



DhanlaxmiBank
established 1927



ANNUAL REPORT 2014-2015



Banking on relationships forever



Inauguration of Our Bank's Sabarimala Sannidhanam branch for Mandala Makaravilakku season 2014-15 on 17th Nov 2014 by Sri V S Sivakumar , Hon'ble Minister for Health and Devaswoms in the presence of Sri P K Kumaran, Hon'ble Member, Travancore Devaswom Board, Sri P Venugopal IAS, Hon'ble Devaswom Commissioner, Sri V S Jayakumar, Executive Officer, Travancore Devaswom Board, Sri P G Jayakumar, Managing Director & CEO and Sri P Manikandan, Chief General Manager of Our Bank.



A Glimpse of Our Bank's 87th Annual General Meeting

Registered and Corporate Office

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

Kindly refer to the website for other offices.

Company Secretary

Krishnan K. S.

Auditors

Sagar & Associates, Chartered Accountants, Hyderabad

Legal Advisors

M/s B. S. Krishnan Associates, Ernakulam

M/s Varghese & Jacob, Ernakulam

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

Stock Exchanges

National Stock Exchange of India Limited (NSE)

BSE Limited (formerly known as Bombay Stock Exchange Limited)

Registrar & Transfer Agents

Karvy Computershare Private Limited, Plot No. 17-24

Vithal Rao Nagar, Madhapur, Hyderabad – 500 081

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Directors' Report

To The Members,

The Board of Directors is pleased to place before you, the 88th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2015 and the Profit and Loss Account for the year ended on that date.

Performance Highlights

The salient features of the Bank's performance for the financial year ended March 31, 2015 are:

- The total Deposits of the Bank increased from ₹12133.21 crore as on 31.03.2014 to ₹12381.68 crore as on 31.03.2015.
- The Bank's total advance stood at ₹ 8121.90 crore as on 31.03.2015 as against ₹ 8205.76 crore as on 31.03.2014.
- Achieved operating profit of ₹ 16.58 Crore for the financial year 2014-15.
- Interest expended reduced by ₹27.08 Crore during the financial year 2014-15 as compared to previous FY 2013-14.
- Net NPA at 3.29% and Gross NPA at 7.00%.
- Basel II CRAR at 9.71% and Basel III CRAR at 9.59%.
- Book value per share is ₹ 58.47.

Capital and Reserves

The Bank's Paid up capital and reserves was ₹ 723.85 crore as on 31.03.2015. The capital adequacy ratio as per Basel II and Basel III was 9.71% and 9.59% respectively.

During the year the Bank had issued and allotted 5,15,07,000 Equity shares of ₹10 each for an aggregate amount of ₹ 229.63 crore (including premium) by way of Preferential issue of shares to augment capital funds to further improve our Capital Adequacy Ratio.

Total Business

The total Business of the Bank as on 31.03.2015 stood at ₹ 20503.58 crore as against ₹ 20338.97 crore as on 31.03.2014 and registered a growth of 0.81%.

Deposits

The total deposits of the Bank increased to ₹12381.68 crore from ₹ 12133.21 crore as on March 31, 2014 registering a growth of 2.05%.

Advances

The Bank's total advance stood at ₹8121.90 crores as on 31.03.2015 as against ₹ 8205.76 crores as on 31.03.2014.

Priority Sector Advances

Your Bank continued its prudent approach towards priority sector lending in conformity with the national policies, regulatory expectations and fulfillment of social objectives. The Bank's priority sector advances stood at 35.18% and its agricultural advance reached 18.73% of the adjusted net bank credit. The weaker section advances was at 12.40%, thus surpassing the prescribed norm of 10% Lending under various socio-economic schemes has shown satisfactory progress.

Profitability

The bank's operating profit during the year was ₹ 16.58 crore as against ₹ 6.07 crore during the previous year. The bank declared a net loss of ₹ 241.47 crore during the year under report and the same at the previous year was ₹ 251.82 crore.

Dividend

In view of the net loss recorded by the Bank during the year, regrettably no dividend could be recommended to the shareholders.

Non-Performing Assets

There has been an increase in non-performing assets during the year under report.

During the year, the new slippage to NPA was ₹ 337.18 crore, in comparison with the slippages of ₹ 488.08 crore for the previous year.

The total recovery in NPA during the year was ₹ 84.51 crores. The corresponding figure for the previous year was ₹ 212.20 crores,

excluding the Sale of assets to ARC. The lower recovery for this year is on account of the Corporate NPAs.

Bank has resorted to all effective monitoring/recovery measures permitted under Law. This has helped us to restrict further slippages into NPA and make recovery from the existing NPA accounts. By constant monitoring/recovery measures, Bank is optimistic of achieving better results in the next year.

Customer Service

The Bank attaches the highest importance to the quality of customer service rendered across its branches / offices. It has taken a series of measures during the year through deployment of technology and otherwise for significantly enhancing service quality. A well defined and full-fledged Customer Grievance Redressal Mechanism is put in place in the Bank.

The Customer Service Committee of the Board monitors the implementation of customer service measures periodically. Customer Service Committees comprising of Bank personnel as well as our constituents have been formed at the apex level and at branches for monitoring service quality and bringing about improvements in this area on an ongoing basis. The Bank has a 24 x 7 Phone Banking Call Centre at Thrissur as an outsourced model to cater to customer needs across the country.

The Bank is a member of Banking Codes & Standards Board of India (BCSBI) and is actively implementing the Code of Commitment to Customers as also the Code for Micro and Small Enterprises formulated by the BCSBI. In the annual Compliance survey conducted by BCSBI on implementation of BCSBI Code, the Bank has achieved "Above Average" rating for compliance amidst total 48 banks (including public sector, private sector and foreign banks) surveyed across the major parameters such as customer centricity, information dissemination, customer feedback and transparency. Also the Bank has been successful in achieving a "High Level" of compliance with regard to the "Grievance Redressal" segment thereby placing us amongst the top five private sector banks on the said parameter.

During the financial year 2014-15, the Bank received 4738 complaints as against a total of 6462 complaints received in the previous financial year. The organized structure for handling

complaints at Branches, Regional offices, ATM Reconciliation Desk, Call Centre and Corporate Office who are in turn handling all transactions and services for the customers has helped the Bank in better customer service and reduction in number of complaints.

Branch Expansion

The Bank's customer outlets stood at 678 as on 31.03.2015, comprising 266 branches, 398 ATMs and 12 processing centres. The Bank had opened two new ATM's during the year. We have concentrated on consolidating our operations across the country and thereby aiming at utilizing our branches to their fullest potential.

Damodaran Committee on Customer Service

The Reserve Bank of India had constituted a Committee under the Chairmanship of Shri M. Damodaran, former Chairman, SEBI to interalia:

- Examine the functioning of Banking Ombudsman Scheme- its structure, legal framework and recommend steps to make it more effective and responsive.
- Review the role of Board of Directors of banks and the role of Regulators in customer service matters.
- Evaluate the existing system of grievance redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for expeditious resolution of complaints. The committee may also lay down a suitable time frame for disposal of complaints including last escalation point within that time frame.
- Examine the possible methods of leveraging technology for better customer service with proper safeguards including legal aspects in the light of increasing use of Internet and IT for bank products and services and recommend measures to enhance consumer protection.
- Review the existing system of attending to customer service in banks –approach, attitude and fair treatment to customers from retail, small and pensioners segments.

We have received a total of 107 recommendations from the Committee since inception. Out of the 100 recommendations applicable to your bank, we have implemented 85 recommendations and the implementation of remaining items is in process.

Particulars	Contact Centre	RO & CO	ATM Recon	Banking Ombudsman	Total
No. of Complaints Outstanding at the beginning of the Year	9	7	35	2	53
No. of Complaints Received during the year	1525	178	2973	62	4738
No. of Complaints Resolved during the year	1531	185	3000	59	4775
No. of Complaints Pending during the year	3	0	8	5	16

The following important products and services were introduced during the year for the benefit of the customers:

- During the last FY, your Bank had introduced the facility where by the account balances are sent to the customers' mobile number as SMS within 8 seconds. Consequent to the warm acceptance of this facility, we have extended the missed call facility for E-Statement of Accounts, One Day Statement, Connect with our Call centre and Instant A/c Balance SMS on an Unsuccessful ATM Transaction.
- **Acceptance of the NEFT/RTGS payment via Virtual Accounts** - Bank has introduced a new collection facility to accept inward NEFT/RTGS payments of student fees, chits & loan installments from the students, chittalans and loanee of educational institutions, chitty companies and lenders who are Bank's customers. Through this, institutions can initiate various collections from their clients who are not holding an account with our Bank using a unique identifier of their clients as account number (virtual) to recognize the payments individually. This virtual account number can be used by the students, chittalans, loanee to carry out any NEFT/RTGS transactions.
- **Launch of Upgraded Version of Mobile Banking Platform** - Bank's Mobile Banking platform has been revamped and as a part of it, we have launched a native application for the Android Mobile OS which has been widely accepted for its aesthetics, user friendliness and intuitive screens.
- **Additional security for Online Net Banking transactions** - One such initiative the Bank has started is ending SMS and Email alert on every successful Retail Net Banking logins to warn/caution the customers during the event of any unauthorized Internet Banking access. Further, Bank also introduced additional securities like velocity check there by alerting the customer on a bunch of transactions where the total amount involved or the number of transactions per day for the scenarios such as NEFT Transaction (1 lac. and above) and 1RTGS Transactions (3 lac. and above).
- The committee appointed by Hon. Supreme court of India has nominated your Bank to take care of the entire Hundi collection of the famous Sri Padmanabha Swami Temple, Thiruvananthapuram.

- Provided sandwich posters containing information on the Bank's various products and services for displaying in all branches/ATMs to make aware of the customers and general public about facilities offered by the Bank.
- Special Banking services at Sabarimala like last year with additional facilities such as Facility of online advance booking of Pooja and Prasadam through payment gateway provided by the Bank. All pilgrims booking Pooja/Prasadam were serviced at exclusive counters opened for the purpose by the Bank at Sannidhanam. Newly introduced Prasadam Kits containing Appam, Aravana, Manjal, Kunkumam and Vibhuthi were distributed through Bank counters at Sannidhanam.
- Bank has introduced new savings account- Dhanam Vanitha Savings account which exclusively caters to the needs for woman segment with special features like Sweep in/out facility and nominal minimum balance requirement.

Investor Education and Protection Fund

- During the year there is no amount required to be transferred to the investor Education and Protection Fund (IEPF) constituted under Section 125 of the Companies Act, 2013.

Listing on Stock Exchanges

- The Equity shares of the Bank continue to be listed on the BSE Ltd., and National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2015-16.
- The Cochin Stock Exchange Ltd. where the shares of the Bank were listed, had been exited from the Equity Trading Business w.e.f. 23rd December, 2014 vide SEBI order No. WTM/RKA/MRD/163/2014 dated 23rd December, 2014.

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

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

The Company, being a banking company and an Authorised Dealer in Foreign Exchange, has taken all possible steps to encourage export credit.

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

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

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

Number of complaints filed during the financial year – Nil

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

Particulars of employees

There are no such employees whose particulars are required to be given in terms of Section 134 of the Companies Act, 2013 read with the Companies (Particulars of Employees) Rules 1975 as amended vide GSR 289(E) dated March 31, 2011 [Companies (Particulars of employees) Amendment Rules 2011].

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

Green Initiatives in Corporate Governance

As a responsible corporate citizen, the Bank supports and pursues the 'Green Initiative' of the Ministry of Corporate Affairs ("MCA"). In conformance with such initiatives, the Bank will affect electronic delivery of documents including the notice and explanatory statement of Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc., for the year ended March 31, 2015, to the email address which the shareholders have previously registered with their Depository Participant (DP) as their valid e mail address. Investors desirous of refreshing/updating their e mail addresses are requested to do so immediately in their respective DP accounts. The e-mail addresses indicated in respective DP accounts which will be periodically downloaded from NSDL/CSDL will be deemed to

be their registered e mail address for serving notices/documents including those covered under Section 219 of the Companies Act, 1956.

Shareholders holding shares in physical form desirous of availing electronic form of delivery of documents are requested to update their e mail addresses with Bank's Registrar and Transfer Agents by a written request if they wish to avail this facility. A request format for registering e-mail ids with the Registrar is enclosed. Shareholders holding shares in demat segment are requested to inform their e-mail ids to their respective DPs.

ANTI-MONEY LAUNDERING (AML)

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

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

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

Directors

Mr. K. Srikanth Reddy (DIN – 01433626) appointed as an independent Director of the Bank for the purpose of Section 149(2) of the Companies Act, 2013 w.e.f. 01.04.2014 resigned on 15.11.2014 and ceased to be a member of the Board w.e.f. the said date. Mr. K. Vijayaraghavan (DIN – 06419305) ceased to hold office of Director w.e.f. 20.09.2014. The Board places on record its appreciation for the invaluable services rendered by them during their tenure as Directors.

Mr. P. Mohanan (DIN – 01463603), Mr. Chella K. Srinivasan (DIN – 01460198) and Mr. K. Jayakumar (DIN – 01955260) were appointed as Independent Directors of the Bank for the purpose of Section 149(2) of the Companies Act, 2013 w.e.f. 01.04.2014 for a period upto 30.09.2015.

Dr. K.R. Lakshmy Devi (DIN – 07003258) was appointed as an Additional Director of the Bank w.e.f. 11.11.2014 pursuant to Clause 49 of the Listing Agreement and Section 149 and 161(1) of the Companies Act, 2013.

Mr. Harihar Mishra was appointed by Reserve Bank of India as Additional Director w.e.f. 09.12.2014 in place of Mr. Raja Selvaraj and he held office till 13.02.2015. Mr. Rohit Jain was appointed

by Reserve Bank of India as Additional Director w.e.f. 13.02.2015 in place of Mr. Harihar Mishra. Further Mr. Susobhan Sinha was appointed by Reserve Bank of India as second Additional Director w.e.f. 02.03.2015.

The Board represents various domain skill and also addresses the issue of diversity.

Auditors

The present Statutory Central Auditors M/s Sagar and Associates, Chartered Accountants, Hyderabad, vacate office at this Annual General Meeting and are not seeking reappointment. The following three firms of Chartered Accountants have submitted their application for appointment as Statutory Central Auditors of the Bank:

- (i) M/s K. Venkatachalam Aiyer & Co., Chartered Accountants, Kochi
- (ii) M/s Sankar & Moorthy, Chartered Accountants, Calicut
- (iii) M/s Sridhar & Co., Chartered Accountants, Thiruvananthapuram

The Bank has sought approval from Reserve Bank of India for appointment of any one of the above firms as the Statutory Central Auditors of the Bank for the period commencing from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be decided by the Board of Directors.

Explanation for Auditors' comments in the Report

(a) The Auditors' report for the year 2014-15 contains the following qualifications:

We draw attention to Note No. 30 of the financial statements, regarding funds of ₹ 7938 Lakhs not provided to pension trust for purchase of annuities for payment of pension/increase in dearness allowance. Had this provision been made in the accounts, operating expenses and loss would have increased by ₹ 7938 Lakhs.

Explanation

In respect of 259 employees who had opted for VRS in 2000 & 2004 and 424 retired employees, the Bank has not provided to the Pension Trust, funds required amounting to around ₹7938 Lakhs for purchase of annuities for payment of pension/increase in Dearness Allowance respectively. However, pension/increase in dearness allowance is paid by the Bank by debiting Profit and Loss account.

(b) The following are the matters of expressions in the Auditor's report:

Without qualifying we draw attention to

- (a) Note No. 29(a) of the financial statements, in terms of RBI guidelines, banks are required to provide, in case of fraud, the entire amount due to the Bank over a period not exceeding four quarters commencing from the quarter in which the fraud has been detected. However, as a prudent measure, the Bank has provided the entire amount during the year, thereby; the loss reported by the Bank is overstated by ₹ 4944 Lakhs.
- (b) Note No. 29(b) of the financial statements, though a special dispensation is given by RBI for providing the amount due to the Bank over a period of three quarters commencing from March, 2015 in respect of a borrowal account, the Bank, as a prudent measure, has provided for the entire amount during the year, thereby the loss reported by the Bank is overstated by ₹ 4524 Lakhs.
- (c) Note No. 25 of the financial statement regarding reconciliation of rent advance/security deposit for premises occupied by branches/offices, etc. (as per Schedule No. 11), and physical verification of fixed assets (Schedule No. 10) is in progress.

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

Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013 the Bank has appointed M/s KSR & Co, Company Secretaries, LLP, Practicing Company Secretaries, Coimbatore as its Secretarial Auditors to conduct the secretarial audit of the Bank for the FY 2014-15. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The report of Secretarial Auditor for the FY 2014-15 is annexed to this report.

Corporate Governance

A separate report profiling Corporate Governance as required under clause 49 of the Listing Agreement with Stock Exchanges and a certificate from M/s Sagar and Associates, Chartered Accountants, Statutory Central Auditors of the Bank, are annexed to this report.

Extracts of Annual Return

Pursuant to sub section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013 read with rule 12 of the Companies (Management and Administration) Rules 2014, the extracts of the Annual Return as at March 31, 2015 is annexed to this report.

Subsidiary Companies

The Bank does not have any subsidiary companies.

Strictures and Penalties

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

Management Discussion and Analysis Report

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

Directors' Responsibility Statement

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

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- d) The directors had prepared the annual accounts on a going concern basis; and
- e) The directors, in case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- f) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgements

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

By Order of the Board

Place : Thrissur
Date : 12.08.2015

Sd/
(Tekkar Yashwanth Prabhu)
Chairman

Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2015

A. Summary			
Sl. No.	Particulars	ESOP 2009	ESOS 2013
1.	Number of options granted	3,999,225	2,477,400
2.	The Pricing Formula	Closing price prior to the date of meeting of the Remuneration Committee in which the options are granted, on the Stock Exchange where there is highest trading volume on the said date	As fixed by the Remuneration committee
3.	Number of options vested	607,082	NIL
4.	Number of options exercised	20,719	NIL
5.	Total number of shares arising as a result of exercise of options	20,719	NIL
6.	Number of options lapsed	3,371,424	NIL
7.	Variation in the terms of options	NA	NA
8.	Money realised by exercise of options (₹)	2,452,094	NIL
9.	Total number of options in force	607,082	2,477,400
B. Employee-wise details of options granted to			
(i)	Senior managerial personnel	No options were granted during the current year	1) Jayakumar P. G. - 45,000 2) Ravikumar P. S. - 22,500 3) Ravindran K. Warriar - 15,000 4) P. Manikandan - 10,000
(ii)	Employees who were granted, in any one year, options amounting to 5% or more of the options granted during the year	None	None
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None	None
C. Diluted Earning per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20			
D. The impact on the Profits and EPS of the fair value method is given in the table below -			
	Net Profit as reported	(₹ 241.47 crores)	(₹ 241.47 crores)
	Basic Earnings Per Share(EPS) as reported	- ve	- ve
	Diluted EPS as reported	- ve	- ve
E. Weighted average exercise price and fair value of options			
Weighted average exercise price of options whose			
(a)	Exercise price equals market price		
(b)	Exercise price is greater than market price	The Price of stock options granted is ₹ 118.35	The Price of stock options granted is ₹ 40.73
(c)	Exercise price is less than market price		
Weighted average fair value of options whose			
(a)	Exercise price equals market price	-	-
(b)	Exercise price is greater than market price	-	-
(c)	Exercise price is less than market price	-	-
F. Method and Assumptions used to estimate the fair value of options granted during the year			
		Fair Value Method	Fair Value Method

Annexure to Directors Report for the year ended March 31, 2015

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

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

Sl. No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year	MD & CEO Mr. P. G. Jayakumar 3,34:1 The sitting fees paid to Chairman and other members of the Board have not been considered as remuneration.
II	The percentage increase in remuneration of each director, CFO, CEO, CS in financial year	MD & CEO Mr. P. G. Jayakumar 43.05% CFO & Company Secretary Mr. K. S. Krishnan 15.79%
III	The percentage increase in the median remuneration of employees in the financial year	NIL
IV	The number of permanent employees on the rolls of the Bank	There were 2279 employees as on March 31, 2015
V	The explanation on the relationship between average increase in remuneration and Bank performance	Factors considered while recommending increase in the compensation: (a) Financial performance of the Bank (b) Comparison with peer Banks (c) Industry benchmarking and consideration towards cost of living adjustment/inflation (d) Regulatory guidelines as applicable (e) All forms of compensation (fixed, variable, ESOS) to be consistent with risk alignment As mentioned above, the Bank follows holistic performance review mechanism to ensure that the increase is commensurate with the effort and it is aligned with the performance of the Bank.
VI	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Bank	For the year 2014-15, the Bank declared a loss of ₹ 241.47 crore
VII	Variations in the market capitalization of the Bank, price earnings ratio as at the closing date of the current FY and previous FY and percentage increase over decrease in the market quotations of the shares of the Bank in comparison to the rate at which the Bank came out with the last public offer.	The Market capitalization of the Bank has decreased from ₹ 639.68 crore as of March 31, 2014 to ₹ 548.29 crore as of March 31, 2015.
VIII	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	Not applicable
IX	Comparison of each remuneration of the Key Managerial Personnel against the performance of the Bank	For the year 2014-15, the Bank declared a loss of ₹ 241.47 crore
X	The key parameters for any variable component of remuneration availed by the directors	Except Mr. P. G. Jayakumar, MD & CEO, no other Directors, including Chairman, have been paid any remuneration, as only sitting fees are paid to them. No variable remuneration has been paid to Mr. P. G. Jayakumar, MD & CEO
XI	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	No Top Management Executives who are not directors receive remuneration in excess of the highest paid director during the year.
XII	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed.

Notes:

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

Annexure to Directors Report for the year ended March 31, 2015

KSR/CBE/ T43 / 514 /2015-2016

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

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. As regards the compliance of laws, regulations that specifically apply to the business of the company, in addition to our audit, we are also guided by the Management Representation of the Managing Director and Chief Executive Officer of the company in certifying the compliance thereof.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For KSR & Co Company Secretaries LLP

Date : 21st August, 2015
Place : Coimbatore

C. V. Madhusudhanan
Partner
(FCS: 5367; CP: 4480)

SECRETARIAL AUDIT REPORT

**(Pursuant to Section 204(1) of the Companies Act, 2013 read with
Rule 9 of the Companies (Appointment and Remuneration
of Managerial Personnel) Rules, 2014
For the Financial Year ended 31st March, 2015**

To

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

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by Dhanlaxmi Bank Limited (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on 31st March, 2015 in a manner that provided us reasonable basis for evaluating the corporate conduct/statutory compliances and expressing our opinion thereon.

On the basis of the above and on our verification of documents, books, papers, minutes, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of the Audit. We hereby report that in our opinion, the Company has, during the period covered under the Audit as aforesaid, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31st March, 2015 according to the provisions of:

- i. The Companies Act, 1956 and the Rules made there under to the extent applicable.
- ii. The Companies Act, 2013 and the Rules made there under.
- iii. The Securities Contracts (Regulation) Act, 1956 and the Rules made there under.
- iv. The Depositories Act, 1996 and the Regulations and Bye-Laws framed there under.
- v. The Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- vi. The following Regulations and Guidelines prescribed under Securities and Exchange Board of India Act, 1992:
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
 - f. The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client.
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.
 - h. The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998.

- vii. The following laws, regulations applicable specifically to the Company:
 - a. The Reserve Bank of India Act, 1934.
 - b. The Banking Regulation Act, 1949.
 - c. The Banking Companies Regulation (Companies Rules), 1949.
 - d. The Banking Companies (Period of Preservation of Records) Rules, 1985.

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

- i. Listing Agreement entered into with Stock Exchanges.
- ii. The compliance of Secretarial Standards does not arise as the same has not been notified under Section 118 of the Companies Act, 2013 for being applicable during the period covered under the Audit.

On the basis of the information and explanation provided, the Company had no transaction during the period under Audit requiring the compliance of applicable the provisions of Act / Regulations / Directions as mentioned above in respect of:

- i. Foreign Direct Investment, External Commercial Borrowings and Overseas Direct Investment.
- ii. Issue and / or listing of debt securities.
- iii. Buy-back of securities.

During the period under audit the Company, has complied with the provisions of the Act, Rules, Regulations, Guidelines as mentioned above subject to the following:

- (i) *We observe that the key managerial position of Chief Financial Officer and Company Secretary are held by the same person which in our opinion is not as per the provisions of Section 203(1) of the Companies Act, 2013;*
- (ii) *We observe that the provisions of Section 149 read with Schedule VI to the Companies Act, 2013 and further read with Clause 49 of the Listing Agreement are not complied to the extent that*
 - (a) *the Nomination Committee of the Board has not approved the criteria for evaluation of performance of independent directors;*
 - (b) *performance evaluation of the Independent Directors was not conducted;*
 - (c) *separate meeting of Independent Directors was not conducted to enable the performance evaluation of non-independent directors, Chairman and the Board as a whole;*
- (iii) *We observe that the provisions of Clause 49 of the Listing Agreement are not complied to the extent that*
 - (a) *the Code of Conduct of Board of Directors and senior management of the Company does not contain the duties of the Independent Directors.*
 - (b) *no familiarisation programs for Independent Directors were conducted and hence not disclosed on the website of the Company.*
- (iv) *We observe that the provisions of Clause 49 of the Listing Agreement are not complied with to the extent that the Company has not formulated a policy on materiality of related party transactions and also for dealing with related parties.*
- (v) *We observe that the Corporate Social Responsibility Committee has not formulated a policy on Corporate Social Responsibility in terms of Section 135 read with Schedule VII of the Companies Act, 2013.*

We further report that

The Board of Directors of the Company is duly constituted with the proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period covered under the Audit were carried out in compliance with the provisions of the Companies Act, 2013 and also in compliance of the Banking Regulation Act, 1949.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. In the absence of any statutory requirement to send agenda or detailed notes on agenda seven days in advance, reporting on compliance of the same does not arise.

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

We further report that subject to our observations as stated above, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the period covered under the Audit, the Company has made the following specific actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, referred to above:

- i. Members have enabled Borrowing Powers of the Company up to a limit of ₹100 Crores over and above the aggregate of the paid-up share capital and free reserves pursuant to Section 180(1)(c) of the Companies Act, 2013 at the 87th Annual General Meeting held on 20th September, 2014 .
- ii. Members have increased the Authorised Share Capital of the Company from ₹200,00,00,000/- (Rupees Two Hundred Crore) to ₹300,00,00,000/- (Rupees Three Hundred Crore) pursuant to Section 61 of the Companies Act, 2013 at the 87th Annual General Meeting held on 20th September, 2014.
- iii. The Company allotted 76,00,000 equity shares of Rs. 10/- each at a premium of ₹29/- per share aggregating to ₹29,64,00,000/- on the basis of preferential issue under Chapter VII of The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 read with Section 81(1A) of the Companies Act, 1956 made during the financial year 2013-14.
- iv. The Company made a preferential issue of 4,39,07,000 equity shares of ₹10/- each at a premium of ₹35.55/- per share aggregating to ₹199,99,63,850/- and allotted equity shares of equal number as per terms of issue under Chapter VII of The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 read with Sections 62(1)(c) read with Section 42 of the Companies Act, 2013.
- v. The Reserve Bank of India has appointed two Additional Directors on the Board of Directors of the Company in pursuance of Section 36AB of The Banking Regulation Act, 1949.

For **KSR & Co Company Secretaries LLP**

Date : 21st August, 2015
Place : Coimbatore

C. V. Madhusudhanan
Partner
(FCS: 5367; CP: 4408)

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March, 2015
[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12 (1) of the
Companies (Management and Administration) Rules, 2014]

I. REGISTRATION DETAILS

CIN	L65101KL1927PLC000307
Registration Date	14-11-1927
Name of the Company	Dhanlaxmi Bank Limited
Category/subcategory of the company	Public Company
Address of the Registered office and contact details	Dhanlaxmi Bank Limited, Dhanalakshmi Buildings, Naickanal, Thrissur – 680 001
Whether listed	Yes
Name, Address and contact details of Registrar and transfer Agent, if any	M/s. Karvy Computershare (P) Ltd. Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 Ph: 040 23420818 E-mail: einward.ris@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Sl. No. Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Banking Service	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of Shares held	Applicable section
1	Nil				

IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)

(i) Category-wise Shareholding

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

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% of change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/Fl	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A) (2)	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter (A)= (A)(1) + (A) (2)	0	0	0	0	0	0	0	0	0
1. Institution	0	0	0	0	0	0	0	0	0
a) Mutual Fund	2265	700	2965	0.00	1732	700	2432	0.00	0
b) Banks/Fl	1286473	-	1286473	1.02	351478	0	351478	0.20	-0.82
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0
d) State Govts.	0	0	0	0.00	0	0	0	0.00	0
e) Venture Capital funds	0	0	0	0.00	0	0	0	0.00	0
f) Insurance Companies	442277	0	442277	0.35	442277	0	442277	0.25	-0.10
g) Fls	40156402	0	40156402	31.89	36751570	0	36751570	20.71	-11.18
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0	0
i) Others (specify)	0	0	0	0.00	0	0	0	0	0
Sub-Total (B)(1)	41887417	700	41888117	33.26	37547057	700	37547757	21.16	-12.10
2. Non-Institutions									
a) Bodies Corp	15577254	74808	15652062	12.43	27432093	74808	27506901	15.50	3.07
b) Individuals									
i) Individual Shareholders holding nominal share capital upto ₹1 Lakh	21574056	3634805	25208861	20.02	24888008	3541541	28429549	16.02	-4.00
ii) Individual Shareholders holding nominal share capital in excess of ₹1 Lakh	25045829	127060	25172889	19.98	58251460	92630	58344090	32.88	12.98
c) Others (specify)									
Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
Trust	6800	30	6830	0.01	6800	30	6830	0.00	-0.01
Clearing Member	435229	0	435229	0.35	261622	0	261622	0.15	0.20
HUF	1367472	0	1367472	1.08	1856427	0	1856427	1.05	-0.04
Directors & their relatives	21200	0	21200	0.02	800	0	800	0.00	-0.02
Escrow Account	0	0	0	0	0	0	0	0	0
Non-Resident Indians	16106042	75917	16181959	12.85	23414859	72784	23487643	13.24	-0.39
ESOS	0	0	0	0	0	0	0	0	0
Foreign Portfolio Investor (Corporate)	0	0	0	0	0	0	0	0	0
Sub-total (B) (2)	80133882	3912620	84046502	66.74	136112069	3781793	139893862	78.84	+12.10
Total Public Shareholding (B)= (B)(1) + (B)(2)	122021299	3913320	125934619	100.00	173659126	3782493	177441619	100.00	0
C. Shares held by Custodians for GDRs and ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	122021299	3913320	125934619	100.00	173659126	3782493	177441619	100.00	0

(ii) Shareholding of Promoters/Promoter Group

Sl. No.	Shareholders Name	Shareholding at the beginning of the year	Shareholding at the end of the year	% of change in shareholding during the year
1	Nil			
	Total			

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

Sl. No.		Shareholding at the beginning of the year (as on 01.04.2014 on the basis of SHP of 31.03.2014)		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	-	-	-	-
	At the end of the year	0	0	0	0

(iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No.	Name of Shareholder	Shareholding at the beginning of the year (as on 01.04.2014 on the basis of SHP of 31.03.2014)		Change in Share holding (No. of shares)		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	Increase	Decrease	No. of shares	% of total shares of the company
1	P. Raja Mohan Rao	6412000	5.09	-	-	6412000	3.61%
2	Elara India Opportunities Fund Limited	6129220	4.87	-	-	6129220	3.45%
3	Antara India Evergreen Fund Ltd.	6100000	4.84	-	-	6100000	3.44%
4	Marshal Global Capital Fund Ltd.	5500000	4.37	-	-	5500000	3.10%
5	Yusuffali Musaliam Veettil Abdul Kader	5289980	4.20	-	-	5289980	2.98%
6	B. Ravindran Pillai	5250000	4.17	3600000	-	8850000	4.99%
7	National Westminster Bank PLC as Trustee of the Jupiter India Fund	3445000	2.74	-	-	3445000	1.94%
8	Shital Raghu Kataria	3155780	2.51	3500000	-	6655780	3.75%
9	Mohanachandran Nair B.	2951000	2.34	1095000	-	4046000	2.28%
10	Lotus Global Investments Ltd.	2933044	2.33	-	328010	2605034	1.47%

(v) Shareholding of Directors and Key Managerial Personnel as on 31.03.2015

Sl. No.	Name of Director and KMP	Shareholding at the beginning of the year		Change in shareholding (No. of Shareholding)		Shareholding at the end of the year	
		No. of shares	% of total shares of the Bank	Increase	Decrease	No. of shares	% of total shares of the Bank
1	Mr. T. Y. Prabhu, Chairman	200	0.00	-	-	200	0.00
2	Mr. Jayakumar P. G., MD & CEO	0	0	-	-	0	0
3	Mr. K. Srikanth Reddy *	20000	0.02	NA	NA	NA	NA
4	Mr. K. Vijayaraghavan **	400	0.00	NA	NA	NA	NA
5	Mr. P. Mohanan	200	0.00	-	-	200	0.00
6	Mr. Chella K. Srinivasan	200	0.00	-	-	200	0.00
7	Mr. K. Jayakumar	200	0.00	-	-	200	0.00
8	Dr. Lakshmy Devi K. R. #	0	0.00	200	-	200	0.00
9	Mr. Rohit Jain – RBI Director	0	0	-	-	0	0
10	Mr. Susobhan Sinha – RBI Director	0	0	-	-	0	0
KMPs other than MD & CEO							
1	Mr. Krishnan K. S., CFO & Company Secretary	150	0.00	-	-	150	0.00

* Ceased to be a Director w.e.f. 15.11.2014

** Ceased to be a Director w.e.f. 20.09.2014

Appointed as Director w.e.f. 11.11.2014

V. INDEBTEDNESS as on 31.03.2015

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

(₹ in Cr.)

Particulars	Secured Loan excluding deposit	Unsecured loans	Deposit	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	812.95	483.68	-	1296.63
ii) Interest due but not paid				
iii) Interest accrued but not due	1.80	16.75	-	18.55
Total (i+ii+iii)	814.75	500.43	-	1315.18
Change in Indebtedness during financial year				
Addition	25908.80	1039	-	26947.80
Reduction	26154.75	1148.33	-	27303.08
Net Charge				
Indebtedness at the end of the financial year				
i) Principal Amount	567.00	374.35	-	941.35
ii) Interest due but not paid				
iii) Interest accrued but not due	0.29	14.81	-	15.10
Total (i+ii+iii)	567.29	389.16	-	956.45

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			
		Mr. Jayakumar P. G.	WTD	Manager	Total
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Companies Act, 1961	34,45,154/-	0	0	34,45,154/-
	(b) Value of perquisites u/s 17(2) of Income-Tax Act, 1961	34200/-	0	0	34200/-
	(c) Profits in lieu of salary under Section 17(3) of Income-Tax Act, 1961	0	0	0	0
2	Stock Option				
	Granted during the year	45,000	-	-	-
	Exercised during the year	-	-	-	-
3	Sweat Equity				
4	Commission				
	- As % of profit	0	0	0	0
	- Others, specify	0	0	0	0
5	Others, Please specify				
	Total (A) (Total Remuneration does not include the number of Stock Options)				
	Ceilings as per the Act #				

Note: In terms of the provisions of the Companies Act, 2013, the remuneration payable to MD & CEO shall not exceed 5% of the net profit of the Bank. The remuneration paid to MD & CEO is well within the limit.

B. Remuneration to other Directors

Sl. No.	Particulars of Remuneration	Name of Directors							Total
		Sri T. Y. Prabhu	Sri K. Srikanth Reddy *	Sri K. Vijayaraghavan**	Sri P. Mohanan	Sri Chella K. Srinivasan	Sri K. Jayakumar	Dr. Lakshmy Devi K. R.#	
1	Independent Directors								
	- Fee for attending Board/ Committee Meetings	4,30,000/-	3,40,000/-	2,50,000/-	6,20,000/-	6,00,000/-	3,30,000/-	1,40,000/-	
	- Commission	0	0	0	0	0	0	0	0
	- Others, Please specify	0	0	0	0	0	0	0	0
	Total (1)	4,30,000/-	3,40,000/-	2,50,000/-	6,20,000/-	6,00,000/-	3,30,000/-	1,40,000/-	27,10,000/-
2	Other Non-Independent Directors	Sri Rohit Jain \$	Sri Susobhan Sinha \$						
	- Fee for attending Board/ Committee Meetings	-	-						
	- Commission								
	- Others, Please specify								
	Total (2)								
	Total (B) = (1+2)								
	Total Management Remuneration								
	Overall ceiling as per the Act #								

* Ceased to be a Director w.e.f. 15.11.2014

** Ceased to be a Director w.e.f. 20.09.2014

\$ RBI Additional Directors

Appointed as Additional Director w.e.f. 11.11.2014

Note - In terms of the provisions of the Companies Act, 2013, the remuneration payable to directors other than executive directors shall not exceed 1% of the net profit of the Bank. The remuneration payable to the Directors is well within the said limit.

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	
		CFO & Company Secretary	Total Amount
1	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax, 1961	1,273,065/-	1,273,065/-
	(b) Value of perquisites u/s 17(2) of Income Tax, 1961	-	-
	(c) Profits in lieu of salary under Section 17(3) Income Tax, 1961	-	-
2	Stock Option		
	- Granted during the year	-	-
	- Exercised during the year	-	-
3	Sweat Equity	-	-
4	Commission		
	- As % of profit	-	-
	- Others, specify	-	-
5	Others, please specify		
	Total (A) (Total Remuneration does not include the number of Stock Options)	1,273,065/-	1,273,065/-

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of penalty/ punishment/ compounding fee imposed	Authority (RD/ NCLT/COURT)	Appeal Made, if any (give details)
A. Company			None		
Penalty					
Punishment					
Compounding					
B. Directors			None		
Penalty					
Punishment					
Compounding					
C. Other Officers in default			None		
Penalty					
Punishment					
Compounding					

Management Discussion and Analysis Report

GLOBAL ECONOMY

Global growth was around 3.4 % in 2013-14. It remained almost the same in 2014-15, registering uneven growth across the major countries and regions.

According to the International Monetary Fund, the four major factors which influenced Global economy in 2014-15 were the following:-

- Uneven growth in various countries
- Weak Banks and High level of debts affecting growth
- Oil price declining by around 45%
- Strengthening of US Dollars

Uneven growth in various countries and regions continue as a major challenge for overall economic development. In addition, there is increased geopolitical uncertainty related to the Russia-Ukraine and Middle East conflicts, as well as increased concern about the economic and political future of the Euro Area and European Union.

Worries about weakening of banking system in Europe due to risky lending and drag in recovery were raised by many quarters during the year. Strengthening of Global banking system was dubbed as crucial to global financial stability.

The decline in oil prices did boost activity more than expected. Lower inflation and higher outputs were resulted from decline in Oil prices.

The strengthening of US Dollars had a significant impact in Global economy during the past year.

Two major phenomena witnessed in the past financial year were softening of interest rates across the globe and the anxiety created over the events unfolded in Greece. If anyone 'term' eclipsed all other concerns during the financial year, it was 'Grexit', the term used to denote the potential exit of Greece from European Union (EU).

The unthinkable was prevented, with European Union offering a fresh tranche of financial aid and the Greek Government agreeing to accept the funds with related terms and conditions.

The lowering of interest rates was also noticeable in all major economies during the year. This encouraged spending and investment. This also led to higher aggregate demand and

economic growth. Lower interest rates made it attractive to buy assets such as houses. Overall, the low interest rate regime aggravated demand.

The forecast for the financial year 2015-16 is positive. U.S. economy is slowly regaining momentum. Weather- and strike related disruptions have receded. Housing and auto activity have rebounded. The revival in U S economy augurs well for the Global economy.

However, Geopolitical tensions continue to pose threats, and risks of disruptive shifts in asset prices remain relevant. In some advanced economies, protracted low inflation or deflation also pose risks to economic activity.

INDIAN ECONOMY

The economy of India is the 7th largest in the World, by GDP. It has 3rd position when ranking is made based on Purchasing Power Parity (PPP).

India is classified as a Newly Industrialised Country and a Developing Economy. It has clocked average growth of approximately 7% for the last two decades. Recently the growth rate of Indian economy has surpassed that of China.

The single most important trend witnessed in the banking sector was the downward movement of rate of interests. Rate of interest started declining from the second half of 2014-15 and the trend of soft interest rates is likely to continue in the near term.

The economic future of the country is considered positive due to the young population, healthy savings and investment rates and the integration of the economy with world market at a faster pace compared to other economies.

According to International Monetary Fund, the short-term growth perspective is also good. It has termed Indian economy as a 'bright' spot in the not-so-promising state of economies of other countries. It is estimated that the Indian economy is likely to grow by 7.5% to 8.3% in 2015-2016.

With 1.2 billion people, India's recent growth and development has been a significant achievement. The country has become a net exporter of food by bringing about a landmark agricultural revolution since independence. Life expectancy has more than doubled, literacy rates have quadrupled and health conditions

of people have improved. India is expected to have the largest and youngest workforce the world has ever seen. At the same time, the country is in the midst of a massive wave of Urbanization as millions of people move from villages to Urban areas.

A critical problem facing India's economy is the sharp and growing regional variations among different regions in terms of availability of infrastructure, socio-economic development etc. Severe disparities exist among States in terms of income, literacy rates, life expectancy and living conditions.

KERALA ECONOMY

Kerala economy has been termed as 'money order economy', many times. It earned this nickname on account of the large number of expatriates, the remittances from whom keep the domestic economy buoyant.

The number of Keralites working abroad is estimated as above 30 lakhs. Large scale migration from Kerala started at the time of Gulf boom in 1970s. This continued unabated in the succeeding decades and consequently, the State became the largest receiver of inward remittances in the country.

The share of income from primary sector (agriculture and allied activities) in Kerala is around 14%. The share of income from secondary sector (manufacturing and construction) is around 24% and the lion share is contributed by services sector at 62%. This trend of high dominance of services sector differentiates Kerala from economies of other States in the country and puts it in a special league of certain European Countries in terms of the development model it has been pursuing over the last several decades. Segments such as transport, communication, trade, hotels, banking, insurance and real estate have performed well during the past. Urbanisation of rural areas takes place at a scorching pace, all over the State.

Much of Kerala's agriculture land is under plantation crops, Rubber being the most dominant crop among these. Kerala accounts for 90% of the aggregate production of natural rubber in the country. However, the production of food items continues to be much lower than desirable levels, despite the dependence of the State on neighbouring States for such items. Agriculture in the State does not show signs of immediate revival. There are various reasons for the decline in agriculture, starting from reduction in productivity and land under cultivation, to large scale import of agriculture produces.

Two defining trends which may have long term implication in the economy of Kerala were witnessed during the financial year

2015-2016. These were decline in Rubber prices and large scale inflow of labourers from North-Eastern States.

The backbone of Kerala's agriculture was income from natural rubber. The livelihood of large number of households in the State rested on the steady income from rubber. Due to slackening of prices, the income from this sector shrank considerably and the adverse effect is visible in other sectors also.

The inflow of migrant labourers from North-Eastern States have increased manifold in recent years. The total number of migrant labourers is estimated at around 30 lakhs.

In terms of globalization, the model adopted by Kerala can be termed as "most appropriate" since around 30 lakh skilled Keralites are working abroad and a similar number of unskilled labourers are engaged in manual labour within its territory. This model can be termed as a perfect implementation of prescriptions of Globalisation.

However, the impact of this large scale inflow of Non-Keralite work force on the socio-cultural environment of Kerala is yet to be studied in detail.

REGULATORY MEASURES AND MONETARY POLICIES

Financial markets have been upbeat, reflecting ebbing volatility and strengthening confidence in the outlook shared by domestic and foreign investors. Domestic money, debt and foreign exchange markets have remained stable and stock prices reached record highs. Growth in credit in the banking system, however, has turned sluggish. The Reserve Bank implemented a new liquidity management framework which provides greater assurance and flexibility on liquidity.

The features of revised liquidity management framework include: (a) assured access to liquidity of 1 per cent of NDTL (excluding ECR) in the form of bank-wise overnight fixed rate repos of 0.25 per cent of NDTL and the balance through variable rate 14- day term repos; (b) more frequent auction of term repos during a fortnight, allowing flexibility to banks to alter their liquidity assessment four times during the fortnight and participate in auctions accordingly; and (c) higher frequency of access to Reserve Bank's overnight liquidity, with the introduction of variable rate overnight repos/reverse repo auctions between 3 to 3.30 PM, besides extending the timing of ECR facility to 5 PM.

In summary, the progressive evolution of the term repo auctions as the main instrument of frictional liquidity management is expected to improve the transmission of policy impulses across

the interest rate spectrum. Money, debt and foreign exchange markets have generally mirrored liquidity conditions and will follow incoming information, both global and domestic. Equity markets have displayed robust optimism and may continue to be supported by the global search for yields, although reversal in market sentiments surrounding the US monetary policy tightening remains a clear risk.

Opportunities and Threats

Indian banking in future is expected to grow exponentially supported by technology intensive processes and customer friendly models with focus on convenience and cost effectiveness. The areas which should receive the attention of banks seeking opportunities for sustainable growth are summarized below:-

- Retail banking will be immensely benefited from the Indian demographic dividend. It is important to note that the middle class population is expected to touch 200 million by 2020 and 475 million by 2027. This would imply mortgages would grow fast and likely to cross ₹ 40 trillion by 2020;
- Another segment that will provide huge opportunities will be the financing of affordable housing for growing low & middle class;
- Rapid accumulation of wealth in rich households will drive wealth management to 10X size;
- *The Next Billion* consumer segment will emerge as the largest in terms of numbers and will accentuate the demand for low cost banking solutions and innovative operating models, throwing up a big market of small customers;
- Branches and ATMs will need to grow 2X and 5X respectively to serve the huge addition to bankable population. Low cost branch network with smaller sized branches will be adopted;
- Mobile banking will come of age with widespread access to internet on mobile reaping the benefit of the high mobile density in the country;
- Banks will adopt CRM and data warehousing in a major way to reduce customer acquisition costs and improve risk management. Banks will have to understand and adopt new technologies like, cloud computing and invest significantly in analytics based on big data;
- Margins will see downward pressure both in retail and corporate banking, spurring banks to generate more fees and improve operating efficiency;
- Banks will discover the importance of the SME segment for profitability and growth and new models to serve SME segment profitably will be found as more than three fourth of the segment is still waiting to be served;

As the economy expands, a greater quantum of resources will be needed for supporting the growth process. The Indian banking sector also needs to catch up the likely acceleration in

the credit to GDP ratio as the economy expands. To support the economic growth as envisaged in the 12th Five Year Plan, the banking business needs to expand significantly to an estimated ₹ 288 trillion by 2020.

While announcing the decision to grant in-principle approval to the two applicants, the Reserve Bank indicated that going forward; it would use the learning experience from this licensing exercise to revise the guidelines appropriately and move to grant licenses more regularly on tap basis. Further, Reserve Bank would work on a policy of having various categories of differentiated bank licenses which will allow a wider pool of entrants into banking leading to greater banking penetration and more competitive environment. Reserve Bank has, accordingly, been working on the relevant guidelines for licensing payment banks and small banks.. The challenge before banks would be to make the best use of technology and innovation to bring down intermediation costs while protecting their bottom lines.

The implementation of Basel III framework will throw various challenges for banks. In particular, the adoption of Basel III capital requirements by Indian banks would push down their return on equity (RoE) to an extent. Investors have a wider choice and the stocks of the manufacturing sector may be preferred to banking sector stocks and, as such, it may perhaps be difficult to convince the investor community to invest in Indian banks in the short-term. It is, however, expected that by looking at the benefits of implementation of Basel III capital requirements by way of increasing resilience of the banking system, investors will get adjusted to the new reality.

In the process of phased adoption of Basel III capital norms, Indian banks in general have a relatively comfortable capital adequacy position to begin with. Rising required amount of capital going forward would be, however, a challenge, to which I turn now. The Reserve Bank issued final guidelines on implementation of Basel III capital regulations on May 2, 2012. The guidelines became effective from April 1, 2013 in phases and will be fully implemented as on March 31, 2019. Though there are various estimates about the additional capital mobilization by the PSBs arising out of the phased implementation of Basel III capital requirements, one thing is clear that the required magnitude of capital in the run up to the full implementation will be substantial.

During the quarter ended December 2013, banks collectively held loan provisions of about Rupees one lakh crores, an increase of 13 percent over the year, indicating that loan asset quality of banks in India deteriorated considerably. The trend of y-o-y growth in gross non-performing advances (GNPA) outstripping the y-o-y growth of advances, that started

from the quarter ended September 2011, continues although the gap in the growth rates is narrowed. It is widely accepted that the economic slowdown has affected the asset quality of banks adversely though the impact is not similar across bank groups.

Finally conclude by highlighting that the challenges facing banks as they gear up to the task of funding an economy, aspiring to become a middle-income country in the years to come, are known knowns. But the known unknown is how the banks will be able to adapt to the evolving situation and come on top of it. What compounds the matter further is the fact that Indian banks have to operate in an increasingly globalised environment, because of which there will be many factors regulatory, technological, cross-border financial flows impacting them over which they may not have any control.

Financial Performance

The Bank's operating profit during the year was ₹ 16.58 crore as against ₹ 06.07 crore during the previous year. The total business of the Bank as on March 31, 2015 stood at ₹ 20503.58 crore registering a growth of 0.81% over last year. While the Deposits grew by 2.05% to reach ₹ 12381.68 crore, the total advances stood at ₹ 8121.90 as against ₹ 8205.76 in the last year. The percentage of Gross NPA and Net NPA as on March 31, 2015 was 7.00% and 3.29 respectively. The capital adequacy ratio under Basel II and III as at the end of the financial year was 9.71% and 9.59% respectively. The Bank declared a net loss of ₹ 241.47 crore for the year ended March 31, 2015 as against ₹ 251.82 crore during the previous year. The book value per share was ₹ 58.47.

CREDIT SANCTION

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

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

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

Bank is adopting a careful assessment of risk-return tradeoff, which is critical to its success. Bank has also created dedicated

and distinct teams to take care of various functions and sub functions. Branch centric model has been introduced and branches are given more delegated financial powers for sanctioning the loans.

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

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

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

CORPORATE BANKING

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

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

LENDING TO MICRO, SMALL AND MEDIUM ENTERPRISES

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

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

RETAIL ADVANCES

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

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

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

MICROFINANCE AND AGRICULTURE LENDING

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

Bank has given specific focus on lending to poultry farmers, rubber, pineapple and other fruit growers through government agriculture departments, associations, commodity board etc.

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

- Out standings in the area of Micro Credit was ₹143.44 crores as on 31.03.2015.
- The bank's total agriculture advances stand at 18.73% of ANBC as against a target of 18% and direct agriculture advances stands at 14.46% as on 31.03.15 against the direct agriculture target of 13.50% of ANBC. The bank has extended 12.40% of ANBC to weaker section as against a target of 10% of ANBC.
- Focus on grass root level lending to SHGs through Direct SHG – Bank Linkage Lending Model in Kerala & Tamil Nadu.
- There are > 20000 number of SHGs maintaining savings bank account with our various branches. Credit facilities availed by SHGs from the Bank stood at ₹ 563.25 crore as on 31.03.2015. Kisan Credit Cards amounting to ₹ 9.44 crores were issued to 221 farmers as on 31.03.2015.
- Tie-up with dairies for providing cattle loans under JLG model and with NGOs for providing rural housing loans to SHG members.

CREDIT CARDS

A robust system as per international standards is in place for credit card operations in the Bank. Bank is issuing globally valid Platinum, Gold and Corporate Gold credit cards in association with the VISA. Complying with the guidelines of regulator, Bank has started issuing EMV chip cards which will add an additional layer of security for Point of Sale transactions. All credit card processes, such as online authorization, cardholder alerts on the credit card activities are automated and the system is functioning smoothly. The core activities like sourcing and sanctioning of applications are managed by the Bank. End to end non-core activities are outsourced to a well experienced vendor and monitored by the Bank. 24/7 customer care center is in place to assist the cardholders instantaneously. Bank has complied with the regulatory guidelines pertaining to credit card operations.

CREDIT MONITORING

In order to ensure safety and quality of credit portfolio, Credit Monitoring Team plays a key role in the post sanction credit process such as, timely and orderly dispensation of credit, security creation, account management, monitoring the conduct of the assets, quality of asset portfolio, safeguarding securities charged to the bank, reporting of irregularities and adherence to terms

of sanction through continuous liaison with the branches. This team helps to strengthen the post sanction activities in the weak prone areas and plug the gaps. Remedial measures are taken proactively to prevent slippages.

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

BUSINESS DEVELOPMENT AND PLANNING

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

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

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

- New savings account product, Dhanam Vanitha was introduced with a view to widen the scope of customer offerings in savings account segment. The salient feature of the product include Sweep in/out facility, Nominal minimum balance requirement etc. This product is an exclusive savings account to cater to the need of Women segment.
- Introduction of CASA campaign- Mission -1000 with a view to facilitate increasing the number of active relationships and also to strengthen the low cost deposit and thereby reducing the cost of deposit and improve the Bank's profitability.
- Introduction of New term deposit product Dhanam 400 days with a view to expand the relationship of the existing customers, to increase the retail portfolio of the Bank.
- Bank has renewed the general insurance tie up with our Corporate Agent Bajaj Allianz General Insurance Co. Ltd. for a period till March 2016.
- Introduced facility for online verification of KYC / AML documents for all branches, in line with the recent amendment to Prevention of Money Laundering rules by Reserve Bank of India.
- Bank has entered in to new business tie up with Devan Housing Finance Limited for sourcing / referring housing loans with a view to increase non interest income of the Bank.
- Introduction of Revival of Inoperative Accounts campaign

to encourage the CASA growth and to increase profitability.

- Bank has reintroduced Dhanam 3 in 1 account which comprises of savings account, demat account and trading account in one basket. For trading account Bank have entered into an agreement with M/s Religare Securities Ltd.
- Introduction of Products and Services Diary version 2 with an objective of improving the product knowledge of employees and also serves as a ready reckoner for all the products and services offered by the Bank.
- Safe deposit lockers- Special Drive for 100% occupancy were introduced with a view to accelerate renting out of vacant lockers and have specified certain concession in locker rent during the campaign period for the customers maintaining reasonable average balance in CASA / Deposit relationship with the Bank.
- Provided sandwich posters containing information on the Bank's various products and services for displaying in all branches/ATMs to make aware of the customers and general public about facilities offered by the Bank.
- Amongst other things, the department handles Business Development, New Product & Service Development, Government Business, Liability and Third Party Products Portfolio, Infrastructure and Administration Support, Centralised Operations, Currency Chests, Public Relations and Publicity. The Central Processing Centre of the bank also functions under the ambit of this department.

GOVERNMENT BUSINESS

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

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

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

YOUR BANK'S OPERATIONS AT SABARIMALA

Your Bank became the principal bankers to Travancore Devaswom Board in late 1970s. Your bank accepted to become the Banker to Lord Ayyappa and the temples administered by TDB in a spirit of public service. Since then the Bank has been extending the best of services to the TDB and the temples administered by it.

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

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

In addition to the regular services provided, we have facilitated Travancore Devaswom Board with following new services during the financial year 2014-15.

1. Facility of online advance booking of Pooja and Prasadam through payment gateway provided by the Bank. All pilgrims booking Pooja/Prasadam were serviced at exclusive counters opened for the purpose by the Bank at Sannidhanam.
2. Newly introduced Prasadam Kits containing Appam, Aravana, Manjal, Kunkumam and Vibhuthi were distributed through Bank counters at Sannidhanam.

THIRD PARTY PRODUCTS DISTRIBUTION

Life Insurance

Bank in tether with M/s. Bajaj Allianz Life Insurance Company has insured 514 Customers with Premium Collection of ₹ 1.04 crores.

Non-Life Insurance

On Non-Life Insurance Front, Bank distributed 14046 Policies with Premium of 4.40 crores. Policies were issued on various heads such as Motor insurance (Commercial Vehicles, Two Four

Wheeler's) Medical Insurance, Liability, Health, Property, Rural and Marine Insurance.

Bullion Sale

The Bank sells different denominations of retail gold coins (1.5 Gms to 50 Gms) Coins and Silver Bars (50 Gms and 100 Gms). Under Retail Bullion Category Bank has sold 1.93 Kgs of Gold and 0.25 Kgs of Silver.

DHFL Home Loan Referrals

Bank passed referrals of Home Loans worth 1.8 Crores to DHFL during the period.

FOREX BUSINESS

Forex business is one of the most important focus area of the bank in deposit mobilization and exchange earnings. At the end of the year 2014-15, Bank had Rupee Drawing Arrangement (RDA) with 2 Exchange Houses under the DDA Procedure and 9 Exchange House under the Speed Remittance arrangement. There has been a increase in remittance volumes under Speed remittance arrangements owing to competitive pricing of transactions vis-à-vis peer banks. The increase in routing transactions is also contributed by other factors like timely and seamless processing of the transaction, support and services extended to the exchange house in the remittance operations.

The major gain for the bank in the remittance operations in the FY was earning confidence of exchanges which resulted in routing all their transactions through us. This has in fact resulted in earning more commission on the transaction processed. The relationship with Doha Bank has become more vibrant in the FY and our bank is now one of their most preferred correspondent bank in India for remittance operations.

On the NRI business front NRI deposits of the bank stood at 1797 crores at the end of FY 2014-15. NRI business clocked an encouraging growth of 30.80% over FY 2013-14 with overall book growth of 424 crores.

FINANCIAL INCLUSION AND BUSINESS CORRESPONDENTS MODEL

Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy. Financial inclusion is delivery of banking services at an affordable cost ('no frills' / Basic Savings Bank Deposit Accounts) to the vast sections of disadvantaged and low income group. Your Bank has initiated number of measures to promote financial inclusion widely. State Level Bankers Committee (SLBC) and Reserve Bank

of India had allotted four villages in Kerala and one village in Tamil Nadu for the purpose of financial inclusion activities.

In Kerala, bank adopted the Business Correspondent model for providing banking service in the villages allotted by SLBC. In Tamil Nadu, a satellite branch was set up in the allotted village. Apart from the allotted villages, bank adopted 10 additional villages in Kerala.

The Bank had launched on-line Business Correspondents model using tablets, for delivery of Banking services at an affordable cost to vast section of disadvantaged and low income group.

As on 31st March, 2015, we have appointed 167 Business Correspondents.

Our Business Correspondents have actively participated in the PMJDY (Prime Minister's Jan Dhan Yojana) programme launched by Government of India. We have launched RUPAY Cards to customers who open the relevant accounts through Business Correspondents.

CENTRAL PROCESSING CENTRE

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

- Opening of new CASA accounts through hub and spoke model. Document scrutiny by RPCs (Regional Processing Centres) and account activation at CPC.
- Opening of loan accounts including loan account modifications, interest rate changes, limit extensions, loan rescheduling, re structuring etc.
- Making customer and account level static data changes such as address, contact details etc.
- Processing customer requests for cheque books, debit cards, internet banking related requests, mobile banking related requests including logistics management of deliverables.

- Production and dispatch of security stationery such as cheque books, demand drafts / bankers's cheques, pregenerated account opening kits, etc. to branches.
- Depository Participant operations.
- Electronic Clearing Services such as ECS Fund transfer, Mandate Registration, Schedule of Charges, Direct Debit lodgments and transactions.
- Local and Outstation and Cheque collection, Fund Transfer for Corporate customers through Cash Management Service.
- All NEFT and RTGS operations.
- Such as Bulk PAN verification, Aadhar number updation and processing of Direct Benefit Funds etc. Electronic Channel Transaction Reconciliation of NEFT Inward / Outward, RTGS Inward / Outward, ATM, IMPS, POS, Internet Banking, Payment Gateway, Forex card and Bullion reconciliation transactions.
- Other Centralised activities.

CURRENCY CHESTS

Your Bank is having two Currency Chests, one attached to Pushpagiri Branch, Thrissur and the other one attached to Attukal Branch, Thiruvananthapuram. Both the Chests are equipped with state of the art machines for currency counting, sorting and counterfeit detection. Transactions in the Currency Chests have recorded a growth of 29% during the Financial Year 2014-15.

PUBLIC RELATIONS AND PUBLICITY

It is very evident that the existence of the bank has little value without the existence of the customer. The key task of the bank is not only to create and win more and more customers but also to retain them through effective customer service. Customers are attracted through promises and are retained through satisfaction of expectations, needs and wants. Marketing as related to banking is to define an appropriate promise to a customer through a range of services (products) and also to ensure effective delivery through satisfaction. Bank had consciously kept a tight leash on our expenditures during the last financial year. To ensure that the bank continues its publicity and marketing efforts, despite the financial limitations, it concentrated on localized and regional initiatives in reaching out to its customers. During the financial year 2014-15, the Bank had placed several hoardings at major locations across the state to increase its reach and visibility among general public. As a part of its community involvement, bank participated in and encouraged local events and functions thereby growing with the society.

ALTERNATE CHANNELS

ATMs

Bank has a total of 398 ATMs spread across India to cater

to the requirements of customers. In the Financial Year 2014-15, we have added two ATMs and relocated 11 ATMs to more convenient locations, which has enhanced customer service.

We are not charging our customers for using our own ATMs even if the transaction exceeds five, even though RBI direction gave freedom to charge. We are only charging the customers for usage at other Bank ATM as per RBI guidelines.

In the Debit Card sphere, following value additions were done in the FY 2014-15:

- Launched EMV (Europay, Master & Visa) chip VISA Debit Card for Bank's customers, with a view to enabling a secured environment for Card transactions.
- The magnetic stripe cards were allowed for international access till 31.03.2015 only, to make sure that our customers do transactions using debit card more securely.

PoS

We have launched Point of Sale (PoS) business in the FY 2013-14, as part of merchant acquisition service. We have increased our base in 2014-15, by increasing the number of PoS terminals to 539 as on 31st March, 2015.

CORPORATE WEBSITE

- Bank maintains its corporate website (www.dhanbank.com) with a dedicated internal team
- The website is updated on a daily basis with product updates, information to customers, latest news while also ensuring availability of information as required by regulators in an easy fashion
- The corporate website has approximately 2.4 lac page views / hits per month

PAYMENT GATEWAYS

Payment gateway throws wider options for the acceptance of payments and a key component to do business and accept online payments. Payment gateways allows multiple payment options like Credit or Debit Cards of Master, Visa, Maestro, Diners, AMEX, Repay etc. Currently our Bank has integrated 7 payment gateways in online banking covering almost 95% of online merchants / service providers.

MOBILE BANKING/PAYMENTS AND SMS BANKING

Interbank Mobile Payment Service (IMPS) is an instant interbank electronic fund transfer service through mobile phones. IMPS facilitate customers to use mobile instruments as a channel for accessing their banks accounts and remitting funds there

from. Bank is a member of NPCI and is listed for offering IMPS services. The users shall be able to receive funds via IMPS. IMPS can be done from any user of other bank via Mobile or Internet as their Bank's IMPS function availability. Bank has also launched Phase 2 of Mobile Banking which includes m-Commerce, Bill Payment, Credit Card Payment and Debit Card blocking/Card/PIN reissuance requests via Mobile.

NACH (NATIONAL AUTOMATED CLEARING HOUSE)

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

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

IT INITIATIVES

Extending the Ambit of Missed Call Facility

During the last FY, your Bank had introduced the facility where by the account balances are send to the customers' mobile number as SMS within 8 seconds. Consequent to the warm acceptance of this facility and have extended the missed call facility further offering the following services.

E-Statement of Accounts

Customers can give a Missed Call to **08067747711** for E-mail statement.

- o Unique Initiative in the Banking Regime
- o Account Statements for the last 3+ months
- o SOA send to the registered mail id of the customer in 80 seconds
- o Supported by an SMS confirmation

One Day Statement on Missed Call

Customer can give a Missed call to **08067747733** for an abridged account statement

- o To get A/c statement instantly via Email
- o Statement for 1 + day (yesterday plus till time)

- o Includes clear and unclear balance to facilitate fund management
- o To resolve the data overload (3+ months) for CC/CA/OD customers

Connect with our Call centre on Missed call

Customer can give a Missed call to **08067747722** for Interacting with our Executive.

- o For new and old customers alike
- o To know more about our products and services
- o To resolve customer issues and complaints
- o To place cheque book and other requests
- o With a eight minutes response threshold

Instant A/c Balance SMS on an Unsuccessful ATM Transaction

- o To avoid additional balance enquiry attempts
- o To save the expenses for the customer
- o On Other bank ATMs
- o **Your Bank is the first Bank to offer this facility**

New Initiative to Accept the NEFT/RTGS payment via Virtual Accounts

- Widening the scope of NEFT/RTGS inward remittances by including Fee / Chit payments using Virtual Accounts.
- Your Bank have introduced a new collection facility to accept inward NEFT/RTGS payments of student fees, chits & loan installments from the students, chittalans and loanee of educational institutions, chitty companies and lenders who are Bank's customers.
- By the introduction of this option, institutions can initiate various collections from their clients who are not holding an account with our Bank using a unique identifier of their clients as account number (virtual) to recognize the payments individually. This virtual account number can be used by the students, chittalans, loanee to carry out any NEFT/RTGS transactions.

PaySmart – A smarter way for fee collections

There was longstanding demand for a product which caters to the segment related to chit/Kuri companies and Educational institutions where either chit subscriptions or fee are to be collected on a periodical basis.

In the first phase, Bank catered to the "chittalans" of the kuri company / parents of the students of the educational institutions who comes to the branch to make the fee/chit payment by cash. Along with this also provide the option for fund transfer for those customers maintaining account with the Bank.

In the second phase, the payment options were enabled by

integrating with payment gateways, Bank's Internet Banking portal etc. Remitters can navigate either from website of the respective organisation (Chit company/Educational institutions) or from our corporate website for making online payments using their unique identifiers.

UCIC Implementation

As part of complying with RBI's ambitious project to have a Unique Customer Identification Code (UCIC) across banking spectrum, your Bank have also achieved the milestone of allotting UCIC to individual customers which would be extended to non individual customers in the coming years.

Introduction of New Products in Core Banking

New product introduced for National Urban Livelihood Mission - Interest Subsidy scheme. The application for managing the subsidy/claim and its tracking is developed internally.

Bank's product basket for FCNR products, especially for our NRI customers has been expanded with the following additions:

- FCNR (Swiss Franc - CHF)-CUMULATIVE [375]
- FCNR (Swiss Franc - CHF)-NON CUMULATIVE [376]
- FCNR (Singapore Dollar - SGD)-CUMULATIVE [377]
- FCNR (Singapore Dollar - SGD)-NON CUMULATIVE [378]

Introduction of DCDC Tax products in RIB

Enabled 3 DCDC Tax products in RIB for Online TD open

- 244 Dhanam Tax Benefit - DCDC
- 245 Dhanam Tax Benefit- DCDC-Staff
- 246 Dhanam Tax Benefit-DCDC-Sen. Citizen

Introduction of Product Transfer facility for CASA in CBS

A New facility has been released in CBS i.e. **Product Transfer**, whereby

- Customer can easily switch to a new product without closing and reopening or changing their account number.
- This is especially advantageous for customers who prefer to upgrade their **No-Frill** account to normal savings accounts as and when they breach the thresholds on the balance outstanding, total of credits and debits etc.
- This can also be used when a resident migrate to other countries or and NRI migrate back to India, his/her account status would be changed without any change in the account number.

Changes in Account Statements and Passbook

As per various RBI guidelines on Customer Service and based on customer feedback, Bank have incorporated following additional details in Account statements and Passbook.

- IFSC code, MICR Number, Branch Email ID and Branch Telephone Number in both CASA and Loan Statement.
- IFSC code, MICR Number, Branch Email ID and Branch Telephone Number in first page of all the Passbooks, newly issued.
- Withdrawable balance and unclear balance after every updation of the passbook.
- Availability of Nominee registration details – Nominee Name / **'Nominee Registered'** or **'Nominee Not Registered'** in CASA Statement of Account and Passbook. An option is given to the customers to decide whether to print the name of nominee or plan **'Nominee Registered'**.

New Initiative to greet customers by sending Birthday Wishes

Birthday wishes are sent to customers by SMS to foster our relationships and reinforce the Bank's Vision-"Banking on Relationships Forever".

Generation of Customer Alerts

- Bank has initiated sending mail alerts for transactions in accounts which were non operative for last 12 months. Whenever a transaction is consummated in such accounts, an automated mail is sent to the customer to ensure that the transaction is initiated by the customer/customer's knowledge.
- Alerts to caution the customers on breaching the thresholds on the number of free ATM transactions at other bank ATM in a month for the following scenarios:
 - o 3 metro ATM transactions
 - o 2 metro and 3 non-metro ATM transactions
 - o 1 metro and 4 non-metro ATM transaction
 - o 5 non metro ATM transactions

Such alerts are sent to the customers to sensitize them that the threshold limit of free transactions has been attained and from the next transaction onwards they would be charged.
- Alerts are sent to the customers on the DBT credits both Aadhar Based and LPG ID based, even for small amounts irrespective of the registration to this facility.
- As part of implementing the RBI directive to curb the frauds in cheque clearing under CTS operations, we have commenced sending alerts to our entire customer as soon as the details of their inward cheques are made available to the Bank by NPCI. This would give an early warning / alert to the customer so as to immediately initiate stop payment of the instrument, if any fraudulent cheques has been received for clearing.
- Email alerts are sent to customers whose accounts are Inoperative during last 3 months.

Automatic transfer of LRD maturity proceeds for both new and existing Accounts

- Long standing demand of customers fulfilled.
- Customer can choose any CASA account to credit the maturity proceeds.
- An SMS on Maturity of RD is sent to the customer irrespective of maturity instruction.

Migration of Term Deposits to IBA Method

- To avoid the customer complaints and confusion on the variance of interest amounts, Computational method has been changed from Actual/Actual to IBA.
- Customers are more familiar with the IBA Method, as this practice is followed in most of the banks.

DBTL Credit/ AADHAR Subsidy

1. 7 Lakhs SMS & 1.8 Lakhs Mailers were sent to customers to publicize the DBTL and the process of Aadhar seeding in the accounts.
2. Bank has provided all the three options of DBTL enrolment viz.,
 - a. Aadhar Linking of Accounts
 - b. LPG ID linking to the accounts (directly to CBS and seeding on a daily Basis)
 - c. Direct Account linking by the customer in the OMC (Oil Marketing Company) websites
3. Your Bank is the first Kerala based bank to make available LPG ID linking to the accounts facility.
4. The respective files are uploaded and downloaded on a daily basis to facilitate faster seeding of accounts.

Launch of Upgraded Version of Mobile Banking Platform

Our Mobile Banking platform has been revamped and as a part of it, we have launched a native application for the Android Mobile OS which has been widely accepted for its aesthetics, user friendliness and intuitive screens.

The application is uploaded in Google Play Store on 28th February, 2015 to enable our customers to download and install in their Android smart phones. The new version is embedded with a slew of features coupled with latest security validations and has been received good ratings.

We are in the process of rolling out native application that support IOS and Windows platforms and hope to release soon.

Additional security for Online Net Banking transactions

As part of Bank's endeavor to provide a highly secured environment for online transactions through our RIB and CIB, the Bank had initiated many new alerts / preventive measures.

One such initiative we have started is ending SMS and Email alert on every successful Retail Net Banking logins to warn/caution the customers during the event of any unauthorized Internet Banking access.

Further, Bank also introduced additional securities like velocity check there by alerting the customer on a bunch of transactions where the total amount involved or the number of transactions per day for the following scenarios reach or breach a threshold.

- NEFT Transactions
- 1 RTGS Transaction
- Sum of amount of NEFT Transactions \geq ₹1 Lakh
- Sum of amount of RTGS Transactions \geq ₹ 3 Lakhs

Meanwhile, Bank's call center also started to make confirmatory calls on any new beneficiary addition to make online banking further safer.

Processing of ECS Mandates (Inward)

The Bank had started processing of ECS Inward mandates as per the new initiative of NPCI to centralize all ECS across the country. This is to avoid running different ECS hubs and also to move a systematic and streamlined mandate management of customers as well as the various corporate especially the utility service providers like Electricity Board, ISPs, and Insurance etc.

Payment Gateway Options to facilitate online payments

Payment gateway throws wider options for the acceptance of payments and a key component to do business and accept online payments. Payment gateways allows multiple payment options like Credit or Debit Cards of Master, Visa, Maestro, Diners, AMEX, Repay etc.

Currently your Bank has integrated 7 payment gateways in online banking covering almost 95% of online merchants / service providers. In the coming financial year, we plan to have more PG integration to further enhance the scope of online payments.

Treasury Operations

The Financial year passed was very bullish both on equity and fixed income segments. The 10 year bench mark Central Govt. security yield had softened from 9.15% to 7.65% during the period. BSE Sensex had rallied from 22455 to 30024 and closed slightly lower at 27957.

The Bank had sold ₹ 820.92 Cr. Central and State Govt. security from Held to Maturity (HTM) Category and booked ₹ 2.75 Cr. profit. Under Available for Sale (AFS) category, profit of ₹ 2.19 Cr. was made by selling both dated securities and Treasury Bills. Similarly under Held for Trading (HFT) category, ₹ 1.36 Cr. was booked as profit.

From sale of private corporate bonds, Certificate of Deposits, mutual fund units and Equities the Bank had made profit of ₹ 5.92 Cr.

Gross investment of the bank as on March 31, 2015 was ₹ 4934.61 Cr. (including ₹ 353.46 Cr. RIDF deposit).

In foreign exchange, merchant turn over was equivalent to ₹ 7988 Cr. Profit from foreign exchange during the FY was ₹ 12.35 Cr.

INSPECTION AND VIGILANCE

The Bank has a detailed Inspection Manual and a robust Inspection Policy which are updated periodically. The Policy takes care of modifications in the audit methodology in line with the changes brought in the organizational structure and business models with the objective of auditing an activity of the place of its origin. This comprises of Risk Based Internal Audit (RBIA) of branches, Concurrent Audit of branches, Central processing Centre (CPC), Regional Processing Centres (RPC), Trade Finance, and Integrated Treasury. A system of Credit Audit is in vogue since FY 2012-13 in order to monitor the documentation of big advances. RBIA of the branches is done at periodic intervals as per the risk rating awarded to the branch in the previous audit. During the year 2014-15, 184 branches were subjected to RBIA. Besides, 220 RBIA reports were subjected to first review and 141 RBIA reports were taken up for final review. During the year 76 Branches, 9 RPCs, CPC, Trade Finance, Integrated Treasury and HO Expenses were also covered under the purview of Concurrent Audit. These branches and Treasury put together cover 58.20% of Total Deposits, 70.19% of Total Advances and 63% of the Total Business. Out of this, audit of 31 Branches, 6 RPCs, CPC, Trade Finance, Integrated Treasury and HO expenses were undertaken by our own Internal Audit officers.

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

INFORMATION SECURITY

Information Security Group took many significant initiatives during the year 2014-15 and gist of the same is furnished below:

- Gap analysis was performed on prescribed nine domains as

per recommendations of RBI working group on information security, electronic banking, technology risk management and cyber frauds and measures taken to improve the compliance level. This activity is scheduled on a quarterly basis.

- Revised Information System Security Policy in accordance with RBI working group committee recommendations, changed business requirements, relevant laws and regulations.
- Revised the Business Continuity Management (BCM) Policy in accordance with RBI working group committee recommendations and Business Impact Analysis (BIA) conducted in the previous year.
- Conducted process audit for major and critical applications.
- Conducted application security testing for major and critical applications.
- Restricted access to external storage devices such as thumb drives, data cards, mobile phones, etc., as part of implementation of Information System Security Policy.
- In order to prevent the customers from falling prey to phishing and malware attacks, measures are taken to monitor our websites for phishing attempts and malware attacks on 24/7 basis, with the support of external information security consultant.
- Disseminated information on information security threats and precautions to be taken to avoid security incidents, for the benefit of customers through our website.
- Provided information and guidance to Information Technology team on latest threats and vulnerabilities.

To improve information security awareness among our employees, weekly bulletin named 'infosec' is published by Information Security Group highlighting the emerging risks to information assets.

LEGAL

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

- to devise ways and means to suggest and implement preventive legal measures in tune with the statutory provisions, regulatory prescriptions and judicial expositions,
- to suggest the best legal practices in documentation and legal steps to be initiated from time to time to secure the interests of the Bank,
- to minimize the legal risks in the decision making process of the Bank in general and other Departments of the Bank in particular, thus mitigating the legal and operating risks in a time bound manner.

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

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

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

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

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

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

RISK MANAGEMENT

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

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of risks are in place. The Bank has a Board level subcommittee for Risk Management. At the executive level, the Bank has a Risk Management Committee of Executives (RMCE), Asset Liability Committee (ALCO), Credit Risk Management Committee (CRMC)

and Operational Risk Management Committee (ORMC). These Committees along with the Investment Committee and the Credit Committees ensures adherence to the implementation of the risk management policies and controlling credit commitments on behalf of the Bank within prescribed limits.

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

BASEL II and Basel III guidelines

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

CREDIT RISK

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

The Credit Risk Management (CRM) policy, which is reviewed annually deals with various areas of credit risk, goals to be achieved, current practices and future strategies. It further

details credit risk identification, measurement, monitoring / controlling mechanisms and concentration risk. The credit risk management aims at ensuring sustained growth of healthy credit portfolio. Bank has stipulated minimum standards for origination, benchmarks for certain key financial risk parameters, and has a multi-tier credit approval system based on exposure, rating and transaction risks. Exposure caps in terms of individual, group, industry / sector and segment level are defined to control risk concentrations and to ensure a fairly diversified spread of credit portfolio.

Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Bank currently has 21 rating/scoring models covering Corporates, SME, Traders, NBFC, Small Loans, Non-SLR investments, inventory/construction finance, asset buy out, individuals and micro credit. All these models were reviewed and revised during the year based on the portfolio specific characteristics of the bank, best practices prevalent in the industry and market scenario. All exposures of ₹ 2 lakhs and above will come under the purview of rating.

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

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

MARKET RISK

Market Risk is defined as the possibility of loss to a bank caused by changes in the market variables. Market risk arises from changes in interest rates, foreign exchange rate, equity prices and commodity price. Small changes in these market variables can cause substantial changes in income and economic value of the Bank. Besides, market risk is also about the bank's ability to meet its obligations as and when they fall due, which can vary with market conditions.

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

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

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

OPERATIONAL RISK

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

Every new product or service introduced is subject to risk review

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

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

Risk Based Supervision

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

HUMAN RESOURCES

Bank has already moved from a vertical based business model to a branch centric business model in order to accelerate growth, improve profitability and enhance service quality. Bank has also been fine tuning the business processes in accordance with the bank's desired goals. The Bank's employee strength, which was 2430 as on 31st March, 2014, stood reduced to 2279 as on 31st March, 2015. The number of sales executives including Business Development Executives also reduced to 173 on 31st March, 2015 from the level of 238 as on 31st March, 2014.

Training is an integral part of the Bank's strategy. Training is being imparted to employees on various fronts keeping in view the changed business model. During the year 2014-15, training was given to 1347 employees which accounted for 59% of the workforce as on 31.03.2015. 1222 were trained through in house programmes and 125 were trained through external training programmes by reputed institutions during the year. As part of e-learning initiatives, the Bank conducted online quiz programmes for Officers/Clerks.

During the financial year 2014-15, the Bank granted Employee Stock Option Scheme 2013 among all employees of the bank based on their grade, seniority and total service with the Bank.

CORPORATE SOCIAL RESPONSIBILITY

The Bank believes that no organization can make sustainable development without the patronage from the society. The Bank is committed in the integration of social and environmental conservation its business operations and also in the interactions with its stake holders. Bank is committed to financing the economic and developmental activities of the nation with concern for human rights and environment.

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

1. Mr. K. Jayakumar (Chairman of the committee)
2. Mr. G. Sreeram (MD & CEO)
3. Dr. K. R. Lakshmy Devi (Member)

In alliance with Trichur Management Association, it had initiated in the year 2010 scholarship programs for deserving MBA students seeking financial assistance. During the year 2014-15, the bank gave the scholarship to two MBA students. As part of 87th Foundation day the Bank organized free medical checkup camp, dental and eye check up camp for the public at our Head Office, Thrissur.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Internal Controls

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

Risk Management Practices

It is imperative to have good risk management practices not only to manage risk inherent in the banking business but also the risks emanating from financial markets as a whole. The Bank has

put in place risk management architecture and practices that is overseen by a Committee of Directors. The bank has in place a robust risk management structure which proactively identifies the risk faced by the Bank and helps in mitigating it, while maintaining proper tradeoff between risk and return thereby maximizing the shareholder value.

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

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

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

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

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

Human Resource Development/Industrial Relations

Human Resources policies and practices of the Bank focus on attracting, motivating and retaining qualified and skilled manpower. Concurrent with these objectives, steps are taken to improve manpower efficiency. Given the market challenges, there has been considerable focus on optimizing the existing resources - through internal job postings, transfers and skill development initiatives. Training and development has assumed significant importance. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and train them for qualitative improvement.

Report on Corporate Governance

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

Corporate Governance ensures high standards of transparency, accountability, ethical operating practices, professional management thereby enhancing shareholder's value of protecting the interest of the stakeholders such as depositors, customers, creditors, suppliers and employees. The Bank is committed to highest standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvement of internal controls and sound investor relations.

The required details on Corporate Governance are given here under:

1. Board of Directors

Your Bank has a broad-based Board of Directors constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013, Listing Agreement entered into with the Stock Exchange(s) and in accordance with best practices in Corporate Governance. The Board functions either as a full Board or through various committees constituted to oversee specific areas. Policy formulation, setting up of goals, evaluation of performance and control functions vest with the Board. The Committees have oversight of operational issues assigned to them by the Board.

Composition of Board

The composition and category of the Directors along with their attendance at Board Meetings, Annual General Meeting and shareholding in the Bank as on March 31, 2015 are given below.

Sl. No.	Name of Director	Category of Director	No of Board Meetings		Attendance of last AGM as on 20.09.2014	No. of shares held	% of holding
			Held during the Tenure	Attended			
1.	Sri Tekkar Yashwanth Prabhu, Chairman	NE	13	13	Present	200	0.00
2.	Sri Jayakumar P. G., MD & CEO #	Whole Time Director	13	13	Present	-	-
3.	Sri K. Srikanth Reddy, Director ##	INE	09	09	Present	20000	0.02
4.	Sri K. Vijayaraghavan, Director ###	INE	06	06	Present	400	0.00
5.	Sri P. Mohanan, Director	INE	13	13	Present	200	0.00
6.	Sri Chella K Srinivasan, Director	INE	13	13	Present	200	0.00
7.	Sri K. Jayakumar, Director	INE	13	11	Present	200	0.00
8.	Dr. Lakshmy Devi K. R. \$	INE	06	05	NA	200	0.00
9.	Sri Raja Selvaraj, #### RBI Additional Director	RBI Nominee	10	8	NA	-	-
10.	Sri Harihar Mishra ##### RBI Additional Director	RBI Nominee	02	02	NA	-	-
11.	Sri Rohit Jain \$\$ RBI Additional Director	RBI Nominee	01	01	NA	-	-
12.	Sri Susobhan Sinha \$\$\$ RBI Additional Director	RBI Nominee	01	01	NA	-	-

Ceased to be MD & CEO w.e.f. 06.04.2015.

Ceased to be a Director w.e.f. 15.11.2014.

Ceased to be a Director w.e.f. 20.09.2014.

Ceased to be a Director w.e.f. 09.12.2014.

Appointed as Director w.e.f. 09.12.2014 and ceased to be a Director w.e.f. 13.02.2015.

\$ Appointed as Additional Director w.e.f. 11.11.2014.

\$\$ Appointed as Additional Director by Reserve Bank of India w.e.f. 13.02.2015.

\$\$\$ Appointed as Additional Director by Reserve Bank of India w.e.f. 02.03.2015.

INE – Independent Non Executive Director

NE- Non-Executive Director

Board Meetings

A total of 13 Board Meeting were held during the year and the dates are as under – 23.05.2014, 07.06.2014, 02.07.2014, 14.08.2014, 25.08.2014, 20.09.2014, 17.10.2014, 11.11.2014, 12.11.2014, 06.12.2014, 23.01.2015, 12.02.2015 and 18.03.2015.

Committee position of Directors in the Bank as on March 31, 2015.

The name of each committee with the name of its respective Chairman as on 31.03.2015 is furnished below.

1. Audit Committee	Sri Chella K. Srinivasan
2. Shareholders' Grievance Redressal Committee	Sri Tekkar Yashwanth Prabhu
3. Large Value Fraud Monitoring Committee	Sri Jayakumar P. G.
4. Customer Service Committee	Sri Tekkar Yashwanth Prabhu
5. Risk Management Committee	Sri Tekkar Yashwanth Prabhu
6. Nomination Committee	Sri K. Jayakumar
7. Management Committee	Sri K. Jayakumar
8. Human Resource Development Committee	Sri Tekkar Yashwanth Prabhu
9. Remuneration Committee	Sri K. Jayakumar
10. Information Technology Committee	Sri Jayakumar P. G.
11. Committee of Directors (Proposals)	Sri P. Mohanan
12. NPA Monitoring Committee	Sri P. Mohanan
13. Equity Issuance Committee	Sri Tekkar Yashwanth Prabhu
14. Committee for Overseeing HO Building Construction	Sri K. Jayakumar
15. Corporate Social Responsibility Committee	Sri K. Jayakumar

None of the Directors is a member of more than ten Board Committees or Chairman of more than five such Committees, as required under Clause 49 of the Listing Agreement.

Directorship of Directors in other Public Limited Companies

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

2. Committees of the Board

1. Audit Committee

- i) The Board of the Bank has constituted a four member Audit Committee. All the four members of the Committee are non-executive Directors, with Mr. Chella K. Srinivasan, who is a Chartered Accountant, as its Chairman and Dr. Lakshmy Devi K. R., Mr. Rohit Jain and Mr. Susobhan Sinha as the other members.
- ii) Brief description of the terms of reference:

Apart from the mandatory items to be taken care 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 the 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 all the issues brought out in the Long Form Audit Report (LFAR) and interacting with the Statutory Auditors before finalisation of the annual financial accounts and reports.

- g. Following up on all the issues/concerns raised in the Annual Financial Inspection (AFI) reports of Reserve Bank of India in respect of Regional Offices/Zonal Offices and Head Office.
- h. Reviewing with the Management, the quarterly and annual financial statements.
- i. Review of Revenue leakage detected in RBI/Revenue/Concurrent Audit
- j. Review of Concurrent Audit of Depository Department
- k. Review of dishonored cheques of ₹ 1Crore and cheques issued by broker entities
- l. Review of Forex Transactions
- m. Review of Concurrent audit of Integrated Treasury and branches (quarterly)
- n. Summary of Risk Control Self Assessment (RCSA) of functions/branches done together with open and closed issues.
- o. Working of the Vigilance Department – month wise
- p. Quarterly report on the activity of Inspection Department
- q. Review of the functioning of the meetings of Audit Committee of Executives
- r. Review of Inspection reports on Zonal Offices
- s. Quarterly/Annual review of frauds.

The Committee met 7 times during the year.

2. Shareholders' Grievance Redressal Committee

- i) Mr. Tekkar Yashwanth Prabhu, Chairman of the committee and Mr. Jayakumar P. G., Dr. Lakshmy Devi K. R. and Mr. K. Jayakumar are the other members of the Committee. The Committee 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 reviews reports from the Registrar and Share Transfer Agents to monitor grievances redressal.
- ii) Details of Compliance Officer and Registrar & Transfer Agent are as follows:

Description of delegated authority	Full address of delegated authority	Telephone Numbers	Fax Numbers	E-mail ID
Name and designation of Compliance Officer of the Bank	Mr. Krishnan K. S. CFO & Company Secretary	0487- 661 7000 0487-6617254	0487 2335367	investors@dhanbank.co.in
Registrar & Share Transfer Agent	M/s. Karvy Computershare (P) Ltd.	040 23420818	040 23420814	einward.ris@karvy.com

- iii) Number of investor complaints received and attended to by the Bank during the year 2014-15 are as follows:

Sl. No.	Nature of complaint	No. of complaints pending as on 01.04.2014	No. of complaints received	No. of complaints resolved	No. of complaints pending as on 31.03.2015
1.	Transfer related Complaints	Nil	Nil	Nil	Nil
2.	Dividend related Complaints	Nil	2	2	Nil
3.	Others	Nil	Nil	Nil	Nil
Total		Nil	2	2	Nil

The Committee met 3 times during the year.

3. Large Value Fraud Monitoring Committee:

The Committee has been constituted to exclusively monitor large frauds of ₹ 1 Crore and above. Sri Jayakumar P. G. is the Chairman of the Committee. Sri Chella K. Srinivasan and Dr. Lakshmy Devi K. R. are the members of the Committee. The major functions of the Committee is to monitor and review all the frauds of ₹ 1.00 Cr. and above so as to:

- Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same:
- Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI:
- Monitor progress of CBI/Police investigation and recovery position:
- Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time:

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

The Committee met 3 times during the year.

4. Customer Service Committee:

Customer Service Committee monitors the progress in bringing about improvements in the quality of service provided to customers of the Bank. The Committee also reviews the implementation of guidelines and procedures prescribed by RBI that have a bearing on customer service of the Bank and makes suitable recommendations.

The committee is chaired by Sri Tekkar Yashwanth Prabhu and the other members of the committee are Sri Jayakumar P. G., Dr. Lakshmy Devi K. R. and Sri K. Jayakumar.

The Committee met 3 times during the year.

5. Risk Management Committee:

Risk Management Committee of the Board oversees the implementation of Risk Management guidelines prescribed by the Reserve Bank of India. The Committee reviews the procedures laid down to ensure that the Bank controls the risks through a properly defined framework. Sri Tekkar Yaswanth Prabhu is the Chairman of the Committee and the other members are Sri Jayakumar P. G. and Sri Chella K. Srinivasan.

A total of 4 meetings were held during the year.

6. Nomination Committee:

The Committee undertakes the process of due diligence to determine the suitability of the person for appointment/continuing to hold appointment as Director on the Board, based on the specific criteria prescribed by Reserve Bank of India.

Sri K. Jayakumar is the Chairman of the Committee and the other members are Sri Tekkar Yashwanth Prabhu, Sri P. Mohanan and Sri Chella K Srinivasan.

The committee met 4 times during the year.

7. Management Committee:

Management Committee exercises sanction of one-time settlement & write-off and administrative powers.

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

The Committee met once during the year.

8. Human Resources Development Committee:

The Committee oversees the overall manpower planning of the Bank and conducts interviews for lateral recruitment and internal promotions to Scale VI and above

Sri Tekkar Yashwanth Prabhu is the Chairman of the Committee. Sri Jayakumar P. G., Sri K. Jayakumar and Sri P. Mohanan are the other members.

The committee met once during the year.

9. Remuneration Committee:

The Remuneration Committee was constituted to-

1. to oversee the framing, review and implementation of compensation policy of the bank on behalf of the board.
2. to ensure the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
3. to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

4. for determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership (ii) to retain employees or skill groups among them (iii) attract talented professionals (iv) to instill a sense of belonging to the Bank, among employees”.

The Committee comprises of Sri K. Jayakumar as Chairman and the other members of the Committee are Sri Tekkar Yashwanth Prabhu, Sri Chella K. Srinivasan and Sri P. Mohanan.

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 was paid, except sitting fees and re-imbusement of actual travel and out-of-pocket expenses.

The Committee met once during the year.

10. Information Technology Committee

The Committee was constituted to examine IT related topics. The Committee comprises of Sri Jayakumar P. G. as Chairman and the other members of the Committee are Sri P. Mohanan and Sri Chella K. Srinivasan.

The committee met once during the year.

11. Committee of Directors

The Board of Directors had constituted a Committee of Directors, to approve all financial sanctions/exposures between ₹6 Crore and ₹25 Crore.

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

The Committee met 11 times during the year.

12. NPA Monitoring Committee

The Committee was constituted for over viewing/guiding the NPA Management and border line accounts.

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

The Committee met 6 times during the year.

13. Committee for Overseeing HO Building Construction

The Committee was constituted to oversee the construction of new HO Building at Poonkunnarnam.

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

The Committee met once during the year.

14. Corporate Social Responsibility Committee

The Board has constituted Corporate Social Responsibility Committee which shall :

- (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the Corporate Social Responsibility Policy of the company from time to time

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

The Committee has not met during the year.

15. Equity Issuance Committee

The Equity Issuance Committee was constituted for the purpose of organizing further issue of capital and all other matters

connected with its implementation. Sri Tekkar Yashwanth Prabhu is the Chairman of the Committee. Sri P. G. Jayakumar and Sri Chella K. Srinivasan are the other members.

The Committee met once during the year.

Committee of Independent Directors

Pursuant to the provisions of the Companies Act, 2013 and the Listing Agreement, the performance of non-independent directors and the Board as a whole to be evaluated by a Committee comprising of all the Independent Directors of the Bank as on the date of the meeting of the said committee.

Terms of Reference

The terms of reference of the Committee inter-alia, includes:

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

Board Level Performance Evaluation

The Companies Act, 2013 and revised Clause 49 of the Listing Agreement stipulates the performance evaluation of the Directors including Chairman, Board and its Committees. Considering the said provisions, the Bank has devised the process and the criteria for the performance evaluation which has been recommended by the Nomination Committee and approved by the Board.

The process for performance evaluation is as under:

- Committee of Independent Directors evaluates the performance of Non-Independent Directors including Chairman of the Bank and the Board as a whole.
- The Board evaluates the performance of the Independent Directors excluding the director being evaluated and submit its report to the Nomination Committee.
- The Board Evaluate the performance of Board level committees.
- Nomination Committee recommends the appointment/reappointment/continuation of Directors to the Board. Based on the recommendation of Nomination Committee, Board will take the appropriate action.

The criteria for performance evaluation are as under:

Performance Evaluation of Non-Executive Directors, MD & CEO and Chairman

Attendance at the meetings; Participation and contribution; Responsibility towards stakeholders; Contribution in Strategic Planning; Compliance and Governance; Participation; Updation of Knowledge; Performance of the Bank; Recognition and awards to the Bank; Leadership; Relationships and Communications; Resources; Conduct of Meetings.

Performance Evaluation of Board

Composition and Diversity; Committees of the Board; Board & Committee meetings; Understanding of the business of the Bank and Regulatory environment; Contribution to effective corporate governance and transparency in the Company's Operations; Deliberations/decisions on the Company's strategies, policies, plans and guidance to the Executive Management; Monitoring the implementation of the strategies and the executive management's performance and Quality of Decision making and Board's Communication with all stakeholders.

Performance Evaluation of the Board Level Committees

The performance and effectiveness of the Committee; Frequency and duration; Spread of talent and diversity in the Committee; Understanding of regulatory environment and developments; Interaction with the board.

Composition of Committees of Directors and Attendance at the Meetings

Audit Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Mr. K. Vijayaraghavan *	05	05
2.	Mr. P. Mohanan §	05	05
3.	Mr. Chella K. Srinivasan	07	07
4.	Mr. Raja Selvaraj **	06	04
5.	Dr. Lakshmy Devi K. R. #	01	01
6.	Mr. Harihar Mishra ***	01	01
7.	Mr. Rohit Jain ##	00	00
8.	Mr. Susobhan Sinha ###	00	00
9.	Mr. K. Jayakumar #§	01	01

* Ceased to be a Director 20.09.2014.

** Ceased to be RBI Director 09.12.2014.

*** Inducted to the Committee w.e.f. 09.12.2014 and ceased to be a member of the Committee w.e.f. 13.02.2015.

§ Ceased to a member of the Committee w.e.f. 01.11.2014.

Inducted to the Committee w.e.f. 23.01.2015.

Inducted to the Committee w.e.f. 13.02.2015.

Inducted to the Committee w.e.f. 02.03.2015.

#§ Inducted to the Committee w.e.f. 01.11.2015 and ceased to be a member of the Committee w.e.f. 23.01.2015.

Shareholders' Grievance Redressal Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri Tekkar Yashwanth Prabhu	03	03
2.	Sri Jayakumar P. G.	03	03
3.	Sri K. Srikanth Reddy *	01	01
4.	Sri K. Vijayaraghavan **	01	01
5.	Mr. K. Jayakumar #	01	01
6.	Dr. Lakshmy Devi K. R. #	01	00

* Ceased to be a Director w.e.f. 15.11.2014.

** Ceased to be a Director w.e.f. 20.09.2014.

Inducted to the Committee w.e.f. 23.01.2015.

Large Value Fraud Monitoring Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri K. Vijayaraghavan *	01	01
2.	Sri Jayakumar P. G.	03	03
3.	Sri Chella K. Srinivasan	03	03
4.	Mr. K. Jayakumar §	02	02
5.	Dr. Lakshmy Devi K. R. #	01	01

* Ceased to be a Director w.e.f. 20.09.2014.

§ Ceased to be a member of the Committee w.e.f. 23.01.2015.

Inducted to the Committee w.e.f. 23.01.2015.

Customer Service Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri Tekkar Yashwanth Prabhu	03	03
2.	Sri Jayakumar P. G.	03	03
3.	Sri K. Srikanth Reddy *	01	01
4.	Sri P. Mohanan §	02	02
5.	Sri K. Jayakumar	03	03
6.	Dr. Lakshmy Devi K. R. #	01	00

* Ceased to be a Director w.e.f. 15.11.2014.

§ Ceased to be a member of the Committee w.e.f. 23.01.2015.

Inducted to the Committee w.e.f. 23.01.2015.

Risk Management Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri Tekkar Yashwanth Prabhu	04	04
2.	Sri Jayakumar P. G.	04	04
3.	Sri K. Vijayaraghavan *	01	01
4.	Sri P. Mohanan §	03	03
5.	Sri Chella K. Srinivasan	04	04

* Ceased to be a Director w.e.f. 20.09.2014.

§ Ceased to be a member of the Committee w.e.f. 23.01.2015.

Nomination Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri Tekkar Yashwanth Prabhu	04	04
2.	Sri Jayakumar P. G. §	03	03
3.	Sri K. Srikanth Reddy *	03	03
4.	Sri P. Mohanan	04	04
5.	Sri Chella K. Srinivasan #	01	01
6.	Sri K. Jayakumar #	01	01

* Ceased to be a Director w.e.f. 15.11.2014.

§ Ceased to be a member of the Committee w.e.f. 23.01.2015.

Inducted to the Committee w.e.f. 23.01.2015.

Management Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri K. Jayakumar	01	01
2.	Sri Jayakumar P. G.	01	01
3.	Sri K. Srikanth Reddy *	01	01
4.	Sri K. Vijayaraghavan **	01	01
5.	Sri P. Mohanan	01	01

* Ceased to be a Director w.e.f. 15.11.2014.

** Ceased to be a Director w.e.f. 20.09.2014.

Human Resource Development Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri Tekkar Yashwanth Prabhu	01	01
2.	Sri Jayakumar P. G.	01	01
3.	Sri K. Srikanth Reddy *	01	01
4.	Sri P. Mohanan	01	01
5.	Sri K. Jayakumar #	00	00

* Ceased to be a Director w.e.f. 15.11.2014.

Inducted to the Committee w.e.f. 23.01.2015.

Remuneration Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri Tekkar Yashwanth Prabhu	01	01
2.	Sri K. Srikanth Reddy *	01	01
3.	Sri P. Mohanan	01	01
4.	Sri K. Jayakumar	01	01
5.	Sri Chella K. Srinivasan #	00	00

* Ceased to be a Director w.e.f. 15.11.2014.

Inducted to the Committee w.e.f. 23.01.2015.

Information Technology Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri K. Srikanth Reddy *	00	00
2.	Sri Jayakumar P. G.	01	01
3.	Sri K. Jayakumar §	00	00
4.	Sri Chella K. Srinivasan	01	01
5.	Sri P. Mohanan	01	01

* Ceased to be a Director w.e.f. 15.11.2014.

§ Ceased to be a member of the Committee w.e.f. 23.01.2015.

Committee of Directors			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri K. Srikanth Reddy *	07	07
2.	Sri Jayakumar P. G.	11	11
3.	Sri P. Mohanan	11	11
4.	Sri Chella K. Srinivasan	11	11
5.	Dr. Lakshmy Devi K. R. #	02	01

* Ceased to be a Director w.e.f. 15.11.2014.

Inducted to the Committee w.e.f. 23.01.2015.

NPA Monitoring Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri K. Vijayaraghavan *	03	03
2.	Sri Jayakumar P. G.	06	06
3.	Sri P. Mohanan	06	06
4.	Sri Chella K. Srinivasan	06	06

* Ceased to be a Director w.e.f .20.09.2014.

Committee for overseeing HO Building Construction			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri K. Jayakumar	01	01
2.	Sri Jayakumar P. G.	01	01
3.	Sri P. Mohanan	01	01
4.	Dr. Lakshmy Devi K. R.	01	01

Equity Issuance Committee			
Sl. No.	Name of the Director	Number of Meetings	
		Held	Attended
1.	Sri T. Y. Prabhu	01	01
2.	Sri Jayakumar P. G.	01	01
3.	Sri K. Srikanth Reddy *	01	01
4.	Sri K. Vijayaraghavan **	01	01
5.	Sri Chella K. Srinivasan	01	01

* Ceased to be a Director w.e.f. 15.11.2014.

** Ceased to be a Director w.e.f. 20.09.2014.

REMUNERATION POLICY

Remuneration Policy for Employees of the Bank:

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

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

REMUNERATION POLICY FOR DIRECTORS

Remuneration of Executive Directors:

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

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

Remuneration of Non-Executive Directors (NEDs):

The NEDs are paid sitting fees for attending each meeting of the Board of Directors or any committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013, Listing Agreement and other regulatory guidelines, as amended from time to time. The Board while recommending the change in the sitting fees considers various factors like size and complexity of organization, Comparison with the peer Banks and Regulatory guidelines as applicable etc. while recommending the change in the sitting fees to the Board.

Details of General Body Meetings held in the last three years.

General Body Meetings

Location and time where last three Annual General Meetings (AGM) were held:

AGM Number	Date & Time	Venue
87 th	20.09.2014 11.30 a.m.	Vadakke Samooha Madom, Thrissur
86 th	27.08.2013 11 a.m.	Kousthubham Auditorium, Thrissur
85 th	27.09.2012 3.00 p.m.	Kousthubham Auditorium, Thrissur

Details of special resolutions passed in the previous 3 AGMs:

At the 85th AGM, one Special Resolution was passed for amending the Clause 10 (vesting option) of the Dhanlaxmi Bank Employees Stock Option Scheme 2009 (ESOP Scheme).

At the 86th AGM, two Special Resolutions were passed, one for introduction of ESOP Scheme 2013 of the Bank replacing the existing ESOP Scheme 2009 and the another for issue of 75,50,000 equity shares of ₹10/- each at a premium of ₹40/- aggregating to ₹37.75 Cr. equity shares through Preferential Allotment.

At the 86th AGM, three Special Resolutions were passed, one for increase in the Authorized Capital and amend the Capital Clause (Clause V) of the Memorandum of Association and Article 2 of Articles of Association of the Bank accordingly, second for exercising the borrowing powers of the Bank pursuant to Section 180(1) (c) of the Companies Act, 2013, and the third for amending the Articles of Association of the Bank in compliance with the new Companies Act, 2013 and amendments in the Banking Regulation Act, 1949.

Remuneration paid to Directors during the year ended March 31, 2015

1. The bank paid a total remuneration of ₹34,79,361/- during the year to Sri Jayakumar P. G., Managing Director & CEO of the Bank.
2. Details of remuneration paid to other non Executive Directors (paid in the form of sitting fees for Board/Committee meetings attended by them)

Sri Tekkar Yashwanth Prabhu – ₹4,30,000/-, Sri K.Srikanth Reddy – ₹3,40,000/-, Sri P. Mohanan – ₹6,20,000/-, Sri K. Vijayaraghavan – ₹2,50,000/-, Sri Chella K. Srinivasan – ₹6,00,000/-, Sri K. Jayakumar - ₹3,30,000/- and Dr. Lakshmy Devi K. R. – ₹1,40,000/-.

BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT

Resume of Directors seeking appointment/re-appointment at the 88th Annual General Meeting is given below:

- (a) Name : Dr. K. R. Lakshmy Devi
 Age : 65 years
 Qualifications : MA, Ph.D.
 Experience : Dr. K. R. Lakshmy Devi retired as a Professor in Economics from the University of Calicut. She took Ph.D. in Economics on the subject "Economics of Electricity Supply Industry in Kerala – A case study of Costs and Tariffs". She has 36 years of teaching experience. At present she is a UGC Consultant in University of

Science and Technology, Kochi, Consultant to State Planning Board and Consultant to Kerala Research Programme for Local level Development. She has won several professional awards and she has submitted several research papers at seminars.

Present position : Additional Director.

Sector : Majority (Economics)

Dr. K. R. Lakshmy Devi was appointed as an Additional Director on 11.11.2014. She holds 200 shares of the Bank. She is a mentor of the following committees of the Board:

Audit Committee, Customer Service Committee, Shareholders Grievance Redressal Committee, Committee of Directors, Fraud Monitoring Committee, CSR Committee and Premises Committee.

(b) Name : Dr. B. Ravindran Pillai
Age : 65 Years
Qualifications : MBA
Experience : Dr. B. Ravindran Pillai is an industrialist. He is the promoter Managing Director / Director of several companies in India and the Middle East. He holds a degree in Business Administration from the Cochin University of Science and Technology. A recipient of the 2008 Pravasi Bharatiya Samman, Dr. Pillai was honored again by the Government of India in 2010 with the fourth highest Indian civilian award of Padma Shri.
Present position : Additional Director
Sector : Minority

Dr. B. Ravindran Pillai was appointed as an Additional Director on 28.04.2015. He holds 88,50,000 shares of the Bank.

(c) Name : Sri P. Mohanan
Age : 67 Years
Qualifications : MA, LLB
Experience : Mr. P. Mohanan, retired as General Manager of Canara Bank was in charge of the Bank's Operation in the state of Kerala. He has 35 years of Banking and Financial Expertise. He has undergone various management programs such as Executive Development Program at IIM, Ahmadabad, ISB Hyderabad and Training in Microfinance at Bank Rakia, Indonesia.
Present position : Non - executive Independent Director.
Sector : Majority (Banking and SSI)

Mr. P. Mohanan was appointed as an Independent Director w.e.f. 01.04.2014 to hold office upto 30.09.2015. He holds 200 shares of the Bank. He is a member of the following committees of Board: Risk Management Committee, Management Committee, Nomination Committee, Audit Committee, Customer Service Committee, NPA Monitoring Committee, Remuneration Committee, Committee of Directors and Human Resource Development Committee.

(d) Name : Sri Chella K. Srinivasan
Age : 54 Years
Qualifications : B.Com, FCA
Experience : He is a Practicing Chartered Accountant for more than 29 years and has professional expertise in Accounting, Auditing and Corporate Taxation.
He is the National Executive Vice President of the INDO- American Chamber of Commerce - IACC and was a member of the Vision Committee of the Institute of Chartered Accountants of India.
Present position : Non-executive Independent Director.
Sector : Majority (Accountancy)

Mr. Chella K. Srinivasan was appointed as an Independent Director w.e.f. 01.04.2014 to hold office upto 30.09.2015. He holds 200 shares of the Bank. He is a member of the following committees of Board: Large Value Fraud Monitoring Committee, Information Technology Committee, Risk Management Committee, Audit Committee, NPA Monitoring Committee, Committee of Directors and Equity Issuance Committee.

- (e) Name : Sri K. Jayakumar IAS (Retired)
 Age : 63 Years
 Qualifications : MA, M.Sc.
 Experience : He has served as Secretary to Government in sectors like Agriculture & Tourism and retired as Chief Secretary to the Government of Kerala. He was also a Director of NABARD and Chief Commissioner for Travancore Devaswom Board. He had also served as Agriculture Production Commissioner for over 5 years. Presently he is the Vice Chancellor of the Malayalam University.
 Present position : Non - executive Independent Director.
 Sector : Majority (Agriculture and Rural Economy)

Mr. K. Jayakumar was appointed as an Independent Director w.e.f. 01.04.2014 to hold office upto 30.09.2015. He holds 200 shares of the Bank. He is a member of the following committees of Board: Management Committee, Large Value Fraud Monitoring Committee, Information Technology Committee, Customer Service Committee and Remuneration Committee.

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 conflict with and / or adversely affect the interests of the Bank, excepting the remuneration paid to the Managing Director & CEO.

Disclosure of Accounting Treatment

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

Information supplied to the Board

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

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

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

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

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 45 days of the closure of every quarter and announced immediately thereafter, the results to all the Stock Exchanges where the Bank's shares are listed. The Board also approved the audited annual results within 60 days. The highlights of quarterly results and audited annual results were published in leading one national and one vernacular newspaper within 48 hours of the conclusion of the Board Meeting in which they were taken on record and information was also placed on the website of the Bank at www.dhanbank.com.

General Shareholder Information

88 th AGM	Date	September 29, 2015
	Time	10:00 a.m.
	Venue	Vadakkal Samootha Madom, Thrissur
Name and other details regarding Compliance Officer	Mr. Krishnan K. S. CFO & Company Secretary Dhanlaxmi Bank Ltd. Naickanal, Thrissur - 680 001	
Financial Year	2014-15	
Date of Book Closure	September 24, 2015	
Dividend Payment Date	Not Applicable	
Listing on Stock Exchanges	The equity shares of the Bank are listed on - <ul style="list-style-type: none"> • BSE Ltd. • National Stock Exchange of India Ltd. 	
Stock Code – Equity Shares	<ul style="list-style-type: none"> • BSE Ltd. - 532180 • National Stock Exchange of India Ltd. - DHANBANK 	
Registrar and Transfer Agents	M/s. Karvy Computershare Private Ltd. Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad – 500 081. Phone : 040 23420818 Fax : (040) 23420814 E-mail : einward.ris@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, Dhanlaxmi Buildings, Naickanal, Thrissur – 680 001. E-mail : investors@dhanbank.co.in	

MARKET PRICE DATA

The monthly high and low prices of the Bank's shares traded in The National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd., (BSE) during each month in the financial year ended 31 March, 2015 are as under:

Month	NSE		BSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2014	41.90	35.00	41.90	35.10
May 2014	49.25	35.35	49.20	35.40
June 2014	60.90	45.50	61.00	45.80
July 2014	61.25	48.60	61.25	48.75
August 2014	51.30	42.20	51.40	42.30
September 2014	49.70	41.00	49.60	41.20
October 2014	46.50	41.30	47.50	41.50
November 2014	47.00	42.45	47.00	43.00
December 2014	46.70	37.25	46.70	37.45
January 2015	44.70	35.55	44.65	35.75
February 2015	36.60	30.00	36.65	30.80
March 2015	36.30	29.05	36.30	29.15

Distribution of shareholding as on 31.03.2015:

Category – wise distribution of shareholding as on 31.03.2015:

Sl. No.	Description	Cases	Shares	% Equity
1.	BANKS	5	351478	0.20
2.	CLEARING MEMBERS	102	261622	0.15
3.	DIRECTORS	4	800	0.00
4.	FOREIGN INSTITUTIONAL INVESTOR	14	27972632	15.76
5.	FOREIGN PORTFOLIO INVESTORS	3	8778938	4.95
6.	H U F	1141	1856427	1.05
7.	INSURANCE COMPANIES	2	442277	0.25
8.	BODIES CORPORATES	937	27506901	15.50
9.	MUTUAL FUNDS	3	2432	0.00
10.	NON RESIDENT INDIANS	1312	23487643	13.24
11.	RESIDENT INDIVIDUALS	78860	86773639	48.90
12.	TRUSTS	4	6830	0.00
Total		82387	177441619	100.00

As on 31.03.2015, 37,82,493 shares constituting 2.13% and 17,36,59,126 shares constituting 97.87% of the paid up capital were held in physical and electronic mode respectively.

As per SEBI directives, the settlement of the Bank's shares is to be compulsorily done in Demat form.

In the case of physical transfers, the share transfer instruments as and when received are duly processed and shares in respect of valid share transfer instruments transferred in the names of transferee, complying with the rules in force.

UNPAID DIVIDEND

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

In terms of Section 125 of the Companies Act, 2013, the amount which has remained unclaimed/unpaid for a period of 7 years from the date of transfer to the unpaid /unclaimed Dividend Account has to be transferred to the "Investors' Education and Protection Fund" (The Fund) and thereafter, no claim can be made by any shareholder against the Bank or the fund for the dividend amount of that year. The unpaid dividend for the financial year 2007-08, is due for transfer to this fund in 2015-16.

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

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

INTERNAL CONTROL SYSTEMS

Insider Trading Code

The Bank has articulated a Code of prevention of Insider Trading pursuant to Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations 2002 to prevent practices of Insider Training. The Company Secretary has been designated Compliance Officer for this purpose. The Chairman, Managing Director, Directors, and Senior Management of the Bank have affirmed compliance with this code.

Code of Conduct

The Bank has formulated a Code of Conduct for its Directors and Officers, This manual contains comprehensive regulation on ethical standards to be mandatorily observed by the Chairman, Managing Director, Directors and Core Management Team consisting of Officers from Scale IV and above who have affirmed compliance with the code of conduct.

Whistle Blower Policy

Bank has formulated a Whistle Blower Policy with a view to provide a mechanism for employees of the Bank to approach the Chairman of the Audit Committee of the Bank/Ethics Counsellor (Chief of Internal Vigilance) in case they observe any unethical and improper practices or any other alleged wrongful conduct in the bank and to prohibit Managerial functionaries from taking any adverse personal action against those employees.

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 in charge 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 Bank's Statutory Auditors is annexed as Annexure II to this report.

ANNEXURE 1 AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

I, G. Sreeram, Managing Director and Chief Executive Officer of the Bank, hereby declare that the Bank's Code of Conduct has been accepted and has been complied with, by all Board Members and Core Management Personnel of the Bank, as required under Clause 49(1D) of the Listing Agreement "on Corporate Governance".

By Order of the Board

Place : Thrissur
Date : 12.08.2015

Sd/
MD & CEO

CEO / CFO Certification

We, G. Sreeram, Managing Director and CEO and K. S. Krishnan, CFO and Company Secretary, of Dhanlaxmi Bank Limited hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2015 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
 - (ii) these statements together present a true and unfair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- d) We have indicated, to the Auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in Bank's internal control system over financial reporting.

Yours faithfully

G. SREERAM
Managing Director & CEO

K. S. KRISHNAN
CFO and Company Secretary

Place : Thrissur
Date : 12.08.2015

ANNEXURE II
AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE
To the shareholders of Dhanlaxmi Bank Limited

We have examined the compliance of conditions of Corporate Governance by **Dhanlaxmi Bank Limited** (formerly "The Dhanlakshmi Bank Limited") for the year ended March 31, 2015, 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 Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **SAGAR & ASSOCIATES**

Chartered Accountants

F.R. No.: 003510S

(B.Srinivasa Rao)

M No.:202352

Date : 12 August, 2015

Place : KOCHI

Independent Auditor's Report

To
The Members of Dhanlaxmi Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of The Dhanlaxmi Bank Limited (hereinafter referred to as "the Bank"), which comprise the Balance Sheet as at 31 March, 2015 and the Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these Financial Statements are the returns of 20 branches/offices, Dhanam Retail Centralised Solutions and Treasury division audited by us, 258 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those

Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Bank's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our **Qualified** audit opinion on the financial statements.

Basis for Qualified Opinion

We draw attention to Note No. 30 of the financial statements, regarding funds of ₹ 7938 Lakhs not provided to pension trust for purchase of annuities for payment of pension/increase in dearness allowance. Had this provision been made in the accounts, operating expenses and loss would have increased by ₹ 7938 Lakhs.

Qualified Opinion

1. In our opinion and to the best of our information and according to the explanations given to us, *except for the effect of the matter described in the Basis for Qualified Opinion paragraph*, the financial statements together with the accounting policies and notes thereon and give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for the banking Companies and give a true and fair view, in conformity with the accounting principles generally accepted in India;
- a) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2015;
- b) in the case of the Statement of Profit and Loss, of the loss 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.

Emphasis of Matters:

2. Without qualifying, we draw attention to:
- Note No. 29 (a) of the financial statements, in terms of RBI guidelines, banks are required to provide, in case of fraud, the entire amount due to the Bank over a period not exceeding four quarters commencing from the quarter in which the fraud has been detected. However as a prudent measure, the Bank has provided the entire amount during the year, thereby; the loss reported by the Bank is overstated by ₹ 4944 Lakhs.
 - Note No. 29 (b) of the financial statements, though a special dispensation is given by RBI for providing the amount due to the Bank over a period of three quarters commencing from March, 2015 in respect of a borrowal account, the Bank, however as a prudent measure, has provided for the entire amount during the year, thereby the loss reported by the Bank is overstated by ₹ 4524 Lakhs.
 - Note No. 25 of the financial statement regarding Reconciliation of rent advance/security deposit for premises occupied by branches/offices, etc. (as per Schedule No. 11), and physical verification of fixed assets (Schedule No. 10) is in progress.

Report on other Legal and Regulatory Matters

- The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with provision of section 29 of the Banking Regulation Act, 1949 read with section 133 of the Companies Act, 2013 and Rule 7 of the Companies (Accounts) Rules, 2014.
- As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - 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.
 - The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
- Further, As required by section 143(3) of the Act, 2013 we report that:
 - We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - 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.

- The reports on the accounts of the branch offices audited by branch auditors of the Bank under Section 143(8) of the Companies Act, 2013 have been sent to us and have been properly dealt with by us in preparing this report.
- The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by us in the Report are in agreement with the books of account.
- Except for the effects of the matter described in the basis for Qualified Opinion paragraph*, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- The matter described in the basis for Qualified Opinion paragraph above, in our opinion, may not have an adverse effect on the functioning of the Bank.
- On the basis of the written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- With respect to the other matters to be included in the Auditor's Report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :
 - The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Clause (i) of Schedule 12 of the financial statements ;
 - The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;
 - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For Sagar and Associates

Chartered Accountants

(CA. Aruna B.)

Partner

Membership Number: 216454

Place : KOCHI

Date : 28th May, 2015

Balance Sheet

As at March 31, 2015

(₹ in '000)

	Schedule No.	As at 31-Mar-15	As at 31-Mar-14
CAPITAL AND LIABILITIES			
Capital	1	17,74,416	12,59,346
Share Application Money Pending Allotment		-	-
Reserves and Surplus	2	54,64,134	61,03,853
Deposits	3	12,38,16,833	12,13,32,061
Borrowings	4	94,13,518	1,33,55,809
Other Liabilities and Provisions	5	30,50,185	48,24,820
TOTAL		14,35,19,086	14,68,75,889
ASSETS			
Cash and Balances with Reserve Bank of India	6	66,93,310	63,01,588
Balances with Banks and Money at call and short notice	7	62,07,928	1,04,51,827
Investments	8	4,85,01,043	4,48,23,049
Advances	9	7,66,98,142	7,93,59,626
Fixed Assets	10	20,27,988	21,23,510
Other Assets	11	33,90,675	38,16,289
TOTAL		14,35,19,086	14,68,75,889
Contingent Liabilities	12	77,31,004	93,01,119
Bills for collection		25,84,577	22,52,991

Mr. Raghu Mohan N.
AGM-Finance and Accounts

Mr. Krishnan K. S.
CFO & Company Secretary

Mr. Manikandan P.
Chief General Manager

Mr. G. Sreeram
Managing Director & CEO

Mr. T. Y. Prabhu
Chairman

Mr. P. Mohanan
Director

Mr. Chella K. Srinivasan
Director

Mr. K. Jayakumar
Director

Dr. K. R. Lakshmi Devi
Director

Dr. B. Raveendran Pillai
Director

Mr. Susobhan Sinha
Director

As per our Report of even Date
For **Sagar & Associates**
Chartered Accountants
Firm Registration No. 003510S

CA. Aruna B. (Partner)
Membership No. 216454

Profit & Loss Account

for the year ended March 31, 2015

(₹ in '000)

	Schedule No.	Year ended 31-Mar-15	Year ended 31-Mar-14
INCOME			
Interest Earned	13	1,28,35,942	1,29,19,484
Other Income	14	8,49,454	7,34,280
Total		1,36,85,396	1,36,53,764
EXPENSE			
Interest expended	15	98,47,511	1,01,18,270
Operating Expenses	16	35,81,957	34,74,885
Provisions and Contingencies		26,70,624	25,79,750
Total		1,61,00,092	1,61,72,905
Net Profit for the year		(24,14,696)	(25,19,141)
Profit brought forward		(37,08,448)	(11,88,796)
Transfer from Dividend Payable Account including Dividend Tax			
Total		(61,23,144)	(37,07,937)
Appropriations			
Transfer to Statutory Reserve		-	-
Transfer to Capital Reserve		27,474	511
Transfer to Special Reserve U/s.36(1)(viii) of Income Tax Act		-	-
Transfer to Other Reserve		-	-
Proposed dividend		-	-
Dividend tax		-	-
Balance carried forward to Balance Sheet		(61,50,618)	(37,08,448)
Total		(61,23,144)	(37,07,937)
Earnings Per Share (in ₹)			
Basic EPS			
Diluted EPS			

Mr. Raghu Mohan N.
AGM-Finance and Accounts

Mr. Krishnan K. S.
CFO & Company Secretary

Mr. Manikandan P.
Chief General Manager

Mr. G. Sreeram
Managing Director & CEO

Mr. T. Y. Prabhu
Chairman

Mr. P. Mohanan
Director

Mr. Chella K. Srinivasan
Director

Mr. K. Jayakumar
Director

Dr. K. R. Lakshmi Devi
Director

Dr. B. Raveendran Pillai
Director

Mr. Susobhan Sinha
Director

As per our Report of even Date
For **Sagar & Associates**
Chartered Accountants
Firm Registration No. 003510S

CA. Aruna B. (Partner)
Membership No. 216454

Cash Flow statement

for the year ended March 31, 2015

(₹ in '000)

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Cash flow from operating activities		
Net profit before income tax	-24,14,496	(25,18,641)
Adjustments for :		
Depreciation on fixed assets	1,89,480	3,12,874
Depreciation on Investments	-5,00,520	9,29,685
Amortisation of premia on investments	95,111	94,459
Loan Loss provisions including write off	29,47,694	13,30,809
Provision against standard assets	-9,000	4,900
Provision for wealth tax	200	500
Provision for Deferred Tax Asset	-	400
Provision for NPA (Investments)	1,78,400	50,000
Provision for restructured assets	-30,008	1,01,962
Provision for fraud	2,570	4,646
Provision for OIS MTM Loss	-556	(986)
(Profit)/ Loss on sale of fixed assets	-2,816	(1,178)
Adjustments for :		
(Increase)/Decrease in Investments	-34,50,985	(8,02,301)
(Increase)/Decrease in Advances	-2,86,210	(29,19,852)
Increase/(Decrease) in Borrowings	-39,42,291	(22,95,101)
Increase/(Decrease) in Deposits	24,84,772	93,10,741
(Increase)/Decrease in Other assets	4,25,414	8,63,499
Increase/(Decrease) in Other liabilities and provisions	-17,37,841	20,20,603
Direct taxes paid (net of refunds)	-	-
Net cash flow from operating activities	-60,51,082	64,87,019
Cash flows from investing activities		

(₹ in '000)

Particulars	Year ended March 31, 2015	Year ended March 31, 2014
Purchase of fixed assets	-1,11,279	(2,81,102)
Proceeds from sale of fixed assets	26,452	37,871
Net cash used in investing activities	-97,457	(2,43,231)
Cash flows from financing activities		
Proceeds from issue of equity shares	5,15,070	53,983
Proceeds from issue of Upper and Lower Tier II capital instruments (net of repayment)	-	(2,70,000)
Proceeds from Share Premium (net of share issue expenses)	17,81,293	13,54,304
Net cash generated from financing activities	22,96,363	11,38,287
Net increase in cash and cash equivalents	-38,52,176	73,82,075
Cash and cash equivalents as at April 1st	1,67,53,414	93,71,339
Cash and cash equivalents as at March 31st	1,29,01,238	1,67,53,414

Mr. Raghu Mohan N.
AGM-Finance and Accounts

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Director

Mr. K. Jayakumar
Director

Dr. K. R. Lakshmi Devi
Director

Dr. B. Raveendran Pillai
Director

Mr. Susobhan Sinha
Director

As per our Report of even Date
For **Sagar & Associates**
Chartered Accountants
Firm Registration No. 003510S

CA. Aruna B. (Partner)
Membership No. 216454

Place : Kochi

Date : May 28, 2015

Schedules to the Financial Statements

As at March 31, 2015

(₹ in '000)

	As at 31-Mar-15	As at 31-Mar-14
SCHEDULE 1 - CAPITAL		
Authorised Capital		
30,00,00,000 Equity Shares of ₹10 each	30,00,000	20,00,000
(20,00,00,000 Equity Shares of ₹10 each)		
Issued, Subscribed and Paid up		
17,74,41,619 Equity Shares of ₹10 each	17,74,416	12,59,346
(12,59,34,619 Equity Shares of ₹10 each)		
Total	17,74,416	12,59,346
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVES		
Opening Balance	7,72,614	7,72,614
Additions: Transfer from Profit and Loss Account	-	
	7,72,614	7,72,614
II. REVENUE AND OTHER RESERVES		
Opening Balance	8,05,850	8,26,195
Additions : Transfer from Profit and Loss Account	-	(20,345)
Adjustments during the year	-	
	8,05,850	8,05,850
III. BALANCE IN PROFIT AND LOSS ACCOUNT	(61,50,618)	(37,08,448)
IV. SECURITIES PREMIUM ACCOUNT		
Opening Balance	69,88,963	56,34,659
Additions during the year (net of share issue expenses)	17,81,293	13,54,304
	87,70,256	69,88,963
V. CAPITAL RESERVES		
Opening Balance	11,85,017	3,50,085
Additions: Due to Revaluation of Premises	-	8,37,154
Transfer from Profit and Loss Account	27,474	511
Deduction due to depreciation on revalued premises	(6,316)	(2,733)
	12,06,175	11,85,017
VI. SPECIAL RESERVE U/s.36(1)(viii) OF INCOME TAX ACT, 1961		
Opening Balance	59,857	59,857
Additions: Transfer from Profit and Loss account		
Less: Transfer to Profit and Loss Account	-	-
	59,857	59,857
Total	54,64,134	61,03,853

(₹ in '000)

	As at 31-Mar-15	As at 31-Mar-14
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
(i) From Banks	15,378	82,732
(ii) From Others	1,01,27,341	89,57,322
	1,01,42,719	90,40,054
II. Savings Bank Deposits	1,99,93,340	1,76,34,857
III. Term Deposits		
(i) From Banks	55,68,073	1,24,48,041
(ii) From Others	8,81,12,701	8,22,09,109
	9,36,80,774	9,46,57,150
Total	12,38,16,833	12,13,32,061
B I. Deposits of Branches in India	12,38,16,833	12,13,32,061
II. Deposits of Branches outside India	-	-
Total	12,38,16,833	12,13,32,061
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	56,70,000	66,30,000
(ii) Other Banks	-	16,69,523
(iii) Other Institutions and Agencies	7,91,518	17,14,838
	64,61,518	1,00,14,361
II. Tier II bonds in India		
Upper Tier II bonds	2,75,000	2,75,000
Lower Tier II bonds	26,77,000	26,77,000
	29,52,000	29,52,000
III. Borrowings Outside India	-	3,89,448
	-	3,89,448
Total	94,13,518	1,33,55,809
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	6,05,217	17,83,556
II. Interest accrued	6,15,842	6,81,201
III. Inter Office Adjustments (Net)	23,446	-
IV. Others (including Provisions)	18,05,680	23,60,063
Total	30,50,185	48,24,820
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash on Hand (including foreign currency notes)	19,20,135	14,22,981
II. Balances with Reserve Bank of India		
(a) In current accounts	47,73,175	48,78,607
(b) In other accounts	-	-
	47,73,175	48,78,607
Total	66,93,310	63,01,588

(₹ in '000)

	As at 31-Mar-15	As at 31-Mar-14
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks :		
(a) In current accounts	2,66,087	6,22,934
(b) In other deposit accounts	30,00,000	60,17,000
	32,66,087	66,39,934
(ii) Money at Call and Short Notice		
(a) With banks	22,50,000	27,00,000
(b) With other institutions	4,99,466	8,99,110
	27,49,466	35,99,110
Total	60,15,553	1,02,39,044
II. Outside India		
(a) In current account	1,92,375	2,12,783
(b) In other deposit accounts	-	-
	1,92,375	2,12,783
Total	62,07,928	1,04,51,827
SCHEDULE 8 - INVESTMENTS		
A Investments in India in		
(i) Government Securities	3,68,73,551	3,77,94,341
(ii) Approved securities	-	-
(iii) Shares	1,51,969	78,660
(iv) Debentures and Bonds	4,82,404	7,39,704
(v) Subsidiaries/Joint Ventures	-	-
(vi) Others	1,09,93,120	62,10,344
Total	4,85,01,044	4,48,23,049
B Investments outside India		
	-	-
	4,85,01,044	4,48,23,049
(i) Gross Value of Investments		
(a) In India	4,93,46,259	4,59,90,384
(b) Outside India	-	-
	4,93,46,259	4,59,90,384
(ii) Provision for Depreciation		
(a) In India	8,45,216	11,67,335
(b) Outside India	-	-
	8,45,216	11,67,335
(iii) Net Value of Investments		
(a) In India	4,85,01,043	4,48,23,049
(b) Outside India	-	-
	4,85,01,043	4,48,23,049
SCHEDULE 9 - ADVANCES		
A		
(i) Bills Purchased and discounted	7,61,045	13,28,684
(ii) Cash Credits, Overdrafts and Loans repayable on Demand	2,77,39,793	2,37,64,505
(iii) Term Loans	4,81,97,304	5,42,66,437
Total	7,66,98,142	7,93,59,626
B		
(i) Secured by Tangible assets	7,43,40,009	7,45,22,234
(ii) Covered by Bank/Govt Guarantee	18,40,400	3,20,804
(iii) Unsecured	5,17,733	45,16,588
Total	7,66,98,142	7,93,59,626

(₹ in '000)

		As at 31-Mar-15	As at 31-Mar-14
C	I. ADVANCES IN INDIA		
	(i) Priority Sectors	2,98,69,845	2,86,95,554
	(ii) Public Sector	8,89,345	12,72,492
	(iii) Banks	1,608	30,64,602
	(iv) Others	4,59,37,344	4,63,26,978
	Total	7,66,98,142	7,93,59,626
	II. ADVANCES OUTSIDE INDIA	-	-
	Total	7,66,98,142	7,93,59,626

SCHEDULE 10 - FIXED ASSETS

A	Premises		
	At cost as per last Balance Sheet	12,43,393	3,36,882
	Additions during the year due to revaluation of Premises	-	9,06,511
	Additions/Adjustments during the year	-	-
	Deductions during the year	-	-
	Depreciation to date	1,81,712	1,71,838
	Net Block	10,61,681	10,71,555
B	Other Fixed Assets (includes Furniture and Fixture and Computers)		
	At cost as per last Balance Sheet	24,81,218	23,17,302
	Additions/Adjustments during the year	57,754	2,51,825
	Deductions during the year	72,243	87,909
	Depreciation to date	16,87,381	15,62,697
		7,79,348	9,18,521
	Capital Work in progress	1,86,959	1,33,434
	Net Block	20,27,988	21,23,510

SCHEDULE 11 - OTHER ASSETS

I.	Interest Accrued	18,57,610	18,59,405
II.	Inter Office Adjustments (Net)	-	34,036
III.	Tax paid in advance and Tax Deducted at Source (net of provisions)	4,27,986	5,92,376
IV.	Deferred Tax Asset	3,70,591	3,70,591
V.	Stationery and stamps	5,711	6,458
VI.	Non Banking Assets acquired in satisfaction of claims	36,965	34,091
VII.	Others	6,91,812	9,19,332
	Total	33,90,675	38,16,289

SCHEDULE 12 - CONTINGENT LIABILITIES

I.	Claims against the bank not acknowledged as debts	7,35,996	4,05,890
II.	Liabilities on account of outstanding forward exchange contracts	36,40,798	55,48,394
III.	Guarantees given on behalf of constituents in India	27,14,222	26,32,211
IV.	Acceptance endorsements and other obligations	5,96,915	7,14,624
VI.	Other items for which Bank is contingently liable #	43,073	-
	#(Amount transferred to DEAF)		
	Total	77,31,004	93,01,119

Schedules to the Financial Statements

for the year ended March 31, 2015

(₹ in '000)

	Year ended 31-Mar-15	Year ended 31-Mar-14
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/bills	89,38,534	93,68,544
II. Income on Investments	35,03,033	32,45,622
III. Interest on balance with RBI/other inter Bank funds	3,36,602	3,05,318
IV. Others	57,773	-
Total	1,28,35,942	1,29,19,483
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	59,771	66,596
II. Profit/(Loss) on sale of Investments (Net)	1,22,353	1,43,452
III. Profit on sale of land, building and other Assets (Net)	2,816	1,178
IV. Profit on exchange transactions (Net)	1,26,257	4,648
V. Income from Insurance	14,251	2,960
VI. Miscellaneous Income	5,24,006	5,15,446
Total	8,49,454	7,34,281
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	89,65,964	91,89,000
II. Interest on RBI/Inter Bank Borrowing	5,34,823	5,38,905
III. Others	3,46,724	3,90,365
Total	98,47,511	1,01,18,270
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	21,14,698	18,92,157
II. Rent, Taxes and Lighting	4,68,680	4,69,772
III. Printing and Stationery	27,266	31,636
IV. Advertisement and Publicity	6,454	6,078
V. Depreciation to Banks property	1,83,165	3,12,874
VI. Directors Fee, Allowance and Expense	3,974	3,215
VII. Auditors Fee and Expense (including Branch Auditors)	6,027	5,679
VIII. Law charges	32,617	26,173
IX. Postage, Telegram, Telephone etc.	1,05,337	67,971
X. Repairs and Maintenance	48,940	32,347
XI. Insurance	1,13,372	1,03,860
XII. Other Expenditure	4,71,427	5,23,123
Total	35,81,957	34,74,885
PROVISIONS & CONTINGENCIES		
I. Provision for NPA (incl BDW)	29,47,694	13,30,809
II. Provision for Standard Assets	(9,000)	4,900
III. Provision for Restructured Advances	(30,008)	1,01,962
IV. Provision for Dep. on Investments	(5,00,520)	9,29,685
V. Provision for NPI	1,78,400	50,000
VI. Provision for Income Tax/ Wealth Tax	200	500
VII. Provision for Deferred Tax	-	400
VIII. Provision for Fraud	2,570	4,646
IX. Provision for OIS MTM Loss	(556)	(986)
X. Provision for Unhedged Forex Exposure	10,800	-
XI. Other Provisions	71,044	1,57,834
Total	26,70,624	25,79,750

SCHEDULE 17 – PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2015

BASIS OF PREPARATION

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

USE OF ESTIMATES

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

SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

- a) Interest income from loans and advances, investments (including deposits placed with banks and other institutions) are recognized over the period of the loans and advances, Investments, Deposits etc. on accrual basis. However interest accrued and other dues in the nature of non interest income relating to Advances/ Investments, classified as Non-performing Advances/ Investments under RBI guidelines, are recognised only on realisation.
- b) Dividend on investments in shares and units of mutual funds are accounted on accrual basis when the bank’s right to receive the dividend is established.
- c) Insurance claims, Locker Rent, Interest on Income Tax refund, Commission from Distribution of Insurance/ Mutual Fund products and Commission from Depository services are accounted on receipt basis.
- d) Commission income on issuance of Bank Guarantee/Letter of Credit and Discount on Bill Discounted is collected upfront and is recognised over the period of the underlying liability.
- e) Processing fee/ upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/ facility is recognised in the year of receipt without spreading it over the period of loan/ facility.
- f) All other amounts collected from customers as Non interest income or recovery of expenses towards provision of various services/ facilities are accounted/ recognised on receipt basis.

2. EXPENSES RECOGNITION

A) Interest Expenses:

All interest expenses relating to deposits accepted and borrowings are recognised on accrual basis. Interest on unclaimed matured deposits is provided as per RBI directives.

B) Employee benefits

The liability on employee benefits are recognized in accordance with Accounting Standard 15 (revised) specified in under Sec. 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules 2014.

a) Provident Fund

The contribution made by the bank to Dhanlaxmi Bank Ltd. Employees Provident Fund, administered by the trustees is charged to Profit & Loss account.

b) Pension Fund

The contribution towards Dhanlaxmi Bank Ltd. Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the accounts.

c) Gratuity:

The Bank makes annual contribution to Dhanlaxmi Bank Ltd. Employees' Gratuity Trust Fund administered and managed by the trustees. The net present value of the Bank's obligation towards the same is actuarially determined based on the projected unit credit method as at the balance sheet date.

d) Compensation for absence on Privilege / Sick / Casual Leave

The employees of the bank are entitled to compensated absence on account of privilege/ sick/ casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the accounts.

C) Other operating Expenses are generally accounted on accrual basis. In the case of Rent where rent agreement is expired, rent is accounted on the basis of expired agreement till new rent agreement is signed.

3. NET PROFIT

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

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

4. ADVANCES

A) Valuation / Measurement

- a) Advances are classified into Standard, Sub-standard, Doubtful and Loss assets in accordance with the Reserve Bank of India guidelines and are stated net of provisions made towards non performing advances.
- b) Provision for non performing advances comprising Sub-standard, Doubtful and Loss assets is made in accordance with the Reserve Bank of India guidelines.
- c) In addition, general provision in respect of standard assets/ restructured assets is created as per Reserve Bank of India guidelines from time to time.

B) Recording / Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created for NPA is netted against gross amount of advance without adjusting the same at individual account level. Provision held against an individual account is adjusted against individual account's balance only at the time of write off of the account.

5. INVESTMENTS

A) Classification

- (a) In accordance with the RBI guidelines, investments are categorised in to "Held for Trading", "Available for Sale" and "Held to Maturity" and further classified under six groups, viz. Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Subsidiaries/Joint Ventures and Other investments for the purposes of disclosure in the Balance Sheet.
- (b) Investments which are Held for sale within 90 days from the date of purchase are classified as "Held for Trading".
- (c) Investments which the bank intends to hold till maturity are classified as "Held to Maturity".
- (d) Investments which are not classified in either of the above two categories are classified as "Available for Sale".

B. Valuation

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

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

- a. Held for Trading/ Available for Sale – Each security in this category is valued at the market price or fair value and the net depreciation of each group is recognised in the Profit and Loss account. Net appreciation, if any, is ignored.
 The market value of investments where current quotations are not available is determined as per the norms prescribed by RBI.
- b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortized over the remaining maturity of the security. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Repurchase and Reverse Repurchase transactions – These are accounted as outright sale and outright purchase respectively. The difference between the clean price of the first leg and the clean price of the second leg is recognised as interest income / interest expense over the period of the transaction. However, depreciation in their value, if any, compared to their original cost, is provided for.
- d. In respect of securities included in any of the three categories of investments where interest / principal is in arrears, for more than 90 days, income is not recognised and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing advances. Debentures / Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

C. Transfer Between Categories

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

D. Profit or Loss on Sale / Redemption of Investments

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

6. FIXED ASSETS

- a) The Fixed Assets are stated at historical cost less depreciation.
- b) The revalued assets are stated at the revalued amount less depreciation. The appreciation in value consequent to revaluation is credited to Revaluation Reserve. Depreciation on assets revalued is charged based on remaining useful life of the asset including the additions made on revaluation, and an equivalent amount towards the additional depreciation provided on revaluation, is transferred from Revaluation Reserve to profit and loss account.
- c) Depreciation on Fixed Assets is provided based on the useful life of the asset as prescribed under Part C of Schedule II to the Companies Act, 2013.
- d) Amount expended towards acquisition of Software is capitalized where it is reasonably estimated that the software has an enduring useful life. Software is amortized over an estimated useful life of 5 years on straight-line basis.

7. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

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

8. IMPAIRMENT OF ASSETS

The Bank assesses at each Balance Sheet date, whether there is any indication that an asset is impaired or not. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated realisable amount.

9. TAXES ON INCOME

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

10. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In accordance with Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets specified under Sec. 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules 2014, the bank recognizes provisions when it has a present obligation as a result of a past event and it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate of the amount of the obligation can be made.

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 or disclosed in the financial statements.

ACCOUNTING CONTROLS AND PROCEDURES

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

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

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

SCHEDULE 18 - NOTES TO THE FINANCIAL STATEMENTS

1. CAPITAL COMMITMENTS ₹ 1596 LAKHS (PREVIOUS YEAR ₹ 1616 LAKHS)

2. (a) Provisions and Contingencies

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Provision for depreciation on Investments	(5005)	9297
Provision for Non Performing Investments	1784	500
Provision for Standard Assets	(90)	49
Provision for Fraud	26	46
Provision for OIS MTM Loss	(6)	(10)
Provision for NPA (including Bad Debts written off and write back)	29477	13308
Provision for Restructured Advances	(300)	1020
Provision for Income Tax, Wealth Tax etc.	2	5
Deferred Tax Assets	-	4
Provision for Unhedged Forex Exposure	108	-
Other Provisions	710	1578
Total	26706	25797

(b) Floating Provisions

₹ in Lakhs

Particulars	2014-15	2013-14
(a) Opening balance	134	200
(b) Additional Provisions made during the year	-	-
(c) Amount of draw down made during the year	67	66
(d) Closing balance	67	134

3. CAPITAL ADEQUACY

₹ in Lakhs

Sr. No.	Items	March 31, 2015		March 31, 2014	
		Basel II	Basel III	Basel II	Basel III
(i)	Common Equity Tier I Capital Ratio (%)	7.42	7.42	6.99	6.93
(ii)	Tier I Capital (%)	7.42	7.42	6.99	6.93
(iii)	Tier II Capital (%)	2.29	2.17	3.01	1.74
(iv)	Capital to Risk/Weighted Assets Ratio (%)	9.71	9.59	10.00	8.67
(v)	Percentage of the shareholding of the Government of India in nationalized banks	NA	NA	NA	NA
(vi)	Amount of equity capital raised	22964	22964	17623	17623
(vii)	Amount of Additional Tier 1 capital raised : of which PNCPS : PDI :	NIL	NIL	NIL	NIL
(viii)	Amount of Tier 2 capital raised ; Of which Debt Capital Instrument: Preference Share Capital Instruments : [Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)]	NIL	NIL	NIL	NIL

4. INVESTMENTS

₹ in Lakhs

Items	March 31, 2015	March 31, 2014
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	493463	459904
(b) Outside India	-	-
(ii) Provisions for Depreciation on investments		
(a) In India	8452	11673
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	485011	448230
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	11673	2039
(ii) Add: Provisions made during the year	3109	9747
(iii) Less: (Write-off/write-back of excess provisions during the year)	6330	113
(iv) Closing Balance	8452	11673

5. REPO TRANSACTIONS

₹ in Lakhs

Particulars	Minimum outstanding during the year ended March 31		Maximum outstanding during the year ended March 31		Daily Average outstanding during the year ended March 31		As on March 31, 2015	As on March 31, 2014
	2015	2014	2015	2014	2015	2014		
Securities sold under repos								
i) Government Securities	NIL	NIL	341,51	1131,81	56,02	278,05	NIL	817,68
ii) Corporate Debt Securities	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Securities purchased under reverse repos								
i) Government Securities	NIL	NIL	22178	42245	1002	4105	NIL	NIL
ii) Corporate Debt Securities	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

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

6. NON-SLR INVESTMENT PORTFOLIO

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

₹ in Lakhs

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(i)	Public Sector Units	1002	914	-	-	-
(ii)	Financial Institutions	4533	4477	557	557	567
(iii)	Banks	66409	66149	-	-	-
(iv)	Private Corporate	4237	3668	2418	134	3668
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others (Security Receipts and PTC)	10044	10044	-	468	10045
(vii)	Provision held towards depreciation and NPI	(5296)	(5136)	(2521)	(705)	(5136)
	Total	80929	80116	454	454	9144

The above composition of Non-SLR Investments excludes RIDF/RHF/MSME deposits of ₹ 35346 lakhs.

b. Non Performing Non-SLR Investments

₹ in Lakhs

Particulars	2014-15	2013-14
Opening balance	2695	695
Additions during the year	284	2000
Reductions during the year	NIL	NIL
Closing balance	2979	2695
Total provisions held	2979	1195

Sale and Transfers to / from HTM Category

The Market Value of Investments held in the HTM category was ₹ 195980 lakhs and the excess of book value over market value was ₹ 1829 lakhs as on 31.03.2015.

7. DERIVATIVES

Forward Rate Agreement/ Interest Rate Swap

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
i) The notional principal of swap agreements	5000	5000
ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	(8)	(14)
iii) Collateral required by the bank upon entering into swaps	NIL	NIL
iv) Concentration of credit risk arising from the swaps	(8)	(14)
v) The fair value of the swap book	4992	4986

Note: (a) OIS: The bank has outstanding OIS (Overnight Index Swap) position of ₹ 5000 lakhs as at the end of March 2015 and has MTM loss of ₹ 8 lakhs. These positions are trading swaps. List of Outstanding transactions are detailed as below.

Sl. No.	Pay/Receive	Start date	Maturity date	Coupon	Notional (₹ in lakhs)	Frequency	Counter party	MTM (₹ in lakhs)
1	Pay	12-May-11	12-May-16	8.38%	2500	2	Axis Bank	(30)
2	Receive	24-May-11	24-May-16	8.13%	2500	2	Axis Bank	22
Total								(8)

(b) FRA: There is no FRA contract outstanding as on 31 March, 2015

Exchange Traded Interest Rate Derivatives

₹ in Lakhs

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

Disclosures on risk exposure in derivatives

Qualitative Disclosure

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

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

Quantitative Disclosures

₹ in Lakhs

Sl. No.	Particulars	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)	-	5000
	a) For hedging	-	
	b) For trading	-	5000
(ii)	Marked to Market Positions [1]	-	4992
	a) Asset (+)	-	-
	b) Liability (-)	-	-
(iii)	Credit Exposure [2]	-	(8)
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	-	-
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	0.7
(v)	Maximum and Minimum of 100*PV01 observed during the year	-	-
	a) on hedging	-	0.8
	b) on trading	-	0.6

8. ASSET QUALITY

i. Non-Performing Assets

₹ in Lakhs

Items	March 31, 2015	March 31, 2014
(i) Net NPAs to Net Advances (%)	3.29	3.80
(ii) Movement of NPAs (Gross)		
(a) Opening balance	48582	38027
(b) Additions during the year	33717	48808
(c) Reductions during the year	26470	38253
(d) Closing balance	55829	48582
(iii) Movement of Net NPAs		
(a) Opening balance	30188	26102
(b) Additions during the year	17477	39574
(c) Reductions during the year	21979	35353
(d) Add: ECGC Collection	-	13
(e) Add: CGTMSE	7	(31)
(f) Less: Diminution in fair value of restr. NPA accounts	794	185
(g) Add: Floating Provision	67	70
(h) Add: Counter Cyclical Buffer provision	297	1865
(i) Less: Provision buffer-Sale to ARC	-	1867
(j) Closing balance	25263	30188
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	18168	11901
(b) Provisions made during the year	31267	17168
(c) Write-off/ write-back of excess provisions	19872	10901
(d) Closing balance	29563	18168

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

(₹ in Lakhs)

Sl. No.	Type of Restructuring	Under CDR Mechanism						Under SME Debt Restructuring Mechanism						Others			Total					
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
1	Restructured Accounts as on April 1 of the FY(opening figs)	No. of Borrowers	5	1	0	0	6	5	1	0	0	6	7	1	1	1	10	17	3	1	1	22
		Amount Outstanding	10378	2561	0	0	12939	1629	37	0	0	1667	541	37	819	14	1412	12548	2635	819	14	16017
		Provision thereon	1270	505	0	0	1775	31	8	0	0	39	20	12	311	11	354	1321	525	311	11	2168
2	Fresh Restructuring during the year	No. of Borrowers	0	0	2	0	2	0	0	0	0	0	4	1	1	2	8	4	1	3	2	10
		Amount Outstanding	0	0	6201	0	6201	0	0	0	0	0	4860	7	13	7292	12173	4860	7	6215	7292	18374
		Provision thereon	0	0	3747	0	3747	0	0	0	0	0	214	1	4	6593	6812	214	1	3750	6593	10559
3	Upgradations to restructured standard category during the FY	No. of Borrowers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Amount Outstanding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence	No. of Borrowers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Amount Outstanding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

(₹ in Lakhs)

Sl. No.	Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total									
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total					
	Asset Classification Details	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total					
	need not be shown as restructured standard advances at the beginning of the next FY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
5	Downgradations of restructured accounts during the FY	0	3	1	0	4	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	0	3	2	1	6
	No. of Borrowers	0	3	1	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Amount Outstanding	0	460	10170	0	10631	0	0	0	0	0	0	0	0	0	0	0	0	178	7291	7469	0	460	10349	7291	18100
	Provision thereon	0	200	6786	0	6986	0	0	0	0	0	0	0	0	0	0	0	0	71	6592	6663	0	200	6857	6592	13649
	No. of Borrowers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
6	Write-offs of restructured accounts during the FY/ Sold to ARC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7291	7291	0	0	0	7291	7291
	Amount Outstanding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7291	7291	0	0	0	7291	7291
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6592	6592	0	0	0	6592	6592
	No. of Borrowers	0	4	4	0	8	4	4	0	2	6	3	1	1	3	8	3	1	1	3	8	7	5	7	3	22
7	Restructured accounts as on March 31 of the FY (closing figures*)	0	1485	19241	0	20727	1058	0	220	0	1278	3993	7	13	7343	11357	5051	1493	19475	53	26071	227	545	11416	48	12235
	Amount Outstanding	0	1485	19241	0	20727	1058	0	220	0	1278	3993	7	13	7343	11357	5051	1493	19475	53	26071	227	545	11416	48	12235
	Provision thereon	0	543	11331	0	11874	37	0	82	0	119	189	1	4	6640	6834	227	545	11416	48	12235	227	545	11416	48	12235

iii. Details of financial assets sold to Securitisation / Reconstruction Company:

₹ in Lakhs

Sr. No.	Item	March 31, 2015	March 31, 2014
(i)	No. of accounts	-	14
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	-	7728
(iii)	Aggregate consideration	-	10000
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain/loss over net book value.	-	2272

iv. Details of non-performing financial assets purchased/sold:

A. Details of non-performing financial assets purchased:

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
1. (a) No. of accounts purchased during the year	-	-
(b) Aggregate outstanding	-	-
2. (a) Of these, number of accounts restructured during the year	-	-
(b) Aggregate outstanding	-	-

B. Details of non-performing financial assets sold:

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
1. No. of accounts sold	-	14
2. Aggregate outstanding	-	7728
3. Aggregate consideration received	-	10000

v. Provisions on Standard Assets

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Provisions towards standard Assets	2735	2825

vi. Unsecured advances against intangible assets:

As at March 31, 2015, the amount of unsecured advances against intangible assets was Nil and the estimated value of the intangible collaterals was Nil.

9. BUSINESS RATIO

Sr. No.	Particulars	March 31, 2015	March 31, 2014
(i)	Interest Income as a percentage to Working Funds (%)	9.39	9.42
(ii)	Non-interest income as a percentage to Working Funds (%)	0.62	0.54
(iii)	Operating Profit as a percentage to Working Funds (%)	0.19	0.04
(iv)	Return on Assets (%)	(1.77)	(1.84)
(v)	Business (Deposits plus advances) per employee – ₹ in Lakhs	899.67	774.32
(vi)	Profit/(Loss) per employee - ₹ in Lakhs	(10.60)	(10.37)

Provision Coverage Ratio (PCR)

Particulars	March 31, 2015	March 31, 2014
Provision Coverage Ratio	67.82%	44.01%

10. ASSET LIABILITY MANAGEMENT

Maturity Pattern of certain items of assets and liabilities as at March 31, 2015 are as follows:

₹ in Lakhs

Particulars	Day 1	2 to 7 Days	8 to 14 Days	15 to 28 Days	29 days upto 3 months	Over 3 Months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	23478	52487	48315	38503	139052	154676	347787	354212	71364	8293	1238168
Advances	16551	31244	24211	6578	37602	38820	86974	304942	69771	150290	766981
Borrowings	0	9200	17500	30000	15000	2025	2025	3865	11770	2750	94135
Investments	0	4978	0	14596	83531	14429	22626	59279	24325	269699	493463
Foreign currency Assets	9019	6104	70	557	8302	6128	3356	0	350	652	34538
Foreign currency Liabilities	3053	9662	26	192	8793	3303	1124	1431	12013	47	39642

11. LENDING TO SENSITIVE SECTOR

i) Exposure to Real Estate Sector

₹ in Lakhs

Category	March 31, 2015	March 31, 2014
a) Direct exposure		
(i) Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (A)	32933	26276
Of which individual housing loans up to ₹ 20 lakh (15 Lakh)	16261	7621
(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; (B)	26128	15230
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	-	-
b. Commercial Real Estate.	-	-
(iv) Other Direct Exposure (C)	27852	46012
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). (D)	4907	-
Total Exposure to Real Estate Sector (A+B+C+D)	91820	87518

ii) Exposure to Capital Market

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
(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;	2233	1329
(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;	1	-
(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;	180	249
(vi) loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows/issues;	-	-
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) financing to stockbrokers for margin trading;	-	-
(x) all exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
Total Exposure to Capital Market	2414	1578

12. RISK CATEGORY WISE COUNTRY EXPOSURE

₹ in Lakhs

Risk Category	Exposure (net) as at	Provision held as at	Exposure (net) as at	Provision held as at
	March 31, 2015	March 31, 2015	March 31, 2014	March 31, 2014
Insignificant	1549	-	844	-
Low	34	-	15	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	1583	-	859	-

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

a. DETAILS OF SINGLE BORROWER LIMIT, GROUP BORROWER LIMIT EXCEEDED BY THE BANK

The bank has not exceeded the single borrower as well as group borrower limit during the year.

13. PROVISION FOR TAX

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Income Tax	-	-
Wealth Tax	2	5
Fringe Benefit Tax	-	-
Deferred Tax	-	4

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

Customer complaints

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

Unimplemented awards of Banking Ombudsmen

Particulars	2014-15
(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

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

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

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

a) Concentration of Deposits

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Total Deposits of twenty largest depositors	320626	279575
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	25.90%	23.04%

b) Concentration of Advances

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Total Advances to twenty largest borrowers	124597	146473
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	15.62%	17.85%

c) Concentration of Exposures

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Total Exposure to twenty largest borrowers/customers	151461	121047
Percentage of Exposures to twenty largest borrowers /customers to Total Exposure of the bank on borrowers /customers	16.53%	13.44%

d) Concentration of NPAs

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Total Exposure to top four NPA accounts	27766	14558

(II) Sector-wise advances

₹ in Lakhs

Sl. No.	Sector	March 31, 2015			March 31, 2014		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A Priority Sector							
1	Agriculture and allied activities	161954	1490	0.92	155765	1253	0.80
2	Advances to industries sector eligible as priority sector lending	65978	1496	2.27	43202	845	1.96
3	Services	48703	1064	2.18	58402	4277	7.32
4	Personal loans	26301	4720	17.95	36024	1390	3.86
	Sub-total (A)	302935	8770	2.90	293393	7765	2.65
B Non Priority Sector							
1	Agriculture and allied activities	-	-	-	-	-	-
2	Industry	154545	22168	14.34	191987	20326	10.59
3	Services	11367	8007	70.44	17101	3347	19.57
4	Personal loans	328710	16884	5.14	349866	17144	4.90
	Sub-total (B)	494622	47059	9.51	558955	40817	7.30
	Total (A+B)	797557	55829	7.00	852348	48582	5.70

(III) Movement of NPAs

₹ in Lakhs

Particulars	2014-15	2013-14
Opening balance	48582	38027
Additions (Fresh NPAs) during the year	33717	48808
Sub-total (A)	82289	86835
Less:-		
(i) Up gradations	2094	14585
(ii) Recoveries (excluding recoveries made from upgraded accounts)	6357	16635
(iii) Write-offs	639	1884
(iv) Technical write off	17380	5149
Sub-total (B)	26470	38253
Closing balance (A-B)	55829	48582

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

₹ in Lakhs

Particulars	2014-15	2013-14
Opening balance of Technical / Prudential written-off accounts as at April 1	5359	234
Add : Technical / Prudential write-offs during the year	17380	5149
Sub-total (A)	22739	5383
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	20	24
Closing balance as at March 31 (A-B)	22719	5359

(IV) OVERSEAS ASSETS, NPA AND REVENUE

₹ in Lakhs

Particulars	March 31, 2015	March 31, 2014
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

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

₹ in Lakhs

Name of the SPV sponsored		
	Domestic	Overseas
	NIL	NIL

17. ESOP SCHEME

The details of the Employees Stock Option Plan-2009 currently in vogue in the Bank as at March 31, 2015 are as under:

Sl. No.	Particulars	Employee Stock option Plan-2009
1.	Details of Approval	Remuneration Committee resolution, dated August 6, 2009.
2.	Implemented through	Directly by the bank
3.	Total number of shares	4,042,470
4.	Price per option	₹ 118.35
5.	Granted	39,99,225
6.	Vested	39,99,225
7.	Exercised	20,719
8.	Cancelled options	33,71,424
9.	Vested and unexercised	6,07,082
10.	Total number of options in force	6,07,082
11.	Money realized	₹ 24,52,094

Exercise period will commence from the date of vesting of option and will end on 10 years from the date of grant of options or 10 years from the date of vesting of Option, whichever is later.

Note:

- The compensation Committee has granted a total of 39,99,225 options convertible into 39,99,225 Equity shares which represent 6.24% of the then paid up share capital of the Bank. The fair market value one day before the date of grant is ₹118.35 which is also the exercise price of the option.
- The Bank accounts for 'Employee Share Based Payments' using the fair value method.

c) The movement of stock options during the year ended March 31, 2015 is summarized below:

Particulars	Number of options
Outstanding at the beginning of the year	7,25,615
Granted during the year	Nil
Forfeited during the year	1,18,533
Exercised during the year	Nil
Expired during the year	Nil
Outstanding at the end of the year	6,07,082
Exercisable at the end of the year	6,07,082

On 14/08/2014, Bank had granted 24,77,400 shares to employees under ESOS 2013 at ₹ 40.73 per share with vesting period of 3 years.

The vesting Period is three years from the Grant Date and there will be no lock in period for shares allotted under ESOS 2013. Exercise period for the options granted will be 3 years from the date of vesting of options within which the grantee should exercise his/ her right to apply for shares against the options vested in him/ her.

18. EMPLOYEE BENEFITS (AS 15)

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

A. Expenses recognized in Profit and Loss Account

₹ in Lakhs

Particulars	Pension	Gratuity	Leave
Current Service Cost	721.48	313.31	258.84
Interest cost on benefit obligation	1135.98	369.51	202.72
Expected return on plan assets	(759.23)	(259.46)	-
Net actuarial gain/(loss) recognized in the year	2198.29	(187.38)	233.55
Past Service Cost PSL- amortization	-	-	-
Expenses recognized in the Profit and Loss account	3296.53	235.98	695.10

B. The amount recognized in the Balance Sheet

₹ in Lakhs

Particulars	Pension	Gratuity	Leave
Present Value of obligation at the end of the year (i)	12010.06	4037.00	2404.56
Fair value of plan assets at the end of the year (ii)	10256.24	3801.02	0.00
Difference (ii)-(i)	(1753.82)	(235.98)	(2404.56)
Unrecognized past service liability	0.00	0.00	0.00
Net asset/(liability) recognized in the Balance Sheet	(1753.82)	(235.98)	(2404.56)

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

₹ in Lakhs

Particulars	Pension	Gratuity	Leave
Present value of obligation at the beginning of the year	11449.63	3659.89	2289.66
Interest cost	1135.98	369.51	202.72
Current Service Cost	721.48	313.31	258.84
Benefits paid	(388.77)	(756.07)	(580.21)
Net actuarial gain/(loss) on obligation	2198.29	187.38	233.55
Asset gain/(loss)	333.04	262.98	-
Settlements	(3439.60)	-	-
Present value of the defined benefit obligation at the end of the year.	12010.06	4037.00	2404.56

D. Change in the fair value of plan assets:

₹ in Lakhs

Particulars	Pension	Gratuity	Leave
Fair value of plan assets at the beginning of the year	10307.27	3140.86	-
Expected return on plan assets	759.23	259.46	-
Contributions by employer	2685.07	519.03	580.21
Benefit paid	(388.77)	(756.07)	(580.21)
Settlements	(3439.60)	-	-
Actuarial gain/(loss)	2198.29	637.74	-
Fair value of plan assets at the end of the year	10256.24	3801.02	-
Total Actuarial Gain/(Loss) to be recognized immediately	333.04	187.38	(233.55)

E. Details of the Plan Asset

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

₹ in Lakhs

Particulars	Pension	Gratuity	Leave
Central Government securities	2019.77	-	-
State Government securities	3095.16	500.87	-
Investment in Public Sector Undertakings	580	-	-
Investment in Private Sector Undertakings	1980.06	450.97	-
Others	2022.78	2699.18	-
Total	9697.78	3651.03	-

F. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Pension Project Unit Credit Method	Gratuity Project Unit Credit Method	Leave Project Unit Credit Method
Discount rate	8.00%	8.00%	8.00%
Expected rate of return on assets	8.50%	8.50%	-
Future salary increase	2.50%	5.00%	5.00%

Note:

Consequent on the reopening of the pension option and enhancement of the gratuity limit following the amendments to payment of gratuity act 1972, RBI has allowed amortisation of the additional expenses over a period of five years beginning with the financial year ending March 31, 2011 subject to a minimum of 1/5th of the total amount involved every year. Out of the total liability of ₹ 2,554 lakhs arising on account of above mentioned amendments, ₹ 510 lakhs has been charged to the Profit and Loss account in the current year and the balance amount outstanding is Nil

19. SEGMENT REPORTING (AS 17)

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

- I. Primary Segments: *Business segments.*
- (a) Treasury Operations
 - (b) Corporate / Wholesale Banking
 - (c) Retail banking
 - (d) Other banking business operations

- II. Secondary Segments: *Geographical segments.*

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

SEGMENT RESULTS – March 31, 2015

(This section has been intentionally left blank)

Business Segments	Treasury		Retail Banking		Corporate / Wholesale Banking		Other Banking Operations		Unallocated		Total
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2014
Revenue	40456	37035	54041	54559	41751	44031	-	-	606	12	136538
Results	1725	490	(310)	89	(363)	48	-	-	606	(20)	607
Unallocated Expenses	-	-	-	-	-	-	-	-	-	-	-
Operating Profit	-	-	-	-	-	-	-	-	-	-	607
Total provisions	-	-	-	-	-	-	-	-	-	-	25789
Tax Expenses	-	-	-	-	-	-	-	-	-	-	9
Extra ordinary items	-	-	-	-	-	-	-	-	-	-	-
Profit After Tax	-	-	-	-	-	-	-	-	-	-	(24147)
<i>Other Information</i>											
Segment Assets	570584	566715	482835	497116	373729	394892	-	-	-	-	1427148
Unallocated Assets	-	-	-	-	-	-	-	-	-	-	8043
Total Assets	-	-	-	-	-	-	-	-	-	-	1435191
Segment Liabilities	558044	556281	453453	467489	351308	371357	-	-	-	-	1362805
Unallocated Liabilities	-	-	-	-	-	-	-	-	-	-	72386
Total Liabilities	-	-	-	-	-	-	-	-	-	-	1435191

20. RELATED PARTY DISCLOSURES (AS 18)

	2014-15	2013-14
a) Key Management personnel	Sri P. G. Jayakumar MD & CEO	Sri P. G. Jayakumar MD & CEO
b) Nature of transaction: Remuneration (including perquisites)	₹ 34,79,361/-	₹ 24,32,400/-

21. Penalties levied by the Reserve Bank of India

The Penalty imposed by RBI during the year ended March 31, 2015 was ₹ 10,500/- (Previous Year ₹ 2,00,16,800/-)

22. EARNINGS PER SHARE (AS 20)

Particulars	March 31, 2015	March 31, 2014
Net Profit/ (Loss) after tax (₹ in lakhs)	(24147)	(25191)
Weight average number of equity shares for Basic EPS	-	-
Weight average number of equity shares for Diluted EPS	-	-
Earnings per share (Basic)	-	-
Earnings per share (Diluted)	-	-

23. ACCOUNTING FOR TAXES ON INCOME (AS 22)

The major components of Deferred Tax are as follows:

₹ in Lakhs

Particulars	Deferred tax assets		Deferred tax liabilities	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Depreciation on Fixed Assets	-	-	82	82
Leave Encashment	47	47	-	-
Provision for Standard Assets	17	17	-	-
Amortization of HTM Securities	321	321	-	-
Carry forward loss	3611	3611	-	-
Special Reserve u/s 36 (1) (viii)	-	-	204	204
Others	-	-	4	4
Total	3996	3996	290	290
Net balance	3706	3706		

24. BANCASSURANCE BUSINESS

₹ in Lakhs

Sr. No.	Nature of Income	2014-15
1	For selling life insurance policies	-
2	For selling non life insurance policies	142
3	For selling mutual fund products	-
	Total	142

25. OTHER ASSETS (SCHEDULE NO.: 11), BALANCE WITH BANKS AND MONEY AT CALL AND SHORT NOTICE (SCHEDULE NO.: 7) & FIXED ASSETS (SCHEDULE NO.: 10)

Reconciliation of rent advance/ security deposit for premises occupied by branches/ offices, etc. (as per Schedule No. 11), and physical verification of fixed assets (Schedule No. 10) is in progress. In the opinion of the management no material impact of reconciliation of accounts is anticipated.

26. The Bank had entered into an agreement with M/s Bajaj Allianz Life insurance Company Ltd. (BALIC) for sale of products of BALIC on specified terms and conditions. BALIC issued a demand notice to the Bank claiming a penalty amount of 1511 lakhs (for

2011-12) and ₹ 2123 lakhs (for 2012-13) totaling ₹ 3634 lakhs for non-achievement of targets along with interest at 12% per annum for delay in paying the amount beyond fifteen days. Further, BALIC informed the bank that targets for the Financial year 2013-2014 had not been met by the bank and a further penalty of ₹ 2664 lakhs had to be paid to BALIC by the bank in addition to the earlier penalty of 3634 lakhs Considering the initiatives taken by both the parties to renegotiate the terms and conditions of the agreement and as legally advised, the demand of penalty of ₹ 6298 lakhs is shown as contingent liability (Schedule No. 12)

27. Pending settlement of wage revision w.e.f. 1st November, 2012, an adhoc provision of ₹3164 lakhs is held as on 31.03.2015 which includes ₹1962 lakhs provided during the current year.
28. In terms of RBI circular DBR No. BP. BC 79/ 21.04.048/ 2014-15 dated March 30, 2015 Banks were permitted to utilise up to 50% countercyclical provision buffer/ floating provision held by them as on 31.12.2014 for making specific provisions for non-performing assets, as per the policy approved by their Board of Directors. Accordingly, the Bank has utilised an amount of ₹ 364 lakhs for making specific provisions for non-performing assets.
29. a) In terms of RBI guidelines contained in Circular DBR No.BPBC.83/21.01.048/2014-15 dated 01-04-2015, banks are required to provide, in case of fraud, the entire amount due to the Bank over a period not exceeding four quarters commencing from the quarter in which the fraud has been detected. As a prudent measure, the Bank has provided the entire amount during the year, thereby; the loss reported by the Bank is overstated by ₹ 4944 Lakhs.
 b) Though a special dispensation is given by RBI vide its Letter No. DBR No. BP 17661/21.04.048/ 2014-15 dated 20-05-2015 for providing the amount due to the Bank over a period of three quarters commencing from March, 2015 in respect of a borrowal account, the Bank, as a prudent measure, has provided for the entire amount during the year, thereby the loss reported by the Bank is overstated by ₹ 4524 Lakhs.
30. In respect of 259 employees who had opted for VRS in 2000 & 2004 and 424 retired employees, the Bank has not provided to the Pension Trust, funds required amounting to around ₹ 7938 lakhs for purchase of annuities for payment of pension/ increase in Dearness Allowance respectively. However, pension/ increase in dearness allowance is paid by the Bank by debiting Profit and Loss account.
31. Effective April 1, 2014 the Bank has changed the estimated useful life of certain fixed assets in line with the recommended useful life as per Part C of Schedule II to the Companies Act, 2013. On account of this change, the bank has reversed an amount of ₹ 901 lakhs during the year ended March 31, 2015, representing the excess depreciation charge and disclosed the same as an exceptional item. Except for this, there has been no change in the accounting policies followed during the quarter/ period ended 31st March, 2015 as compared to those followed in the preceding financial year ended 31st March, 2014. As a result of this change, the loss for the current financial year is decreased by ₹ 901 lakhs.

32. Disclosures on Remuneration

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

Composition

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

The rules and responsibilities of the remuneration committee are as follows;

- To oversee the framing, review and implementation of Bank's overall compensation and related policies on remuneration packages payable to all employees and the Whole Time Directors (WTDs)/ MD&CEO including perquisites, stock option scheme etc. with a view to attract, motivate and retain employees and review compensation level vis-à-vis other banks and the industry in general.
- The remuneration committee works in close coordination with the Risk Management Committee of the Bank in order to achieve effective alignment between remuneration and risks. The Committee also ensures that the cost income ratio of the Bank supports the remuneration package consistent with the maintenance of sound capital adequacy ratio.
- The committee also functions as the compensation committee as prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and is empowered to formulate detailed terms and conditions of the scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
- To conduct the annual review of the compensation policy.
- To fulfill such other powers and duties as may be delegated to it by the Board.

- b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

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

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

Further, the compensation structure for the Whole-Time Directors/Managing Director and Chief Executive Officer of the Bank is subject to approval of Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949.

- c. Human Resource Management department under the guidance of MD & CEO shall administer the compensation and the benefit structure in line with the best suited practices and statutory requirements as applicable.
- d. The Bank has not identified any employee as risk taker for the purpose of variable pay under the compensation policy.
- e. Employee Stock Option Scheme as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.
- f. Variable pay means the compensation as fixed by the Board on the recommendation of the committee which is base on the performance appraisal of the employee in that role, i.e. how well they accomplish their goals.

(₹ in Lakhs)

Quantitative Disclosures		2014-15	2013-14
(a)	<ul style="list-style-type: none"> Number of meetings held by the Remuneration Committee during the financial year Remuneration paid to its members. 	1 0.40	- -
(b)	<ul style="list-style-type: none"> (i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus. (iv) Details of severance pay, in addition to accrued benefits, if any 	- - - -	- - - -
(c)	<ul style="list-style-type: none"> (i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year. 	- -	- -
(d)	Breakdown of amount awards for the financial year to show fixed and variable deferred and non-deferred <ul style="list-style-type: none"> Fixed Variable Deferred Non Deferred 	- - - -	- - - -
(e)	<ul style="list-style-type: none"> (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments. 	- - -	- - -

33. Disclosures relating to Securitisation

Sl. No.	Particulars	No. / ₹ in lakh
1.	No of SPVs sponsored by the bank for securitisation transactions*	NIL
2.	Total amount of securitised assets as per books of the SPVs sponsored by the bank	
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet	
	(a) Off-balance sheet exposures	
	First loss	
	Others	
	(b) On-balance sheet exposures	
	Others	

4.	Amount of exposures to securitisation transactions other than MRR		
	(a)	Off-balance sheet exposures	
		i)	Exposure to own securitizations
			First loss
			Loss
		ii)	Exposure to third party securitisations
			First loss
	Others		
	(b)	On-balance sheet exposures	
		i)	Exposure to own securitisations
			First loss
			Others
		ii)	Exposure to third party securitisations
First loss			
Others			

34. Credit Default Swaps

The Bank has not taken any Credit Default Swaps during the year and the balance outstanding as on 31.03.2015 is "NIL"

35. Intra-Group Exposures

Bank does not have any group entities.

36. Transfers to Depositor Education and Awareness Fund

(₹ in Lakhs)

Particulars	March 31, 2015	March 31, 2014
Opening balance of amounts transferred to DEAF	NIL	NIL
Add : Amounts transferred to DEAF during the year	431	NIL
Less : Amounts reimbursed by DEAF towards claims	NIL	NIL
Closing balance of amounts transferred to DEAF	431	NIL

37. Unhedged Foreign Currency Exposures

Based on the available data, available financial statements and declarations from the borrowers wherever received, the Bank has estimated the liability of ₹ 108 lakhs as at 31.03.2015 (Previous Year – Nil) on Unhedged Foreign Currency Exposure to their constituents in terms of RBI circular DBOD.No.DP:BC.85/21.06.200/2013-14 dated 15.01.2014. The entire estimated amount is fully provided for.

38. Liquidity Coverage Ratio

(₹ in Lakhs)

Particulars	As on 31.03.2015	
	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets		
1. Total High Quality Liquid Assets (HQLA)		166363
Cash Outflows		
2. Retail deposits and deposits from small business customers, of which:	704039	55296
(i) Stable deposits	302154	15107
(ii) Less stable deposits	401885	40189
3. Unsecured wholesale funding, of which:	55091	50336
(i) Operational deposits (all counterparties)		
(ii) Non-operational deposits (all counterparties)	55091	50336
(iii) Unsecured debt		

4.	Secured wholesale funding		
5.	Additional requirements, of which		
(i)	<i>Outflows related to derivative exposures and other collateral requirements</i>		
(ii)	<i>Outflows related to loss of funding on debt products</i>		
(iii)	<i>Credit and liquidity facilities</i>		
6.	Other contractual funding Obligations	51405	4500
7.	Other contingent funding obligations	33183	1659
8.	Total Cash Outflows		111792
Cash Inflows			
9.	Secured lending (e.g. reverse repos)		
10.	Inflows from fully Performing exposures		
11.	Other cash inflows	17999	17999
12.	Total Cash Inflows	17999	17999
			Total Adjusted Value
21.	TOTAL HQLA		166363
22.	Total Net Cash Outflows		93793
23.	Liquidity Coverage Ratio (%)		177.37%

Qualitative Disclosure

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

$$\text{LCR} = \frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

The LCR requirement of banks would be minimum 60% for the calendar year 2015 i.e. with effect from January 1, 2015, and rise in equal steps to reach the minimum required level of 100% on January 1, 2019.

High Quality Liquid Assets (HQLAs)

Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value. There are two categories of assets which can be included in the stock of HQLAs, viz. Level 1 and Level 2 assets.

Level 1 assets of banks would comprise of the following and these assets can be included in the stock of liquid assets without any limit as also without applying any haircut:

- i. Cash including cash reserves in excess of required CRR.
- ii. Government securities in excess of the minimum SLR requirement.
- iii. Within the mandatory SLR requirement, Government securities to the extent allowed by RBI, under Marginal Standing Facility (MSF).
- iv. Marketable securities issued or guaranteed by foreign sovereigns satisfying all the following conditions:

- (a) assigned a 0% risk weight under the Basel II standardized approach for credit risk;
- (b) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; and proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions.
- (c) not issued by a bank/financial institution/NBFC or any of its affiliated entities.

Level 2 assets are sub-divided into Level 2A and Level 2B assets on the basis of their price-volatility. Assets to be included in each category are those that the bank is holding on the first day of the stress period. Level 2 assets (comprising Level 2A assets and Level 2B assets) can be included in the stock of liquid assets, subject to the requirement that they comprise not more than 40% of the overall stock of HQLAs after haircuts (minimum 15% for Level 2A & minimum 50% for Level 2B) have been applied. Further, Level 2B assets should comprise not more than 15% of the total stock of HQLA. They must also be included within the overall Level 2 assets.

Total net cash outflows

The total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows.

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

Signatories to Schedule 1 to 18

Mr. Raghu Mohan N.
AGM-Finance and Accounts

Mr. Krishnan K. S.
CFO & Company Secretary

Mr. Manikandan P.
Chief General Manager

Mr. G. Sreeram
Managing Director & CEO

Mr. T. Y. Prabhu
Chairman

Mr. P. Mohanan
Director

Mr. Chella K. Srinivasan
Director

Mr. K. Jayakumar
Director

Dr. K. R. Lakshmi Devi
Director

Dr. B. Raveendran Pillai
Director

Mr. Susobhan Sinha
Director

As per our Report of even date
For **Sagar & Associates**
Chartered Accountants
Firm Registration No. 003510S

CA. Aruna B. (Partner)
Membership No. 216454

Place : Kochi
Date : May 28, 2015

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2015

1. Scope of Application and Capital Adequacy

Table DF 1 – SCOPE OF APPLICATION

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

TABLE DF 2- CAPITAL ADEQUACY

Qualitative disclosures:

Basel- III guidelines issued by RBI

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

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

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

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

a. Summary

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

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

(a) Common Equity Tier I

The Bank has authorized share capital of ₹ 200 Cr. comprising 20 Cr. equity share of ₹ 10/- each. As on 31st December, 2014, the Bank has issued, subscribed and paid-up capital of ₹ 177,44,16,190 /-, constituting 17,74,41,619 Equity Shares of ₹ 10/- each. The Bank's shares are listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) and Cochin Stock Exchange Limited (CSE)

(b) Additional Tier I Capital

As on March 31, 2015 the Bank does not have Additional Tier I Capital.

(ii) Tier 2 Capital includes Revaluation Reserve, Special Reserves, Standard Asset Provisions and Tier II Bonds.**Debt Capital Instruments:**

The Bank has been raising capital funds by means of issuance of Upper Tier 2 and Subordinated bonds. The details of eligible Upper Tier 2 and Subordinated Debt (Unsecured Redeemable Non-convertible Subordinated Bonds in the nature of Promissory Notes/Debentures) issued by the Bank and outstanding as on March 31, 2015, are given below. As these Bonds are not fully compliant with the eligibility criteria set under Basel III Capital Regulations, these are phased out and considered in computation of Tier 2 Capital under the transitional provisions.

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

Of this ₹ 93.85 crore is eligible for Tier 2 Capital.

Quantitative Disclosures:**Risk exposure and assessment**

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

Composition of Capital as on 31.03.2015

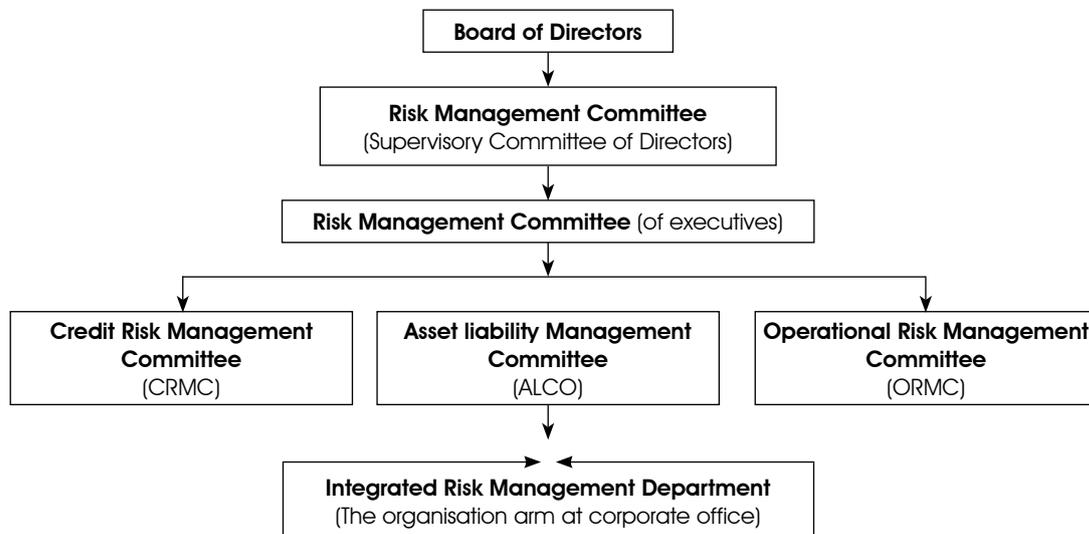
Items	₹ in million
Paid-up share capital	1774.42
Reserves	10624.81
Common Equity Tier 1 Capital before deductions	12399.22
Less amounts deducted from Tier I capital, including unamortized pension fund expenditure.	-6736.47
(a) Common Equity Tier 1 Capital	5662.75
(b) Additional Tier-I Capital	0.00
(c) Total Tier-I Capital (a+b)	5662.75
Directly issued Tier II capital instruments subject to phase out	938.50
General Provisions /Revaluation Reserves	718.96
(d) Total Tier-2 Capital	1657.46
Total Eligible capital (c+d)	7320.21

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

₹ in Crores

Items	31.03.2015
(a) Capital requirements for credit risk	
Portfolios subject to standardized approach	572.61
Securitization exposures	0
(b) Capital requirements for market risk Standardized duration approach	
Interest rate risk	40.61
Foreign exchange risk (including gold)	2.44
Equity position risk	14.95
(c) Capital requirements for operational risk	
Basic Indicator Approach	56.54
(d) Common Equity Tier 1, Tier 2 and Total Capital Ratios	
Common Equity Tier 1 CRAR (%)	7.42%
Tier 2 CRAR (%)	2.17%
Total CRAR % for the Bank	9.59%

Structure and Organization of the Risk Management function in the Bank



Scope and Nature of Risk Reporting and/or Measurement Systems

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

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

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

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

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

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

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

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

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

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

TABLE DF 3 –CREDIT RISK: GENERAL DISCLOSURES

Qualitative disclosures:

(a) General:

Definitions of past due and impaired (for accounting purposes)

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

1. Non performing Assets

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

- a) interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- b) the account remains 'out of order' as indicated at paragraph 2 below, in respect of an Overdraft/Cash Credit (OD/CC),
- c) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- d) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,

- e) the installment of principal or interest thereon remains overdue for one crop season for long duration crops,

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

2. **'Out of Order' status:** An account is treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as **'out of order'**.
3. **'Overdue':** Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.

Strategies and Processes for Credit Risk Management

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

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

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

Quantitative disclosures:

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

₹ in Crore

Overall credit exposure		31.03.2015	TOTAL 31.03.2015
Fund Based	Loans & advances	8125.38	9907.42
	Cash, RBI and Banks	1240.18	
	Others (Fixed Assets & other Assets)	541.87	
Non Fund Based	LC, BG etc.	331.05	1216.52
	Forward Contracts / Interest rate SWAPS	458.69	
	Others	426.78	
Investments (Banking Book only)	-	2331.56	2331.56
Total of Credit Risk exposure	-	13455.50	13455.50

(b) Geographic distribution of exposures:

(₹ in Crore)

Exposures	31.03.2015		TOTAL
	Fund Based	Non Fund Based	
Domestic operations	12238.98	1216.52	13455.50
Overseas operations	Bank has no overseas operations		

(c) Industry type distribution of exposures as on 31.03.2015:

(₹ in Millions)

Particulars	
Iron & Steel	276.90
Other Metal & Metal Products	1265.30
All Engineering	916.20
Cotton Textile	948.60
Other Textile	1596.20
Sugar	67.80
Food Processing	2013.70
Vegetable Oil (including Vanaspati)	198.10
Paper & Paper Products	102.30
Rubber & Rubber Products	309.40
Chemicals, Dyes, Paints	1689.50
Of which Drugs & Pharmaceuticals	1447.60
Cement	199.80
Gems & Jewellery	4902.70
Construction	1764.00
Automobiles including trucks	1428.40
Computer Software	397.20
Infrastructure- Power	1950.60
Infrastructure-Telecommunication	325.20
Infrastructure- Roads & Ports	594.70
Infrastructure - Others (excluding NBFC-infrastructure)	3418.50
NBFC- Infrastructure	500.00
NBFC- Others	5083.70
Trading	2309.00
Other Industries	4511.00
All Other Advances	42986.90
GROSS ADVANCE	79755.70

(d) Residual maturity breakdown of assets as on 31.03.2015:

(₹ in Crore)

Maturity Pattern Assets	Advances	Investments	Foreign Currency
Day 1	165.51	0	90.19
2 to 7 Days	312.44	49.78	61.04
8 to 14 days	242.11	0	0.70
15 to 28 days	65.78	145.96	5.57
29 days up to 3 months	376.02	835.31	83.02
Over 3 months and up to 6 months	388.2	144.29	61.28
Over 6 months and up to 1 year	869.74	226.26	33.56
Over 1 year and up to 3 years	3049.51	592.79	0
Over 3 years and up to 5 years	697.71	243.25	3.51
Over 5 years	1502.9	2696.99	6.523
Total	7669.92	4934.63	345.39

(e) Non-performing assets:

₹ in Million

No.	Items	31.03.2015
1	Gross NPAs	5582.93
1.1	Substandard	1186.33
1.2	Doubtful 1	1746.81
1.3	Doubtful 2	1769.07
1.4	Doubtful 3	111.64
1.5	Loss	769.08
2	Net NPAs	2526.32
3	NPA Ratios	
3.1	Gross NPAs to Gross Advances (%)	7.00
3.2	Net NPAs to Net Advances (%)	3.29
4	Movement of NPAs (gross)	
4.1	Opening balance	5753.77
4.2	Additions	1778.00
4.3	Reductions	1948.84
4.4	Closing balance	5582.93
5	Movement of provisions for NPAs	
5.1	Opening balance	2264.00
5.2	Provisions made during the quarter	2560.86
5.3	Write-off	1736.91
5.4	Write back of excess provisions	131.65
5.5	Closing balance	2956.30
6	Amount of non-performing investments	297.90
7	Amount of provisions held for non – performing investments	297.90
8	Movement of Provisions held for NPIs	
8.1	Opening balance	119.50
8.2	Provisions made during the period	178.40
8.3	Write-off/ Write back of excess provisions	0.00
8.4	Closing balance	297.90

TABLE DF 4 DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

Qualitative disclosures:

(a) For Portfolios under the standardized approach

1	Names of credit rating agencies used	Bank has approved all the external credit rating agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts, i.e. CRISIL, CARE, India Ratings & Research Pvt. Ltd., ICRA, Brick Work Ratings, SMERA and International Credit rating agencies, i.e., Standard and Poor, Moody's and FITCH.
2	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same.	No change
3	Types of exposure for which each agency is used	<p>The external rating assigned by an agency is considered only if it fully takes into account the credit exposure of the Bank.</p> <p>Bank is entitled to use the ratings of all the above identified Rating Agency rating for various types of exposures as follows :</p> <p>(i) For Exposure with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short -Term Rating given by ECAs will be applicable.</p> <p>(ii) For Domestic Cash Credit , Overdrafts and other Revolving Credits (irrespective of the period) and/or Term Loan exposures of over one year, Long Term Rating will be applicable.</p> <p>(iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by IRAs will be applicable.</p> <p>(iv) Rating by the agencies is used for both fund based and non-fund based exposures.</p> <p>(v) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.</p>
4	Description of the process used to transfer public issue rating on to comparable assets in the Banking book.	<p>Long-term Issue Specific (our own exposures or other issuance of debt by the same borrower-constituent/counter-party) Ratings or Issuer (borrower-constituent/counter-party) Ratings can be applied to other unrated exposures of the same borrower-constituent/counterparty in the following cases :</p> <p>(i) If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures , any other unrated exposure on the same counter-party will be assigned the same Risk Weight, if the exposure ranks paripassu or junior to the rated exposure in all aspects.</p> <p>(ii) In cases where the borrower-constituent/counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt may be applied to Bank's unrated exposures if the Bank's exposure ranks pari-passu or senior to the specific rated debt in all respects and the maturity of unrated Bank's exposure is not later than Maturity of rated debt.</p>

Quantitative disclosures

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

Particulars	31.03.2015 (₹ in Crores)
Below 100% risk weight	7481.56
100% risk weight	3409.81
More than 100% risk weight	314.34
Total Exposure	11205.70

TABLE DF 5 – CREDIT RISK MITIGATION- STANDARDIZED APPROACH

Qualitative Disclosure:

(a) General

Policies and processes for collateral valuation and management:

The Bank has put in place a Board approved policy on Credit Risk Mitigation Techniques and Collateral Management, covering the credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes.

A description of the main types of collateral taken by the Bank

Collateral used by the Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely: -

- ✓ Cash and fixed deposits of the counterparty with the Bank.
- ✓ Gold: value arrived at after notionally converting these to 99.99% purity.
- ✓ Securities issued by Central and State Governments.
- ✓ Kisan Vikas Patra and National Savings Certificates.
- ✓ Life Insurance Policies restricted to their surrender value.
- ✓ Debt securities rated by an approved Rating Agency.
- ✓ Unrated debt securities issued by Banks, listed in Stock Exchange.
- ✓ Units of Mutual Funds.

Bank has no practice of 'On balance sheet' netting for credit risk mitigation.

The main types of guarantor counterparty and their creditworthiness

Bank accepts guarantees of Individuals or Corporates with adequate network, as an additional comfort for mitigation of credit risk which can be translated into a direct claim on the guarantor and are unconditional and irrevocable. Main types of guarantor counterparty as per RBI guidelines are: -

- ✓ Sovereigns (Central/State Governments)
- ✓ Sovereign entities like ECGC, CGTMSE, CRGFILH
- ✓ Bank and primary dealers with a lower risk weight than the counterparty
- ✓ Other entities rated AA (-) and above. The Guarantees has to be issued by entities with a lower risk weight than the counterparty.

Information about risk concentrations of collaterals within the mitigation taken as on 31.03.2015:

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (In Crore)	Risk Concentration %
Gold	999.64	76.04%
Cash & Bank Deposits	313.68	23.86%
KVP/IVP/NSC	0.90	0.07%
LIC Policy	0.34	0.03%
Total	1314.57	100.00%

Majority of the financial collaterals held by the Bank are by way of Gold, own deposits, Life Insurance Policies and other approved securities. Bank does not envisage market liquidity risk in respect of financial collaterals.

Concentration on account of collateral is also relevant in the case of land & building. However, as land & building is not recognized as eligible collateral under Basel II standardized approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of housing loan to individuals and non performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

Quantitative Disclosures:

For the disclosed Credit Risk portfolio under the Standardised Approach, the total Exposure that is covered by:

(i)	Eligible Financial Collateral	:	₹ 1314.57 Crores
(ii)	Other eligible Collateral (after Hair Cuts)	:	₹ Nil

DF TABLE 6 - SECURITISATION – STANDARDIZED APPROACH:**Qualitative Disclosures:**

❖ Bank has not securitized any of its standard assets till date.

DF TABLE 7 - MARKET RISK IN TRADING BOOK- STANDARDIZED MODIFIED DURATION APPROACH:**Qualitative Disclosures:****(a) General :****Strategies and processes**

The overall objective of market risk management is to maximize shareholder value by improving the Bank's competitive advantage and reducing loss from all types of market risk loss events. For effective management of market risk, Bank has put in place a well established framework with the Integrated Treasury Policy and Asset Liability Management Policy. The Asset Liability Management Committee is responsible for establishing market risk management and Asset liability management in the Bank. ALCO is a decision making unit responsible for balance sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks. Bank is computing LCR (Liquidity Coverage Ratio) on a monthly basis. ALCO ensures adherence to the limits set by RBI as well as the Board.

Scope and nature of risk reporting/ measurement systems

The Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Various exposure limits for market risk management such as overnight limit, VaR limit, Daylight limit, Aggregate Gap limit, Investment limits etc. are in place. The reporting system ensures time lines, reasonable accuracy with automation, highlight portfolio risk concentrations and include written analysis. The reporting formats and frequency are periodically reviewed to ensure that they suffice for risk monitoring, measuring and mitigation requirements of the Bank. Bank also subjects Non-SLR investments to credit rating.

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

Board approved policies viz., Integrated Treasury Policy and Asset Liability Management Policy provides the framework for risk assessment, identification, measurement and mitigation, risk limits & triggers, risk monitoring and reporting.

Liquidity risk of the Bank is assessed through Statement of Structural Liquidity Statement which is prepared on a daily basis. The Bank also reviews various liquidity ratios on a fortnight basis in order to control the liquidity position. Interest Rate Risk is analyzed from earnings perspective using Traditional Gap Analysis on a fortnightly basis and economic value perspective using Duration Gap Analysis on a monthly basis. Stress tests are conducted at quarterly intervals to assess the impact of various contingencies on the Bank's earnings and the capital position.

The Bank uses Standardized Duration approach for computation of market risk capital charge on the investment portfolio held under HFT and AFS, Gold and Forex Open positions. The market risk capital charge is calculated on a daily basis and reported to ALCO.

Quantitative Disclosures:

Particulars	Amount of capital requirement 31.03.2015 (₹ in crores)
Interest rate risk	41.12
Equity position risk	14.09
Foreign exchange risk	2.52

TABLE DF 08-OPERATIONAL RISK:

Qualitative disclosures:

(a) General

Strategies and processes:

The Bank's strategy is to ensure that the Operational risks which are inherent in Process, People and System and the residual risks are well managed by the implementation of effective Risk management techniques. Keeping this in view, the Bank has been following risk management measures which address the risks before and after implementation of a process, product and system. All new products, processes and systems which are cleared by the Product & Process Approval Committee (PPAC) are risk vetted by the Operational Risk Management (ORM) cell, before implementation. The ORM cell has completed Risk & Control Self Assessment (RCSA) at Thrust Branches and other core functions highlighting the potential risks that can happen during the course of operations and to assess whether the controls are adequate to manage/mitigate these risks. Risk Based Internal Audit is in place in all the Branches. The Bank has a RCSA document approved by the Risk Management Committee of the Board (RMCB), in place.

The framework for Operational Risk Management is well-defined in the Operational Risk Management (ORM) Policy which is reviewed and revised annually. The ORM Committee at the executive level, which meets at regular intervals oversees Bank-wide implementation of Board approved policies and process in this regard. The Bank has put in place important policies like Information System Security, Know Your Customer & Anti Money Laundering, Fraud Risk Management, Business Continuity and Disaster Recovery Management.

Scope and nature of risk reporting/ measurement systems:

The Bank has adopted Operational Loss Data Reporting Format from the Loss Data Methodology Document for collection of Loss Data, which will enable the Bank to eventually ease the transition to Advanced Measurement Approach for Capital Calculation. The ORM cell has a well-built internal Loss data collection system in place. The risk reporting consists of operational risk loss incidents/events occurred in branches/offices relating to people, process, technology and external events.

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

Internal control mechanism is in place to control and minimize the operational risks. If any controls are found to be ineffective during the course of Risk & Control Self Assessment, corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. Bank is using insurance for mitigating operational risk. The various Board approved policies viz., Operational Risk Management Policy, Outsourcing Policy, Compliance Policy, Internal Inspection & Audit Policy, Internet Banking Security Policy; Policy on KYC & AML; Information Systems Security Policy and Business continuity Plans addresses issues pertaining to Operational Risk Management.

Operational Risk capital assessment:

The Bank has adopted Basic Indicator Approach for calculating capital charge for Operational Risk, as stipulated by the Reserve Bank of India. The ORM Cell is focusing on the qualitative and quantitative requirements (RCSA, KRI identification, Business line mapping etc.) prescribed by the regulator and these are being adopted by the Bank to move on to the Advanced Approaches in due course.

TABLE DF 09- INTEREST RATE RISK IN THE BANKING BOOK (IRRBB):

(a) Qualitative Disclosures:

Strategies and processes:

The Bank has put in place a comprehensive market risk management framework to address market risks. The Asset Liability Management Policy prescribes the measurement of the interest rate risk under two perspectives – Earnings perspective and Economic Value Perspective.

Under Earnings perspective, Bank uses the Traditional gap analysis method to calculate the Earnings at Risk (EAR), which is the quantity by which net income might change in the event of an adverse change in interest rate. EAR is calculated on a fortnightly basis.

Under Economic value perspective, Bank uses Duration Gap Analysis to assess the impact of interest rate risk. The Duration gap analysis monitors the impact of changes in the interest rates on the Market Value of Equity (MVE). It is calculated on a monthly basis.

The framework for managing interest rate risk (EVE) under Pillar II of Basel II is put in place through ICAAP Policy document.

Scope and nature of risk reporting/measurement systems

Interest rate risk under duration gap analysis is evaluated on a monthly basis. The likely drop in Market Value of Equity for a 200 bps change in interest rates is computed. Earnings at Risk based on Traditional Gap Analysis are calculated on a fortnightly basis and adherence to tolerance limits set in this regard is monitored and reported to ALCO. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.

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

Bank has operationalised mitigating/hedging measures prescribed by Integrated Treasury Policy, ALM Policy and Stress Testing Policy. The strategy adopted by ALCO for mitigating the risk is by clearly articulating the acceptable levels of exposure to specific risk types (interest rate, liquidity etc.). The process for mitigating the risk is initiated by altering the mix of asset and liability composition and with the proper pricing of advances and deposits.

Brief description of the approach used for computation of interest rate risk

The interest rate risk (EVE) is computed through Duration Gap Analysis. The step-by-step approach for computing modified duration gap is as follows:

- i) Identify variables such as principal amount, maturity date/re-pricing date, coupon rate, yield, frequency and basis of interest calculation for each item/category of Rate Sensitive Asset/Rate Sensitive Liability (RSA/RSL).
- ii) Plot each item/category of RSA/RSL under the various time buckets. For this purpose, the absolute notional amount of rate sensitive off-balance sheet items in each time bucket are included in RSA if positive or included in RSL if negative.
- iii) The mid-point of each time bucket is taken as a proxy for the maturity of all assets and liabilities in that time bucket.
- iv) Determine the coupon and the yield curve for arriving at the yields based on current market yields or current replacement cost for computation of Modified Duration (MD) of RSAs and RSLs.
- v) Calculate the MD in each time band of each item/category of RSA/RSL using the maturity date, yield, coupon rate, frequency, yield and basis for interest calculation.
- vi) Calculate the MD of each item/category of RSA/RSL as weighted average MD of each time band for that item.
- vii) Calculate the weighted average MD of all RSA (MDA) and RSL (MDL) to arrive at Modified Duration Gap (MDG).

(b) Quantitative Disclosures

The impact on earnings and economic value of equity for notional interest rate shocks as on 31.03.2015.

Earnings at Risk

(₹ in Crores)

Change in interest rate	Change in Nil
± 25 bps	6.99
± 50 bps	13.98
± 75 bps	20.98
± 100 bps	27.97

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 31.03.2015	3.35%
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TABLE DF -10: GENERAL DISCLOSURE FOR EXPOSURE RELATED TO COUNTERPARTY CREDIT RISK

Qualitative disclosures

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on a number of financial parameters like net worth, capital adequacy ratio, rating etc. of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach.

Quantitative disclosures

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The derivative exposure is calculated using Current Exposure Method and the balance outstanding as on March 31, 2015 is given below.

(₹ in Million)

Particulars	Notional Amounts	Credit Equivalent
Forward Exchange Contracts	3815.39	95.84
Interest Rate Derivative Contracts	500	5.82

TABLE DF-11: COMPOSITION OF CAPITAL

Part II : Template to be used before 31 March, 2017 (i.e., during the transition period of Basel III regulatory requirements)

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)	Amounts subject to Pre-Basel III Treatment	Ref. No.
Common Equity Tier 1 capital: instruments and reserves (₹ in million)		
1 Directly issued qualifying common share capital plus related stock surplus (share premium)	10,544.67	
2 Retained earnings	(2,414.70)	
3 Accumulated other comprehensive income (and other reserves)	1,854.55	
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock CET1 (only applicable to non-joint stock companies))	0	
Public sector capital injections grandfathered until January 1, 2018	0	
5 Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0	
6 Common Equity Tier 1 capital before regulatory adjustments	9,984.53	
Common Equity Tier 1 capital: regulatory adjustments		
7 Prudential valuation adjustments	-	
8 Goodwill (net of related tax liability)	-	
9 Intangibles other than mortgage-servicing rights (net of related tax liability); (accumulated loss ₹ 3735.92 million & other intangible assets ₹ 215.26 million)	3951.183	
10 Deferred tax assets	370.591	
11 Cash-flow hedge reserve	-	
12 Shortfall of provisions to expected losses	-	
13 Securitization gain on sale	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 Defined-benefit pension fund net assets	-	
16 Investments in own shares (if not already netted off paid- in capital on reported balance sheet)	-	
17 Reciprocal cross-holdings in common equity	-	
18 Investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19 Significant investments in the common stock of Banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20 Mortgage servicing rights (amount above 10% threshold)	NA	

21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA
22	Amount exceeding the 15% threshold	NA
23	of which: significant investments in the common stock of financial entities	NA
24	of which: mortgage servicing rights	NA
25	of which: deferred tax assets arising from temporary differences	NA
26	National specific regulatory adjustments (26a+26b+26c+26d)	
26a	<i>of which:</i> Investments in the equity capital of the unconsolidated insurance subsidiaries	-
26b	<i>of which:</i> Investments in the equity capital of unconsolidated non-financial subsidiaries	-
26c	<i>of which:</i> Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the Bank	-
26d	<i>of which:</i> Unamortized pension funds expenditures	
	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealized losses on AFS debt securities (not relevant in Indian context)	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	4321.77
29	Common Equity Tier 1 capital (CET1)	5,662.75
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
36	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory instruments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (41a+41b)	-
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-

41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the Bank	-
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-
	<i>of which:</i> Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
44a	Additional Tier 1 capital reckoned for capital adequacy	-
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	5,662.75
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	938.50
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	<i>of which:</i> instruments issued by subsidiaries subject to phase out	-
50	Provisions	718.96
51	Tier 2 capital before regulatory adjustments	1,657.46
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of Banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital Banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (56a+56b)	-
56a	<i>of which:</i> Investments in the Tier 2 capital of unconsolidated subsidiaries	-
56b	<i>of which:</i> Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the Bank	-
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	1,657.46
58a	Tier 2 capital reckoned for capital adequacy	1,657.46
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	1,657.46
59	Total capital (TC = T1 + T2) (45 + 58c)	7,320.21

	Risk Weighted Assets in respect of Amounts subject to Pre-Basel III Treatment	-
	<i>of which:</i>	-
	<i>of which: ...</i>	-
60	Total risk weighted assets (60a + 60b + 60c)	76320.92
60a	<i>of which: total credit risk weighted assets</i>	63622.89
60b	<i>of which: total market risk weighted assets</i>	6415.35
60c	<i>of which: total operational risk weighted assets</i>	6282.67
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	7.42%
62	Tier 1 (as a percentage of risk weighted assets)	7.42%
63	Total capital (as a percentage of risk weighted assets)	9.59%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	NA
65	<i>of which: capital conservation buffer requirement</i>	NA
66	<i>of which: Bank specific countercyclical buffer requirement</i>	NA
67	<i>of which: G-SIB buffer requirement</i>	NA
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) National minima (if different from Basel III)	-
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardized approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings- based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Notes to Template

Row No. of	Particulars	(₹ in million)
10	Deferred tax assets associated with accumulated losses	361.09
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred Tax Liability	9.50
	Total as indicated in row 10	370.59
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of Bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 Capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital	273.49
	Eligible Revaluation Reserves included in Tier 2 capital	445.48
	Total of row 50	718.961
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

DF-12 : COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENTS

Step 1	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation *
	As on reporting date (₹ in million)	As on reporting date
A Capital & Liabilities		
i Paid-up Capital	1,774.42	
Reserves & Surplus	5,464.13	
Minority Interest	-	
Total Capital	7,238.55	
ii Deposits	123,816.83	
of which: Deposits from Banks	5,583.45	
of which: Customer deposits	118,233.38	
of which: Other deposits (pl. specify)	-	
iii Borrowings	9,413.52	
of which: From RBI	5,670.00	
of which: From Banks	-	
of which: From other institutions & agencies	791.52	
of which: Others - book credit balances in foreign currency minor accounts	-	
of which: Tier 2 Capital instruments	2,952.00	
iv Other liabilities & provisions	3,050.19	
Total	143,519.09	

Step 1	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation *
	As on reporting date (₹ in million)	As on reporting date
B Assets		
i Cash and balances with Reserve Bank of India	6,693.31	
Balance with Banks and money at call and short notice	6,207.93	
ii Investments:	48,501.04	
<i>of which: Government securities</i>	36,873.55	
<i>of which: Other approved securities</i>	-	
<i>of which: Shares</i>	151.97	
<i>of which: Debentures & Bonds</i>	482.40	
<i>of which: Subsidiaries / Joint Ventures / Associates</i>	-	
<i>of which: Others</i>	10,993.12	
iii Loans and advances	76,698.14	
<i>of which: Loans and advances to Banks</i>	1.61	
<i>of which: Loans and advances to customers</i>	76,696.53	
iv Fixed assets	2,027.99	
v Other assets	3,390.68	
<i>of which: Goodwill and intangible assets</i>	-	
<i>of which: Deferred tax assets</i>	370.59	
vi Good will on consolidation	-	
vii Debit balance in Profit & Loss account		
Total Assets	143,519.09	

*Bank has no subsidiaries

Step 2	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref. No.
	As on reporting date	As on reporting date	
A Capital & Liabilities			
I Paid-up Capital	1,774.42		(a)
<i>of which : Amount eligible for CET1</i>	1,774.42		(a) (i)
<i>of which : Amount eligible for AT1</i>	-		
Reserves & Surplus	5,464.13		(b)
<i>of which : Amount eligible for CET1</i>	4,474.19		(b) (i)
<i>Statutory Reserve</i>	772.61		(b)(ii)
<i>Share Premium</i>	8,770.26		(b) (iii)
<i>General Reserve</i>	805.85		(b) (iv)
<i>Capital Reserve (excluding Revaluation Reserves)</i>	216.23		(b) (v)
<i>Special reserve under Section 36(i) (viii)</i>	59.86		(b) (vi)
<i>Balance in P/L a/c at the end of the previous FY</i>	(6,150.62)		(b) (vii)
<i>Current Financial Year Profit (Not eligible)</i>	-		-

Step 2	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref. No.
	As on reporting date	As on reporting date	
	Revaluation Reserve (part of Tier 2 capital at a discount of 55 percentage)	989.94	(b) (ix)
	Minority Interest	-	
	Total Capital	7,238.55	(a) + (b)
ii	Deposits	123,816.83	(c)
	of which: Deposits from Banks	5,583.45	(c) (i)
	of which: Customer deposits	118,233.38	(c) (ii)
	of which: Other deposits (pl. specify)	-	
iii	Borrowings	9,413.52	(d)
	of which: From RBI	5,670.00	(d) (i)
	of which: From Banks	-	(d) (ii)
	of which: From other institutions &	791.52	(d) (iii)
	of which: Others (Book Credit balances in foreign currency accounts)		(d) (iv)
	of which: Capital instruments -Tier 2	2,952.00	(d) (v)
iv.	Other liabilities & provisions	3,050.19	(e)
	of which: Standard Asset provision included under Tier 2 Capital	273.49	(e) (i)
	of which : DTLs related to goodwill		
	of which : Details related to intangible	0	
	Total assets	143,519.09	(a)+(b)+(c) + (d)+(e)
B	Assets		
i	Cash and balances with Reserve Bank of India	6,693.31	(f)
	Balance with Banks and money at call	6,207.93	(g)
ii	Investments:	48,501.04	(h)
	of which: Government securities	36,873.55	(h) (i)
	of which: Other approved securities	-	-
	of which: Shares	151.97	(h) (ii)
	of which: Debentures & Bonds	482.40	(h) (iii)
	of which: Subsidiaries / Joint Ventures	-	-
	of which: Others	10,993.12	(h) (iv)
iii	Loans and advances	76,698.14	(i)
	of which: Loans and advances to Banks	1.61	(i) (i)
	of which: Loans and advances to Customers	76,696.53	(i) (ii)
iv	Fixed assets	2,027.99	(j)
v	Other assets	3,390.68	(k)
	of which: Goodwill and intangible assets		-
	Out of which : Goodwill		
	Other Intangibles (excluding MS₹)	-	-
	Deferred tax assets	370.59	(k) (i)
vi	Good will on consolidation		
vii	Debit balance in P& L account	-	
	Total Assets	143,519.09	(f)+(g)+ (h)+ (i)+ (j)+ (k)

(Explanatory notes for Item No. (b) (vii): Debit balance in Profit & Loss account have been deducted from Reserves and Surplus reported under Capital & Liabilities in the Balance sheet

Step 3: Extract of Basel III common disclosure template (with added column)- Table DF-11 (Part II)

Common Equity Tier 1 Capital : Instruments and reserves		
	Component of regulatory capital reported by Bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,544.67 (a) + (b) (iii)
2	Retained earnings	1,578.46 (b) (ii)+ (b) (iv)
3	Accumulated other comprehensive income (and other reserves)	216.23 (b) (v)+b (vi)
4	Directly issued capital subject to phase out from CET-1 (only applicable to non-joint stock companies)	- -
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CER 1)	- -
6	Common Equity Tier 1 capital before regulatory adjustments	12,399.22 (a)+ (b) (ii)+ (b) (iii)+ (b) (iv) + (b) (v)+b (vi)
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-

TABLE DF -13: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS – ELIGIBLE INSTRUMENTS

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A
1	Issuer	Dhanlaxmi Bank Ltd.	Dhanlaxmi Bank Ltd.	Dhanlaxmi Bank Ltd.	Dhanlaxmi Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	680A01011	INE680A09022	INE680A08057	INE680A09030
3	Governing law(s) of the instrument	Applicable Indian Statutory and Regulatory Requirements			
Regulatory treatment					
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Common Shares	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (₹ in Million, as on 31.03.2015)	1744.42	192.50	60.00	327.00
9	Par value of instrument	Shares of ₹ 10/ each	₹ 1 million	₹ 1 million	₹ 1 million
10	Accounting classification	Shareholder's Equity	Liability	Liability	Liability
11	Original date of issuance	Various	28.07.2010	20.01.2012	29.05.2012

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date/No maturity	No maturity	30.07.2025	20.07.2018	29.04.2018
14	Issuer call subject to prior supervisory approval	No	Yes, Exercise of Call Option is subject to prior approval of RBI (Dept. of Banking Operations & Development)	No Call Option	No Call Option
15	Optional call date, contingent call dates and redemption amount	NA	Bank can exercise Call Option to redeem the Bonds at par at the end of 10th Year from the Deemed Date of Allotment, subject to prior approval from RBI. Optional Call Date is 30.07.2020 and redemption amount is in full.	NA	NA
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA	NA
17	Fixed or floating dividend/ coupon	NA	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	10%	11%	11.90%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No
22	Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated claim in case of liquidation	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank
36	Non-compliant transitioned features	No	Yes	No	No
37	If yes, specify non-compliant features	NA	Does not have Point of Non Viability Trigger	NA	NA

Item	Particular	Lower Tier II Series X-B	Lower Tier II Series XI-A	Lower Tier II Series XI-B	Lower Tier II Series XIII-B
1	Issuer	Dhanlaxmi Bank Ltd.	Dhanlaxmi Bank Ltd.	Dhanlaxmi Bank Ltd.	Dhanlaxmi Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE680A09048	INE680A09055	INE680A09063	INE680A08065
3	Governing law(s) of the instrument	Applicable Indian Statutory and Regulatory Requirements			
Regulatory treatment					
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier 2 Debt Instruments			
8	Amount recognized in regulatory capital (₹ in million, as of most recent reporting date)	113.60	175.80	29.60	40.00
9	Par value of instrument	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million
10	Accounting classification	Liability	Liability	Liability	Liability
11	Original date of issuance	29.05.2012	03.08.2012	03.08.2012	10.12.2012

Item	Particular	Lower Tier II Series X-B	Lower Tier II Series XI-A	Lower Tier II Series XI-B	Lower Tier II Series XIII-B
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date (dd/mm/yyyy) / No maturity	29.05.2019	03.05.2018	03.08.2019	10.12.2019
14	Issuer call subject to prior supervisory approval	No Call Option	No Call Option	No Call Option	No Call Option
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA	NA
17	Fixed or floating dividend/ coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	11.95%	11.90%	11.95%	11.95%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA

TABLE DF-14: FULL TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS (ELIGIBLE INSTRUMENTS)

	Upper Tier II-Series 1	Series IX	Series X A	Series X B	Series XI A	Series XI B	Series XIII B
Nature of Instrument	#	##	##	##	##	##	##
Amount Subscribed	₹ 275 million	₹ 100 million	₹ 545 million	₹ 142 million	₹ 293 million	₹ 37 million	₹ 50 million
Face value of the Bond	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million
Date of Allotment	28.07.2010	20.01.2012	29.05.2012	29.05.2012	03.08.2012	03.08.2012	10.12.2012
Date of Redemption	30.07.2025	20.07.2018	29.04.2018	29.05.2019	03.05.2018	03.08.2019	10.12.2019
Put and Call option (if yes, give details)	###	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Coupon rate and Frequency	10%, Annual	11%, Annual	11.9%, Semi annual	11.95%, Semi annual	11.90%, Semi annual	11.95%, Semi annual	11.95%, Semi annual
Listing	NSE	NSE	NSE	NSE	NSE	NSE	NSE

Unsecured, Redeemable, Non-convertible, Subordinated Upper Tier-II Bonds in the nature of Debentures.

Unsecured, Redeemable, Non-convertible, Subordinated Lower Tier-II Bonds in the nature of Debentures.

Only Call Option. Call option may be exercised by the Bank only if the instrument has run for at least ten years. Call Option shall be exercised by the Bank only with the prior approval of DBOD, RBI. In effect, the Bank reserves Call Option to redeem the Bonds at par at the end of 10th year from the Deemed Date of Allotment (subject to prior approval from RBI).

TABLE DF-15: DISCLOSURE REQUIREMENTS FOR REMUNERATION

Qualitative disclosures

a. Information relating to the composition and mandate of the Remuneration Committee.

➤ Composition

The Board constituted a Remuneration Committee on 29.02.2008, which was reconstituted on 27.09.2008, 06.10.2009, 28.02.2013 and 23.01.2015. The Committee consists of 4 members to facilitate effective governance of compensation.

The roles and responsibilities of the Compensation & Remuneration Committee (CRC) are as follows:

- ✓ To oversee the framing, review and implementation of compensation policy of the bank on behalf of the board.
- ✓ To ensure the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- ✓ To determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
- ✓ For determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership (ii) to retain employees or skill groups among them (iii) attract talented professionals (iv) to instill a sense of belonging to the Bank, among employees.

b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

Remuneration and other perquisites paid to the Chairman and Managing Director & CEO are as approved by the Reserve Bank of India. Non-executive Directors are being paid sitting fees for each meeting attended by them. During the year, no remuneration, excepting sitting fees and re-imbursment of actual travel and out-of-pocket expenses was paid.

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its Circular No. DBOD. No.BC.72/29.67.001/2011-12 dtd. 13.01.2012. The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers covered under Cost to the Company payment scheme, the overall salary will be pegged at 115% of IBA salary of corresponding grade. Officers appointed on contract basis are offered a fixed consolidated pay as determined by Board/Committee/MD & CEO on a case to case basis.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

The Board of Directors through the Remuneration Committee shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

The factors taken in to account for the annual performance review are:

- ✓ The performance of the Bank
- ✓ The performance of the business unit
- ✓ Individual performance of the employee
- ✓ Other risk perceptions and economic considerations

e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

- ✓ As of now, Bank is not offering variable pay and hence no such deferrals of variable
- ✓ Employee Stock Option Scheme/Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

- ✓ Performance Linked Incentives to those employees who are eligible for incentives
- ✓ Ex-gratia for other employees who are not eligible for Performance linked Incentives.
- ✓ Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.

As of now, Bank is not having a variable pay structure.

Board of the Bank at its meeting held on 14.09.2014 has approved the Employees Stock Options Scheme (ESOS 2013). The salient features of the ESOS 2013 are as under:

- ✓ Confirmed employees who are in the service of the Bank as on 01.05.2014 having more than 2 years of service in the Bank are eligible.
- ✓ Present Grade and completed years of service as on 01.05.2014 are the yard sticks considered for grant of options to employees.
- ✓ Granted shares shall vest as per the following vesting schedule:
 - 30% shall vest on completion of 12 months from the date of grant (14.08.2014) which is on 14.08.2015
 - 30% shall vest on completion of 24 months from the date of grant which is on 14.08.2016
 - Remaining 40 % shall vest on completion of 36 months from the date of grant which is on 14.08.2017.
- ✓ Exercise period for the options granted shall be 3 years from the date of vesting.
- ✓ The options are being granted at ₹ 40.73 per option
- ✓ The grade wise/experience wise eligibility grid is as under:

Completed year of service as on 01.05.2014									
Grade	> 2 years but ≤ 3 years	> 3 years but ≤ to 5 years	> 5 years but ≤ to 10 years	> 10 years but ≤ to 15 years	> 15 years but ≤ to 20 years	> 20 years but ≤ to 25 years	> 25 years but ≤ to 30 years	> 30 years but ≤ to 35 years	> 35 years but ≤ to 40 years
Grade 7	2500	5000	7500	10000	12500	15000	17500	20000	22500
Grade 6	1500	3000	4500	6000	7500	9000	10500	12000	13500
Grade 5	1000	2000	3000	4000	5000	6000	7000	8000	9000
Grade 4	600	1200	1800	2400	3000	3600	4200	4800	5400
Grade 3	500	1000	1500	2000	2500	3000	3500	4000	4500
Grade 2	400	800	1200	1600	2000	2400	2800	3200	3600
Grade 1	300	600	900	1200	1500	1800	2100	2400	2700
Grade E2	200	400	600	800	1000	1200	1400	1600	1800
Clerk	200	400	600	800	1000	1200	1400	1600	1800
Sub Staff	100	200	300	400	500	600	700	800	900

Quantitative disclosures

Number of meetings held by the Remuneration Committee during the six months ended 31.03.2015	1
Remuneration paid to the members of Remuneration Committee	₹ 40,000/- as sitting fees
Number of employees having received a variable remuneration award during the financial year	NIL
Number of sign-on awards made during the financial year	NIL
Total amount of sign-on awards made during the financial year	NIL
Details of guaranteed bonus, if any, paid as joining / sign-on bonus	NIL
Details of severance pay, in addition to accrued benefits, if any	NIL
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	NIL
Total amount of deferred remuneration paid out in the financial year	NIL
Breakdown of amount of remuneration awards for the year ended 31.03.2015	
Fixed	NIL
Variable	NIL



Images of functions held at various branches on the occasion of Our Bank's 87th Annual Day Celebrations.



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