computers including software and system development expenditure at 33.33% per annum on Straight Line Basis.

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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 3 to 5 year.

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Bank.

6. Impairment of assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment of loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

7. Transactions involving foreign exchange

- Monetary assets and liabilities are translated at the exchange rates prevailing at the close of the year as advised by FEDAI and the resulting net gain/loss is recognized in the revenue account.
- Profit or loss on outstanding forward foreign currency contracts are accounted for at the exchange rates prevailing at the close of the year as per FEDAI/ RBI guidelines.
- Income and expenditure items are accounted at the exchange rates ruling on the date of transaction.
- Contingent liabilities in respect of outstanding forward foreign currency exchange contracts, guarantees and letters of credit are stated at the exchange rates prevailing at the close of the year.
- Premium/discount on hedge swaps are recognized as interest income/expenses and are recognized/ amortised over the period of the transactions.

8. Employee benefits

• Employee Stock Option Scheme ("ESOS")

The Dhanalakshmi Bank Limited Employees Stock Option Scheme 2009 ("ESOP Scheme") provides for the grant of equity shares of the Bank to its eligible employees and Directors in the whole time employment of the Bank / Managing Director. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee's compensation plans. In this regard the Bank has complied with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines, 1999.

The defined employee benefit schemes are as under:-

• Provident Fund

The contribution as required by the statute is made to the Staff PF Trust of the Bank is debited to the Profit and Loss Account. The obligation of the Bank is limited to such contribution.

• Gratuity

The Bank has a defined benefit gratuity plan for Officers and Workmen. Every Officer / workman who has rendered continuous services of five years or more is eligible for Gratuity on superannuation, resignation, termination, disablement or on death. The scheme is funded by the bank and is managed by a separate staff trust. The liability for the same is recognized on the basis of actuarial valuation.

• Pension

The bank has a defined benefit pension Plan. The plan applies to those employees of the bank who were on the Bank pay-roll as on September 29, 1995, having opted for the pension scheme and to all workmen joining, thereafter. The scheme is managed by a simple separate trust and the liability for the same is recognized on the basis of actuarial valuation.

9. Lease Accounting

Lease payments for assets taken on operating lease are recognized in the Profit and Loss Account over the lease term in accordance with the AS - 19, Leases.

10. Income tax

Income tax expense comprises current tax provision, the net change in the deferred tax asset or liability in the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets and liabilities are measured using the enacted or substantially enacted tax rates at the balance sheet date.

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

11. Accounting for provisions, contingent liabilities and contingent assets

In accordance with AS - 29, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Bank recognises provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

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Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent Assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realized.

12. Earnings per share

The Bank reports basic and diluted earnings per equity share in accordance with AS - 20, Earnings per Share, issued by the Institute of Chartered Accountants of India. Basic earnings per equity share have been computed by dividing net profit for the year by the weighted average number of equity shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. 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.

13. Segment reporting

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.

Primary Segments: Business segments.

- a. Treasury Operations: Includes the entire investment portfolio of the bank.
- b. Corporate/Wholesale Banking : Includes all advances to trusts, partnership firms, companies and statutory bodies which are not included under "Retail Banking"
- c. Retail Banking: The exposure upto Rs. 5.00 Crores to individual, HUF, Partnership firm, Trust, Private Ltd. Companies, Public Ltd. Companies, Co-operative Societies etc. or to a small business is covered under retail banking. Small business is one where average of last three years annual turnover (actual for existing & projected for new entities) is less than Rs.50 crores.
- d. Other banking business operations: Includes all other Banking operations not covered under Treasury, Wholesale Banking and Retail banking Segments. Other banking business is the residual category.

Secondary Segments: Geographical segments

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

SCHEDULE 18 - Notes appended to and forming part of the financial statements for the year ended 31 March, 2010

1. Capital commitments Rs. 7, 74 Lakhs.

2. Commission from insurance business is accounted on accrual basis which hitherto was accounted on cash basis. Had the Bank accounted commission on cash basis, profit (net of tax) for the year would have been lower by Rs. 84 Lakhs.

3. (a) Provisions and Contingencies

Particulars	in Lakhs	
	31.03.2010	31.03.2009
Provision for depreciation on Investments	67	(94)
Provision towards Standard Assets	7,42	52
Provision towards NPA (including write off)	3,01	2,19
Provision towards Non Performing Investments	(58)	(1,13)
Provision towards Security Receipts	-	4,95
Provision towards Income Tax, Wealth Tax, FBT etc.	5,12	22,62
Deferred Tax Asset/Liability	(68)	(41)
Provision for diminution in value of Restructured Accounts	42	65
Floating Provision for NPA (Advances)	-	2,00
Total	15,38	30,45

(b) Floating Provisions

Particulars	in Lakhs	
	31.03.2010	31.03.2009
(a) Opening balance in the floating provisions account	2,00	-
(b) The quantum of floating provisions made During the accounting year	-	2,00
(c) Amount of draw down made during the accounting year	-	-
(d) Closing balance in the floating provisions account	2,00	2,00

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4. Capital adequacy

in Lakhs

Sr. No.	Items	31.03.2010		31.03.2009	
		Basel I	Basel II	Basel I	Basel II
(i)	CRAR (%)	12.47	12.99	14.44	15.38
(ii)	CRAR-Tier I Capital (%)	8.45	8.80	12.90	13.75
(iii)	CRAR-Tier II Capital (%)	4.02	4.19	1.54	1.63
(iv)	Amount of Subordinated debt raised as Tier-II capital	1,97,00	1,97,00	82,00	82,00

5. Investments

in Lakhs

Items	31.03.2010	31.03.2009
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	20,35,91	15,75,39
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	8,11	8,03
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	20,27,80	15,67,36
(b) Outside India,	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	8,03	7,54
(ii) Add: Provisions made during the year	67	5,92
(iii) Less: (Write-off/write-back of excess provisions during the year)	59	5,43
(iv) Closing Balance	8,11	8,03

6. Repo transactions

in Lakhs

Particulars	Minimum outstanding during the Financial Year		Maximum outstanding during the Financial Year		Daily Average outstanding during the Financial Year		As on 31 March, 2010	As on 31 March, 2009
	2010	2009	2010	2009	2010	2009		
	Securities sold under repos	26,25	15,75	26,25	31,50	48,75	51	26,25
Securities purchased under reverse repos	26,25	5,25	1,05,00	2,78,25	25,00	24,99	Nil	1,25,00

7. Non-SLR investment portfolio

a. Issuer composition of Non SLR investments

in Lakhs

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(i)	PSUs	-	-	-	-	-
(ii)	FIs	10,00	10,00	-	-	-
(iii)	Banks	10,00	8,00	6,00	-	-
(iv)	Private Corporate	35,19	17,19	-	1,34	1,31
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others	13,13	-	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	68,32	35,19	6,00	1,34	1,31

b. Non-Performing Non-SLR Investments

In Lakhs

Particulars	31.03.2010	31.03.2009
Opening balance	8,03	4,17
Additions during the year	Nil	6,51
Reductions during the year	59	2,65
Closing balance	7,44	8,03
Total provisions held	7,44	8,03

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8. Derivatives

The bank uses forward exchange contract to hedge against its foreign currency exposures relating to the underlying transaction and firm commitments. The bank has not entered into any derivative instruments for trading /speculative purposes either in Foreign Exchange or domestic treasury operations.

9. Asset quality

i) In terms of Agricultural Debt Waiver and Debt Relief Scheme 2008, framed by the Government of India, the bank has received Rs.313 lakhs from RBI on account of loans to small and marginal farmers out of the amount eligible for debt waiver of Rs.435 lakhs. The balance amount of Rs.122 lakhs has been shown as receivables and clubbed under the head "Advances".

The position with reference to Agricultural Debt Relief Scheme is as under:

Claim pertaining to Debt Relief arising till December 31,2009 is Rs.16 lakhs which is shown as Receivable from Government of India under Agricultural Debt Relief Scheme 2008(which can be clubbed under the head "advances"). Government of India has subsequently extended the scheme upto June 30, 2010.

ii) Non-Performing Asset

Items	31.03.2010	31.03.2009
		in Lakhs
(i) Net NPAs to Net Advances (%)	0.84	0.88
(ii) Movement of NPAs (Gross)		
(a) Opening balance	64,43	63,21
(b) Additions during the year	52,16	37,45
(c) Reductions during the year	39,09	36,23
(d) Closing balance	77,50	64,43
(iii) Movement of Net NPAs		
(a) Opening balance	28,24	18,56
(b) Additions during the year	46,06	27,41
(c) Reductions during the year	32,13	15,09
(d) ECGC Collection	23	64
(e) Floating Provision	-	2,00
(f) Closing balance	41,94	28,24
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	35,55	44,00
(b) Provisions made during the year	12,85	*12,05
(c) Write-off/write-back of excess provisions	13,71	20,50
(d) Closing balance	34,69	35,55

*Includes floating provision of Rs.200 lakhs

Total amount recovered from SC/ST borrowers is Rs. 13.09 lakhs (Rs.34.70 lakhs)

iii) Details of Loan Assets subjected to Restructuring

Particulars		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	Nil	Nil	43
	Amount outstanding			35,62
	Sacrifice (Diminution in the fair value)			1,06*
Sub standard advances restructured	No. of Borrowers	Nil	Nil	Nil
	Amount outstanding			
	Sacrifice (Diminution in the fair value)			
Doubtful advances restructured	No. of Borrowers	Nil	Nil	Nil
	Amount outstanding			
	Sacrifice (Diminution in the fair value)			
Total	No. of Borrowers	Nil	Nil	43
	Amount outstanding			35,62
	Sacrifice			1,06
	(Diminution in the fair value)			

*Sacrifice upto 31.03.2009 provided : Rs. 65 lakhs

Sacrifice for 01.04.2009 to 31.03.2010 to be provided : Rs. 41 lakhs

Total : Rs. 1,06 lakhs

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iv) Details of financial assets sold to Securitisation / Reconstruction Company:

in Lakhs

Sl. No.	Item	31.03.2010	31.03.2009
(i)	No. of accounts	Nil	24
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	-	-
(iii)	Aggregate consideration	Nil	5,50
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain/loss over net book value.	NIL	5,50

v) Provisions on Standard Assets

in Lakhs

Item	31.03.2010	31.03.2009
Provisions towards Standard Assets	19,12	11,71

10. Business ratios

Sr. No.	Items	31.03.2010	31.03.2009
(i)	Interest Income as a percentage to Working Funds (%)	7.97	8.60
(ii)	Non-interest income as a percentage to Working Funds (%)	1.36	1.67
(iii)	Operating Profit as a percentage to Working Funds (%)	0.58	1.85
(iv)	Return on Assets (%)	0.35	1.21
(v)	Business (Deposits plus advances) per employee – Rs. in Lakhs	369.61	585.88
(vi)	Profit/(Loss) per employee - Rs. in Lakhs	0.07	4.10

11. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities

in Lakhs

Due within	Advances	Investments	Foreign currency		Deposits	Borrowings
			Assets	Liabilities		
Day 1	95,37	-	24	6,45	65,16	-
2 to 7 Days	60,57	-	99,09	18	2,31,48	49,98
8 to 14 days	63,02	24,97	-	13	1,92,20	2,00
15 to 28 days	95,38	71,39	-	62	2,59,30	9,98
29 days upto 3 months	3,56,25	41,18	22,02	9,52	8,54,19	-
Over 3 months and upto 6 months	359,09	73,29	4,67	8,60	16,96,06	-
Over 6 months and upto 1 year	580,42	18,20	1,20	22,47	14,57,80	-
Over 1 year and upto 3 years	15,78,77	4,12	-	4,32	22,18,78	32,03
Over 3 years and upto 5 years	11,18,16	211,32	-	6,65	99,94	26,56
Over 5 years	6,99,24	1591,44	-	-	23,57	-
Total	50,06,27	20,35,91	1,27,22	58,94	70,98,48	1,20,55

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12. Lending to sensitive sector

i) Exposure to Real Estate Sector

	in Lakhs	
Category	31.03.2010	31.03.2009
a) Direct exposure		
(i) Residential Mortgages –		
Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans up to Rs. 15 lakhs)	1,66,68	1,94,74
	1,58,82	1,06,40
(ii) Commercial Real Estate –		
Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	1,10,14	1,42,25
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	-	-
b. Commercial Real Estate.	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	1,84,03	-

ii) Exposure to Capital Market

	in Lakhs	
Particulars	Current year	Previous Year
(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;	3,30	4,65
(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;	37	55
(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;	60	3,83
(vi) loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoters contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows/issues;	-	-
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) financing to stockbrokers for margin trading;	-	-
(x) all exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
Total Exposure to Capital Market	4,27	9,03

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13. Risk category wise country exposure

Risk Category	Exposure (net) as at 31.03.2010	Provision held as at 31.03.2010	Exposure (net) as at 31.03.2009	Provision held as at 31.03.2009
Insignificant	19,12	Nil	38,58	Nil
Low	-	Nil	-	Nil
Moderate	-	Nil	-	Nil
High	-	Nil	-	Nil
Very High	-	Nil	-	Nil
Restricted	-	Nil	-	Nil
Off-credit	-	Nil	-	Nil
Total	19,12	Nil	38,58	Nil

in Lakhs

14. Details of single borrower limit, group borrower limit exceeded by the bank

The bank has not exceeded single borrower limit or group borrower limit during the year

15. Amount of provisions made for tax during the year

Particulars	31.03.2010	31.03.2009
Income Tax	5,08	22,21
Wealth Tax	4	4
Fringe Benefit Tax	-	37
Deferred Tax	(68)	(42)

in Lakhs

16. No penalty has been imposed during the year 2009-10 by RBI.

17. Disclosure for customer complaints/unimplemented awards of Banking ombudsman

Customer complaints

Particulars	31.03.2010
(a) No. of complaints pending at the beginning of the year	5
(b) No. of complaints received during the year	169
(c) No. of complaints redressed during the year	162
(d) No. of complaints pending at the end of the year	12

Unimplemented awards of Banking Ombudsmen

Particulars	31.03.2010
(a) No. of unimplemented awards at the beginning of the year	Nil
(b) No. of Awards passed by the Banking Ombudsmen during the year	Nil
(c) No. of Awards implemented during the year	Nil
(d) No. of unimplemented Awards during the year	Nil

18. Disclosure of letter of comforts (locs) issued by the bank

The Bank has not issued any Letter of Comfort during the year ended 31 March, 2010.

19. (I) Concentration of deposits, advances and npas

a) Concentration of Deposits

Particulars	Amount
Total Deposits of twenty largest depositors	20,29,00
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	28.57%

in Lakhs

b) Concentration of Advances

Particulars	Amount
Total Advances to twenty largest borrowers	14,63,56
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	28.93%

in Lakhs

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c) Concentration of Exposures

in Lakhs

Particulars	Amount
Total Exposure to twenty largest borrowers/customers	15,53,29
Percentage of Exposures to twenty largest Borrowers /customers to Total Exposure of the bank on borrowers/customers	30.72%

d) Concentration of NPAs

in Lakhs

Particulars	Amount
Total Exposure to top four NPA accounts	11,39

(II) Sector-wise NPAs

Sector	Percentage of NPAs to Total Advances in that Sector
Agriculture & allied activities	0.56
Industry (Micro & small, Medium and Large)	0.85
Services	15.52
Personal Loans	14.95

(III) Movement of NPAs

In Lakhs

Particulars	Amount
Gross NPAs* as on 1st April 2009	64,43
Additions (Fresh NPAs) during the year	52,16
Sub-total (A)	1,16,59
Less:-	
(i) Up gradations	7,72
(ii) Recoveries (excluding recoveries made from upgraded accounts)	27,49
(iii) Write-offs	3,88
Sub-total (B)	39,09
Gross NPAs as on 31st March 2010 (A-B)	77,50

(IV) Overseas assets, npa and revenue

in Lakhs

Particulars	Amount
Total Assets	Nil
Total NPAs	Nil
Total Revenue	Nil

(V) Off-balance sheet spvs sponsored (which are required to be consolidated as per accounting norms)

in Lakhs

	Name of the SPV sponsored	
	Domestic Nil	Overseas Nil

20. ESOP Scheme

On August 6, 2009, the Bank granted 3,979,225 options to employees under two different plans at a uniform option price of Rs. 118.35. Options granted to the employees under the first plan ('Existing Employees') shall vest at the rate of 30%, 30% and 40% on each successive anniversary of the grant date. Options granted to the employees under the second plan ('Joining Employees') shall vest after completion of 12 months from the date of grant. Further, all the option granted to 'Joining Employees' under the scheme shall be subject to a lock in period of twenty four months from date of vesting of options under this scheme.

As the closing quoted market price of share one day prior to the date of grant is same as the exercise price, intrinsic value of the options is NIL; accordingly no stock based compensation arose on these grants.

21. Employee benefits (accounting standard -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:

THE DHANALAKSHMI BANK LIMITED

A. Expenses recognized in Profit and Loss Account

	in Lakhs		
Particulars	Pension	Gratuity	Leave
Current Service Cost	226.20	144.91	241.14
Interest cost on benefit obligation	386.67	176.78	134.98
Expected return on plan assets	(423.07)	-	-
Net actuarial (gain)/loss recognized in the year	(425.41)	(555.27)	(72.14)
Expenses recognized in the Profit and Loss A/c	(235.60)	233.58	303.98

B. The amount recognized in the Balance Sheet

	in Lakhs		
Particulars	Pension	Gratuity	Leave
Present Value of obligation as at 31.03.2010 (i)	5347.31	2024.92	1679.18
Fair value of plan assets as at 31.03.2010 (ii)	5144.91	2335.49	-
Difference (ii) - (i)	(202.40)	310.56	(1679.18)
Net asset/(liability) recognized in the Balance Sheet	(202.40)	310.56	(1679.18)

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

	in Lakhs		
Particulars	Pension	Gratuity	Leave
Present value of obligation as at 01.04.2009	5446.58	2380.52	1504.29
Interest cost	386.67	176.78	134.98
Current Service Cost	226.20	144.91	241.14
Benefits paid	(70.41)	(115.39)	(129.09)
Settlements	(227.52)	-	-
Net actuarial (gain)/loss on obligation	(414.22)	(561.90)	(72.14)
Present value of the defined benefit obligation as at 31.3.2010	5347.31	2024.92	1679.18

D. Change in the fair value of plan assets:

	in Lakhs		
Particulars	Pension	Gratuity	Leave
Fair value of plan assets as at 01.04.2009	4882.23	2000.63	-
Expected return on plan assets	423.07	191.00	-
Contributions by employer	126.35	265.87	-
Benefit paid	(70.41)	(115.39)	-
Settlements	(227.52)	-	-
Actuarial gain/(loss)	11.19	(6.63)	-
Fair value of plan assets as at 31.3.2010	5144.91	2335.49	-

E. Details of the Plan Asset

The details of the plan assets (at cost) as on March 31, 2010 are as follows:

	in Lakhs		
Particulars	Pension	Gratuity	Leave
Central Government securities	1,144.11	479.91	-
State Government securities	975.08	690.41	-
Investment in Public Sector Undertakings	1,964.15	872.38	-
Investment in Private Sector Undertakings	625.38	149.93	-
Others	251.23	59.55	-
Total	4,959.95	2,252.18	-

F. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

	Pension	Gratuity	Leave
Method used	Project Unit Credit Method	Project Unit Credit Method	Project Unit Credit Method
Discount rate	7.50%	7.50%	7.50%
Expected rate of return on assets	8.90%	8.90%	-
Future salary increase	4.50%	4.50%	4.50%

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22. 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 - 31.03.2010

	in Lakhs									
	Treasury		Retail Banking		Corporate / Wholesale Banking		Other Banking Operations		Total	
	Mar-10	Mar-09	Mar-10	Mar-09	Mar-10	Mar-09	Mar-10	Mar-09	Mar-10	Mar-09
Revenue	1,34,81	1,19,30	1,40,66	1,63,88	3,47,37	1,97,25	-	7,34	6,22,84	4,87,77
Results	16,82	25,33	16,25	35,90	27,14	43,21	-	7,34	60,21	1,11,78
Unallocated Expenses									21,54	23,88
Operating Profit									38,67	87,90
Total provisions									10,94	8,24
Tax Expenses									4,44	22,21
Extraordinary items									-	-
Profit After Tax									23,30	57,45
Other Information										
Segment Assets	22,60,86	15,52,45	16,09,14	18,21,85	41,41,90	21,92,80	-	-	80,11,89	55,67,10
Unallocated Assets									75,00	7572
Total Assets									80,86,89	56,42,82
Segment Liabilities	21,16,68	15,26,12	15,47,33	16,38,32	39,82,80	19,71,91	-	-	76,46,81	51,36,35
Unallocated Liabilities									4,40,07	5,06,47
Total Liabilities									80,86,89	56,42,82

23. Particulars of related party transactions (AS-18)

	31.03.2010	31.03.2009
a) Key Management personnel	1 Shri Amitabh Chaturvedi	1. Shri P.S.Prasad *
b) Nature of transaction:	MD & CEO	MD & CEO
Remuneration (including perquisites)	Rs. 36,00,000.00	2. Shri Amitabh Chaturvedi MD & CEO (from 13.10.2008)
Shri P.S. Prasad		Rs. 7,72,628.00
Shri Amitabh Chaturvedi		Rs. 17,90,888.00

* Upto 14 August 2008

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24. Lease Accounting (AS -19)

The details of maturity profile of future operating lease payments are given below

Period	31.03.2010	31.03.2009
in lakhs		
Not later than one year		
• Rented Premises	17,84	7,95
• IT equipments	4,07	-
Later than one year and not later than five years		
• Rented Premises	53,42	9,26
• IT equipments	8,14	-
Later than five years		
• Rented Premises	52,96	16,63
• IT equipments	-	-
Total	1,36,57	33,84
Total minimum lease payments recognized in the Profit and Loss Account for the year		
• Rented Premises	14,30	9,01
• IT equipments	-	-

25. Earnings Per Share (AS - 20)

Particulars	31.03.2010	31.03.2009
Net Profit after tax available for equity share holders (Rs. in crores)	23.31	57.45
Weight average no. of equity shares for Basic EPS	6,41,15,600	6,41,15,600
Weight average no. of equity shares for Diluted EPS	6,42,79,373	-
Earnings per share (Basic)	Rs. 3.64	Rs. 9.16
Earning per share (Diluted)	Rs. 3.64	-

26. Accounting for taxes on income (AS - 22)

The major components of Deferred Tax are as follows:

Particulars	Deferred tax asset		Deferred tax liability	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Depreciation on Assets	-	-	11.13	16.22
Leave Encashment	497.83	435.04	-	-
Total	497.83	435.04	11.13	16.22
Net balance	486.70	418.82	-	-

27. Bancassurance Business

Sr. No.	Nature of Income	31.03.2010
1.	For selling life insurance policies	59.96
2.	For selling non life insurance policies	11.21
3.	For selling mutual fund products	93.12
4.	Others	27,00.00
	Total	28,64.29

28. Miscellaneous income in schedule 14 includes Rs. 2700 lakhs being Commitment Fee received from M/s. Bajaj Allianz towards Life and General Insurance with whom the Bank has entered into agency agreement for life and general insurance. (Previous Year 2300 Lakhs)

29. The declaration of dividend is subject to RBI approval.

30. Previous Years figures are regrouped/rearranged wherever necessary to conform to current years classification.

31. Basel II (Pillar III) Disclosures

Table DF 1 – scope of application

Qualitative disclosures:

- a) The Dhanalakshmi Bank Ltd. has no subsidiaries.
- b) Not applicable since the Bank does not have any subsidiaries.

Quantitative disclosures:

- c) & d) Since the Bank does not have any subsidiaries, there are no quantitative disclosures.

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Table DF 2 - Capital structure

Qualitative disclosures:

a) Summary

Tier I capital of the Bank includes Equity Share Capital (64115600 equity shares of Rs.10 each fully paid up), Reserves & Surpluses comprising of Statutory Reserves, Capital Reserves, Share Premium and balance in Profit and Loss account.

Tier II Capital includes Revaluation Reserve, Special Reserves, Standard Asset Provisions and Tier II Bonds. During the year, the Bank has issued Unsecured Redeemable Subordinated Non-Convertible Lower Tier - II Bonds in the nature of Promissory Notes ("Bonds") amounting to Rs. 150 crores with a tenor of 5 years 9 months.

Quantitative Disclosures:

Items	31.03.2010	31.03.2009
		in lakhs
(a) The amount of Tier I capital, with separate disclosure of :		
Paid-up share capital	6411.56	6411.56
Reserves	35491.22	34069.42
Innovative Instruments	-	-
Other capital instruments	-	-
Sub-total	41902.72	40480.98
Less amounts deducted from Tier I capital, including goodwill and investments	486.69	418.83
Total Tier I capital	41416.03	40062.15
(b) The total amount of Tier 2 capital (net of deductions from Tier 2 capital)	19706.24	4754.95
(c) Debt capital instruments eligible for inclusion in Upper Tier 2 capital		
• Total amount outstanding		-
• Of which amount raised during the current year.		-
• Amount eligible to be reckoned as capital funds		-
(d) Subordinated debt eligible for inclusion in Lower Tier 2 capital.		
Total amount outstanding	19700	8200
Of which amount raised during the current year.	15000	0
Amount eligible to be reckoned as capital funds.	16620	2560
(e) Other deductions from capital, if any		0
(f) Total eligible capital- Tier I + Tier 2 (a + b - e)	61122.33	44817.10

Table DF 3 – Capital Adequacy

Qualitative disclosures:

The Bank has put in place a robust Risk Management Architecture with due focus not only on Capital optimization, but also on Profit Maximisation. The Bank has put in place the "Internal Capital Adequacy Assessment Process" Policy. 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 deliberates on various options available for capital augmentation in tune with business growth. The Bank has worked out CRAR based on both Basel I and Basel II guidelines. The Bank maintains CRAR of more than 9% and Tier I CRAR of more than 6%. Besides the Bank complies with the prudential floor for maintenance of capital as per the Revised Framework.

Quantitative Disclosures:

Items	31.03.2010	31.03.2009
		in Lakhs
(a) Capital requirements for credit risk		
• Portfolios subject to standardized approach	39439.05	23515.55
• Securitisation exposures	-	-
(b) Capital requirements for market risk Standardized duration approach		
• Interest rate risk	505.91	438.56
• Foreign exchange risk (including gold)	67.50	67.5
• Equity position risk	11.16	12.86
(c) Capital requirements for operational risk		
• Basic Indicator Approach	2322.15	2195
(d) Total and Tier I CRAR for the Bank		
• Total CRAR (%)	12.99	15.38

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Items	31.03.2010	31.03.2009
• Tier I CRAR (%)	8.80	13.75
(e) Total and Tier I CRAR for the consolidated Group		
• Total CRAR (%)	NA	NA
• Tier I CRAR (%)	NA	NA
(f) Total and Tier I CRAR for the Significant subsidiary which are not under consolidated group		
• Total CRAR (%)	NA	NA
• Tier I CRAR (%)	NA	NA

Table DF 4 – 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. As per the prudential norms applied for income recognition, asset classification and provisioning, the bank considers following categories of loans and advances as non-performing assets, wherein:

- Interests and/or instalment of principal remain overdue for a period of more than 90 days in respect of a Term loan.
- The account remains 'out of order' in respect of an overdraft/cash credit (OD/CC)
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- In case of agricultural advances, interest and/or instalment of principal remains overdue for 2 crop seasons (in respect of short duration crops) & 1 crop season (in respect of long duration crops)
- Any amount receivable that remains overdue for a period of more than 90 days in respect of other accounts.
- Interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Strategies and Processes for Credit Risk Management

The Bank has put in place a comprehensive Credit Policy which is reviewed and revised periodically. The Credit Risk Management Policy forms part of the Credit Policy. The main objectives of the Credit Policy are: -

- 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.

The Bank has defined segment wise exposure limits, industry wise exposure caps, individual and group borrower wise exposure caps. The operational processes and systems of the Bank relating to credit are built on sound credit risk management principles and are subjected to periodical review. In order to improve the quality of appraisals and to ensure accelerated response to customers, particularly in respect of high value credits, relationships and appraisal functions are segregated between the concerned branch and the core credit groups at zonal / central offices. Bank has revised many of its existing systems, procedures and structures with respect to Credit Approval Process, Credit Rating, Prudential Limits, Documentation, Credit Monitoring and Review Mechanism.

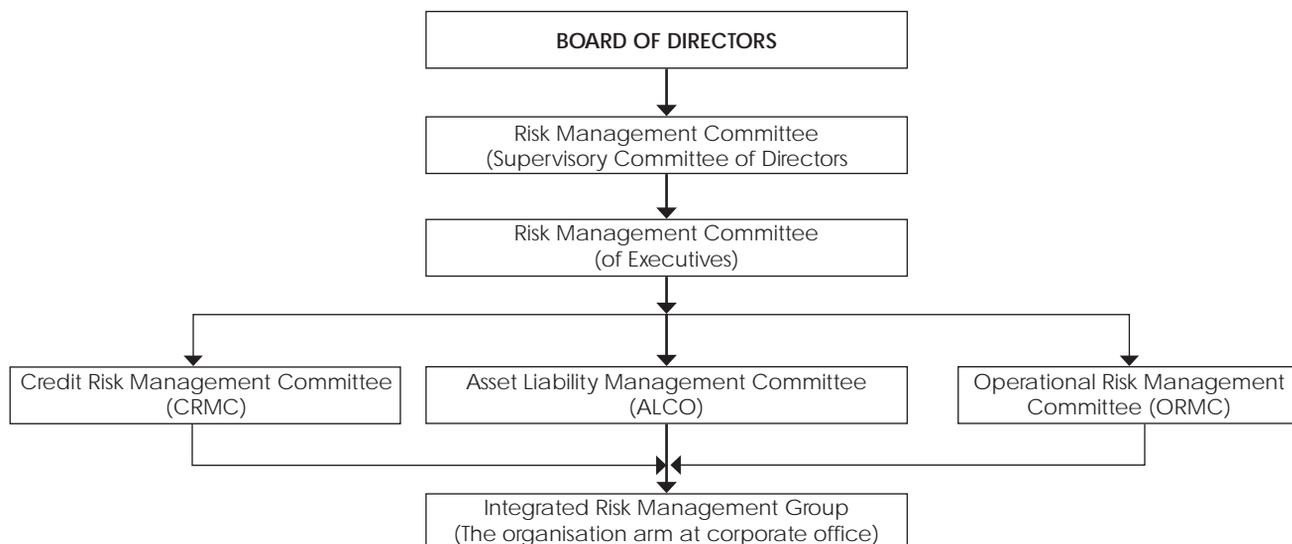
Bank has a Credit Monitoring Policy and a Recovery Policy, which are reviewed from time to time. Bank has system in place for identification of credit weaknesses well in advance. A Loan Review Mechanism for constantly evaluating the quality of loan book, by way of review of sanctions made, renewal process, submission of monitoring reports, credit related MIS, is in place. The Bank has a Credit Mid Office Group which would take care of the security creation and account management and a Credit Monitoring & Review Department which would take care of the monitoring of the assets.

Structure and Organization of the Risk Management function in the Bank

The Bank has a Credit Risk Management Committee in place with representation from Risk, Credit Sanction & Monitoring, Business Heads, Policy & Research and the Committee is headed by the Managing Director & CEO of the Bank. CRMC discusses on adherence to pruden-

THE DHANALAKSHMI BANK LIMITED

Governance Structure of Risk Management in the Bank



tial limits set, recommends to Board, policies on rating standards and benchmarks and monitors credit risk on a bank wide basis.

Scope and Nature of Risk Reporting and/or Measurement Systems

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. Risk Rating system is made applicable for loan accounts with total limits of Rs.2 lakhs and above. Bank uses different rating models for different types of exposures. The Integrated Risk Management Group of the Bank validates the ratings of all exposures of Rs. 25 lakhs and above. The Group carries out an independent analysis of the various risks attached to the credit proposals including industry analysis. Bank also conducts migration analysis of the credit portfolio. Bank evaluates the asset quality by tracking the delinquencies and migration of borrower from one rating scale to another in various industry, business segment etc. Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. The Bank has in place the following hierarchical sanctioning powers delegated for credit sanction and administration:

- Branch Heads
- Zonal Credit Head
- Zonal Office Credit Committee (ZCC)
- Central Office Credit Committee (CCC)
- Management Committee of Directors (MC/ Board)

Representatives from Integrated Risk Management Group forms part of the core team of various ZCCs and the CCC. The bank has implemented a fully automated software solution to get system support for calculation of Risk Weighted Assets for CRAR computation and generate various credit related reports for review of exposure and monitoring, and conducting analysis of credit portfolio from various angles.

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 Banks charge on collaterals.

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 Banks 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.
- Credit Audit system to identify, analyse instances of non-compliance and rectification
- Recording of loan sanctioned by each sanctioning authority by the next higher authority.

THE DHANALAKSHMI BANK LIMITED

- Off site monitoring tools like Financial Follow Up Reports, verification of various statutory returns, Audit Reports etc.
- Credit monitoring functions is divided into pre-disbursement, during disbursement and post disbursement.

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)

		in Lakhs			
Overall credit exposure		31.03.2010	31.03.2009	Total 31.03.2010	Total 31.03.2009
Fund Based	Loans & advances	508383.99	324529.53	535899.65	338655.73
	Others (Fixed Assets & other Assets)	27515.66	14126.2		
Non-Fund Based	LC, BG etc.	16647.38	12501.13	18295.27	13595.85
	Forward Contracts	630.19	175.42		
	Others	1017.7	919.3		
Investments (Banking Book only)	-	170443.65	60666.42	170443.65	60666.42
Total of Credit Risk exposure -			-	724638.57	412918

(b) Geographic distribution of exposures:

		in lakhs				
Exposures			31.03.2010			31.03.2009
	Fund based	Non Fund Based	Total	Fund Based	Non-fund based	Total
Domestic operations	706343.30	18295.27	724638.57	399322.15	13595.85	412918
Overseas operations	Bank has no overseas operations					

(c) Industry type distribution of exposures:

		In Lakhs			
Sl. No.	Industry	Fund Based Outstanding		NFB Outstanding	
		31.03.2010	31.03.2009	31.3.2010	31.03.2009
2.1	Mining and Quarrying	270	-	-	-
2.2	Food Processing	2659	1872	-	19
2.2.1	Sugar	216	214	-	-
2.2.2	Edible oils and vanaspati	107	155	-	-
2.2.3	Tea	-	-	-	-
2.2.4	Others	-	-	-	-
2.3	Beverage & Tobacco	-	-	-	-
2.4.1	Textiles	-	-	-	-
2.4.2	Cotton Textiles	13876	15388	61	84
2.4.3	Jute Textiles	-	-	-	-
2.5	Leather & Leather products	-	-	-	-
2.6	Wood and Wood Products	-	-	-	-
2.7	Paper & paper products	13228	234	-	-
2.8	Petroleum, coal products and nuclear fuels	-	-	-	-
2.9	Chemicals and chemical products	13644	6075	1044	48
2.9.1	Fertilizer	4400	-	-	4
2.9.2	Drugs & pharmaceuticals	7608	1129	-	-
2.9.3	Petro chemicals	-	-	-	-
2.9.4	Others	-	-	-	-
2.10	Rubber, plastic & their products	5591	6840	-	-
2.11	Glass and glassware	-	-	-	-
2.12	Cement and cement products	14000	-	-	-
2.13	Basic metal & metal products	-	-	-	-
2.13.1	Iron and steel	-	-	-	-
2.13.2	Other metal and metal products	2500	123	-	-
2.14	All engineering	16635	4592	77	183
2.14.1	Electronics	-	-	-	-
2.14.2	Others	-	-	-	-
2.15	Vehicles, vehicle parts and transport equipments	2000	-	-	-

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Sl. No.	Industry	Fund Based Outstanding		NFB Outstanding	
		31.03.2010	31.03.2009	31.3.2010	31.03.2009
2.16	Gems & Jewellery	10813	13542	650	850
2.17	Construction	2078	3887	-	951
2.18	Infrastructure	112796	53301	1426	1070
2.18.1	Power	35489	14564	-	-
2.18.2	Telecommunications	15500	-	-	-
2.18.3	Roads & ports	7125	478	-	-
2.18.4	Other infrastructure	-	-	-	-
2.19	Other Industries (Total of small, medium and large scale)	425808	276928	15037	10387
Total		706343	399322	18295	13596

(d) Residual maturity breakdown of assets:

Maturity Pattern Assets	in Lakhs					
	Advances 31.03.2010	Advances 31.03.2009	Investments 31.03.2010	Investments 31.03.2009	Foreign Currency 31.03.2010	Foreign Currency 31.03.2009
Day 1	95,37	129,12	-	1,73	24	13,60
2 to 7 Days	60,57	60,22	-	1,74,45	99,09	15,90
8 to 14 days	63,02	63,10	24,97	-	-	5,29
15 to 28 days	95,38	26,05	71,39	3,39,20	-	3,04
29 days up to 3 months	3,56,25	2,63,11	41,18	3,18,74	22,02	6,39
Over 3 months and up to 6 months	3,59,09	1,46,16	73,29	90,14	4,67	29
Over 6 months and up to 1 year	5,80,42	2,90,01	18,20	1,35,24	1,20	-
Over 1 year and up to 3 years	15,78,77	13,38,46	4,12	16,18	-	-
Over 3 years and up to 5 years	11,18,16	2,90,36	2,11,32	34,63	-	-
Over 5 years	6,99,24	5,89,47	15,91,44	4,57,05	-	-
Total	50,06,27	31,96,06	20,35,91	15,67,36	1,27,22	44,51

(e) Non-performing assets:

No	Items	in Lakhs	
		31.03.2010	31.03.2009
1	Gross NPAs	7749.89	6443
1.1	Sub-standard	3557	2330
1.2	Doubtful 1	1014	493
1.3	Doubtful 2	810	1053
1.4	Doubtful 3	1033	1624
1.5	Loss	1336	943
2	Net NPAs	7750	2824
3	NPA Ratios		
3.1	Gross NPAs to Gross Advances (%)	1.54	1.99
3.2	Net NPAs to Net Advances (%)	0.84	0.88
4	Movement of NPAs (gross)		
4.1	Opening balance	6443	6321
4.2	Additions	5216	3745
4.3	Reductions	3909	3623
4.4	Closing balance	7750	6443
5	Movement of provisions for NPAs		
5.1	Opening balance	3555	4400
5.2	Provisions made during the year	1285	*1205
5.3	Write-off	308	1222
5.4	Write back of excess provisions	1063	828
5.5	Closing balance	3469	3555
6	Amount of non-performing investments	744.59	802.59
7	Amount of provisions held for non-performing investments	744.59	802.59
8	Movement of provisions for depreciation on investments		
8.1	Opening balance	802.59	754.00
8.2	Provisions made during the period	-	592.00
8.3	Write-off/ Write back of excess provisions	58.00	543.00

* Includes floating provision of Rs. 200 lakhs

Table DF 5 - Disclosures for portfolios subject to the standardized approach

Qualitative Disclosures:

(a) For Portfolios under the standardized approach

1	Names of credit rating agencies used	Domestic Rating Agencies: CRISIL, CARE, FITCH, ICRA. International Credit rating agencies: Standard and poor, Moodys , 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	All the above identified Rating Agency rating are used for various types of exposures as follows : (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 (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. (iii) For Overseas exposures, irrespective of the contractual maturity, Long-Term Rating given by IRAs will be applicable. (iv) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.
4	Description of the process used to transfer public issue rating on to comparable assets in the banking book.	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: (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 <i>pari-passu</i> or junior to the rated exposure in all aspects (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 Banks unrated exposures if the Bank's exposure ranks <i>pari-passu</i> or senior to the specific rated debt in all respects and the maturity of unrated Banks exposure is not later than Maturity of rated debt.

Quantitative Disclosures

Amount of banks outstandings (rated & unrated) in major risk buckets- under standardized approach after factoring risk mitigants (i.e., collaterals):

in Lakhs

Particulars	31.03.2010			31.03.2009		
	Fund based	Non-fund based	Total	Fund based	Non-fund based	Total
Below 100% risk weight	407245.39	4088.71	411334.10	218836.50	2972.53	221809.00
100% risk weight	275936.63	14206.56	290143.19	169832.30	10198.30	180030.60
More than 100% risk weight	23161.28	-	23161.30	10653.41	425	11078.41
Total Exposure	706343.30	18295.27	724638.59	399322.21	13595.83	412918.01
Deducted (Risk mitigants)						
Below 100% RW	25231.13	-	25231.13	17336.58	-	17336.58
100% RW	425.58	-	425.58	12546.00	-	12546.00
More than 100% RW	9325.20	-	9325.20	8900.00	-	8900.00
Net Exposure	671361.39	18295.27	689656.68	360539.63	13595.83	374135.43

Table DF 6 –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.

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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 of 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, CGTSI
- 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 concentration within the mitigation taken:

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (In Lakhs)		Risk Concentration %	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Gold	5,26,28	4,82,74	54.35	60.43
Cash & Bank Deposits	4,37,62	3,10,17	45.20	38.83
KVP / IVP / NSC	3,78	5,01	0.39	0.63
LIC Policy	57	90	0.06	0.11
Total	9,68,25	7,98,82	100	100

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 and building is not recognized as eligible collateral under Basel II, 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 : Rs. 968.25 crores
- (ii) Other eligible Collateral (after Hair Cuts) : Rs. Nil

DF Table 7- Securitisation – standardized approach:

Qualitative Disclosures:

- Bank has not securitized any of its standard assets till date. However the Bank has sold Non-performing assets, either written off or otherwise. The Bank has outstanding investment of Rs.8.18 crores in 10 % IFMR Trust A2 series Pass Through Certificates of M/s. Equita Micro Finance India Pvt. Ltd. The same is rated by CRISIL. The PTCs is subjected to market risk capital charge and is primarily made with an earnings perspective.
- Bank will not assume any credit, operational or legal risk post sale of NPAs. The effect of sale of the financial asset will be that the asset is taken off from the books of the Bank and after the sale there is no known liability devolving on the bank.
- Sale will not be backed by any commitment or credit support in the nature of credit enhancement or liquidity support.
- Sale will not be made contingent upon realization by the purchaser and the Bank will not be responsible for the shortfall.

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Quantitative disclosure

- d) Details of portfolio of assets sold to M/s Pridhvi Asset Reconstruction and Securitisation Company Ltd. which has been fully written off in the books of account are as under.

Type	in Lakhs			
	No. of accounts		Balance written off	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
NBFC		11		15,31
Textile		1		2,07
Cement		1		3,00
IT		1		3,08
Steel	NIL	1	NIL	10,96
Other industries		3		3,11
Personal group consumer durable loans		4		2,59
Trade accounts		2		75
Total		24		40,87

DF Table 8 - Market risk in trading book - standardized modified duration approach:

Qualitative Disclosures:

(a) General :-

Strategies and processes

Market Risk management functions of the Bank are guided by various policies like Integrated Treasury Policy and Asset Liability Management Policy. Bank has an independent Mid-Office for market risk management functions like monitoring of adherence to set limits, independent valuation and reporting of activities. Mid-Office reports to Head of Integrated Risk Management Group. The Asset Liability Committee is responsible for establishing market risk management and asset liability management in the Bank, procedures thereof, monitoring adherence to prudential limits, interest rate risk management etc. The overall objective of market risk management is to create shareholder value by improving the bank's competitive advantage and reducing loss from all types of market risk loss events.

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 timelines, 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 and triggers, risk monitoring and reporting.

Liquidity risk of the Bank is assessed through Statement of Structural Liquidity on static basis and statement of Short-term Dynamic Liquidity on dynamic basis. Structural Liquidity position is assessed on daily basis and dynamic liquidity position is assessed on a fortnightly basis. Interest Rate risk is analysed from earning perspective using Traditional Gap Analysis on a fortnightly basis and economic value perspective using Duration Gap Analysis on a quarterly basis. Stress tests are conducted at quarterly intervals to assess the impact of various contingencies on the capital of the Bank.

The portfolio covered by Standardized Duration approach for computation of market risk capital charge are investment portfolio held under HFT and AFS, Gold and Forex Open positions.

Quantitative Disclosures:

Particulars	in Lakhs	
	Amount of capital requirement	
	31.03.2010	31.03.2009
Interest rate risk	506	439
Equity position risk	11	13
Foreign exchange risk	68	65

Table DF 09 - Operational risk:

Qualitative Disclosures:

(a) General

Strategies and processes: - Bank has put in place a framework for Operational Risk Management with a well-defined Operational Risk Management (ORM) Policy. The ORM Committee at the executive level oversees bank-wide implementation of Board approved policies and process in this regard. The Committee meets at least once in a quarter. All new products and processes of the Bank are risk vetted

THE DHANALAKSHMI BANK LIMITED

from the view point of operational risk, before implementation. The Bank is conducting Risk Control Self Assessment (RCSA) in critical business as well as Centralised activities. Risk Based Internal Audit is in place in all the Branches. 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 risk reporting consists of operational risk loss incidents/ events occurred in branches/ offices relating to people, process, technology and external events. The bank has implemented a software solution which is a modular Operational risk management solution which satisfies end-to-end operational risk management requirements (quantitative and qualitative). The Loss Data Methodology document which describes the approach for collection of Loss Data was adopted, which will enable the Bank to eventually ease the transition to Advanced Measurement Approach.

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. 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; 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. Bank has initiated steps to move on to the Advances Measurement Approach in due course.

Table DF 10 - Interest rate risk in the Banking Book (IRRBB):

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 various methodologies like Earnings at Risk to assess the impact of interest rate change on the Net Interest Income of the Bank and Duration Gap Analysis to assess the impact of interest rate risk in the Banking Book. The framework for managing interest rate risk in the Banking Book under Pillar II of Basel II is put in place by the ICAAP Policy. The Bank calculates the impact on the Market Value of Equity by Duration Gap Analysis quarterly.

Scope and nature of risk reporting/ measurement systems

Interest rate risk in the Banking Book is measured and Modified Duration of Equity is evaluated on a quarterly 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, change in interest rates etc.

Brief description of the approach used for computation of interest rate risk and nature of IRRBB

The interest rate risk in Banking Book is computed through Duration Gap Analysis. The various assumptions used are as follows: -

- Items such as capital, reserves & surplus, bills payable, inter-office adjustment, provisions are treated as non-rate sensitive.
- Similarly items such as cash, current account, fixed assets are considered to be non rate sensitive.
- The midpoint of each time bucket is considered as the proxy for the maturity of all assets and liabilities in that time bucket.
- The Bank uses market yields and coupons for various instruments and they are mapped to the same set of products for respective maturities.
- The frequency of coupon payment is assumed to be annual.
- The basis for interest calculation for each time bucket is assumed to be 'actual/actual'.
- The Bank has also carried out studies to adopt Economic Value Approach for its additional capital calculation under Pillar II. Under this approach, the Bank's interest rate risk is indicated by comparing the weighted average duration of assets (DA) with the weighted average duration of liabilities (DL) to arrive at the duration of the gap (equity). As with GAP analysis, the sign and magnitude of DGAP provides the impact of interest rate changes on the Economic Value of Equity (EVE).

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- Modified Durations of each category of assets and liabilities are computed for all the time buckets using the maturity date, coupon, yield, frequency and basis for interest calculation.

Quantitative Disclosures

The impact on earnings and economic value of equity for notional interest rate shocks as on 31.03.2009.

Earnings at Risk

	in Lakhs
Change in interest rate	Change in EaR
+ 25 bps	2,02
+ 50 bps	4,04
+ 75 bps	6,05
+ 100 bps	8,07

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 31.03.2010 19.27%

Prudential floor limit for minimum capital requirements:

The guidelines for implementation of the New capital adequacy framework issued by RBI, stipulates higher of the following amounts as minimum capital required to be maintained by the bank.

- (a) Minimum capital as per Basel II norms for Credit, Market and Operational risks.
- (b) Minimum capital as per Basel I norms for Credit and market risks.

The minimum capital required to be maintained by the Bank as on 31.03.2010 as per Basel I norms is Rs. 4,41,06lakhs and as per Basel II norms is Rs. 4,23,46 lakhs.

Capital (Tier I and Tier II) maintained by the Bank as on 31.03.2010 is Rs. 6,11, 22 lakhs, which is above the prudential floor limit.

Raghu Mohan N.
Senior Vice President (Finance & Accounts)

Ravindran K. Warriar
Company Secretary

Bipin Kabra
Chief Financial Officer

Ghanshyam Dass
Director

Amitabh Chaturvedi
Managing Director & CEO

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Shailesh V. Haribhakti
Director

K. Srikanth Reddy
Director

In terms of our report of even date attached

For Walker, Chandiook & Co.
Chartered Accountants

For Shah Gupta & Co.
Chartered Accountants

Date: May 11, 2010
Place: Mumbai

per **Khushroo B. Panthaky**
Partner
Membership No: F-42423
Firm Reg. No.: 001076N

per **Vipul K. Choksi**
Partner
Membership No.: F- 37606
Firm Reg. No.:109574W

THE DHANALAKSHMI BANK LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

A. Registration Details

Registration Number	09307	State Code	09
Balance sheet date	31-Mar-10		

B Capital raised during the year (Rs:000s)

Public issue	Nil	Bonus issue	Nil
Rights Issue	Nil	Private Placement	Nil

C Position of mobilisation and deployment of funds (Rs:000s)

Total Liabilities	80868910	Total assets	80868910
Sources of funds			
Paid up capital	641156	Reserves and Surplus	3759615
Secured Loan	Nil	Unsecured Loans	74160374
Application of funds			
Net Fixed assets	794701	Investments	20277927
Net current Assets	57488518	Misc. Expenditure	Nil
Accumulated Losses	Nil		

D Performance of the Company (Rs:000s)

Total Income	6255582	Total Expenditure	5868789
Profit before tax	277417	Profit after tax	233037
Earnings per share			
Basic	3.64	Dividend rate	10%
Diluted	3.64		

E Generic Names of three principal products/services of the company

(As per monetary terms)

Item Code	NA
Product Description	Banking Company

Raghu Mohan N
Senior Vice President (Finance & Accounts)

Ravindran K Warriar
Company Secretary

Bipin Kabra
Chief Financial Officer

Ghan Shyam Dass
Director

Amitabh Chaturvedi
Managing Director & CEO

Gyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Shailesh V Haribhakti
Director

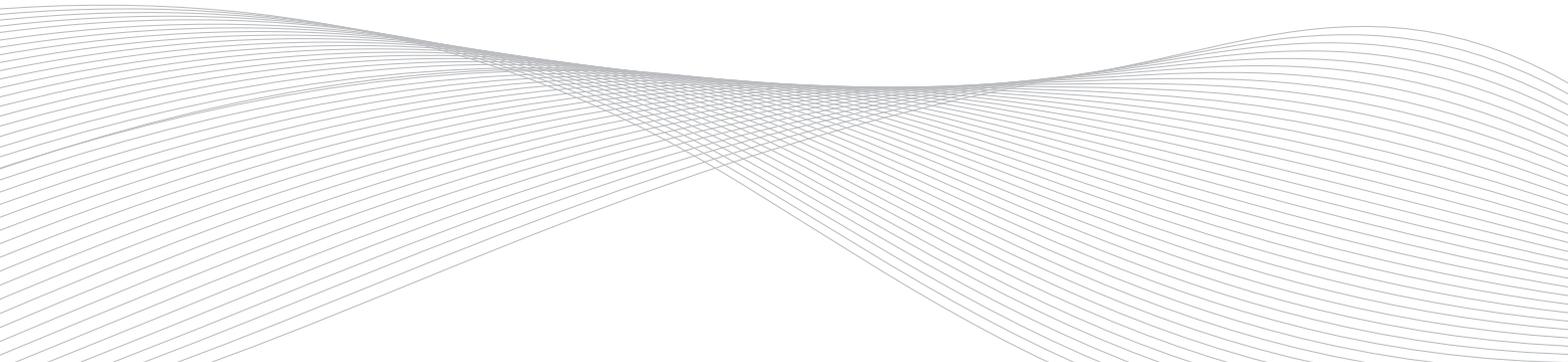
K. Srikanth Reddy
Director

For Walker, Chandio & Co
Chartered Accountants

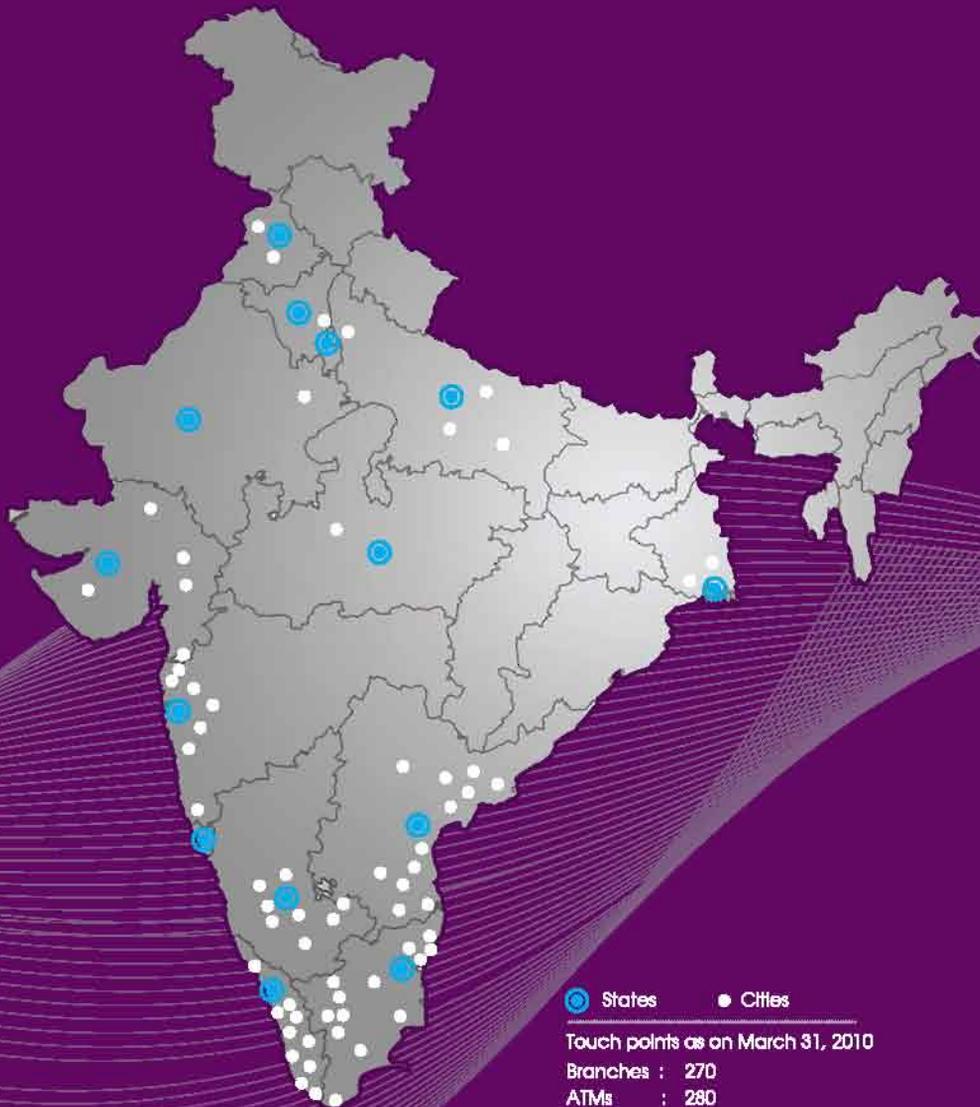
For Shah Gupta & Co
Chartered Accountants

per **Khushroo B. Panthaky**
Partner
Membership No: F-42423
Firm Reg No.: 001076N
Date: May 11, 2010
Place: Mumbai

per **Vipul K. Choksi**
Partner
Membership No: F- 37606
Firm Reg No.:109574W



OUR PRESENCE



Graphical representation of map. Not to scale.

