



# 90 YEARS



# ANNUAL REPORT 2016-17

## Board of Directors



**Dr. Jayaram Nayar**  
Chairman



**G. Sreeram**  
Managing Director & CEO



**P. Mohanan**



**Chella K. Srinivasan**



**Dr. Lakshmy Devi K. R.**



**C. K. Gopinathan**



**Arun Rao M. G.**



**P. S. Sreekumar**



**E. Madhavan**  
Addl. Director (RBI)



**S. T. Kannan**  
Addl. Director (RBI)



**N. Sara Rajendra Kumar**  
Addl. Director (RBI)



**P. Manikandan**  
Chief General Manager



**A. K. S. Namboodiri**  
General Manager - RBS, IT & IRMD



**Rajan A.**  
General Manager - HR & Recovery

### **Registered and Corporate Office**

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

Kindly refer to the website for other offices

### **Company Secretary**

Santosh Kumar Barik

### **Secretarial Auditor**

M. Vasudevan, Practicing Company Secretary, Thrissur

### **Auditors**

Sridhar & Co, Chartered Accountants, Thiruvananthapuram

### **Legal Advisors**

M/s. Menon & Pai, Ernakulam

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

M/s. Varghese & Jacob, Ernakulam

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

### **Stock Exchanges**

National Stock Exchange of India Limited (NSE)

BSE Limited (formerly known as Bombay Stock Exchange Limited)

### **Registrar & Transfer Agents**

Karvy Computershare Private Limited,  
Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli,  
Financial District, Nanakramguda, Serilingampally,  
Hyderabad – 500 032

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## **Vision**

Banking on Relationships forever

## **Mission**

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

# Directors' Report

Dear Shareholders,

It gives the Board pleasure to place before you the highlights of your Bank's performance during the financial year 2016-17. Details of the achievements and initiatives taken by the Bank are provided in the 90<sup>th</sup> Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2017 and the Profit and Loss Account for the year ended on that date. It has been a challenging year with the bank focusing on working towards improving its performance in the medium term.

Your bank's operating environment remained a cause for concern with the private investment climate and economic sectors under same pressure.

## Performance Highlights

The salient features of the Bank's performance for the financial year ended March 31, 2017 are:

### 1. Profit & Loss – Key Highlights

- Net Profit of ₹8.81 crore in Q4 FY 2016-17 from a loss of ₹131.60 crore during the Q4 FY 2015-16.
- For FY 2016-17 Net profits grew by 105.91% to ₹12.38 crore from a loss of ₹209.45 crore in FY 2015-16.
- For FY 2016-17 Operating Profit grew by 2868 % to ₹94.07 crore from ₹ 3.28 crore reported during the FY 2015-16.
- Net Interest Income of grew by ₹26.92 crore from ₹304.68 crore during FY 2015-16 to ₹331.6 crore during Y 2016-17. Y-o-Y growth 8.84%.
- Non Interest Income of grew by ₹34.30 crore from ₹76.72 crore during FY 2015-16 to ₹111.02 crore during Y 2016-17. Y-o-Y growth 44.71%.
- Operating Expense reduced by ₹174 crore from ₹1277.71 crore during FY 2015-16 to ₹1103.71 crore during FY 2016-17.
- Net Interest Margin (NIM) improved to 2.76% during FY 2016-17 from 2.47% during FY 2015-16.
- Cost of Funds reduced to 6.61% during FY 2016-17 from 7.5% during FY 2015-16.
- Cost Income ratio stood at 78.75% during FY 2016-17 compared to 99.14% during FY 2015-16.
- Book Value per share increased to ₹31.19 during FY 2016-17 from ₹28.63 in FY 2015-16

### 2. Balance Sheet- Key Highlights

- CASA to total deposits stands at 29% during FY 2016-17 as compared to 25% during FY 2015-16.
- CASA increased by ₹483 crore to ₹3325 crore during FY 2016-17 from ₹2842 crore during FY 2015-16, registered growth of 17%.

- Capital Adequacy Ratio stood at 10.26% as on March 31, 2017 compared to 7.51% as on March 31, 2016.
- Total Capital adequacy as at March 31, 2017 stood at 10.26% with Tier I ratio at 9.01% and Tier II Capital at 1.25%. (meeting the norms prescribed by reserved Bank of India)

### 3. Asset Quality- Key Highlights

- Gross NPA reduced to ₹315.60 crore during FY 2016-17 from ₹458.92 crore during FY 2015-16.
- Net NPA reduced to ₹166.48 crore during FY 2016-17 from ₹193.19 crore during FY 2015-16.
- Gross NPA stands at 4.78% and Net NPA stands at 2.58% as on March 31, 2017 compared to 6.36% and 2.78% respectively as on Mach 31, 2016.

### Capital and Reserves

The Bank's Paid up capital and reserves was ₹658.48 crore as on 31.03.2017. The capital adequacy ratio as per Basel II and Basel III was 10.49% and 10.26% respectively.

### Total Business

The total Business of the Bank as on 31.03.2017 stood at ₹17976.69 crore as against ₹18737.77 crore as on 31.03.2016.

### Deposits

The total Deposits of the Bank stood at ₹11293.68 crore as on 31.03.2017 as against ₹11353.76 crore as on 31.03.2016.

### Advances

The Bank's total advance stood at ₹6683.01 crore as on 31.03.2017 as against ₹7384.01 crore as on 31.03.2016.

### PRIORITY SECTOR ADVANCES

Your Bank continued its prudent approach towards priority sector lending in conformity with the national policies, regulatory expectations and fulfillment of social objectives. The Bank's priority sector advances stood at 45.31% and its agricultural advance was at 19.26% of the adjusted net bank credit. The weaker section advances were at 11.95%, which was above the prescribed norm of 10%. Lending under various socio-economic schemes had shown satisfactory progress.

### Profitability

The bank's operating profit during the year was ₹94.07 crore as against ₹3.28 crore during the previous year. The bank declared a net profit of ₹12.38 crore during the year under report and the same at the previous year was ₹(209.45) crore.

## Dividend

The Board has not recommended any dividend in the financial year 2016 – 2017.

## Vision & Mission

**Our Vision:** "Banking on Relationships forever".

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

## Non-Performing Assets

The recovery of NPA had been affected by some of the external factors including Govt. Policies. However, the various monitoring / recovery measures employed by the Bank helped in restricting further slippages into NPA to a considerable extent and ensured reasonable recovery from the existing NPA accounts. The provision requirement for current year was ₹76.42 crore as against ₹93.73 crore in the previous financial year.

During the year the new slippage to NPA in the Bank was ₹154.76 crore in comparison with the figure of ₹250.75 crore of the previous year.

The total recovery in NPA which includes cash recovery and upgradation during the current fiscal was ₹109.12 cores. The corresponding figure of the past year was ₹176.72 crore.

Both the Gross NPA and net NPA percentage reduced from 6.36% to 4.78% and 2.78% to 2.58% respectively during the financial year 2016-17.

The provision coverage ratio (PCR) which was 75.67% as on 31.3.2016 improved to 79.99% as on 31.3.2017.

## Customer Service

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

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

service quality and bringing about improvements in this area on an ongoing basis. The Bank has a 24 x 7 Phone Banking Call Centre at Thrissur as an outsourced model to cater to customer needs across the country.

The Bank is a member of Banking Codes & Standards Board of India (BCSBI) and is actively implementing the Code of Commitment to Customers as also the Code for Micro and Small Enterprises formulated by the BCSBI. In the annual Compliance survey conducted by BCSBI on implementation of BCSBI Code, the Bank has achieved "Above Average" rating for compliance amidst total 51 banks (including public sector, private sector and foreign banks) surveyed across the major parameters such as customer centricity, information dissemination, customer feedback and transparency. 2733 branches of 51 member banks were covered. Survey and verification was done on 90 parameters of the code. Around 8485 customers were interviewed to elicit their views on 13 parameters. The rating exercise was done with the help of the methodology and framework developed by CRISIL.

Also the Bank has been successful in achieving a "High Level" of compliance with regard to the "Grievance Redressal" segment. The Bank achieved a higher score of 93 in "Grievance Redressal" in the current rating as against 88 in 2015 in "Grievance Redressal" segment.

During the financial year 2016 -17, the Bank received 8211 complaints as against a total of 5411 complaints received in the previous financial year. The organized structure for handling complaints at Branches, Regional offices, ATM Reconciliation Desk, Call Centre and Corporate Office who are in turn handling all transactions and services for the customers has helped the Bank in better customer service and early resolution of complaints.

## Customer Touch Points

The Bank's customer outlets stood at 644 as on 31.03.2017, comprising 260 branches, 371 ATMs, 11 RPCs, CPC & Treasury. We have concentrated on consolidating our operations across the country and thereby aiming at utilizing our branches to their fullest potential.

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

- **Implementation of Bharath Bill Payment System (BBPS)**

Bharat Bill Payment System (BBPS) is an integrated bill payment system in offering interoperable and accessible bill payment service to customers through a network of agents, enabling multiple payment modes, and providing

Particulars	Contact Centre	ATM Recon	CO & RO	Banking Ombudsman	Total
No. of complaints outstanding at the beginning of the year	9	26	2	2	39
No. of complaints received during the year	2701	5351	143	16	8211
No. of complaints resolved during the year	2699	5352	143	15	8209
No. of complaints pending during the year	11	25	2	3	41

instant confirmation of payment. We have received the necessary approval from RBI to act as BBPOU in the Bharat Bill Payment System (BBPS).

- **Introduction of IMPS (Immediate Payment Services) in our Retail Internet Banking module which helps the users to transact 24\*7\*365 days.**

With the introduction of Immediate Payment Services IMPS module in Retail Internet Banking (RIB), customers have the facility of round the clock banking facility for fund transfer even on holidays.

- **Distribution of Mutual Fund Products**

Bank started Mutual Fund distribution business on 1<sup>st</sup> April 2008. The ARN license for Mutual Fund distribution expired in 2014. As per the Board approval, we have renewed the license and now we have revamped Mutual Fund distribution through our branch offices. Presently the bank is empanelled with 22 Mutual Fund companies for distribution of Mutual Fund business.

- **Pre approved Credit Card for Liability Customer with One Year Vintage and Average Monthly Balance of ₹50,000/- above for last One Year.**

Our credit card department is having a capacity to handle much higher volumes compared to the current base of only 7039 cards without incurring further expenses. The surge in numbers will give additional income to Bank and increase in productivity of available resources. Bank has come up with pre approved cards to our existing customer base with more than one year vintage and average balance of ₹50,000/- above which has given a boost to our credit card numbers. We have offered credit limit equal to Average Monthly Balance of customer with minimum limit of ₹50,000/- and maximum limit of ₹2,00,000/-

- **New module for marking Form 15G / 15H and thereby recording TDS waiver in Core Banking system, complying with regulatory requirements.**

Based on revised guidelines from Directorate of Income Tax (Systems) on collection of Form 15G / 15H from depositors, marking Tax waiver and reporting the same to Income Tax Department, vide Notification No.4/2015 dated 1<sup>st</sup> December, 2015, we have devised new CBS module on collection of Form 15G/15H and TDS waiver marking. The module was developed by M/s. IT Flux Technologies Pvt. Ltd, who have been already associated with us for development of web based portals for APY / PMJBY / PMSBY and other government projects like NPCI / MMS / Gold Bond Schemes, etc.

#### **Investor Education and Protection Fund**

During the year, the Bank transferred ₹ 20,17,696/-, being the unclaimed / unpaid dividend for the financial year 2008-09, to the investor Education and Protection Fund (IEPF) in accordance with the provisions of Section 125 of the Companies Act, 2013.

#### **Listing on Stock Exchanges**

The Equity shares of the Bank are listed on BSE Ltd. and National

Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the financial year 2017-18.

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

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

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

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

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

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

Number of complaints filed during the financial year - Nil

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

#### **Particulars of employees**

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

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

#### **Green Initiatives in Corporate Governance**

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

## ANTI-MONEY LAUNDERING (AML)

Transactions processed through the Core Banking Solution is monitored for identifying the transaction of suspicious nature, if any, using Infra Soft Technologies Ltd.-AML application, to discharge the obligation cast on the Bank under Prevention of Money Laundering Act. New software from M/s. Ospyn Technologies P Ltd. is made use of for customer on-boarding, which takes care of the need for compliance of various regulations under PML Rules/ Banking Regulation Act, Income Tax rules etc.

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

## Directors

The composition of the Board of Directors of the Bank is in accordance with the Banking Regulation Act, 1949, the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the best practices of Corporate Governance. As on March 31, 2017, the Board comprises 9 Directors including Managing Director & CEO, 7 non-executive Directors and 1 nominee Director. All the Directors have rich experience and specialized knowledge in various sectors like banking, economics, law, co-operation and accountancy. The remuneration / sitting fees paid to the Directors during the year is disclosed in Report on Corporate Governance.

There are 5 independent Directors on the Board of the Bank as on March 31, 2017. Declarations have been taken from Independent Directors as required under the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI guidelines.

## Changes in the Board

Dr. Jayaram Nayar was appointed as part-time Chairman on the Board of the Bank w.e.f April 06, 2016.

Sri. Arun Rao M.G and Sri. P.S Sreekumar were appointed as Additional Directors on the Board of the Bank w.e.f July 04, 2016 and as non-executive independent Directors at the Annual General Meeting held on September 29, 2016.

Sri. Gopinathan C.K was appointed as Additional Director on the Board of the Bank w.e.f August 11, 2016 and as non-executive Director at the Annual General Meeting held on September 29, 2016.

Sri. K. Jayakumar , Sri. E. Madhavan and Sri. Susobhan Sinha ceased to be Directors on the Board of the Bank w.e.f April 28, 2016, September 29, 2016 and March 02, 2017 respectively. The Board places on record its appreciation for the invaluable services rendered by them during their tenure as Directors on the Board of the Bank.

## Composition of Audit Committee

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

Mr. P.Mohanan, Mr. Arun Rao M.G and Mr. S.T Kannan as the other members. The Committee has been constituted in accordance with regulatory requirements. The terms of reference of the Committee are in accordance with the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI guidelines.

## Declaration By Independent Directors

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

## Policy on appointment and remuneration of Directors

The Nomination & Remuneration Committee recommends the appointment / reappointment / continuation of Directors to the Board after conducting due diligence of the Directors on the basis of the "fit & proper" criteria prescribed by RBI along with the provisions of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Nomination Policy approved by the Board. The Board will take the appropriate action based on the recommendations of the Nomination & Remuneration Committee.

The criteria for determining qualifications, positive attributes and independence of Directors to be appointed / re-appointed or for continuation of Directors include, inter-alia, the following:-

- Ensuring that the appointment / re-appointment / continuation is in conformity with the provisions of the Banking Regulation Act, 1949, RBI guidelines, Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Ensuring that the criteria for independence of Directors as stated in the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is complied with, in case of independent Directors
- Ensuring that the person does not attract any disqualification as per the Banking Regulation Act, 1949, RBI guidelines Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- Special knowledge or practical experience in various fields as enumerated in Section 10A(2)(a) of the Banking Regulation Act, 1949 or any other field which may be useful to the Bank;
- Professional knowledge and experience;
- Experience in the field of banking / finance sectors;
- Interest in NBFCs and other entities;
- Relatives connected with the Bank;



- Fund and non-fund facilities availed from the Bank;
- Defaults, if any, by the Director or interested with respect to the credit facilities availed from any Bank;
- Professional achievements relevant to the office of Directorship;
- Prosecution, if any, pending or commenced or resulting in conviction in the past against the director and / or against any of the interested entities for violation of economic laws and regulations;
- Criminal prosecution, if any, pending or commenced or resulting in conviction in the past against the Director;
- Any other factors as the Nomination & Remuneration Committee may think fit for the purpose of considering the appointment / re-appointment / continuation as Director

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

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

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

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

The total remuneration paid to MD & CEO and non-executive Directors for the financial year 2016-17 is included in the Report on Corporate Governance forming part of this Report.

The Remuneration Policy of the Bank is hosted on the website of the Bank [http://www.dhanbank.com/investor\\_relations/inv\\_stat\\_policy.aspx](http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx).

## Board Level Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the performance evaluation of the Board as a whole, the individual Directors and various Committees of the Board are undertaken annually. The evaluation of the individual Directors is being done in the absence of the Director being evaluated.

A separate meeting of independent Directors evaluates the performance of non-independent Directors, Chairman and the Board as a whole. The separate meeting of independent Directors is held once in a year.

The criteria for performance evaluation of Directors, Board and its Committees include, inter-alia, the following:

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

## Changes in Key Managerial Personnel (KMP)

There were no changes in Key Managerial Personnel (KMP) in the financial year 2016-17.

## Explanation for the Auditor's Comments in the Report

The auditors report for the year 2016-17 does not contain any qualifications.

## Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013, the Board had appointed Sri. M. Vasudevan, Practicing Company Secretary, Thrissur as the Secretarial Auditor to conduct the

Secretarial Audit of the Bank for the financial year 2016-17. The Bank has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The report of the Secretarial Auditor is annexed to this report. The Secretarial Audit Report for the financial year 2016-17 does not contain any qualification.

#### Corporate Governance

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

#### Number of Board Meetings

A total of 9 Board Meetings were held during the year. The Board meetings were held in accordance with the regulatory requirements. The details of the meetings held are provided in the Corporate Governance Report that forms part of this Annual Report.

#### Extracts of Annual Return

Pursuant to Section 92 (3) of the Companies Act, 2013 read with Rule 12 (1) of the Companies (Management and Administration) Rules 2014, Extract of Annual Return as on the financial year ended March 31, 2017 in Form No. MGT - 9 is annexed to this report.

#### Related Party Transactions

The Bank has adopted the "Policy on materiality of related party transactions and dealing with related party transactions" in accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy is hosted on the website of the Bank [www.dhanbank.com/investor\\_relations/inv\\_stat\\_policy.aspx](http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx).

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

#### Material Changes and Commitments affecting Financial Position of the Bank

There are no material changes and commitments affecting the financial position of the Bank which has occurred between the end of the financial year of the Bank, i.e, March 31, 2017 and the date of Director's Report, i.e, August 11, 2017.

#### Subsidiary Companies

The Bank does not have any subsidiary companies.

#### Strictures and Penalties

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

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Bank or the future operations of the Bank.

#### Management Discussion and Analysis Report

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

#### Director's Responsibility Statement

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

- (a) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year 2016-17 and of the profit and loss of the Bank for that period.;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### Acknowledgements

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

By Order of the Board

Place: Thrissur

Sd/

Date: 11-08-2017

(Dr. Jayaram Nayyar)

Chairman

Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2017

<b>A. Summary</b>			
S I No.	Particulars	ESOP 2009	ESOS 2013
1	Number of options granted	3,999,225	2,477,400
		Closing price prior to the date of meeting of the Remuneration Committee in which the options are granted, on the Stock Exchange where there is highest trading volume on the said date	As fixed by the Remuneration committee
3	Number of options vested	3,999,225	1,717,330
4	Number of options exercised	20,719	NIL
5	Total number of shares arising as a result of exercise of options	4,042,470	2477400
6	Number of options lapsed	3,584,519	63530
7	Variation in the terms of options	NA	NA
8	Money realised by exercise of options (₹)	2,452,094	NIL
9	Total number of options in force	393,987	2,413,870
<b>B. Employee-wise details of options granted to</b>			
(i)	Senior managerial personnel	No options were granted during the current year	No options were granted during the current year
(ii)	Employees who were granted, in any one year, options amounting to 5% or more of the options granted during the year	None	None
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None	None
<b>C. Diluted Earning per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20</b>			
<b>D. The impact on the Profits and EPS of the fair value method is given in the table below -</b>			
	Net Profit as reported	₹12.38 Cr	₹(209.45) Cr
	Basic Earnings Per Share(EPS) as reported	0.59	(11.8)
	Diluted EPS as reported	0.59	(11.8)
<b>E. Weighted average exercise price and fair value of options</b>			
	<b>Weighted average exercise price of options whose</b>		
(a)	Exercise price equals market price		
(b)	Exercise price is greater than market price	The Price of stock options granted is ₹118.35	The Price of stock options granted is ₹40.73
(c)	Exercise price is less than market price		
	<b>Weighted average fair value of options whose</b>		
(a)	Exercise price equals market price	-	-
(b)	Exercise price is greater than market price	-	-
(c)	Exercise price is less than market price	-	-
<b>F. Method and Assumptions used to estimate the fair value of options granted during the year</b>		Fair Value Method	Fair Value Method

## Annexure to Directors' Report for the year ended March 31, 2017

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

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule5(1) of the Companies(Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sl.No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year	Mr. G. Sreeram, Managing Director & CEO - 5.97:1
II	The percentage increase in remuneration of each director, CFO, CEO, CS in financial year	Mr. G. Sreeram, Managing Director & CEO Nil Mr. Bhasi K.V, Chief Financial Officer 9.32% Mr. Santosh Kumar Barik, Company Secretary 5.85%
III	The percentage increase in the median remuneration of employees in the financial year	1.43%
IV	The number of permanent employees on the rolls of the Bank	There were 2021 employees as on March 31, 2017.
V	The explanation on the relationship between average increase in remuneration and Bank performance	Banks being part of Bipartite settlement entered into by IBA with workmen and officers, calculation of yearly increase in employee remuneration is done based on this and increase in dearness allowance is linked to consumer price index.
VI	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Bank	Performance of the Key Managerial Personnel has been very good which are resulted in the Bank declaring a net profit of ₹ 12.38 crore for the FY 2016-17.
VII	Variations in the market capitalization of the Bank, price earnings ratio as at the closing date of the current FY and previous FY and percentage increase over decrease in the market quotations of the shares of the Bank in comparison to the rate at which the Bank came out with the last public offer.	The market capitalization of the Bank has increased from ₹ 347.78 crore as on March 31, 2016 to ₹ 623.24 crore as on March 31, 2017. Price earnings ratio as at March 31, 2017 is 50.35. Market price per share as on March 31, 2017 is ₹ 29.70 in BSE and ₹ 29.75 in NSE.
VIII	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	There was no increase in salaries of employees other than managerial personnel except for normal annual increments and increase in dearness allowance which is linked to consumer price index and paid across banks as per the industry level wage settlement.
IX	Comparison of each remuneration of the Key Managerial Personnel against the performance of the Bank	Performance of the Key Managerial Personnel has been very good which are resulted in the Bank declaring a net profit of ₹ 12.38 crore for the FY 2016-17.
X	The key parameters for any variable component of remuneration availed by the directors	Not Applicable as none of the directors have been paid any variable remuneration during the financial year 2016-17.
XI	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	Not Applicable as there are no employees who received remuneration in excess of the highest paid director during the year.
XII	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed.

#### Notes:

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

**Annexure to Directors Report for the year ended March 31, 2017**  
**SECRETARIAL AUDIT REPORT**  
**For the financial year ended 31st March, 2017**  
**(Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies**  
**(Appointment and Remuneration Personnel) Rules, 2014)**

To,  
The Members,  
Dhanlaxmi Bank Limited

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

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31st March, 2017 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- vi. The other laws applicable specifically to the company are as follows:
  - a) The Reserve Bank of India Act, 1934;
  - b) The Banking Regulation Act, 1949;
  - c) The Banking Companies Regulation (Companies Rules), 1949
  - d) The Banking Companies (Period of preservation of Records) Rules, 1985.
  - e) Prevention of Money Laundering Act, 2002

- f) Credit Information Companies (Regulation) Act, 2005
- g) The Deposit Insurance and Credit Guarantee Corporation Act, 1961
- h) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

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

- i. Secretarial Standards 1 and 2 issued by The Institute of company Secretaries of India.
- ii. The Listing Agreements entered into by the company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited;

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

**I further report that**

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

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

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

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

**I further report that** an appeal before Cyber Appellate Tribunal, New Delhi, against the order under Section 46 of the Information Technology Act, 2008, reported in last year's Secretarial Audit Report is pending.

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

- i. Members have provided approval to issue redeemable secured/unsecured Non Convertible Debentures, subject to an aggregate limit of ₹100 crores pursuant to Section 42 and 71 of the Companies Act, 2013 at the 89th Annual General Meeting held on September 29, 2016.
- ii. Members have provided approval to increase the issued and paid up capital of the company up to the extent of ₹50 crores by further issue of equity shares pursuant to Section 62(1)(c) of the Companies Act, 2013 at the 89th Annual General Meeting held on September 29, 2016.
- iii. Members have accorded approval by e-voting and postal ballot on August 12, 2016 to offer, issue and allot up to 4,72,30,000 equity shares on preferential allotment basis pursuant to Sections 42 and 62 of the Companies Act, 2013.
- iv. Board of Directors have allotted 3,24,05,000 equity shares on preferential basis at a price of ₹25.98/- per equity share including a premium of ₹15.98/- on September 07, 2016.

Place : Thrissur

Signature: Sd/-

Date : 01.07.2017

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

FCS No.: 4177

C P No.: 2437

Annexure to Directors' Report for the year ended March 31, 2017  
Form No. MGT-9

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31 March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION DETAILS**

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

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-3

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

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

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

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

**Category-wise Shareholding**

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% of change during the year	
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares		
<b>A. Promoters</b>										
(1) Indian										
a) Individual/HUF	0	0	0	0.00	0	0	0	0	0	0.00
b) Central Govt.	0	0	0	0.00	0	0	0	0	0	0.00
c) State Govt(s)	0	0	0	0.00	0	0	0	0	0	0.00
d) Bodies Corp.	0	0	0	0.00	0	0	0	0	0	0.00
e) Banks/FI	0	0	0	0.00	0	0	0	0	0	0.00
f) Any other	0	0	0	0.00	0	0	0	0	0	0.00

<b>Sub-total (A) (1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
(2) Foreign	0	0	0	0.00	0	0	0	0	0.00
a) NRIs – Individuals	0	0	0	0.00	0	0	0	0	0.00
b) Other-Individuals	0	0	0	0.00	0	0	0	0	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0	0.00
d) Banks/FI	0	0	0	0.00	0	0	0	0	0.00
e) Any other	0	0	0	0.00	0	0	0	0	0.00
<b>Sub-total (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Total Shareholding of Pro-moter (A)= (A)(1) + (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Fund	1951	700	2651	0.00	0	700	700	0.00	0.00
b) Banks/FI	203040	0	203040	0.12	222509	0	222509	0.11	-0.01
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govts.	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	442277	0	442277	0.25	442277	0	442277	0.21	-0.04
g) FIs/FPIs	33399961	0	33399961	18.83	34532516	0	34532516	16.46	-2.37
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-Total (B)(1)</b>	<b>34047229</b>	<b>700</b>	<b>34047929</b>	<b>19.20</b>	<b>35197302</b>	<b>700</b>	<b>35198002</b>	<b>16.78</b>	<b>-2.42</b>
2. Non-Institutions									
a) Bodies Corp	22467190	74808	22541998	12.70	18999381	48528	19047909	9.08	-3.63
b) Individuals									
i) Individual Shareholders holding nominal share capital upto ₹1 lakh	30007427	3478187	33485614	18.87	32165521	3411203	35576724	16.95	-1.92
ii) Individual Shareholders holding nominal share capital in excess of ₹1 lakh	59071010	92630	59163640	33.34	56080942	92630	56173572	26.76	-6.58
c) Others (specify)									
Trust	6800	30	6830	0.00	6300	30	6330	0.00	0.00
Clearing Member	215990	0	215990	0.12	1274461	0	1274461	0.61	0.49
HUF	1960694	0	1960694	1.10	2173460	0	2173460	1.04	-0.07
Directors & their relatives	1000	0	1000	0.00	20984800	0	20984800	10.00	10.00
NBFC	81267	0	81267	0.05	129805	0	129805	0.06	0.01
Non-Resident Indians	25864773	71884	25936657	14.62	39211172	70384	39281556	18.72	4.10
<b>Sub-total (B) (2)</b>	<b>139676151</b>	<b>3717539</b>	<b>143393690</b>	<b>80.80</b>	<b>171025842</b>	<b>3622775</b>	<b>174648617</b>	<b>83.22</b>	<b>2.42</b>



Total Public Shareholding (B)= (B)(1) +(B)(2)	173723380	3718239	177441619	100.00	206223144	3623475	209846619	100.00
C. Shares held by Custodians for GDRs and ADRs	0	0	0	0.00	0	0	0	0.00
Grand Total (A+B+C)	173723380	3718239	177441619	100.00	206223144	3623475	209846619	100.00

II. Shareholding of Promoter s/Promoter Group

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

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

Sl. No		Shareholding at the beginning of the year (as on 01.04.2014 on the basis of SHP of 31.03.2014)		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year				
2	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				Not Applicable
3	At the end of the year				

IV Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GD $\text{\text{₹}}$  and AD $\text{\text{₹}}$  as on March 31, 2017

Sl. No	Name of Shareholder	Shareholding at the beginning of the year		Change in Share holding (No. of shares)		Shareholding at the end of the year	
		No. of shares	% of total shares of the Company	Increase	Decrease	No. of shares	% of total shares of the company
1	B Ravindran Pillai	8850000	4.98	12134000	0	20984000	9.99
2	Yusuffali Musaliyam Veetil Abdul Kader	7654635	4.31	1192648	0	8847283	4.21
3	Shital Raghu Kataria	6655780	3.75	0	0	6655780	3.17
4	P Raja Mohan Rao	6412000	3.61	0	0	6412000	3.05
5	Kapilkumar Wadhawan	6200000	3.49	4292000	0	10492000	4.99
6	Elara India Opportunities Fund Limited	6189220	3.48	0	60000	6129220	2.92
7	Antara India Evergreen Fund Ltd	6100000	3.43	0	150000	5950000	2.83
8	Marshal Global Capital Fund Ltd	5500000	3.09	0	0	5500000	2.62
9	Mohanachandran Nair B	4046000	2.28	0	0	4046000	1.92
10	B.Govindan	200	0.00	3845000	0	3845200	1.83

Shareholding of Directors and Key Managerial Personnel as on March 31, 2017

Sl. No	Name of Director and KMP	Shareholding at the beginning of the year		Change in shareholding (No. of Shareholding)		Shareholding at the end of the year	
		No. of shares	% of total shares of the Bank	Increase	Decrease	No. of shares	% of total shares of the Bank
1	Dr. Jayaram Nayar, Chairman	0	0.00	0	0	0	0.00
1	Sri. G. Sreeram, MD & CEO	0	0.00	0	0	0	0.00
2	Sri. P. Mohanan	200	0.00	0	0	200	0.00
3	Sri. Chella K Srinivasan	200	0.00	0	0	200	0.00
5	Dr. Lakshmy Devi K.R	200	0.00	0	0	200	0.00
8	Sri. S.T Kannan, RBI Additional Director	0	0.00	0	0	0	0.00
	Sri. Arun Rao M.G	0	0.00	0	0	0	0.00
	Sri. P.S Sreekumar	200	0.00	0	0	200	0.00
	Sri. Gopinathan C.K	88,50,000*	4.98	1,21,34,000	0	2,09,84,000*	9.99
	Key Managerial Personnel (other than MD & CEO)						
1	Sri. Bhasi K.V, Chief Financial Officer	0	0.00	0	0	0	0.00
2	Sri. Santosh Kumar Barik, Company Secretary	0	0.00	2000	0	2000	0.00

\*includes 63,50,000 equity shares held by relatives/associates of Sri. Gopinathan C.K

V INDEBTEDNESS AS ON MARCH 31, 2017

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

(₹ in crore)

Particulars	Secured Loan excluding deposit	Unsecured loans	Deposit	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	68	183.85	-	251.85
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	6.50	-	6.50
Total (i+ii+iii)	68	190.35	-	258.35
Change in Indebtedness during financial year				
Addition	4298.33	197.00	-	4495.33
Reduction	4366.33	235.65	-	4601.98
Net Charge				
Indebtedness at the end of the financial year				
i) Principal Amount	0.00	145.20	-	145.20
ii) Interest due but not paid	0.00	2.75	-	2.75
iii) Interest accrued but not due	0.00	5.77	-	5.77
Total (i+ii+iii)	0.00	153.72	-	153.72

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager			
		MD & CEO	WTD	Manager	Total
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Companies Act, 1961	36,00,000	Not Applicable	Not Applicable	36,00,000
	(b) Value of perquisites u/s 17(2) of Income-Tax Act, 1961	Nil	Not Applicable	Not Applicable	Nil
	(c) Profits in lieu of salary under section 17(3) of Income-Tax Act, 1961	Nil	Not Applicable	Not Applicable	Nil
2	Stock Option				
	Granted during the year	Nil	Not Applicable	Not Applicable	Nil
	Exercised during the year	Nil	Not Applicable	Not Applicable	Nil
3	Sweat Equity				
4	Commission				
	- As % of profit	Nil	Not Applicable	Not Applicable	Nil
	- Others, specify	Nil	Not Applicable	Not Applicable	Nil
5	Others, Please specify	Nil	Not Applicable	Not Applicable	Nil
	Total (A) (Total Remuneration does not include the number of Stock Options)	36,00,000	Not Applicable	Not Applicable	36,00,000
	Ceilings as per the Act	In terms of the provisions of the Companies Act, 2013, the remuneration payable to MD & CEO shall not exceed 5% of the net profit of the Bank. The remuneration paid to MD & CEO is well within the limit.			

B Remuneration to other Directors

Sl. No	Particulars of Remuneration	Name of Directors					Total Amount (₹)
		Sri. P. Mohanan	Sri. Chella K Srinivasan	Dr. Lakshmy Devi K. R	Sri. Arun Rao M. G	Sri. P. S Sreekumar	
1	Independent Directors						
	-Fee for attending Board/ Committee Meetings	4,70,000	4,70,000	4,30,000	1,70,000	1,10,000	16,50,000
	- Commission	Nil	Nil	Nil	Nil	Nil	Nil
	- Others, Please specify	Nil	Nil	Nil	Nil	Nil	Nil
	Total (1)	4,70,000	4,70,000	4,30,000	1,70,000	1,10,000	16,50,000
2	Other Non-Independent Directors	Dr. Jayaram Nayyar	Sri. Gopinathan C. K	Sri. E. Madhavan	Sri. Susobhan Sinha RBI Additional Director	Sri. S. T Kannan, RBI Additional Director#	
	-Fee for attending Board/ Committee Meetings	3,80,000	1,40,000	70,000	Nil	Nil	5,90,000
	-Commission	Nil	Nil	Nil	Nil	Nil	Nil
	-Others, Please specify	Nil	Nil	Nil	Nil	Nil	Nil

Total(2)	3,80,000	1,40,000	70,000	Nil	Nil	5,90,000
Total(B)=(1+2)						22,40,000
Total Managerial Remuneration						
Overall ceiling as per the Act #	In terms of the provisions of the Companies Act, 2013, the remuneration payable to directors other than executive directors shall not exceed 1% of the net profit of the Bank. The remuneration payable to the Directors is well within the said limit.					

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

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

Sl. No.	Particulars of Remuneration	Sri. Bhasi K.V, Chief Financial Officer	Sri. Santosh Kumar Barik, Company Secretary	Total Amount
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax, 1961	13,71,696	13,14,671	26,86,367
	(b) Value of perquisites u/s 17(2) of Income Tax, 1961	18,772	Nil	18,772
	(c) Profits in lieu of salary under Section 17(3) Income Tax, 1961	Nil	Nil	Nil
2	Stock Option			
	- Granted during the year	Nil	Nil	Nil
	- Exercised during the year	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil
4	Commission			
	- As % of profit	Nil	Nil	Nil
	- Others, specify	Nil	Nil	Nil
5	Others, please specify	Nil	Nil	Nil
	Total (A) (Total Remuneration does not include the number of Stock Options)	13,90,468	13,14,671	27,05,139

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of penalty/punishment/compounding fee imposed	Authority(RD/NCLT/ COURT)	Appeal Made, if any (give details)
A. Company			Nil		
Penalty					
Punishment					
Compounding					
B. Directors			Nil		
Penalty					
Punishment					
Compounding					
C. Other Officers in default			Nil		
Penalty					
Punishment					
Compounding					

# Management Discussion and Analysis Report

## GLOBAL ECONOMY

Global economic activity is picking up with a long-awaited cyclical recovery in investment, manufacturing, and trade. World growth is expected to rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018. Stronger activity, expectations of more robust global demand, reduced deflationary pressures, and optimistic financial markets are all upside developments. But structural impediments to a stronger recovery and a balance of risks that remains tilted to the downside, especially over the medium term, remain important challenges.

It looks likely that this year, for the first time since 2010, rich-world and developing economies will put on synchronized growth spurts. There are still plenty of reasons to fret: China's debt mountain; the flaws in the foundations of the euro; Donald Trump's protectionist tendencies; and so on. But amid these anxieties are real green shoots. For six months or so there has been growing evidence of increased activity. It has been clearest in the export-oriented economies of Asia. But it is visible in Europe, in America and even, just, in hard-hit emerging markets like Russia and Brazil.

The signals are strongest from the more cyclical parts of the global economy, notably manufacturing. Global trading hubs such as Taiwan and South Korea are bustling. Taiwan's National Development Council publishes a composite indicator that tracks the economy's strength: blue is sluggish, green is stable and red is overheating. The overall economy has been flashing green lights for seven months and is pushing up towards the red zone.

The revival's roots can be traced to the early months of last year, when a possible calamity was averted. At the end of 2015 stock markets tumbled in response to renewed anxiety about China's economy. Prices at the factory gate, which had been falling steadily for several years, had started to plunge. There were fears that China would be forced to devalue its currency sharply: a cheaper yuan might spur China's oversupplied industries to export more, fatten profits and service their growing debts.

By the end of the year producer-price inflation in China and across Asia was positive again. And China's nominal GDP, which had slowed more than real GDP, sped up again. Central bankers, who had been employing various measures to forestall global deflation, were mightily relieved.

Since worries about China and deflation receded, spending on things that show some faith in future income has indeed begun to stir. A revival in producer prices and thus profits is leading to business investment around the world. In the last quarter of 2016 business spending in Japan rose at an annualized rate of 8%, according to official GDP figures.

The signs of recovery are encouraging. The last few bursts of optimism about the global economy all petered out. In 2010 the rebound from a deep rich-world recession was pulled back to earth by the sovereign-debt crisis in the euro area. As soon as

Europe gingerly emerged from recession in mid-2013, hints from America's Federal Reserve that its bond-buying programme would soon tail off prompted a stampede out of emerging markets. This "taper tantrum" blew over in a few months, but it had repercussions. The prospect of tighter monetary policy in America, however distant, hit the supply of credit in emerging markets. The squeeze was made worse in 2014 when the oil price fell from over \$100 a barrel to half that in just a few months. The price of other industrial raw materials, which had settled onto a plateau after peaking in 2011, began to fall. The subsequent slump in investment was enough to drag big commodity exporters, such as Brazil and Russia, into recession.

These risks are not new or surprising. What brings freshness to the air is that a cyclical recovery has managed to overcome them. There may actually be some rosebuds to gather, for a while.

## INDIAN ECONOMY

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF). The Government of India has forecasted that the Indian economy will grow by 7.1 per cent in FY 2016-17. As per the Economic Survey 2016-17, the Indian economy should grow between 6.75 and 7.5 per cent in FY 2017-18. The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, Reserve Bank of India's (RBI) inflation focus supported by benign global commodity prices.

India's consumer confidence index stood at 136 in the fourth quarter of 2016, topping the global list of countries on the same parameter, as a result of strong consumer sentiment, according to market research agency, Nielsen.

Moody's has affirmed the Government of India's Baa3 rating with a positive outlook stating that the reforms by the government will enable the country perform better compared to its peers over the medium term.

India's gross domestic product (GDP) grew by 7 per cent year-on-year in October-December 2016 quarter, which is the strongest among G-20 countries, as per Organization for Economic Co-operation and Development (OECD) Economic Survey of India, 2017. According to IMF World Economic Outlook Update (January 2017), Indian economy is expected to grow at 7.2 per cent during FY 2016-17 and further accelerate to 7.7 per cent during FY 2017-18.

Corporate earnings in India are expected to grow by over 20 per cent in FY 2017-18 supported by normalization of profits, especially in sectors like automobiles and banks, while GDP is expected to grow by 7.5 per cent during the same period, according to Bloomberg consensus.

India has retained its position as the third largest startup base in

the world with over 4,750 technology startups, with about 1,400 new start-ups being founded in 2016, according to a report by NASSCOM.

India's labour force is expected to touch 160-170 million by 2020, based on rate of population growth, increased labour force participation, and higher education enrolment, among other factors, according to a study by ASSOCHAM and Thought Arbitrage Research Institute.

India's foreign exchange reserves stood at US\$ 366.781 billion as on March 17, 2017 as compared to US\$ 360 billion by end of March 2016, according to data from the RBI.

According to The World Bank, the Indian economy will likely grow at 7 per cent in 2016-17, followed by further acceleration to 7.6 per cent in 2017-18 and 7.8 per cent in 2018-19. Demonetization is expected to have a positive impact on the Indian economy, which will help foster a clean and digitized economy in the long run, according to Ms Kristalina Georgieva, Chief Executive Officer, The World Bank.

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

One of the biggest decisions in the history of Independent India was announced by honorable Prime Minister Shri. Narendra Modi on 08th Nov, 2016. Demonetization of ₹500 and 1000 currency notes initiated by Prime Minister Modi was described as surgical act of eradicating corruption from the country. This was considered as a major step to check black money, corruption and fake currency notes. People holding currency notes of ₹ 500 and 1000 had deposited the notes to their bank account or exchanged it with new notes from banks and post-offices. Banks across Country have contributed to the success of the demonetization process by opening additional counters, round the clock cash loading in ATMs, new account opening for first time users of Banks etc. As part of demonetization, many people have turned to be 'first time users of banks' and continuing to use banks for future transactions. Demonetization though aimed at reducing cash transactions in the economy has paved the way for growth in business by increasing the customer base of Banks.

## KERALA ECONOMY

Kerala is known as God's own country. It is one of the few states to have marketed its natural beauty successfully to the leisure tourism sector. The state's unique heritage and cultural diversity have helped attract tourists from the world over. Its strategic location on the trans-national trade corridor, rich natural resources, and simple and transparent procedures make the state favourably suited for investments in major sectors such as tourism, IT/ITeS, manufacturing and mining.

Kerala holds second rank in the Investment Climate Index followed by Karnataka, as per a policy research working paper

by the World Bank. The state stands second due to its world-class infrastructure and well-trained human resource pool. Kerala's traditional industries include handloom, cashew, coir and handicrafts.

Kerala is a leading agricultural state in the country and the largest producer of rubber, pepper, coconut and coir. As per budget 2016-17, Government of Kerala proposed an outlay of US\$ 116.74 million for the agriculture sector.

It has the first international transshipment terminal in India, having a design capacity of around 4 million TEUs and providing better connectivity between Kerala and other ports in India.

Between 2004-05 and 2015-16, Gross State Domestic Product (GSDP) expanded at a Compound Annual Growth Rate (CAGR) of 11.65 per cent to US\$ 89.44 billion whereas the Net State Domestic Product (NSDP) expanded at a CAGR of 10.26 per cent to US\$ 68.5 billion.

As of July 2016, Kerala had 29 SEZs with formal approval and 25 notified SEZs. A cyber-park, spread over a 68-acre campus, is being developed in Kozhikode. Kerala has been promoting knowledge-based industries such as IT/ITeS, computer hardware and biotechnology. It is the first state having a technology park with CMMI level4 quality certification and a world-class IT campus in Thiruvananthapuram.

## REGULATORY MEASURES AND MONETARY POLICIES

The Indian banking industry is governed by a very diligent regulatory and supervisory framework. The Reserve Bank of India is the primary regulatory body for all banks in India. The RBI is the central bank of the country and is responsible for managing the operations of the entire financial system. The legal framework which governs the banking industry includes some umbrella acts like the RBI Act (1934) and the Banking Regulation Act (1949) that applies to all activities of all banking companies and other acts like the Companies Act (1956), Banking Companies Act, SBI Act (1955), Regional Rural Bank Act (1976), Bankers' Books Evidence Act (1891), SARFAESI act (2002) and Negotiable Instruments Act (1881). The Reserve Bank of India is entrusted under the BR Act, to be solely responsible for the regulation and supervision of banks. It is also empowered to inspect and regulate banks keeping in view the banking policy in place and in the interest of the banking system as a whole. The 'monetary authority' function of the RBI is also critical to the functioning of banks, as it has direct implications on interest rates and bank credit.

The main elements of regulatory framework for the Scheduled Commercial Banks, which have evolved from time to time, comprise branch authorization policy, prudential norms, corporate governance, foreign investment norms, priority sector norms, and statutory requirements, including, cash reserve ratio (CRR) and statutory liquidity ratio (SLR). While the regulatory framework applicable to RRBs is similar to the other scheduled commercial banks, there exist some variations given their unique nature and focus.

Monetary policy is the process by which the government, central bank, or monetary authority of a country controls (i) the supply of

money, (ii) availability of money, and (iii) cost of money or rate of interest to attain a set of objectives oriented towards the growth and stability of the economy. Monetary theory provides insight into how to craft optimal monetary policy.

Monetary policy rests on the relationship between the rates of interest in an economy, that is the price at which money can be borrowed, and the total supply of money. Monetary policy uses a variety of tools to control one or both of these, to influence outcomes like economic growth, inflation, exchange rates with other currencies and unemployment.

### Opportunities and Threats

Indian banking strategies are presently undergoing various transformations, as the overall scenario has changed over the last couple of years. Till the recent past, most of the banks had adopted fierce cost cutting measures to sustain their competitiveness. This strategy however has become obsolete in the new light of immense growth opportunities for banking industry. Most bankers are now confident about their high performance in terms of organic growth and in realizing high returns. Nowadays, the growth strategies of banks revolve around customer satisfaction. Improved customer relationship management can only lead to fulfillment of long-term, as well as, short-term objectives of the bankers. This requires, efficient and accurate customer database management and development of well-trained sales force to develop and sustain long-term profitable customer relationship. In short there is much opportunity for Indian Banks to grow rapidly and equally faces some challenges towards the same.

- Extensive reach: the vast networking & growing number of branches & ATMs. Indian banking system has reached even to the remote corners of the country.
- In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region.
- The market is seeing discontinuous growth driven by new products and services that include opportunities in credit cards, consumer finance and wealth management on the retail side, and in fee-based income and investment banking on the wholesale banking side. These require new skills in sales & marketing, credit and operations.
- With increased interest in India, competition from foreign banks will only intensify.
- With the growth in the Indian economy expected to be strong for quite some time especially in its services sector- the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong.
- Liberalization of ECB norms: The government also liberalized the ECB norms to permit financial sector entities engaged in infrastructure funding to raise ECBs. This enabled banks and financial institutions, which were earlier not permitted to raise such funds, explore this route for raising cheaper funds in the overseas markets.
- **Increase penetration of banking in India- tackle demand supply mismatch:** Primarily supply side constraints are

responsible for the high levels of financial exclusion in the country, as they have a causal effect in keeping demand low from certain factions of the population. The demand supply mismatch, which is reflected in measures of financial exclusion, shows the limitations on the banks' ability to supply products and services

- **Credit disbursement to the priority sector:** One of the major challenges faced by the banking system in India is to provide timely and cost effective credit to the priority sectors especially the agriculture and Small scale industries, which are critical in generating employment and support the growth momentum of the economy
- **Maintain asset quality:** a major challenge in the current economic scenario for the Indian banks is to maintain the gains made with respect to asset quality over the past few years.
- **Improve risk management mechanism:** Increased usage of rating services must be employed to reduce risk. Besides, SME specific risk management procedures must be setup to make the business more viable, as the risk perception associated with lending to small enterprises is generally very high. Further, the banks would also be required to acquire skill for managing emerging risks resulting from innovations in financial products as well as technological advancements.
  - **Technology adoption:** The problem of resistance from workforce has largely been neutralized over the years, but the primary issue involved with the adoption and rapid integration of technological processes within banks still related to human resources- the availability of technically skilled resources is scarce.

### Financial Performance

The Bank's operating profit during the year was ₹94.07 crore as against ₹3.28 crore during the previous year. The total Business of the Bank as on 31.03.2017 stood at ₹17976.69 crore as against ₹18737.77 crore as on 31.03.2016. The total Deposits of the Bank stood at ₹11293.68 crore and total advance stood at ₹6683.01 crore as on 31.3.2017. Net NPA is reduced to 2.58% on 31.03.2017 as against 2.78% as on 31.03.2016 and Gross NPA is reduced to 4.78% as against 6.36% as on 31.03.2016. The capital adequacy ratio as per Basel II and Basel III was 10.49% and 10.26% respectively. The Bank declared a net profit of ₹12.38 crore for the year ended March31, 2017 as against loss of ₹209.45 crore during the previous year. The book value per share was ₹31.19.

### CREDIT SANCTION & MONITORING

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

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

- Maintain quality of loan assets.
- Ensure reasonable return on the assets.
- Ensure an acceptable risk profile.
- Achieve proper sectoral / geographical distribution of assets.

- Compliance with regulatory norms in respect of exposure caps, pricing, IRAC guidelines, targeted credit etc.

Bank is adopting a careful assessment of risk-return tradeoff, which is critical to its success. Bank has also created dedicated and distinct teams to take care of various functions and sub functions. Branch centric model has been introduced and branches are given more delegated financial powers for sanctioning the loans.

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

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

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

#### **CORPORATE BANKING**

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

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

#### **LENDING TO MICRO, SMALL AND MEDIUM ENTERPRISES**

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

Importantly, Bank can also fulfill their priority sector obligations

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

#### **RETAIL ADVANCES**

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

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

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

#### **MICROFINANCE AND AGRICULTURE LENDING**

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

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

- Out standings in the area of Micro Credit was ₹420.80 crore as on 31.03.2017.
- The bank's total agriculture advances stand at 19.26% of ANBC as against a target of 18%. The bank has extended



11.95% of ANBC to weaker section as against a target of 10% of ANBC Focus on grass root level lending to SHGs through Direct SHG – Bank Linkage Lending Model in Kerala & Tamil Nadu.

- There are > 12070 numbers of SHGs maintaining savings bank account with our various branches. Credit facilities availed by SHGs from the Bank stood at ₹420.80 crore as on 31.03.2017. Kisan Credit Cards amounting to ₹8.24 crore were issued to 180 farmers as on 31.03.2017.
- Tie-up with dairies for providing cattle loans under JLG model and with NGOs for providing rural housing loans to SHG members.

## Mudra scheme

### To Improve MSME lending we had introduced Mudra scheme

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

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

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

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

#### 1. To improve the educational loans we had introduced ACSISOBCEBC SCHEME (Dr. Ambedkar Central Sector Scheme of Interest Subsidy on Educational Loan for Overseas Studies for Other Backward Classes (OBCs) and Economically Backward Classes (EBCs))

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

#### 2. To improve the lending under Housing loan in priority we had introduced Credit Risk Guarantee Fund Scheme for Low Income Housing (CRGFS)

Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) for the purpose of providing guarantees in respect of housing loans in the Economically Weaker Section (EWS)/Lower Income Group (LIG) categories.

#### 3. For improving the loans under Housing sector we introduced PMAY, Affordable housing for weaker section through credit linked subsidy scheme under Pradhan Manthri Awas Yojana – Housing

### for all (Urban) Mission

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

**LIG-** House holds having an annual income between ₹3,00,001 (Rupees Three Lakh One) up to ₹6,00,000 (Rupees Six Lakhs).

**EWS-** Households having an annual income up to ₹3, 00,000 (Rupees Three Lakhs).

4. To improve the lending to Minorities and weaker sections under priority sector lending we introduced Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC)

5. To Promote Educational Loans under priority sector CGFSEL (CREDIT GUARANTEE FUND SCHEME FOR EDUCATION LOANS (CGFSEL) scheme has been introduced.

6. To promote the skill development loans under priority sector lending under MSME our Bank has approved for implementing CGFSSD Credit Guarantee Fund Scheme for Skill Development.

We have introduced / implemented the following schemes during the year 2016-17

#### 1. Credit Guarantee Fund Scheme For Education Loans (CGFSEL)

Government of India through Ministry of Human Resource Development, Department of Higher Education has notified the Credit Guarantee Fund Scheme for Education Loans (CGFSEL) vide Gazette Notification No. 18-1/2013-U.5 (Vol. III) dated September 16, 2015 under the Trust Fund, Credit Guarantee Fund for Education Loans (CGFEL). The Fund and the Scheme will be managed and operated by National Credit Guarantee Trustee Company Ltd. (NCGTC) which is a wholly-owned trustee company of Government of India. Our Board has approved the scheme for implementing the same in our Bank and Authorized official has signed the undertaking with NCGTC.

#### Salient features of the scheme are as follows:-

1. The credit guarantee will be available for education loans up to ₹7.5 lakh without any collateral security and third party guarantee. Such loans should conform to the "IBA Model Educational Loan Scheme for pursuing Higher Education in India and Abroad".
2. Annual Guarantee Fee will be 0.50% p.a. of the outstanding loan amount which would be absorbed by the banks.
3. The maximum interest rate to be charged by the Bank on Education loan shall be MCLR plus up to 2%.
4. The guarantee cover would be available for 75% of the amount in default which would be settled as under:

a) 75 per cent of the guaranteed amount will be paid on preferring of eligible claim by the Bank, within 30 days, subject to the claim being otherwise found in order and complete in all respects.

b) The balance 25% of the guaranteed amount will be paid after obtaining a certificate from the Bank that all avenues for recovering the amount have been exhausted

## 2. Credit Guarantee Fund Scheme for Skill Development Loans (CGFSSD)

Board has accorded approval for implementing the Credit Guarantee Fund Scheme for Skill Development. Government of India has approved credit guarantee funds to promote skill development loans. The fund/scheme will be managed and operated by National Credit Guarantee Trustee Company Ltd. (NCGTC) which is a wholly-owned Trustee Company of Department of Financial Services, Ministry of Finance, GOI.

### Salient features

- The credit guarantee will be available for skill development loans up to ₹1.50 lakh (Rupees One Lakh Fifty Thousand Only) extended without any collateral security and / or third party guarantee. Such loans should conform to the IBA model scheme for vocational education and training.
- Annual guarantee fee of 0.50% p.a on outstanding loan amount can be absorbed by the banks.
- The maximum interest rate to be charged by Bank is MCLR plus spread up to maximum of 1.50%.
- The guarantee would be available for 75% of default which would be settled, on claim, in one go after the Bank submits a certificate stating to the effect that all avenues of recovering the amount in default have been exhausted, that there is no further scope for recovering the default amount and that the claim is found in order and complete in all respects.

## 3. Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs)

In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Ministry of Micro, Small and Medium Enterprises, Government of India, vide their Gazette Notification dated May 29, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises. Our Board has approved the policy, which is part of the comprehensive credit policy version 2016 and Branches and concerned departments are called up on to implement the scheme

## 4. REVISION IN MODEL EDUCATIONAL LOAN SCHEME FOR PURSUING HIGHER EDUCATION IN INDIA AND ABROAD -2015

The model Education Loan Scheme was developed by the Indian Bank's Association to help meritorious students pursue higher education in technical and professional courses, which was advised to banks for implementation by Reserve Bank of India. Based upon the IBA model, our Educational Loan Scheme (Dhanam Vidya Credit scheme) revision was approved by board. The new scheme contains following changes:

- Classification of portfolio into rated institutions, unrated institutions and foreign Studies.
- Provision for charging of differential interest rates based on status of collateral, employability and reputation of institutions
- Continuing with the existing practice of taking parents as co-borrowers with discretion to the banks to waive in special cases.
- Capping stream-wise and institution-wise limits on education loans wherever possible.
- Relaxation in margin and security for loans guaranteed by NCGTC
- Extension of repayment period (after moratorium) up to 15 years for all loans
- Uniform one year moratorium for repayment after completion of studies in all cases
- Provision for moratorium taking into account spells of unemployment/under-employment, say two or three times during the life cycle of the loan. Moratorium may also be provided for the incubation period if the student wants to take up a start-up venture after graduation.

## Credit Cards

A robust system as per international standards is in place for credit card operations in the Bank. Bank is issuing globally valid Platinum and Gold credit cards in association with the Visa International Service Association (VISA). The end to end activity of credit card operations is managed by a well experienced vendor and closely monitored by the Bank. All credit card processes, such as on-line authorization, cardholder alerts on the credit card activities are automated and the system is functioning smoothly. The core activities like sourcing and sanctioning of applications are managed by the Bank and non-core activities are outsourced to a vendor. 24/7 customer care center is in place to assist the cardholders instantaneously. Regulatory guidelines pertaining to credit card operations are complied with.

## CREDIT MONITORING

In order to ensure safety and quality of credit portfolio, Credit Monitoring Team plays a key role in the post sanction credit process such as, timely and orderly dispensation of credit, security creation, account management, monitoring the conduct of the assets, quality of asset portfolio, safeguarding securities charged to the bank, reporting of irregularities and adherence to terms of sanction through continuous liaison with the branches. This team helps to strengthen the post sanction activities in the weak prone areas and plug the gaps. Remedial measures are taken proactively to prevent slippages. A 3-tier monitoring process is available in your bank commencing from the branch to the Region/Central office levels. All Management Information systems are in place and the data automation is done in most of the critical areas.

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

### **BUSINESS DEVELOPMENT AND PLANNING**

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

The department is also responsible for implementing the RBI/BCSBI guidelines on customer service and management of complaints.

**Navathi Celebrations:** As part of our Bank's 90<sup>th</sup> Foundation day celebrations we have organized a quiz competition and Essay Competition for the High School and Higher Secondary students in Thrissur District. The Grand Finale of Quiz competitions were held at Hotel Pooram International, Thrissur on 14<sup>th</sup> November 2016. The Inaugural ceremony commenced with the lighting of lamp by our Chief General Manager Shri. Manikandan P accompanied by General Manager Shri. Rajan A, Dy. General Manager Shri. Chandran L and Asst. General Manager Shri. Sreekumar.M.P, followed by the Quiz Competitions.

The Quiz Competition was conducted by the Grand Master Dr. G. S. Pradeep, the fame of reverse Quiz program "Ashwamedham", which occupies its space in the Limca Book of Records. Shri. Manikandan P honoured Dr. G S Pradeep with "Ponnada" on behalf of our Bank.

The Quiz Competition was in two sessions. The first half started with the Finals of High school students and the second half was for Higher Secondary students. Six shortlisted school teams from the preliminary rounds were invited for the finale. Bhavan's School, Poochetty, Thrissur and St. Augustine H.S. School, Kuttanellur, Thrissur were the Champions for High School level and Higher Secondary level respectively. Each and every participants as well as the audience enjoyed the sessions, which was fun filled with lots of learning and motivational narratives of famous personalities by Grand Master Dr. G S Pradeep.

The Prize distribution ceremony started with the welcome speech of Shri. Manikandan P, Chief General Manager. Shri. G Sreeram, Managing Director & CEO addressed the gathering and congratulated the winners. Dr. G.S Pradeep distributed prizes to the winners of quiz as well as Essay competitions. Dr. Pradeep appreciated our bank for conducting such a genuine, socially oriented program. He also expressed his interest to conduct the Quiz on behalf of the Bank, since the intention of the Bank was to motivate and provide a learning platform to the students, who should become the back bone of our Society and nation.

Dr. G.S. Pradeep motivated the participants, especially those who could not make it to the winning three. He emphasized the importance of failures and struggles required in our life to

cherish success. He touched the hearts of the gathering with his charismatic vocabulary skills while he narrated the struggles of former President, Late K.R. Narayanan and the renowned writer of Harry Potter fame, J.K.Rowling.

The event was very well organized and the students, teachers and parents appreciated our Bank for such a memorable day.

### **PUBLIC RELATIONS AND PUBLICITY**

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

### **BANK'S OPERATIONS AT SABARIMALA**

Your Bank became the principal bankers to Travancore Devaswom Board in late 1970s. Your bank accepted to become the Banker to Lord Ayyappa and the temples administered by TDB in a spirit of public service. Since then the Bank has been extending the best of services to the TDB and other temples under TDB by establishing ATMs and branches in their premises. Bank also handling prasadam counters and information counters at Sabarimala Sannidhanam, Pampa and Erumeli during the season.

### **THIRD PARTY PRODUCTS DISTRIBUTION**

#### **Life Insurance**

Bank tie-up with M/s. Bajaj Allianz Life Insurance Company has insured 1410 lives with Premium Collection of 450 lakh. Total Income generated is ₹160 lakh .

#### **Non-Life Insurance**

On Non Life insurance Front, Bank distributed 8953 Policies with Premium of 412 lakh

Policies were issued on various heads such as Motor insurance (Commercial Vehicles, Two Four Wheelers) Medical Insurance, Liability, Health, Property, Rural and Marine Insurance. Bank has generated ₹31.53 lakh revenue from General Insurance.

#### **Money Transfer Service Scheme (MTSS)**

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

### 3-in-1 account

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

### Home reference Loan arrangement with DHFL

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

### Mutual Funds

Our Bank has got tie-ups with all the major Asset Management Companies for distribution of mutual fund products to our customers through our branches. Bank has commenced the MF distribution business in the month of March 2008. Bank has renewed the license for Mutual Fund distribution in Fy 2016-17 and resumed the mutual fund distribution business across all the branches pan India. Bank has more than 100 crore asset under management (AUM) in various Asset Management Companies.

### Sovereign Gold Bonds

Government of India has issued Sovereign Gold Bonds in various tranches to individuals resident in India, Trusts, Charitable Institutions and Universities in India. The Bonds issued in the form of Government of India Stock in physical and De-mat form. The Bonds are issued in units of one gram of gold and multiples thereof and the maximum limit per person per fiscal year is 500 grams. During the FY 2016-17, our Bank has sold 0.10 million grams.

### FOREX BUSINESS

Forex Business is one of the most important focus areas of the bank in deposit mobilization and exchange earnings, At the end of the year 2016-17 Bank had Rupee Drawing arrangement (RDA) with 2 exchange house under the DDA Procedure and 6 exchanges House under Speed Remittance Arrangement. There has been a increase in remittance volume under speed remittance arrangement owing to competitive pricing of transactions vis- a -vis peer banks. The increase in routing transaction is also contributed by other factors like timely and seamless processing of the transaction, support and service extended to the exchange house in the remittance operation.

On the NRI Business front NRI deposit of the Bank stood at ₹1893 crore at the end FY 2016-17.

### FINANCIAL INCLUSION AND BUSINESS CORRESPONDENTS MODEL

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

As on 31<sup>st</sup> March 2017, there were 49 Business Correspondents in various parts of Kerala and Tamil Nadu.

Business Correspondents have actively participated in the following Campaigns:

- SGB (Sovereign Gold Bond)
- APY (Atal Pension Yojana) as well as other welfare schemes launched by the Government of India.
- Actively Sourced Loan products and Third Party products viz Life Insurance, General Insurance and Mutual Funds.
- There is a significant Improvement in the BC Business. As on 31.03.2017 BCs have sourced 41806 Accounts with CASA balance of ₹77.4 Mn, 201 active FDs amounting to ₹18.62 Mn and 288 RDs with cumulative balance of ₹4.4 Mn.

32000 Rupay debit Cards have been issued to our Financial Inclusion customers, who have opened PMJDY accounts through Business Correspondents. These customers, in addition to using their Rupay debit cards at the TABs operated through Business Correspondents, can use the same at all ATM locations.

### CURRENCY CHESTS

"Bank is having two Currency Chests, one attached to Pushagiri Branch, Thrissur and the other one attached to Attukal Branch, Thiruvananthapuram. Both the Chests are equipped with state of the art machines for currency counting, sorting and counterfeit detection".

### ALTERNATE CHANNELS

#### ATM:

The total numbers of ATMs as at the end of the year Dt: 31 Mar 2017 was 371.

- With a view to bringing down Monthly Management Fee on ATMs, we have started the migration of cash loading and FLM (First Level Maintenance) activities of Onsite ATM's from CRA (Cash Replenishing Agencies) to branches. Last financial year 60 Onsite ATMs were migrated thereby saving an amount of ₹3,72,000/- on a monthly basis.
- It was during the financial year 2016-17, the demonetization of the SBN of ₹1000 and ₹500 was implemented by Government of India. Our bank successfully configured the changes of the new ₹2000 and ₹500 notes at the switch and ATM level simultaneously within the prescribed timeline of RBI. This helped the branches to immediately handle the heavy rushes at the counters for the withdrawals during the early phases of demonetization. Our bank was the one among the first ten banks to get the configurations done at the ATMs.
- With the support of our regional heads, bank branches, accounts department and our ATM vendors, the ATMs were replenished with cash then and there ensuring the maximum uptime of our ATMs all over the country to meet the customer requirements especially ATMs located at Kerala. This not only benefited our customers and other bank customers alike from our services but also led to generation of huge income from offus transactions during this phase. In the month of December 2016 there has been an all time high income of 14.8 Mn, 10.6 Mn and 9.9 Mn in the months of January and February respectively.

## **POS**

We have launched Point of Sale (PoS) business in the FY 2013-14, as part of merchant acquisition service. We have increased our base in 2016-17, by increasing the number of PoS terminals to 1209 as on 31<sup>st</sup> March 2017.

- Owing to the restriction of cash transactions as part of the demonetization, there has been a huge surge in the cashless transactions across the country resulting in more transactions at the PoS terminals. From last year's number of transactions of 497128, there has been increase to 1089785 as on March 31<sup>st</sup> 2017 thereby increase in CASA float from the merchant accounts and total profits.

## **Others**

We were the first among the few major banks to successfully launch the BBPS-Bharath Bill Payments System through our Net Banking in the prescribed timeline of RBI. BBPS is an integrated bill payment system in offering interoperable and accessible bill payment service to customers through a network of agents, enabling multiple payment modes, and providing instant confirmation of payment. An initiation from NPCI, under the authorization of RBI.

## **CORPORATE WEBSITE**

- Bank maintains its corporate website (www.dhanbank.com) with a dedicated internal team
- The website is updated on a daily basis with product updates, information to customers, latest news while also ensuring availability of information as required by regulators in an easy fashion
- The corporate website has approximately 1.85 lac page views / hits per month

## **PAYMENT GATEWAYS**

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

## **MOBILE BANKING/PAYMENTS AND SMS BANKING**

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

## **NACH (NATIONAL AUTOMATED CLEARING HOUSE)**

NACH is owned by NPCI (National Payments Corporation of India) and promoted by Finance Ministry of India. The main objective

of this system to execute DIRECT CASH TRANSFER SCHEME or any same kind of scheme to the eligible citizens of India based on AADHAAR CARD NUMBER [Aadhar Based Payment System] or to execute the same scheme to Non-AADHAAR CARD Holders also; based on bank account number [ECS & NACH-Debit /Credit].

Your Bank has been on board for NACH since March, 2013. Your Bank has become beneficiary / destination bank to receive subsidy to the customer account based on the Aadhaar Number or Bank Account Number. Our eligible customers can receive funds from the government agencies under the respective schemes to their accounts in your bank. Your Bank has already started receiving direct benefit transfers into accounts of customers who have provided their Aadhaar numbers for linkage to their accounts". As part of the ACH operations for digitizing the ECS management - both Mandates and the transactions - NPCI has introduced Mandate Management System [MMS]. The software for managing the NACH Mandates is already developed and deployed.

## **Information Technology Department**

### **Details of New products and services introduced during the FY 2016-17**

During the last financial year, the bank has excelled in providing relentless technology support for the entire business units of the Bank. The department also took serious efforts to plug various regulatory / audit prescriptions and equally ensured the stability of the core IT infrastructure and the uptime of various critical applications. Pursuant to the organization call for drastic reduction in operating expenses, the department while renewing various contracts / engagements conducted extensive negotiations with various vendors and could successfully contain the cost to optimum level.

A summary of the various initiatives and the comparative figures quantifying the cost reduction efforts is detailed below.

### **Enabling Recharge Module feature in Mobile Banking**

Launched Recharge module in DhanSmart. Consequently, our Mobile Banking users can do various re-charges like Mobile, Data Card and DTH using DhanSmart. This facility is available in all platforms Android, iOS and Windows.

### **Released IMPS facility in RIB application**

#### **Software for Tracking ATM Inspection Details**

A web based application has been developed for entering the current status of the ATM counters as well as its related fixtures like UPS, Air conditioner, Access lock, Lighting inside the ATM lobby, Lighting at Signage Board, Deep Cleaning, ATM ID and display materials, CRA Service ,ATM Service up time, Over all look and feel of the site.

The information pertaining to the above mentioned items & its functional status can be entered through this web based form. The access of this application is only either BM or ABM. The data capturing process is based on week wise and once submit the data, user can't be modified the data for that particular week. The data capturing is based on the week wise, hence the user has to enter the data once in a week, this starts from Monday to Saturday. Application will not allow entering the data for the previous week.

### **Software to capture/monitor the details of Third Party Products sale, PAN card services**

As per new IRDAI guidelines, the onus of keeping all KYC details of customers who purchase third party products like Life Insurance, Group Insurance, Mutual Funds and Gold/Silver etc from us rests with the bank and not on the insurance/service provider/product owner. The compliance of KYC assumes greater significance in case of walk-in customers. In order to ensure the compliance KYC for third party products, IT department has developed a new module in 'Connect' viz. TPP Tracker (TPP). This new facility will enable branches and Corporate Office to monitor sales of third party products. The tracker can also be used as an effective tool for ensuring good customer service to purchasers of third party products.

We have also integrated another module for processing the PAN card facilitation request from both DLB and walk in customers.

### **Software to capture Locker Occupancy module**

Locker module in Connect is used to track the operations of the lockers available in the branch based on Locker brand, Locker unit, Locker size and Locker number. This module consists of Locker opening form, Locker operation screen, Locker closure form, Locker dashboard and Locker Operation reports. Branches have also given the provision for setting the locker number range based on Locker Brand and unit.

### **Payment Gateways for accepting donation**

We have integrated an online payment module for accepting donations to Guruvayur Devaswom from DLB customer's viz. Dhan Direct. This payment module is integrated with Bank's corporate website. With the help of this module our customers will be able to pay donations online.

### **Details of various cost reduction initiatives**

To adhere to the organization call for cost reduction, the bank has reciprocated well and taken all possible efforts to achieve the same.

We could initiate a direct reduction in costs amounting to ₹ 1.45 crore. Out of this, reduction of ₹ 47 lakh will be effected in next Financial year

The following broad areas were identified and our efforts towards cost reduction were focused on these.

- Reducing the onsite resources cost as part of outsourced arrangements
- Changing the vendors for facility management services which was erstwhile availed for huge costs, without compromising on the quality
- Surrendering excess space in MDC (Managed Data Center) by reducing the number of server racks.
- Reduction in MPLS (Multiprotocol Label Switching) costs or by increasing the network bandwidth under same costs.
- Leveraging in-house capabilities for managing various projects
- Renegotiating AMC (Annual Maintenance Cost) rates for hardware and software with OEM Vendors / Partners.
- Exhaustive Negotiation with the vendors

### **INSPECTION AND VIGILANCE**

The Bank has a detailed Inspection manual and a robust Inspection policy which are updated periodically. The Inspection policy takes care of modifications in the audit methodology in line with the RBI guidelines, changes brought in the organizational structure and business models with the objective of auditing an activity at the place of its origin. This comprises of Risk Based Internal Audit (RBIA) of Branches and Concurrent Audit of Branches (including Regional and Central processing Centres) and other major business units of the Bank. A system of conducting Credit Audits is also in place in order to ensure proper documentation of high value advances of the bank. The RBIA of the branches are conducted as per scheduled intervals based on the previous risk rating of the Branches (High risk branches are audited more frequently). During the year 2016-17, 209 branches were subjected to RBIA inspection and Concurrent Audit scope included 67 branches and major business units the bank, covering 53.12% of Total Deposits, 67.68% of Total Advances and 58.90% of the Total Business, which were audited by a mix of internal as well as qualified external auditors appointed by the Bank. Moreover the department also undertakes Management Audit of Corporate Office departments and Regional Offices on a periodic basis. The Bank also initiated the process of automation of RBIA and Concurrent Audits to improve the simplification and speed of execution of key audit activities and the same is expected to be implemented in the financial year 2017-18.

The Vigilance department of the Bank is responsible for implementing policies laid down in this regard by the Government of India, RBI and the Bank's Board and monitoring it periodically. All fraud related issues are handled by this section as per regulatory norms to ensure timely reporting of frauds to the RBI. The Bank also conducts regular investigations into frauds/serious complaints/ irregularities through Surprise Checks, Special Inspections etc. to facilitate prompt remedial actions for non-recurrence of the same. Further, all branches of the bank are required to conduct a quarterly Preventive Vigilance Committee meeting to discuss and keep abreast of latest directives by the Vigilance team and a copy of minutes of the said meeting (detailing observations, if any, along with remedial actions taken) are reported to the Vigilance team for submission to the top management of the bank on a regular basis.

### **INFORMATION SECURITY**

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

Banks critical IT assets have been monitored for any security breaches through 24X 7 Security Operation Centre (SOC). ISG used to carry out periodic vulnerability assessment and penetration testing exercise for critical information system assets. Bank is giving enough attention on security aspects of digital payment systems and it is complied with appropriate technical and regulatory security control measures.

## LEGAL

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

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

The Bank is also having a well structured and defined Manual on Documentation, updated from time to time, in tune with the statutory changes and judicial decisions. Legal Department takes care of the updation of legal knowledge and statutory changes among the field functionaries by circulating an internal monthly journal called "Legal Pro" which conveys latest judicial decisions and statutory changes affecting bankers. Legal Department of the Bank is well equipped and has put in place all the necessary and statutory checks and balances to protect and safeguard the interests of the Bank.

## KYC – "KNOW YOUR CUSTOMER" AND AML – "ANTI MONEY LAUNDERING"

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

Our AML software Omni Enterprises of M/s. Infra Soft Technologies Ltd is equipped with the Alert scenarios prescribed by the Indian Bank Association. Bank has also got registered with Central KYC Registry and getting ready for upload of the KYC records of all Individual accounts opened from January 2017. In line with the RBI Guidelines, the Bank is strictly following the "Know Your Customer" norms.

## RISK MANAGEMENT

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

guidelines that will facilitate integrated risk management.

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of risks are in place. The Bank has a Board level subcommittee for Risk Management. At the executive level, the Bank has a Risk Management Committee of Executives (RMCE), Asset Liability Committee (ALCO), Credit Risk Management Committee (CRMC) and Operational Risk Management Committee (ORMC). These Committees along with the Investment Committee and the Credit Committees ensures adherence to the implementation of the risk management policies and controlling credit commitments on behalf of the Bank within prescribed limits.

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

## BASEL II and Basel III guidelines

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

## CREDIT RISK

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

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

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

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

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

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

## MARKET RISK

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

Liquidity risk which is the risk to a bank's earnings and capital arising from its inability to timely meet obligations when they become due without incurring unacceptable losses. Liquidity obligation of the Bank arises from withdrawal of deposits, repayment of borrowed funds at maturity and meeting credit and working capital needs. The primary tool of monitoring liquidity is the mismatch/gap analysis, which is monitored over successive time bands on a static basis. The Bank is generating daily Structural Liquidity Statement which is used by the Treasury

Department for effective liquidity management. Apart from the above, the trend in the major liquidity ratios are measured and analyzed on a weekly basis. The Bank also prepares liquidity projections on a weekly basis. Moreover, the funds readily available as a back stop to meet contingency situations are measured and analyzed on a continuous basis.

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

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

## OPERATIONAL RISK

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

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

Bank had rolled out the Risk Control Self Assessment (RCSA) to pro-actively identify emerging risks at operational level for devising mitigants at source itself during 2010-11 and has successfully completed RCSAs in majority of the branches and other business functions. Collation of "Loss Events" is also being



continued a first measure to move towards The Standardized Approach (TSA)/Advanced Measurement Approach (AMA) for capital calculation.

### **Risk Based Supervision (RBS)**

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

### **HUMAN RESOURCES**

Bank has been taking steps constantly to increase the momentum of its growth, profitability and better customer service. Bank is in a transformation process to increase the productivity of the workforce and per employee business to achieve the desired objectives. The Bank's employee strength, which was 2185 as on 31st March, 2016, stood reduced to 2021 as on 31st March, 2017. The number of Sales Executives including Business Development Executives also reduced to 100 as on 31st March, 2017 from the level of 140 as on 31st March, 2016. Bank has provided training to the employees on various areas to improve their efficiency to accelerate the growth. More thrust was given to training and majority of the employees were given at least one training programme during the year. 2658 employees were trained through in house programmes and 109 employees were trained through external training programmes by reputed institutions during the year. As part of e-learning initiatives, the Bank conducted online exams for the employees.

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

### **CORPORATE SOCIAL RESPONSIBILITY**

Bank continued the DLB-TMA scholarship programs for the deserving two MBA students seeking financial assistance to meet their educational requirements. Bank also continued the maintenance of "Walkers Park" in Thrissur.

The bank had participated in the event, "TCS Fit4life Corporate Challenge" to promote awareness on physical fitness amongst the work force and to contribute towards a social cause. More than 63 employees from the Bank participated in the 10 KMs marathon held on February 19th, 2017 at Kochi.

### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

#### **Internal controls**

The Bank is having full-fledged Inspection and Vigilance

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

### **Risk Management Practices**

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

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

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

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

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

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

### **Human Resource Development/Industrial Relations**

Human Resources policies are systems of codified decisions, established by an organization to support administrative personnel functions, performance management, employee relations and resource planning. Monitoring and ensuring the strict compliance of policies enables strengthening and developing employee efficiency, morale and productivity. The Bank's Staff Training College identifies the skill gap in employee's productivity and up skill them to achieve the business goals. The Bank has a highly co-operative work force and the industrial relations has been very cordial during the year ended report.

# Report on Corporate Governance

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

(This Report forms part of the Directors' Report for the year ended March 31, 2017)

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

## 1. BOARD OF DIRECTORS

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

### Composition of Board

The composition of the Board of Directors, the category of each Director, the sector represented by them according to the Banking Regulation Act, 1949 and the equity shares held by each Director in the Bank as on March 31, 2017 are given below

S. No.	Name of Director	Category of Director	Sector represented by the Director according to the Banking Regulation Act, 1949	No of equity shares held as on March 31, 2017	% of share holding	Remarks
1	Dr. Jayaram Nayar, Part-time Chairman	Non-Executive Director	Majority - Banking	-	-	Appointed as Part-time Chairman w.e.f 06.04.2016
2	Sri. G. Sreeram, MD & CEO	Whole Time Director	Majority - Banking	-	-	--
3	Sri. P. Mohanan, Director	Non Executive Independent Director	Majority – Banking & SSI	200	0.00	--
4	Sri. Chella K Srinivasan, Director	Non Executive Independent Director	Majority - Accountancy	200	0.00	--
5	Dr. Lakshmy Devi K.R, Director	Non Executive Independent Director	Majority - Economics	200	0.00	--
6	Sri S.T Kannan, RBI Additional Director	RBI Nominee	NA	-	-	--
7	Sri Arun Rao M.G	Non Executive Independent Director	Majority - Law	-	-	Appointed as Additional Director w.e.f 04.07.2016 and as Non-Executive Independent Director w.e.f 29.09.2016

8	Sri. P.S Sreekumar	Non Executive Independent Director	Majority – Co-operation	200	-	Appointed as Additional Director w.e.f 04.07.2016 and as Non-Executive Independent Director w.e.f 29.09.2016
9	Sri. Gopinathan C.K	Non-Executive Director		2,09,84,000*	9.99%	Appointed as Additional Director w.e.f 11.08.2016 and as Non-Executive Director w.e.f 29.09.2016

\*including 63,50,000 equity shares held by relatives / associates

Sri. K.Jayakumar, Sri. E. Madhavan and Sri. Susobhan Sinha who were Directors on the Board of the Bank, ceased to be Directors w.e.f 28.04.2016, 29.09.2016 and 02.03.2017 respectively.

#### Board Meetings

A total of 9 Board Meetings were held during the year and the dates are as under: –  
29.04.2016, 30.05.2016, 04.07.2016, 11.08.2016, 30.09.2016, 11.11.2016, 12.12.2016, 17.01.2017 and 14.02.2017.

The details of attendance of each Director at the Board meetings and at the last Annual General Meeting (AGM) held on September 29, 2016 are as follows:-

S. No.	Name of Director	No of Board Meetings		Attendance at last AGM
		Held during the Tenure	Attended	
1	Dr. Jayaram Nayar	9	9	Present
2	Sri. G. Sreeram	9	9	Present
3	Sri. P. Mohanan	9	9	Present
4	Sri. Chella K Srinivasan	9	9	Present
5	Dr. Lakshmy Devi K.R	9	9	Present
6	Sri. Gopinathan C.K	6	5	Present
7	Sri. Arun Rao M.G	6	6	Present
8	Sri. P.S Sreekumar	6	5	Present
9	Sri. E Madhavan	3	3	Not Present
10	Sri. Susobhan Sinha	9	9	Not Present
11	Sri. S.T Kannan	9	8	Not Present

#### Change in Directors during the year

Name of Director	Appointment	Cessation
Dr. Jayaram Nayar	Appointed as Part-time Chairman w.e.f 06.04.2016	--
Sri. K. Jayakumar	--	Ceased to be Director w.e.f 28.04.2016
Sri. E Madhavan	--	Ceased to be Director w.e.f 29.09.2016
Sri. Arun Rao M.G	Appointed as Additional Director w.e.f 04.07.2016 and as Non-Executive Independent Director w.e.f 29.09.2016	--

Sri. P.S Sreekumar	Appointed as Additional Director w.e.f 04.07.2016 and as Non-Executive Independent Director w.e.f 29.09.2016	--
Sri. Gopinathan C.K	Appointed as Additional Director w.e.f 11.08.2016 and as Non- Executive Director w.e.f 29.09.2016	--
Sri. Susobhan Sinha, RBI Additional Director	--	Ceased to be a Director w.e.f 02.03.2017

Committee position of Directors in the Bank as on March 31, 2017

S. No.	Name of Director	Chairman	Member
1	Dr. Jayaram Nayar	<ol style="list-style-type: none"> <li>1. Customer Service Committee</li> <li>2. Stakeholders' Relationship Committee</li> <li>3. Corporate Social Responsibility Committee</li> </ol>	<ol style="list-style-type: none"> <li>1. Management Committee</li> <li>2. Risk Management Committee</li> <li>3. Large Value Fraud Monitoring Committee</li> <li>4. Committee for Overseeing Construction of HO Building</li> <li>5. Redressal Committee on Willful Defaulters</li> <li>6. Review Committee on Non-Cooperative Borrowers</li> </ol>
2	Sri. G. Sreeram	<ol style="list-style-type: none"> <li>1. Large Value Fraud Monitoring Committee</li> <li>2. Redressal Committee on Willful Defaulters</li> <li>3. Review Committee on Non-Cooperative Borrowers</li> </ol>	<ol style="list-style-type: none"> <li>1. Management Committee</li> <li>2. NPA Monitoring Committee</li> <li>3. Risk Management Committee</li> <li>4. Customer Service Committee</li> <li>5. Stakeholders' Relationship Committee</li> <li>6. HR &amp; IT Strategy Committee</li> <li>7. Corporate Social Responsibility Committee</li> <li>8. Committee for Overseeing Construction of HO Building</li> </ol>
3	Sri. P. Mohanan	<ol style="list-style-type: none"> <li>1. Management Committee</li> <li>2. NPA Monitoring Committee</li> <li>3. Nomination &amp; Remuneration Committee</li> <li>4. HR &amp; IT Strategy Committee</li> <li>5. Committee for Overseeing Construction of HO Building</li> </ol>	<ol style="list-style-type: none"> <li>1. Audit Committee</li> <li>2. Risk Management Committee</li> <li>3. Large Value Fraud Monitoring Committee</li> <li>4. Redressal Committee on Willful Defaulters</li> </ol>
4	Sri. Chella K Srinivasan	<ol style="list-style-type: none"> <li>1. Audit Committee</li> <li>2. Risk Management Committee</li> </ol>	<ol style="list-style-type: none"> <li>1. Management Committee</li> <li>2. NPA Monitoring Committee</li> <li>3. Large Value Fraud Monitoring Committee</li> <li>4. Nomination &amp; Remuneration Committee</li> <li>5. HR &amp; IT Strategy Committee</li> <li>6. Review Committee on Non-Cooperative Borrowers</li> </ol>
5	Dr. Lakshmy Devi K.R		<ol style="list-style-type: none"> <li>1. Audit Committee</li> <li>2. Management Committee</li> <li>3. Customer Service Committee</li> <li>4. Large Value Fraud Monitoring Committee</li> <li>5. Stakeholders' Relationship Committee</li> <li>6. Nomination &amp; Remuneration Committee</li> <li>7. Corporate Social Responsibility Committee</li> <li>8. Committee for Overseeing Construction of HO Building</li> </ol>

S. No.	Name of Director	Chairman	Member
6	Sri. Arun Rao M.G		1. Audit Committee 2. Stakeholders' Relationship Committee 3. Corporate Social Responsibility Committee
7	Sri P.S Sreekumar		1. Customer Service Committee 2. Nomination & Remuneration Committee 3. HR & IT Strategy Committee
8	Sri. Gopinathan C.K		1. Management Committee 2. NPA Monitoring Committee 3. Redressal Committee on Willful Defaulters 4. Review Committee on Non-Cooperative Borrowers
9	Sri. S. T Kannan		1. Audit Committee

None of the Directors is a member of more than ten Committees or Chairperson of more than five Committees across all listed companies in which he is a director, as required under Regulation 26 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. For the purpose of determination of this limit, chairpersonship and membership of Audit Committee and Stakeholders' Relationship Committee is only taken into account.

#### Directorship of Directors in other Public Limited Companies

Sri. Gopinathan C.K holds Directorship in the following Public Limited Companies:-

- i) Managing Director in C K G Super Market Limited
- ii) Director in C K G Securities and Investments Limited

No other Director holds Directorship in any other Public Limited Company.

## 2. COMMITTEES OF BOARD

The Board has constituted various Committees of Directors in accordance with the provisions of Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act, 1949, RBI guidelines and other applicable regulations to take informed decisions in the best interests of the Bank. These Committees monitor the activities falling within their terms of reference. The terms of reference of these Committees and composition of the Committees as on March 31, 2017 and the number / dates of meetings of various Committees in the financial year 2016-17 along with the attendance of the Directors in such meetings are detailed below.

### (A) Audit Committee

#### (i) Composition

The Board of the Bank has constituted a five member Audit Committee. All the Members of the Committee are non-executive Directors. Sri. Chella K Srinivasan, who is a Chartered Accountant, is the Chairman of the Committee. Sri. P. Mohanan, Dr. Lakshmy Devi K.R, Sri. S.T Kannan and Sri. Arun Rao M.G are the other Members of the Committee.

#### (ii) Terms of reference

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board the appointment, reappointment, and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the Board for approval with particular reference to:
  - a) Matters required to be included in the Directors Responsibility Statement to be included in the board's report in terms of clause(C) of Sub-section 3 of section 134 of the Companies Act 2013.
  - b) Changes if any in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - d) Significant adjustment made in the financial statement arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to the financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in the draft audit report.

5. Reviewing with the management the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing with the management performance of the statutory and internal auditors and adequacy of the internal control system.
13. Reviewing the adequacy of internal audit function if any including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
14. Discussion with internal auditors regarding any significant findings and follow-up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
16. Discussion with statutory auditors before audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern and following up all the issues brought out in the Long Form Audit Report (LFAR) and interacting with the Statutory Auditors before finalization of the annual financial accounts and reports.
17. Following up on all the issues / concerns raised in the Annual Financial Inspection (AFI) reports of Reserve Bank of India.
18. To look into the reasons for substantial defaults in the payments to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
19. To review the function of whistle blower mechanism in case the same exists.
20. Monitoring the end use of funds raised through public offers and related matters.
21. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
22. Reviewing the Risk Based Internal Audit (RBIA) / audit function – the system, its quality and effectiveness in terms of follow up;
23. Reviewing the RBIA reports of all branches (First Review) and final review of branches having High, Medium and above Risk level with "Increasing" trend;
24. Review of Revenue leakage detected in RBIA / Revenue / Concurrent Audit;
25. Focusing on the follow-up of:
  - α) Reconciliation of inter-branch adjustment accounts;
  - β) Long outstanding entries in inter-bank accounts and nostro accounts;
  - γ) Arrears in balancing of books at various branches;
  - δ) Frauds and
  - ε) Other key areas of housekeeping
26. Reviewing half yearly reports from the Compliance Officers of the Bank;
27. Review of Concurrent Audit of Depository Department;
28. Review of dishonoured cheques of ₹1 crore and above and cheques issued by broker entities;
29. Review of forex transactions;
30. Review of Concurrent audit of Integrated Treasury and branches (quarterly);
31. Summary of Risk Control Self Assessment (RCSA) of functions/branches done together with open and closed issues;
32. Monthly review of the working of the Vigilance department;
33. Quarterly report on the activity of the Inspection department;
34. Review of the functioning of the meetings of Audit Committee of Executives;
35. Review of reports of inspection of Regional Offices;
36. Quarterly/Annual review of frauds.

**(iii) Number of Meetings during the year**

The Committee met 4 times during the year on 30.05.2016, 10.08.2016, 11.11.2016 and 13.02.2017.

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

S. No.	Name of the Director	Number of Meetings	
		Held during the tenure	Attended
1	Sri. Chella K Srinivasan, Chairman of the Committee	4	4
2	Dr. Lakshmy Devi K.R	4	4
3	Sri. P. Mohanan#	3	3
4	Sri. Arun Rao M.G##	2	2
5	Sri. Susobhan Sinha*	4	4
6	Sri. S.T Kannan	4	4

# Inducted to the Committee w.e.f 30.05.2016

## Inducted to the Committee w.e.f 30.09.2016

\* Ceased to be a Director & Member of the Committee w.e.f 02.03.2017

**(B) Management Committee**

**(i) Composition**

Sri. P. Mohanan is the Chairman of the Committee and Sri. Jayaram Nayar, Sri. G. Sreeram, Sri. Chella K Srinivasan, Dr. Lakshmy Devi K.R and Sri. Gopinathan C.K are the other Members of the Committee.

**(ii) Terms of reference**

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

**(iii) Number of Meetings during the year**

Management Committee met 8 times on 29.04.2016, 31.05.2016, 10.08.2016, 29.09.2016, 12.11.2016, 12.12.2016, 17.01.2017 and 13.02.2017 during the year.

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

S No	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri. P. Mohanan, Chairman of the Committee	8	8
2	Dr. Jayaram Nayar*	7	7
3	Sri. G. Sreeram	8	8
4	Sri. Chella K Srinivasan	8	8
5	Dr. Lakshmy Devi K.R	8	8
6	Sri. Gopinathan C.K#	4	3

\* Inducted to the Committee w.e.f 30.05.2016

# Inducted to the Committee w.e.f 30.09.2016

**(C) Nomination and Remuneration Committee**

**(i) Composition**

Sri. P. Mohanan is the Chairman of the Committee and the other Members are Sri. Chella K Srinivasan, Dr.Lakshmy Devi K R and Sri. P.S Sreekumar.

**(ii) Terms of reference**

1. Frame a policy describing the qualification, experience and other positive attributes for selection of executive/whole time directors including their age of retirement;
2. Formulate and put in place guiding principles to determine the qualities, qualifications, and the parameters to determine the 'fit and proper' criteria for appointment of independent Directors keeping in mind the diversity quotient the Bank's Board shall maintain from time to time and subject to the applicable regulatory requirements;
3. Conduct the process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as Director on the Board, based on the specific criteria prescribed by Reserve Bank of India and the requirements of the Companies Act, 2013;
4. Filling in a timely manner vacancies on the Board of the company including the position of executive/whole time directors;
5. Selection of directors, key management personnel and persons to be appointed in senior management positions as defined by the Board and recommend to the Board for their appointment and removal thereof;
6. Formulate and recommend to the Board for its approval a policy relating to the remuneration for the directors, key managerial personnel and other employees from time to time to ensure that:-
  - a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Bank successfully;
  - b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
  - c) Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
7. Review the performance of individual Directors of the Bank on a yearly basis at the end of each financial year or at such periodicity as the Committee deem fit and recommend to the Board on the basis of such review, whether a director to be recommended for re-appointment or not;
8. Review the performance of the executive/whole time Directors of the Bank and fix suitable compensation packages in consideration of their performance, contributions, the general business environment in which the Bank operates and financial position of the Bank. The remuneration package may be a combination of fixed and performance based bonus/incentives for the period under review.
9. Review the performance of key managerial personnel and senior management persons on a periodical basis and fix their remuneration packages in accordance with the policies approved by the Board, provided the period of gap between two such reviews shall not elapse fifteen months;
10. Ensure that at all times, the Board of the Bank has a fair combination of independent, non-executive and executive directors meeting the governance standards set by the Board and in compliance with regulatory requirements and listing agreements prevailing from time to time;
11. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the Bank;
12. Evaluate and put in place proper mechanism for refreshment trainings for Directors on relevant subject;
13. Evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the Bank;
14. Put in place, subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other Directors on the board of the Bank;
15. Ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the Bank;
16. Oversee the overall governance standards and policies of the Bank and delegation of authorities to match with the best practices in relation to the size of the Bank and the level of its operations to protect the interest of all stake holders.

The criteria for performance evaluation of independent Directors include, inter-alia, the following:

- Attendance at Board and various Committee meetings;
- Integrity & Probity
- Participation and contribution in Board and Committee meetings;
- Independence in Board discussions especially on issues of strategy, performance, risk management, resources, key appointments, good corporate governance and standards of conduct
- Compliance and understanding of regulatory requirements;



- Contribution to effective corporate governance and transparency in the Bank's operations;
- Updation of Knowledge and familiarization programmes conducted for Directors;
- Appropriateness of decisions made by the Board and its Committees;
- Quality, quantity and timeliness of flow of information to the Board;
- Understanding by individual Directors for their roles and responsibilities as Director;
- Contributions towards the performance and strategies of the Bank;
- Conduct in Meetings;
- Professionalism in the Board and Committees

**(iii) Number of Meetings during the year**

The Nomination & Remuneration Committee met 2 times on 31.05.2016 and 10.08.2016 during the year.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Sri. P. Mohanan, Chairman of the Committee	2	2
2	Sri. Chella K Srinivasan	2	2
3	Dr. Lakshmy Devi K R	2	2
4	Sri. P.S Sreekumar *	0	0

\* Inducted to the Committee w.e.f 30.09.2016

**(D) Risk Management Committee**

**(i) Composition**

Sri. Chella K.Srinivasan is the Chairman of the Committee and Dr. Jayaram Nayar, Sri. G Sreeram and Sri. P Mohanan are other Members of the Committee.

**(ii) Terms of reference**

1. Overseeing the development and implementation of the risk management strategy and practices by the Bank and assess the effectiveness thereof;
2. Review the risk management framework and risk appetite of the Bank, examine the adequacy and effectiveness of the risk management policy, and ensure appropriate / adequate reporting to the Board
3. Overseeing the implementation of Risk Management guidelines prescribed by the Reserve Bank of India;
4. Ensure that the Bank has an appropriate and effective mechanism to identify, measure, control and monitor all applicable risks on a timely basis and as accurately as feasible;
5. Call for appropriate data / information to confirm the risk assessments of the past or projections for the future including development of any key performance or risk tolerance indicators;
6. Ensure that the risk management policy in force is in tune with regulatory requirements, corporate governance standards, emerging new risks and industry best practices;
7. Review major breaches in policy;
8. Appraise uncovered / residual risks to the Board;
9. Assess the capacity of the Bank to withstand major 'shocks' , financial or otherwise, caused by market forces, regulatory directives, environment, any other external factors or internal upheavals;
10. Call for any studies, information, data or analyses in matters pertaining to management of risk from the officers of the Bank, issue orders for investigation on any risk related subject including constitution of any sub-committee for such purpose and seek the opinions or reports of independent experts/professionals where considered desirable or essential.

**(iii) Number of Meetings during the year**

The Committee met 4 times during the year on 10.08.2016, 29.09.2016, 12.12.2016 and 13.02.2017.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Sri. Chella K Srinivasan, Chairman of the Committee	4	4
2	Dr. Jayaram Nayar	4	4
3	Sri. G. Sreeram	4	4
4	Sri. P. Mohanan	4	4
5	Sri. E. Madhavan#	1	1

# Ceased to be a Director & Member of the committee w.e.f 29.09.2016.

**(E) NPA Monitoring Committee**

**(i) Composition**

Sri. P. Mohanan is the Chairman of the Committee. Sri. G. Sreeram, Sri. Chella K Srinivasan and Sri. Gopinathan C.K are other Members of the Committee.

**(ii) Terms of reference**

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

**(iii) Number of Meetings during the year**

The Committee met 6 times during the year on 29.04.2016, 31.05.2016, 10.08.2016, 29.09.2016, 12.11.2016 and 17.01.2017.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Sri. P. Mohanan, Chairman of the Committee	6	6
2	Sri. G. Sreeram	6	6
3	Sri. Chella K Srinivasan	6	6
4	Sri. Gopinathan C.K#	2	1

# Inducted to the Committee w.e.f 30.09.2016

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

**(i) Composition**

Sri. P. Mohanan is the Chairman of the Committee. Sri. G. Sreeram, Sri. Chella K Srinivasan and Sri. P.S Sreekumar are the other Members of the Committee.

**(ii) Terms of reference**

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

**(iii) Number of Meetings during the year**

HR & IT Strategy Committee met 2 times on 31.05.2016 and 17.01.2017 during the year.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Sri. P. Mohanan, Chairman of the Committee	2	2
2	Sri. G. Sreeram	2	2
3	Sri. Chella K Srinivasan	2	2
4	Sri. P.S Sreekumar*	1	1

\* Inducted to the Committee w.e.f 30.09.2016

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

**(i) Composition**

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

**(ii) Terms of reference**

1. Monitor and review all large value frauds of ₹ 1.00 crore and above;
2. Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same;
3. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and Reserve Bank of India;
4. Monitor progress of CBI/Police investigation and recovery position;
5. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time;
6. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;
7. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds

**(iii) Number of Meetings during the year**

The Committee met 2 times during the year on 29.09.2016 and 13.02.2017.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Sri. G. Sreeram, Chairman of the Committee	2	2
2	Dr. Jayaram Nayar	2	2
3	Sri. Chella K Srinivasan	2	2
4	Dr. Lakshmy Devi K.R	2	2
5	Sri. P. Mohanan	2	2

**(H) Stakeholders' Relationship Committee**

**(i) Composition**

Dr. Jayaram Nayar is the Chairman of the Committee. Sri. G Sreeram, Dr. Lakshmy Devi K R and Sri. Arun Rao M.G are the other Members of the Committee.

**(ii) Terms of reference**

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

(iii) Number of Meetings during the year

The Committee met 4 times during the year on 29.04.2016, 29.09.2016, 12.11.2016 and 13.02.2017.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Dr. Jayaram Nayar, Chairman of the Committee#	3	3
2	Sri. G. Sreeram	4	4
3	Dr. Lakshmy Devi K R	4	4
4	Sri. Arun Rao M.G##	2	2

# Inducted to the Committee w.e.f 30.05.2016

##Inducted to the Committee w.e.f 30.09.2016

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

Sl. No.	Nature of complaint	No. of complaints pending as on 01.04.2016	No. of complaints received	No. of complaints resolved	No. of complaints pending as on 31.03.2017
1	Transfer related Complaints	0	1	1	0
2	Dividend related Complaints	0	0	0	0
3	Others	0	1	1	0
	Total	0	2	2	0

There are no investor complaints pending as on the date of this Report in SEBI Complaints REDress System (SCORES).

(I) Customer Service Committee

(i) Composition

The Committee is chaired by Dr. Jayaram Nayar. Sri. G. Sreeram, Dr. Lakshmy Devi K.R and Sri. P.S Sreekumar are the other Members.

(ii) Terms of reference

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

(iii) Number of Meetings during the year

The Committee met 4 times during the year on 29.04.2016, 29.09.2016, 12.11.2016 and 13.02.2017.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Dr. Jayaram Nayar, Chairman of the Committee#	3	3
2	Sri. G. Sreeram	4	4
3	Dr. Lakshmy Devi K R	4	4
4	Sri. P.S Sreekumar ##	2	0

# Inducted to the committee w.e.f 30.05.2016

## Inducted to the committee w.e.f 30.09.2016

**(J) Committee for Overseeing HO Building Construction**

**(i) Composition**

Sri. P. Mohanan is the Chairman of the Committee. Dr. Jayaram Nayar, Sri. G. Sreeram and Dr. Lakshmy Devi K. R are the other Members.

**(ii) Terms of reference**

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

**(iii) Number of Meetings during the year**

The Committee did not meet during the year.

**(K) Corporate Social Responsibility Committee**

**(i) Composition**

Dr. Jayaram Nayar is the Chairman of the Committee. Sri. G. Sreeram, Dr. Lakshmy Devi K R and Sri. Arun Rao M.G are the other Members.

**(ii) Terms of reference**

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

**(iii) Number of Meetings during the year**

The Committee did not meet during the year.

**(L) Redressal Committee on Willful Defaulters**

**(i) Composition**

Sri. G. Sreeram is the Chairman of the Committee. Dr. Jayaram Nayar, Sri. P. Mohanan and Sri. Gopinathan C.K are other Members of the Committee.

**(ii) Terms of reference**

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

**(iii) Number of Meetings during the year**

The Committee met once during the year on 29.09.2016.

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

S. No.	Name of the Director	Number of Meetings	
		Held During The Tenure	Attended
1	Sri. G. Sreeram, Chairman of the Committee	1	1
2	Dr Jayaram Nayar	1	1
3	Sri. P. Mohanan	1	1
4	Sri. Gopinathan C.K#	0	0

# Inducted to the Committee w.e.f 30.09.2016

#### **(M) Review Committee on Non-cooperative Borrowers**

##### **(i) Composition**

Sri. G. Sreeram is the Chairman of the Committee. Dr Jayaram Nayar Sri. Chella K Srinivasan and Sri. Gopinathan C.K are the other Members of the Committee.

##### **(ii) Terms of reference**

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

##### **(iii) Number of Meetings during the year**

The Committee did not met during the year.

### **3. SEPARATE MEETING OF INDEPENDENT DIRECTORS**

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of Independent Directors of the Bank was held on November 12, 2016. The agenda for the meeting included:-

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

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

### **4. REMUNERATION POLICY**

#### **(A) Remuneration Policy for Employees of the Bank**

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

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

#### **(B) Remuneration Policy for Directors**

##### **Remuneration of Executive Directors**

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

##### **Remuneration of Non-Executive Directors (NEDs)**

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

**Remuneration paid to Directors during the year ended March 31, 2017**

1. The Bank paid a total remuneration of ₹ 36,00,000 to Sri. G. Sreeram, Managing Director & CEO during the year.
2. The sitting fees payable to a non-executive Director for attendance at a Board / Committee Meeting attended by him shall be such amount as may be fixed by the Board of Directors in accordance with the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949, RBI guidelines and other applicable rules and regulations. The Board of Directors has approved the payment of ₹ 20,000 as sitting fee for each Meeting of the Board and ₹ 10,000 as sitting fee for each Meeting of the Committee attended. Accordingly, the Bank paid sitting fees during the financial year 2016-17 as under:-

S. No.	Name of Director	Total Amount of Sitting Fees paid during the year ended March 31, 2017
1	Dr Jayaram Nayar	3,80,000/-
2	Sri. P. Mohanan	4,70,000/-
3	Sri. Chella K Srinivasan	4,70,000/-
4	Dr. Lakshmy Devi K R	4,30,000/-
5	Sri. Arun Rao M.G	1,70,000/-
6	Sri. P.S Sreekumar	1,10,000/-
7	Sri. Gopinathan C.K	1,40,000/-
8	Sri. E. Madhavan	70,000/-

RBI Additional Directors are not paid any sitting fees by the Bank for attending Board/Committee meetings.

The Remuneration Policy of the Bank is hosted on the website of the Bank [http://www.dhanbank.com/investor\\_relations/inv\\_stat\\_policy.aspx](http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx).

**5. INFORMATION ON DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED AT THE 90TH ANNUAL GENERAL MEETING (REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015)**

**(1) SRI. GOPINATHAN C.K (DIN - 01236752)**

Date of Birth and age	29.03.1954 ; 63 years
Qualifications	B.COM
Brief Resume, Experience and Nature of expertise in specific functional areas	Sri. Gopinathan C.K is promoter Director of C.K.G Supermarket Limited and Managing Director of C.K.G Securities and Investments Limited. He was also a Director in the Catholic Syrian Bank Limited for almost 8 years from September 26, 2008 to July 20, 2016 and has more than 25 years of experience in banking / finance sectors. Sri. Gopinathan C.K is a major shareholder in the Bank and also has major investments in various leading companies across the State.
Date of first appointment on Board	Sri. Gopinathan C.K was appointed as Additional Director w.e.f August 11, 2016. He was appointed as Director liable to retire by rotation at the Annual General Meeting of the Bank held on September 29, 2016.
Sector	Minority
Shareholding in the Bank as on the date of this Report	1,89,50,000 Equity Shares held by Sri. Gopinathan C.K and 63,50,000 Equity Shares held by relatives / associates
Relationship with other Directors, Manager and Key Managerial Personnel of the Bank	Nil
Chairman / Member of Committees of Board of Directors of the Bank as on the date of this Report	Sri. Gopinathan C.K is a Member of:- 1. Management Committee; 2. NPA Monitoring Committee; 3. Risk Management Committee; 4. Large Value Fraud Monitoring Committee; and 5. HR & IT Strategy Committee
Directorship in other entities	C.K.G Supermarket Limited - Director C.K.G Securities and Investments Limited – Managing Director None of the above is a listed entity.

Membership / Chairmanship of Committees of Boards of other listed companies as on the date of this Report	Nil
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**(2) SRI. P.S SREEKUMAR (DIN - 07555178)**

Date of Birth and age	20.05.1956 ; 61 years
Qualifications	B.COM, LLB, M.A (P.A), PGDJ
Brief Resume, Experience and Nature of expertise in specific functional areas	Sri. P.S Sreekumar has varied experience in the field of Cooperation, having worked as Supervisory Officer from 1992 to 1995 in the Co-operation department with the Government of Kerala and being a nominee Director in Mannam Sugar Mills Co-operative Limited since December 17, 2014. He has worked as Special Secretary to Government of Kerala. He had also worked as the State Protocol Officer of Govt. of Kerala and Secretary of Institute of Management in Government. He holds bachelor's degrees in commerce and law, master's degree in Public Administration and post-graduate diploma in journalism. He has attended World Bank training at Baltimore, USA and ADB-sponsored training at Manila, Philippines. Sri. P.S Sreekumar represents "Majority Sector – Cooperation" in the Board of the Bank.
Date of first appointment on Board	Sri. P.S Sreekumar was appointed as Additional Director w.e.f July 04, 2016. He was appointed as Independent Director for a period of one year w.e.f September 29, 2016 at the Annual General Meeting of the Bank held on that date.
Sector	Majority (Cooperation)
Shareholding in the Bank as on the date of this Report	200 Equity Shares
Relationship with other Directors, Manager and Key Managerial Personnel of the Bank	Nil
Chairman / Member of Committees of Board of Directors of the Bank as on the date of this Report	Sri. P.S Sreekumar is a Member of:- 1. Customer Service Committee; 2. Stakeholders' Relationship Committee; 3. Nomination & Remuneration Committee; and 4. Redressal Committee on Willful Defaulters & Review Committee on Non-Cooperative Borrowers
Directorship in other entities	Director of Mannam Sugar Mills Cooperative Limited (government nominee), which is not a listed entity
Membership / Chairmanship of Committees of Boards of other listed companies as on the date of this Report	Nil

**(3) SRI. VIJAYA RAGHAVAN GOPALA PILLAI (DIN - 0000029021)**

Date of Birth and age	27.03.1957 ; 60 years
Qualifications	B.Sc (Engg.)
Brief Resume, Experience and Nature of expertise in specific functional areas	Sri. Vijaya Raghavan Gopala Pillai was the founder CEO of Technopark, Trivandrum, India's first electronic technology park, from July 1990 to April 1997. As founder CEO, he was responsible for conceptualizing, planning, implementing and worldwide marketing of the services of Technopark. From April 1987 to December 1988, he was the head of the Cybernetics division of Kerala State Electronics Development Corporation in North India. He was the centre coordinator of Centre for Development of Advanced Computing (C-DAC) from December 1988 to July 1990. Prior to this, he has worked as head of office automation & telecommunication in Mohsin Haider Darwish, LLC, Oman and as senior engineer (marketing) for digital test and measuring instruments in HCL Limited. Sri. Vijaya Raghavan Gopala Pillai was also the Member of Kerala State Planning Board from 2011 to 2016 and honorary director of Trivandrum International School and National Institute of Speech and Hearing. He also occupies the position of Member Secretary of Asian School of Business and Chairman of Board of Governors of Goethe Zentrum. He holds a degree of B.Sc (Engg.) in Electrical Engineering. Sri. Vijaya Raghavan Gopala Pillai will represent "Majority Sector – Information Technology" in the Board of the Bank.



Date of first appointment on Board	Not Applicable, as he was not on the Board of the Bank previously
Sector	Majority (Information Technology)
Shareholding in the Bank as on the date of this Report	Nil
Chairman / Member of Committees of Board of Directors of the Bank as on the date of this Report	Not Applicable, as he was not on the Board of the Bank previously
Directorship in other entities	<p>VMA Consultants Private Limited  SunTec Infrastructure Private Limited  Kochi River Resorts Private Limited  Nansystems Private Limited  US Technology International Private Limited  SunTec Business Solutions Private Limited  Centre for Autism and Other Disabilities Rehabilitation Research and Education  National Institute of Speech and Hearing (Hon. Director)  Trivandrum International School (Hon. Director)  Asian Business School (Member Secretary)  Chairman, Board of Governors, Goethe Zentrum</p> <p>None of the above is a listed entity.</p>
Membership / Chairmanship of Committees of Boards of other listed companies as on the date of this Report	Nil

#### 6. DETAILS OF LAST THREE ANNUAL GENERAL MEETINGS

Name of Meeting	Day, Date & Time	Venue	Special Resolutions passed at the Meeting
89 <sup>th</sup> Annual General Meeting	29.09.2016 10.00A.M	Vadakke Samoooha Madom, Thrissur	<ol style="list-style-type: none"> <li>1. To consider issue of redeemable secured/unsecured Non convertible debentures (NCDs)</li> <li>2. To consider further issue of equity shares.</li> </ol>
88 <sup>th</sup> Annual General Meeting	29.09.2015; 10.00 A.M	Vadakke Samoooha Madom, Thrissur	<ol style="list-style-type: none"> <li>1. To reappoint Sri. P. Mohanan as Independent Director of the Bank, not liable to retire by rotation</li> <li>2. To reappoint Sri. Chella K Srinivasan as Independent Director of the Bank, not liable to retire by rotation</li> <li>3. To reappoint Sri. K. Jayakumar as Independent Director of the Bank, not liable to retire by rotation</li> <li>4. To authorize the Board of Directors to increase the issued and paid-up capital</li> </ol>
87 <sup>th</sup> Annual General Meeting	20.09.2014; 11.30 A.M	Vadakke Samoooha Madom, Thrissur	<ol style="list-style-type: none"> <li>1. To increase in the Authorized Capital and amend the Capital Clause (Clause V) of the Memorandum of Association and Article 2 of Articles of Association of the Bank accordingly;</li> <li>2. To exercise the borrowing powers of the Bank pursuant to Section 180(1) (c) of the Companies Act, 2013,</li> <li>3. To amend the Articles of Association of the Bank in compliance with the new Companies Act, 2013 and amendments in the Banking Regulation Act 1949</li> </ol>

## 7. POSTAL BALLOT

During the year, one special resolution was passed through postal ballot for further issue of equity shares of the Bank on preferential basis. Sri. DSM Ram was appointed as the Scrutinizer for the postal ballot.

The voting pattern of the postal ballot was as follows:

Total number of shareholders 85361

Total number of equity shares 17,74,41,619

Number of votes polled 4,87,17,755

Particulars	Number of votes	% of votes to number of votes polled
Number of votes in favour of the resolution	4,82,71,036	99.083
Number of votes against the resolution	4,06,689	0.835

The Bank successfully completed the process of obtaining the approval of its shareholders for special resolution for further issue of equity shares on preferential basis through postal Ballot and allotted 32405000 equity shares on preferential basis on September 07, 2016.

The Bank has complied with the procedures for the postal ballot as prescribed under Section 108 and Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

No postal ballot is proposed / pending to be conducted by the Bank as on the date of this report.

## 8. DISCLOSURES

### (A) MD & CEO / CFO Certification

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

### (B) Related Party Transactions

The Bank has adopted the "[Policy on materiality of related party transactions and dealing with related party transactions](#)" in accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy is hosted on the website of the Bank [http://www.dhanbank.com/investor\\_relations/inv\\_stat\\_policy.aspx](http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx).

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

### (C) Disclosure of Accounting Treatment

In preparation of financial statements for the year ended March 31, 2017, there has been no treatment different from that prescribed in the Accounting Standard that is being followed in the preceding financial year ended March 31, 2016.

### (D) Internal Control Systems

#### Insider Trading Code

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

### Code of Conduct

The Board of Directors has framed the "Code of Conduct for the Board of Directors and Senior Management Personnel of the Bank", as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on Corporate Governance. The confirmation from the Managing Director & CEO regarding compliance with the Code by all the Directors and Senior Management forms part of the Report. The Code is hosted on the website of the Bank [www.dhanbank.com/investor\\_relations/inv\\_stat\\_policy.aspx](http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx).

### Whistle Blower Policy

The Bank has formulated a Whistle Blower Policy with a view to provide a mechanism for employees of the Bank to approach the Chairman of the Audit Committee of the Bank/Ethics Counsellor (Chief of Internal Vigilance) in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank and to prohibit managerial functionaries from taking any adverse personal action against those employees. All protected disclosures reported under this policy will be thoroughly investigated by the Ethics Counsellor/ Chairman of the Audit Committee of the Bank. The investigation is to be normally completed within 45 days of receipt of the protected disclosure. The Policy is hosted on the website of the Bank [www.dhanbank.com/investor\\_relations/inv\\_stat\\_policy.aspx](http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx). It is affirmed that no personnel has been denied access to the Audit Committee.

### Familiarization Programmes

The Bank had conducted various sessions during the financial year to familiarize Directors, including Independent Directors, of the Bank, their roles, rights, responsibilities in the Bank, nature of the banking industry, business position of the Bank, business model, risk management system and technology architecture of the Bank. The details of such familiarization programmes are displayed on the website of the Bank [www.dhanbank.com/investor\\_relations/inv\\_stat\\_policy.aspx](http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx).

### Information supplied to the Board

The Board is regularly presented with all information under the following heads, in accordance with the provisions of Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act, 1949, RBI guidelines and other statutory provisions, whenever applicable and materially significant. These are submitted either as a part of the agenda papers well in advance of the Board/Committee Meetings or are tabled in course of the Board/Committee Meetings.

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

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

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

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

## 9. MEANS OF COMMUNICATION

The unaudited/audited quarterly/half yearly/annual financial results of the Bank are forwarded to the BSE Ltd. and National Stock Exchange of India Ltd. immediately after the Board meeting. The same were also published in leading national and vernacular newspapers such as Financial Express and Janmabhumi. The results, Annual Report and Notice of Annual General Meeting are displayed on the Bank's website at [www.dhanbank.com/investor\\_relations/inv\\_financials.aspx](http://www.dhanbank.com/investor_relations/inv_financials.aspx).

The Bank has disclosed on its website all information as required under Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) and other applicable rules and regulations.

## 10. GENERAL SHAREHOLDER INFORMATION

90 <sup>th</sup> Annual General Meeting	<b>Date</b>	<b>September 30, 2017</b>
	<b>Time</b>	<b>10.00 A.M</b>
	<b>Venue</b>	<b>Vadakke Samooham Auditorium, Shornur Road, Thrissur – 680001</b>
Name and other details regarding Compliance Officer	<b>Sri. Santosh Kumar Barik</b> Company Secretary Dhanlaxmi Bank Ltd. Dhanalakshmi Buildings, Naickanal, Thrissur – 680001 Phone: 0487-661 7000 Fax: 0487-2335367 E-mail: investors@dhanbank.co.in	
Financial Year	2016-17	
Date of Book Closure	<b>September 26, 2017 (Tuesday) to September 30, 2017 (Saturday) (both days inclusive)</b>	
Dividend Payment Date	Not Applicable	
Listing on Stock Exchanges	The equity shares of the Bank are listed on - 1. BSE Ltd. 2. National Stock Exchange of India Ltd.	
Stock Code – Equity Shares	1. BSE Ltd. - 532180 2. National Stock Exchange of India Ltd. - DHANBANK	
Registrar and Transfer Agents	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No.31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 Tel : +91-40-67161500 Fax : +91-40-23001153 E-mail: einward.ris@karvy.com Contact Person : Mrs. Varalakshmi - Asst. General Manager	
Registered Office and Address for Correspondence	Dhanlaxmi Bank Ltd. P.B.No.9, Dhanalakshmi Buildings, Naickanal, Thrissur – 680 001	
Corporate Identity Number (CIN)	L65191KL1927PLC000307	

## 11. LISTING OF THE BANK'S EQUITY SHARES

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

1. The National Stock Exchange of India Ltd. (Stock Code: DHANBANK)

Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051

Tel No: (022) 26598100 - 8114, Fax No: (022) 26598120

2. The BSE Ltd. (Stock Code: 532180)

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001

Phones : (022) 22721233/4, Fax : (022) 22721919

The listing fees payable to the Stock Exchanges for the financial year 2017-18 have already been remitted.

(B) Market Price Data of Bank's Shares

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

Month	NSE		BSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2016	20.45	19.30	21.00	19.35
May 2016	19.90	17.25	20.00	17.20
June 2016	24.70	19.00	24.60	19.00
July 2016	29.85	23.20	29.95	23.30
August 2016	24.75	21.90	24.75	21.90
September 2016	27.40	22.30	27.35	22.20
October 2016	26.15	22.70	26.20	22.80
November 2016	28.00	21.95	28.00	21.00
December 2016	24.90	22.00	24.90	22.00
January 2017	25.50	22.70	25.50	22.80
February 2017	29.15	23.50	29.10	23.70
March 2017	32.25	26.00	32.30	25.55

## (C) Distribution of shareholding as on March 31, 2017

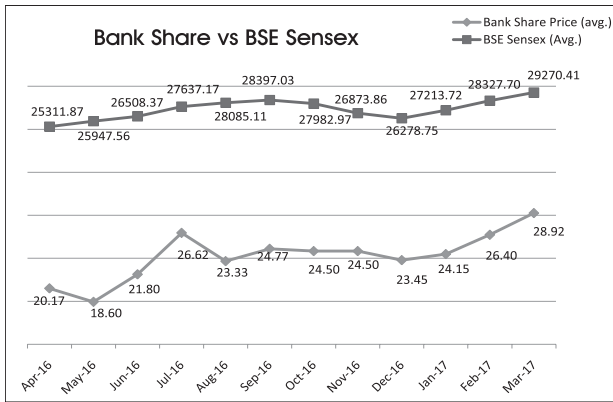
Category (No. of Shares)	Physical		Demat	
	No. of Holders	Shares	No. of Holders	Shares
upto 1-5000	14131	3365501	70065	29645357
5001-10000	25	165344	850	6508923
10001-20000	1	10030	372	5468775
20001-30000	4	82600	127	3180513
30001-40000	0	0	52	1863602
40001-50000	0	0	63	2943039
50001-100000	0	0	81	6019210
100001 & above	0	0	95	150593725
Total	14161	3623475	71705	206223144

Total number of shareholders both physical and electronic put together is 85866.

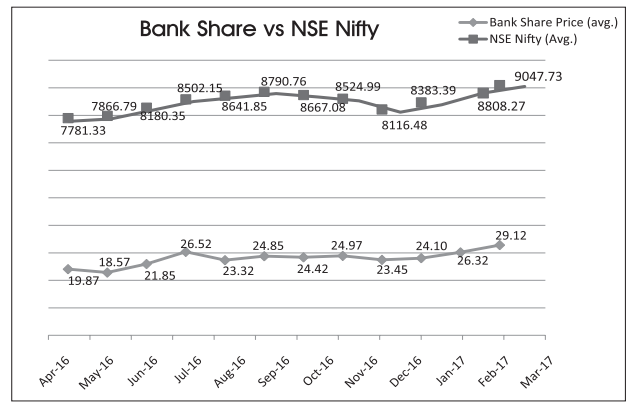
## (D) Category – wise distribution of shareholding as on March 31, 2017

Sl no.	Description	Cases	Shares	% Equity
1	Banks	4	222509	0.11
2	Clearing Members	159	1274461	0.61
3	Directors	6	14635000	6.97
4	Foreign Institutional Investors	3	8294000	3.95
5	Foreign Portfolio Investors	10	26238516	12.50
6	H U F	1362	2173460	1.04
7	Insurance Companies	2	442277	0.21
8	Bodies Corporates	830	19047909	9.08
9	Mutual Funds	2	700	0.00
10	NBFC	11	129805	0.06
11	Non Resident Indians	1058	38854642	18.52
12	Resident Individuals	82179	98100096	46.75
13	Trusts	3	6330	0.00
	Total:	85866	209846619	100.00

**(E) Performance of the Bank's Equity Shares relative to BSE Sensex**



**Performance of the Bank's Equity shares relative to NSE Nifty**



**(F) Dematerialization of Shares and Liquidity**

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 680A01011. As on March 31, 2017, 36,23,475 shares constituting 1.72% and 20,62,23,144 shares constituting 98.28% of the paid-up capital were held in physical and electronic mode respectively.

As per SEBI directives, the trading of the Bank's shares is to be compulsorily done in dematerialized 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.

**12. UNCLAIMED / UNPAID DIVIDEND**

All Dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year 1993-94 have been transferred to the General Reserve Account of the Central Government. Any claim in respect of transferred amounts shall be made to the Registrar Of Companies, Kerala Company Law Bhavan, Bharath Matha College, P.O., Kochi-682021.

In terms of Section 125 of the Companies Act, 2013, the amount which has remained unclaimed/unpaid for a period of 7 years from the date of transfer to the unpaid/unclaimed Dividend Account has to be transferred to the "Investors' Education and Protection Fund" and thereafter, no claim can be made by any shareholder against the Bank or the fund for the dividend amount of that year. The unpaid dividend for the financial year 2009-10 is due for transfer to this fund in the financial year 2017-18.

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

Accordingly, the details of such unpaid/unclaimed amounts along with their respective due dates for transfer to IEPF are provided on the Bank's website in the link [http://www.dhanbank.com/investor\\_relations/inv\\_Unclaimed\\_Dividend\\_Warrant.aspx](http://www.dhanbank.com/investor_relations/inv_Unclaimed_Dividend_Warrant.aspx) for the benefit of investors. The shareholders may please claim their unclaimed/unpaid amount due to them by making a request to the Bank giving their particulars before the same are transferred to IEPF.

In accordance with the Investor Education Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016, notified by MCA, the Bank is required to transfer all unclaimed/unpaid shares in respect of which dividends have remained unclaimed for the last seven years continuously to the IEPF suspense account.

**13. COMPLIANCE OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

The Bank has complied with all mandatory recommendations prescribed in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. A certificate to this effect from Sri. M. Vasudevan, Practicing Company secretary is annexed as Annexure II to this report.

The Bank has complied with the following discretionary requirements stipulated under Part E of Schedule-II of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:-

**(A) Modified opinion(s) in Audit Report**

The auditor's report on the Bank's audited financial statements for the FY 2016-17 contains unmodified opinion on the financial statements and the Bank wishes to continue with a regime of financial statements with unmodified audit opinion.

**(B) Separate posts of Chairperson and Chief Executive Officer**

The Bank already has separate posts for Chairperson and Managing Director & Chief Executive Officer.

**14. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT**

I, G. Sreeram, Managing Director & CEO hereby confirm that all Directors and members of the Senior Management have affirmed compliance with Dhanlaxmi Bank Code of Conduct for Directors and Senior Management.

Place : Thrissur  
Date : 11.08.2017

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

## Certificate on Corporate Governance

To the Members of Dhanlaxmi Bank Limited

I have examined the compliance of conditions of Corporate Governance by Dhanlaxmi Bank Limited for the year ended on March 31, 2017, as stipulated in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations, 2015').

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Bank has complied with the requirements of Corporate Governance as stipulated in the SEBI Listing Regulations, 2015.

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

Place: Thrissur

Date: 11.08.2017

Sd/-  
M. Vasudevan, F.C.S  
FCS 4177/ CP 2437  
Company Secretary  
Soorya Gardens Apartments  
Paliyam Road, Thrissur – 680001

### CEO / CFO Certification

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

- a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2017 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- d) We have indicated, to the Auditors and the Audit Committee:
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in Bank's internal control system over financial reporting.

Yours Faithfully

G SREERAM  
Managing Director & CEO  
(DIN: 05143385)

BHASI K V  
Chief Financial Officer

Place: Thrissur  
Date: May 16, 2017



# Independent Auditor's Report

To

The Members of Dhanlaxmi Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Dhanlaxmi Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31 March, 2017, the Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements. Incorporated in these financial statements are the returns of seventeen branches/offices and Treasury division audited by us, 254 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies(Accounts) Rules, 2014, in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We have conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the Principal Accounting Policies and Notes appended thereto give the information required by the Banking Regulation Act, 1949 as well as the Act in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2017, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required by section 143(3) of the Act and section 30 of the Banking Regulation Act, 1949, we report that:
  - a) We have obtained all the information and

explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

- b) In our opinion, the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
- c) The returns received from the Offices and branches of the Bank have been found adequate for the purpose of our audit. The reports on the accounts of the branch offices audited by branch auditors of the Bank under section 143(8) of the Act have been sent to us and have been properly dealt with by us in preparing this report;
- d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- e) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, as applicable to banks;
- g) On the basis of written representations received from the directors as on 31 March, 2017 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2017 from being appointed as a director in terms of Section 164(2) of the Act;
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 28 to the financial statements;
  - ii. The Bank has made provision, as required under

the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts – Refer Note 29 to the financial statements;

- iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Bank; and
- iv. The disclosure required on holdings as well as dealings in Specified Bank Notes during the period from November 08, 2016 to December 30, 2016 as envisaged in notification GSR 308(E) dated March 30, 2017 issued by the Ministry of Corporate Affairs, is not applicable to the Bank. Refer note 30 to the financial statements.

For Sridhar & Co

Chartered Accountants

Firm Registration Number: 003978S.

R. Srinivasan

Place : Thrissur

Partner

Date : 16 May 2017

Membership Number: 200969

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

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

To

The Members of Dhanlaxmi Bank Limited

We have audited the internal financial controls over financial reporting of Dhanlaxmi Bank Limited ("the Bank") as of 31 March 2017 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the

safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We have conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

#### Concept of Internal Financial Controls Over Financial Reporting

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

could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

#### Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Sridhar & Co

Chartered Accountants

Firm Registration Number: 003978S.

R. Srinivasan

Partner

Membership Number: 200969

Place : Thrissur

Date : 16 May 2017

# Balance Sheet

As at March 31, 2017

	Schedule No	(₹ in '000)	(₹ in '000)
		As at March 31, 2017	As at March 31, 2016
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	2,098,466	1,774,416
Share Application Money Pending Allotment		-	-
Reserves and Surplus	2	4,446,354	3,305,130
Deposits	3	112,936,779	113,537,574
Borrowings	4	1,452,000	2,518,459
Other Liabilities and Provisions	5	2,397,622	3,494,247
<b>TOTAL</b>		<b>123,331,221</b>	<b>124,629,826</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	5,749,754	5,794,814
Balances with Banks and Money at call and short notice	7	2,326,036	2,536,518
Investments	8	41,941,490	37,922,357
Advances	9	64,463,496	69,526,817
Fixed Assets	10	2,142,651	1,789,173
Other Assets	11	6,707,794	7,060,147
<b>TOTAL</b>		<b>123,331,221</b>	<b>124,629,826</b>
Contingent Liabilities	12	7,924,687	6,984,779
Bills for collection		2,577,013	2,494,542
Significant Accounting Policies	17		
Notes to financial Statements	18		

**K.V.Bhasi**  
Chief Financial Officer

**Santosh Kumar Barik**  
Company Secretary

**Manikandan P**  
Chief General Manager

**G Sreeram**  
Managing Director & CEO

**Jayaram Nayar**  
Chairman

**P Mohanan**  
Director

**Chella K Srinivasan**  
Director

**Dr. K R Lakshmi Devi**  
Director

**Arun Rao M.G.**  
Director

**S.T. Kannan**  
Director

**PS. Sreekumar**  
Director

**C.K. Gopinathan**  
Director

**E Madhavan**  
Director

As per our Report of even Date  
For **Sridhar & Co**  
Chartered Accountants  
Firm Registration No. 003978S

**CA. R. SRINIVASAN**  
Partner  
Membership no. 200969

Place: Thrissur.  
Date: 16.05.2017

# Profit & Loss Account

for the year ended March 31, 2017

		(₹ in '000)	(₹ in '000)
	Schedule No	Year ended March 31, 2017	Year ended March 31, 2016
<b>INCOME</b>			
Interest Earned	13	10,890,557	12,042,729
Other Income	14	1,110,189	767,267
<b>Total</b>		<b>12,000,746</b>	<b>12,809,996</b>
<b>EXPENSE</b>			
Interest expended	15	7,574,563	8,995,965
Operating Expenses	16	3,485,462	3,809,029
Provisions and Contingencies		816,943	2,099,524
<b>Total</b>		<b>11,876,968</b>	<b>14,904,518</b>
<b>Net Profit/(Loss) for the year</b>		<b>123,778</b>	<b>(2,094,522)</b>
Profit /(Loss)brought forward		(8,311,656)	(6,150,618)
Transfer from Dividend Payable Account including Dividend Tax			
<b>Total</b>		<b>(8,187,878)</b>	<b>(8,245,140)</b>
<b>Appropriations</b>			
Transfer to Statutory Reserve		31,000	-
Transfer to Capital Reserve		146,379	5,043
Transfer to Special Reserve U/s.36(1)(viii) of Income Tax Act		-	-
Transfer to Other Reserve		-	-
Proposed dividend		-	-
Dividend tax		-	-
Balance carried forward to Balance Sheet		(8,365,257)	(8,250,183)
<b>Total</b>		<b>(8,187,878)</b>	<b>(8,245,140)</b>
<b>"Earnings Per Share (in Rupees)</b>			
Basic EPS"		<b>0.59</b>	<b>-11.80</b>
Diluted EPS		<b>0.59</b>	<b>-11.80</b>
Face value per Share		10.00	10.00
Significant Accounting Policies	17		
Notes to financial Statements	18		

**K.V.Bhasi**  
Chief Financial Officer

**Santosh Kumar Barik**  
Company Secretary

**Manikandan P**  
Chief General Manager

**G Sreeram**  
Managing Director & CEO

**Jayaram Nayar**  
Chairman

**P Mohanan**  
Director

**Chella K Srinivasan**  
Director

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Director

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Director

**S.T. Kannan**  
Director

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Director

**C.K. Gopinathan**  
Director

**E Madhavan**  
Director

As per our Report of even Date  
For **Sridhar & Co**  
Chartered Accountants  
Firm Registration No. 003978S

**CA. R. SRINIVASAN**  
Partner  
Membership no. 200969

Place: Thrissur.  
Date: 16.05.2017

# Cash Flow statement

for the year ended March 31, 2017

(₹ in '000)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
<b>Cash flow from operating activities</b>		
Net Profit/(Loss) before income tax	123,778	(1,961,627)
<b>Adjustments for :</b>		
Depreciation on fixed assets net of reversal of revaluation reserve	203,155	265,869
Depreciation on Investments	(57,445)	112,638
Amortisation of premia on investments	44,133	79,279
Loan Loss provisions including write off	846,867	937,354
Provision against standard assets	66,500	(16,100)
Provision for wealth tax	0	(72)
Provision for Deferred Tax Asset	-	-
Provision for NPA (Investments)	(16,192)	55,729
Provision for restructured assets	(55,111)	(12,457)
Provision for fraud	(822)	(30)
Provision for OIS MTM Loss	0	(560)
(Profit)/ Loss on sale of fixed assets	591	537
Provision for unhedged Forex Exposure	6,414	(2,189)
<b>Adjustments for :</b>		
(Increase)/ Decrease in Investments	(3,989,629)	6,796,448
(Increase)/ Decrease in Advances	4,271,565	6,246,428
Increase / (Decrease) in Borrowings	(1,066,459)	(5,395,059)
Increase/ (Decrease) in Deposits	(600,795)	(10,279,259)
(Increase) / Decrease in Other assets	327,246	(262,430)
Increase/ (Decrease) in Other liabilities and provisions	(1,093,355)	463,013
Direct taxes paid (net of refunds)	(2,107)	(5,345)
<b>Net cash flow from operating activities</b>	<b>(991,666)</b>	<b>(2,977,833)</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(109,955)	(93,961)
Proceeds from sale of fixed assets	4,703	1,888
<b>Net cash used in investing activities</b>	<b>(105,252)</b>	<b>(92,073)</b>
<b>Cash flows from financing activities</b>		

(₹ in '000)

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Proceeds from issue of equity shares	324,050	
"Proceeds from issue of Upper and Lower Tier II capital instruments net of repayment"	0	(1,500,000.00)
Proceeds from Share Premium (net of share issue expenses)	517,326	
Dividend provided last year paid during the year including dividend tax	-	-
<b>Net cash generated from financing activities</b>	<b>841,376</b>	<b>(1,500,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(255,542)</b>	<b>(4,569,906)</b>
Cash and cash equivalents as at April 1st	8,331,332	12,901,238
Cash and cash equivalents as at March 31st	8,075,790	8,331,332
	-	-
Note:		
Components of Cash and Cash Equivalents as at:	31.03.2017	31.03.2016
Cash and Balance with Reserve Bank of India (RBI)	5,749,754	5,794,814
Balances with Banks and Money at Call and Short Notice	2,326,036	2,536,518
Total	8,075,790	8,331,332

**K.V.Bhasi**  
Chief Financial Officer

**Santosh Kumar Barik**  
Company Secretary

**Manikandan P**  
Chief General Manager

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Director

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Director

**C.K. Gopinathan**  
Director

**E Madhavan**  
Director

As per our Report of even Date  
For **Sridhar & Co**  
Chartered Accountants  
Firm Registration No. 003978S

**CA. R. SRINIVASAN**  
Partner  
Membership no. 200969

Place: Thrissur.  
Date: 16.05.2017

# Schedules to the financial statements

As at March 31, 2017

(₹ in '000)

	As at March 31, 2017	As at March 31, 2016
<b>SCHEDULE 1 - CAPITAL</b>		
Authorised Capital		
30,00,00,000 Equity Shares of ₹10 each	3,000,000	3,000,000
Issued,Subscribed and Paid up		
209846619 Equity Shares of ₹10 each	2,098,466	1,774,416
<b>Total</b>	<b>2,098,466</b>	<b>1,774,416</b>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>I. STATUTORY RESERVES</b>		
Opening Balance	772,614	772,614
Additions: Transfer from Profit and Loss Account	31,000	-
	<b>803,614</b>	<b>772,614</b>
<b>II. REVENUE AND OTHER RESERVES</b>		
Opening Balance	805,850	805,850
Additions : Transfer from Profit and Loss Account	-	-
Adjustments during the year	79,329	-
	<b>885,179</b>	<b>805,850</b>
<b>III. BALANCE IN PROFIT AND LOSS ACCOUNT</b>	<b>(8,365,257)</b>	<b>(8,250,183)</b>
<b>IV. SECURITIES PREMIUM ACCOUNT</b>		
Opening Balance	8,770,256	8,770,256
Additions during the year (net of share issue expenses)	517,326	-
	<b>9,287,582</b>	<b>8,770,256</b>
<b>V. CAPITAL RESERVES</b>		
Opening Balance	1,146,736	1,206,175
Additions: Due to Revaluation of Premises	500,119	-
Transfer from Profit and Loss Account	146,379	5,043
Deduction due to depreciation on revalued premises	(17,855)	(64,482)
	<b>1,775,379</b>	<b>1,146,736</b>
<b>VI. SPECIAL RESERVE U/s.36(1)(viii) OF INCOME TAX ACT, 1961</b>		
Opening Balance	59,857	59,857
Additions: Transfer from Profit and Loss account	-	-
Less: Transfer to Profit and Loss Account	-	-
	<b>59,857</b>	<b>59,857</b>
<b>Total</b>	<b>4,446,354</b>	<b>3,305,130</b>
<b>SCHEDULE 3 - DEPOSITS</b>		



(₹ in '000)

	As at March 31, 2017	As at March 31, 2016
<b>A I. Demand Deposits</b>		
(i). From Banks	5,391	14,971
(ii). From Others	7,572,658	7,424,261
	<b>7,578,049</b>	<b>7,439,232</b>
<b>II. Savings Bank Deposits</b>	<b>25,672,417</b>	<b>20,977,173</b>
<b>III. Term Deposits</b>		
(i). From Banks	5,000	71,170
(ii). From Others	79,681,313	85,049,999
	<b>79,686,313</b>	<b>85,121,169</b>
<b>Total</b>	<b>112,936,779</b>	<b>113,537,574</b>
<b>B I. Deposits of Branches in India</b>	<b>112,936,779</b>	<b>113,537,574</b>
II. Deposits of Branches outside India	-	-
<b>Total</b>	<b>112,936,779</b>	<b>113,537,574</b>

**SCHEDULE 4 - BORROWINGS**

<b>I. Borrowings in India</b>		
(i). Reserve Bank of India	-	680,000
(ii). Other Banks	-	-
(iii). Other Institutions and Agencies	-	386,459
	-	<b>1,066,459</b>
<b>II. Tier II bonds in India</b>		
Upper Tier II bonds	275,000	275,000
Lower Tier II bonds	1,177,000	1,177,000
	<b>1,452,000</b>	<b>1,452,000</b>
<b>III. Borrowings Outside India</b>	-	-
	-	-
<b>Total</b>	<b>1,452,000</b>	<b>2,518,459</b>

**SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS**

I. Bills Payable	491,624	399,479
II. Interest accrued	389,400	510,775
III. Inter Office Adjustments (Net)	-	8,586
IV. Others (including Provisions)	1,516,598	2,575,407
<b>Total</b>	<b>2,397,622</b>	<b>3,494,247</b>

**SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA**

I. Cash on Hand (including foreign currency notes)	1,088,423	1,189,660
II. Balances with Reserve Bank of India		
(a). In current accounts	4,661,331	4,605,154

(₹ in '000)

	As at March 31, 2017	As at March 31, 2016
(b). In other accounts	-	-
	4,661,331	4,605,154
<b>Total</b>	<b>5,749,754</b>	<b>5,794,814</b>

**SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

<b>I. In India</b>		
(i) Balances with Banks :		
(a). In current accounts	43,528	248,650
(b). In other deposit accounts	1,900,000	1,800,000
	<b>1,943,528</b>	<b>2,048,650</b>
(ii) Money at Call and Short Notice		
(a). With banks	350,000	420,000
(b). With other institutions	-	-
	350,000	420,000
<b>Total</b>	<b>2,293,528</b>	<b>2,468,650</b>
<b>II. Outside India</b>		
(a). In current account	32,508	67,868
(b). In other deposit accounts	-	-
	<b>32,508</b>	<b>67,868</b>
<b>Total</b>	<b>2,326,036</b>	<b>2,536,518</b>

**SCHEDULE 8 - INVESTMENTS**

<b>A Investments in India in</b>		
(i). Government Securities	31,275,102	30,721,862
(ii). Approved securities	-	-
(iii). Shares	54,705	95,285
(iv). Debentures and Bonds	850,000	932,404
(v). Subsidiaries/Joint Ventures	-	-
(vi). Others	9,761,683	6,172,806
<b>Total</b>	<b>41,941,490</b>	<b>37,922,357</b>
<b>B Investments outside India</b>		
	-	-
	<b>41,941,490</b>	<b>37,922,357</b>
<b>(i) Gross Value of Investments</b>		
(a) In India	42,744,607	38,935,939
(b) Outside India	-	-
	<b>42,744,607</b>	<b>38,935,939</b>
<b>(ii) Provision for Depreciation</b>		
(a) In India	803,117	1,013,582
(b) Outside India	-	-

(₹ in '000)

	As at March 31, 2017	As at March 31, 2016
	803,117	1,013,582
<b>(iii) Net Value of Investments</b>		
(a) In India	41,941,490	37,922,357
(b) Outside India	-	-
	<b>41,941,490</b>	<b>37,922,357</b>

**SCHEDULE 9 - ADVANCES**

<b>A</b>	(i) Bills Purchased and discounted	731,496	398,106
	(ii) Cash Credits, Overdrafts and Loans repayable on Demand	22,246,179	24,133,653
	(iii) Term Loans	41,485,821	44,995,058
	<b>Total</b>	<b>64,463,496</b>	<b>69,526,817</b>
<b>B</b>	(i) Secured by Tangible assets	62,054,229	66,008,053
	(ii) Covered by Bank/Govt Guarantee	1,848,819	2,397,896
	(iii) Unsecured	560,448	1,120,868
	<b>Total</b>	<b>64,463,496</b>	<b>69,526,817</b>
<b>C</b>	<b>I. ADVANCES IN INDIA</b>		
	(i) Priority sectors	27,165,646	32,219,861
	(ii) Public Sector	67,694	846,455
	(iii) Banks	-	-
	(iv) Others	37,230,156	36,460,501
	<b>Total</b>	<b>64,463,496</b>	<b>69,526,817</b>
	<b>II. ADVANCES OUTSIDE INDIA</b>	-	-
	<b>Total</b>	<b>64,463,496</b>	<b>69,526,817</b>

**SCHEDULE 10 - FIXED ASSETS**

<b>A</b>	<b>Premises</b>		
	At cost as per last Balance sheet	1,243,393	1,243,393
	Additions during the year due to revaluation of Premises	500,119	-
	Additions/Adjustments during the year	-	-
	Deductions during the year	-	-
	Depreciation to date	333,116	299,343
	<b>Net Block</b>	<b>1,410,396</b>	<b>944,050</b>
<b>B</b>	<b>Other Fixed Assets (includes Furniture and Fixture and Computers)</b>		
	At cost as per last Balance sheet	2,455,445	2,466,729
	Additions/Adjustments during the year	78,708	52,797
	Deductions during the year	546,745	64,082
	Depreciation to date	1,567,271	1,880,174

(₹ in '000)

	As at March 31, 2017	As at March 31, 2016
	420,137	575,270
Capital Work In progress	312,118	269,853
<b>Net Block</b>	<b>2,142,651</b>	<b>1,789,173</b>

**SCHEDULE 11 - OTHER ASSETS**

I. Interest Accrued	1,573,081	1,951,187
II. Inter Office Adjustments (Net)	52,472	-
III. Tax paid in advance and Tax Deducted at Source (net of provisions)	279,745	300,549
IV. Deferred Tax Asset	370,591	370,591
V. Stationery and stamps	5,130	3,077
VI. Non Banking Assets acquired in satisfaction of claims	36,965	36,965
VII. Others	4,389,810	4,397,778
<b>Total</b>	<b>6,707,794</b>	<b>7,060,147</b>

**SCHEDULE 12 - CONTINGENT LIABILITIES**

I. Claims against the bank not acknowledged as debts	2,060,676	240,575
II. Liabilities on account of outstanding forward exchange contracts	2,421,641	2,928,240
III. Guarantees given on behalf of constituents in India	2,634,087	2,725,753
IV. Acceptance endorsements and other obligations	380,482	719,925
V. Liability on account of interest rate swaps		
V. Other items for which Bank is contingently liable #	427,801	370,286
#(Amount transferred to DEAF )	202,172	
#(Disputed Tax Liability )	225,629	
<b>Total</b>	<b>7,924,687</b>	<b>6,984,779</b>
	(₹ in '000)	(₹ in '000)

	Year ended March 31, 2017	Year ended March 31, 2016
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**SCHEDULE 13 - INTEREST EARNED**

I. Interest/Discount on Advances/bills	7,694,851	8,342,830
II. Income on Investments	2,770,214	3,275,995
III. Interest on balance with RBI/other inter Bank funds	240,744	221,173
IV. Others	184,748	202,731
<b>Total</b>	<b>10,890,557</b>	<b>12,042,729</b>

**SCHEDULE 14 - OTHER INCOME**

I. Commission, Exchange and Brokerage	54,274	59,431
II. Profit/(Loss) on sale of Investments (Net)	345,568	49,388
III. Profit on sale of land, building and other Assets (Net)	591	537
IV. Profit on exchange transactions (Net)	46,586	65,955

# Schedules to the financial statements

As at March 31, 2017

	(₹ in '000)	
	Year ended March 31, 2017	Year ended March 31, 2017
V. Income from Insurance	19,449	35,173
VI. Miscellaneous Income	643,721	556,783
<b>Total</b>	<b>1,110,189</b>	<b>767,267</b>
<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
I. Interest on Deposits	7,306,723	8,657,493
II. Interest on RBI/Inter Bank Borrowing	92,693	151,183
III. Others	175,147	187,289
<b>Total</b>	<b>7,574,563</b>	<b>8,995,965</b>
<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
I. Payments to and Provisions for Employees	1,948,983	2,131,529
II. Rent, Taxes and Lighting	479,975	468,057
III. Printing and Stationery	21,931	27,759
IV. Advertisement and Publicity	2,346	3,286
V. Depreciation to Banks property	203,155	248,958
VI. Directors Fee, Allowance and Expense	2,220	2,480
VII. Auditors Fee and Expense (including Branch Auditors)	8,500	7,203
VIII. Law charges	11,418	43,185
IX. Postage, Telegram, Telephone etc	88,615	86,591
X. Repairs and Maintenance	22,888	25,382
XI. Insurance	137,516	149,376
XII. Other Expenditure	557,915	615,223
<b>Total</b>	<b>3,485,462</b>	<b>3,809,029</b>

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS: MARCH 31, 2017

### SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES

#### CORPORATE INFORMATION

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

#### BASIS OF PREPARATION

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

#### USE OF ESTIMATES

The preparation of Financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses

during the reporting period. Management believes that the estimates and assumptions used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **1. REVENUE RECOGNITION**

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

### **2. EXPENSES RECOGNITION**

#### **A) Interest Expenses**

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

#### **B) Employee benefits**

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

##### **a) Provident Fund**

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

##### **b) Pension Fund**

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

##### **c) Gratuity**

The Bank makes annual contribution to Dhanlaxmi Bank Ltd. Employees' Gratuity Trust Fund administered and managed by the trustees. The cost of providing such benefits is determined using the Projects Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.

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

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

- e) Employees Stock Option Scheme (ESOS) The Bank has formulated Employee Stock Option Scheme (ESOS) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and are to be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. In accordance with the SEBI Guidelines Regulations, 2014 and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.

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

### **3. NET PROFIT**

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

- i) Depreciation on Investments;

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

#### 4. ADVANCES

##### A) Valuation / Measurement

- a) Advances are classified into Standard, Sub-standard, Doubtful and Loss assets in accordance with the Reserve Bank of India guidelines and are stated net of provisions made towards non performing advances.
- b) Provision for non performing advances comprising Sub-standard, Doubtful and Loss assets is made in accordance with the Reserve Bank of India guidelines.
- c) General provisions in respect of Standard Assets is created as per the Reserve Bank of India guidelines from time to time.
- d) In respect of restructured (Standard and Non Performing) advances, provision is made for the present value of principal and interest component sacrificed at the time of restructuring the assets, based on the RBI guidelines.
- e) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary based on the current status of the borrower are recognized in the profit and loss account.

##### B) Recording / Presentation

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

#### 5. INVESTMENTS

##### A) Classification

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

##### B. Valuation

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

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

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

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

- b) Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortized over the remaining maturity of the security using constant yield method. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Repurchase and Reverse Repurchase transactions – These are accounted as collateralized borrowing and lending transactions respectively. The difference between the clean price of the first leg and the clean price of the second leg is recognized as interest income / interest expense over the period of the transaction.

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

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

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

### C. Transfer Between Categories

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

### D. Profit or Loss on Sale / Redemption of Investments

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

#### 6. FIXED ASSETS AND DEPRECIATION

- a) The Fixed Assets (other than those, which are revalued) are stated at historical cost less depreciation.
- b) The revalued assets are stated at the revalued amount less depreciation. The appreciation in value consequent to revaluation is credited to Asset Revaluation Reserve. Depreciation on assets revalued is charged on the historical cost or the amount substituted for the historical cost. The bank transfers difference between depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost to the Revaluation Reserves.
- c) Amount expended towards acquisition of Software is capitalized where it is reasonably estimated that the software has an enduring useful life. Software is amortized over an estimated useful life of 5 years on straight-line basis.
- d) Depreciation on Fixed Assets is provided based on the useful life of the asset as prescribed under Part C of Schedule II to the Companies Act, 2013. Depreciation for fixed assets except 'premises' are based on Straight Line Method' whereas premises are depreciated using Written Down Value method based on the technical evaluation of useful life. For assets purchased/ sold during the year, depreciation is being provided on pro rata basis by the Bank. "Mobile Phones" capitalized by the Bank are depreciated over the useful life of two years based on the estimation of useful life by the management.
- e) Capital work-in-progress includes cost of fixed assets that are not ready for their intended use.
- f) The Bank follows "Revaluation Model" for measurement of "Land and Building" and "Cost Model" for other fixed assets.

#### 7. IMPAIRMENT OF ASSETS

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

### 8. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

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

### 9. TAXES ON INCOME

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

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

### 10. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

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

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



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

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

#### **11. ACCOUNTING CONTROLS AND PROCEDURES**

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

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

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

#### **12. CASH AND CASH EQUIVALENT**

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

#### **13. LEASES**

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

#### **14. EARNINGS PER SHARE**

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

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

#### **15. NON-BANKING ASSETS**

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

#### **16. SEGMENT REPORTING**

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

##### **a) Treasury:**

The treasury services segment primarily consists of interest earnings on investments portfolio of the bank, gain or losses on investment operations and earnings from foreign exchange business. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.

##### **b) Corporate/Wholesale Banking**

The Corporate/Wholesale Banking segment provides loans and other banking services to corporate segment identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to corporate customers and charges/ fees earned from other banking services. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.

##### **c) Retail Banking:**

The Retail banking segment provides loans and other banking services to non-corporate customers identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to non-corporate customers and the charges/ fees earned from other banking services. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.

##### **d) Other Banking Operations:**

This segment includes income from para banking activities such as debit card, third party product distribution and associated costs.

#### **GEOGRAPHIC SEGMENT**

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

## SCHEDULE 18 - NOTES TO THE FINANCIAL STATEMENTS

### 1. CAPITAL

#### 1.1 Capital Infusion

During the year ended March 31, 2017, the Bank allotted 3, 24, 05,000 Equity shares at ₹25.98 per share (Face Value per share ₹10 per and share at premium of ₹15.98 per share on preferential allotment basis. Accordingly the share capital is increased by ₹32,40,50,000/- and Share Premium is increased by ₹51,78,31,900/-. Expenditure incurred on raising the capital amounting to ₹0.05 crores has been met out of share premium account. Details of the movement in the Paid up equity capital of the Bank are given below;

#### Paid -up Capital

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
Opening Balance	177.44	177.44
Addition pursuant to Preferential Allotment	32.41	NIL
Closing Balance	209.85	177.44

#### Share Premium

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
Opening Balance	877.03	877.03
Addition pursuant to Preferential Allotment (net of expenditure of ₹0.05 crore)	51.73	NIL
Closing Balance	928.76	877.03

#### 1.2 Capital Adequacy

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

- 1) Tier-1 Capital (Going Concern Capital\*)
  - a. Common Equity Tier-1 (CET-1)
  - b. Additional Tier-1
- 2) Tier-2 Capital (Gone Concern Capital\*\*)

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

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

#### Transitional Arrangements

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

(% of Risk Weighted Assets [RWAs])

	As on March 31,			
	2016	2017	2018	2019
Minimum Common Equity Tier-1 (CET-1)	5.500	5.500	5.500	5.500
Capital Conservation Buffer (CCB)	0.625	1.250	1.875	2.500
Minimum Common Equity Tier-1 (CET-1)+Capital Conservation Buffer (CCB)				
Minimum Tier- 1 Capital	7	7	7	7
Minimum Total Capital	9	9	9	9
Minimum Total Capital +Capital Conservation Buffer (CCB)	9.625	10.250	10.875	11.500

As at March 31, 2017, Basel-III guidelines require the Bank to maintain a minimum capital to risk weighted assets ratio (CRAR) of 9% with minimum CET-1 CRAR of 5.5%, Minimum Tier-1 CRAR of 7% and Capital Conservation Buffer (CCB) CRAR of 1.250%.

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

(₹ in Crore )

Sr. No.	Items	March 31, 2017	March 31, 2016
		Basel III	Basel III
(i)	Tier-1 Capital (₹)	534.63	410.29
(ii)	Common Equity Tier-1 Capital (CET-1) (₹)	534.63	410.29
(iii)	Additional Tier-1 Capital (₹)	0	0
(iv)	Tier-2 Capital (₹)	74.06	93.49
(v)	Total Capital (₹)	608.69	503.78
(vi)	Total Risk Weighted Assets (₹)	5932.96	6704.82
(vii)	Common Equity Capital Adequacy Ratio (%)	9.01	6.12
(viii)	Tier I Capital Adequacy Ratio (%)	9.01	6.12
(ix)	Tier II Capital Adequacy Ratio (%)	1.25	1.39
(x)	Total Capital Adequacy Ratio (%)	10.26	7.51
(xi)	Percentage of the shareholding of the Government of India in public sector banks	NA	NA
(xii)	Amount of equity capital raised (including premium)	84.14	Nil
(xiii)	Amount of Additional Tier 1 capital raised ; <i>of which</i> Perpetual Non Cumulative Preference Shares(PNCPS); Perpetual Debt Instruments(PDI) :	Nil	Nil
(xiv)	Amount of Tier 2 capital raised ; <i>Of which</i> Debt Capital Instrument:	Nil	Nil
	Preference Share Capital Instruments : <i>(Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS))</i>	Nil	Nil

## 2.1. INVESTMENTS

(₹ in Crore)

Items	March 31, 2017	March 31, 2016
<b>(1) Value of Investments</b>		
(i) Gross Value of Investments		
(a) In India	4274.46	3893.59
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation on investments		
(a) In India	80.31	101.36
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	4194.15	3792.23
(b) Outside India	Nil	Nil
<b>(2) Movement of provisions held towards depreciation on investments.</b>		
(i) Opening balance	101.36	84.52
(ii) Add: Provisions made during the year	4.74	19.03
(iii) Less: (Write-off/write-back of excess provisions during the year)	25.79	2.19
(iv) Closing Balance	80.31	101.36

## 1.2 Repo Transactions (in Face Value Terms)

(₹ in Crore)

Particulars	Minimum outstanding during the year ended March 31,		Maximum outstanding during the year ended March 31,		Daily Average outstanding during the year ended March 31,		As on March 31, 2017	As on March 31, 2016
	2017	2016	2017	2016	2017	2016		
<b>Securities sold under repos</b>								
i) Government Securities	Nil	Nil	Nil	29.99	Nil	0.12	Nil	Nil
ii) Corporate Debt Securities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Securities purchased under reverse repos</b>								
i) Government Securities	Nil	Nil	24.53	170.39	0.22	7.53	Nil	Nil
ii) Corporate Debt Securities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

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

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

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
Repo under Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF)	Nil	70.72
Reverse Repo under Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF)	35.00	43.68

## 1.3 (a) Issuer wise composition of Non SLR investments as on March 31, 2017

(₹ in Crore)

Sr. 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)
(i)	Public Sector Undertakings	1.04	0.00	0.00	0.00	0.00
(ii)	Financial Institutions	0.00	0.00	0.00	0.00	0.00
(iii)	Banks	899.48	897.56	0.00	0.00	0.00
(iv)	Private Corporates	123.82	120.81	28.21	25.37	40.56
(v)	Subsidiaries/ Joint Ventures	0.00	0.00	0.00	0.00	0.00
(vi)	Others (Security Receipts and PTC)	114.84	114.84	0.00	3.78	114.84
(vii)	Less: Provision held towards depreciation and NPI	72.54	71.04	28.21	29.15	71.04
	<b>Total</b>	1066.64	1062.17	0.00	0.00	84.36

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

(₹ in Crore)

Sr. 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)
(i)	Public Sector Undertakings	11.11	9.14	0.00	0.00	0.00

(ii)	Financial Institutions	84.96	84.77	5.57	5.57	5.67
(iii)	Banks	556.57	553.95	0.00	0.00	0.00
(iv)	Private Corporates	43.69	36.68	24.18	21.34	36.68
(v)	Subsidiaries/ Joint Ventures	0.00	0.00	0.00	0.00	0.00
(vi)	Others(Security Receipts and PTC)	95.72	95.72	0.00	4.68	95.72
(vii)	Less: Provision held towards depreciation and NPI	(72.00)	(68.84)	(29.75)	(31.59)	(68.84)
	<b>Total</b>	<b>720.05</b>	<b>711.42</b>	<b>0.00</b>	<b>0.00</b>	<b>69.23</b>

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

- iii. Shares
- iv. Debentures and Bonds
- v. Subsidiaries/Joint Ventures
- vi. Others

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

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

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

**(b) Non Performing Non-SLR Investments**

( ₹ in Crore )

Particulars	March 31,2017	March 31,2016
<b>Opening balance</b>	<b>35.36</b>	<b>29.79</b>
<b>Additions during the year</b>	<b>Nil</b>	<b>5.57</b>
<b>Reductions during the year</b>	<b>2.69</b>	<b>Nil</b>
<b>Closing balance</b>	<b>32.67</b>	<b>35.36</b>
<b>Total provisions held</b>	<b>32.67</b>	<b>35.36</b>

**(c) Details of Investments Category-Wise**

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

( ₹ in Crore)

Particulars	As at March 31,2017				As at March 31,2016			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities	41.36	1539.06	1554.86	3135.28	0.00	1,280.93	1,820.62	3,101.55
Other Approved Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares ( Include pref shares)	0.00	23.94	0.00	23.94	0.46	30.84	0.00	31.30
Debentures and Bonds	0.00	107.84	0.00	107.84	0.00	116.08	0.00	116.08
Subsidiaries/Joint Ventures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others (certificate of deposits, SR and PTC)	0.00	1007.40	0.00	1007.40	0.00	644.66	0.00	644.66
<b>Total</b>	<b>41.36</b>	<b>2678.24</b>	<b>1554.86</b>	<b>4274.46</b>	<b>0.46</b>	<b>2,072.51</b>	<b>1,820.62</b>	<b>3,893.59</b>

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

( ₹ in Crore)

Particulars	March 31,2017	March 31,2016
Collateralized Borrowing and Lending Obligation (CBLO)	195.12	165.00
Clearing of Securities	35.47	35.00
Forex Forward Segment-Default Fund with Clearing Corporation of India Limited	3.00	3.00
National Securities Clearing Corporation of India Ltd.	0.00	0.00
MCX-SX Clearing Corporation Ltd.	0.00	0.00
Real Time Gross settlement System (RTGS)	160.00	275.00
<b>Total</b>	<b>393.59</b>	<b>478.00</b>

### (e) CBLO Transactions

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

(₹ in Crore)

Particulars	March 31,2017	March 31,2016
Outstanding CBLO Borrowing	Nil	Nil
Outstanding CBLO Lending	Nil	Nil
Amortized Book Value of Securities given as collateral to Clearing Corporation of India Ltd(CCIL)	185.37	166.58

### 1.4 Sale and Transfers to / from HTM Category during FY 2016-17

Sl. No	Particulars	Classification	Book Value. ₹ in Cr
1	Shifting from AFS to HTM	G SEC & SDL	399.51
2	Shifting from HTM & AFS	G SEC & SDL	352.49
3	Sale from HTM	G.SEC	1159.56
4	Sale from HTM	SDL	495.29
	Total Sale		1654.85
<b>Sale in terms of % to 31/03/2016 Position</b>			<b>90.89%</b>

During the year ended March 31, 2017, the aggregate book value of investments sold from, and transferred to/from Held to Maturity (HTM) category was 90.89%, which was 85.89% in excess of the 5% of the book value of investments held in Held to Maturity (HTM) category at the beginning of the year. The Market Value of Investments held in the HTM category (excluding deposits with NABARD, SIDBI, RIDF, RHDF and NHB under priority sector /weaker sector lending schemes) was ₹ 1554.92 Crore (Previous Year ₹ 1820.42Crore) and the excess of market value over book value was ₹0.06 Crore as on 31.03.2017 (Previous Year : excess of book value over market value was ₹0.20 Crore). In accordance with Reserve Bank of India (RBI) guidelines, sale from, and transfer to/from Held to Maturity (HTM) category excludes;

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

#### • Sale and Transfer to/from HTM Category during FY 2015-16

Security	FV(₹in Cr)	Sale ₹ In Cr (FV*Price)	B.V ₹in Cr
<b>Central Govt. Securities</b>	<b>110.00</b>	<b>110.06</b>	<b>109.55</b>
<b>Sale in terms of % to 31/03/2015 Position</b>			<b>5.54%</b>

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

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

## 2. DERIVATIVES

### 3.1 Forward Rate Agreement (FRA) / Interest Rate Swaps (IRS)

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

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

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

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

(₹ in Crore )

Particulars		March 31, 2017	March 31, 2016
i)	The notional principal of swap agreements	Nil	50.00
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	Nil	(0.03)
iii)	Collateral required by the bank upon entering into swaps	Nil	NIL
iv)	Concentration of credit risk arising from the swaps	Nil	(0.03)
v)	The fair value of the swap book	Nil	49.97

## 2.1 OIS (Overnight Index Swap) position

The bank has outstanding OIS (Overnight Index Swap) position of ₹Nil Crore (Previous Year 50.00 Crore) as at the end of March 2017 and has MTM loss of ₹ NIL crore. These positions are trading swaps. List of Outstanding transactions are detailed as below.

(₹ in Crore)

As at	Sr no.	Pay/ Receive	Start Date	Maturity Date	Coupon	Notional	Freq-ucy	Counter party	MTM
31.03.2017	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
31.03.2016	1	Pay	12-May-2011	12-May-2016	8.38%	25.00	2	Axis Bank	(24.64)
	2	Receive	24-May-2011	24-May-2016	8.13%	25.00	2	Axis Bank	24.61
	Total								(0.03)

## 2.2 Details of the nature and terms of Interest Rate Swap (IRS) as on March 31, 2017: NIL ( As on March 31, 2016 : NIL)

## 2.3 Details of the nature and terms of Forward Rate Agreement (FRA) as on March 31, 2017: NIL ( As on March 31, 2016 : NIL)

## 2.4 Un-hedged / uncovered foreign currency exposure of the Bank

The Bank's foreign currency exposures as at March 31, 2017 that are not hedged/ covered by either derivative instruments or otherwise are within the Net Overnight Open Position limit (NOOP) and the Aggregate Gap limit, as approved by the RBI. NOOP is ₹1.30 crore (March 31, 2016 ₹0.64 crore).

## 2.5 Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sl. No.	Particulars	March31, 2017	March 31,2016
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March (instrument-wise)	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument- wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument- wise)	Nil	Nil

## 2.7 Currency Futures

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

## 2.8 Disclosures on risk exposure in derivatives

### Qualitative Disclosure

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

- the structure and organization for management of risk in derivatives trading ;
- the scope and nature of risk measurement, risk reporting and risk monitoring systems;

- c) policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants; and
- d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

#### Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	March 31, 2017		March 31, 2016	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)	Nil	Nil	Nil	50.00
	a) For hedging	Nil	Nil	Nil	Nil
	b) For trading	Nil	Nil	Nil	50.00
(ii)	Marked to Market Positions [1]	Nil	Nil	Nil	49.97
	a) Asset (+)	Nil	Nil	Nil	Nil
	b) Liability (-)	Nil	Nil	Nil	Nil
(iii)	Credit Exposure [2]	Nil	Nil	Nil	0.53
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	Nil	Nil	Nil	Nil
	a) on hedging derivatives	Nil	Nil	Nil	Nil
	b) on trading derivatives	Nil	Nil	Nil	0.002
(v)	Maximum and Minimum of 100*PV01 observed during the year	Nil	Nil	Nil	Nil
	a) on hedging	Nil	Nil	Nil	0.01
	b) on trading	Nil	Nil	Nil	0.002

2.9 The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year March 31, 2017 and March 31, 2016.

### 3. ASSET QUALITY

#### 1.1 Non-Performing Advances

Details of movement of gross NPAs, net NPAs and provisions during the year ended March 31, 2017 and March 31, 2016 are given below:

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
(i) Net NPAs to Net Advances (%)	2.58	2.78
(ii) Movement of NPAs (Gross)		
(a) Opening balance	458.92	558.29
(b) Additions during the year (fresh NPAs during the year)	154.76	250.75
(c) Reductions during the year	298.08	350.12
(d) Closing balance	315.60	458.92
(iii) Movement of Net NPAs		
(a) Opening balance	193.19	252.63
(b) Additions during the year	126.14	207.49
(c) Reductions during the year	158.62	265.57
(d) Less: CGTMSE	(0.27)	0.30
(e) Less: Diminution in fair value of restr. NPA accounts	(5.50)	(0.29)
(f) Less: Provision buffer-Sale to ARC	0.00	1.35
(g) Closing balance	166.48	193.19
(iv) Movement of provisions for NPAs (excluding provisions on std. assets)		
(a) Opening balance	265.20	305.42
(b) Provisions made during the year	111.64	137.73
(c) Write-off/ write-back of excess provisions	228.05	177.95
(d) Closing balance	148.79	265.20



1.2 Details of Loan Assets subjected to Restructuring as on March 31, 2017

(₹ in Crore)

Sl No	Type of Restructuring	Under CDR Mechanism						Under SME Debt Restructuring Mechanism						Others						Total		
		SA	SSA	DA	LA	Total	SA	SSA	DA	LA	Total	SA	SSA	DA	LA	Total	SA	SSA	DA	LA	Total	
1	No. of Borrowers	0	0	6	0	6	5	0	1	0	6	5	38	1	0	44	10	38	8	0	56	
	Amount Outstanding	0	0	84.45	0	84.45	12.23	0	0.36	0	12.59	9.60	1.16	36.49	0	47.25	21.83	1.16	121.30	0	144.29	
	Provision thereon	0	0	57.19	0	57.19	0.52	0	0.16	0	0.68	0.06	0.33	10.95	0	11.34	# 1.65	0.33	68.30	0	# 70.28	
2	No. of Borrowers	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1	0	0	0	1	
	Amount Outstanding	0	0	0	0	0	0	0	0	0	0	0	0.04	0	0.04	0	0.04	0	0	0	0.04	
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0.01	0	0.01	0	0.01	0	0	0	0.01	
3	No. of Borrowers	0	0	0	0	0	0	0	0	0	0	16	(16)	0	0	16	(16)	0	0	0	0	
	Amount Outstanding	0	0	0	0	0	0	0	0	0	0	0.40	(0.40)	0	0	0.40	(0.40)	0	0	0	0	
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0.11	(0.11)	0	0	0.11	(0.11)	0	0	0	0.00	
4	No. of Borrowers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Amount Outstanding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Provision thereon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	





#### 1.4 A. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	Nil	Nil	Nil	Nil
Classified as NPA	Nil	Nil	Nil	Nil

#### B. Upfront Provision under S4A

In respect of an account admitted under S4A and is under standstill period, bank has made upfront provision of ₹4.00 cr (Previous Year –Nil) as per clause 9(B)(ii) of the circular DBR.No. BP. BC.103/ 21.04.132/2015-16 dated June 13, 2016 read with circular DBR .No. BP.BC.34/ 21.04.132/ 2016-17 dated November 10, 2016.

#### 1.6 Disclosures on Flexible Structuring of Existing Loans

There were no borrowers taken up for flexibility structuring during the year.

#### 1.7 Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period)

There were no accounts during the year where SDR has been invoked

#### 1.8 Disclosures on Change in ownership outside Strategic Debt Restructuring Scheme(accounts which are currently under the stand still period )

There were no accounts where the bank has decide to affect the change of ownership outside SDR scheme and which are currently under the stand still period

#### 1.9 Disclosures on change in ownership of Projects under Implementation (accounts which are currently under the stand still period)

There were no project loan accounts during the year where Bank has decided to effect change in ownership

#### 1.10 Details of financial assets sold to Securitization / Reconstruction Company:

##### A. Details of Sales

(₹ in Crore)

Sr. No.	Item	March 31, 2017	March 31, 2016
(i)	No. of accounts	Nil	2
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	39.79
(iii)	Aggregate consideration ( Net Book Value of ₹--- crore )	Nil	28.84
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v)	Aggregate gain/loss over net book value.	Nil	(10.95)

##### B. Details of Book Value of Investments in Security Receipts

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
I ) Backed by NPA's sold by the bank as underlying (*)	114.83	95.69
II) Backed by NPA's sold by the other banks/Financial Institutions /NBFC as underlying	Nil	Nil
Total	114.83	95.69

\* includes the security receipts allotted during the year in respect of assets sold during FY 2015-16, which was pending allotment as on 31.03.2016.

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

(₹ in Crore)

Sr. No	Particulars	March 31, 2017	March 31, 2016
A	Details of non-performing financial assets purchased (from other banks):	Nil	Nil
B	Details of non-performing financial assets sold to other Banks:	Nil	Nil

### 1.12 Provisions on Standard Assets

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
Provision towards standard Assets	(1.57)	(1.61)
Provision towards Specific Standard Assets *	8.22	Nil

\*This includes upfront provision of ₹4 crore for advance referred to S4A, as disclosed in note 4.3(B) and also includes additional provision of ₹4.22 crores made by the bank against its exposure to telecom sector, in view of the RBI circular No.DBR.No.BP.BC.64/21.04.048/2016-17 dated April 18, 2017.

### 1.14 Advances against intangible assets:

There are no outstanding advances as at March 31, 2017 and March 31, 2016 for which only intangible securities such as charge over the rights, licenses, authority, etc has been taken.

Other unsecured advances is ₹56.04 crores (Previous year : ₹112.08 crores)

## 4. BUSINESS RATIOS

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	Interest Income as a percentage to Working Funds (%) *	8.46	9.26
(ii)	Non-interest income as a percentage to Working Funds (%) *	0.86	0.59
(iii)	Operating Profit as a percentage to Working Funds (%) *	0.73	0.03
(iv)	Return on Assets (%) *	0.10	(1.61)
(v)	Business (Deposits plus net advances) per employee – ₹in Crore #	8.85	8.36
(vi)	Profit/(Loss) per employee - ₹in Crore #	0.01	(0.10)

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

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

## 5. LIQUIDITY COVERAGE RATIOS

Below mentioned is a position of Liquidity Coverage Ratio computed based on Simple Average of daily observations over the previous quarter during the year ended March 31, 2017 (Previous year : based on simple average of month-end position).

(₹in Crore)

Particulars	Average of month end position during the year ended 31.03.2017		Average of month end position during the quarter ended 31.03.2016	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets				
1. Total High Quality Liquid Assets (HQLA)		2682.92		1651.15
Cash Outflows				
2. Retail deposits and deposits from small business customers, of which:				
(i) Stable deposits	7047.60	568.65	7665.90	611.87
(ii) Less stable deposits	2723.51	136.17	3094.41	154.72
(iii) Less stable deposits	4324.09	432.47	4571.49	457.15
3. Unsecured wholesale funding, of which:				
(i) Operational deposits (all counterparties)	1426.24	433.84	494.96	399.72
(ii) Non-operational deposits (all counterparties)	-	-	-	-
(iii) Unsecured debt	1426.24	433.84	494.96	399.72
4. Secured wholesale funding				
5. Additional requirements, of which	-	-	-	-

Particulars	Average of month end position during the year ended 31.03.2017		Average of month end position during the quarter ended 31.03.2016	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-
(iii) <b>Credit and liquidity facilities</b>	-	-	-	-
6. Other contractual funding Obligations	545.01	50.40	358.67	30.28
7. Other contingent funding obligations	306.27	9.18	341.47	16.51
8. <b>Total Cash Outflows</b>				1058.38
Cash Inflows				
9. Secured lending (e.g. reverse repos)	-	-	-	-
10. Inflows from fully Performing exposures	-	-	-	-
11. Other cash inflows	-	-	125.24	125.24
12. <b>Total Cash Inflows</b>	-	-	125.24	125.24
		Total Adjusted Value		Total Adjusted Value
21. <b>TOTAL HQLA</b>		2680.07		1651.15
22. <b>Total Net Cash Outflows</b>		775.68		933.14
23. <b>Liquidity Coverage Ratio (%)</b>		345.51%		176.95%

### Qualitative Disclosure

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

The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement; Certificate of Deposits issued by Banks with rating A1+ and above apart from regulatory dispensation allowed upto 7% of NDTL (additional 3% effective February 16) in the form of borrowing limit available through Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). Average LCR for the year ended March 31, 2017 is 345.51% (March 31, 2016: 176.95%), which is comfortably above RBI prescribed minimum requirement of 80%.

LCR for the quarter end March 31, 2016 had been computed based on the guidelines applicable at that point in time. Subsequently there have been amendments in the RBI guidelines w.e.f March 2017. Hence, LCR computed based on 3 months average for March 2016 is not comparable with those reported for the current financial year based on daily average of the previous quarter.6.

## 7. ASSET LIABILITY MANAGEMENT

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

Specified assets and liabilities as at March 31, 2017:

(₹ in Crore)

Particulars	Day 1	2 to 7 Days	8 to 14 Days	15 to 30 Days	31 days upto 2 months	Over 2 Months upto 3 months	Over 3 months and upto 6 Months	Over 6 Months and upto 1 years	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	72.89	215.43	213.65	484.71	564.08	580.50	1389.49	3018.35	4415.91	234.69	103.96	11293.67
Advances (Net)	142.63	115.10	106.27	116.01	110.87	154.98	583.94	822.68	3254.33	494.11	545.45	6446.36
Investments (Gross)	0.00	9.75	264.06	49.27	225.73	193.98	991.92	452.14	643.96	139.57	1304.08	4274.46
Borrowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	117.70	0.00	27.50	145.20
Foreign currency Assets	174.92	17.81	1.59	28.36	14.99	36.45	76.07	79.05	0.00	4.87	4.79	438.90
Foreign currency Liabilities	91.21	24.36	0.43	20.79	11.46	35.58	39.87	26.75	154.01	22.95	0.07	427.48

Specified assets and liabilities as at March 31, 2016:

(₹ in Crore)

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

## 8. LENDING TO SENSITIVE SECTOR

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

### a. Exposure to Real Estate Sector

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

(₹ in Crore)

Category	March 31, 2017	March 31, 2016
<b>a) Direct exposure</b>		
<b>(i) Residential Mortgages –</b>		

Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (A)	441.00	352.99
Of Which individual Housing loan eligible for inclusion in Priority Sector Advances	197.55	185.64
<b>(ii) Commercial Real Estate –</b>		
Landings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits; (B)	407.91	224.88
<b>(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –</b>		
a. Residential,	Nil	Nil
b. Commercial Real Estate.	Nil	Nil
<b>(iv) Other Direct Exposure (C)</b>	199.35	301.15
<b>b) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) (D)	70.51	40.73
<b>Total Exposure to Real Estate Sector (A+B+C+D)</b>	1118.77	919.75

**b. Exposure to Capital Market**

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

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	18.56	24.38
(ii) advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	Nil	Nil
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	Nil	Nil
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	Nil	Nil
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	2.00	2.00
(vi) loans sanctioned to corporates against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
(vii) bridge loans to companies against expected equity flows/issues;	Nil	Nil
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
(ix) financing to stockbrokers for margin trading;	Nil	Nil



Particulars	March 31, 2017	March 31, 2016
(x) all exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
<b>Total Exposure to Capital Market</b>	<b>20.56</b>	<b>26.38</b>

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

## 9. RISK CATEGORY WISE COUNTRY EXPOSURE

(₹ In Crore)

Risk Category	Exposure (net) as at	Provision held as at	Exposure (net) as at	Provision held as at
	March 31, 2017	March 31, 2017	March 31, 2016	March 31, 2016
Insignificant	34.23	Nil	38.98	Nil
Low	3.46	Nil	0.09	Nil
Moderate	2.32	Nil	Nil	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
<b>Total</b>	<b>40.01</b>	<b>Nil</b>	<b>39.07</b>	<b>Nil</b>

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

## 10. 1 DETAILS OF SINGLE BORROWER LIMIT, GROUP BORROWER LIMIT

During the year ended March 31, 2017 the followings parties have exceeded the single borrower limit.

Sl No	Name of the party	Total exposure (Amt in Crs)	TE as % of Capital Funds
1	Bhima Jewellers, Bangalore	91.23	16.12%

Bank has complied with the Reserve Bank of India guidelines on group borrower limit.

## 10.2 PENALTIES LEVIED BY THE RESERVE BANK OF INDIA

The Penalty imposed by RBI during the year ended March 31, 2017 was Nil for the contraventions of various KYC/ AML requirements/ directions of the Reserve Bank of India.

## 11. DISCLOSURE AS PER ACCOUNTING STANDARDS (AS)

### 11.1 Accounting Standard 5: Net Profit or Loss for the period, prior period items and changes in Accounting Policies:

a) Prior period income / expenditure items is as below;

(₹ in crore)

Particulars	Prior period Income	Prior Period Expense
Cenvat credit of earlier year availed	1.66	-
Tax liability of earlier years accounted for	-	2.30
<b>Net Priod period Expense</b>		<b>0.64</b>

b) Change in Accounting Policy in respect of Depreciation on account of revaluation of Fixed Assets :

In accordance with the introduction of GN (A) 35- 'Guidance Note on Accounting for Depreciation in Companies in context of Schedule II to the Companies Act, 2013', issued by the Institute of Chartered Accountants of India, during the year, Bank has changed the accounting policy of recouping additional depreciation on account of revaluation as a credit to the statement of profit and loss to recouping additional depreciation on account of revaluation as a credit to revenue reserves.

The overall impact on account of change in accounting policy is as follows:

(₹ in crore)

Particulars	Old Policy	New Policy	Net effect
Depreciation debited to P&L	18.53	20.32	1.79
Net Profit for the year	14.17	12.38	-1.79

## 1.2 Employee Benefits (AS 15)

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

### i. Defined Benefit Pension Plan and Gratuity

(₹ in Crore)

Particulars	Pension		Gratuity	
	2016-17	2015-16	2016-17	2015-16
<b>Changes in the present value of the defined benefit obligations</b>				
Present value of obligation at the beginning of the year	143.64	120.10	42.65	40.37
Interest cost	14.47	9.69	3.59	3.50
Current Service Cost	9.30	9.14	3.43	3.34
Benefits paid	(6.22)	(4.47)	(8.83)	(6.30)
Net actuarial (gain)/loss on obligation	10.63	27.53	1.91	1.74
Past service cost	91.23	Nil	Nil	Nil
Settlements	(114.20)	(18.35)	Nil	Nil
Present value of the defined benefit obligation at the end of the year.	148.85	143.64	42.75	42.65
<b>Change in the fair value of plan assets:</b>				
Fair value of plan assets at the beginning of the year	130.04	102.56	41.93	38.01
Expected return on plan assets	11.75	8.24	3.36	3.13
Contributions by employer	133.36	34.84	6.09	6.87
Contributions by employee	3.77	7.46	Nil	Nil
Benefit paid	(6.22)	(4.47)	(8.83)	(6.30)
Settlements	(114.20)	(18.35)	Nil	Nil
Actuarial gain/(loss)	2.34	(0.24)	1.19	0.22
Fair value of plan assets at the end of the year	160.84	130.04	43.74	41.93
Total Actuarial Gain/(Loss) to be recognized immediately	(8.29)	(27.77)	(0.72)	(1.52)
<b>Expenses recognized in Profit and Loss Account</b>				
Current Service Cost	9.30	9.14	3.43	3.34
Interest cost on benefit obligation	14.47	9.69	3.59	3.50
Expected return on plan assets	(11.75)	(8.24)	(3.36)	(3.13)
Net actuarial (gain)/loss recognized in the year	8.29	27.77	0.72	1.52
Past Service Cost PSL- amortization	91.23	Nil	Nil	Nil
* Asset arising on actuarial valuation not recognised	11.99	Nil	1.00	Nil
Expenses recognized in the Profit and Loss account	123.53	38.36	5.38	5.22
<b>The amount recognized in the Balance Sheet</b>				
Present Value of obligation at the end of the year (i)	148.85	143.64	42.75	42.64
Fair value of plan assets at the end of the year (ii)	160.84	130.04	43.75	41.93
Difference (ii)-(i)	11.99	(13.60)	1.00	(0.71)
Unrecognized past service liability	Nil	Nil	Nil	Nil
* Asset arising on actuarial valuation not recognised	11.99	Nil	1.00	Nil
Net asset/(liability) recognized in the Balance Sheet	Nil	(13.60)	Nil	(0.71)

\* As a matter of prudence, branch has not recognised the notional asset of ₹11.99 crore for pension and 1.00 crore for gratuity (Total ₹12.99 cr) arising due to fair value of planned assets as on 31.03.2017.

### Details of the Plan Asset

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

(₹ In crores)

Particulars	Pension		Gratuity	
	2016-17	2015-16	2016-17	2015-16
Central Government securities	20.32	20.26	Nil	Nil
State Government securities	27.84	28.35	5.01	5.01
Investment in Private Sector Undertakings	18.50	18.50	2.50	2.50

Others	91.18	53.68	35.79	32.97
<b>Total</b>	<b>157.84</b>	<b>124.79</b>	<b>43.30</b>	<b>40.48</b>

### Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Pension		Gratuity	
	Project Unit Credit Method	Project Unit Credit Method	Project Unit Credit Method	Project Unit Credit Method
	2016-17	2015-16	2016-17	2015-16
Discount rate	7.25%	7.80%	7.25%	7.80%
Expected rate of return on assets	8.00%	8.00%	8.00%	8.00%
Future salary increase	2.50%	2.50%	5.00%	5.00%

### iii. Leave encashment benefit

(₹ in crores)

Particulars	Leave		Sick Leave	
	2016-17	2015-16	2016-17	2015-16
<b>Changes in the present value of the defined benefit obligations</b>				
Present value of obligation at the beginning of the year	26.95	24.05	2.79	Nil
Interest cost	2.29	2.22	0.26	0.23
Current Service Cost	3.24	3.13	0.56	0.31
Benefits paid	(7.51)	(8.51)	Nil	Nil
Net actuarial (gain)/loss on obligation	4.97	6.06	0.37	Nil
Past service cost	Nil	Nil	Nil	2.25
Settlements	Nil	Nil	Nil	Nil
Present value of the defined benefit obligation at the end of the year.	29.95	26.95	3.24	2.79
<b>Change in the fair value of plan assets :</b>				
Fair value of plan assets at the beginning of the year	Nil	Nil	Nil	Nil
Expected return on plan assets	Nil	Nil	Nil	Nil
Contributions by employer	7.51	8.51	Nil	Nil
Benefit paid	(7.51)	(8.51)	Nil	Nil
Settlements	Nil	Nil	Nil	Nil
Actuarial gain/(loss)	Nil	Nil	Nil	Nil
Fair value of plan assets at the end of the year	Nil	Nil	Nil	Nil
Total Actuarial Gain/(Loss) to be recognized immediately	(4.97)	(6.06)	0.37	Nil
<b>Expenses recognized in Profit and Loss Account</b>				
Current Service Cost	3.24	3.13	0.56	0.31
Interest cost on benefit obligation	2.28	2.22	0.26	0.23
Expected return on plan assets	Nil	Nil	Nil	Nil
Net actuarial (gain)/loss recognized in the year	4.97	6.06	0.37	Nil
Past Service Cost PSL- amortization	Nil	Nil	Nil	2.25
Expenses recognized in the Profit and Loss account	10.50	11.42	0.45	2.79

Particulars	Leave		Sick Leave	
	2016-17	2015-16	2016-17	2015-16
<b>The amount recognized in the Balance Sheet</b>				
Present Value of obligation at the end of the year (i)	29.95	26.95	3.24	2.79
Fair value of plan assets at the end of the year (ii)	Nil	Nil	Nil	Nil
Difference (ii)-(i)	(29.95)	(26.95)	(3.24)	(2.79)
Unrecognized past service liability	Nil	Nil	Nil	Nil
Net asset/(liability) recognized in the Balance Sheet	(29.95)	(26.95)	(3.24)	(2.79)

#### Details of the Plan Asset

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

Particulars	Leave		Sick Leave	
	2016-17	2015-16	2016-17	2015-16
Central Government securities	Nil	Nil	Nil	Nil
State Government securities	Nil	Nil	Nil	Nil
Investment in Public Sector Undertakings	Nil	Nil	Nil	Nil
Investment in Private Sector Undertakings	Nil	Nil	Nil	Nil
Others	Nil	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

#### Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Leave		Sick Leave	
	Project Unit Credit Method		Project Unit Credit Method	
	2016-17	2015-16	2016-17	2015-16
Discount rate	7.25%	7.80%	7.25%	7.80%
Expected rate of return on assets	Nil	Nil	Nil	Nil
Future salary increase	5.00%	5.00%	5.00%	5.00%

### 1.3 Segment Reporting (AS 17)

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

I. Primary Segments: Business segments.

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

II. Secondary Segments: Geographical segments.

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

SEGMENT RESULTS – March 31, 2017

(₹ in Crore)

Business Segments	Treasury		Retail Banking		Corporate / Wholesale Banking		Other Banking Operations		Unallocated		Total	
	March 31,2017	March 31,2016	March 31,2017	March 31,2016	March 31,2017	March 31,2016	March 31,2017	March 31,2016	March 31,2017	March 31,2016	March 31,2017	March 31,2016
	Revenue	340.36	335.83	390.68	453.94	469.04	491.23	Nil	Nil	Nil	Nil	1200.08
Results	59.30	(7.89)	37.94	33.22	(3.16)	(24.83)	Nil	Nil	Nil	Nil	94.08	0.50
Unallocated Expenses	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Operating Profit	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	94.08	0.50
Total provisions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	81.69	196.66
Tax Expenses	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Extra ordinary items	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit After Tax	Nil	-	Nil	-	Nil	-	Nil	Nil	Nil	-	12.39	(196.16)
<i>Other Information</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Segment Assets	4658.89	4164.62	3253.65	3685.16	4335.45	4546.09	Nil	Nil	Nil	Nil	12267.99	12395.87
Unallocated Assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	65.13	67.11	65.13	67.11
Total Assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12333.12	12462.98
Segment Liabilities	4346.42	4129.59	3135.26	3574.08	4196.96	4251.36	Nil	Nil	Nil	Nil	11675.41	11955.03
Unallocated Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	654.48	507.95	654.48	507.95
Total Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12333.12	12462.98

#### 1.4 Related Party Disclosures (As 18)

Key Management Personnel	2016-17		2015-16	
	From	To	From	To
Sri G Sreeram, MD & CEO	01.04.2016	31.03.2017	07.04.2015	31.03.2016
Sri K.V. Bhasi, CFO	01.04.2016	31.03.2017	14.09.2015	31.03.2016
Sri Santosh Kumar Barik CS	01.04.2016	31.03.2017	01.10.2015	31.03.2016

Key Management Personnel	Nature of Transaction	2016-17	2015-16
Sri G Sreeram, MD & CEO	Remuneration including perquisites	₹ 36,00,000/-	₹35,82,400/-
Sri K.V. Bhasi, CFO	Remuneration including perquisites	₹ 13,90,468/-	₹7,33,538/-
	Vehicle Loan Given	₹9,00,000/-	₹9,00,000/-
	Vehicle Loan Outstanding	₹3,09,475/-	₹8,54,340/-
	Interest Income	Nil	₹4,725/-
Sri Santosh Kumar Barik CS	Remuneration including perquisites	₹12,89,675/-	₹6,32,172/-
	Rent Advance	₹48,000/-	₹48,000/-

#### 1.5 Operating Leases

Operating Leases primarily comprise office premises, staff residences, which are renewable at the option of the Bank. Lease Payments recognized in the Profit and Loss Account are given below;

(₹.in Crore)

Particulars	March 31, 2017	March 31, 2016
Operating Lease Payments	31.86	32.37

The Bank has certain non-cancellable outsourcing contracts for Information Technology (IT) assets and branches on rent. The future minimum lease liabilities for such non-cancellable operating leases are given below;

(₹.in Crore)

Particulars	March 31, 2017	March 31, 2016
Not later than one year	0.59	26.40
Later than one year and not later than five years	45.34	33.50
Later than five years	18.89	6.97
<b>Total</b>	<b>64.82</b>	<b>66.86</b>

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

#### 1.6 Earnings per Share (AS 20)

Particulars	March 31, 2017	March 31, 2016
Net Profit/ (Loss) after tax (₹in Crore)	12.38	(209.45)
Weight average number of equity shares for Basic EPS	209846619	177 441 619
Weight average number of equity shares for Diluted EPS	209846619	177 441 619
Earnings per share (Basic) in Rs	0.59	(11.80)
Earnings per share (Diluted) in Rs	0.59	(11.80)

#### 1.8 Accounting for Taxes on Income (AS 22)

Based on prudence, the Bank has not recognized any additional Deferred Tax Asset during the year ended March 31, 2017. The existing Deferred Tax Asset recognized in March 31, 2014 amounting to ₹37.06 Crore is reviewed in the light of improving trend in the performance during the year ended March 31, 2017 and a considered conservative view has been taken to retain the same. Accordingly the components of Deferred Tax Assets and Liabilities shown below represents the component of Deferred Tax Assets and Liabilities recognized at the time of recognition of the Net Deferred Tax Asset ₹ 37.06 crore as on March 31, 2014.

(₹.in Crore)

Particulars	March 31, 2017	March 31, 2016
<b>Deferred Tax Asset</b>		
Leave Encashment	0.47	0.47

Provision for Standard Assets	0.17	0.17
Amortization of HTM Securities	3.21	3.21
Carry forward loss	36.11	36.11
<b>Total (A)</b>	<b>39.96</b>	<b>39.96</b>
Deferred Tax Liability		
Depreciation on Fixed Assets	0.82	0.82
Special Reserve u/s 36(1)(viii)	2.04	2.04
Others	0.04	0.04
<b>Total (B)</b>	<b>2.90</b>	<b>2.90</b>
<b>Net Deferred Tax Asset (A-B)</b>	<b>37.06</b>	<b>37.06</b>

### 1.9 Impairment of Assets

In the opinion of the Bank's management, there is no indication of the impairment to the assets during the year to which the Accounting Standard 28 "Impairment of Assets" applies.

### OTHER/ ADDITIONAL DISCLOSURES

### 12. Provisions and Contingencies

The breakup of Provisions and Contingencies for the year ended March 31, 2017 and March 31, 2016 are given below:

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Provision for depreciation on Investments	(5.74)	11.27
Provision for Non Performing Investments	(1.62)	5.57
Provision for Standard Assets	6.65	(1.61)
Provision against Fraud	(0.08)	Nil
Provision for OIS MTM Loss	Nil	(0.06)
Provision for NPA (including Bad Debts written off )	84.69	93.73
Provision for Restructured Advances	(5.51)	(1.24)
Provision for Income Tax, Wealth Tax etc.	Nil	(0.01)
Provision for Unhedged Forex Exposure	0.64	(0.22)
Income Tax Written off	Nil	13.29
Provision for Pension/DA increase	Nil	89.56
Other Provisions (Net)*	2.67	(0.33)
<b>Total</b>	<b>81.69</b>	<b>209.95</b>

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

### 13. Reserves and Surplus (From Reserves Draw Down)

During the financial year ended March 31, 2017 the Bank has drawn down ₹0.05 cr from reserve (Previous Year –Nil) .

### 14. Floating Provisions

(₹ in Crore)

Particulars	March 31,2017	March 31,2016
(a) Opening balance	0.67	0.67
(b) Additional Provisions made during the year	Nil	Nil
(c) Amount of draw down made during the year	Nil	Nil
(d) Closing balance	0.67	0.67

15. **Disclosure for Customer Complaints/ Unimplemented Awards of Banking Ombudsman** (as certified by the Management and relied upon by the auditors).

Particulars	2016-17	2015-16
<b>Customer complaints</b>		
(a) No. of complaints pending at the beginning of the year	39	16
(b) No. of complaints received during the year	8211	5411
(c) No. of complaints redressed during the year	8209	5388
(d) No. of complaints pending at the end of the year	41	39
<b>Unimplemented awards of Banking Ombudsmen</b>		
(a) No. of unimplemented awards at the beginning of the year	Nil	Nil
(b) No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
(c) No. of Awards implemented during the year	Nil	Nil
(d) No. of unimplemented Awards at the end of the year.	Nil	Nil

16. **Disclosure of Letter of Comforts (LOCs) issued by the Bank**

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

17. **Provision Coverage Ratio (PCR)**

Particulars	March 31, 2017	March 31, 2016
<b>Provision Coverage Ratio</b>	<b>79.99%</b>	<b>75.67%</b>

18. **Bancassurance Business**

Details of income earned from bancassurance business: (₹ in Crore)

Sr. No.	Nature of Income	March 31, 2017	March 31, 2016
1	For selling life insurance policies	1.64	3.14
2	For selling non life insurance policies	0.30	0.38
	<b>Total</b>	<b>1.94</b>	<b>3.52</b>

19. **Concentration of Deposits, Advances, Exposures and NPAs**

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

**a). Concentration of Deposits**

Particulars	March 31, 2017	March 31, 2016
Total Deposits of twenty largest depositors (₹ In crore)	2678.27	2972.48
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	23.71%	26.18%

**b). Concentration of Advances**

Particulars	March 31, 2017	March 31, 2016
Total Advances to twenty largest borrowers (₹ In crore)	1019.66	1168.95
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	15.46%	15.83%

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

**c). Concentration of Exposures**

Particulars	March 31, 2017	March 31, 2016
Total Exposure to twenty largest borrowers/customers (₹ In crore)	1181.21	1239.99
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers /customers	16.29%	15.55%

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



d). Concentration of NPAs

Particulars	March 31, 2017	March 31, 2016
Total Exposure to top four NPA accounts (₹in Crore)	95.07	182.33

20. Sector-wise advances

(₹ in crores)

Sl. No.	Sector	March 31, 2017			March 31, 2016		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
<b>A</b>	<b>Priority Sector</b>						
1	Agriculture and allied activities	1225.53	12.34	1.00	1169.05	10.62	0.91
2	Advances to industries sector eligible as priority sector lending	717.61	22.44	3.13	917.72	42.14	4.59
3	Services	483.04	42.67	8.83	582.68	33.16	5.69
4	Personal loans (Other than above)	326.08	16.40	5.03	407.72	29.77	7.30
	Sub-total (A)	2752.26	93.85	3.41	3077.17	115.69	3.76
<b>B</b>	<b>Non Priority Sector</b>						
1	Agriculture and allied activities	Nil	Nil	Nil	Nil	Nil	Nil
2	Industry	612.88	84.06	13.72	808.28	188.82	23.36
3	Services	1919.98	114.86	5.98	1782.60	91.81	5.15
4	Personal loans (Other than above)	1310.69	22.83	1.74	1550.30	62.60	4.04
	Sub-total (B)	3843.55	221.75	5.77	4141.18	343.23	8.29
	<b>Total (A+B)</b>	<b>6595.81</b>	<b>315.60</b>	<b>4.78</b>	<b>7218.35</b>	<b>458.92</b>	<b>6.36</b>

21. NPA

21.1 Movement of NPAs

Particulars	March 31, 2017	March 31, 2016
Net NPA to Net Advances	2.58%	2.78%
Gross NPA as at the beginning of the year	458.92	558.29
Additions (Fresh NPAs) during the year	154.76	250.75
<b>Sub-total (A)</b>	<b>613.68</b>	<b>809.04</b>
Less:-		
(i) Up gradations	64.91	110.02
(ii) Recoveries (excluding recoveries made from upgraded accounts)	44.21	66.70
(iii) Write-offs	1.63	1.99
(iv) Technical write off	187.33	109.76
(v) Sale to ARC	0.00	61.65
<b>Sub-total (B)</b>	<b>298.08</b>	<b>350.12</b>
<b>Gross NPA as at the end of the year (A-B)</b>	<b>315.60</b>	<b>458.92</b>

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

(₹in Crore)

Particulars	March 31, 2017	March 31, 2016
Opening balance of Technical / Prudential written-off accounts as at April 1	335.13	227.19

<b>Add : Technical / Prudential write-offs during the year</b>	<b>187.33</b>	<b>109.76</b>
<b>Sub-total (A)</b>	<b>522.46</b>	<b>336.95</b>
<b>Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)</b>	<b>6.05</b>	<b>0.43</b>
<b>Less : Other charges receivable excluded from Gross balance</b>	<b>Nil</b>	<b>1.39</b>
<b>Closing balance as at March 31 (A-B)</b>	<b>516.41</b>	<b>335.13</b>

b. **Overseas Assets, NPA and Revenue**

(₹ in Crore)

<b>Particulars</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

22. **Off-balance sheet SPVs sponsored** (which are required to be consolidated as per accounting norms)

<b>Name of the SPV sponsored</b>	
<b>Domestic</b>	<b>Overseas</b>
NIL	Nil

23. **Disclosures on Remuneration**

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

**Composition**

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

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

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

10. Ensure that at all times, the Board of the Bank has a fair combination of independent, non-executive and executive directors meeting the governance standards set by the Board and in compliance with regulatory requirements and listing agreements prevailing from time to time;
  11. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the Bank;
  12. Evaluate and put in place proper mechanism for refreshment trainings for Directors on relevant subject;
  13. Evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the Bank;
  14. Put in place, subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other Directors on the board of the Bank;
  15. Ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the Bank;
  16. Oversee the overall governance standards and policies of the Bank and delegation of authorities to match with the best practices in relation to the size of the Bank and the level of its operations to protect the interest of all stake holders
- b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

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

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

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

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

(₹ in Crore)

Quantitative Disclosures		2016-17	2015-16
(a)	· Number of meetings held by the Nomination & Remuneration Committee during the financial year · Remuneration paid to its members.	2 0.006	2 0.006
(b)	(i.) Number of employees having received a variable remuneration award during the financial year. (ii.) Number and total amount of sign-on awards made during the financial year. (iii.) Details of guaranteed bonus, if any, paid as joining/sign on bonus. (iv.) Details of severance pay, in addition to accrued benefits, if any	Nil Nil Nil Nil	Nil Nil Nil Nil
(c)	(i.) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms. (ii.) Total amount of deferred remuneration paid out in the financial year.	Nil Nil	Nil Nil
(d)	Breakdown of amount awards for the financial year to show fixed and variable deferred and non-deferred · Fixed · Variable · Deferred · Non Deferred	Nil	Nil
(e)	(i.) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments (ii.) Total amount of reductions during the financial year due to ex-post explicit adjustments. (iii.) Total amount of reductions during the financial year due to ex-post implicit adjustments.	Nil Nil Nil	Nil Nil Nil

## 24. Securitization Transactions

The Bank has not done any securitization transaction during the year ended March 31, 2017 and March 31, 2016.

## 25. Intra-Group Exposures

Bank does not have any group entities.

## 26. Transfers to Depositor Education and Awareness Fund (DEAF)

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

(₹in Crore )

Particulars	March 31, 2017	March 31, 2016
Opening balance of amounts transferred to DEAF	13.72	4.31
Add : Amounts transferred to DEAF during the year	6.70	9.48
Less : Amounts reimbursed by DEAF towards claims	0.20	0.07
Closing balance of amounts transferred to DEAF	20.22	13.72

## 27. Unhedged Foreign Currency Exposure of Bank's Customers

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

The Bank has maintained a provision of 1.5 crore (previous year – 0.86 crore) and an additional capital of ₹ 14.47 crore (previous year – nil) on account of unhedged foreign currency exposure of its borrowers as at March 31, 2017.

## 28. 1. Description of Contingent Liabilities

Sr. No	Particulars*	Brief Description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows
2	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps and interest rate swaps with interbank participants and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. Hence the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

Sr. No	Particulars*	Brief Description
3	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issued documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4	Other items for which the Bank is contingently liable	- Value dated purchase of securities - Disputed Tax - Amount deposited with RBI under Depositor Education Awareness Fund - Foreign Exchange Contracts (Tom & Spot)

\*Refer Schedule 12 for amounts relating to Contingent Liability

## 28.2 Capital commitments

(₹ in Crore)

March 31, 2017	March 31, 2016
6.12	14.01

## 29. Provision for Long Term Contracts

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

## 30. Disclosure on Specified Bank Notes

Details of above information as per MCA notification GSR 308 (E) dtd 30.03.2017 is not disclosed since it is not considered applicable to banking companies.

## 31. Interest on Upper Tier II Bonds

The Bank has issued upper tier II Bonds with the outstanding balance ₹27.50 cr as on 31/03/2017. The interest on these bonds is due on July 30 and the Bank has made sufficient provision in the accounts for payment of interest on accrual basis. Terms of issue of bonds provide that Bank shall not be liable to pay interest, if CRAR is below regulatory requirement. Bank could not service the interest on these bonds due on 30/07/2016 since this condition was not satisfied and regulatory approval for payment of the same was not received. The interest due can be serviced once the condition is satisfied /regulatory approval is received.

## 32. Dues to Micro, Small and Medium Enterprises

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

## 33. Provision For Tax

(₹ in Crore)

Particulars	March 31, 2017	March 31, 2016
Income Tax	Nil	Nil
Wealth Tax	Nil	Nil
Deferred Tax	Nil	Nil

Income Tax paid under dispute during earlier years to the extent of ₹2.30 crore has been written off as prior period expenses during the year based on the review of the management of the present status of the appeals before various appellate authorities.

## 34. Provisioning Pertaining to Fraud in Advances

The Bank has reported 1 case of fraud that has a possible impact on the bank in the Financial year ended March 31, 2017 amounting to ₹0.07 crore. The Bank has expensed off/ provided for the expected loss arising from these frauds and does not have any unamortized provision.

## 35. Investor Education and Protection Fund

There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Bank.

### 36. Priority Sector Lending Certificate (PSLC)

The Bank purchases PSLC for meeting Priority Sector targets. The fee paid for purchase of PSLC is treated as expense.

- There was no sale of PSLC by bank during year ended March 31, 2017 and March 31, 2016
- Details of PSLCs purchased with Net Nominal Value

(₹ in Crore)

Sr. No	PSLC Type	March 31, 2017	March 31, 2016
1	PSLC - Agriculture	Nil	Nil
2	PSLC – Small Farmers /Marginal Farmers	Nil	Nil
3	PSLC - Micro Enterprises	425	Nil
4	PSLC - General	Nil	Nil
	<b>Total</b>	<b>425</b>	Nil

### 37. Inter-Bank Participation with Risk Sharing

There was no purchase or sale of InterBank Participation Certificate with risk sharing by bank during year ended March 31, 2017 and March 31, 2016

### 38. Remuneration to Non-Executive Directors

The non-executive directors are paid remuneration by way of sitting fees for attending the meetings of the Board and Committee. Sitting Fees are paid at the rate of ₹20000 for Board Meeting and ₹ 10000 for meetings of the Board Committees. Details of sitting fees paid are given below;

(₹in Crore)

Particulars	March 31, 2017	March 31, 2016
Sitting Fees paid to Non-Executive Directors	0.22	0.25

### 39. ESOP Scheme

a) The details of the Employees Stock Option Plan-2009 currently in vogue in the Bank as at March 31, 2017 are as under:

Sl no	Particulars	ESOP2009	ESOS 2013
1.	Details of Approval	Remuneration Committee resolution, dated August 6, 2009.	Remuneration Committee approval dated August 14, 2014
2.	Implemented through	Directly by Bank	Directly by Bank
3.	Total number of shares	40,42,470	24,77,400
4.	Price per option	₹ 118.35	₹40.73
5.	Granted	39,99,225	24,77,400
6.	Vested	39,99,225	17,17,330
7.	Exercised	20,719	Nil
8.	Cancelled options	35,84,519	63530
9.	Vested and unexercised	3,93,987.00	17,15,350
10.	Total number of options in force	3,93,987.00	24,13,870
11.	Money realized	₹ 24,52,094	Nil
12.	Exercise period	10 years from the date of grant or 5 years from the date of vesting whichever is later	3 years from the date of vesting within which the grantee should exercise the options vested to him/her.

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

c) The movement of stock options during the year ended March 31, 2017 is summarized below:

Particulars	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Scheme Name	ESOP 2009		ESOS 2013	
Options outstanding at the beginning of the year	471352	6,07,082	2451230	24,77,400
Options granted during the year	Nil	Nil	Nil	Nil

Options forfeited/cancelled during the year	77365	135730	37360	26170
Options exercised during the year	0	Nil	Nil	Nil
Options expired during the year	Nil	Nil	Nil	Nil
Options outstanding at the end of the year	393987	471352	2413870	2451230
Options exercisable at the end of the year	393987	471352	1715350	740500

**40. Fixed Assets (schedule no:10) & Other Assets (schedule no: 11)**

Bank has completed the reconciliation of physical verification of Fixed assets with the books and records during the year and net assets to the tune of ₹5.44 Crores, which could not be identified was decided to be written off. After adjusting the provision made on this account in earlier year of ₹4.35 crores, balance ₹1.09 crore has been charged to P & L during the year. (Previous Year Nil). Identification/ reconciliation of rent advances/ security deposit for premises occupied by branches/ offices etc. is in progress and the provision made towards expected impact on profit & loss account on this account to the tune of ₹.05 crore made in earlier years has been retained.

**41. Revaluation of Properties**

The Bank has revalued own properties during the year and the net appreciation ₹ 50.01 crore has been credited to Revaluation Reserves. (Previous year NIL)

**42. Software Capitalized under Fixed Assets**

The Bank has capitalized software under Fixed Asset amounting to ₹1.48 crore and ₹0.68 crore during the financial year ended March 31, 2017 and March 31, 2016 respectively, as given below;

(₹ in Crore)

Particulars	As at March 31, 2017	As at March 31, 2016
At cost at March 31st of the preceding year	59.58	62.77
Additions during the year	1.48	0.68
Deductions during the year	-	(3.86)
Depreciation to date	55.7	(49.89)
<b>Net Block</b>	<b>5.36</b>	<b>9.70</b>

**43. Capital Reserve & Investment Reserve**

Profit on sale of investments in the Held to Maturity category is credited to the Profit and Loss Account and thereafter appropriated to capital reserve (net of applicable taxes). During the year ₹14.64 crores (previous year: ₹0.50 crores) was transferred to Capital Reserve. The Bank has transferred ₹Nil to Investment Reserve Account against excess provisions for depreciation on investments credited to Profit and Loss Account amounting to ₹5.74 crores since after transfer of ₹14.64 crores to Capital Reserve there was no profit available for appropriation to Investment Reserve (Previous year: ₹Nil).

**44. Disclosure of Divergence**

The divergence observed by the RBI for financial year 2015-16 in respect of bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning does not exceed the limit specified under RBI Circular DBR.BP. BC. No.63/21.04.018/2016-17 dated April 18, 2017 on 'Divergence in the asset classification and provisioning'.

**45. Corporate Social Responsibility (CSR)**

The Bank understands its responsibilities towards the society and environment in which it operates. The Bank has constituted Corporate Social Responsibility Committee at the Board level to monitor the CSR activities. Since the Bank has net loss in computing the average three years net profit for CSR expenditure, no amount was spent on CSR during the current year or in the previous year.

**46. Implementation of Indian Accounting Standard (Ind AS)**

The Finance Minister in his speech on the Union Budget for 2014-2015, while expressing the urgent need for convergence of extant accounting standards with IFRS, announced the implementation of Ind AS by Indian companies voluntarily from the financial year (FY) 2015-16 and mandatorily from FY 2016-17, stating that the regulators would separately notify the date of implementation of Ind AS for banks, insurance companies, etc. Accordingly, the Reserve Bank of India (RBI) has issued the road map through its circular dated February 11, 2016.

Accordingly, Banks shall comply with the Indian Accounting Standards (hereinafter referred to as Ind AS) for the financial statements for the accounting periods beginning from April 01, 2018 onwards with comparatives for the periods ending March 31, 2018 or

thereafter as per the road map for implementation of International Financial Reporting Standards (IFRS) converged Ind AS issued by the Ministry of Corporate Affairs (MCA) in the Press Release dated January 18, 2016. Further, Reserve Bank of India (RBI) had issued directions to the banks to take steps to assess the impact of transition to Ind AS ,adopt strategies for the effective implementation of Ind AS) including disclosure of the strategies adopted and the progress made in the Annual Report.

To comply with the above guidelines, the Bank has constituted a steering committee headed by the Managing Director and CEO, comprising members from cross functional areas to oversee the progress of Ind AS implementation and report the progress to the Audit Committee of the Board and Board of Directors. The Bank has constituted Sub-Committee under the Steering Committee comprising members from different managerial hierarchy for Ind AS implementation. The Bank has adopted a three phased strategy for Ind AS implementation;

Phase- 1:- Submission of Proforma Ind AS financial statements

Pahse-2 :- Commencing from April 01, 2017 to the year ended March 31, 2018, involving the preparation of opening Balance sheet, finalization of accounting policies , system level changes for Ind AS implementation, policy changes etc.

Phase 3:- Commencing from April 01, 2018 to the submission of fully converged Ind AS financial statements for the year ended March 31, 2019 with comparatives for the year ended March 31, 2018.

The Bank had submitted the Proforma Ind AS financial statements for the half year ended September 30, 2016 to the Reserve Bank of India. There is no communication from RBI , till date, on this submission. As part of Phase 2, the Bank would like to impart training to the Core Sub-Committee members in the first quarter of FY 2017-18. Parallel to this, the changes in the CBS will be deliberated and assessed for capex expenditure, if needed.

#### 47. Disclosure on Specified Bank Notes

Details of above information as per MCA notification GSR 308 (E) dtd 30.03.2017 is not disclosed since it is not considered applicable to banking companies.

#### 48. Comparative Figures

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

Signatories to Schedule 1 to 18

Mr. K. V. .Bhasi  
Chief Financial Officer

Mr. Santosh Kumar Barik  
Company Secretary

Mr. Manikandan P  
Chief General Manager

Mr. G Sreeram  
Managing Director & CEO

Dr. Jayaram Nayar  
Chairman

Mr P Mohanan  
Director

Mr. Chella K Srinivasan  
Director

Dr. K R Lakshmi Devi  
Director

Mr.Arun Rao M.G.  
Director

Mr. S.T. Kannan  
Director

Mr. P.S. Sreekumar  
Director

Mr.C.K. Gopinathan  
Director

E Madhavan  
Director

As per our Report of even Date

For Sridhar & Co

Chartered Accountants

Firm Registration No.

CA R. SRINIVASAN

Membership no.

Place: Thrissur.

Date: 16-05-2017



## PILLAR III DISCLOSURE REQUIREMENTS

### 1. Scope of Application and Capital Adequacy

#### Table DF 1 –SCOPE OF APPLICATION

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

#### TABLE DF 2- CAPITAL ADEQUACY

##### Qualitative disclosures:

##### Basel- III guidelines issued by RBI

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

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

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

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

##### a. Summary

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

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

##### (a) Common Equity Tier I

The Bank has authorized share capital of ₹300 Cr. comprising 30 Cr. equity share of ₹10/- each. As on March 31 2017, the Bank has issued, subscribed and paid-up capital of ₹ 209,84,66,000/-, constituting 20,98,46,600 Equity Shares of ₹ 10/- each. The Bank's shares are listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) and Cochin Stock Exchange Limited (CSE)

**(b) Additional Tier I Capital**

As on March 31 2017 the Bank does not have Additional Tier I Capital.

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

The Bank has been raising capital funds by means of issuance of Upper Tier 2 and Subordinated bonds. The details of eligible Upper Tier 2 and Subordinated Debt (Unsecured Redeemable Non-convertible Subordinated Bonds in the nature of Promissory Notes/Debentures) issued by the Bank and outstanding as on March 31 2017, are given below. The Bonds considered in computation of Tier 2 Capital is as per the criteria for inclusion of Debt Capital Instruments as Tier 2 Capital detailed in the Basel III Master Circular.

(₹ in Crores)

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

\*Of this ₹41.67 crore is eligible for Tier 2 Capital.

**Quantitative Disclosures:****Risk exposure and assessment**

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

**Composition of Capital as on 31.03.2017**

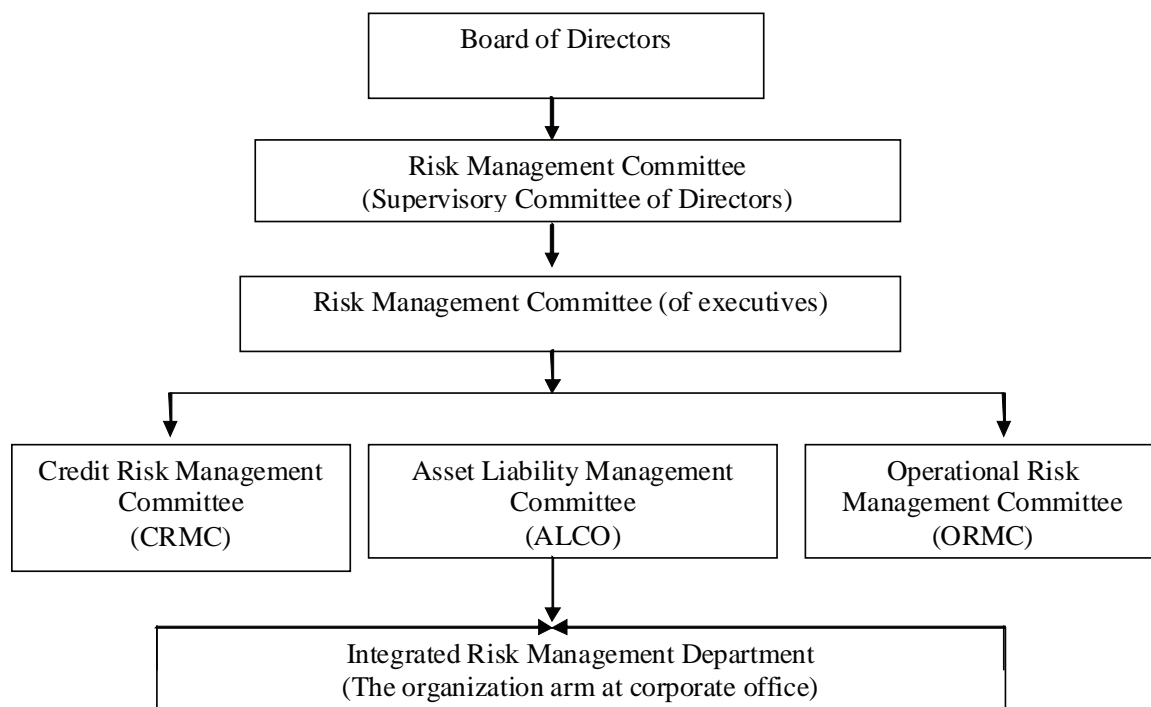
Items	₹ in million
Paid-up share capital	2098.47
Reserves	12037.36
Common Equity Tier 1 Capital before deductions	14135.83
Less amounts deducted from Tier I capital (accumulated losses, DTA and Intangible Assets).	8789.51
(a ) Common Equity Tier 1 Capital	5346.31
(b) Additional Tier-I Capital	0.00
( c ) Total Tier-I Capital (a+b)	5346.31
Directly issued Tier II capital instruments subject to phase out	416.70
General Provisions /Revaluation Reserves	323.89
( d ) Total Tier-2 Capital	740.59
Total Eligible capital ( c+ d)	6086.90

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

(₹ in Crores)

Items	31.03.2017
(a) Capital requirements for credit risk	
Portfolios subject to standardized approach (10.25%)	487.23
Securitization exposures	
(b) Capital requirements for market risk- Standardized duration approach	38.53
Interest rate risk	27.40
Foreign exchange risk(including gold)	1.26
Equity position risk	9.87
(c) Capital requirements for operational risk	55.83
Basic Indicator Approach	55.83
Total Capital Funds Required	581.59
Total Capital Funds Available	608.69
Total Risk Weighted Assets	5932.96
(d) Common Equity Tier 1, Tier 2 and Total Capital Ratios	
Common Equity Tier 1 CRAR (%)	9.01%
Tier 2 CRAR (%)	1.25%
Total CRAR % for the Bank	10.26%

**Structure and Organization of the Risk Management function in the Bank**



## Scope and Nature of Risk Reporting and/or Measurement Systems

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

- ✓ Risk rating system is drawn up in a structured manner incorporating the parameters from the five main risk areas 1) Financial Risk, 2) Industry/Market Risk, 3) Business Risk, 4) Management Risk, and 5) Facility risk
- ✓ Risk rating system is made applicable for loan accounts with total limits of ₹2 lakhs and above.
- ✓ Different rating models are used for different types of exposures, for e.g. Traders, SME, NBFC, Corporate, small loans, retail loans etc.
- ✓ IRMD validates the ratings of all exposures of ₹100 lakhs and above.
- ✓ An independent analysis is carried out of the various risks attached to the credit proposals including industry analysis.
- ✓ Carries out rating migration analysis of the credit exposures of ₹1 crore & above on a quarterly basis. Rating Migration analysis covering all exposures of ₹25 lacs and above is conducted on an annual basis.
- ✓ Evaluates the asset quality by tracking the delinquencies and migration of borrower from one rating scale to another.

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

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

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

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

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

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

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

## TABLE DF 3 –CREDIT RISK: GENERAL DISCLOSURES

### Qualitative disclosures:

#### (a) General: -

#### Definitions of past due and impaired (for accounting purposes)

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

## 1. Non performing Assets

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

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

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

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

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

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

## Strategies and Processes for Credit Risk Management

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

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

- a) The Bank has a Comprehensive Board Approved Credit Risk Management Policy which is reviewed and revised annually. In addition to the above, various strategies with regard to Credit risk management are covered under Bank's Credit Policy, Credit Monitoring Policy and Recovery Policy which are periodically reviewed by the Board.
- b) Defined segment exposures delineated into Retail, SME and Corporates
- c) Industry wise exposure caps on aggregate lending by Bank
- d) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds in line with RBI guidelines.
- e) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels
- f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit accounts
- g) A clear and well defined delegation of authority within the Bank in regard to decision making linking exposure, rating and transaction risks.
- h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank.
- i) Credit Risk Management Cell is validating the rating assigned to all individual credit exposures of ₹100 Lakh and above.
- j) Bank has an ever improving procedures and structures with respect to Credit Approval Process, Credit Rating, Prudential Limits, Documentation, Credit Monitoring and Review Mechanism.
  - a) Credit Audit System by Inspection Department has been put in place for all ₹3 crore and above advances. All new sanctions/enhancements, excluding renewals, made in the quarter will be subjected to credit audit during the first month of succeeding quarter. All loans/advances of ₹1 crore to ₹3 crores shall be subjected to Credit audit by concerned Regional office, through another Branch Head/Credit Officer/ARCO in the region.
  - b) Legal Audit is being conducted for all the advances ₹1 Crore and above, backed by mortgage of properties, once in a year.
  - c) The review of accounts is usually done once a year. But in case of deterioration of the quality of advance the frequency of review is shortened to half yearly or quarterly as per the case.
  - d) The Credit Officers at branch level take care of the security creation and account management

- e) Credit Monitoring Department monitors the performance of loan assets of the Bank.
- f) Bank also carries out industry study which would provide necessary information to Business line to increase/hold/decrease exposure under various industries.

**Quantitative disclosures:**

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

Overall credit exposure Amount		Amount	Total (In Crore)
Fund Based	Loans & advances	6661.32	
	Cash, RBI and Banks	807.58	
	Others(Fixed Assets & other Assets)	479.42	7948.321
Non Fund Based	LC, BG etc	301.46	
	Forward Contracts / Interest rate SWAPS	289.71	
	Others	248.99	840.154
Investments (Banking Book only)	--	1911.90	1911.903
Total of Credit Risk exposure	--	10700.38	10700.38

(b) Geographic distribution of exposures:

(₹ in Crore)

Exposures	31.03.2017		
	Fund based	Non Fund Based	TOTAL
Domestic operations	9860.22	840.155	10700.38
Overseas operations	Bank has no overseas operations		

(c) Industry type distribution of exposures as on 31.03.2017:

Particulars	Funded (Amt in Crs)	
	Outstanding	Exposure
A. Mining and Quarrying	3.88	3.97
B. Food Processing	67.35	70.55
C. Beverages (excluding Tea & Coffee) and Tobacco	5.19	5.27
D. Textiles	122.49	147.69
E. Leather and Leather products	13.76	13.90
F. Wood and Wood Products	9.85	10.68
G. Paper and Paper Products	4.90	5.70
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear fuels	0.28	0.53
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	30.43	37.12
J. Rubber, Plastic and their Products	3.62	4.04
K. Glass & Glassware	0.00	0.00
L. Cement and Cement Products	28.22	28.98
M. Basic Metal and Metal Products	49.75	52.01
N. All Engineering	38.93	41.61

O. Vehicles, Vehicle Parts and Transport Equipments	4.94	6.02
P. Gems and Jewellery	298.13	317.35
Q. Construction	113.53	132.38
R. Infrastructure	484.98	507.76
S. Other Industries	50.27	54.36
All Industries (A to S)	1330.50	1439.94
Residuary other advances	5265.31	5571.96
Gross Advances	6595.81	7011.89

Exposures to Infrastructure (transport, energy, water sanitation, communication etc) and Gems and Jewellery accounted for 7.35% and 4.52% of Gross Advances outstanding, respectively. The coverage of advances to the above two industries occupy the top two positions among the total industry sectors.

(in Mio)

Sl.No.	Industry	Gross Outstanding	Gross NPA	Provision
1	Infrastructure	4849.83	722.91	287.30
2	Gems and Jewellery	2981.35	2.33	2.33
3	Textiles	1224.86	0.00	0.00
4	Construction	1135.31	39.90	20.61
5	Food Processing	673.48	7.12	1.81
	Total	10864.82	772.26	312.04

(d) Residual maturity breakdown of assets as on 31.03.2017:

(₹ in crore)

Maturity Pattern Asset	Advances		Investments	Foreign Currency
	(Net)	(Gross)	(Gross)	
Next Day	142.63	0	174.92	
2 - 7 Days	115.1	9.75	17.81	
8 - 14 Days	106.27	264.06	1.59	
15 - 30 Days	116.01	49.27	28.36	
31 D - 2 M	110.87	225.73	14.99	
2 - 3 Months	154.98	193.98	36.45	
3 - 6 Months	583.94	991.92	76.07	
6 Months - 1 Year	822.68	452.14	79.05	
1 Year - 3 Years	3254.33	643.96	0.00	
3 - 5 Years	494.11	139.57	4.87	
Over 5 Years	545.45	1304.08	4.79	
<b>Total</b>	<b>6446.36</b>	<b>4274.46</b>	<b>438.90</b>	

(e) Non-performing assets:

No	Items	Amount in ₹ In Million
		31.03.2017
1	Gross NPAs	3 156.03
1.1	Substandard	727.16
1.2	Doubtful 1	552.21
1.3	Doubtful 2	1 747.89
1.4	Doubtful 3	3.98
1.5	Loss	124.78
2	Net NPAs	1 664.77
3	NPA Ratios	
3.1	Gross NPAs to Gross Advances (%)	4.78
3.2	Net NPAs to Net Advances (%)	2.58
4	Movement of NPAs (gross)	
4.1	Opening balance	4 589.24
4.2	Additions	1 547.57
4.3	Reductions	2 980.79
4.4	Closing balance	3 156.03
5	Movement of provisions for NPAs	
5.1	Opening balance	2 651.96
5.2	Provisions made during the quarter	1 116.37
5.3	Write-off	1 889.58
5.4	Write back of excess provisions	390.79
5.5	Closing balance	1 487.95
6	Amount of Non Performing Investments (NPI)	353.60
7	Amount of provisions held for NPI	353.60
8	Movement of Provisions held for NPIs	
8.1	Opening balance	353.60
8.2	Provisions made during the period	-
8.3	Write-off/ Write back of excess provisions	26.90
8.4	Closing balance	326.70

Table DF 4 Disclosures for portfolios subject to the standardized approach

Qualitative disclosures:

(a) For Portfolios under the standardized approach

1	Names of credit rating agencies used	Bank has approved all the external credit rating agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts, i.e. CRISIL, CARE, India Ratings & Research Pvt. Ltd., ICRA, Brick Work Ratings, SMERA and International Credit rating agencies, i.e. Standard and Poor, Moody's and FITCH.
2	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same.	No change



3	Types of exposure for which each agency is used	<p>The external rating assigned by an agency is considered only if it fully takes into account the credit exposure of the Bank.</p> <p>Bank is entitled to use the ratings of all the above identified Rating Agency rating for various types of exposures as follows :</p> <p>(i) For Exposure with a contractual maturity of less than or equal to one year (except Cash Credit , Overdraft and other Revolving Credits) , Short -Term Rating given by ECA will be applicable</p> <p>(ii) For Domestic Cash Credit , Overdrafts and other Revolving Credits (irrespective of the period) and / or Term Loan exposures of over one year, Long Term Rating will be applicable.</p> <p>(iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by IRAs will be applicable.</p> <p>(iv) Rating by the agencies is used for both fund based and non-fund based exposures.</p> <p>(iv) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.</p>
4	Description of the process used to transfer public issue rating on to comparable assets in the Banking book.	<p>Long -term Issue Specific (our own exposures or other issuance of debt by the same borrower-constituent/counter-party) Ratings or Issuer(borrower-constituent/counter-party) Ratings can be applied to other unrated exposures of the same borrower-constituent/counterparty in the following cases :</p> <p>(i) If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures , any other unrated exposure on the same counter-party will be assigned the same Risk Weight , if the exposure ranks paripassu or junior to the rated exposure in all aspects</p> <p>(ii) In cases where the borrower-constituent/counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt may be applied to Bank's unrated exposures if the Bank's exposure ranks pari-passu or senior to the specific rated debt in all respects and the maturity of unrated Bank's exposure is not later than Maturity of rated debt.</p>

**Quantitative disclosures**

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

(₹ in Crores)

Particulars	Total
Below 100% risk weight	6342.92
100% risk weight	2490.32
More than 100% risk weight	153.15
Total Exposure	8986.38

\*in below 100% risk weighted exposures, ₹589.73 crore is rated by External Credit Rating Agencies and recognized by the Bank in arriving at the risk weight. However, more than 90% of the exposures are rated as per Internal Credit Rating Exercise.

**TABLE DF 5 –CREDIT RISK MITIGATION- STANDARDIZED APPROACH**

**QUALITATIVE DISCLOSURE:**

**(a) General**

**Policies and processes for collateral valuation and management:**

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

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

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

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

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

#### The main types of guarantor counterparty and their creditworthiness

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

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

Information about risk concentrations of collaterals within the mitigation taken as on 31.03.2017:

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (In Crore)	Risk Concentration %
Gold	770.04	63.42%
Cash & Deposits	443.41	36.52%
KVP/IVP/NSC	0.66	0.05%
LIC Policy	0.17	0.01%
<b>Total</b>	<b>1214.28</b>	<b>100.00%</b>

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

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

#### Quantitative Disclosures:

For the disclosed Credit Risk portfolio under the Standardised Approach, the total

Exposure that is covered by:

(i) Eligible Financial Collateral : ₹ 1214.28 Crores

(ii) Other eligible Collateral (after Hair Cuts) : ₹ Nil

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

**Qualitative Disclosures:**

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

**DF TABLE 7 - MARKET RISK IN TRADING BOOK- STANDARDIZED MODIFIED DURATION APPROACH:**

**Qualitative Disclosures:**

**(a) General :-**

**Strategies and processes**

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

**Scope and nature of risk reporting/ measurement systems**

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

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

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

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

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

**Quantitative Disclosures:**

Particulars	Amount of capital requirement 31.03.2017 (₹ in crores)
Interest rate risk	27.40
Equity position risk	9.87
Foreign exchange risk	1.26

**TABLE DF 08-OPERATIONAL RISK:**

**Qualitative disclosures:**

**(a) General**

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

The framework for Operational Risk Management is well-defined in the Operational Risk Management (ORM) Policy which is reviewed and revised annually. The ORM Committee at the executive level, which meets at regular intervals oversees Bank-wide implementation

of Board approved policies and process in this regard. The Bank has put in place important policies like Information System Security, Know Your Customer & Anti Money Laundering, Fraud Risk Management, Business Continuity and Disaster Recovery Management.

**Scope and nature of risk reporting/ measurement systems: -**

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

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

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

**Operational Risk capital assessment:**

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

**TABLE DF 09- Interest rate risk in the Banking Book (IRRBB):**

**Qualitative Disclosures:**

**Strategies and processes**

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

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

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

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

**Scope and nature of risk reporting/ measurement systems**

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

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

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

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

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

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

- v) Calculate the MD in each time band of each item/ category of RSA/RSL using the maturity date, yield, coupon rate, frequency, yield and basis for interest calculation.
- vi) Calculate the MD of each item/category of RSA/RSL as weighted average MD of each time band for that item.
- vii) Calculate the weighted average MD of all RSA (MDA) and RSL (MDL) to arrive at Modified Duration Gap (MDG).

**(b) Quantitative Disclosures**

The impact on earnings and economic value of equity for notional interest rate shocks as on 31.03.2017.

**Earnings at Risk**

Change in interest rate	Change in NII (₹ in Crores)
± 25 bps	2.68
± 50 bps	5.36
± 75 bps	8.04
± 100 bps	10.72

The Bank is computing market value of equity based on Duration Gap Analysis.

For a 200 bps rate shock, the drop in equity value as on 31.03.2017	13.25%
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**Table DF -10: General Disclosure for Exposure Related to Counterparty Credit Risk**

**Qualitative disclosures**

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

**Quantitative disclosures**

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The derivative exposure is calculated using Current Exposure Method and the balance outstanding as on March 31, 2017 is given below.

Particulars	Notional Amounts	Credit Equivalent
Forward Exchange Contracts	2647.10	70.43

(₹. in Million)

**Table DF-11: Composition of Capital**

Table DF-11 : Composition of Capital		
Part II : Template to be used during the transition period of Basel III regulatory requirements		
Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)	Amounts subject to Pre-Basel III Treatment	Ref No.

Common Equity Tier 1 capital: instruments and reserves (₹in million)		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	11,386.05
2	Retained earnings	123.78
3	Accumulated other comprehensive income (and other reserves)	2,749.78
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock CET1 (only applicable to non-joint stock companies)	0

(₹. in Million)

	Public sector capital injections grandfathered until January 1, 2018	0
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0
<b>6</b>	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>14,259.60</b>
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Intangibles other than mortgage-servicing rights (net of related tax liability) - (accumulated loss-₹8489.04 mio and other intangible assets-₹53.66 mio)	8542.70
10	Deferred tax assets	370.591
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	NA
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA
22	Amount exceeding the 15% threshold	NA
23	of which: significant investments in the common stock of financial entities	NA
24	of which: mortgage servicing rights	NA
25	of which: deferred tax assets arising from temporary differences	NA
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	-
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-
26d	of which: Unamortised pension funds expenditures	0.00
	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment	-
	of which: [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	-
	of which: [INSERT TYPE OF ADJUSTMENT]	-
	of which: [INSERT TYPE OF ADJUSTMENT]	-

27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	8913.29
29	<b>Common Equity Tier 1 capital (CET1)</b>	5,346.31
<b>Additional Tier 1 capital: instruments</b>		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	-
<b>Additional Tier 1 capital: regulatory instruments</b>		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (41a+41b)	-
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-
	of which: Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities	-
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-
	of which: [INSERT TYPE OF ADJUSTMENT]	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
44a	Additional Tier 1 capital reckoned for capital adequacy	-
45	<b>Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)</b>	5,346.31
Tier 2 capital: instruments and provisions		

46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2	416.70
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	323.89
51	Tier 2 capital before regulatory adjustments	740.59
<b>Tier 2 capital: regulatory adjustments</b>		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (56a+56b)	-
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-
	of which: [INSERT TYPE OF ADJUSTMENT	-
57	Total regulatory adjustments to Tier 2 capital	-
58	<b>Tier 2 capital (T2)</b>	740.59
58a	<b>Tier 2 capital reckoned for capital adequacy</b>	740.59
58b	<b>Excess Additional Tier 1 capital reckoned as Tier 2 capital</b>	0
58c	<b>Total Tier 2 capital admissible for capital adequacy (58a + 58b)</b>	740.59
59	<b>Total capital (TC = T1 + T2) (45 + 58c)</b>	6,086.90
	Risk Weighted Assets in respect of Amounts subject to Pre-Basel III Treatment	-
	of which:	-
	of which: ...	-
60	<b>Total risk weighted assets (60a + 60b + 60c)</b>	59329.58
60a	of which: total credit risk weighted assets	47535.02
60b	of which: total market risk weighted assets	4816.35
60c	of which: total operational risk weighted assets	6978.21
<b>Capital ratios</b>		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.01%
62	Tier 1 (as a percentage of risk weighted assets)	9.01%
63	Total capital (as a percentage of risk weighted assets)	10.26%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	NA
65	of which: capital conservation buffer requirement	NA



66	of which: bank specific countercyclical buffer requirement	NA
67	of which: G-SIB buffer requirement	NA
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) National minima (if different from Basel III)	-
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum) - including CCB of 1.25%	8.25%
71	National total capital minimum ratio (if different from Basel III minimum) - including CCB of 1.25%	10.25%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings- based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
<b>Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)</b>		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

**Notes to Template**

(₹. in Million)

Row No. of the template	Particulars	
10	Deferred tax assets associated with accumulated losses	361.09
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred Tax Liability	9.5
	Total as indicated in row 10	370.59
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-

26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 Capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital	323.89
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	323.89
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

#### DF-12 : Composition of Capital - Reconciliation Requirements

Step 1		Balance sheet as in	Balance sheet under
		financial statements	regulatory scope of consolidation*
		As on reporting date	As on reporting date
		(₹ in million)	
<b>A</b>	<b>Capital &amp; Liabilities</b>		
i.	Paid-up Capital	2,098.47	
	Reserves & Surplus	4,446.35	
	Minority Interest	-	
	Total Capital	6,544.82	
ii	Deposits	112,936.78	
	of which: Deposits from banks	10.39	
	of which: Customer deposits	112,926.39	
	of which: Other deposits (pl. specify)	-	
iii	Borrowings	1,452.00	
	of which: From RBI		
	of which: From banks	-	
	of which: From other institutions & agencies		
	of which: Others - book credit balances in foreign currency minor accounts	-	
	of India which: Tier 2 Capital instruments	1,452.00	
iv.	Other liabilities & provisions	2,397.62	

\*Bank has no subsidiaries

Step 2		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No.
		As on reporting date	As on reporting date	
<b>A</b>	<b>Capital &amp; Liabilities</b>			
i.	<b>Paid-up Capital</b>	<b>2,098.47</b>		<b>(a)</b>
	of which : Amount eligible for CET1	2,098.47		(a) (i)
	of which : Amount eligible for AT1	-		
	<b>Reserves &amp; Surplus</b>	<b>4,446.35</b>		<b>(b)</b>
	of which : Amount eligible for CET1	3,672.10		(b) (i)
	Statutory Reserve	803.61		(b)(ii)
	Share Premium	9,287.58		(b) (iii)
	General Reserve	885.18		(b)(iv)
	Capital Reserve (excluding Revaluation Reserves)	367.65		(b)(v)
	Special reserve under Section 36(i) (viii)	59.86		(b)(vi)
	Balance in P/L a/c at the end of the previous FY	(8,489.04)		(b)(vii)
	Current Financial Year Profit (Not eligible)	123.78		-
	Revaluation Reserve (part of Tier 2 capital at a discount of 55 percentage)	633.48		(b)(ix)
	Minority Interest	-		
	<b>Total Capital</b>	<b>6,544.82</b>		<b>(a)+(b)</b>
ii	Deposits	112,936.78		(c )
	of which: Deposits from banks	10.39		(c )(i)
	of which: Customer deposits	112,926.39		(c )(ii)
	of which: Other deposits (pl. specify)	-		
iii	Borrowings	1,452.00		(d)
	of which: From RBI	-		(d)(i)
	of which: From banks	-		(d)(ii)
	of which: From other institutions &			(d)(iii)
	of which: Others (Book Credit balances in foreign currency accounts)			(d)(iv)
	of which: Capital instruments -Tier 2	1,452.00		(d)(v)
iv.	Other liabilities & provisions	2,397.62		(e)
	of which: Standard Asset provision included under Tier 2 Capital	244.09		(e)(i)
	of which : DTLs related to goodwill	0		
	of which : Details related to intangible	0		
	<b>Total assets</b>	<b>123,331.22</b>		<b>(a)+(b)+(c) +(d)+(e)</b>

<b>B Assets</b>			
i	Cash and balances with Reserve Bank of	5,749.75	(f)
	Balance in India with banks and money at call	2,326.04	(g)
ii	Investments:	41,941.49	(h)
	of which: Government securities	31,275.10	(h)(i)
	of which: Other approved securities	-	-
	of which: Shares	54.71	(h)(ii)
	of which: Debentures & Bonds	850.00	(h)(iii)
	of which: Subsidiaries / Joint Ventures /	-	-
	of which: Others (SR : ₹897.72 MI, COD : ₹5647.19 MI)	9,761.68	(h)(iv)
iii	Loans and advances	64,463.50	(i)
	of which: Loans and advances to banks	-	(i)(i)
	of which: Loans and advances to Customers	64,463.50	(i)(ii)
iv	Fixed assets	2,142.65	(j)
v	Other assets	6,707.79	(k)
	of which: Goodwill and intangible assets		-
	Out of which :		
	Goodwill	-	-
	Other Intangibles (excluding MS₹)	-	-
	Deferred tax assets	370.59	(k)(i)
vi	Good will on consolidation	-	
vii	Debit balance in Profit & Loss account		
	Total Assets	123,331.22	(f)+(g)+(h)+(i)+(j)+(k)

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

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

Common Equity Tier 1 Capital : Instruments and reserves		
	Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from Step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	(a)+ (b) (iii)
2	Retained earnings	(b)(ii)+ (b) (iv)
3	Accumulated other comprehensive income (and other reserves)	(b) (v)

4	Directly issued capital subject to phase out from CET-1 (only applicable to non-joint stock companies)	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CER 1)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	13,442.49	(a)+ (b)(ii)+ (b)(iii)+ (b)(iv) + (b)(v)
7	Prudential valuation adjustments		-
8	Goodwill (net of related tax liability)		-

**Table DF -13. Main Features of Regulatory Capital Instruments –Eligible Instruments**

Item	Particular	Equity Shares	Upper Tier II	Lower Tier II	Lower Tier II
			Series I	Series IX	Series X-A
1	Issuer	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	680A01011	INE680A09022	INE680A08057	INE680A09030
3	Governing law(s) of the instrument	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements
<b>Regulatory treatment</b>					
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/ group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Common Shares	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (₹ in Million, as on 31.03.2017)	2098.46	137.50	20.00	109.00
9	Par value of instrument	Shares of ₹10/ each	₹1 million	₹1 million	₹1 million
10	Accounting classification	Shareholder's Equity	Liability	Liability	Liability
11	Original date of issuance	Various	28.07.2010	20.01.2012	29.05.2012
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date/ No maturity	No maturity	30.07.2025	20.07.2018	29.04.2018
14	Issuer call subject to prior supervisory approval	No	Yes, Exercise of Call Option is subject to prior approval of RBI (DBR)	No Call Option	No Call Option

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A
15	Optional call date, contingent call dates and redemption amount	NA	Bank can exercise Call Option to redeem the Bonds at par at the end of 10th year from the Deemed Date of Allotment, subject to prior approval from RBI. Optional Call Date is 30.07.2020 and redemption amount is in full.	NA	NA
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA	NA
17	Fixed or floating dividend/coupon	NA	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	10%	11%	11.90%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No
22	Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated claim in case of liquidation	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank
36	Non-compliant transitioned features	No	Yes	No	No

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A
37	If yes, specify non-compliant features	NA	Does not have Point of Non Viability Trigger	NA	NA

Item	Particular	Lower Tier II Series X-B	Lower Tier II Series XI-A	Lower Tier II Series XI-B	Lower Tier II Series XIII-B
1	Issuer	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE680A09048	INE680A09055	INE680A09063	INE680A08065
3	Governing law(s) of the instrument	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements	Applicable Indian Statutory and Regulatory Requirements
	Regulatory treatment				
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/ group/ group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8	Amount recognized in regulatory capital (₹ in million, as of most recent reporting date)	56.80	58.60	14.80	20.00
9	Par value of instrument	₹1 million	₹1 million	₹1 million	₹1 million
10	Accounting classification	Liability	Liability	Liability	Liability
11	Original date of issuance	29.05.2012	03.08.2012	03.08.2012	10.12.2012
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date (dd/mm/yyyy) / No maturity	29.05.2019	03.05.2018	03.08.2019	10.12.2019
14	Issuer call subject to prior supervisory approval	No Call Option	No Call Option	No Call Option	No Call Option
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA	NA
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	11.95%	11.90%	11.95%	11.95%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA

Item	Particular	Lower Tier II Series X-B	Lower Tier II Series XI-A	Lower Tier II Series XI-B	Lower Tier II Series XIII-B
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank	All Depositors & other Creditors of the Bank
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA

Table DF-14

## Full Terms and Conditions of Regulatory Capital Instruments (Eligible Instruments)

	Upper Tier II-Series 1	Series IX	Series X A	Series X B	Series XI A	Series XI B	Series XIII B
Nature of Instrument	#	##	##	##	##	##	##
Amount Subscribed	₹ 275 million	₹ 100 million	₹ 545 million	₹ 142 million	₹ 293 million	₹ 37 million	₹ 50 million
Face value of the Bond	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million	₹ 1 million
Date of Allotment	28.07. 2010	20.01. 2012	29.05. 2012	29.05. 2012	03.08. 2012	03.08. 2012	10.12. 2012
Date of Redemption	30.07. 2025	20.07. 2018	29.04. 2018	29.05. 2019	03.05. 2018	03.08. 2019	10.12. 2019
Put and Call option (if yes, give details)	###	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Coupon rate and Frequency	10%, annual	11%, Annual	11.9%, Semi annual	11.95%, Semi annual	11.90%, Semi annual	11.95%, Semi annual	11.95%, Semi annual
Listing	NSE	NSE	NSE	NSE	NSE	NSE	NSE



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

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

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

**Table DF 15: Disclosure Requirements for Remuneration**

**Qualitative disclosures**

**a. Information relating to the composition and mandate of the Remuneration Committee.**

□ **Composition**

The Board constituted a Remuneration Committee on 29.02.2008, which was reconstituted on 27.09.2008, 06.10.2009 and 28.02.2013. The Committee was renamed / reconstituted as Nomination & Remuneration Committee by the Board at its meeting held on 26.10.2015. The Nomination & Remuneration Committee comprises of Sri. P. Mohanan, as Chairman and Sri.Chella K Srinivasan and Dr. Lakshmy Devi K.R as members as on March 31, 2017.

**The terms of reference of the Committee are as follows:-**

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

14. Put in place, subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other Directors on the board of the Bank;
15. Ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the Bank;

Oversee the overall governance standards and policies of the Bank and delegation of authorities to match with the best practices in relation to the size of the Bank and the level of its operations to protect the interest of all stake holders

**The roles and responsibilities of the Compensation & Remuneration Committee (CRC) are as follows:**

- To oversee the framing, review and implementation of compensation policy of the bank on behalf of the board.
  - To ensure the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
  - To determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
  - For determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership (ii) to retain employees or skill groups among them (iii) attract talented professionals (iv) to instill a sense of belonging to the Bank, among employees.
- b. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.**

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

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its circular no. DBOD. No.BC.72/29.67.001/2011-12 dtd. 13/01/2012. The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers covered under Cost to the Company payment scheme, the overall salary will be pegged at 115% of IBA salary of corresponding grade. Officers appointed on contract basis are offered a fixed consolidated pay as determined by Board/Committee/ MD & CEO on a case to case basis.

**c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.**

The Board of Directors through the Remuneration Committee shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

**d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.**

**The factors taken in to account for the annual performance review are:**

- The performance of the Bank
  - The performance of the business unit
  - Individual performance of the employee,
  - Other risk perceptions and economic considerations
- e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.**
- As of now, Bank is not offering variable pay and hence no such deferrals of variable
  - Employee Stock Option Scheme/Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.
- f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.**

Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

- Performance Linked Incentives to those employees who are eligible for incentives

- Ex-gratia for other employees who are not eligible for Performance linked Incentives.
- Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.

**As of now, Bank is not having a variable pay structure.**

Board of the Bank at its meeting held on 14/09/2014 has approved the Employees Stock Options Scheme (ESOS 2013). The salient features of the ESOS 2013 are as under:

- Confirmed employees who are in the service of the Bank as on 01/05/2014 having more than 2 years of service in the Bank are eligible.
- Present Grade and completed years of service as on 01/05/2014 are the yard sticks considered for grant of options to employees.
- Granted shares shall vest as per the following vesting schedule:
  - 30 % shall vest on completion of 12 months from the date of grant (14.08.2014) which is on 14.08.2015
  - 30 % shall vest on completion of 24 months from the date of grant which is on 14.08.2016
  - Remaining 40 % shall vest on completion of 36 months from the date of grant which is on 14.08.2017.
- Exercise period for the options granted shall be 3 years from the date of vesting.
- The options are being granted at ₹40.73 per option
- The grade wise/ experience wise eligibility grid is as under:

Completed year of service as on 01/05/2014									
Grade	> 2 years but ≤ 3 years	> 3 years but ≤ to 5 years	> 5 years but ≤ to 10 years	> 10 years but ≤ to 15 years	> 15 years but ≤ to 20 years	> 20 years but ≤ to 25 years	> 25 years but ≤ to 30 years	> 30 years but ≤ to 35 years	> 35 years but ≤ to 40 years
Grade 7	2500	5000	7500	10000	12500	15000	17500	20000	22500
Grade 6	1500	3000	4500	6000	7500	9000	10500	12000	13500
Grade 5	1000	2000	3000	4000	5000	6000	7000	8000	9000
Grade 4	600	1200	1800	2400	3000	3600	4200	4800	5400
Grade 3	500	1000	1500	2000	2500	3000	3500	4000	4500
Grade 2	400	800	1200	1600	2000	2400	2800	3200	3600
Grade 1	300	600	900	1200	1500	1800	2100	2400	2700
Grade E2	200	400	600	800	1000	1200	1400	1600	1800
Clerk	200	400	600	800	1000	1200	1400	1600	1800
Sub Staff	100	200	300	400	500	600	700	800	900

## Quantitative disclosures

Number of meetings held by the Remuneration Committee during the year ended 31.03.2017	NIL
Remuneration paid to the members of Remuneration Committee	NIL
Number of employees having received a variable remuneration award during the financial year.	NIL
Number of sign-on awards made during the financial year.	NIL
Total amount of sign-on awards made during the financial year.	NIL
Details of guaranteed bonus, if any, paid as joining / sign on bonus.	NIL
Details of severance pay, in addition to accrued benefits, if any.	NIL
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	NIL
Total amount of deferred remuneration paid out in the financial year.	NIL
Breakdown of amount of remuneration awards for the half year ended 31.03.2017	
Fixed	NIL
Variable	NIL

### Table DF-16: Equities – Disclosure for Banking Book Positions:

The Bank does not have Equities in Banking Book and hence not applicable.

### Leverage Ratio

Leverage ratio is a non-risk based measure of all exposures for the Tier-I capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. Presently the indicative benchmark Leverage Ratio prescribed is 4.50% (minimum).

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

Table DF 17- Summary comparison of accounting assets vs. leverage ratio exposure measure

Item	( ₹ in Million)
1 Total consolidated assets as per published financial statements	123331.22
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	19.80
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-420.20
4 Adjustments for derivative financial instruments	87.90
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	2021.25
7 Other adjustments	401.88
8 Leverage ratio exposure	125441.85

**Table DF-18: Leverage ratio common disclosure template**

Item	Leverage ratio framework (₹ in million)
<b>On-balance sheet exposures</b>	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	123752.90
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	420.20
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	123332.70
<b>Derivative exposures</b>	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	17.50
5 Add-on amounts for PFE associated with all derivatives transactions	70.40
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8 (Exempted CCP leg of client-cleared trade exposures)	0
9 Adjusted effective notional amount of written credit derivatives	0
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11 Total derivative exposures (sum of lines 4 to 10)	87.90
<b>Securities financing transaction exposures</b>	
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14 CCR exposure for SFT assets	
15 Agent transaction exposures	0
16 Total securities financing transaction exposures (sum of lines 12 to 15)	
<b>Other off-balance sheet exposures</b>	
17 Off-balance sheet exposure at gross notional amount	2021.25
18 (Adjustments for conversion to credit equivalent amounts)	0
19 Off-balance sheet items (sum of lines 17 and 18)	2021.25
<b>Capital and total exposures</b>	
20 Tier 1 capital	5346.30
21 Total exposures (sum of lines 3, 11, 16 and 19)	125441.85
<b>Leverage ratio</b>	
22 Basel III leverage ratio	4.26%



# Navathi Celebrations – Just a Beginning



**DhanlaxmiBank**   
established 1927

Registered & Head Office:

**Dhanlaxmi Bank Ltd.**

Dhanalakshmi Buildings, Naickanal,  
Thrissur - 680 001, Kerala

Phone : 91-487-6617000