


introduction

There comes a moment in the life of people, and organizations, when it is time to forget the past, improve the present and redesign the future. And, the way to achieve that is to focus on continuous growth. As a metric that measures achievement, growth is also what differentiates the future from the present. This Bank began with one branch in 1927. Today, its footprint is spread across 181 locations. By the end of this year, the Bank will have over 725 customer touch-points, both on-site and off-site. The Bank's offerings of products and services are also diversifying to meet ever-changing consumer aspirations and expectations. Technology is being rolled out to improve efficiency, availability and convenience. But, this is only the first chapter of an exciting story that's gradually unfolding. Each ascending step on the growth curve is a new episode in our bold story, a novel and enriching experience that promises to embrace all stakeholders and create value for society at large. Stay with us; this is a narrative that has growth stamped all over it.



Registered & Corporate Office

P B No 9, Dhanalakshmi Building,
Naickanal, Thrissur - 680 001

Mumbai Office

Trade View, 2nd Floor, Near Gate No 4,
Kamla Mills Compound, Lower Parel,
Mumbai - 400 013

Kindly refer to the website for other offices

Company Secretary

Ravindran K Warriar

Auditors

M/s P B Vijayaraghavan & Co.

Proposed Auditors

M/s Walker Chandiook & Co. New Delhi

M/s Shah Gupta & Co. Mumbai

Legal Advisors

Amarchand & Mangaldas &

Suresh A Shroff & Co.

Advocates & Solicitors

Major Exchange Houses

UAE Exchange Centre LLC

AI Ahalia Money Exchange Bureau

UAE Exchange Centre WLL

Foreign Correspondent Banks

Deutsche Bank Trust Company Americas

Wachovia Bank NA- A Wells Fargo Company

Commerzbank AG

National Westminster Bank PLC

Insurance Partner

Bajaj Allianz

Stock Exchanges

National Stock Exchange (NSE)

Bombay Stock Exchange (BSE)

Cochin Stock Exchange (CSE)

Registrar & Transfer Agents

Karvy Computershare Pvt Ltd

Plot No 17-24, Vithal Rao Nagar

Madhapur, Hyderabad - 500 081

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board members



V. R. Chalasani

S. Santhanakrishnan

K. Srikanth Reddy

Ghyanendra Nath Bajpai

Amitabh Chaturvedi

Shailesh V Haribhakti

Ghyanendra Nath Bajpai - Chairman

V. R. Chalasani - Director

S. Santhanakrishnan - Director

K. Srikanth Reddy - Director

Shailesh V Haribhakti - Director

Amitabh Chaturvedi - Managing Director & CEO

Dear Shareholders.

Down the millennia, confidence has been an integral part of India's spiritual and cultural heritage. Our continuing ability to weather adversities, whether they are internal or external, has won us our fair share of fans and supporters across the world. This is vividly manifest even in the current global crisis.

The financial year that just ended was undoubtedly difficult with a slowing global economy dragging down India's strong growth momentum. But, India's growth rate is still higher than most other countries in the world, given the robust domestic growth impetus, though it will definitely be lower than the past few years. Initial snap estimates show that India ended 2008-09 with GDP growth of 6.7%, higher than almost all the other countries in the world, and definitely surpassing most independent estimates.

What does 2009-10 look like? The central bank's prognosis is a bit guarded. Reserve Bank of India's annual policy states that even with a normal monsoon, the real GDP growth rate is likely to clock 6%, primarily due to the cautious outlook on private investment demand. If that indeed turns out to be the case (even though this forecast is subject to mid-course corrections), then it is likely to be the slowest growth rate the country will have experienced in a long time.

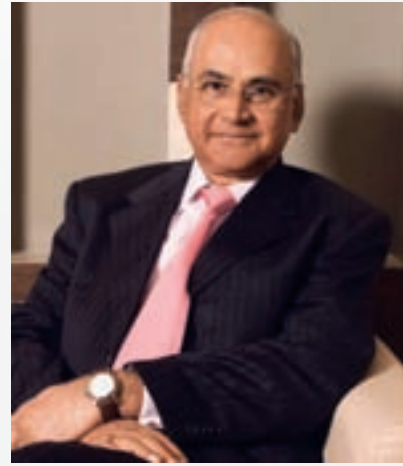
But, there is a silver lining in those dark clouds. For one, the country just celebrated its democratic credentials by conducting the world's largest elections. Over 450 million people voted for 8070 candidates in 542 constituencies over five phases. This is, from all accounts, a stupendous achievement and reflects the innate strength of the Indian democratic political structure. From this also flows all the optimism about multiple issues, including our economic

chairman's address



prospects and hopes for a better future, despite the surrounding gloom and the otherwise bleak forecasts. In addition, the maturity shown by the Indian electorate by voting resoundingly in favour of development does send out an unmistakable signal to the world.

This popular charter not only immediately improves the investment climate but also rekindles hopes that some of the pending economic reforms will finally get off the ground. On the list of expectations are hopes for further liberalization of foreign investment norms, revival of frozen disinvestment schemes for public sector units, a further boost to infrastructure and social sector investment, execution of much-needed reforms in the agricultural sector (such as land reforms), removal of some pricing distortions in petroleum and fertilizers, rationalization of select tax rates, implementation of fiscal reforms, including tighter controls over some expenditure items. Wherever one looks, hope and optimism seem to be the national leitmotif.



Some of the groundwork done by the Government and the Reserve Bank seem to be already paying off. The Government has so far launched three economic stimulus packages. The RBI, on its part, has cut cash reserve ratio by 400 bps since September and slashed repo rates by 425 bps. The combination of these coordinated actions seems to have taken root and the economy is showing incipient signs of bucking the slowdown.

Quick estimates show that the Index of Industrial Production contracted by 2.3% during March 2009, compared to the level of industrial activity during March 2008. Taken for the year as a whole, industrial production grew by only 2.4% during the 12-month period of April 2008 to March 2009, compared to 8.5% growth experienced during the same period of 2007-08.

But, when viewed through the prism of month-on-month growth, the prospects don't look so bleak. For instance, although the quick estimates for March do show a decline over the comparable year-ago figures, it shows a sharp 8.65% increase in the level of industrial activity over February 2009. This is heartening, especially since industrial activity has seen some sharp month-on-month declines during the year.

If one digs deeper, use-based classification shows greater reason for optimism – while production of intermediate goods shrank during the year (-2.8%) and basic goods delivered only marginal growth (2.5%), capital goods turned in an impressive 7% growth. This should be good news because it signals a revival of industrial investment.

The RBI's attempts to keep the system hydrated with sufficient liquidity, aimed primarily at keeping expectations at bay, also seem to have borne fruit. While money supply has grown by around 20.7%, commercial credit has maintained a growth rate of above 17%. Although this is nowhere near the giddy growth of previous years, Indian banks have been able to meet, to a large extent, the gap that has arisen from the lack of external financing.

The improving industrial production scenario, the steady strengthening of the farm economy, the emphasis on infrastructure, the toughness of the Indian markets are all encouraging signs for your bank. We have chosen a growth path that will see your bank expanding its footprint, growing its balance sheet and delivering enhanced stakeholder value.

Whichever way one looks at it, this is an exciting phase for the Indian economy, as well as for Dhanalakshmi Bank. A recharged and repurposed team with renewed energy is already in place, all set to take your bank to greater heights. Yes, there will always be some speed-breakers and sundry barriers to growth. But, as I said earlier, hope springs eternal in the Indian psyche. We will prevail.

I wish you all a productive and peaceful year ahead.

With best regards,

Yours sincerely,

Ghyanendra Nath Bajpai

ceo's address

Dear Shareholders,

This is the first time I am speaking to you directly, and I consider this opportunity both a privilege and a pleasure. Let me share with you my thoughts on your Bank's performance during 2008-09, and sketch a brief outline of the future roadmap.

I took charge of the Bank about 9 months ago. As an individual and as a professional, the journey so far has not only been rewarding but one full of new learnings. For the Bank, the period denoted transformation rather than mere change.

I have occasionally wondered how the economic boom of the 90s bypassed your Bank when a clutch of private sector banks burst on the horizon, grew at an amazing pace and set new benchmarks in every banking parameter. But, I don't see any point in dwelling on the past; the future holds greater opportunities and your Bank now has all the right ingredients in place to deliver improved results -- a professional and deeply supportive Board, as well as a management team with the right combination of experience and fresh energy!

When the curtains finally drew to a close on 2008-09, the Bank was clearly in mission mode. For the first time, the Bank's business growth rates far exceeded many of its peers. The net profit more than doubled from Rs 28.46 crores to Rs 57.45 crores during the year. There were significant improvements under other key business parameters as well. This performance brought home an inspiring but crucial message: while the existing team had reasons to feel re-energised, the new team have found a great place to work in and create enduring value. This combination seems to be delivering amazing results. An echo of this can be found in the way your Bank's scrip has performed during the past few months.



Where do we go from here? It is now an established fact that the Bank is in the throes of rapid change. I am happy to highlight a few areas that are ripe for change in the Bank's scheme of things.

First, your Bank will refocus its energies and attentions on enhancing customer ecstasy. All our strategies flow from this one central tenet. For example, your Bank is adopting a multi-channel approach to banking. The customer will now have multiple means of conducting normal banking business – through brick-and-mortar branches, call centres, ATMs, the internet and mobile banking. The customer will not be constrained by lack of options: the bank's services and products will be available to her when she needs them and how she wishes to access them. The proposed opening of 66 new branches and around 400 ATMs in the current year is merely the beginning of a process that promises to convert the Bank into a truly pan-Indian entity and transform its brand architecture for ever, without disturbing its core ethos and values.



Even traditional branch banking will undergo a paradigm shift. Each branch will become a one-stop shop that will offer products custom-built to meet a wide spectrum of consumer expectations – whether they are deposits, housing or auto loans, servicing SME clients, or offering life-cycle investment and savings requirements, such as insurance products, mutual funds, stock broking, bullion, structured products or even guarantees.

Obviously, technology will have to play a large role to make all this possible. You will be glad to learn that the Bank is investing considerable man hours and monetary resources in setting up the next generation of a banking network with cutting-edge systems and solutions. But, no matter how advanced the technology or how sophisticated the system, the Bank remains steadfast about one thing: the personal touch will be central to everything that we do. In fact, while the Bank welcomes all categories of customers and plans to offer all banking products, personal touch will remain an indelible part of its core DNA.

Undoubtedly, we will also strive to ramp up the balance-sheet size to a respectable level that represents the best of Corporate India, the promising among the small and the medium units, the smartest of the public sector units. But, at the same time, quality of assets shall remain paramount for your Bank while adding muscle. Intelligent risk management processes and nimble early warning systems will form an integral part of your Bank's operating philosophy. The reason is simple: profit will be the litmus test of our success and should remain the cornerstone of all our actions. Each line of activity would be under constant scrutiny from the angles of both income generation and cost reduction. I strongly believe that size of a balance sheet by itself means little unless it guarantees a healthy bottomline.

But, profits by themselves also mean little. This Bank firmly believes that as an important member of civil society, profits generated while improving incomes and enriching lives has much greater value. This objective can be met through inclusive banking, and your Bank feels that it is possible to meet larger social goals without sacrificing profits. In fact, inclusive banking plays a very important part in your Bank's overall strategic intent.

The quality of workplace we build and the level of employee motivation will be crucial in achieving all our goals. There are plans to launch a set of innovative HR initiatives that would ensure a robust and enduring leadership pipeline for various levels and empower the workforce to challenge the impossible! The Bank is also working on a model for evaluating employee productivity based on profit generated rather than quantum of business serviced. As always, the team will plan, pursue and deliver. Our ultimate objective is to build an institution that will not only figure among the greatest places to work in but will also instil pride among all its employees.

Finally, thank you for all your support. I look forward to your continued encouragement.

With best regards,

Yours sincerely,

Amitabh Chaturvedi

customer feed back

We bank with the Dhanalakshmi Bank and have received excellent service and support for all our banking requirements. We very much value our relationship with the Bank.

Muralidhara Rao
Amrita Institute of Medical Sciences

I have great appreciation for Dhanalakshmi Bank which serves the banking needs of Travancore Devaswom Board and Sabarimala Sannidhanam for past the 32 years.

P. Narayanan
Member, Travancore Devaswom Board

Any partnership works only when the partners have trust and confidence on each other and goes beyond the legal framework. We have had excellent relationship with Dhanalaxmi Bank and have enjoyed their partnership approach always.

Ramesh Iyer
MD Mahindra Finance

Top management's dynamism, along with speed in decision making is at par with top most private banks. Though being a typical traditional south based bank, they have ability to look at innovative structures practically and positively. The bank has changed over the last few months for good, and if it continues doing the good work by extending modern banking experience with traditional touch, it is set to achieve greater heights

Sarad Nagar.
L & T Infra

I want to put on record the kind of devotion and commitment shown, which I feel cannot be matched with any other organization in the industry.

N. Sreekumar
Joint Managing Director, V-Guard

core team



Row - 1 (Left to Right)

Manish Kumar Human Resources	Bipin Kabra Chief Financial Officer	Amitabh Chaturvedi MD & CEO	Ravindran K Warriar Company Secretary	Jayakumar P G Credit, Operations, Microfinance	Rangarajan H Planning & Development
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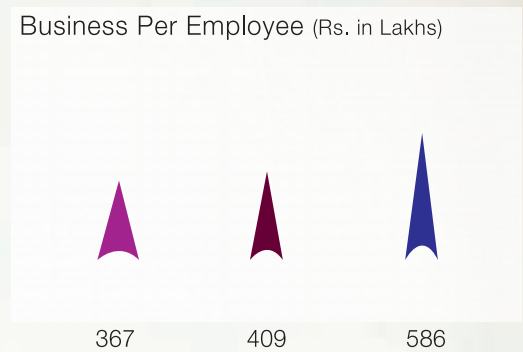
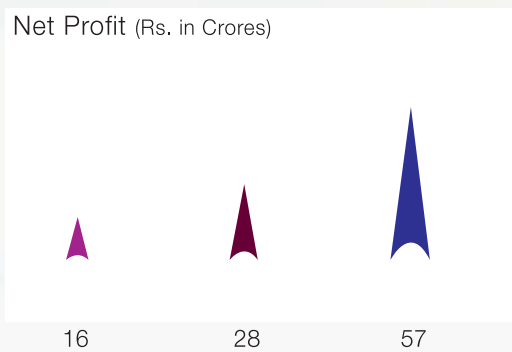
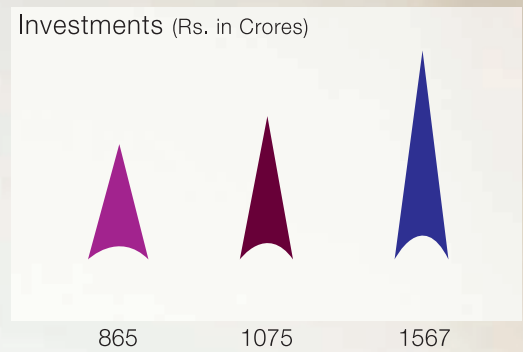
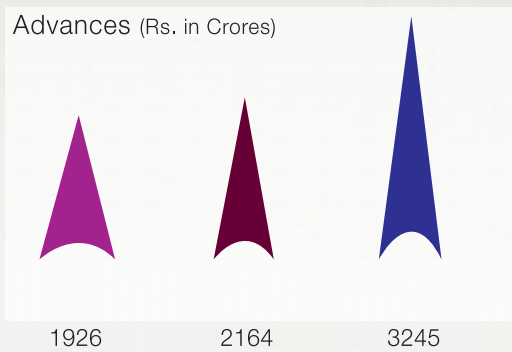
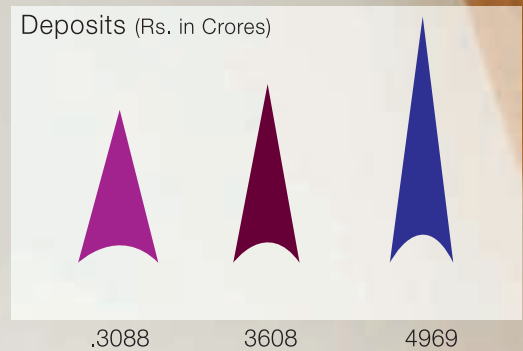
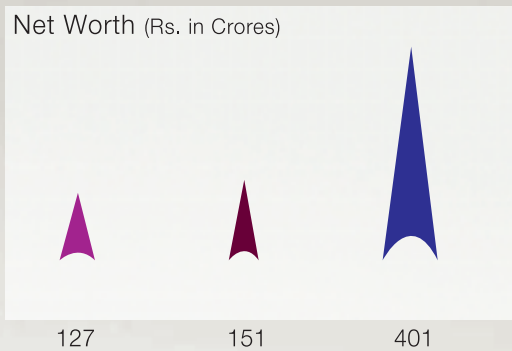
Row - 2 (Left to Right)

Rajeev Deoras Wholesale Banking	Suresh Kumar S Credit Monitoring & Review	Manikandan P Govt. Solutions Group	Asok Hastagiri Risk Management	Tilisa Gupta Microfinance	Sachin Saraf Infrastructure	Salil Datar Branch Banking
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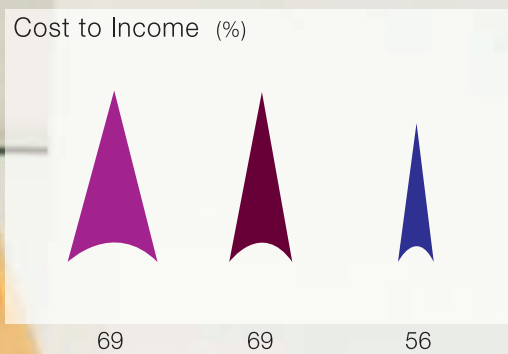
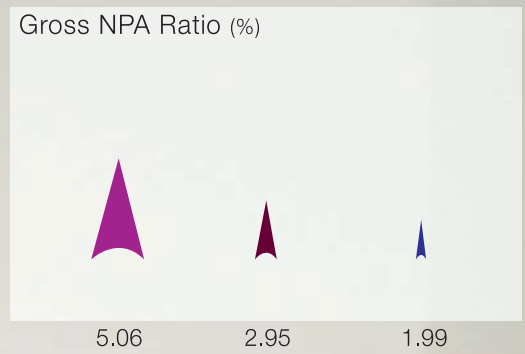
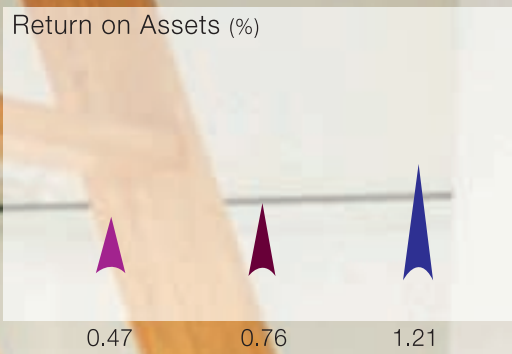
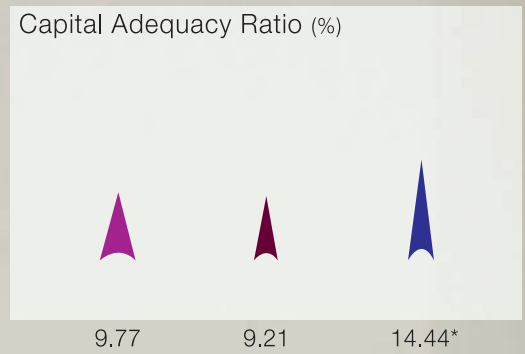
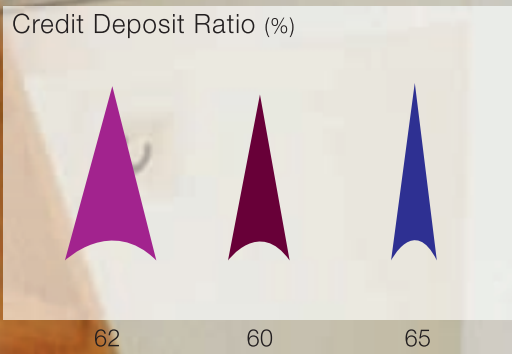
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Sheran Mehra Marketing	Anand Gupta Alternate Channels	Manish Sarraf Treasury	Rajrishi Singhal Policy & Research	G K Warriar Credit Review	P S Revikumar Inspection & Audit	Jaya Janardanan Operations
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performance



▲ - 2007 ▲ - 2008 ▲ - 2009



* 14.44% as per Basel I and 15.38% as per Basel II.

Dhanalakshmi Bank
directors report



Report of the Board of directors

Your directors have pleasure in presenting the Bank's 82nd Annual Report along with the Audited Balance Sheet and Profit and Loss account for the year ended 31.03.2009.

Performance Highlights

- The important features of the Bank's performance for the year 2008-09 are as follows:
- Net profit more than doubled from Rs 28.46 crore for the year ended 31st March 2008, to Rs 57.45 crore for the year ended 31st March 2009, registering an increase of 102%.
- Operating profit increased from Rs 44.50 crore to Rs 87.90 crore, a rise of Rs.43.40 crore at a growth rate of 98%.
- Total deposits increased from Rs 3608.42 crore to Rs 4968.81 crore, an increase of Rs 1360.39 crore at a growth rate of 38%.
- Total advances increased from Rs 2163.73 crore to Rs 3245.30 crore, an increase of Rs 1081.57 crore at a growth rate of 50%.
- Total income increased from Rs 354.52 crore to Rs 487.77 crore during the year, a rise of Rs 133.25 crore at a growth rate of 38%.
- Fee-based income showed a growth of 88.82%, moving up from Rs 42.03 crore to Rs 79.36 crore.
- Total expenditure growth was kept under control at 28.98%, increasing from Rs 310.02 crore to only Rs 399.87 crore during the period.
- Priority Sector advances as a percentage to net bank credit stood at 53.48% against the RBI benchmark of 40%.
- Agricultural outstandings as a percentage to net bank credit was 21.40% as against the RBI prescription of 18%.
- Gross NPA percentage declined from 2.95% to 1.99%.
- Business per employee increased from Rs.409 lakh to Rs.586 lakh during the year.

Dividend

The Board has recommended a dividend of 10% to the shareholders subject to the approval of the Reserve Bank of India.

Capital and Reserves

The Bank's capital and reserves increased from Rs 172.24 crore as on 31.03.2008 to Rs 424.48 crore as on 31.03.2009. The Capital Adequacy Ratio was 14.44% as on 31.03.2009 (15.38% as per Basel II) against 9.21% as on 31.03.2008. The benchmark prescribed by RBI is 9%.

Strengthening the Capital Base

The Bank successfully completed in April 2008, a rights issue for Rs 198.76 crore at a premium of Rs 52 per share on a 1:1 basis. The issue opened on February 19 and closed on April 17, 2008. The allotment process was completed on 2nd May, 2008. The said rights issue, as well as the surplus generated through business operations during the year, combined has taken the net worth of the Bank to Rs 400.62 crore on March 31, 2009, well beyond the minimum Rs 300 crore prescribed by RBI.

Branch Network

As on 31.03.2009, the Bank **operated** through a network of 181 Branches and 26 Extension Counters spread over 8 States, besides 59 onsite and 13 offsite ATMs.

The RBI has permitted the Bank to open during the year, 66 additional branches, 200 offsite ATMs, 5 Regional Offices in Kerala (at Kozhikode, Palakkad, Thrissur, Ernakulam and Trivandrum) and 2 Central Processing Centres at Thrissur and Hyderabad. Further, the Bank proposes to install 180 ATMs additionally in onsite locations during the period. Pursuant to the above, the Bank's total customer touch-points will increase from 279 as on March 31, 2009, to 725 by the end of the current year.

The Bank is also proposing to upgrade all the 26 Extension Counters into full-fledged branches during the year.

In addition, the Bank is also in the process of converting 4 Asset Recovery Branches (ARBs) at Bangalore, Chennai, Coimbatore and Ernakulam into 'general category' branches as the purpose for which these ARBs were established now stands achieved.

Deposits

The total deposits of the Bank increased from Rs 3608.42 crore as on 31.03.2008 to Rs 4968.81 crore as on 31.03.2009, showing an increase of Rs 1360.39 crore at a rate of 37.70%. This is the highest level of growth ever recorded by the Bank. The balances under Current and Savings Accounts (CASA) increased from Rs 1054.92 crore as on 31.03.2008 to Rs 1207.63 crore as on 31.03.2009 – an increase of Rs 152.71 crore at 14.48%. The Bank's emphasis on mobilizing CASA was highlighted through incentive campaigns for employees organized during the year.

The deposit growth of the Bank compared favourably with the growth of the banking industry at 19.81% for the same period.

As part of the Bank's overall efforts to widen its customer base, the Bank introduced 2 new deposit products during the year. Dhanam Suvidha, a zero balance current account specifically meant for traders and Dhanam 18, a savings bank product targeted at the youth. Sustained efforts were made during the year to promote financial inclusion resulting in the number of accounts under Dhanam Simple, the no-frills SB account, increasing from 48136 as on 31.03.2008 to 83046 as on 31.03.2009.

Advances

Total advances of the Bank increased from Rs 2163.73 crore as on 31.03.2008 to Rs 3245.30 crore as on 31.03.2009, an increase of Rs 1081.57 crore and registering a growth of 49.99%. This level of credit growth is the highest ever for the Bank and compared very favourably with that of the growth rate of the banking industry at 17.27%.

Priority Sector Advances increased from Rs 908.77 crore as on 31.03.2008 to Rs 1147.62 crore as on 31.03.2009, recording a growth of 26.28%. The priority sector ratio as on 31.03.2009 was 53.48%, well above the RBI benchmark of 40%. The Bank also surpassed the RBI norm of 18% in respect of agricultural credit by recording 21.40% as on 31.03.2009. The Bank put in place a single-level appraisal system during the year to reduce the turnaround time in credit sanctions.

Micro Credit

The Bank's thrust on Micro Credit as an instrument of inclusive banking was intensified during the year. Outstandings in this area increased from Rs.92.08 crore as on 31.03.2008 to Rs.124.40 crore as on 31.03.2009. The Bank further strengthened its linkages with the Self Help Groups during the year. The number of savings bank accounts maintained by SHGs with the Bank increased from 19822 to 20740 during the year. The credit facilities availed by SHGs stood at Rs.35.76 crore as on 31.03.2009. Kisan Credit Cards for Rs.5.06 crore were issued to 1717 farmers as at the end of March 2009.

Forex Business

The turnover in merchant forex business increased from Rs.1838.25 crore as on 31.03.2008 to Rs.2797 crore as on 31.03.2009. The aggregate income generated from forex business was Rs.9.08 crore compared to Rs.9.80 crore generated as at the end of the previous year.

Credit Monitoring

The Bank has considerably strengthened the credit monitoring efforts during the year. As part of this exercise, a senior executive was posted to head the Credit Monitoring and administration cell at the corporate office. Such cells have also been established at the Zonal Offices to detect early warning signals from potentially sticky accounts and to take immediate measures to put them back on track. These cells ensure that credit sanctions are in line with policy prescriptions besides monitoring the compliance with sanction terms and facilitating exactitude of documentation.

Profitability

The net profit of the Bank more than doubled during the year increasing from Rs 28.46 crore for the year ended 31.03.2008 to Rs 57.45 crore for the year ended 31.03.2009, showing an increase of 101.86%. The operating profit also moved up encouragingly by 97.53% from Rs 44.50 crore to Rs 87.90 crore during the year. The doubling of net profit during the year could be achieved mainly through better yield on advances and investments and higher income from fee-based business. established now stands achieved.

Treasury Management

The highly volatile interest rate environment and the lack of credit in the market during the year created challenges for the Bank's Treasury operations in the areas of funds and investment management. The basic focus of Treasury was on providing support to the Bank's growth plans by ensuring liquidity. The Treasury operations also contributed to fee-based income through increasing the level of customer transactions in foreign exchange. Operationally, the processes at the Treasury were further professionalized through strengthening the independent reporting line for the mid-office.

Net investments of the Bank increased from Rs 1075.06 crore as on 31.03.2008 to Rs 1567.36 crore as on 31.03.2009 – an increase of Rs 492.30 crore at 45.79%. The SLR investments were Rs 1387.94 crore accounting for 88.10% of the total investments. The duration of securities under the categories 'held-to-maturity' and 'available for sale' came down from 2.74 years to 1.59 years during 2008-09.

Non-Performing Assets

Considerable effort was expended during the year to reduce the level of existing non-performing assets, as well as preventing fresh accretions of NPAs. For the first time, the Bank securitized some of the written-off accounts by selling them to an Asset Reconstruction Agency and generating an income of Rs 5.50 crore in the process. The percentage of gross NPAs to gross advances declined encouragingly from 2.95% to 1.99% during the year, while the net NPA ratio remained at 0.88% during the period. The total cash recoveries, including upgradation and recoveries in written-off accounts, during the year amounted to Rs 40.21 crore (Rs 36.13 crore in 2007-08) surpassing the annual target by a margin of Rs 5.21 crore.

Information Technology

The Bank's emphasis on technology deployment as an instrument for enhancing service quality continued during the year. It has test launched the online internet banking module during the year. The Bank has also fully operationalised the Disaster Recovery Centre besides introducing online accounting of Vostro accounts during the period.

Human Resources Development

This area attracted priority in the Bank's scheme of things. A conscious effort was made to ensure that HR is an effective facilitator to business growth.

The total staff on the Bank's rolls as on 31.03.2009 was 1402. The Bank recruited 83 Officers during the year including 9 Senior Executives. The business per employee increased from Rs.409.08 lakh as on 31.03.2008 to Rs.585.88 lakh as on 31.03.2009.

The Bank recruited specialists during the year in key areas like Treasury, IT, HR, Wholesale Banking, Economic Research, Alternate Channels, Micro Finance and Marketing to professionalise the set - up and thereby accelerate the pace of growth in line with the ambitious plans chalked out for the year 2009-10 and beyond.

The training system was further strengthened during the year by recruiting an experienced faculty as Principal to provide the required higher direction to this key area. Skill upgradation of personnel continued to attract adequate importance in the Bank's strategies. A total of 1187 staff members were trained during the period out of which 894 were trained through in-house programmes and 293 were trained through external training programmes during the year. A new policy was put in place whereby any employee who joins the Bank, irrespective of cadre, will undergo a week's training at Trichur, the Bank's headquarters to familiarize himself with the Bank's ethos and heritage.

The Bank also undertook during the year several new initiatives to strengthen the bonds between the organization and its employees. For example, the Bank organized, for the first time, a meeting of retired personnel to promote in them a higher sense of belonging to the organization.

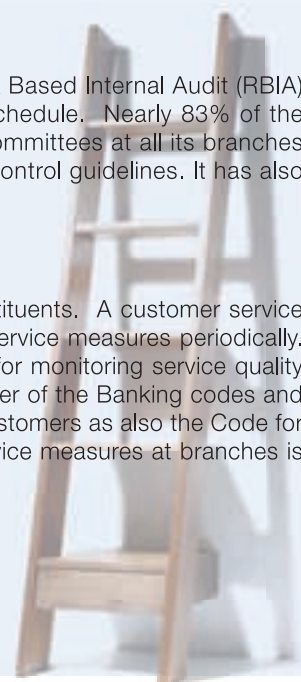
The Bank is also in the process of implementing innovative HR initiatives like Balanced Score Card, Employee Stock Option scheme etc. with a view to motivating the performers and equipping the workforce to face the growing business challenges with confidence.

Inspection & Vigilance

The Bank has fully switched over from the concept of regular inspection of branches to Risk Based Internal Audit (RBIA) with effect from 01.04.2008. All branch audits for the year have been completed as per schedule. Nearly 83% of the Bank's business stands covered under concurrent audit. The Bank has formed Vigilance Committees at all its branches that will proactively take measures for averting frauds and ensure compliance with internal control guidelines. It has also completed the exercise of risk profiling of all current and savings accounts.

Customer Service

The Bank attaches the highest importance to extending the best-in-class service to its constituents. A customer service committee of the board, comprising 3 Directors, monitors the implementation of customer service measures periodically. Customer Service Committees have been formed at the corporate, zonal and branch levels for monitoring service quality and bringing about improvements in this area on an ongoing basis. The Bank is also a member of the Banking codes and Standards Board of India (BCSBI) and is actively implementing the Code of commitment to customers as also the Code for Micro and Small Enterprises formulated by the BCSBI. The implementation of customer service measures at branches is monitored during the visits of executives to branches.



The position of customer complaints during 2008 – 09 is as under:

No of complaints handled :	81
No of complaints resolved :	76
No of complaints pending :	5

Special Services To NRIs

The Bank launched Dhanam Express, an on-line remittance facility with the USP of 'Credit to any customer of any bank in India' with the following 3 exchange houses.

- Al Rostamani International Exchange, Dubai
- UAE Exchange Centre LLC, Abu Dhabi
- Al Ahalia Money Exchange Bureau, Abu Dhabi

The number of branches under MTSS schemes like Xpress Money, Instant Cash, MoneyGram and Zoha Inc International was increased from 122 to 169.

An additional 34 branches were brought under the purview of rupee drawing arrangements with various exchange houses in the Middle East taking the total coverage to 174 branches. On line debit of drafts issued by the exchange houses was also introduced during the year.

Fee-Based Business

Insurance Business

With a view to increasing the income from distribution of life and general insurance products, new tie-up arrangements were finalized after negotiations with leading life insurance and general insurance companies. The income from insurance business came down to Rs 7.34 crore for the year ended 31.03.09 compared to Rs 10.42 crore for the year ended 31.03.08. The Bank organized an incentive campaign for employees under insurance during the year thereby boosting the income from this sector.

Cash Management Services

The Bank has been providing speedy cheque collection facilities to its constituents through this service covering all branch locations. The total income generated through this service was Rs 279 lakh including float income for the year as compared to Rs 248 lakh in the previous year. The Bank is constantly scouting for opportunities to tie up with new organizations for increasing the reach of this facility.

Depository Services

The Bank is a depository participant of NSDL (National Securities Depository Limited) offering Depository services through Thrissur, Kaloor (Ernakulam), Mumbai Fort, Vijayawada-Ring Road and Chennai (George Town) Branches. DP operations are carried out in compliance with SEBI/NSDL guidelines. The Bank is planning to extend this service to other branches in the current year.

Mutual Fund Distribution

During the year 2008-09, the Bank entered into distribution arrangements with SBI Mutual Fund, Birla Sunlife Mutual Fund and Principal PNB Asset Management Company. The Bank is distributing the products of these funds through select branches. The Bank is planning to tie up with a few more Asset Management Companies during the current financial year to increase the product base.

Listing on Stock Exchanges

The Equity Shares of the Bank are listed on the National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Cochin Stock Exchange Ltd.

The Companies [disclosure of particulars in the report of the Board of Directors] Rules, 1988:

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

The Companies Disclosure of particulars in the Report of the Board of Directors Rules.1988

Name & Designation	I Salaries	II Allowances	III Sitting Fees	IV Bonus	V Employees Contribution to PF, Pension Fund or any other Superannuation fund	VI Payment by way of gratuity pension or otherwise in excess of the employer's contribution & interest thereon	VII Monetary value of any other benefits or perquisites	Total of Item I to VII
Mr. Amitabh Chaturvedi (Managing Director & Chief Executive Officer) (13.10.2008 to 31.03.2009)	16,83,871	-	-	-	-	-	1,07,017	17,90,888

Directors' Responsibility Statement

Conservation of energy

All efforts are being made to reduce energy consumption to the maximum extent possible.

Technology Absorption

Being a Banking Company, the required technology is deployed keeping in view the nature of activities.

Foreign Exchange Earnings and Outgo

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

Directors' responsibility statement

The Directors confirm that in the preparation of the annual accounts for the year ended 31 March 2009:

- The applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- The accounting policies, framed in accordance with the guidelines of the Reserve Bank of India, were applied consistently;
- Reasonable and prudent judgement and estimates were made wherever required so as to present a true and fair view of the state of affairs of the Bank as at the end of the financial year and the profit of the Bank for the year ended 31st March 2009;
- Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing Banks in India; and
- The accounts have been prepared on a 'going concern' basis.

Appointment of Auditors

The Statutory Audit of the Bank was conducted by M/s.P.B. Vijayaraghavan & Co.,

Explanation on the qualifications made by the Statutory Auditors of the Bank in their report

Reconciliation of pending items in inter offices, inter branch drafts payable and clearing accounts as on 31.03.2009 is in progress. In the opinion of the Bank, the consequential effect of the same on the revenue / assets / liabilities is not material.

Changes in the Board

Shri P S Prasad demitted office on 14.08.2008 as Managing Director & Chief Executive Officer. The Board places on record its appreciation for the valuable services and guidance rendered by him to the Bank during his tenure.

Shri. Amitabh Chaturvedi assumed charge as Managing Director & Chief Executive Officer with effect from 13.10.2008.

Shri D. Lakshminarayanan, Director and Shri Suresh Balasubramaniam, Director, retired on 27.09.2008 by rotation. Smt Nandini Rangaswamy, Director resigned on 13.05.2009. The Board places on record its appreciation for the valuable services rendered by them during their tenure.

Shri. Kadapala Srikanth Reddy, Shri Shailesh V. Haribhakti and Shri. S. Santhanakrishnan who were appointed as Additional Directors on the Board on 29.10.2007, 30.04.2008 and 30.06.2008 respectively were appointed as Directors, liable to retire by rotation, at the Annual General Meeting held on 27.09.2008.

In an unfortunate turn of events, Shri D Lakshminarayanan passed away on 27.10.08. The Board wishes to place on record its deep appreciation of his all-round contribution to the growth and development of the Bank during his long tenure as a Director.

Acknowledgements

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

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



management discussion
& analysis report

Management Discussion & Analysis Report

Economic and Banking scenario

Global Economy

The global economy witnessed serious challenges during the year triggered primarily by the sub-prime mortgage crisis that broke out in the US earlier. The consequent turmoil in the financial sectors of the advanced economies assumed global dimensions and severely impinged on orderly growth processes across the world. A global recession is now in full swing, the dimensions of which have not been witnessed since the Great Depression. Global growth is projected to contract anywhere between 0.5% and 1% in 2009 as compared to an expansion of 3.2% in 2008, according to forecasts made by the International Monetary Fund. The World Trade Organisation has forecast that global trade volume will contract by 9% in volume terms in 2009 against an increase of 2% in 2008.

Governments across the world have responded to the crisis with an array of fiscal and monetary measures. The leaders of G-20 countries, representing the world's major economies, have launched a multi-pronged exercise to revive growth, restore stability and rebuild confidence in the financial system.

Indian Economy

Like all developing economies, our country too has been affected by the crisis even though the proactive steps taken by the Government and the Reserve Bank of India have contained its dimensions to a significant extent. The Indian situation can thus be described more as a slow-down than a recession. The country had been recording an annual growth of over 9% during the past three years. However, it was headed for a cyclical downturn in 2008-09 with a slow-down in Q1 and Q2 followed by a sharp fall in Q3. The services sector which has been our prime growth engine in recent years accounting for 55% of the GDP has slowed down significantly. Exports recorded a meagre growth of 3.4 % during the year. Industrial growth for the whole of 2008-09 plunged to 2.4%, the lowest in 16 years, from a high of 8.5% in 2007-08, owing to a shrinkage in demand for manufactured goods as a direct impact of the global financial turmoil. As a result, early estimates for 2008-09 show GDP to have grown by around 6.7%. Foreign exchange reserves too declined from \$309.7 billion as at end of March 2008 to \$252 billion as at the end of March 2009.

The country has responded to the challenge with a set of measures aimed at minimising the impact of the global crisis and ensuring comfortable liquidity. The Govt. of India launched 3 fiscal stimulus packages during December 2008 – February 2009 to catalyse production and consumption in the economy. Assuming a normal monsoon, real GDP growth for 2009-10 is placed at between 6-7%.

Financial Sector

The continuing global downturn had its impact on the banking sector too, mainly in the form of poor credit offtake and higher level of non-performing assets. Aggregate deposits of scheduled commercial banks increased by 19.8% during 2008-09, compared to 22.4% in the previous year.

Non-food bank credit increased by 17.5% during the year, compared to an increase of 23% in the previous year. Bank credit to the commercial sector increased by 17.3% vis-à-vis 22.3% a year ago. However, inflation which touched a high of 12.91% in August 2008 declined to almost zero level as at the end of March 2009.

In response to the policy prescriptions of RBI that resulted in easing on the monetary front, most banks reduced their deposit and lending rates during the year.

The country's equity markets also experienced a decline throughout the year. The 30-share benchmark index, Sensex, closed on April 1, 2008 at 15644.44 points. SENSEX and NIFTY have reached a high of 17600 and 5298 points respectively and touched a low of 8160 and 2252 points respectively during the year 2008-09. At the close of year, on March 31, 2009, the Sensex stood at 9,901.99 points, reflecting the deep erosion of confidence and the uncertainty that plagues the financial system as a whole. However, in recent months, the markets seem to have recovered some of its buoyancy, propelled primarily by favourable news about the general election and a perception that the government's sound economic management would be able to minimize, if not reverse, the deleterious effects of the economic slowdown.

Segment wise Performance of the Bank

The growth of our Bank was not impacted in any significant manner by the slowdown. In fact, the Bank recorded the highest ever growth of 37.7% in deposits and 50% in advances during the year. The rapid acceleration in growth in the second half of the year ensured that the net profit sharply rose from Rs.18.30 crore as at the end of the first half year of 2008-09 to Rs.57.45 crore for the year ended 31.03.2009.

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

(Rs. in crores)

	As on 31 March 2009	As on 31 March 2008	Growth (%)
Current Deposits	460.79	412.10	11.82
Savings Bank Deposits	746.84	642.83	16.18
Term Deposits	3761.18	2553.49	47.30
Total Deposits (a)	4968.81	3608.42	37.70
Priority Sector Advances	1147.62	908.77	26.28
Non-Priority Sector Advances	2097.68	1254.96	67.15
Total Advances (b)	3245.30	2163.73	49.99
TOTAL BUSINESS (a) + (b)	8214.11	5772.15	42.31
Credit Deposit Ratio (%)	65.31	59.96	-----

Outlook

Recession has affected the global economy significantly with varying degrees of impact on different countries during 2008-09. The efforts of the slowdown are continuing in the current year also. The downturn has resulted in job losses, production cuts, lack of capacity utilization, inadequate credit availability, etc across the world.

Taking into account a depressed global economy and a slow-down in the domestic economy, the RBI has forecast that the deposit growth for the current year would be 18% and adjusted non-food credit growth at 20%.

This year is expected to be a watershed for the Bank with significant changes taking place in every area of activity. The Bank is well poised to meet the challenges of growing competition and emerge successful in its quest to become a large player in the banking industry. On the capital front, the Bank has been authorised by the Board to increase its Tier II capital by Rs.400 crore in the current year.

Risks and Concerns

Keeping in view the possibility of higher level of risks arising on account of the accelerated growth process, the Bank has taken several steps to mitigate such possibilities. It has formed an Integrated Risk Management Dept. to ensure a professionalized approach to management of risk. Further, with a view to automating Basel II implementation, it has tied up with M/s. Aptivaa Consulting Solutions Pvt. Ltd, Mumbai.

Adequacy of Internal Control Systems

The Bank's internal control mechanism comprises of regular and surprise inspections, besides Concurrent, Statutory and Revenue audits that are conducted at prescribed periodicities. The Bank has the required infrastructure in place to act expeditiously on the findings of such inspection/audit reports. Further, risk-based supervision and risk-based internal audit systems are also well in place.

Discussion on Financial Performance with Reference to Operational Performance

The net profit of the Bank more than doubled during 2008-09 -- from Rs 28.46 crore for the year ended 31.03.2008 to Rs 57.45 crore for the year ended 31.03.2009 exhibiting a growth of 101.86%. Operating profit has also nearly doubled during the period -- from Rs 44.50 crore to Rs 87.90 crore at 97.5%. Fee-based income encouragingly moved up from Rs 42.04 crore to Rs 79.36 crore, whereas operating expenses grew sedately by 17.2%.

The Bank showed good improvement in its key financial ratios during 2008-09. The following table highlights the performance:

	2007-08	2008-09
Yield on interest earning assets (%)	9.46	9.97
Cost of interest bearing liabilities (%)	6.33	7.03
Return on average assets (%)	0.76	1.21
Earnings per share (Rs.)	8.46	9.16
Book value (Rs.)	47.08	62.50
Fee based income to total income (%)	11.86	16.27
Cost to income (%)	68.45	56.26

1.Return on average assets is the ratio of net profit after tax to the monthly average assets

2.Cost represents operating expense and income represents net interest income and non-interest income.

Human Resources

Management of Human Resources has considerable priority in the Bank's overall strategic intent. The Bank has recruited a senior professional for bringing about qualitative improvements in the Bank's HR policies and practices, as well as making HR an effective facilitator of business growth. The Bank announced a number of incentive schemes during 2008-09 to motivate employees to contribute better to organizational growth and development. The HR team is also employing various industry benchmarks for not only implementing a robust performance appraisal system but for also introducing a multi-pronged reward structure.

By order of the Board

G.N. BAJPAI

Chairman

Kochi

29th April, 2009



Report on Corporate Governance - 2008-09

This report on Corporate Governance forms part of the Directors' Report to the shareholders.

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

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

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

1. Board of Directors:

a) Movement of Directors during the year

Name of the Director	Appointment	Cessation
Mr.Ghyanendra Nath Bajpai	Assumed Office as Part-time Chairman on 07.05.2008	
Mr.Amitabh Chaturvedi	Managing Director & CEO w.e.f 10.10.2008 and assumed office w.e.f 13.10.2008	
Mr.Shailesh V Haribhakti	Additional Director w.e.f 30.04.2008 and elected as Director at the 81 st AGM held on 27.09.2008	
Mr.S.Sanathanakrishnan	Additional Director w.e.f 30.06.2008 and elected as Director at the 81 st AGM held on 27.09.2008	
Mr.K.Srikanth Reddy	Additional Director w.e.f 29.10.2007 and elected as Director at the 81 st AGM held on 27.09.2008	
Mr.P.S.Prasad		Managing Director & CEO w.e.f 14.08.2008
Mr.D.Lakshminarayanan		Director w.e.f 27.09.2008
Mr.V.Jagannathan		Director w.e.f 15.05.2008
Mr.Suresh Balasubramaniam		Director w.e.f 27.09.2008

b) Composition of the Board as on 31.03.2009:

The composition of the Board is in compliance with Para IA of Clause 49 of the Listing Agreement.

All Directors except Mr. Amitabh Chaturvedi, Managing Director and Chief Executive Officer are Non-Executive and independent Directors.

The composition of the Board, and the sectors that Directors represent, for the purpose of Section 10-A (2) of the Banking Regulation Act, 1949 are given below

Sl. No.	Name of the Director/ Designation	Executive / Non-executive	Sector which the Director represents
1	Mr.Ghyanendra Nath Bajpai	Non Executive	Majority - Finance
2	Mr. Amitabh Chaturvedi, Managing Director and Chief Executive Officer	Executive	Majority - Banking & Finance
3	Ms.Nandini Rangaswamy	Non Executive	Minority - Industrialist
4	Mr.Vidyadhara Rao Chalasani	Non Executive	Minority - Finance
5	Mr. K Srikanth Reddy	Non Executive	Majority - Agriculture & Rural Economy
6	Mr. Shailesh V Haribhakti	Non Executive	Majority - Accountancy
7	Mr. S.Sanathanakrishnan	Non Executive	Majority - Banking

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

c) Number of Board Meetings held during the year 2008-09 with dates

During the year 2008-09, 12 Board meetings were held on the following dates :

30.04.2008, 06.06.2008, 30.06.2008, 26.07.2008, 07.08.2008, 27.09.2008, 31.10.2008, 19.11.2008, 19.12.2008, 29.01.2009, 28.02.2009 and 13.03.2009.

d) Attendance of Directors

SI.No.	Director	Number of Board Meetings		Last AGM Attendance
		Held	Attended	
01	Mr.Ghyanendra Nath Bajpai	12	10	Present
02	Mr. Amitabh Chaturvedi	06	06	NA
03	Mr. P S Prasad	05	05	NA
04	Ms. Nandini Rangaswamy	12	08	Present
05	Mr.D Lakshminarayanan	06	05	Not Present
06	Mr. Vidyadhara Rao Chalasani	12	04	Present
07	Mr.V Jagannathan	01	01	Not Present
08	Mr.Suresh Balasubramaniam	06	04	Present
09	Mr. K Srikanth Reddy	12	10	Present
10	Mr. Shailesh V. Haribhakti	11	09	Present
11	Mr. S. Santhanakrishnan	10	09	Present

e) Directors' Shareholding as on 31.03.2009

SI. No.	Director	No. of shares held	% of holding
1	Mr.Ghyanendra Nath Bajpai	9000	0.014037%
2	Mr. Amitabh Chaturvedi	Nil	Nil
3	Ms. Nandini Rangaswamy	400	0.000624%
4	Mr. Vidyadhara Rao Chalasani	200	0.000312%
5	Mr. K Srikanth Reddy	15000	0.023395%
6	Mr. Shailesh V. Haribhakti	200	0.000312%
7	Mr. S. Santhanakrishnan	200	0.000312%

f) The Committees of Directors functioning in the Bank during the year ending 31.03.2009 were as under:

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

Details of Committee positions held by the Directors of the Bank and also of other companies are given below.

g) Committee position of Directors in the Bank as on 31.03.2009:

SI. No.	Name of the Director	Member	Chairman
1	Mr.Ghyanendra Nath Bajpai	1. Shareholders' Grievance Redressal Committee 2. Human Resource Development Committee 3. Nomination Committee 4. Risk Management Committee 5. Remuneration Committee 6. IT Committee	1. Shareholders' Grievance Redressal Committee 2. HRD Committee 3. Nomination Committee 4. Risk Management Committee 5. Remuneration Committee

Sl. No.	Name of the Director	Member	Chairman
2	Mr. Amitabh Chaturvedi	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Management Committee 4. Human Resource Development Committee 5. Remuneration Committee 6. Nomination Committee 7. Customer Service Committee 8. Risk Management Committee	1. Management Committee 2. Large Value Fraud Monitoring Committee
3	Ms. Nandini Rangaswamy	1. Large Value Fraud Monitoring Committee 2. Management Committee 3. Remuneration Committee 4. Audit Committee 5. Risk Management Committee	-
4	Mr. Vidyadhara Rao Chalasani	-	-
5	Mr. K. Srikanth Reddy	1. Shareholders' Grievance Redressal Committee 2. Management Committee 3. Human Resource Development Committee 4. Remuneration Committee 5. Audit Committee 6. Customer Service Committee 7. IT Committee	-
6	Mr. Shailesh V. Haribhakti	1. Large Value Fraud Monitoring Committee 2. Human Resource Development Committee 3. Remuneration Committee 4. Nomination Committee 5. Audit Committee	-
7	Mr. S. Santhanakrishnan	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Management Committee 4. Nomination Committee 5. Audit Committee 6. Customer Service Committee 7. Risk Management Committee 8. IT Committee	1. Customer Service Committee 2. Audit Committee

h) Committee Position of Directors in other Public Limited Companies as on 31.03.2009:

Sl. No.	Name of the Director	Public Companies in which holding Directorship	Membership in Board Committees	Committees of which Chairman
1.	Mr. Ghyanendra Nath Bajpai	1. Future Generali India Life Insurance Co. Ltd. 2. Future Generali India Insurance Co. Ltd. 3. Emaar MGF Land Ltd. 4. Future Capital Holdings Ltd. 5. Kshitij Investment Advisory Company Ltd. 6. Future Capital Investment Advisors Ltd. (formerly known as Indivision Investment Advisors Ltd.)	- - Audit Committee Audit Committee - -	Audit Committee Audit Committee - - -

Sl. No.	Name of the Director	Public Companies in which holding Directorship	Membership in Board Committees	Committees of which Chairman
		7. Future Ventures India Ltd. 8. Mandhana Industries Ltd. 9. Dalmia Cement (Bharat) Ltd. 10. Kingfisher Airlines Ltd.	- Audit Committee Audit Committee -	Audit Committee - - -
2	Mr. Amitabh Chaturvedi Managing Director & CEO	1. Financial Planning Standards Board of India (Section 25 Company)	-	-
3	Ms. Nandini Rangaswamy	1. Magna Electrocastings Ltd.	Audit Committee	
4	Mr.V.R.Chalasanani	-	-	-
5	Mr. K Srikanth Reddy	-	-	-
6	Mr. Shailesh V Hariabhakti	1. Pantaloon Retail (India) Ltd. 2. Blue Star Ltd. 3. Hexaware Technologies Ltd. 4. Akruti City Ltd. 5. Great Offshore Ltd. 6. ACC Ltd. 7. Ambuja Cements Ltd. 8. Future Capital Holdings Ltd. 9. Mahindra Gesco Developers Ltd.	- Audit Committee - - Audit Committee - - Audit, Compensation & Remuneration Committee - Audit Committee	Audit Committee - Audit Committee Audit Committee - Audit Committee - Audit Committee -
7	Mr. S. Santhanakrishnan	1. Reliance Capital Trustee Co. Ltd. 2. ICICI Home Finance Co. Ltd. 3. Easy Access Financial Services Ltd.	Audit Committee Audit Committee -	- - -

2. 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.Santhanakrishnan as its Chairman and Ms. Nandini Rangaswamy, Mr. Shailesh V. Haribhakti and Mr. K Srikanth Reddy as the other members.

- ii) Brief description of the terms of reference:

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

- a. Providing direction as also overseeing 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 on 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 inspection reports of Reserve Bank of India.
- h. Reviewing with the Management, the quarterly and annual financial statements.
- i. Review of Revenue Audit

- j. Review of Concurrent Audit of Depository Department
- k. Review of dishonored cheques of Rs. 1 Crore and cheques issued by broker entities
- l. Review of Forex Transactions
- m. Review of Concurrent audit of Integrated Treasury
- n. Business Rating of all branches
- o. Review of Concurrent audit of HO Expenses
- p. Review of Risk Based Internal Audit
- q. Minutes of Audit Committee of Executives meetings held
- r. Review of Inspection reports on Zonal Offices

iii) Meetings, dates and attendance during the year

No. of meetings held during the year 2008-09	Dates of Meetings
07	06.06.2008, 26.07.2008, 22.10.2008, 31.10.2008, 19.12.2008, 29.01.2009, and 28.02.2009.

The details of attendance of each Director are as under:

Name of the Director	Number of Audit Committee Meetings	
	Held	Attended
Mr. Santhanakrishnan # (Chairman)	05	04
Mr K Srikanth Reddy	07	06
Mr. Suresh Balasubramaniam*	02	01
Mr. Shailesh V.Haribhakti ##	07	06
Ms. Nandini Rangaswamy ###	07	05

Inducted to the Committee w.e.f. 26.07.2008

Inducted to the Committee w.e.f. 30.04.2008

Ceased to be member w.e.f 26.07.2008 and inducted to the Committee w.e.f. 27.09.2008

* Ceased to be member w.e.f. 27.09.2008

3. Remuneration Committee:

The Board constituted a Remuneration Committee on 29.02.2008, which was reconstituted on 27.09.2008, 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.

Remuneration and other perquisites paid to the Part-time Chairman and Managing Director & CEO are as approved by the Reserve Bank of India. Non-executive Directors are being paid sitting fees for each meeting attended by them. During the year, no remuneration, excepting sitting fees and re-imbursment of actual travel and out-of-pocket expenses was paid. The members of the Committee are -

Mr. G N Bajpai

Mr. P.S. Prasad *

Mr. Amitabh Chaturvedi #

Ms. Nandini Rangaswamy

Mr. K. Srikanth Reddy

Mr. Shailesh V Haribhakti ##

Inducted to the committee w.e.f. 13.10.2008.

Inducted to the committee w.e.f. 27.09.08

* Ceased to be Managing Director & Chief Executive Officer w.e.f. 14.08.2008

The Committee has not met during the year ended 31 March 2009.

4. Shareholders' Grievance Redressal Committee

- i) Mr.G.N. Bajpai, Mr.Amitabh Chaturvedi, Mr.K. Srikanth Reddy and Mr. S Santhanakrishnan are 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 also approves share transfers / transmission / split / consolidation / name deletion / name transportation / dematerialization / rematerialisation. The Committee reviews reports from the Registrar and Share Transfer Agents to monitor grievances redressal.

During the year, the Bank received 232 complaints from shareholders, which have been resolved.

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.Ravindran K Warriar Secretary to Board & Company Secretary	0487 2335177 2334612 (D)	0487 2335367	investors@dhanbank.co.in
Registrar & Share Transfer Agent	M/s.Karvy Computershare P Ltd.	040 23420815 - 23420824	040 23420814	mailmanager@karvy.com

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

No. of meetings held during the year 2008-09	Dates of Meetings
07	30.04.2008, 06.06.2008, 26.07.2008, 31.10.2008, 19.12.2008, 29.01.2009, and 28.02.2009.

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

Sl.No.	Name of the Director	No. of meetings held during the Director's tenure	No. of meetings attended
1	Mr.G.N. Bajpai # (Chairman of the Committee)	04	02
2	Mr. Amitabh Chaturvedi ##	04	04
3	Mr.P.S.Prasad*	03	03
4	Mr.D Lakshminarayanan **	03	03
5	Mr. K. Srikanth Reddy ###	04	03
6	Mr.S. Santhanakrishnan ####	04	04

Inducted to the Committee w.e.f. 27.09.2008

Inducted to the committee w.e.f. 13.10.2008.

Inducted to the Committee w.e.f. 27.09.2008

Inducted to the Committee w.e.f. 27.09.2008

* Ceased to be Managing Director & Chief Executive Officer w.e.f. 14.08.2008

** Ceased to be member w.e.f 27.09.2008

iv) Number of investor complaints received and attended to by the Bank during the year 2008-09 are as follows:

Sl.No.	Nature of complaint	No. of complaints pending as on 01.04.2008	No. of complaints received	No. of complaints resolved	No. of complaints pending as on 31.03.2009
1	Transfer related Complaints	Nil	24	24	Nil
2	Dividend related complaints	Nil	129	129	Nil
3	Others	Nil	79	79	Nil
	Total	Nil	232	232	Nil

5. NPA Monitoring Committee:

The Committee reviewed Non-performing secured advances and suit filed accounts with outstanding balance of Rs.5 Lakh & above and unsecured advances and suit-filed accounts with balance of Rs.1 Lakh & above.

Meetings, dates and attendance during the year

No. of meetings held during the year 2008-09	Dates of Meetings
02	18.06.2008 and 19.06.2008

The details of attendance of each Director are as under:

Name of the Director	Number of NPA Monitoring Committee Meetings	
	Held	Attended
Mr.P.S.Prasad *	02	02
Mr.D.Lakshminarayanan**	02	02

* Ceased to be Managing Director & Chief Executive Officer w.e.f. 14.08.2008

** Ceased to be member w.e.f 27.09.2008

NPA Monitoring Committee was dissolved on 27.09.08

6. Large Value Fraud Monitoring Committee:

The Committee has been constituted to exclusively monitor large frauds of Rs.1 Crore and above.

Meetings, dates and attendance during the year

No. of meetings held during the year 2008-09	Dates of Meetings
02	31.10.2008 and 13.03.2009

Name of the Director	Number of Large Value Fraud Monitoring Committee Meetings	
	Held	Attended
Mr. Amitabh Chaturvedi # (Chairman of the Committee)	02	02
Ms. Nandini Rangaswamy ##	02	01
Mr. Shailesh V. Haribhakti ###	02	01
Mr. S. Santhanakrishnan ####	02	02

Inducted to the committee w.e.f. 13.10.2008

Inducted to the Committee w.e.f. 27.09.2008

Inducted to the Committee w.e.f. 27.09.2008

Inducted to the Committee w.e.f. 27.09.2008

7. 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.

During the year the Committee met on 29.01.2009

The details of attendance of each Director are as under:

Name of the Director	Number of Customer Service Committee Meetings	
	Held	Attended
Mr.S. Santhanakrishnan ## (Chairman of the Committee)	01	01
Mr. Amitabh Chaturvedi #	01	01
Mr.K. Srikanth Reddy ###	01	00

Inducted to the Committee w.e.f. 13.10.2008

Inducted to the Committee w.e.f. 27.09.2008

Inducted to the Committee w.e.f. 27.09.2008.

8. 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.

Meetings, dates and attendance during the year

No. of meetings held during the year 2008-09	Dates of Meetings
02	06.06.2008 and 19.12.2008

The details of attendance of each Director are as under:

Name of the Director	Number of Risk Management Committee Meetings	
	Held	Attended
Mr. G N Bajpai # (Chairman of the Committee)	02	02
Mr. Amitabh Chaturvedi ##	01	01
Mr. P. S. Prasad*	01	01
Ms. Nandini Rangaswamy	02	02
Mr. V. R.Chalasanii**	01	00
Mr. S. Santhanakrishnan ###	01	01

Inducted to the Committee w.e.f. 30.04.2008

Inducted to the committee w .e.f.13.10.2008

Inducted to the Committee w.e.f. 27.09.2008

* ceased to be Managing Director & Chief Executive Officer w.e.f. 14.08.2008

** ceased to be a Member w.e.f. 27.09.2008

9. 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.

Meetings, dates and attendance during the year

No. of meetings held during the year 2008-09	Dates of Meetings
3	24.04.2008, 30.06.2008 and 13.08.2008

The details of attendance of each Director are as under:

Director	Number of Nomination Committee Meetings	
	Held	Attended
Mr. G.N. Bajpai # (Chairman of the Committee)	02	02
Mr. Amitabh Chaturvedi ##	00	00
Mr. P.S.Prasad*	03	03
Mr. D Lakshminarayanan**	03	03
Mr. Shailesh V. Haribhakti ###	00	00
Mr. S. Santhanakrishnan ####	00	00

Inducted to the Committee w.e.f. 30.04.2008

Inducted to the Committee w.e.f. 13.10.2008

Inducted to the Committee w.e.f. 27.09.2008

Inducted to the Committee w.e.f. 27.09.2008

* Ceased to be Managing Director & Chief Executive Officer w.e.f. 14.08.2008

** Ceased to be member w.e.f. 27.09.2008

10. Management Committee:

Management Committee exercises all the lending powers (Rs.3 Crore upto February 2009 and Rs.6 Crore thereafter) sanction of one-time settlement & write-off and administrative powers.

Meetings, dates and attendance during the year

No. of meetings held during the year 2008-09	Dates of Meetings
10	30.04.2008, 06.06.2008, 20.06.2008, 26.07.2008, 22.10.2008, 19.11.2008, 19.12.2008, 15.01.2009, 29.01.2009 and 28.02.2009.

The details of attendance of each Director are as under:

Director	Number of Management Committee Meetings	
	Held	Attended
Mr.Amitabh Chaturvedi# (Chairman of the Committee)	06	06
Mr.P.S.Prasad*	04	04
Mr.D Lakshminarayanan**	04	04
Mr.K Srikanth Reddy	10	09
Ms. Nandini Rangaswamy###	06	05
Mr.S. Santhanakrishnan####	06	06

Inducted to the committee w.e.f. 13.10.2008

Inducted to the Committee w.e.f. 27.09.2008

Inducted to the Committee w.e.f. 27.09.2008

* Ceased to be Managing Director & Chief Executive Officer w.e.f. 14.08.2008

** Ceased to be member w.e.f. 27.09.2008

11. Human Resources Development Committee:

The Committee oversees the overall manpower planning of the Bank and conducts interviews for lateral recruitment and internal promotions.

Meetings, dates and attendance during the year

No. of meetings held during the year 2008-09	Dates of Meetings
03	24.05.2008, 12.06.2008 and 15.12.2008

The details of attendance of each Director are as under:

Director	Number of HRD Committee Meetings	
	Held	Attended
Mr. G.N. Bajpai # (Chairman of the Committee)	03	03
Mr. Amitabh Chaturvedi ##	02	02
Mr. P.S. Prasad*	02	02
Mr. D Lakshminarayanan**	02	00
Mr. K. Srikanth Reddy	03	03
Mr. Shailesh V. Haribhakti###	03	02

Inducted to the Committee w.e.f. 30.04.2008

Inducted to the committee w.e.f. 13.10.2008

Inducted to the Committee w.e.f. 30.04.2008

* Ceased to be Managing Director & Chief Executive Officer w.e.f. 14.08.2008

** Ceased to be member w.e.f. 27.09.2008

12. Information Technology Committee

The Committee was dissolved on 30.04.08 and revived with the following members on 26.07.08 to examine IT related topics in question.

Mr. G.N.Bajpai

Mr. K.Srikanth Reddy

Mr. S.Santhanakrishnan

No meeting was held during the year ended 31 March 2009.

13. General Body Meetings

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

AGM Number	Date & Time	Venue
81 st	27.09.2008. 11 AM	Kousthubham, Shoranur Road, Thrissur
80 th	26.09.2007. 11 AM	Kousthubham, Shoranur Road, Thrissur
79 th	28.09.2006 10 AM	Kousthubham, Shoranur Road, Thrissur

Details of special resolutions passed in the previous 3 AGMs.:

No special resolutions were passed at the 80th AGM and 79th AGM.

At the 81st AGM, Special Resolution was passed to increase foreign investments by permitted FIIs and NRIs not exceeding 49% and 24% of the paid up capital of the Bank respectively

During the year, the Bank had not passed any special resolution through postal ballot.

14. 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.

Risk Management

Bank follows an integrated approach to managing risks and the processes are embedded in the fundamental business model. The Risk Management landscape in the Bank covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz., Credit, Market and Operational Risks.

The organization of Risk Management function in the Bank spans various levels of oversight from operatives to the Board, offering lines of defense and escalation. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank-wide risks. These are administered by the structured

/ internalized roles and functions of the Committees namely Risk Management Committee of the Board (RMC), Risk Management Committee of Executives (RME), Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC) and the Operational Risk Management Committee (ORMC). Key risk management activities are reviewed by the Board- level Risk Management Committee and reported to Risk Management Committee.

Remuneration of Directors

(Amount in Rs.)

Name & Designation	Salary	Perquisites	Total
Mr.P.S.Prasad, MD & CEO *	6,45,484	1,27,144	7,72,628
Mr.Amitabh Chaturvedi, MD & CEO #	16,83,871	1,07,017	17,90,888

* Ceased to be Managing Director & Chief Executive Officer w.e.f 14.08.2008

Appointed as Managing Director & Chief Executive Officer w.e.f 13.10.2008

All other Directors are not paid any remuneration other than the sitting fees for attending the meetings of the Board / Committee of Directors.

During the year :

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

15. Means of Communication

The Board took on record the unaudited financial results subjected to a “Limited Review” by the Auditors, in the prescribed proforma of the Stock Exchanges within one month of the closure of every quarter and announced immediately thereafter, the results to all the Stock Exchanges where the Bank’s shares are listed. The Board also approved the audited annual results within three months. The highlights of quarterly results and audited annual results were published in leading national and vernacular newspapers such as Business Line and Mathrubhumi 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. All information as per Clause 51 of the Listing Agreement were filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website within the time specified by SEBI.

16. General Shareholder Information

82 nd AGM	Date	31 July 2009 (Friday)
	Time	3.00 pm
	Venue	Lulu International Convention Centre, Thrissur -680 003
Name and other details regarding Compliance Officer	Mr.Ravindran K Warriar Secretary to Board & Company Secretary The Dhanalakshmi Bank Ltd. Naickanal, Thrissur - 680001	
Financial Year	2008-09	
Date of Book Closure	18 July 2009 to 31 July 2009 (both days inclusive)	
Dividend Payment Date	01.08.2009	
Listing on Stock Exchanges	The equity shares of the Bank are listed on - Cochin Stock Exchange Ltd. Bombay Stock Exchange Ltd. National Stock Exchange of India Ltd.	
Stock Code – Equity Shares	532180 – Bombay Stock Exchange Ltd. DHANBANK - National Stock Exchange of India Ltd.	

Registrar and Transfer Agents	M/s. Karvy Computershare Private Ltd. 'Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500081. Phone : (040) 23420815 -824 Fax : (040) 23420814 E-mail: mailmanager@karvy.com
Dematerialisation of shares and liquidity	The equity shares are available for dematerialisation with ISIN No. INE 680A01011.
Registered Office and Address for Correspondence	P.B.No.9, Dhanalakshmi Buildings, Naickanal, Thrissur 680 001. E-mail : 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 2009 are as under:

Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2008	93.65	61.25	93.35	60.50
May 2008	100.00	69.70	101.50	69.70
June 2008	72.90	60.10	73.50	62.00
July 2008	85.70	55.50	85.85	55.30
August 2008	93.90	73.10	93.75	73.00
September 2008	96.40	55.10	96.40	61.05
October 2008	75.95	37.00	76.30	37.30
November 2008	58.00	38.55	56.80	38.30
December 2008	57.00	38.50	57.00	37.00
January 2009	69.00	41.95	64.30	45.00
February 2009	59.40	40.60	52.95	40.50
March 2009	58.00	39.55	58.00	39.70

Distribution of shareholding as on 31.03.2009:

Share Range	No. of Shares	% of Members	No. of Shares	% of shares
1 – 5000	29701	84.27	4859322	7.58%
5001 – 10000	2845	8.07	2236920	3.49%
10001 – 20000	1449	4.11	2142527	3.34%
20001 – 30000	451	1.28	1130672	1.76%
30001 – 40000	177	0.50	638008	1.00%
40001 – 50000	149	0.42	706165	1.10%
50001 – 100000	200	0.57	1472466	2.30%
100001 & Above	274	0.78	50929520	79.43%
Total	35246	100.00%	64115600	100.00%

Category – wise distribution of shareholding as on 31.03.2009:

Sl.No	Category	No. of Share holders	No. of Shares held	% of Total Shares
1	Banks	6	4334227	6.76%
2	Clearing Members	41	33895	0.053%
3	Directors & their Relatives	6	25000	0.04%
4	Foreign Institutional Investor	7	14744590	23.00%
5	HUF	259	603178	0.94%
6	Bodies Corporate	502	12421153	19.37%
7	Mutual Funds	2	700	0.00%
8	Non-Resident Individuals	552	3466938	5.41%
9	Resident Individuals	33869	28164903	43.93%
10	Trusts	1	30	0.00%
11	Insurance Companies	1	320986	0.50%
	Total	35246	64115600	100.00%

As on 31.03.2009, 5120382 shares constituting 7.99% and 58995218 shares constituting 92.01% 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.

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

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

The Bank has complied with all mandatory recommendations prescribed in Clause 49 of the Listing Agreement. A certificate to this effect from the Bank's Statutory Auditors is annexed as Annexure II to this report.

Annexure I

Managing Director & CEO Certification on Compliance with the Code of Conduct for Directors and Senior Management personnel of The Bank

To the Members of The Dhanalakshmi Bank Limited

I affirm that the Board of Directors and Senior Management Personnel of the Bank have complied with the Code of Conduct during the financial year ended 31 March 2009.

Place : Thrissur
Date : 23 June 2009

Sd/-

AMITABH CHATURVEDI
Managing Director & CEO



Annexure II

Auditors' Report on Corporate Governance

To the Members of The Dhanalakshmi Bank Limited

We have examined the compliance of conditions of Corporate Governance by The Dhanalakshmi Bank Limited, Thrissur, Kerala State for the year ended 31 March 2009, as stipulated in clause 49 of the Listing Agreement of the said Banking Company with the Stock Exchange(s).

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 Banking Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Banking Company.

On the basis of records and the documents maintained by the Banking Company, the information provided to us and according to the explanations given to us, we certify that the Banking Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance were pending for a period exceeding one month against the Banking Company as certified by the Registrars and Share Transfer Agents of the Banking Company based on the records maintained by them.

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

For P.B.Vijayaraghavan & Co.
Chartered Accountants

Sd/-

P.B.Santhanakrishnan

Partner

Membership No.020309

Place : Delhi

Date : 23 June 2009



Auditors' Report

1. We have audited the attached Balance Sheet of THE DHANALAKSHMI BANK LIMITED, THRISSUR as at 31st March, 2009 and the annexed Profit and Loss Account and Cash flow statement for the year ended on that date in which are incorporated the audited returns of twelve branches and treasury division audited by us and one hundred and sixty eight branches audited by Branch Auditors. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 in form 'A' and 'B' respectively of Third Schedule to the Banking Regulation Act 1949. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. On the basis of our audit, and having regard to the report on the accounts of branches/ offices audited by the other auditors, which have been considered by us, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
 - b. The transactions of the Bank, which have come to our notice, were within the powers of the Bank.
 - c. In our opinion, proper books of account as required by law were kept by the Bank so far as appears from our examination of such books and proper returns adequate for the purposes of our audit were received from the branches of the Bank.
 - d. The Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns.
 - e. On the basis of the written representations received from the directors and taken on record by the Board, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.
 - f. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 in so far as they apply to banks.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies followed by the Bank and other notes thereon and *subject to Note No. 3 of Schedule No.17 - Notes on Accounts regarding reconciliation/adjustment of outstanding entries in Inter Branch/Office transactions in progress, the effect of which could not be ascertained*, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view, in conformity with the accounting principles generally accepted in India :

- a. in the case of Balance sheet, of the state of affairs of the Bank as at 31st March 2009 and
- b. in the case of Profit and Loss Account, of the Profit for the year ended on that date and
- c. in the case of the Cash flow statement, of the Cash flows for the year ended on that date.

For **P.B. Vijayaraghavan & Co.**
Chartered Accountants

P. B. Santhanakrishnan
Partner
Membership No.020309

Place : Kochi
Date : 29 April 2009



Balance Sheet as at March 31, 2009

		Rs in thousands	
	Schedule	As at 31.03.2009	As at 31.03.2008
Capital and Liabilities			
Capital	1	641156	320578
Reserves and Surplus	2	3603626	1401757
Deposits	3	49688113	36084202
Borrowings	4	—	40000
Other Liabilities and Provisions	5	2495346	2483299
Total		56428241	40329836
Assets			
Cash and Balances with RBI	6	3949949	3540681
Balances with Banks and Money at call and short notice	7	2910706	3383655
Investments	8	15673623	10750557
Advances	9	31960564	21020332
Fixed Assets	10	462061	470794
Other assets	11	1471338	1163817
Total		56428241	40329836
Contingent Liabilities	12	2495301	2755994
Bills for collection		537043	873606

1. Schedules, Notes on Accounts and Accounting policies form part of financial statements
2. Proposed Dividend is subject to RBI approval

N. RAGHU MOHAN

Assistant General Manager (Accounts)

RAVINDRAN K WARRIER

Company Secretary

BIPIN KABRA

Chief Financial Officer

P. G. JAYAKUMAR

General Manager

AMITABH CHATURVEDI

Managing Director & CEO

GHYANENDRA NATH BAJPAI

Chairman

S. SANTHANAKRISHNAN

Director

SHAILESH V HARIBHAKTI

Director

K. SRIKANTH REDDY

Director

(In terms of our report of even date attached)

 For **P. B. VIJAYARAGHAVAN & Co**

Chartered Accountants

P. B. SANTHANAKRISHNAN

Partner

M. No. 020309

 Kochi
29th April, 2009

Profit And Loss Account for the year ended March 31, 2009

	Schedule	Year ended 31.03.2009	Rs in thousands Year ended 31.03.2008
Income			
Interest earned	13	4084150	3124845
Other income	14	793594	420329
Total		4877744	3545174
Expenditure			
Interest expended	15	2867958	2135051
Operating expenses	16	1130740	965160
Provision and contingencies		304532	160327
Total		4303230	3260538
Net Profit/(Loss) for the year			
		574514	284636
Profit/(Loss) brought forward		100	100
Transfer from Dividend Payable Account including Dividend Tax		37504	36977
Total		612118	321713
Appropriations			
Transfer to Statutory Reserve		172354	85391
Transfer to Capital Reserve		37940	–
Transfer to Special Reserve U/s.36(1)(viii) of Income Tax Act		14259	11173
Transfer to Other Reserves		312453	150037
Proposed Dividend		64116	64116
Dividend Tax		10896	10896
Balance carried to Balance Sheet		100	100
Total		612118	321713
Earnings per share (in Rupees)		9.16	8.46

- Schedules, Notes on Accounts and Accounting policies form part of financial statements
- Proposed Dividend is subject to RBI approval

N. RAGHU MOHAN
Assistant General Manager (Accounts)

RAVINDRAN K WARRIER
Company Secretary

BIPIN KABRA
Chief Financial Officer

P. G. JAYAKUMAR
General Manager

AMITABH CHATURVEDI
Managing Director & CEO

GHYANENDRA NATH BAJPAI
Chairman

S. SANTHANAKRISHNAN
Director

SHAILESH V HARIBHAKTI
Director

K. SRIKANTH REDDY
Director

(In terms of our report of even date attached)

For **P. B. VIJAYARAGHAVAN & Co**
Chartered Accountants

P. B. SANTHANAKRISHNAN

Partner
M. No. 020309

Kochi
29th April, 2009



Schedules to the Accounts as at March 31, 2009

	Rs in thousands	
	As at 31.03.2009	As at 31.03.2008
Schedule 1 - Capital		
Authorised Capital - 10,00,00,000 Equity Shares of Rs.10 each	1000000	1000000
Issued Capital - 67374500 Equity Shares of Rs 10 each (Previous Year - 35316700 Equity Shares of Rs 10 each)	673745	353167
Subscribed Capital - 64115600 Equity Shares of Rs.10 each (Previous Year - 32057800 Equity Shares of Rs.10 each)	641156	320578
Called up Capital - 64115600 Equity Shares of Rs 10 each (Previous Year - 32057800 Equity Shares of Rs.10 each)	641156	320578
Paid up Capital - 64115600 Equity Shares of Rs.10 fully each fully paid up (Previous Year - 32057800 Equity Shares of Rs.10 each)	641156	320578
Total	641156	320578
Schedule 2 - Reserves and Surplus		
I. Statutory Reserves		
Opening Balance	452162	366771
Additions during the year	172354	85391
Total	624516	452162
II. Capital Reserves		
Opening Balance	197592	195606
Additions\Adjustments		4242
Transfer from Profit & Loss Account	37940	-
Deductions due to Depreciation of Revalued Premises	(2143)	(2256)
Total	233389	197592
III. Share Premium		
Opening Balance	383262	383262
Additions during the year	1667006	-
Total	2050268	383262
IV. Revenue and other Reserves		
Opening Balance	357468	207431
Additions : Transfer from Profit and Loss account	312453	150037
Additions: Deferred Tax Asset	-	-
Total	669921	357468
V. Special Reserve U/S.36(1)(Viii) of Income Tax Act		
Opening Balance	11173	-
Additions: Transfer from Profit and Loss account	14259	11173
Less: Transfer to Profit and Loss Account	-	-
Total	25432	11173
VI. Balance in Profit and Loss Account		
	100	100
Grand Total	3603626	1401757

Schedules to the Accounts as at March 31, 2009

	As at 31.03.2009	Rs in thousands As at 31.03.2008
Schedule 3 - Deposits		
I. Demand Deposits		
(i) From Banks	140	402
(ii) From Others	4607719	4120573
II. Savings Bank Deposits	7468431	6428252
III. Term Deposits		
(i) From Banks	935000	1327600
(ii) From others	36676823	24207375
Total	49688113	36084202
Deposits of Branches in India	49688113	36084202
Total	49688113	36084202
Deposits of Branches outside India	-	-
Total	49688113	36084202
Schedule 4 - Borrowings		
I. Borrowings in India		
(i) Reserve Bank of India	-	40000
(ii) Other banks	-	-
(iii) Other institutions and Agencies	-	-
II. Borrowings Outside India [#]	-	-
Total	-	40000
[#] Book credit balances in foreign currency mirror accounts		
Schedule 5 - Other Liabilities and Provisions		
Bills Payable	324095	460807
Interest accrued	728717	531292
Unsecured Redeemable Bonds (Subordinated Debt for Tier II Capital)	820000	820000
Rights Issue - Application Money	-	70242
Others (including Provisions)	622534	600958
Total	2495346	2483299
Schedule 6 - Cash and Balances with RBI		
Cash on Hand (including foreign currency notes)	788698	528317
Balances with Reserve Bank of India in Current Account	3161251	3012364
Total	3949949	3540681
Schedule 7 - Balances with Banks and Money at Call and Short Notice		
I. In India		
i. Balances with Banks		
(a) in Current accounts	272120	215083
(b) in other Deposit accounts	2594985	3020523
ii. Money at Call & Short Notice		
(a) with Banks	-	-
(b) with Other Institutions	-	-
Total	2867105	3235606

Schedules to the Accounts as at March 31, 2009

	As at 31.03.2009	Rs in thousands As at 31.03.2008
Schedule 7 - Balances with Banks and Money at Call and Short Notice (Contd.)		
II. Outside India		
(a) in current account	43601	62049
(b) in other deposit accounts	-	86000
Total	43601	148049
Grand Total	2910706	3383655
Schedule 8 - Investments		
I. Investments in India		
(i) In Government Securities	13875787	9229910
(ii) In Approved securities	3654	8117
(iii) Shares	19771	15858
(iv) Debentures and Bonds	285000	158755
(v) Subsidiaries/Joint Ventures	-	-
(vi) Others	1489411	1337917
Total	15673623	10750557
Investment in India (Gross)	15753882	10825930
Less Depreciation and Provisions	80259	75373
Total	15673623	10750557
Investments outside India	-	-
Total	15673623	10750557
Schedule 9 - Advances		
A. i) Bills Purchased and discounted	1675540	1632771
ii) Cash Credits, Overdrafts and Loans repayable on Demand	14518686	10280490
iii) Term Loans	15766338	9107071
Total	31960564	21020332
B. i) Secured by Tangible assets	27081034	19076947
ii) Covered by Bank/Govt Guarantees	492099	57938
iii) Unsecured	4387431	1885447
Total	31960564	21020332
C. I Advances In India		
i) Priority sectors	10502450	9087658
ii) Public Sector	1575460	343125
iii) Banks	-	24900
iv) Others	19882654	11564649
Total	31960564	21020332
II Advances Outside India	-	-
Total	31960564	21020332

Schedules to the Accounts as at March 31, 2009

	Rs in thousands	
	As at 31.03.2009	As at 31.03.2008
Schedule 10 - Fixed Assets		
I. Premises		
At cost as per last Balance sheet	342798	338556
Additions during the year due to revaluation of Premises	-	-
Additions/Adjustments during the year	-	4242
Deductions during the year	-	-
Deductions during the year being transfer from	-	-
Revaluation Reserve	8333	6190
Depreciation to date	60951	49948
Total	273514	286660
II. Other Fixed Assets (includes Furniture and Fixture and Computers)		
At cost as per last Balance sheet	685088	631201
Additions during the year	76485	54260
Deductions during the year	5104	373
Depreciation to date	567922	500954
Total	188547	184134
Total	462061	470794
Schedule 11 Other Assets		
Interest Accrued	586755	558665
Inter Office Adjustments (Net)	100862	119785
Tax paid in advance and Tax Deducted at Source	250766	211579
Deferred Tax Asset	41883	37759
Stationery and stamps	1409	1133
Non Banking Assets acquired in satisfaction of claims	1110	1197
Others	488553	233699
Total	1471338	1163817
Schedule 12 - Contingent Liabilities		
Claims against the bank not acknowledged as debts	16930	24522
Liabilities on account of outstanding forward exchange contracts	877075	1116079
Guarantees given on behalf of constituents in India	969790	1138618
Acceptances, endorsements and other obligations	405362	145792
Other items for which Bank is contingently liable (Disputed Income Tax Liability)	226144	330983
Total	2495301	2755994
Schedule 13 - Interest Earned		
Interest/Discount on Advances/bills	2920938	2196068
Income on Investments	790315	660948
Interest on balance with RBI/other inter bank funds	372897	261576
Others	-	6253
Total	4084150	3124845

Schedules to the Accounts as at March 31, 2009

	Rs in thousands	
	Year ended 31.03.2009	Year ended 31.03.2008
Schedule 14 - Other Income		
Commission, Exchange and Brokerage	101304	121037
Profit/(Loss) on sale of Investments (Net)	73658	13977
Profit on sale of land, building and other Assets (Net)	1844	44
Profit on exchange transactions (Net)	37803	39722
Income from Insurance	73390	104191
Miscellaneous Income	505595	141358
Total	793594	420329
Schedule 15 - Interest Expended		
Interest on Deposits	2794742	2048776
Interest on RBI/Inter Bank Borrowing	6405	19240
Others	66811	67035
Total	2867958	2135051
Schedule 16 - Operating Expenses		
Payments to and Provisions for Employees	625615	473668
Rent, Taxes and Lighting	139138	120474
Printing and Stationery	15274	12212
Advertisement and Publicity	7044	3291
Depreciation to Banks property	77610	82900
Less: Depreciation on revalued property	2143	2256
Directors Fee, Allowance and Expense	2487	1755
Auditors Fee and Expense (including Branch Auditors)	5311	3868
Law charges	5774	4557
Postages, Telegrams, Telephones etc	26131	26150
Repairs and Maintenance	15243	14970
Insurance	37439	30812
Rights Issue Expenses	0	40169
Other Expenditure	175817	152590
Total	1130740	965160

Schedule No – 17

Notes attached to and forming part of the Profit & Loss Account and Balance Sheet

1. Payment to and provision for employees include:

- a) Incremental liability at the year end towards pension fund as actuarially determined amounting to Rs. Nil (Rs. 219.60 Lakhs).
- b) Incremental liability at the year end towards gratuity, as actuarially determined amounting to Rs. 265.87 lakhs (Rs. 15.23 lakhs).
- c) Incremental liability at the year end towards leave encashment as actuarially determined amounting to Rs. 239.16 lakhs (Rs. 124.82 lakhs).
- d) A sum of Rs.152.79 lakhs representing one fifth of the transitional liability as determined by the actuarial valuation in accordance with the accounting policy.

In respect of Pension, Gratuity and Leave Encashment, provisions have been made in accordance with AS-15.

Schedules to the Accounts as at March 31, 2009

2. Provisions and Contingencies

(Rs in crores)

Particulars	31.03.2009	31.03.2008
Depreciation on Investments	(0.94)	0.22
Standard Assets	0.52	1.86
Non Performing Assets (including write off)	2.19	1.83
Non Performing Investments	(1.13)	1.90
Security Receipts	4.95	0.00
Income Tax, Wealth Tax, FBT etc.	22.62	10.46
Deferred Tax Asset/Liability	(0.41)	(0.24)
Provision for diminution in value of Restructured Accounts	0.65	0.00
Floating Provision for NPA (Advances)	2.00	0.00
Total	30.45	16.03

During the year the Bank had created a floating provision of Rs.2.00 crores towards Non Performing Assets and the same has been deducted from the Gross NPA to arrive at the Net NPA, in terms of RBI guidelines.

3. Reconciliation is in progress in respect of :-

- Pending items in inter-branch transactions, inter-offices account, drafts payable and draft paid without advice, accounts with other banks including foreign banks, clearing accounts and other items.
- Some accounts, which have not been tallied with the subsidiary ledgers in a few branches.

The effect of reconciliation of the pending items on the Profit and Loss account and the Balance Sheet is not ascertainable at this stage.

4. Capital adequacy

(Rs in crores)

Items	31.03.2009		31.03.2008
	Basel I	Basel II *	Basel I
i) CRAR (%)	14.44	15.38	9.21
ii) CRAR - Tier I capital (%)	12.90	13.75	6.56
iii) CRAR - Tier II Capital (%)	1.54	1.63	2.65
iv) Amount of subordinated debt raised as Tier-II capital	82.00	82.00	82.00

* Previous year not applicable

5. Rights issue 2008

In May 2008, the bank allotted 32057800 equity shares of Rs.10 each for cash at a premium of Rs.52 per equity share aggregating to Rs.198.76 crores on right basis to the existing equity shareholders of the bank in the ratio of one equity share for every equity share held (1:1). Accordingly, an amount of Rs.32.06 crores and Rs.166.70 crores were transferred to Share Capital account and Share Premium account respectively.

6. Investments

(Rs. in crores)

Items	31.03.2009	31.03.2008
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	1575.39	1082.59
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	8.03	7.54
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	1567.36	1075.05
(b) Outside India	Nil	Nil

Schedules to the Accounts as at March 31, 2009

(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	7.54	5.41
(ii) Add: Provisions made during the year	5.92	3.31
(iii) Less: Write-off/write-back of excess provisions during the year	5.43	1.18
(iv) Closing Balance	8.03	7.54

7. Repo Transactions

(Rs. in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31,2009
Securities sold under repos	15.75 (26.25)	31.50 (47.25)	0.51 (1.18)	Nil (Nil)
Securities purchased under reverse repos	5.25 (1.05)	278.25 (131.25)	24.99 (10.78)	125.00 (Nil)

(The figures of the previous year disclosed in the brackets under each figure)

8. Non-SLR Investment Portfolio

i) Issuer composition of Non SLR investments

(Rs. in crores)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	0.40	0.40	0.40	0.40	0.40
(ii)	FIs	17.33	17.33	0.00	1.33	1.33
(iii)	Banks	12.50	12.50	7.00	1.00	1.00
(iv)	Private Corporate	13.11	2.19	-	1.34	1.31
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others	4.95	4.95	-	4.95	-
	Provision held towards depreciation	* 8.03	6.69	0.40	6.69	1.31
	Total	40.26	30.68	7.00	2.33	2.73

* Including provision for Non performing investments / Security Receipts

ii) Non performing Non-SLR investments

(Rs. in crores)

Particulars	31.03.2009	31.03.2008
Opening balance	4.17	3.96
Additions during the year	6.51	0.40
Reductions during the year	2.65	0.19
Closing balance	8.03	4.17
Total provisions held	8.03	4.17

9. Consequent to the RBI approval of 5% dividend as against proposed 10% for the financial year 2007-08, the excess dividend including dividend tax amounting to Rs.3,75,04,000/- has been credited back to Profit and Loss Appropriation Account for the financial year 2008-09

10. Derivatives

During the year the Bank has not dealt with in derivatives. Accordingly, qualitative and quantitative disclosures under RBI guidelines with respect to derivative transactions do not arise.

Schedules to the Accounts as at March 31, 2009

11. A sum of Rs.139 lakhs has been provided on an estimated basis for Interest on Matured Term Deposits from the date of maturity up to 31.03.2009, pursuant to the revised guidelines issued by the Reserve Bank of India. (Previous year Nil)
12. An estimated provision of Rs.571 lakhs has been made for the year towards wage revision pending outcome of ongoing negotiation at industry level. (Previous year Nil)
13. Miscellaneous income in schedule 14 includes Rs. 2300 lakhs being Commitment Fee received from M/s. Bajaj Allianz towards Life and General Insurance with whom the Bank has entered into agency agreement for life and general insurance.

14. Asset Quality

- i) In terms of Agricultural Debt Waiver and Debt Relief Scheme 2008, framed by the Government of India, the bank has received Rs.1.98 crores from RBI on account of loans to small and marginal farmers out of the amount eligible for debt waiver of Rs.4.35 crores. The balance amount of Rs.2.37 crores has been shown as receivables and clubbed under the head "Advances". The claims are subject to certification by Central Statutory Auditors.

ii) Non-Performing Asset

(Rs. in crores)

Items	31.03.2009	31.03.2008
(i) Net NPAs to Net Advances (%)	0.88	0.88
(ii) Movement of NPAs (Gross)		
(a) Opening balance	63.21	96.29
(b) Additions during the year	37.45	15.85
(c) Reductions during the year	36.23	48.93
(d) Closing balance	64.43	63.21
(iii) Movement of Net NPAs		
(a) Opening balance	18.56	32.24
(b) Additions during the year	27.41	13.68
(c) Reductions during the year	15.09	27.36
(d) ECGC Collection	0.64	0.00
(e) Floating Provision	2.00	—
(f) Closing balance	28.24	18.56
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	44.00	63.39
(b) Provisions made during the year	*12.05	11.14
(c) Write-off/ write-back of excess provisions	20.50	30.53
(d) Closing balance	35.55	44.00

* Includes floating provision of Rs.2.00 crores

Total amount recovered from SC/ST borrowers is Rs. 34.70 lakhs (Rs.101.00 lakhs)

iii) Details of Loan Assets subjected to Restructuring

(Rs. in crores)

Item	31.03.2009	31.03.2008
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;	34.21	13.23
- of which under CDR	—	—
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation;	34.21	9.04
- of which under CDR	—	—
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation;	—	—
- of which under CDR	—	—
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation;	—	4.19
- of which under CDR	—	—
Note: [(i) = (ii)+(iii)+(iv)]		

Schedules to the Accounts as at March 31, 2009

iv) Additional disclosures regarding restructured accounts (Rs. in crores)

Sl. No.	Disclosures	Number	Amount
1	Application received up to 31 st March, 2009 in respect of accounts which were standard as on September 1, 2008	75	43.48
2	Of (1), proposals approved and implemented on March 31, 2009 for special regulatory treatment and classified as standard assets as on the date of the balance sheet.	60	# 34.21
3	Of (1), proposals approved and implemented on March 31, 2009 but could not be classified as standard category.	–	–
4	Of (1), proposals under process / Implementation which were standard as on March 31, 2009.	15	9.27
5	Of (1), proposals under process / implementation which turned NPA as on 31 March, 2009 but are expected to be classified as standard assets on full implementation of the package.	–	–

For which Rs.65.21 lakhs provided for diminution in value as per RBI guidelines and included in Provisions and Contingencies

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

(Rs. in crores)

Item	31.03.2009	31.03.2008
(i) No. of accounts	24	–
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	–	–
(iii) Aggregate consideration	5.50	–
(iv) Additional consideration realized in respect of accounts transferred in earlier years	–	–
(v) Aggregate gain/loss over net book value.	5.50	–

During the year the Bank had sold some of its Non Performing Accounts (fully written off) aggregating to Rs.40.87 crores to M/s. Pridhvi Asset Reconstruction & Securitisation Co. Ltd. for a consideration of Rs.5.50 crores. Out of this, an amount of Rs.55 lakhs, received in cash, has been recognized as profit and an amount of Rs.4.95 crores has been received in the form of Securities Receipts (unrated) for which full provision of Rs.4.95 crores is held.

vi) Provisions on Standard Assets

(Rs. in crores)

Item	31.03.2009	31.03.2008
Provisions towards Standard Assets	11.70	11.18

15. Business Ratios

Items	31.03.2009	31.03.2008
(i) Interest Income as a percentage to Working Funds (%)	8.60	8.52
(ii) Non-interest income as a percentage to Working Funds (%)	1.67	0.97
(iii) Operating Profit as a percentage to Working Funds (%)	1.85	1.19
(iv) Return on Assets (%)	1.21	0.76
(v) Business (Deposits plus advances) per employee – Rs in Lakhs	585.88	409.08
(vi) Profit/(Loss) per employee - Rs in Lakhs	4.10	2.02

16. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities

(Rs. in crores)

Due within	Advances	Investments	Foreign currency		Deposits	Borrowings
			Assets	Liabilities		
Day 1	129.12	1.73	13.60	5.86	70.29	–
2 to 7 Days	60.22	174.45	15.90	0.00	161.09	–

Schedules to the Accounts as at March 31, 2009

Due within	Advances	Investments	Foreign currency		Deposits	Borrowings
			Assets	Liabilities		
8 to 14 days	63.10	0.00	5.29	3.10	361.28	–
15 to 28 days	26.05	339.20	3.04	0.48	205.16	–
29 days upto 3 months	263.11	318.74	6.39	5.68	454.26	–
Over 3 months and upto 6 months	146.16	90.14	0.29	7.43	872.47	–
Over 6 months and upto 1 year	290.01	135.24	0	16.50	1045.23	–
Over 1 year and upto 3 years	1338.46	16.18	0	6.11	1699.67	–
Over 3 years and upto 5 years	290.36	34.63	0	0.46	80.02	–
Over 5 years	589.47	457.05	0	0	19.34	–
Total	3196.06	1567.36	44.51	45.62	4968.81	–

17. Lending to Sensitive Sector

i) Exposure to Real Estate Sector

(Rs in crores)

Category	31.03.2009	31.03.2008
a) Direct exposure		
<i>(i) Residential Mortgages –</i>		
Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	194.74	167.11
(of which individual housing loans up to Rs. 15 lakh)	106.40	120.87
<i>(ii) Commercial Real Estate –</i>		
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;	142.25	172.58
<i>(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –</i>		
a. Residential	–	–
b. Commercial Real Estate.	–	–
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	–	–

ii) Exposure to Capital Market

(Rs in crores)

Items	31.03.2009	31.03.2008
(i) investments made in equity shares	4.65	5.98
(ii) investments in bonds/ convertible debentures	–	–
(iii) investments in units of equity-oriented mutual funds	–	–
(iv) advances against shares to individuals for investment in equity shares (including IPOs/ESOPs), bonds and debentures, units of equity oriented mutual funds	0.55	0.40
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers: *	3.83	12.18
Total Exposure to Capital Market (i+ii+iii+iv+v)	9.03	18.56
(vi) Of (v) above, the total finance extended to stockbrokers for margin trading.	–	–

* Including advance against collateral security of shares.

Schedules to the Accounts as at March 31, 2009

18. Details of single borrower limit, group borrower limit exceeded by the Bank

(Rs in crores)

SI No	Name of the Borrower	Limit Sanctioned	Balance Outstanding
		(As on 31.03.2009)	
1	Leadage alloys India Ltd	78.15	0.00
2	Appollo Tyres Ltd.	80.00	58.13
3	Malayalam communication	43.89	38.88
4	Amrutha Enterprises (P) Ltd	34.00	25.77
5	Kalyan Silks	40.55	30.45
6	Malabar Institute of Medical Sciences	43.59	36.66
7	Bhima & Brothers	53.55	53.17

19. Risk Category wise Country Exposure

(Rs in crores)

Risk Category	Exposure (net) as at 31.03.2009	Provision held as at 31.03.2009	Exposure (net) as at 31.03.2008	Provision held as at 31.03.2008
	Insignificant	38.58	Nil	14.80
Low	-	Nil	-	Nil
Moderate	-	Nil	-	Nil
High	-	Nil	-	Nil
Very High	-	Nil	-	Nil
Restricted	-	Nil	-	Nil
Off-credit	-	Nil	-	Nil
Total	38.58	Nil	14.80	Nil

Information in respect of item 15,16,17,18 and 19 above have been compiled by the Management and relied on by the Auditors

20. Employee Benefits (Accounting Standard -15)

AS-15 (revised 2005) 'Employee Benefits' has been adopted in the Bank from the financial year 2007-2008 onwards. The defined employee benefit schemes are as under:-

I. Provident Fund

The Bank pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit & loss account. The obligation of the Bank is limited to such fixed contribution.

II. Gratuity

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

III. Pension.

The bank has a defined benefit pension Plan. The plan applies to existing employees of the bank as on 29/09/1995 who have opted for the pension scheme and to all workmen joining, thereafter. The scheme is managed by a separate trust and the liability for the same is recognized on the basis of actuarial valuation.

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 & Loss Account

Particulars	Rupees in lakhs		
	PENSION	GRATUITY	LEAVE
Current Service Cost	248.69	125.02	183.06
Interest cost on benefit obligation	278.57	125.39	95.99
Expected return on plan assets	(281.62)	(128.18)	NIL
Net actuarial gain/(loss) recognized in the year	561.62	257.66	84.92
Expenses recognized in the Profit & Loss A/c	807.26	379.89	363.97

Schedules to the Accounts as at March 31, 2009

B. The amount recognized in the Balance Sheet

Particulars	Rupees in lakhs		
	PENSION	GRATUITY	LEAVE
Present Value of obligation as at 31.3.2009 (i)	5446.58	2380.52	1504.29
Fair value of plan assets as at 31.3.2009 (ii)	4882.23	2000.63	NIL
Difference (ii)-(i)	(564.35)	(379.89)	(1504.29)
Net asset/(liability) recognized in the Balance Sheet	(564.35)	(379.89)	(1504.29)

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

Particulars	Rupees in lakhs		
	PENSION	GRATUITY	LEAVE
Present value of obligation as at 1.4.2008	4518.51	2027.28	1279.89
Interest cost	278.57	125.02	95.99
Current Service Cost	248.69	125.39	183.06
Benefits paid	(359.55)	(146.77)	(139.58)
Net actuarial gain/(loss) on obligation	760.36	249.61	84.91
Present value of the defined benefit obligation as at 31.3.2009	5446.58	2380.52	1504.29

D. Change in the fair value of plan assets:

Particulars	Rupees in lakhs		
	PENSION	GRATUITY	LEAVE
Fair value of plan assets as at 1.4.2008	3754.95	1912.51	NIL
Expected return on plan assets	281.62	128.18	NIL
Contributions by employer	1006.47	114.76	NIL
Benefit paid	(359.55)	(146.77)	NIL
Actuarial gain/(loss)	198.74	(8.05)	NIL
Fair value of plan assets as at 31.3.2009	4882.23	2000.63	NIL

E. Details of the Plan Asset

The details of the plan assets (at cost) as on 31st March, 2009 are as follows:

Particulars	Rupees in lakhs		
	PENSION	GRATUITY	LEAVE
1 Central Government securities	1159.77	482.12	NIL
2 State Government securities	665.93	460.67	NIL
3 Investment in Public Sector Undertakings	2524.15	770.34	NIL
4 Investment in Private Sector Undertakings	325.44	149.89	NIL
5 Others	241.11	141.95	NIL
Total	4916.40	2004.97	NIL

F. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	PENSION	GRATUITY	LEAVE
	Project Unit Credit Method	Project Unit Credit Method	Project Unit Credit Method
Discount rate	6.00%	6.00%	7.50%
Expected rate of return on assets	7.50%	7.50%	N.A.
Future salary increase	4.50%	4.50%	4.50%

The information under item 20 is as per the actuarial valuation and relied on by the auditors.

Schedules to the Accounts as at March 31, 2009

21. Amount of Provisions made for tax during the year

(Rs in crores)

Particulars	31.03.2009	31.03.2008
(i) Income Tax	22.21	10.14
(ii) Wealth Tax	0.04	0.04
(iii) Fringe Benefit Tax	0.37	0.28
(iv) Deferred Tax	(0.42)	(0.24)

22. Segment reporting (Accounting Standard-17)

- i) 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

a. Treasury Operations: Treasury operations include the entire investment portfolio of the bank.

b. Corporate / Wholesale Banking: Includes all advances to trusts, partnership firms, companies and statutory bodies which are not included under "Retail Banking"

c. Retail Banking: The exposure upto Rs. 5.00 Crore to individual, HUF, Partnership firm, Trust, Private Ltd. Companies, public ltd. Companies, Co-operative societies etc. or to a small business is covered under retail banking. Small business is one where average of last three years annual turnover (Actual for existing & projected for new entities) is less than Rs.50 crore.

d. Other banking business operations: Includes all other Banking operations not covered under Treasury, Wholesale Banking and Retail banking Segments. Other banking business is the residual category.

II. Secondary Segments: *Geographical segments.*

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

SEGMENT RESULTS - 31.03.2009

(in lakhs)

Particulars	Treasury		Retail Banking		Corporate / Wholesale Banking		Other Banking Operations		Total	
	Mar-09	Mar-08	Mar-09	Mar-08	Mar-09	Mar-08	Mar-09	Mar-08	Mar-09	Mar-08
Revenue	11930	9365	16388	16303	19725	8679	734	1042	48777	35389
Results	2533	1908	3590	3816	4321	2031	734	1042	11178	8797
Unallocated Expenses									2388	4347
Operating Profit									8790	4450
Total provisions									824	557
Tax Expenses									2221	1046
Extra ordinary items									-	-
Profit After Tax									5745	2846
<i>Other Information</i>										
Segment Assets	155245	118759	182185	180960	219280	96331	-	-	556710	396050
Unallocated Assets									7572	7248
Total Assets									564282	403298
Segment Liabilities	152612	114457	163832	168778	197191	89846	-	-	513635	373081
Unallocated Liabilities									50647	30217
Total Liabilities									564282	403298

Schedules to the Accounts as at March 31, 2009

23. Particulars of related party transactions in terms of Accounting Standard (AS-18)

	31.03.2009	31.03.2008
a) Key Management personnel	1. Sri.P.S.Prasad ** MD & CEO 2. Sri. Amitabh Chaturvedi MD & CEO (from 13.10.2008) 3. Sri. P G Jayakumar (General Manager) 4. Sri. Bipin Kabra (Chief Financial Officer) (from 17.01.2009)	1. Sri.A.D.Navaneethan * Part time Chairman 2. Sri.P.S.Prasad MD & CEO 3. Sri. P G Jayakumar (General Manager)
b) Nature of transaction Remuneration (including perquisites)		
Sri. A.D.Navaneethan *	-----	Rs. 6,00,000.00
Sri. P.S.Prasad	Rs. 7,72,628.00	Rs. 20,84,343.00
Sri. Amitabh Chaturvedi	Rs. 17,90,888.00	-----
Sri. P G Jayakumar	Rs. 7,87,491.00	Rs. 6,17,527.00
Sri Bipin Kabra	Rs. 2,29,446.00	-----

* upto 29 March 2008. ** upto 14 August 2008

24. Earnings per share (Accounting Standard- 20)

Particulars	31.03.2009	31.03.2008
Net Profit after tax available for equity share holders (Rs in crore)	57.45	28.46
Number of equity shares	64115600	32057800
Earnings per share (basic and diluted)	Rs.9.16	Rs.8.46

25. Accounting for taxes on income (Accounting Standard- 22)

The major components of Deferred Tax are as follows:

(Rs in lakhs)

	Deferred tax asset		Deferred tax liability	
	31.03.09	31.03.08	31.03.09	31.03.08
Depreciation on Assets	-	-	16.22	81.72
VRS expenditure	-	24.25	-	-
Leave Encashment	435.04	435.04	-	-
Total	435.04	459.29	16.22	81.72
Net balance	418.82	377.57	-	-

26. Impairment of assets (Accounting Standard- 28)

Bank has identified that there is no material impairment of Fixed Assets of the Bank and as such no provision is required as per AS 28 issued by Institute of Chartered Accountants of India.

27. Provisions, Contingent Liabilities and Contingent Assets (Accounting Standard- 29)

Movements in significant provisions have been disclosed at the appropriate places in the Notes forming part of accounts.

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

29. Previous Years figures are regrouped / rearranged wherever necessary to conform to current year's classification.

Schedules to the Accounts as at March 31, 2009

30. Basel II (Pillar III) Disclosures

Table DF 1 –Scope of Application

Qualitative Disclosures:

- a. The name of the Bank to which the framework applies: **The Dhanalakshmi Bank Ltd**
- b. The outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group : The bank does not have any subsidiaries
 - (i) that are fully consolidated: NA
 - (ii) that are pro-rata consolidated: NA
 - (iii) that are given a deduction treatment; (Associates-Holding above 30%): NA
 - (iv) That is neither consolidated nor deducted (eg. where the investment is risk weighted.): NA

Quantitative Disclosures:

- c. The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.: NA
- d. The aggregate amounts (eg. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities: NA

Table DF 2- Capital Structure

Qualitative disclosures:

The Bank offered 3,20,57,800 equity shares of Rs.10 each at a premium of Rs.52 per equity share aggregating to Rs.198.76 crores on right basis to the existing shareholders of the Bank in the ratio of one equity share for every equity share held. The issue opened on 19 February 2008 and closed on 17 April 2008 and the allotment was made on 2 May 2008 on the basis as approved by the Mumbai Stock Exchange.

The object of the issue is to augment our capital base to meet the capital requirements and growth in our assets, primarily our loan and investment portfolio, compliance with regulatory requirements and for other general corporate purposes

Quantitative Disclosures:

(Rs. in lakhs)

Items	Amount
(a) The amount of Tier I capital, with separate disclosure of :	
• Paid-up share capital	6411.56
• Reserves	34069.42
• Innovative Instruments	Nil
• Other capital instruments	Nil
Sub-total	40480.98
Less amounts deducted from Tier I capital, including goodwill and investments.	418.83
Total Tier I capital	40062.15
(b) The total amount of Tier 2 capital (net of deductions from Tier 2 capital)	4754.95
(c) Debt capital instruments eligible for inclusion in Upper Tier 2 capital	
• Total amount outstanding	Nil
• Of which amount raised during the current year.	Nil
• Amount eligible to be reckoned as capital funds	Nil
(d) Subordinated debt eligible for inclusion in Lower Tier 2 capital.	8200.00
• Total amount outstanding	8200.00
• Of which amount raised during the current year.	Nil
• Amount eligible to be reckoned as capital funds.	2560.00
(e) Other deductions from capital, if any	Nil
(f) Total eligible capital- Tier I + Tier 2 (a+b-e)	44817.10

Schedules to the Accounts as at March 31, 2009

Table DF 3 –Capital Adequacy

Qualitative disclosures:

Bank is geared up to adopt global best practices while implementing risk management stipulations that are in conformity with the Basel II framework. Comprehensive risk management architecture is in place to address various issues concerning Basel II.

Quantitative Disclosures:

(Rs in lakhs)

Items	Amount
(a) Capital requirements for credit risk	
• Portfolios subject to standardized approach	23515.55
• Securitisation exposures	–
(b) Capital requirements for market risk Standardized duration approach	
• Interest rate risk	438.56
• Foreign exchange risk(including gold)	67.50
• Equity position risk	12.86
(c) Capital requirements for operational risk	
• Basic Indicator Approach	29.61
(d) Total and Tier I CRAR for the Bank	
• Total CRAR (%)	15.38
• Tier I CRAR(%)	13.75
(e) Total and Tier I CRAR for the consolidated Group	
• Total CRAR(%)	NA
• Tier I CRAR (%)	NA
(f) Total and Tier I CRAR for the Significant subsidiary which are not under consolidated group	
• Total CRAR(%)	NA
• Tier I CRAR (%)	NA

Table DF 4 –Credit Risk: General Disclosures

Qualitative disclosures:

A comprehensive Credit Policy for the Bank is in place which is reviewed and revised periodically. The Policy cited the following as its 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

Strategies and processes:

The Bank has strategies in place for Credit Risk Mitigation, which includes identification of thrust areas and target markets, fixing of exposure ceiling based on regulatory guidelines and risk appetite of the Bank, Concentration Risk, and the acceptable level of pricing based on rating. Bank from time to time would identify the potential and productive sectors for lending, based on the performance of the segments and demands of the economy. The Bank restricts its exposures in sectors which do not have growth potentials, based on the Bank's evaluation of industries/ sectors taking into account the prevailing economic scenario etc.

The operational processes and systems of the Bank relating to credit are built on sound credit risk management principles and are subjected to periodical review. The bank has comprehensive credit risk identification processes carried out as part of due diligence on credit proposals. In order to improve the quality of appraisals and to ensure accelerated response to customers, particularly in respect of high value credits, relationships and appraisal functions are segregated between the concerned branch and the core credit groups at zonal / central offices.

Bank has initiated required steps to revise many of its existing systems, procedures and structures, especially in relation to the following main instruments of Credit Risk Management which are put to use on a Bank- wide basis, for managing

Schedules to the Accounts as at March 31, 2009

Credit Risk.

1. Credit Approval Process
2. Credit Rating / Pricing
3. Prudential Limit
4. Portfolio Management
5. Loan Review Mechanism

Bank's philosophy on Credit Risk has been articulated in the Credit Policy Document, which spells out clearly the guidelines on all the instruments of Credit Risk management. The Bank has put in place CRMC to oversee managing of Credit Risk related functions.

Bank has a separate Monitoring Policy and Recovery Policy, which are reviewed from time to time and these policies adequately focus on the required procedures and processes for managing "problem loans". The Credit Policy, along with the Bank's Monitoring & Recovery Policy provides the framework for the entire Credit Risk Management Process. These policies are communicated throughout the Organization so as to establish a common credit language and in determining the level of optimal risk and returns.

The structure and organization of the credit risk Management functions

The Bank has a Credit Risk Management Committee consisting of the following members:

- Managing Director & CEO
- Executive Director
- General Manager
- Head of Integrated Risk Management Department
- Head of Credit Department.
- Head of Credit Monitoring and Administration Cell.
- Head of Planning (Resource Mobilization) Department.
- Head of Operations Department.

The scope and nature of risk reporting and /or measurement systems:

The scope and nature of risk reporting in the bank include methods for credit risk identification, risk measurement, risk grading /Upgradation techniques, reporting, risk control / mitigation techniques and management of problem loans / credits.

Bank has an appropriate credit risk measurement and monitoring processes. The measurement of risk is through a pre-sanction exercise. The Bank has in place the following hierarchical sanctioning powers delegated for credit sanction and administration:

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

The Bank has set a rating framework with 10 rating grades from AAA to F (i.e., 7 Grades for performing assets and 3 Grades for Non-performing assets) which helps in standardizing the Credit Risk measurement. Presently the Bank has rating models for corporates, SMEs, Traders, NBFCs and others. For structured retail products, the Bank has put in place scoring models.

Bank has system in place for identification of credit weaknesses well in advance. Clear guidelines are in place for tracking the early warning signals and the surveillance and the monitoring approach to be adopted at various stages of lending operations. These are covered in the "Credit Monitoring Policy" of the Bank.

The Bank recognizes Credit Monitoring to be risk-based to capture the degradation / up-gradation happening to the quality of the asset during its life-cycle in the bank's book. Bank will evaluate the asset quality by tracking the delinquencies and migration of borrower from one rating scale to another in various industry, business segment etc. Data on movements within grading categories will provide a useful insight into the nature and composition of loan book.

Schedules to the Accounts as at March 31, 2009

A Loan Review Mechanism for constantly evaluating the quality of loan book, by way of review of sanctions made, renewal process, submission of monitoring reports, credit related MIS, is in place. The Bank has a Credit Monitoring and Administration Cell which ensures ongoing review of the existing guidelines and its adherence to ensure effective monitoring of the credit portfolio at all times, and to initiate timely corrective action.

The bank has adopted 'Standardized approach' for entire credit portfolio for credit risk measurement. The bank is in the process of implementing a software solution namely B2RECAP to get system support for computation of RWAs and generate various credit related reports for review of exposure and monitoring, and conducting analysis of credit portfolio from various angles.

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

Bank primarily relies on the borrower's financial strength and debt servicing capacity while approving credits. Bank does not deny credit facilities to those assessed as credit worthy for mere want of adequate collaterals.

Corporate finance and project finance loans are typically secured by a first lien on fixed assets, normally consisting of property, plant and equipment. The Bank also takes security of pledge of financial assets like marketable securities and obtains corporate guarantees and personal guarantees wherever appropriate. Working capital loans are typically secured by a first lien on current assets, which normally consist of inventory and receivables.

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals.

The bank's policy is to ensure portfolio diversification and evaluate total financing exposure in a particular industry/sector in light of forecasts of growth and profitability for that industry, and the risk appetite of the bank. The bank monitors all major sectors of the economy and specifically exposure to various industries and sensitive sectors. Exposure to industrial activities is subjected to the credit exposure ceilings fixed by the bank, based on the analysis on performance of the industry. The bank's exposures to single and group borrowers is monitored and restricted within the prudential ceiling norms advised by RBI from time to time.

Loans Past due and impaired:

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

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

Quantitative disclosures:

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

(Rs in lakhs)

Overall credit exposure as on 31.03.2009			TOTAL
Fund Based	Loans & advances	324529.53	338655.73
	Others (Fixed Assets & other Assets)	14126.20	
Non Fund Based	LC, BG etc	12501.13	13595.85
	Forward Contracts	175.42	
	Others	919.30	
Investments (Banking Book only)	-	60666.42	60666.42
Total of Credit Risk exposure	-	-	412918.00

Schedules to the Accounts as at March 31, 2009

(b) Geographic distribution of exposures:

(Rs in lakhs)

Exposures	31.03.2009		
	Fund based	Non-fund based	TOTAL
Domestic operations	399322.15	13595.85	412918.00
Overseas operations	Bank has no overseas operations		

(c) Industry type distribution of exposures:

(Rs in lakhs)

Sl no	Industry	Fund Based Outstanding		NFB Outstanding	
		31.03.2009	31.03.2008	31.3.2009	31.03.2008
2.1	Mining and Quarrying	-	62	-	-
2.2	Food Processing	1872	1923	19	19
2.2.1	Sugar	214	219	-	-
2.2.2	Edible oils and vanaspati	155	141	-	-
2.2.3	Tea	-	-	-	-
2.2.4	Others	-	-	-	-
2.3	Beverage & Tobacco	-	-	-	-
2.4.1	Textiles	-	-	-	-
2.4.2	Cotton Textiles	15388	5814	84	247
2.4.3	Jute Textiles	-	-	-	-
2.5	Leather & Leather products	-	-	-	-
2.6	Wood and Wood Products	-	-	-	-
2.7	Paper & paper products	234	505	-	55
2.8	Petroleum , coal products and nuclear fuels	-	-	-	-
2.9	Chemicals and chemical products	6075	5202	48	1233
2.9.1	Fertilizer	-	-	4	4
2.9.2	Drugs & pharmaceuticals	1129	955	-	-
2.9.3	Petro chemicals	-	91	-	-
2.9.4	Others	-	-	-	-
2.10	Rubber, plastic & their products	6840	6148	-	-
2.11	Glass and glassware	-	-	-	-
2.12	Cement and cement products	-	-	-	-
2.13	Basic metal & metal products	-	-	-	-
2.13.1	Iron and steel	-	-	-	-
2.13.2	Other metal and metal products	123	3029	-	633
2.14	All engineering	4592	6109	183	183
2.14.1	Electronics	-	-	-	-
2.14.2	Others	-	-	-	-
2.15	Vehicles, vehicle parts and transport equipments	-	-	-	-
2.16	Gems & Jewellery	13542	5243	850	-
2.17	Construction	3887	4706	951	224
2.18	Infrastructure	53301	18316	1070	950
2.18.1	Power	14564	8128	-	-
2.18.2	Telecommunications	-	-	-	-
2.18.3	Roads & ports	478	534	-	-
2.18.4	Other infrastructure	-	-	-	-
2.19	Other Industries Industry (Total of small, medium and large scale)	2057	2567	112	197

Schedules to the Accounts as at March 31, 2009

(d) Residual maturity breakdown of assets:

(Rs in lakhs)

Maturity Pattern	Advances	Investments	Foreign Currency
Day 1	129.12 (62.63)	1.73 (0.00)	13.60 (16.07)
2 to 7 Days	60.22 (52.64)	174.45 (6.46)	15.90 (10.03)
8 to 14 days	63.10 (46.01)	0.00 (0.00)	5.29 (3.47)
15 to 28 days	26.05 (73.01)	339.20 (24.13)	3.04 (5.13)
29 days up to 3 months	263.11 (166.52)	318.74 (173.02)	6.39 (21.09)
Over 3 months and up to 6 months	146.16 (99.45)	90.14 (111.01)	0.29 (0.68)
Over 6 months and up to 1 year	290.01 (207.02)	135.24 (73.80)	0.00 (0.12)
Over 1 year and up to 3 years	1338.46 (720.62)	16.18 (23.89)	0.00 (0.00)
Over 3 years and up to 5 years	290.36 (329.54)	34.63 (113.09)	0.00 (0.08)
Over 5 years	589.47 (344.59)	457.05 (549.65)	0.00 (0.00)
Total	3196.06 (2102.03)	1567.36 (1075.05)	44.51 (56.67)

(the figures of the previous year disclosed in the brackets under each figure)

(e) Non-performing assets:

(Rs in lakhs)

No	Items	Amount	
		31.03.2009	31.03.2008
1	Gross NPAs	6443	6321
1.1	Substandard	2330	1239
1.2	Doubtful 1	493	645
1.3	Doubtful 2	1053	855
1.4	Doubtful 3	1624	2390
1.5	Loss	943	1192
2	Net NPAs	2824	1856
3	NPA Ratios		
3.1	Gross NPAs to Gross Advances (%)	1.99	2.95
3.2	Net NPAs to Net Advances (%)	0.88	0.88
4	Movement of NPAs (gross)		
4.1	Opening balance	6321	9629
4.2	Additions	3745	1585
4.3	Reductions	3623	4893
4.4	Closing balance	6443	6321
5	Movement of provisions for NPAs		
5.1	Opening balance	4400	6339
5.2	Provisions made during the year	*1205	1114
5.3	Write-off	1222	3053
5.4	Write back of excess provisions	828	
5.5	Closing balance	3555	4400
6	Amount of non-performing investments	802.59	420.90
7	Amount of provisions held for non-performing investments	802.59	420.90

Schedules to the Accounts as at March 31, 2009

No	Items	Amount	
		31.03.2009	31.03.2008
8	Movement of provisions for depreciation on investments		
8.1	Opening balance	754	541
8.2	Provisions made during the period	592	331
8.3	Write-off/ Write back of excess provisions	543	118
8.4	Closing balance	803	754

* Includes floating provision of Rs.200 lakhs

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

Qualitative disclosures:

(A) for Portfolios under the standardized approach

1	Names of credit rating agencies used	Domestic Rating Agencies: CRISIL, CARE, FITCH, ICRA. International Credit rating agencies: Standard and poor, Moody's , FITCH
2	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same.	No change
3	Types of exposure for which each agency is used	All the above identified Rating Agency rating are used for various types of exposures as follows : (i) For Exposure with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short -Term Rating given by ECAs will be applicable (ii) For Domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and / or Term Loan exposures of over one year, Long Term Rating will be applicable. (iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by IRAs will be applicable. (iv) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.
4	Description of the process used to transfer public issue rating on to comparable assets in the banking book.	Long -term Issue Specific (our own exposures or other issuance of debt by the same borrower-constituent/counter-party) Ratings or Issuer(borrower-constituent/counter-party) Ratings can be applied to other unrated exposures of the same borrower-constituent/ counterparty in the following cases : (i) If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures, any other unrated exposure on the same counter-party will be assigned the same Risk Weight, if the exposure ranks paripassu or junior to the rated exposure in all aspects (ii) In cases where the borrower-constituent/counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt may be applied to 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.

Schedules to the Accounts as at March 31, 2009

Quantitative disclosures

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

(Rs in lakhs)

Particulars	Amount		
	Fund based	Non fund based	Total
Below 100% risk weight	138499.89	2972.53	141472.42
100% risk weight	157286.29	10198.31	167484.60
More than 100% risk weight	23653.41	425.00	24078.41
Deducted (Risk mitigants)			
Below 100% RW	67336.58	–	67336.58
100% RW	12546.00	–	12546.00
More than 100% RW	–	–	–
Total	399322.17	13595.84	412918.01

Table DF 6 –Credit Risk Mitigation- Standardized Approach

Qualitative Disclosure:

Policies and processes for collateral valuation and management:

Collaterals and guarantees properly taken and managed would serve to:

- Mitigate the risk by providing secondary source of repayment in the event of borrower's default on a credit facility due to inadequacy in expected cash flow or not.
- Gain control on the source of repayment in the event of default
- Provide early warning of a borrower's deteriorating repayment ability; and
- Optimize risk weighted assets and to address residual risks adequately.

Collateral Management process and practices of the Bank cover the entire activities comprising security and protection of collateral value, validity of collaterals and guarantees, and valuation/periodical inspection.

Valuation

Both the Fixed and the current assets obtained to secure the loans granted by the Bank are subjected to valuation by outside valuers empanelled by the Bank. Monetary limits of the accounts, asset classification of the borrower, which is to be subjected to valuation, periodicity of valuation, are prescribed in the Bank's policy guidelines.

Description of the main types of collateral taken by the bank

The main types of collateral commonly used by the Bank as risk mitigants comprises of Inventories, Book debts, Plant and machineries, Land & Building, Gold Jewellery, Financial collaterals (ie, Bank Deposits, government securities issued directly / by postal departments, Life insurance policies, etc) different categories of moveable & immoveable assets/ properties etc.

Main types of Guarantor counterparty and their credit worthiness

Wherever required, the bank obtains Personal or corporate guarantee, 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. The Bank also accepts guarantee given by State/ Central Government as a security comfort. Such guarantees remain continually effective until the facility covered is fully repaid or settled or released.

Credit Risk Mitigation recognized by the bank for the purpose of reducing capital requirement under new capital adequacy framework (Basel II norms)

The bank has recognized cash, bank's own deposits, gold & gold Jewellery, KVP, NSC and Life Insurance Policies with declared surrender value as credit risk mitigations for the purpose of reducing capital requirement under the new capital adequacy framework (Basel II norms)

Schedules to the Accounts as at March 31, 2009

Information about risk concentrations of collaterals concentration within the mitigation taken:

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (Rs. in Crore)	Risk Concentration %
Gold	482.74	60.43
Cash & Bank Deposits	310.17	38.83
KVP/IVP/NSC	5.01	0.63
LIC Policy	0.90	0.11
Total	798.82	100.00

Quantitative Disclosures:

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

- (i) Eligible Financial Collateral : Rs. 798.82 crores
(ii) Other eligible Collateral (after Hair Cuts) : Rs. Nil

Table DF 7 - Securitisation – Standardized Approach:

Qualitative Disclosures:

- a) The general qualitative disclosure requirement with respect to securitization.
- ❖ The banks may consider only sale of Non performing assets, either written off or otherwise. Bank will not purchase assets under securitization
 - ❖ Bank will not assume any credit, operational or legal risk post sale. The effect of sale of the financial asset will be that the asset is taken off from the books of the Bank and after the sale there is no known liability devolving on the bank.
 - ❖ Sale will not be backed by any commitment or credit support in the nature of credit enhancement or liquidity support.
 - ❖ Sale will not be made contingent upon realization by the purchaser and the Bank will not be responsible for the shortfall.
- b) Summary of bank's accounting policies for securitization activities : Not Applicable
c) Names of ECAIs used for securitizations and the types of securitization exposure for which each agency is used : Not Applicable

Quantitative disclosures:

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

(Rs. in crores)

No. of accounts	Type	Balance written off
11	NBFC	15.31
1	Textile	2.07
1	Cement	3.00
1	IT	3.08
1	Steel	10.96
3	Other industries	3.11
4	Personal group consumer durable loans	2.59
2	Trade accounts	0.75
24	Total	40.87

- e) The Bank has no exposure under securitisation as the bank did not involve in purchase activity under Securitisation Act.
f) There is no exposure under securitisation.

Table DF 8 - Market Risk in Trading Book- Standardized Modified Duration Approach:

Qualitative Disclosures:

Strategies and processes:

The overall objective of market risk management is to create shareholder value by improving the bank's competitive advantage and reducing loss from all types of market risk loss events.

Schedules to the Accounts as at March 31, 2009

- While overall leadership and control of the risk management framework is provided by Risk Management department, the business units are empowered to set strategy for taking risks and manage the risks.
- All issues or limit violations of a pre-determined severity (materiality, frequency, nature) are escalated to the risk management department where actions to address them are determined by the appropriate authorities. The business units are responsible for implementing the decision taken.

The process aims to

- Establish a pro-active market risk management culture to cover market risk activities.
- Comply with all relevant legislation and regulatory requirements relating to market risk.
- Develop consistent qualities in evolving policies & procedures relating to identification, measurement, management, monitoring, controlling and reviewing of market risk.
- Establish limit structure and triggers for various kinds of market risk factors
- Establish efficient monitoring mechanism by setting up a strong reporting system
- Adopt independent and regular evaluation of the market risk measures.

The structure and organization of the relevant risk management function:

Market risk management structure of the bank is as under

- Board of directors
- Risk management committee of the Board
- Asset liability management committee(ALCO)
- Investment committee
- Mid Office Treasury

The scope and nature of risk reporting and / or measurement systems:

- Bank has put in place various exposure limits for market risk management such as overnight limit, intraday limit, Aggregate gap limit, Stop loss limit, VAR limit, Capital market exposure limit, issuer wise exposure limit etc.
- A risk reporting system is in place for monitoring the risk limits across different levels of the bank from trading desk to the board level.
- The reports are flexible and enhance decision-making process
- Dealing room activities are centralized, and system is in place to monitor the intra day exposure on real time basis.
- The reporting formats & the frequency are periodically reviewed to ensure that they suffice for risk monitoring, measuring and mitigation requirement of the Bank.

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

In order to deal with the market risk issues, the Bank has in place an Asset Liability Management policy and an Investment / Treasury Policy. These policies detail the various tools and guidelines for market risk identification, market risk measurement and risk mitigation. Bank has constituted Asset Liability Management Committee to oversee the *Risk Management and ALM* functions in the Bank and monitor the progress in its implementation.

Quantitative Disclosures:

(Rs in Lakhs)

Particulars	Amount of capital requirement
Interest rate risk	438.56
Equity position risk	12.86
Foreign exchange risk	67.50

Table DF 9-Operational Risk:

Qualitative disclosures:

Strategies and processes:

The Operational risk management process of the bank is driven by a strong organizational culture and sound operating procedures, involving corporate values, attitudes, competencies, internal control culture, effective internal reporting and contingency planning. Policies are put in place for effective management of Operational risk in the bank.

Schedules to the Accounts as at March 31, 2009

The structure and organization of the relevant risk management functions:

The operational risk management structure in the bank is as under:

- Managing Director
- Executive Director
- Head – Integrated Risk Management
- Head – Planning
- Head – Information Technology
- Head – Treasury
- Head – Credit

The scope and nature of risk reporting and/or measurement system.

The risk reporting consists of operational risk loss incidents/events occurred in branches/offices relating to people, process, technology and external events. The bank is in the process of implementing a software solution namely OpRisk SCORE to get system support for collection of loss data. The data collected from different sources will be used for preparation of risk matrix consisting of 7 loss event types and 8 business lines recognized by Reserve Bank of India.

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

Bank has put in place the following policies pertaining to Operational risk Management.

- Operational risk management Policy: The policy covers the terms of operational risk, risk management structure, identification, assessment, measurement and monitoring of operational risk.
- Outsourcing policy: The policy covers all types of outsourcing arrangements including financial services entered into by the Bank with a service provider located in India or elsewhere. The policy also covers the activities, which are part of core function of the management and are not permitted to be outsourced.
- Business Continuity policy: Based on RBI guidelines, Business continuity Policy is put in place, which is being reviewed annually.
- Compliance policy: The bank has in place a Comprehensive Compliance policy. As per the Policy adopted by the Bank, suitable organizational structure has been laid down defining the roles and responsibilities for compliance officers at Branches, Zonal Offices and Central Office.

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.

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

Qualitative Disclosures:

With the deregulation of interest rates, liberalization of exchange rate system, development of secondary markets for bonds and deepening and widening of financial system, Banks are exposed to interest rates risk, liquidity risk, exchange rate risk etc., Asset Liability Management outlays a comprehensive and dynamic framework for measuring monitoring and managing various risks. Primary objective of ALM is maximizing the Net Interest Income within the overall risk bearing capacity of the Bank.

Various stress tests are conducted using various stress scenarios both on the liquidity and interest rate structure to estimate the impact. It evaluates the Earnings at Risk by means of parallel shift in the interest rates across assets and liabilities.

The stress tests are carried out by assuming stress conditions wherein embedded options are exercised like premature closure of deposits much above the revelations of the behavioral studies to test the stress levels.

The ALCO decides on the fixation of interest rates on both assets and liabilities after considering the macro economic outlook- both global and domestic, as also the macro aspects like cost-benefit, financial inclusion and host of other factors.

Strategies and processes:

The strategy adopted by ALCO for mitigating the risk is by clearly articulating the acceptable levels of exposure to specific risk types (interest rate, liquidity etc). The process for mitigating the risk is initiated by altering the mix of asset and liability composition, change in interest rates etc.

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The structure and organization of the relevant risk management function:

The Asset Liability Committee (ALCO) consisting of the Bank's senior management including the MD & Chief Executive Officer and Executive Director will be responsible for ensuring / adhering to the limits set by the Board. ALCO will play 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.

The scope and nature of risk reporting and /or measurement systems:

The liquidity and interest rate sensitivity statements reveal the liquidity position and the interest rate risk of the bank. With the approval of the Board, tolerance level is stipulated, within which the Bank is to operate. Any breach in the limits is reported to the Board which in turn directs remedial measures to be initiated.

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

Mitigating measures are initiated in the ALCO on how to contain the liquidity risk and interest rate risk. The fortnightly statements presented to the ALCO reveals the liquidity and interest rate structure based on residual maturity. The gap position under various time buckets denotes the liquidity risk and interest rate risk. The ALCO on studying the gap position in detail evolves the strategies to reduce the mismatches in order to reduce the liquidity and interest rate risks.

Quantitative Disclosures

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

Earnings at Risk

(Rs in crores)

Change in interest rate	Change in EaR
± 25 bps	± 4.25
± 50 bps	± 8.50
± 75 bps	± 12.75
± 100 bps	± 17.00

The Bank has not started the computation of market value of equity based on Duration Gap Analysis.

Prudential floor limit for minimum capital requirements:

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

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

The minimum capital required to be maintained by the Bank as on 31.03.2009 as per Basel I norms is Rs.279.61 crores and as per Basel II norms is Rs.258.06 crores.

Capital (Tier I and Tier II) maintained by the Bank as on 31.03.2009 is Rs. 448.17 crores, which is above the prudential floor limit.

Schedule 18:

Significant Accounting Policies

1. General

The financial statements have been prepared on the basis of going concern concept based on historical cost convention and conform to statutory provisions and practices prevailing in the country unless otherwise stated.

2. Transactions Involving Foreign Exchange

- Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year as advised by FEDAI and the resulting net gain/loss is recognized in the revenue account.
- Profit or loss on outstanding forward foreign currency contracts has been accounted for at the exchange rates prevailing at the close of the year as per FEDAI/ RBI guidelines.
- Income and expenditure items have been accounted at the exchange rates ruling on the date of transaction.
- Contingent liabilities in respect of outstanding forward foreign currency exchange contracts, guarantees and letters of credit is stated at the exchange rates prevailing at the close of the year.

Schedules to the Accounts as at March 31, 2009

2.5 Premium/discount on hedge swaps are recognized as interest income/expenses and are recognized/ amortised over the period of the transactions.

3. Investments

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

3.2 Brokerage, incentive and broken period interest are treated as revenue

3.3 For the purpose of valuation, the RBI rates/stock exchange quotations, where available, are taken as market rates. Investments for which such rates / quotations are not available are valued as per norms laid down by RBI, as under

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

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

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

4. Advances

4.1 Advances are classified as Standard, Sub-standard, Doubtful, or Loss assets, and provisions required for possible losses on such advances are made as per the guidelines of the Reserve Bank of India (RBI) on matters relating to prudential norms.

4.2 Advances shown in the Balance Sheet are net of:

- (i) Bills rediscounted,
- (ii) Provisions made in accordance with the prudential norms prescribed by RBI from time to time.

5. Fixed Assets

5.1 Premises, except those revalued, and other fixed assets have been stated at their historical cost. Premises which were revalued are stated at such values on revaluation and the appreciation credited to Capital Reserve.

5.2 Fixed assets costing less than Rs 5000/- each are depreciated full cost in the year of purchase.

5.3 Property purchased along with land for consolidated value is bifurcated on the basis of valuation report / documents.

6. Employee Benefits

a) The Bank hitherto has been measuring the liability for employee retirement benefits as per the erstwhile AS – 15 (1995), 'Accounting for retirement Benefits'. The Bank has adopted the AS – 15 (Revised) 'Employee Benefits', from 1st April, 2007.

b) The transitional liability up to 31.03.2007 of Rs. 763.99 lakhs on account of employee benefits is amortised over a period of five years starting from 31 March 2008. A sum of Rs.152.79 lakhs representing one fifth of the transitional liability has been charged to profit and loss account of the current year ended 31 March 2009. The balance unrecognized liability of Rs.458.41 lakhs has been carried forward to be charged off in the next three years. The liability for the year 2008-2009 has been fully considered.

7. Revenue Recognition

7.1 Items of income and expenditure are accounted for on accrual basis, except as stated hereunder:

Interest on loans and advances is recognized on accrual basis other than on those stipulated in RBI's prudential norms

Schedules to the Accounts as at March 31, 2009

on income recognition, asset classification and provisioning relating to NPAs, where the income is recognized on realization.

- 7.2 In respect of accounts covered under OTS, the recoveries are adjusted against book balance and the net balance is written off.
- 7.3 Income accounted for in the preceding year and remaining unrealized is de-recognised in respect of advances classified as NPA during the year.
- 7.4 Commission earned, rent on safe deposit lockers, dividends, commission from insurance and depository participant business etc are accounted for on cash basis except dividends on units of mutual funds and preference shares which are accounted when the right to receive dividend has accrued. Discount on bills are recognized upfront except where the tenor exceeds one year.
- 7.5 Interest on income tax refunds is accounted in the year in which the same is determined.
- 7.6 In respect of sale of Assets under securitization the Bank has followed RBI guidelines as under:
1. Sale price received shall be duly accounted for and shall be apportioned to each asset on the basis of respective valuations given to the asset.
 2. If the sale price is below Net Book Value (ie. Outstanding book balance less interest suspense and provisions held) {Net NPA}, then short fall should be debited to profit and loss account.
 3. If sale value is higher than the Net NPA balance, then excess provisions shall not be reversed but should be utilized to meet the shortfall/loss on account of sale of other non performing Assets.
 4. The cash consideration received in respect of written off accounts shall be taken to P & L Account and the value of Security Receipts shall be shown under investment and the corresponding provision shall be held.

8. Net Profit

The net profit disclosed in the profit and loss account is after:

- (a) provision for taxes;
- (b) provision for Standard Assets, NPAs, and other contingencies
- (c) depreciation on investments; and
- (d) other usual and necessary provisions.

Signatories to Schedule 1 to 18

N. RAGHU MOHAN

Assistant General Manager (Accounts)

RAVINDRAN K WARRIER

Company Secretary

BIPIN KABRA

Chief Financial Officer

P. G. JAYAKUMAR

General Manager

AMITABH CHATURVEDI

Managing Director & CEO

GHYANENDRA NATH BAJPAI

Chairman

S. SANTHANAKRISHNAN

Director

SHAILESH V HARIBHAKTI

Director

K. SRIKANTH REDDY

Director

For **P. B. VIJAYARAGHAVAN & Co**

Chartered Accountants

P. B. SANTHANAKRISHNAN

Partner

M. No. 020309

Kochi

29th April, 2009



Cash Flow Statement for the year ended 31 March 2009

	Rs. in thousands	
	Year ended 31.03.2009	Year ended 31.03.2008
A Cash Flow from Operating Activities	(1909638)	927569
B Cash Flow from Investing Activities	(71381)	(53887)
C Cash Flow from Financing Activities	1917338	-
Total	(63681)	873682
D Balances at the beginning of the year		
Cash and balances with RBI	3540681	2507225
Balances with Bank and Money at Call	3383655	3543429
E Balances at the end of the year		
Cash and balances with RBI	3949949	3540681
Balances with Bank and Money at Call	2910706	3383655
F Total Cash Flow during the year (A+B+C) or (D-E)	(63681)	873682
A Cash Flow from Operating Activities I+II		
Interest received during the year from Advances Investments etc	4084150	3124846
Other Income	793594	420328
Less		
Interest paid during the year on Deposits, Borrowings etc	2867958	2135051
Operating expenses including Provisions and Contingencies	1435272	1125487
Add		
Adjustments for Depreciation and non cash charges	75467	80644
I Cash Profit generated from Operations	649981	365280
(prior to changes in operating Assets & Liabilities)		
II Cash Flow from Operating Assets & Liabilities		
Deposits	13603911	5204622
Borrowings	(40000)	(9924)
Other Operating Liabilities	47289	369062
Decrease/(Increase) in Assets		
Advances	(10940232)	(2649773)
Investments	(4923066)	(2098623)
Other Operating Assets	(307521)	(253075)
Total II	(2559619)	562289
A Net Cash Flow from Operating Activities(I+II)	(1909638)	927569
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(76485)	(54260)
Sale of Old Fixed Assets	5104	373

Cash Flow Statement for the year ended 31 March 2009 (Contd.)

	Rs. in thousands	
	Year ended 31.03.2009	Year ended 31.03.2008
B Net Cash Flow from Investing Activities	(71381)	(53887)
Cash Flow from Financing Activities	—	—
C Share Capital - Rights Issue	320578	—
Share Premium	1596764	—
Subordinated Debt(Tier Bonds) raised	—	—
Redemption of Tier II Bonds	—	—
Dividend written back	37504	—
Dividend Paid	(37508)	—
Net Cash Flow from Financing Activities	1917338	—

N. RAGHU MOHAN
Assistant General Manager (Accounts)

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Company Secretary

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Chief Financial Officer

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General Manager

AMITABH CHATURVEDI
Managing Director & CEO

GHYANENDRA NATH BAJPAI
Chairman

S. SANTHANAKRISHNAN
Director

SHAILESH V HARIBHAKTI
Director

K. SRIKANTH REDDY
Director

(In terms of our report of even date attached)

For **P. B. VIJAYARAGHAVAN & Co**
Chartered Accountants

P. B. SANTHANAKRISHNAN
Partner
M. No. 020309

Kochi
29th April, 2009

AUDITORS' CERTIFICATE

We have verified the above Cash Flow Statement of The Dhanalakshmi Bank Limited Thrissur for the year ended 31 March 2009. The Statement has been prepared in accordance with the requirement of Clause 32 of the listing agreement with the stock exchange and is based on and in agreement with the corresponding Profit and Loss account and the Balance Sheet of the Bank covered by our report of even date to the shareholders of the Bank.

For **P. B. VIJAYARAGHAVAN & Co**
Chartered Accountants

P. B. SANTHANAKRISHNAN
Partner
M. No. 020309

Kochi
29th April, 2009



Balance Sheet Abstract and Company's General Business Profile

A. Registration Details

Registration Number	09307	State Code	09
Balance sheet date	31.03.2009		

B Capital raised during the year (Rs.'000s)

Public issue	Nil	Bonus issue	Nil
Rights Issue	320578	Private Placement	Nil

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

Total Liabilities	56428241	Total assets	56428241
Sources of funds			
Paid up capital	641156	Reserves and Surplus	3603626
Secured Loan	Nil	Unsecured Loans	50508113
Application of funds			
Net Fixed assets	462061	Investments	15673623
Net current Assets	38617212	Misc. Expenditure	Nil
Accumulated Losses	Nil		

D Performance of the Company (Rs.'000s)

Total Income	4877744	Total Expenditure	3998697
Profit before tax	796627	Profit after tax	574514
Earnings per share			
Basic and Diluted	9.16	Dividend rate	10%

E Generic Names of three principal products/services of the company (As per monetary terms)

Item Code	NA
Product Description	Banking Company

N. RAGHU MOHAN

Assistant General Manager (Accounts)

RAVINDRAN K WARRIER

Company Secretary

BIPIN KABRA

Chief Financial Officer

P. G. JAYAKUMAR

General Manager

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Chartered Accountants

P. B. SANTHANAKRISHNAN

Partner
M. No. 020309

Kochi
29th April, 2009



