



ANNUAL REPORT

2017-18

Board of Directors



Sajeev Krishnan
Chairman



T. Latha
Managing Director & CEO



Chella K. Srinivasan



Dr. Lakshmy Devi K. R.



P.S. Sreekumar



Gopinathan C. K.



Arun Rao M.G.



K.N. Murali



S. T. Kannan
Addl. Director (RBI)



E. Madhavan
Addl. Director (RBI)



N. Sara Rajendra Kumar
Addl. Director (RBI)



P. Manikandan
Chief General Manager

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 2017 - 18. Details of the achievements and initiatives taken by the Bank are provided in the 91st Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2018 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, 2018 are:

1. Major Developments in the Bank

- Operating Profit improved by 55.39% from ₹94.07 crore to ₹146.18 crore, which is the ever highest in the history of the bank
- Net interest income grew by 4.28% from ₹331.60 crore to ₹345.80 crore
- Net Interest Margin improved from 2.76% to 2.90%
- CRAR improved from 10.26% to 13.87%
- Total expenses reduced by 14.06% from ₹1106.00 crore to ₹969.61 crore
- Interest expenditure reduced by 13.47% from ₹757.45 crore to ₹667.52 crore
- Operating expenses reduced by 15.37% from ₹348.55 crore to ₹302.09 crore
- Cost of deposits reduced by 64bps, from 6.48% to 5.84%
- Cost of funds also reduced by 63bps (Y-o-Y basis), from 6.61% to 5.98%
- Cost income ratio reduced from 78.75% to 67.39%
- Provision coverage ratio as on 31.03.2018 is 80.02%.

Bank achieved an operating profit of ₹146.18 crore for the year ended March 31, 2018. In view of higher provisions, Bank incurred Net Loss of ₹24.87 crore. On a conservative basis, Bank provided in full for gratuity liability of ₹7.61 crore, mark-to-market losses on investments of ₹19.81 crore and full provision for an account in the Gems & Jewellery sector of ₹50 crore.

In the current financial year, Bank is mainly focusing on the growth of retail loans, non interest income, current and savings bank deposit and reduction of non performing assets.

Capital and Reserves

The Bank's Paid up capital and reserves was ₹749.46 crore as on 31.03.2018. The capital adequacy ratio as per Basel II and Basel III was 14.15% and 13.87% respectively.

Total Business

The total Business of the Bank as on 31.03.2018 stood at ₹17436.06 crore as against ₹17976.69 crore as on 31.03.2017.

Deposits

The total Deposits of the Bank stood at ₹10919.66 crore as on 31.03.2018 as against ₹11293.68 crore as on 31.03.2017.

Advances

The Bank's total advance stood at ₹6516.40 crore as on 31.03.2018 as against ₹6683.01 crore as on 31.03.2017.

Profitability

The bank's operating profit during the year was ₹146.18 crore as against ₹94.07 crore during the previous year. The bank declared a net loss of ₹24.87 crore during the year under report and for the previous year, the bank has net profit of ₹12.38 crore.

Dividend

The Board has not recommended any dividend in the financial year 2017-2018.

Vision & Mission

Our Vision: "Banking on Relationships forever".

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

Non - Performing Assets

Recovery in the current financial year was ₹202.42 crores (including cash recovery & upgradation) against the previous year figures of ₹109.12 crores.

The provision requirement for current year was ₹127.29 crores as against ₹76.42 crores in the previous financial year.

During the year the new slippage to NPA in the Bank was ₹358.33 crores in comparison with the figure of ₹154.76 crores of the previous year.

Gross NPA and Net NPA percentage stood at 7.35% & 3.19% respectively in the current year against 4.78% to and 2.58% in the previous year.

The provision coverage ratio (PCR) which was 79.99% as on 31.03.2017 stood at 80.02% in the current year.

Customer Service

The Bank attaches very high importance to the quality of customer service rendered across its branches / offices. It has taken a series of measures during the year through deployment of technology and 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 at branches also for monitoring service quality and bringing about improvements in this area on an ongoing basis. The Bank has a 24x7 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.

During the financial year 2017-18, the Bank received 13,233 complaints as against a total of 8211 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.

Particulars	Contact Centre	ATM Recon	RO & CO	Banking Ombudsman	Total
No. of complaints outstanding at the beginning of the year	11	25	2	3	41
No. of complaints received during the year	3627	9507	79	20	13233
No. of complaints resolved during the year	3631	9529	77	21	13258
No. of complaints pending during the year	7	3	4	2	16

Customer Touch Points

The Bank's customer outlets stood at **617** as on 31.03.2018, comprising 258 branches, 346 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:

Tie up with Bajaj Allianz Life Insurance Company Limited: We have renewed the tie-up with M/s Bajaj Allianz Life Insurance Company (BALIC) Limited for distribution of Life Insurance (LI) policies as per new IRDAI guidelines. As the tie up has been activated, we have advised our branches to commence marketing of life insurance policies. The marketing activities will focus on sales of traditional LI policies, as branches were doing earlier. We have advised our branches to extend all possible support to the officials of BALIC for proper exhibition of publicity materials within branch premises.

New Insurance Tie-Ups with Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd. (CHOICe) and DHFL Pramerica Life Insurance Company Ltd. (DPLI) : As an

endeavour to provide more choices on Life Insurance solutions for our customers, Bank has entered into corporate agency tie-up with Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd. (CHOICe) and DHFL Pramerica Life Insurance Company Ltd. (DPLI). **CHOICe** was launched in June 2008 as a joint venture owned by two of India's largest public sector banks – Canara Bank (Holding 51%) and Oriental Bank of Commerce (23%) along with HSBC Insurance (Asia Pacific) Holdings Ltd. (26%). **DPLI** is a joint venture between Dewan Housing Corporation Ltd. (DHFL), India's second largest private sector housing finance company and Prudential International Insurance Holdings Ltd. (PIIH), a fully owned subsidiary of Prudential Financial, Inc. (PFI) which is a financial service leader headquartered in the U.S.

CHOICe has been conferred with significant accolades and recognition on its journey, which includes, Masters of Modern Marketing Awards 2017 (mCube Awards), Golden Peacock Award for Corporate Ethics - 2016, Golden Peacock Award for Corporate Social Responsibility - 2016 etc. This reflects the company's inherent strength and success of the Bancassurance model. **DHFL Pramerica Life Insurance Company Limited** is one of the fastest growing life insurance companies in

India. The company is headquartered in Gurgaon, having 79 branches across India. Presently they have ₹2107 Cr asset under management and 8 million lives are insured with them. We are sure that these new tie ups will empower us to satisfy our customers life insurance needs better and explore more cross sell opportunities.

Setting up Aadhaar Enrolment, update and authentication facilities inside the Bank Premises: As per the provisions of amendment made to Prevention of Money Laundering (Maintenance of Records) Rules, 2005, each Bank is required to seed and verify the Aadhaar number for all eligible Bank accounts / relationship of individuals as prescribed under Aadhaar authentication process, before December 31, 2017, failing which all such accounts will become inoperative.

To ensure that account holders / public are not facing any difficulty in linking their Aadhaar number with their bank accounts and also verifying them through Aadhaar authentication, Banks need to provide Aadhaar enrolment, Aadhaar update and authentication facilities inside the Branch premises latest by September 30, 2017. All our branches have the Biometric machine. Our Bank has also been appointed as 'Registrar' authorised by Unique Identification Authority of India (UIDAI) for the purpose of enrolling individuals under the Aadhaar (Enrolment and Update) Regulations, 2016. To facilitate the same, Bank has chosen to avail the services of empanelled 'Enrolling Agency' authorised by UIDAI for the enrolment and update process. Bank has identified 26 Branches to act as Aadhaar enrolment/update centers. We have displayed the details of the same in our branches for the convenience of our customers and general public.

Introduction of Dhanam Customer Acquisition and Management System (DCAMS) : With a view to take care of the regulatory and compliance requirements especially in the backdrop of new regulations including FATCA/CRS, CKYCR, etc. and to enable the Bank officials access customer information in a hassle-free manner for smooth conduct of the business, re-defining and evolving a new approach for creation of Customer ID and customer on-boarding was necessary. It is christened as DCAMS (Dhanam Customer Acquisition and Management System).

With the introduction DCAMS, Bank aims to capture digitalized images of all documents submitted by the customer and its identification details including number, expiry date, date of issue, place of issue, etc. to comply with the various instructions/guidelines issued by the regulator. set centralized repository of all kind of forms and documents related to customer ID creation and account opening, which any authorized users can access.

Bank aims to set centralized repository of all kind of forms and documents related to customer ID creation and account

opening, which any authorized users can access. Bank aims to ensure various data validations and checks on customer acquisition and prepare effective MIS and address the requirements under Central KYC Records Registry (CKYCR).

Our Bank's 91st Foundation Day (Navathi) Celebrations: Our Bank completed 90 years of glorious service to society on November 14th, 2017. As we step into our 91st year of operations, anniversary celebrations are conducted in a grand manner **from 14.11.2017 to 13.12.2017** at all our Branches and Offices with a special focus on new business acquisitions and customer service delivery. We instructed all our branches to conduct public function on the anniversary day and our prominent customers were invited as Chief Guest for the function at all our branches throughout the country.

Western Union Money Transfer Service: Our Bank has a tie-up arrangement with Weizmann Forex Ltd. (WFL) which is a principal agent to Western Union. Western Union provides Money Transfer Services across the globe, popularly known as Western Union Money Transfer Service (WUMT). We have directed our branches to do maximum transactions through Western Union Money Transfer Service, which is very convenient to our customers and adds to non interest income of the Bank. We have also advised our branches to ensure that Western Union Money Transfer Service customers are provided prompt and quick service.

Revised Demat Account Opening Forms: To comply with the various circulars issued by Government of India and SEBI/NSDL on KYC and Nomination facilities, the Demat account opening form has been revised with effect from 01st February, 2018. The new account opening form has three parts namely KYC Form, Account Opening Form and Nomination Form.

NRO Recurring Deposit: In order to empower our branches to improve NR Portfolio, we have introduced a new product named "Dhanam Recurring Deposit (NRO)" Product Code (24) – an exclusive Recurring Deposit account to cater to the needs of our NR Customers. The main objective of this new product introduction is to attract, acquire and retain the NR segment resulting in a spurt of our Recurring Deposit portfolio. The main features of NRO Recurring Deposit is as follows:

- NRO RD can be opened and maintained by Non Resident Indians (NRIs) in Indian Rupees only.
- Deposit period ranges from 12 months to 120 months.
- Minimum monthly instalment of ₹500/-.
- Normal NRO deposit rates are applicable.
- No interest will be paid if closed before one year.
- Maturity value will be mentioned in the NRO RD Pass Book.
- Credit of proceeds will be given to NRO account only.
- Interest earned on the account is taxable as per Double Taxation Avoidance Agreement (DTAA).

Internal Ombudsman of the Bank: The Bank has appointed Sri Bhasi K. V., Deputy General Manager & Chief Financial Officer (CFO) as the new Internal Ombudsman of the Bank. The contact details of the Internal Ombudsman will be made available to customers approaching for resolutions. The Internal Ombudsman functions as a third person in resolving customer complaints and his view will be unbiased. The details of Internal Ombudsman have been incorporated in our website as well as notice board in our branches.

Restriction on Usage of Toll Free Customer Care Number and Stoppage of Call Back Facility: Based on the inferences from a cost effective study, the usage of our existing **Toll Free No. 1800 425 1747** has been restricted with effect from 01st March, 2018. The Toll Free Number will be henceforth exclusively used only for Grievance/Complaints. For all other purpose, **0487 6613000** will be used for contacting the Customer Care. With effect from 21st January, 2014, we had introduced Missed Call – Call Back services. Based on an analysis, we have withdrawn the Missed Call – Call Back Service with effect from 01st March, 2018.

International Women's Day: International Women's Day (IWD) is celebrated on 8th March every year. On the occasion of International Women's day, we have conducted a BIG DAY in all our Branches and Offices. As a part of the Big Day, we issued instruction to our branches to greet all female customers who visited our branches / offices on this day and honour minimum five prominent women personalities in every branches. We canvassed 1121 Dhanam Vanitha accounts with value 62 lakh as a part of the Big Day.

Launch of Aadhaar Enrolment and update Activities in Identified Branches (Aadhaar Enrolment and Update Centres): We have started the enrolment centres at all our identified 26 branches with the UIDAI Certified staff members as Operators and Supervisors for the benefit of our esteemed customers and general public.

Reduction in maximum loadable amount in Gift Card for individual applicants, from ₹50,000/- to ₹10,000/- : Our Bank is offering rupee denominated prepaid gift card - Dhanlaxmi Bank Gift Card - suitable for all gifting purposes. The gift card can also be used for corporate gifting to employees, vendors, clients etc. The gift cards shall be available off-the-shelf at all our branches and are ready to use once purchased from the Banks branch. As per the latest Master direction from RBI, the maximum amount that can be loaded in gift card for individual applicants is reduced from ₹50,000/- to ₹10,000/-. For Corporates, the maximum loadable amount is capped at ₹5,000/- per card, which remains the same as earlier.

New Tie-up for deploying PoS Machines (PSTN, Mobile PoS, Digital and Paper based GPRS PoS Machines): Our Bank has entered into an arrangement with new vendor M/s. India Transact Services Limited for the management and servicing

of PoS terminals to our customers. At present, we are carrying out the PoS Migration from M/S BTI Payments to M/s.Bijlipay. Since M/s.Bijlipay doesn't have the PSTN terminals, we have tied up with M/s. India Transact Services Limited. Through this arrangement with M/s. India Transact Services Limited, deployment of latest version of PSTN, MPoS, Digital and Paper based GPRS PoS terminals will be available to our customers.

Investor Education and Protection Fund

During the year, the Bank transferred ₹8,67,331/-, being the unclaimed / unpaid dividend for the financial year 2009-10, to the investor Education and Protection Fund (IEPF) in accordance with the provisions of Section 125 of the Companies Act, 2013.

In terms of Section 124 (6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended from time to time, it may be noted that if the dividends have been unpaid or unclaimed for seven consecutive years or more the underlying shares shall be transferred to the IEPF Demat Account maintained with depositories. Upon transfer of such shares to IEPF account, all benefits (e.g. bonus, split, etc.), if any, accruing on such shares shall also be credited to the IEPF Demat Account and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. The members/claimants whose shares, unclaimed dividend etc. have been transferred to IEPF authority may claim the shares or apply for refund by making an application to IEPF authority as per the procedure prescribed in the IEPF Rule. Letters were sent to shareholders whose dividend amount for FY 2010-11 were outstanding indicating a timeline to claim the outstanding dividend amounts.

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 2018-19.

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 - 01
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, Directors' Report and Auditors' 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.

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, 2018, the Board comprises 11 Directors including Managing Director & CEO, 7 non-executive Directors and 3 nominee Directors. All the Directors have rich experience and specialized knowledge in various sectors like banking, economics, co-operation and accountancy. The remuneration / sitting fees paid to the Directors during the year is disclosed in Report on Corporate Governance.

There are 6 independent Directors on the Board of the Bank as on March 31, 2018. 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

Sri Sajeew Krishnan (DIN-08066443) was appointed as additional

Director (independent category) by the Board of Directors of the Bank w.e.f. February 08, 2018. Subsequently, Sri Sajeew Krishnan has been appointed as part-time Chairman of the Board of the Bank for a period of three years w.e.f. May 23, 2018, with the prior approval of Reserve Bank of India (RBI).

Sri Gopinathan C. K. (DIN-01236752) was re-appointed as non-independent Director of the Bank, liable to retire by rotation, at the 90th Annual General Meeting of the Bank held on September 30, 2017.

Sri P. S. Sreekumar (DIN-07555178) was re-appointed as independent Director of the Bank, not liable to retire by rotation, at the 90th Annual General Meeting of the Bank held on September 30, 2017, for a period of two years with effect from the date of the Annual General Meeting, i.e., September 30, 2017.

Ms. N. Sara Rajendra Kumar (DIN-07854519) and Sri E. Madhavan (DIN-07373376) were appointed by Reserve Bank of India as Additional Directors on the Board of the Bank for a period of two years with effect from May 11, 2017 to May 10, 2019 or till further orders.

Sri Arun Rao M. G. (DIN-07547651) has been appointed as Additional Director (non-independent category) by the Board of Directors of the Bank w.e.f. May 15, 2018. Previously he was Director of the Bank till September 28, 2017.

Sri K. N. Murali (DIN-07902366) has been appointed as Additional Director (independent category) by the Board of Directors of the Bank w.e.f. June 07, 2018.

RBI has approved the appointment of Ms. T. Latha (DIN-07491803) as Managing Director & CEO of the Bank for three years from the date of taking charge. Ms. T. Latha assumed charge as Managing Director & CEO w.e.f. July 2, 2018 in place of Sri G. Sreeram (DIN-05143385) who retired from office on July 01, 2018 on completion of his tenure.

Dr. Jayaram Nayar (DIN-07395031) ceased to be part-time Chairman of the Board of the Bank w.e.f. January 04, 2018. Sri G. Vijaya Raghavan (DIN-000029021) was appointed as independent Director of the Bank, not liable to retire by rotation, at the 90th Annual General Meeting of the Bank held on September 30, 2017, for a period of two years with effect from the date of the Annual General Meeting, i.e., September 30, 2017. Sri G. Vijaya Raghavan ceased to be Director on the Board of the Bank w.e.f. May 16, 2018. Sri P. Mohanan (DIN-01463603) ceased to be Director on the Board of the Bank w.e.f. April 20, 2018 on completion of tenure of office. 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 seven member Audit

Committee. All the seven members of the Committee are non-executive Directors, with Sri Chella K. Srinivasan, who is a Chartered Accountant, as its Chairman and Sri P. Mohanan, Sri P. S. Sreekumar, Sri G. Vijaya Raghavan, Sri S. T. Kannan, Ms. N. Sara Rajendra Kumar and Sri E. Madhavan 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 entities 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.

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 2017-18 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.

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 2017-18.

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 2017-18. 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 2017-18 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 10 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.

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 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, 2018 and the date of Directors’ Report, i.e., August 06, 2018.

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.

Directors’ Responsibility Statement

Pursuant to the provisions of Section 134 (5) of the Companies

Act, 2013 with respect to the Directors’ Responsibility Statement, it is hereby confirmed that:-

- (a) in the preparation of the annual accounts for the year ended March 31, 2018, 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 2017-18 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

Annexure to Directors’ Report for the year ended March 31, 2018

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

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

Sl. No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year	Mr. G. Sreeram, Managing Director & CEO - 5.66:1
II	The percentage increase in remuneration of each director, CEO, CFO, CS in financial year	Mr. G. Sreeram, Managing Director & CEO Nil
		Mr. Bhasi K. V., Chief Financial Officer 12.57%
		Mr. Santosh Kumar Barik, Company Secretary 6.42%
III	The percentage increase in the median remuneration of employees in the financial year	5.47%
IV	The number of permanent employees on the rolls of the Bank	There were 1883 employees as on March 31, 2018

Sl. No.	Requirements	Disclosure
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	Performances of the Key Managerial Personnel were very good
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 as on March 31, 2018 was ₹541.44 crore vis-à-vis ₹623.24 crore as on March 31, 2017 Market price per share as on March 31, 2018 is ₹21.25 in BSE and ₹21.40 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	Performances of the Key Managerial Personnel were very good
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 2017-18
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.

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.

Place : Thrissur
Date : 06.08.2018

By Order of the Board
Sd/
(Sajeev Krishnan)
Chairman

Annexure to Directors' Report for the year ended March 31, 2018
SECRETARIAL AUDIT REPORT
For the financial year ended 31st March, 2018
[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, 2018 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, 2018 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.

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 no progress is observed in the matter of appeal before Cyber Appellate Tribunal, New Delhi, against the order under Section 46 of the Information Technology Act, 2008; which was reported in the previous secretarial audit report dated 01.07.2017.

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 accorded approval by e-voting and postal ballot on May 05, 2017 to offer, issue and allot up to 4,61,54,000 equity shares on preferential allotment basis pursuant to Sections 42 and 62 of the Companies Act, 2013.
- ii. Board of Directors have allotted 4,31,65,465 equity shares on preferential basis at a price of ₹27.80/- per equity share including a premium of ₹17.80/- on May 15, 2017.
- iii. Members have provided approval to issue redeemable secured/unsecured Non Convertible Debentures, subject to an aggregate limit of ₹150 crores pursuant to Section 42 and 71 of the Companies Act, 2013 at the 90th Annual General Meeting held on September 30, 2017.
- iv. Board of Directors have allotted 1,500 unsecured redeemable non-convertible Basel-III compliant subordinated Tier-II Bonds in the nature of Debentures on private placement basis at a price of ₹10,00,000/- each aggregating ₹150 crores on March 29, 2018.

Signature:

Place : Thrissur

Date : 23.07.2018

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, 2018

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March, 2018

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

I. REGISTRATION DETAILS

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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

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

(i) Category-wise Shareholding

CATEGORY CODE	CATEGORY OF SHAREHOLDERS	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 31.03.2017				NO. OF SHARES HELD AT THE END OF THE YEAR 31.03.2018				% OF CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	PROMOTER AND PROMOTER GROUP									
(1)	INDIAN									
(a)	Individual/HUF	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(1):	0	0	0	0.00	0	0	0	0.00	0.00
(2)	FOREIGN									
(a)	Individuals (NRIs / Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(2):	0	0	0	0.00	0	0	0	0.00	0.00
	Total A= A(1) + A(2)	0	0	0	0.00	0	0	0	0.00	0.00

CATEGORY CODE	CATEGORY OF SHAREHOLDERS	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 31.03.2017				NO. OF SHARES HELD AT THE END OF THE YEAR 31.03.2018				% OF CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(B)	PUBLIC SHAREHOLDING									
(1)	INSTITUTIONS									
(a)	Mutual Funds / UTI	0	700	700	0.00	0	0	0	0.00	0.00
(b)	Financial Institutions / Banks	222509	0	222509	0.11	378759	0	378759	0.15	0.04
(c)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Insurance Companies	442277	0	442277	0.21	9454989	0	9454989	3.74	3.53
(f)	Foreign Institutional Investors	34532516	0	34532516	16.46	31601600	0	31601600	12.49	-3.97
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(i)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total B(1):	35197302	700	35198002	16.77	41435348	0	41435348	16.38	-0.40
(2)	NON-INSTITUTIONS									
(a)	Bodies Corporate	18999381	48528	19047909	9.08	22483933	21988	22505921	8.90	-0.18
(b)	Individuals									
	(i) Individuals holding nominal share capital upto ₹1 lakh	32165321	3411203	35576524	16.95	35960340	2589245	38549585	15.24	-1.72
	(ii) Individuals holding nominal share capital in excess of ₹1 lakh	62430942	92630	62523572	29.79	64302219	82600	64384819	25.45	-4.35
(c)	Others									
	CLEARING MEMBERS	1274461	0	1274461	0.61	597202	0	597202	0.24	-0.37
	DIRECTORS	14635000	0	14635000	6.97	18951200	0	18951200	7.49	0.52
	HUF	2173460	0	2173460	1.04	4503054	0	4503054	1.78	0.74
	IEPF	0	0	0	0.00	897181	0	897181	0.35	0.35
	NBFC	129805	0	129805	0.06	12645617	0	12645617	5.00	4.94
	NON RESIDENT INDIANS	38784258	70384	38854642	18.52	47198629	48849	47247478	18.67	0.16
	NRI NON-REPATRIATION	426914	0	426914	0.20	1288379	0	1288379	0.51	0.31
	TRUSTS	6300	30	6330	0.00	6300	0	6300	0.00	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total B(2):	171025842	3622775	174648617	83.23	208834054	2742682	211576736	83.62	0.40
	Total B= B(1) + B(2):	206223144	3623475	209846619	100.00	250269402	2742682	253012084	100.00	0.00
	Total (A+B):	206223144	3623475	209846619	100.00	250269402	2742682	253012084	100.00	0.00
(C)	Shares held by custodians, against which Depository Receipts have been issued									
(1)	Promoter and Promoter Group	0	0	0	0.00	0	0	0	0.00	0.00
(2)	Public	0	0	0	0.00	0	0	0	0.00	0.00
	Grand Total (A+B+C):	206223144	3623475	209846619	100.00	250269402	2742682	253012084	100.00	

(ii) Shareholding of Promoters/Promoter Group

Sl. No.	Shareholders Name	Shareholding at the beginning of the year	Shareholding at the end of the year	% of change in shareholding during the year
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 01.04.2017 on the basis of SHP of 31.03.2017)		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year				
2	Date wise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)			Not Applicable	
3	At the end of the year				

(iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on March 31, 2018

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	20984000	9.99	4316000	0	25300000	9.99
2	Yusuffali Musaliam Veettil Abdul Kader	8847283	4.22	3802465	0	12649748	4.99
3	Kapilkumar Wadhawan	10492000	4.99	2157700	0	12649700	4.99
4	Niche Financial Services Pvt. Ltd.	0	0.00	12585000	0	12585000	4.97
5	Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.	0	0.00	9012712	0	9012712	3.56
6	Elara India Opportunities Fund Limited	6129220	2.92	535000	0	6664220	2.63
7	Shital Raghu Kataria	6655780	3.17	0	0	6655780	2.63
8	Potturi Rajmohan Rao	6412000	3.06	0	244368	6167632	2.44
9	Marshal Global Capital Fund Ltd.	5500000	2.62	0	0	5500000	2.17
10	Antara India Evergreen Fund Ltd.	5950000	2.84	0	500000	5450000	2.15

(v) **Shareholding of Directors and Key Managerial Personnel as on March 31, 2018**

Sl. No.	Name of Director and KMP	Shareholding at the beginning of the year		Change in shareholding (No. of Shareholding)		Shareholding at the end of the year	
		No. of shares	% of total shares of the Bank	Increase	Decrease	No. of shares	% of total shares of the Bank
1	Sri Sajeev Krishnan	0	0.00	0	0	0	0.00
2	Sri G. Sreeram, MD & CEO	0	0.00	0	0	0	0.00
3	Sri P. Mohanan	200	0.00	0	0	200	0.00
4	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
6	Sri S. T. Kannan, RBI Additional Director	0	0.00	0	0	0	0.00
7	Sri P. S. Sreekumar	200	0.00	0	0	200	0.00
8	Sri Gopinathan C. K.*	20984000	9.99	4316000	0	25300000	9.99
9	Ms. N. Sara Rajendra Kumar, RBI Additional Director	0	0.00	0	0	0	0.00
10	Sri E. Madhavan, RBI Additional Director	0	0.00	0	0	0	0.00
11	Sri G. Vijaya Raghavan	0	0.00	0	0	0	0.00
Key Managerial Personnel (other than MD & CEO)							
1	Sri Bhasi K. V., Chief Financial Officer	0	0.00	0	0	0	0.00
2	Sri Santosh Kumar Barik, Company Secretary	2000	0.00	0	2000	0	0.00

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

V. INDEBTEDNESS AS ON MARCH 31, 2018

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

(₹ in Cr.)

Particulars	Secured Loan excluding deposit	Unsecured loans	Deposit	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	145.20	-	145.20
ii) Interest due but not paid	-	2.75	-	2.75
iii) Interest accrued but not due	-	5.77	-	5.77
Total (i+ii+iii)	-	153.72	-	153.72
Change in Indebtedness during financial year				
Addition	6715.78	150.00	-	6865.78
Reduction	6618.80	-	-	6618.80
Net Charge				
Indebtedness at the end of the financial year				
i) Principal Amount	96.97	295.20	-	392.17
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	5.90	-	5.90
Total (i+ii+iii)	96.97	301.1	-	398.07

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			Total
		MD & CEO	WTD	Manager	
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of Income-Tax 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	3,00,000	Not Applicable	Not Applicable	3,00,000
	(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)	39,00,000	Not Applicable	Not Applicable	39,00,000
	Ceilings as per the Act	The remuneration paid to MD & CEO is in accordance with the provisions of Companies Act, 2013 and subject to prior approval of Reserve Bank of India.			

B. Remuneration to other Directors

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount (₹)
		Sri Sajeew Krishnan	Sri P. Mohanan	Sri Chella K. Srinivasan	Dr. Lakshmy Devi K. R.	Sri Arun Rao M. G.	Sri P. S. Sreekumar	Sri G. Vijaya Raghavan	
1	Independent Directors								
	- Fee for attending Board/Committee Meetings	50000	430000	450000	340000	170000	330000	100000	1870000
	- Commission	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	- Others, Please specify	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (1)	50000	430000	450000	340000	170000	330000	100000	1870000
2	Other Non-Independent Directors	Dr. Jayaram Nayyar	Sri Gopinathan C. K.	Sri S. T. Kannan, RBI Additional Director	Ms. N. Sara Rajendra Kumar, RBI Additional Director	Sri E. Madhavan, RBI Additional Director			
	- Fee for attending Board/Committee Meetings	190000	420000	Nil	Nil	230000			840000
	- Commission	Nil	Nil	Nil	Nil	Nil			Nil
	- Others, Please specify	Nil	Nil	Nil	Nil	Nil			Nil
	Total (2)	190000	420000	Nil	Nil	230000			840000
	Total (B)=(1+2)								2710000
	Total Managerial Remuneration								
	Overall ceiling as per the Act #	The remuneration paid to non-executive Directors is in accordance with the provisions of Companies Act, 2013.							

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	1558550	1383740	2942290
	(b) Value of perquisites u/s 17(2) of Income Tax, 1961	4111	-	4111
	(c) Profits in lieu of salary under Section 17(3) Income Tax, 1961	-	-	-
2	Stock Option			
	- Granted during the year	-	-	-
	- Exercised during the year	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- As % of profit	-	-	-
	- Others, specify	-	-	-
5	Others, please specify	-	-	-
	Total (A) (Total Remuneration does not include the number of Stock Options)	1562661	1383740	2946401

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

The global economic upswing that began around mid-2016 has become broader and stronger. This new World Economic Outlook report projects that advanced economies as a group will continue to expand above their potential growth rates this year and next before decelerating, while growth in emerging market and developing economies will rise before leveling off. For most countries, current favorable growth rates will not last. Policy makers should seize this opportunity to bolster growth, make it more durable and equip their governments better to counter the next down turn. The up growth has been driven by an investment recovery in advanced economies, continued strong growth in emerging Asia. The growth is expected to tick up by 3.9 percent this year and next, supported by strong momentum, favorable. Though the World Economy continues to show a broad based momentum, the prospect of a similarly broad based conflict over trade presents a jarring picture.

Looking at the largest economies, our 2018 growth projections, compared with October 2017 projections, are 2.4 percent for the euro area (up by 0.5 percentage point), 1.2 percent for Japan (up by 0.5 percentage point), 6.6 percent for China (up by 0.1 percentage point), and 2.9 percent for United States (up by 0.6 percentage point). U.S. growth will be boosted in part by a largely temporary fiscal stimulus, which explains over one third of our upgrade over last October for 2018 global growth.

Despite the good near term news, longer term prospects are more sobering. Advanced economies facing aging populations, falling rates of labor force participation, and low productivity growth will likely not regain the per capita growth rates they enjoyed before the global financial crisis. Emerging and developing countries present a diverse picture, and among those that are not commodity exporters, some can expect longer term growth rates comparable to pre-crisis rates. Many commodity exporters will not be so lucky, however, despite some improvement in the outlook for commodity prices. Those countries will need to diversify their economies to boost growth and resilience.

It has been deliberated that while the current cyclical upswing offers policy makers an ideal opportunity to make longer term growth stronger, more resilient and more inclusive. The present good times will not last for long, but sound policies can extend the upswing while reducing the risks of a disruptive unwinding. Countries need to rebuild fiscal buffers, enact structural reforms, and steer monetary policy cautiously in an environment that is already complex and challenging.

INDIAN ECONOMY

India has become the world's sixth-biggest economy, pushing France into seventh place, according to updated World Bank figures for 2017. India's economy rebounded strongly from July 2017, after several quarters of slow down blamed on economic policies pursued by government. India, with a round 1.34 billion inhabitants, is poised to become the World's most population nation, whereas the French population stands at 67 million.

The country ranks 139th in per capita GDP (nominal) with \$2,134 and 122nd in per capita GDP (PPP) with \$7,783 as of 2018. After the 1991 economic liberalization, India achieved 6-7% average GDP growth annually. In FY 2015 and 2018 India's economy became the world's fastest growing major economy, surpassing China.

GDP per capita rank: 139th (nominal); 122nd (PPP)

GDP rank: 6th (nominal); 3rd (PPP)

GDP Growth: 7.7% (Q4, 2017-18) (MOSPI)

GDP per capita: \$2,134 (nominal; 2018 est); \$7,783 (PPP; 2018 est)

According to International Monetary Fund, India is projected to generate growth of 7.4 percent this year and 7.8 percent in 2019, boosted by household spending and a tax reform. This compares to the world's expected average growth of 3.9 percent.

The London based Centre for Economics and Business Research, a consultancy, said at the end of last year that India would overtake both Britain and France this year in terms of GDP, and has a good chance to become the world's third biggest economy by 2032.

KERALA ECONOMY

Kerala has the eighth largest economy in India. Service Industry dominates Kerala economy. The theme of Kerala Economy 2017-18 is entitled "Towards a Clean Kerala". The theme chapter touches upon the state of sanitation and environment in the State, the measures undertaken in this regard, the lessons learnt from various experiments and the way forward. Kerala is one of the three states to have been declared Open- Defecation Free."

Its statistics as follows:

GDP: ₹ 7.73 Lakh crore (US \$120 billion) (2018-19 est)

GDP Rank: 8th

GDP growth: 7.4%

GDP per capita: \$2,400
GDP per capita rank: 7
GDP by sector: Agriculture 11.3%
 Industry 25.6%
 Services 63.1%
Unemployment: 12.5%

Kerala is getting very close to the developed countries in the world. Although positive signs of growth are visible in the agriculture sector, this growth must be characterized as inadequate. The situation was exacerbated by drought in Kerala in 2017. In the Industrial sector, public sector undertakings under chemical and electronic sectors are being transformed from Loss making to Profit making enterprises. Steps have also been initiated to improve the image of State as an investment destination.

REGULATORY MEASURES AND MONETARY POLICIES

Banking regulation is a form of government regulation which subjects banks to certain requirements, restricts and guidelines, designed to create market transparency between banking institutions and the individuals and corporations with whom they conduct business, among other things. As regulating focusing on key actors in the financial markets, it forms one of the three components of financial law, the other two being case law and self regulating market practices.

It is important for regulatory agencies to maintain control over the standardized practices of financial institutions to hold control over the economy to fail without enormous consequences. This is the premise for government bailouts, in which government's financial assistance is provided to banks or other financial institutions that appear to be on the brink of collapse. The belief is that without this aid, the crippled banks would not only become bankrupt, but would create rippling effects throughout the economy leading to systemic failure.

Monetary Policies

Monetary policy is a policy formulated by the central bank, i.e. RBI (Reserve Bank of India) and relates to the monetary matter of the country. The policy involves measures taken for regulating the money supply, availability and cost of credit in the economy. The policy also oversees distribution of credit among users as well as borrowing and lending rates of interest. In a developing country like India, it's significant in the promotion of economic growth.

The various Instruments of Monetary policy include variations in bank rates, other interest rates, selective credit controls, supply of currency, variations in reserve requirements and open market operations.

Objectives of Monetary Policy:

- Promotion of saving and investment
- Controlling the imports and exports
- Managing business cycles

- Regulation of aggregate demand
- Generation of employment
- Helping with the development of infrastructure
- Allocating more credit for the priority segments
- Managing and developing the banking sector

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 ₹146.18 crore as against ₹94.07 crore during the previous year. The total Business of the Bank as on 31.03.2018 stood at ₹17436.06 crore as against ₹17976.69 crore as on 31.03.2017. The total Deposits of the Bank stood at ₹10919.66 crore and total advance stood at ₹6516.40 crore as on 31.03.2018. Net NPA increased to 3.19% on 31.03.2018 as against 2.58% as on 31.03.2017 and Gross NPA increased to 7.35% as against 4.78% as on 31.03.2017. The capital adequacy ratio as per Basel II and Basel III was 14.15% and 13.87% respectively. The Bank declared a net loss of ₹24.87 crore for the year ended March 31, 2018 as against profit of ₹12.38 crore during the previous year. The book value per share was ₹29.62.

CREDIT SANCTION & MONITORING DEPARTMENT

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, Traders, infrastructure, hospitality, education, NBFC's 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.

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. The credit facilities to MSEs have been covered under the Bank's scheme of lending as per the Board approved Credit Policy. Our Bank has adopted the BCSBI Code in Toto and the Bank has not been accepting any collateral for lending up to ₹10 lakhs to MSE Sector.

In the light of RBI First Bi monthly Monetary Policy Statement our field level functionaries have been equipped to guide MSME entrepreneurs / potential MSME entrepreneurs to get benefited from the scheme for activities like preparation of project reports in professional manner and any other credit related matters which would in turn help entrepreneurs for submitting application to the bank properly.

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 per cent of the credit facility. Your Bank is one of the Member Lending Institution. This year your bank has enrolled 48 borrowers under the scheme.

CGTMSE has now introduced a new "Hybrid Security" product allowing guarantee cover for the portion of credit facility not covered by collateral security. In the partial collateral security model, the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, up to a maximum of 200 lakh, can be covered under Credit Guarantee Scheme of CGTMSE.

For becoming more responsive and pro-active to the needs of the Micro and Small Enterprises (MSE) sector CGTMSE has included MSE Retail Trade as an eligible activity under Credit Guarantee Scheme LIs can now cover the credit facility extended by them to MSE Retail Traders under Credit Guarantee

Scheme of CGTMSE. Exposure limit for credit facility of retail trade segment will be from ₹10 lakh to ₹100 lakh per MSE borrower. Extent of guarantee coverage to such credit facility would be 50% irrespective of the category of the borrower.

In order to enhance the effectiveness of the Credit Guarantee Scheme for financial inclusion programme, CGTMSE has increased the extent of guarantee coverage from 50% to 75% for credit facilities of ₹50 lakh and above with an increase in the Annual Guarantee Fee (AGF) on the outstanding amount as per CGTMSE.

We have implemented the above modifications in our bank during FY '17-18.

To Improve MSME lending we had introduced Mudra scheme

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

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

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

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.

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:

- Outstandings in the area of Micro Credit was ₹445.87 crores as on 31.03.2018.
- The bank's total agriculture advances stand at 19.36% of ANBC as against a target of 18%. The bank has extended 13.21% 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 > 12121 number of SHGs maintaining savings bank account with our various branches. Credit facilities availed by SHGs from the Bank stood at ₹445.87 crore as on 31.03.2018. Kisan Credit Cards amounting to ₹9.53 crores were issued to 186 farmers during FY '17-18.
- Tie-up with dairies for providing cattle loans under JLG model and with NGOs for providing rural housing loans to SHG members.

PRIORITY SECTOR ADVANCES

Our 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 45.34% (Target 40%) and its agricultural advance is at 19.36% (Target 18%) of the adjusted net bank credit. Under agricultural segment our lending to

small and marginal farmers is at 8.92% against the target of 8%. The weaker section advances were at 13.21%, which is above the prescribed norm of 10%. We have also achieved target of lending to Micro enterprises under MSME at 13.03% against target of 7.50%. Lending under various socio-economic schemes has shown satisfactory progress.

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

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

The modification / amendments made in the scheme guidelines which are appended below:-

Indicators	Existing Guidelines	Modification in the operational guidelines
Eligibility Criteria	The facility shall be extended for availing term loan or composite term loan facility granted by MLI's	Credit Enhancement Guarantee for Scheduled Castes Entrepreneurs shall be extended for loans for working capital also in addition to term loans or composite term loans to SC entrepreneur
Loan Amount	Minimum limit of loan amount is ₹25.00 Lakhs	Minimum limit of loan amount is reduced from ₹25.00 Lakhs to ₹15.00 Lakhs
Type of Borrower	Registered companies / partnership firms / society registered / sole proprietorship firms	In addition to Registered companies / partnership firms / society registered / sole proprietorship firms, Individual SC entrepreneur will also be eligible under the scheme for a guarantee cover of ₹0.15 crore to up to 1.00 crore only
Sector covered under the scheme	The borrower engaged in Manufacturing/ Trading/Service sector may be considered for financial assistance by the MLIs	The project units being set up, promoted and run by scheduled castes in primary sector such as commercial agriculture, food processing, horticulture, poultry etc. will also be considered in addition to existing Manufacturing/Trading/Service sector

Shareholding	Registered companies, Societies, Partnership firms and sole proprietorship firms having more than 75% share holding by scheduled castes entrepreneurs / promoters / members with management control for past 12 months	The share holding of SC entrepreneur / Promoter / Member / In the registered companies / registered partnership firms / societies / sole proprietorship firms / Individual SC entrepreneurs will be reduced from the existing 75% to 51% with management control of 6 months. In order to meet the criteria of a women Entrepreneur, at least 50% of the total share holding held by the SC entrepreneur may be held by SC women with 6 months management control.																											
Guarantee Cover	The amount of guarantee cover is shown in the following table:	The amount of guarantee cover will be as follows:																											
	<table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Loan amount (₹ in Cr)</th> <th>Guarantee Cover</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>₹0.25 – ₹2.00</td> <td>80%</td> </tr> <tr> <td>2</td> <td>₹2.00 to 5.00</td> <td>70%</td> </tr> <tr> <td>3</td> <td>₹5.00 and above</td> <td>60%</td> </tr> </tbody> </table>	Sl. No.	Loan amount (₹ in Cr)	Guarantee Cover	1	₹0.25 – ₹2.00	80%	2	₹2.00 to 5.00	70%	3	₹5.00 and above	60%	<table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Loan amount (₹ in Cr)</th> <th>Guarantee Cover</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>₹0.15 to ₹1.00</td> <td>100%</td> </tr> <tr> <td>2</td> <td>₹1.00 – ₹2.00</td> <td>80%</td> </tr> <tr> <td>3</td> <td>₹2.00 to ₹5.00</td> <td>70%</td> </tr> <tr> <td>4</td> <td>₹5.00 and above</td> <td>60%</td> </tr> </tbody> </table>	Sl. No.	Loan amount (₹ in Cr)	Guarantee Cover	1	₹0.15 to ₹1.00	100%	2	₹1.00 – ₹2.00	80%	3	₹2.00 to ₹5.00	70%	4	₹5.00 and above	60%
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3. To improve the lending under Housing loan in priority

a) 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.

b) 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 Lakhs for a tenure of 15 years.

LIG : Households having an annual income between ₹3,00,001 (Rupees Three Lakhs One) up to ₹6,00,000 (Rupees Six Lakhs).

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

In addition to the above mentioned guidelines Ministry of Housing and Urban Poverty Alleviation (MoHUPA) released operational guidelines for Credit Linked Subsidy Scheme for Middle Income Group issued in January 2017 under PMAY. Under the Scheme, the Middle Income Group seeking housing loan for acquisition, construction of house (including re-purchase) from Banks will be eligible for an interest subsidy. We had implemented the scheme in our Bank also. Under the Scheme, the Middle Income Group seeking housing loan for acquisition, construction of house (including re-purchase) from Banks will be eligible for an interest subsidy. Towards further enhancing the opportunities to access to MIG segment, The Ministry of Housing and Urban Affairs has again Increased the carpet area of MIG – I & II under Pradhan Manthri Awas Yojana (PMAY) scheme guidelines which are appended below:

Existing Guidelines	Amendments
The Carpet area for MIG – I is restricted “up to 120 Sq.mt.”	The Carpet area for MIG – I is increased to “up to 160 Sq.mt.”
The Carpet area for MIG – II is restricted “up to 150 Sq.mt.”	The Carpet area for MIG – II is increased to “up to 200 Sq.mt.”

The enhancement in carpet area will be effective from the date the CLSS for MIG had become effective i.e. 01.01.2017. The scheme will help to improve our priority sector housing loan portfolio and achieve the assigned targets by popularizing the schemes benefits.

With a view to bringing convergence of the Priority Sector Lending guidelines for housing loans with the Affordable Housing Scheme, and to give a filip to low-cost housing for the Economically Weaker Sections and Low Income Groups, the housing loan limits for eligibility under priority sector lending has been revised to ₹35 lakhs in metropolitan centres (with population of ten lakh and above), and ₹25 lakhs in other centres, provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed ₹45 lakhs and ₹30 lakhs, respectively. The revised guidelines shall come into effect from the date of RBI Circular dated as 19.06.2018.

4. To Improve the lending under Education loan in priority

- a) 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.

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 lakhs (Rupees One Lakh Fifty Thousand Only) extended without any collateral security and / or third party guarantee. Such loans should confirm 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.
- b) To Promote Educational Loans under priority sector CGFSEL (CREDIT GUARANTEE FUND SCHEME FOR EDUCATION LOANS (CGFSEL) scheid has been introduced.

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 lakhs 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.

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 online authorization, cardholder alerts on the credit card activities are automated and the system is functioning smoothly. The core activities like sourcing and sanctioning of applications are managed by the Bank 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.

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 handles prasadam distribution counters at Sabarimala Sannidhanam, Pampa and Erumeli during the season.

THIRD PARTY PRODUCTS DISTRIBUTION

We started the year by restructuring and rechristening the Third party department of our bank as Associate product department.

FY 17-18 was a kick start year for the department after a long gap. The department reconstituted itself and we started operation for with one life insurance partner and one general insurance partner.

In less than 4 month we expanded by adding new partners. We signed up with

Life Insurance

Bajaj Allianz life Insurance Co. Ltd.

Canara HSBC OBC Life Insurance Co. Ltd.

DHFL Pramerica Life Insurance Co. Ltd.

General Insurance

Bajaj Allianz General Insurance Co. Ltd.

In Mutual Fund front, we have empanelled with almost all the leading Fund Houses of India.

Though we started the year slow we could manage to source 44.80 Cr. of premium in Life insurance, 4 Cr. of premium and general insurance, 150 cr of AUM in Mutual funds and 30000 SIPs in FY 17 -18. The department is also given the responsibility of managing Locker sales.

The department could in generate a great amount of enthusiasm among the same branch staff and could manage to generate 14.50 cr of revenue for the bank.

Sovereign Gold Bonds

Government of India has issued Sovereign Gold Bonds in various tranches to individuals residing in India, Trusts, Charitable Institutions and Universities in India. The Bonds issued in the form of Government of India Stock in physical and Demat form.

The Bonds shall be denominated in units of one gram of gold and multiples thereof. Minimum investment in the Bonds shall be one gram with a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts and similar entities notified by the government from time to time per fiscal year, provided that:

- a) Annual ceiling will include bonds subscribed under different tranches during initial issuance by Government and those purchased from the secondary market;
- b) The ceiling on investment will not include the holdings as collateral by banks and other financial institutions.

During the FY 2017-18, our Bank has sold 0.04 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 2017-18 Bank had Rupee Drawing arrangement (RDA) with 6 exchange houses under the DDA Procedure and 6 exchanges House under Speed Remittance Arrangement.

The Bank earned ₹5.22 Crore exchange income during 2017-18.

The average yield on investment for the year ended March 31, 2018 was 6.48% on the average investment of ₹4513.66 Crores.

During the year, the Bank had booked ₹10.83 Crore profit by sale of investments (including ₹6.24 Crore profit by sale of securities from HTM category amounting to FV ₹625.00 Crore). Sale from HTM category is more than 5% of the investment at beginning of the year.

Investment under HTM is valued at carrying cost. Its premium is being amortized at Constant Yield Method and is charged to P/L account.

CENTRAL PROCESSING CENTRE

Achievements of CPC for the financial year 2017-18

- Started dispatching Combi kit and Reissue cheque books from Vendor (Seshaasai Chennai) directly to Customers which was earlier dispatched to CPC and from CPC to customers. This helped us to reduce TAT from 8 to 9 days to 3 or 4 days.
- Reduced in salary cost of one out source staff (90000 per annum) and courier charges.
- Reduced destruction % of cards and cheque books at overseas due to follow up with branches regarding address confirmation and Post/Pre dispatch verification from CPC which results in reduction of overseas courier cost.
- Introduced new process of Dispatching ATM cards and cheque books pertains to same customer in single envelope resulting courier cost especially to the overseas dispatches.
- Introduced Automation process of Cheque book Reissue process. Automated Cheque GEFU rejected report introduced (helps to avoid manual intervention to find out rejected cheque series which was time consuming).
- Initiated for opening speed post National Account Facility to get maximum discount. Presently discount is for individual BNPL account and for NAF all BNPL account will be clubbed and treat as single account.
- Introduced dispatch Alert to customer post dispatch of debit cards.

- One of the stake holder in the implementation DCAMS. With the introduction major work in account opening shifted to RPC from CPC which paved the way to transfer of 8 clerks to different RPC and their by expense of CPC reduced to ₹33.60 lakh per annum.
- Region wise support team was setup in CPC when DCAMS was introduced.
- Tallied CMS routing account which was pending for reconcile for past three years.
- 51 SIP's canvassed by team CPC during BIG day campaign.
- Audit comments are reduced to 7 from 11000 for accounts opened up to 30.06.2017.
- Renewed 1564 SOD accounts with 2600 limits.
- Collected ₹40 lakh income from NPCI related activity.
- Take over of Bulk uploads of Kerala Region from RPC's to CPC.
- Introduction of SGB loans and Physical IPPO/ASSBA service.

INFRASTRUCTURE MANAGEMENT

Bank has adopted optimum measures to curtail rental and operational expenditure. Bank has undertaken shifting of branches to new premises as a part of rent reduction and facelift. During the financial year Bank has shifted its branches to new premises at Gurgaon, Pathanamthitta, Bhopal, Mavelikkara and Kakinada.

Infrastructure department takes care of management of Premises, Fixed Assets, Equipments, Security aspects etc. and getting coordinated through Regional Offices.

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

ATMs

Bank has deployed 346 ATMs across the country to cater to the requirements of the customers. Bank has introduced many cost effective measures during the year, there by streamlined the ATM operations.

With a view to further bring down the Monthly Management Fee on ATMs, Bank migrated the cash loading and FLM (First Level Maintenance) activities of 17 Onsite ATMs from CRA to branches, thereby saving an amount of ₹1,05,400/- on a monthly basis. As on March 2018, there were 189 ATM's handled by the branch for cash loading and FLM.

With a view to bringing down the operational cost on ATMs, Bank has re-deployed 19 low hit ATMs to more viable locations thereby saving the operational cost of ATMs. This has directly contributed to the Bank's profitability.

Following Value added services have been introduced through ATMs to enhance the customer service

- a. Aadhaar Seeding (offline)
- b. Account Statement Request
- c. Cheque Book Request
- d. Mobile Banking Registration
- e. Green Pin

Introduced Green Pin facility in the ATMs, a step towards paperless banking, which is a convenient way for the customers to generate the ATM/Debit Card PIN securely and instantly. This helps to avoid the delay in obtaining the physical PIN mailer and to enhance the customer delight. Further, the Bank can reduce cost related to generating the ATM PIN and expenses related to the postal charges for sending the PIN mailers to customer address.

Bank has completed calibration of lower denomination and new currency denomination (50's & 200's) in 24 locations. This has helped to increase the hits and attract more acquiring footfalls.

POS

Bank has launched Point of Sale (PoS) business in the FY 2013-14, as a part of merchant acquisition service. Compared to the previous year, the total number of transactions increased to 1227833 as on March 31st 2018. The PoS service helped to acquire new customers and to increase the CASA value, which contributed to the Bank's profitability.

The following value additions were introduced in the FY 2017-18:

- The latest version Terminal Models are made available to our customers which includes mPoS, Digital GPRS, Paper GPRS and PSTN PoS.
- Bank has introduced Cash@POS – A Mini ATM feature for allowing merchants to tender cash after swiping customer's debit card.
- Bharat QR based payments has been enabled in POS to make the device a one stop payment solution.
- New POS terminals can accept Rupay/Amex (on GPRS devices)/Visa/MasterCard/Maestro Transactions.
- Option for EMI conversions of high value purchases on GPRS PoS has been launched.

We have introduced PoS referral model (income sharing), which helps to lower the risk & loss to the Bank, as all the disputes will be handled by the service provider.

Debit & Gift Cards

For avoiding frauds, the Bank has introduced the process of verifying VBV registration through Customer Care, by calling the customers who have successfully completed the Debit Card VBV Registration.

As per the RBI guidelines, the revision in the maximum amount to be loaded in gift card is implemented as follows:

- For individual applicants, the maximum amount to be loaded in gift card is reduced from ₹50,000/- to ₹10,000/- and maximum number of cards to be issued per customer is reduced to Ten (10) Numbers aggregating to ₹1.00 Lakh per annum per customer.
- For Corporate Customers, maximum loadable amount is ₹5,000/- per card and shall not exceed the total value of ₹50.00 Lakhs per annum with a maximum number of 5000 cards per customer.

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 31st March, 2018, there were 25 Business Correspondents in various parts of Kerala and Tamil Nadu.

Business Correspondents have actively participated in the following Campaigns:

- Actively Sourced Loan products and Third Party products viz. Life Insurance, General Insurance and Mutual Funds.
- As on 31.03.2018 BCs have sourced 40464 Accounts with CASA balance of ₹724.00 Lakhs, 162 active FDs amounting to ₹201.6 Lakhs and 178 RDs with cumulative balance of ₹30.1 Lakh.
- 39000 Rupay Debit Cards have been issued to our Financial Inclusion customers, who have opened BSBD accounts (PMJDY) through Business Correspondents. These Rupay Debit Cards can be used in the micro ATMs (TABs operated) through Business Correspondents as well as in ATMs.
- Your Bank has been honored with '**Certificate of Recognition**', at a premiere function held at the launch of '**Financial Inclusion Casebook**' on 19th January, 2018. The Program was organized by '**Governance now**', India's premier governance and public policy magazine from SAB TV group. The Certificate was awarded as a recognition to our effort in popularizing the cashless transaction model in a big way and bank's contribution to the development of Financial Inclusion measures in our country. It's an acknowledgment for digital financial services of our Bank to empower the beneficiaries.

We are happy to inform you that our Bank had conducted a whole week awareness programme in connection with the Financial Literacy Week from June 5th to June 9th, 2017. The metro,

urban and semi urban branches have conducted customer awareness activities within the branch premises and educated the customers about the four broad themes viz; KYC, Exercising Credit Discipline, Grievance Redressal and Going Digital (UPI and *99#). The posters related to Financial Literacy Week have been displayed in the notice board for public awareness. All the rural branches conducted awareness camps on Financial Literacy to the general public and customers of different segments of the society. The Financial Literacy Centres also conducted Camps on all the days during Financial Literacy Week. We are taking this opportunity to express the sincere gratitude towards all Regional Heads, Branch Team, RO Team and IT Department for the support rendered towards conducting the Financial Literacy Week successfully.

- Rural Branches:
Bank has total 21 Rural Branches across India have conducted more than 25 awareness activities for the customers and public.
- Financial Literacy Centres:
Bank has four Financial Literacy Centres in Kerala State. All the FLCs conducted daily camps for the general public and customers.
- Urban and semi urban branches across the country have communicated the four broad themes for the Financial Literacy week to the customers by distributing flyers.
- ATM screens were displayed with four broad themes during the Financial Literacy week.

Others

Certification for acceptance of Japan Credit Bureau (JCBI) / Union Pay International (UPI) Cards at NFS ATM Network has been obtained.

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 1.82 lakh page views / hits for the year.

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 become beneficiary / destination bank to receive subsidy to the customer account based on the Aadhaar Number or Bank Account Number. Your eligible customers can receive funds from the government agencies under the respective schemes to their accounts in our 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 NACH operations for digitising the ECS management – both Mandates and the transactions – NPCI has introduced Mandate Management System [MMS].

Information Technology Department

Highlights of Developments during FY 2017-18

The major events that happened in various projects during the FY 2017-18 are summarized below:

- Towards reinforcing our customer service and safeguarding the customer data, especially on the background of increased digital transactions, we have further strengthened our network equipments and monitoring of our information assets with special focus on uptime management.
- Our systems showed good resilience against serious malware attacks consequent to effective data security protection mechanisms, patch maintenance and pro-active end point protection especially during occasions when few organizations were badly hit by the attack of 'ransomware-wannacry'.
- **Daily NPA Identification and reverse flagging of NPA status to Core Banking System**

Bank has started identification and flagging of NPA status on 91st day of delinquency from 01st March, 2018. This change

has helped the Bank to align to the compliance to income recognition and asset classification norms. Further, it helps the branch to assess the position regarding asset quality on real time basis.

➤ **Automation of GST return preparation**

Consequent to the introduction of GST in our nation, Bank has automated GST return preparation collating data from core banking systems and other channels.

➤ **New application for Loan origination**

Towards a better tracking and MIS on Loan origination process as well as statutory / internal reporting, a new application is developed; the first phase is launched in March 2018 covering the gold loan portfolio, the largest with respect to the number of accounts.

➤ **e-KYC services using Aadhaar Authentication**

We have introduced the necessary technology platform to comply with the regulatory directions to perform e-KYC authentication of resident individual customers who submits Aadhaar as KYC document before on-boarding. For existing resident customers, demographic authentication is performed as well.

➤ **Aadhaar Seeding**

As per the regulatory guidelines to capture the Aadhaar numbers of all existing relationships, we have facilitated an online portal so that our customers can seed and link their Aadhaar numbers with their accounts maintained with the Bank. Such seeded Aadhaar numbers would be subjected to demographic authentication before actually linking with the respective customers account numbers. Using this facility, the customer can conveniently register their Aadhaar Number without visiting their home branch.

➤ **Daily Advance Activity Recorder**

With a view to have focused approach towards building robust advance portfolio we have developed an in-house web based system to capture the lead details and its related Advance MIS.

➤ **Personalised Debit Card**

We have extended the popular personalized debit card option, to all Savings Bank customers which were hitherto available only for special savings bank products. Through Banks website, customers can upload his/her photo to personalize their debit card.

➤ **Customer Acquisition & Management Software**

For meeting UCIC/AML requirements as per RBI guidelines, we have implemented an application named DCAMS (Dhanam Customer Acquisition & Management System) that went live with full branches on 15.07.2017 with modules for Customer Creation, KYC and Service Requests with ability to capture digitalised images.

➤ **Enhancements in Retail Internet Banking**

Bank's internet banking system has been enhanced with the following facilities:

1. BBPS (Bharat Bill Pay System)

Bharat Bill Pay System (BBPS) was released to Retail Internet Banking customers on 10th April, 2017. By the introduction of this facility our Net Banking customers can perform various bill payments facilitated by NPCI through our Net Banking platform.

2. Online closure of TD/RD

Through this online facility, customers can close the FD (whose receipt is not printed)/RD without visiting the branch.

➤ **Enhancements in Mobile Banking**

Bill Pay Module has been released for Android, IOS & Windows version and made available to Mobile Banking customers on 28th November, 2017. Through this facility, our Mobile Banking customers can perform various bill payments through our Mobile Banking platform.

INSPECTION DEPARTMENT

Department has introduced audit software (eTHIC) for Risk Based Internal Audit (RBIA) effective from September 2017. It is a web based application which enables risk-free auditing, effortless status tracking and comprehensive coverage of the entire audit life cycle. By implementing the audit software, adequacy and effectiveness of the internal audit has been improved.

Department has conducted training programme to all the branch inspectors and other staff at audit department to enable them to conduct the RBIA and monitoring of the audit process in the automated platform. Inspector of branches, internal concurrent auditors and ARCO's at regional offices were given external training at SIBSTC, Bangalore.

Department has reviewed Inspection & Audit policy, Modified version covering the entire audit activities, objective and organizational setup and working of inspection department, were approved by the board.

Department has conducted an external review of the internal audit function of the bank. Review covered effectiveness of internal audit functions, compliance to the regulatory guidelines, review of audit formats, risk assessment methodology, identification of material risk area, process, scope and coverage of audit, inspection policy, inspection manual etc. Bank will implement the suggestions for improvement in the system in a time bound manner.

VIGILANCE DEPARTMENT

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. The watchfulness enforced by the Vigilance function is required to ensure that Public money is not misused by delinquent elements. The Department aims to attain high levels of integrity in Systems and Procedure by creating Awareness and developing Commitment and Probity at all levels, contributing towards an organization with high standards of efficiency and professionalism.

Preventive Vigilance is one of the major domain of the Department. Preventive Vigilance focuses on taking pro active measures through Putting in place best Practices and Procedure, Strict implementation of KYC/AML norms, inculcating an ingrained habit of alertness among employs, periodical trainings to Employees and through customer awareness programmes.

All fraud related issues are handled by Vigilance Department as per regulatory norms, which includes Investigation on frauds/ Serious irregularities and timely reporting of frauds to the RBI and The Board. The Department is responsible for conducting investigation, wherever necessary, based on the complaint/ input from the Whistle Blowers. It also conducts surprise check at branches to check the compliance level of process and security norms. The department try to identify the system flaws, if any, and suggests control mechanism and remedial measures to avoid recurrence of incidence.

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.

As per the RBI guideline on Cyber Security, Bank has formulated Cyber Security Policy and Cyber Crisis Management Plan. Also Bank has established Security Operation Centre to detect and respond to Cyber incidents. Bank has provided awareness sessions to staff on various cyber threats and the mitigation steps. The Bank has been implementing guidelines by RBI on Cyber Security Framework.

LEGAL

The Bank has 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 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 among the field functionaries by circulating an internal 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 Wired Transfer Report (CBWTR) are also submitting to FIU-IND through their online gateway.

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.

Bank has also got registered with Central KYC Registry and started the upload of the KYC records of all Individual relationships entered into from January 2017.

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'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 Stress Testing Policy of the bank formulated to define 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. The Bank has also developed various other Risk Policies such as Reputation Risk Management Policy, Strategic Risk Management Policy, Stressed Industry Risk Management Policy, Key Person Risk Policy, Fund Transfer Pricing Policy, Model Risk Management Policy, RCSA document and Risk Appetite Framework for better monitoring of Risk Management. The Credit Policy and Integrated Treasury Policy are also 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 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 Internal Capital Adequacy Assessment Process framework for integrating capital planning with budgetary planning and to capture the residual risks which are not addressed in **Pillar I** like credit concentration risk, interest rate risk in the banking book, liquidity risk, earnings risk, strategic risk, reputation risk etc. Bank has adopted a common framework for additional disclosures under **Pillar III** for adhering to market discipline of Basel II and Basel III guidelines. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner. The Bank has taken necessary steps to comply with the 'Guidelines on implementation of Basel – III capital regulations in India' in a phased manner as directed by the RBI.

CREDIT RISK

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

The Credit Risk Management 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 28 rating/scoring Formats 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 lakhs and above will come under the purview of rating.

The Bank has put in place 'Rating Migration Analysis' of all credit exposures of ₹1 crore and above on a quarterly basis. Rating migration analysis covering all advances above ₹25 lakhs is also being conducted on 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 come due without incurring unacceptable losses. Liquidity obligation of the Bank arises from withdrawal of deposits, repayment of borrowed funds at maturity and meeting credit and working capital needs. The primary tool of monitoring liquidity is the mismatch/gap analysis, which is monitored over successive time bands on a static basis. The Bank is generating daily Structural Liquidity Statement which is used by the Treasury Department for effective liquidity management. Apart from the above, the trend in the major liquidity ratios are measured and analyzed on a weekly basis. The Bank also prepares liquidity projections on a weekly basis. Moreover, the funds readily available as a back stop to meet contingency situations are measured and analyzed on a continuous basis.

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

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

OPERATIONAL RISK

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

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

Bank had rolled out the Risk Control Self Assessment (RCSA) to proactively 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 as a measure to move towards The Standardized Approach for capital calculation.

COMPLIANCE

Bank's Compliance Department, consisting of experienced officers headed by Chief Compliance Officer, is setup at Corporate Office, Thrissur. The main function of Compliance Department is to ensure strict observance of all statutory provisions contained in various legislations such as Banking Regulation Act, Reserve Bank of India Act, Foreign Exchange Management Act, Prevention of Money Laundering Act, etc. as well as to ensure observance of other regulatory guidelines issued from time to time, standards and codes prescribed by IBA, FEDAI, FIMMDA, etc. and also Bank's internal policies and fair practices code. The activities of Compliance function is based on a well-defined Compliance Framework approved by the Board of Directors. Compliance function conducts compliance testing at various functional units and failures, if any, are brought to the notice of the Board of Directors.

The Bank moved to Risk Based Supervision (RBS), the revised supervisory framework of RBI, from the Financial Year 2015-16. Compliance Department facilitated the smooth transition to the new framework in a phased manner. For the Financial Year 2016-17, RBI conducted Inspection for Supervisory Evaluation (ISE), in connection with RBS, during August 2017 and the final report was submitted in October 2017. Bank complied with almost all major observations.

HUMAN RESOURCES

Bank has been taking steps constantly to increase the momentum of its growth, profitability and better customer service. Bank is continuously aiming to increase the productivity of the workforce and per employee business to achieve the desired objectives. The Bank's employee strength, which was

2021 as on 31st March, 2017, has been reduced to 1884 as on 31st March, 2018. The number of Sales Executives including Business Development Executives also reduced to 82 as on 31st March, 2018 from 100 as on 31st March, 2017.

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 was given at least one training programme during the year. 2636 employees were trained through in-house programmes and 159 employees were trained through external training programmes during the year. As part of e-learning initiatives, Bank introduced online Training program through "Finitatives Learning India Pvt. Ltd (FLIP)", which has been well accepted by the employees. The online training was assigned to Branch Managers/Assistant Branch Managers in credit analysis and retail advances. This has facilitated self paced learning and helped to develop a learning culture among the employees. The feedbacks received from participants are really encouraging and build in confidence to grow the credit portfolio. Bank also as a regular practice conduct online exams to the employees. This is done on the basis of internal circulars/policies to imbibe the content.

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 have been very cordial during the year ended report.

CORPORATE SOCIAL RESPONSIBILITY

Bank continued the DLB-TMA scholarship programs for the deserving two MBA students seeking financial assistance to meet their educational requirements.

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 130 employees from the Bank participated in the 10 kms marathon held on February 18th, 2018 at Kochi. Bank had won the Trophy for the highest number of female participation by a Corporate.

Border Security Force (BSF), which was formed in 1965, is the World's largest Border Guarding Force serving our nation with utmost dedication and devotion. In the memory of our Martyrs, BSF had conducted a Half Marathon and a 5 km Run throughout the country on 22nd October, 2017. More than 50 employees from our Bank participated in the event so as to raise funds for the families of those Martyrs who had sacrificed their lives on duty while safeguarding our motherland.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Internal controls

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

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, 2018)

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, 2018 are given below:

Sl. No.	Name of Director	Category of Director	Sector represented by the Director according to the Banking Regulation Act, 1949	No. of equity shares held as on March 31, 2017	% of share-holding	Remarks
1	Sri Sajeev Krishnan*	Part-time Chairman	Banking	-	-	Appointed as Additional Director on 08.02.2018 and appointed as Part-time Chairman by RBI for a period of three years w.e.f. May 23, 2018
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	-	-	Re-appointed as Additional Director by RBI for a period of 2 years w.e.f. 15.02.2018 to 14.02.2020 or till further orders of RBI, whichever is earlier

7	Sri P. S. Sreekumar	Non-Executive Independent Director	Majority – Co-operation	200	-	Re-appointed as Independent Director at the Annual General Meeting of the Bank held on 30.09.2017 for the period from September 30, 2017 to September 29, 2019
8	Sri Gopinathan C. K.	Non-Executive Director		2,53,00,000**	9.99%	Re-appointed as Non-Independent Director at the Annual General Meeting of the Bank held on 30.09.2017 and he is liable to retire by rotation
9	Ms. Sara Rajendra Kumar	RBI Nominee	NA	-	-	Appointed as Additional Director by RBI for a period of 2 years w.e.f. 11.05.2017 to 10.05.2019 or till further orders of RBI
10	Sri E. Madhavan	RBI Nominee	NA	-	-	Appointed as Additional Director by RBI for a period of 2 years w.e.f. 11.05.2017 to 10.05.2019 or till further orders of RBI
11	Sri G. Vijaya Raghavan##	Non-Executive Independent Director	Information Technology	--	--	Appointed as Independent Director at the Annual General Meeting of the Bank held on 30.09.2017 for the period from September 30, 2017 to September 29, 2019

** Including 63,50,000 equity shares held by relatives / associates.

* RBI has, appointed Shri Sajeev Krishnan as Part-time Chairman for a period of three years w.e.f. May 23, 2018.

RBI has approved the appointment of Ms. T. Latha as Managing Director & CEO of the Bank for three years from the date of taking charge. Ms. T. Latha assumed charge as Managing Director & CEO w.e.f. July 2, 2018 in place of Sri G. Sreeram who retired from office on July 01, 2018 on completion of his tenure.

Sri Arun Rao M. G. has been appointed as Additional Director (non-independent category) by the Board of Directors of the Bank w.e.f. May 15, 2018. Previously he was Director of the Bank till September 28, 2017.

Sri K. N. Murali has been appointed as Additional Director (independent category) by the Board of Directors of the Bank w.e.f. June 07, 2018.

##Dr. Jayaram Nayar, Sri P. Mohanan and Sri G. Vijaya Raghavan, who were Directors on the Board of the Bank, ceased to be Directors w.e.f. January 04, 2018, April 20, 2018 and May 16, 2018 respectively.

Board Meetings

A total of 10 Board Meetings were held during the year and the dates are as under:

07.04.2017, 15.05.2017, 16.05.2017, 07.07.2017, 11.08.2017, 12.10.2017, 13.11.2017, 11.01.2018, 08.02.2018 and 20.03.2018.

The details of attendance of each Director at the Board meetings and at the last Annual General Meeting (AGM) held on September 30, 2017 are as follows:

Sl. No.	Name of Director	No. of Board Meetings		Attendance at last AGM
		Held during the Tenure	Attended	
1	Dr. Jayaram Nayar	7	6	Present
2	Sri G. Sreeram	10	10	Present
3	Sri P. Mohanan	10	10	Not Present
4	Sri Chella K. Srinivasan	10	10	Present
5	Dr. Lakshmy Devi K. R.	10	9	Present
6	Sri Gopinathan C. K.	10	10	Present
7	Sri Arun Rao M. G.	5	5	N A
8	Sri P. S. Sreekumar	10	9	Present
9	Sri E. Madhavan	9	9	Not Present
10	Ms. Sara Rajendra Kumar	9	5	Not present
11	Sri S. T. Kannan	10	7	Not present
12	Sri G. Vijaya Raghavan	5	4	N A
13	Sri Sajeev Krishnan	1	1	N A

Change in Directors during the year 2017-18

Name of Director	Appointment	Cessation
Sri E. Madhavan	Appointed as an Additional Director by RBI for a period of 2 years w.e.f. 11.05.2017 to 10.05.2019 or till further orders of RBI	-
Ms. N. Sara Rajendra Kumar	Appointed as an Additional Director by RBI for a period of 2 years w.e.f. 11.05.2017 to 10.05.2019 or till further orders of RBI	-
Sri Arun Rao M. G.	-	Ceased to be Director w.e.f. 29.09.2017
Sri G. Vijaya Raghavan	Appointed as Independent Director at the Annual General Meeting of the Bank held on 30.09.2017 for the period from September 30, 2017 to September 29, 2019	-
Dr. Jayaram Nayar		Ceased to be Director w.e.f. 04.01.2018
Sri Sajeev Krishnan	Appointed as Additional Director (Independent category) at the Board meeting held on 08.02.2018.	-

* RBI has, appointed Sri Sajeev Krishnan as Part-time Chairman for a period of three years w.e.f. May 23, 2018.
Sri Arun Rao M.G. has been appointed as Additional Director (non-independent category) by the Board of Directors of the Bank w.e.f. May 15, 2018.

Sri G. Vijaya Raghavan ceased to be Director of the Bank w.e.f. May 16, 2018.

Committee position of Directors in the Bank as on March 31, 2018

Sl. No.	Name of Director	Chairman	Member
1	Sri G. Sreeram	1. Large Value Fraud Monitoring Committee 2. Redressal Committee on Willful Defaulters & Review Committee on Non-Cooperative Borrowers	1. Management Committee 2. NPA Monitoring Committee 3. Risk Management Committee 4. HRD Committee 5. Stakeholders' Relationship Committee 6. Corporate Social Responsibility Committee 7. Customer Service Committee 8. IT Strategy Committee
2	Sri P. Mohanan	1. Management Committee	1. Audit Committee 2. Risk Management Committee 3. Large Value Fraud Monitoring Committee 4. Stakeholders' Relationship Committee 5. Corporate Social Responsibility Committee 6. Redressal Committee on Willful Defaulters & Review Committee on Non-Cooperative Borrowers
3	Sri Chella K. Srinivasan	1. Audit Committee 2. NPA Monitoring Committee 3. HRD Committee	1. Large Value Fraud Monitoring Committee 2. IT Strategy Committee 3. Redressal Committee on Willful Defaulters & Review Committee on Non-Cooperative Borrowers
4	Dr. Lakshmy Devi K. R.	1. Risk Management Committee	1. Management Committee 2. Large Value Fraud Monitoring Committee 3. Stakeholders' Relationship Committee 4. Customer Service Committee 5. Nomination & Remuneration Committee. 6. Redressal Committee on Willful Defaulters & Review Committee on Non-Cooperative Borrowers
5	Sri P. S. Sreekumar	1. Stakeholders' Relationship Committee 2. Nomination & Remuneration Committee	1. Audit Committee 2. NPA Monitoring Committee 3. Customer Service Committee 4. Redressal Committee on Willful Defaulters & Review Committee on Non-Cooperative Borrowers
6	Sri Gopinathan C. K.	1. Corporate Social Responsibility Committee	1. Management Committee 2. Risk Management Committee 3. HRD Committee 4. Large Value Fraud Monitoring Committee 5. Nomination & Remuneration Committee
7	Sri G. Vijaya Raghavan	1. IT Strategy Committee	1. Audit Committee 2. HRD Committee 3. Corporate Social Responsibility Committee
8	Sri S. T. Kannan	–	1. Audit Committee
9	Ms. N. Sara Rajendra Kumar	–	1. Audit Committee
10	Sri E. Madhavan	–	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, 2018 and the number / dates of meetings of various Committees in the financial year 2017-18 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 seven 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, Sri P. S. Sreekumar, Sri G. Vijaya Raghavan, Sri S. T. Kannan, Ms. N. Sara Rajendra Kumar and Sri E. Madhavan 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, re-appointment, and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the Board for approval with particular reference to:
 - a) Matters required to be included in the Directors Responsibility Statement to be included in the board's report in terms of clause(C) of Sub-section 3 of Section 134 of the Companies Act, 2013.
 - b) Changes if any in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustment made in the financial statement arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to the financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
5. Reviewing with the management the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modification of transactions of the company with related parties.

9. Scrutiny of inter-corporate loans and investments.
10. Valuation of undertakings or assets of the company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing the performance of the statutory and internal auditors and adequacy of the internal control system with the management.
13. Reviewing the adequacy of internal audit function if any including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
14. Discussion with internal auditors regarding any significant findings and follow-up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
16. Discussion with statutory auditors before audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern and following up all the issues brought out in the Long Form Audit Report (LFAR) and interacting with the Statutory Auditors before finalisation of the annual financial accounts and reports.
17. Following up on all the issues / concerns raised in the Annual Financial Inspection (AFI) reports of Reserve Bank of India.
18. To look into the reasons for substantial defaults in the payments to the depositors, debentureholders, 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. Recommending / approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
22. Reviewing the Risk Based Internal Audit (RBIA) / audit function – the system, its quality and effectiveness in terms of follow up.
23. Reviewing the RBIA reports of all branches (First Review) and final review of branches having High, Medium and above Risk level with “Increasing” trend.
24. Review of Revenue leakage detected in RBIA / Revenue / Concurrent Audit.
25. Focusing on the follow-up of:
 - a) Reconciliation of inter-branch adjustment accounts;
 - b) Long outstanding entries in inter-bank accounts and nostro accounts;
 - c) Arrears in balancing of books at various branches;
 - d) Frauds and
 - e) Other key areas of housekeeping
26. Reviewing half yearly reports from the Compliance Officers of the Bank.
27. Review of Concurrent Audit of Depository Department.
28. Review of dishonoured cheques of ₹ 1 Crore and above and cheques issued by broker entities.
29. Review of forex transactions.
30. Review of Concurrent audit of Integrated Treasury and branches (quarterly).
31. Summary of Risk Control Self Assessment (RCSA) of functions/branches done together with open and closed issues.
32. Monthly review of the working of the Vigilance department.
33. Quarterly report on the activity of the Inspection department.
34. Review of the functioning of the meetings of Audit Committee of Executives.
35. Review of reports of inspection of Regional Offices.
36. Quarterly/Annual review of frauds.

(iii) Number of Meetings during the year

The Committee met 5 times during the year on 16.05.2017, 10.08.2017, 13.11.2017, 10.01.2018 and 07.02.2018.

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

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri Chella K. Srinivasan, Chairman of the Committee	5	5
2	Sri P. Mohanan	5	5
3	Sri S.T. Kannan	5	4
4	Ms. Sara Rajendra Kumar	5	2
5	Sri E. Madhavan	5	5
6	Sri Arun Rao M. G.#	2	2
7	Sri P. S. Sreekumar**	3	2
8	Sri G. Vijaya Raghavan***	1	1

Ceased to be a Director & Member of the Committee w.e.f. 29.09.2017.

** Inducted to the Committee w.e.f. 13.11.2017.

*** Inducted to the Committee w.e.f. 07.02.2018.

(B) Management Committee

(i) Composition

Sri P. Mohanan is the Chairman of the Committee and Sri G. Sreeram, 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 7 times on 07.04.2017, 15.05.2017, 07.07.2017, 10.08.2017, 30.09.2017, 10.01.2018 and 07.02.2018 during the year.

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

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

Ceased to be a Director and member of the Committee w.e.f. 04.01.2018.

(C) Nomination and Remuneration Committee

(i) Composition

Sri P. S. Sreekumar is the Chairman of the Committee and the other Members are Dr. Lakshmy Devi K. R. and Sri Gopinathan C. K.

(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 criteria for performance evaluation of Board and its Members and various Committees of Board;
3. Conduct performance evaluation of the Board and its Committees and Members on the basis of the above formulated criteria;
4. Review the adequacy of the objectives / criteria for performance evaluation, the appropriateness of the process involved, effectiveness of the evaluation techniques, etc. and identify the areas where improvements are required including training, skill building, etc. and the nature of actions required along with the timelines / resources required for the same;
5. Determine the continuance / extension of the term of independent Directors on the basis of the performance evaluation;
6. 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;
7. 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;
8. Filling in a timely manner vacancies on the Board of the company including the position of executive/whole time directors;
9. 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;
10. 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.
11. 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;
12. 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;
13. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the Bank;
14. Evaluate and put in place proper mechanism for refreshment trainings for Directors on relevant subject;
15. 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;
16. 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;
17. 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;
18. 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 stakeholders.

(iii) Number of Meetings during the year

The Nomination & Remuneration Committee met 5 times on 07.04.2017, 10.08.2017, 30.09.2017, 13.11.2017 and 07.02.2018 during the year.

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

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri P. S. Sreekumar, Chairman of the Committee	5	5
2	Sri P. Mohanan	4	4
3	Sri Chella K. Srinivasan	4	3
4	Dr. Lakshmy Devi K. R.	5	4
5	Sri Gopinathan C. K.*	1	1

* Inducted to the Committee w.e.f. 07.02.2018.

(D) Risk Management Committee

(i) Composition

Dr. Lakshmy Devi K. R. is the Chairperson of the Committee and Sri G. Sreeram, Sri P. Mohanan and Gopinathan C. K. are other Members of the Committee.

(ii) Terms of reference

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 with recommendations where required by:-

1. Overseeing the development and implementation of the risk management strategy and practices by the Bank and assess the effectiveness thereof;
2. Overseeing the implementation of Risk Management guidelines prescribed by the Reserve Bank of India;
3. 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;
4. 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;
5. Ensure that the risk management policy in force is in tune with regulatory requirements, corporate governance standards, emerging new risks and industry best practices;
6. Review major breaches in policy;
7. Appraise uncovered / residual risks to the Board;
8. 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;
9. 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;
10. Review the reports of discussions of the Risk Management Committees of Executives including Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Risk Management Committee of Executives (RMCE);
11. Review of credit rating migration analysis done by the Bank;
12. Reviewing the quarterly reports on loss data collection;
13. Review of Country Risk Exposure of the Bank.

(iii) Number of Meetings during the year

The Committee met 3 times during the year on 15.05.2017, 30.09.2017 and 10.01.2018.

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

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Dr. Lakshmy Devi K. R., Chairperson of the Committee	3	3
2	Sri Chella K. Srinivasan	3	3
3	Sri G. Sreeram	3	3
4	Sri Gopinathan C. K.	3	3

(E) NPA Monitoring Committee

(i) Composition

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

(ii) Terms of reference

1. Overview the NPA management in the Bank;
2. Review top SMA-1 / SMA-2 and NPA accounts and suggesting steps for recovery.

(iii) Number of Meetings during the year

The Committee met 7 times during the year on 07.04.2017, 15.05.2017, 07.07.2017, 10.08.2017, 30.09.2017, 10.01.2018 and 07.02.2018.

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

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Sri Chella K. Srinivasan, Chairman of the Committee	2	2
2	Sri G. Sreeram	7	7
3	Sri P. Mohanan	6	5
4	Sri Gopinathan C. K.	6	6
5	Sri Arun Rao M. G.#	3	3
6	Sri P. S. Sreekumar*	1	1

Ceased to be a Director and member of Committee w.e.f. 29.09.2017.

* Inducted to the committee w.e.f. 07.02.2018.

(F) Large Value Fraud Monitoring Committee

(i) Composition

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

(ii) Terms of reference

Monitor and review all the frauds of ₹1 Crore and above so as to:

1. Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same;
2. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and Reserve Bank of India;
3. Monitor progress of CBI/Police investigation and recovery position;
4. 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;
5. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls;
6. 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 once during the year on 10.01.2018.

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

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

(G) Stakeholders' Relationship Committee

(i) Composition

Sri P. S. Sreekumar is the Chairman of the Committee. Sri G. Sreeram, Dr. Lakshmy Devi K. R. and Sri P. Mohanan 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 3 times during the year on 15.05.2017, 30.09.2017 and 10.01.2018.

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

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

Ceased to be a Director and member of Committee w.e.f. 04.01.2018.

*Inducted to the Committee w.e.f. 30.09.2017.

(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 01.04.2017	No. of Complaints received	No. of Complaints resolved	No. of Complaints pending as on 31.03.2017
1	Transfer related Complaints	0	0	0	0
2	Dividend related Complaints	0	0	0	0
3	Others	0	1	1	0
	Total	0	1	1	0

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

(H) Customer Service Committee

(i) Composition

The Committee is chaired by Dr. Lakshmy Devi K. R., Sri G. Sreeram 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. Monitor periodically the customer service measures and new initiatives implemented by the Bank;
8. 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.

Examine any other issues having a bearing on the quality of customer service rendered.

(iii) Number of Meetings during the year

The Committee met 3 times during the year on 15.05.2017, 30.09.2017 and 10.01.2018.

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

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	Dr. Lakshmy Devi K. R., Chairperson of the Committee	3	3
2	Sri G. Sreeram	3	3
3	Sri Arun Rao M. G.#	1	1
4	Sri P. S. Sreekumar	3	2

Ceased to be a Director and member of Committee w.e.f. 30.09.2017.

(I) Corporate Social Responsibility Committee

(i) Composition

Sri Gopinathan C. K. is the Chairman of the Committee. Sri G. Sreeram, P. Mohanan and Sri G. Vijaya Raghavan 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.

(J) Redressal Committee on Willful Defaulters & Review Committee on Non-cooperative Borrowers

Redressal committee on willful defaulters and Review Committee on non-cooperative borrowers were merged in to one committee

(iii) Number of Meetings during the year

The Redressal committee on willful defaulters met once during the year on 16.05.2017 before the merger.

(iv) Details of attendance of each Director at the Redressal committee on willful defaulters meeting

Sl. No.	Name of the Director	Number of Meetings	
		Held during the Tenure	Attended
1	G. Sreeram, Chairman	1	1
2	Sri P. Mohanan	1	1
3	Sri Chella K. Srinivasan	1	1
4	Sri P. S. Sreekumar	1	1
5	Dr. Jayaram Nayar	1	1

(K) HRD Committee

HR & IT strategy committee was split in to HRD committee and IT strategy committee.

(i) Composition

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

(ii) Terms of reference

1. Oversee the overall manpower planning of the Bank;
2. Approve budgets for HR planning and other HR related issues;
3. Recruitment for and promotions to Scale VI and above.

(iii) Number of Meetings during the year

The Committee did not meet during the year.

(L) IT Strategy Committee

HR & IT strategy committee was split in to HRD committee and IT strategy committee.

(i) Composition

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

(ii) Terms of reference

1. Review IT Strategy and recommend necessary action / changes, if any, to the Board;
2. Review IT organizational structure, IT risks & controls, gap analysis of IT skills and resource augmentation and recommend necessary action to the Board;
3. Review the cyber security and preparedness of the Bank;
4. Review IT related budgets and recommend the same to the Board for approval;
5. Review the status of unmitigated, critical vulnerabilities, if any, for each department/division and review mitigation plans / vulnerability reports;
6. Recommend to the Board for purchase of any IT-related hardware/software;
7. Examine other IT-related issues in the Bank and recommend necessary action to the Board.

(iii) Number of Meetings during the year

The Committee met once during the year on 10.01.2018.

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 August 10, 2017. 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 Chella K. Srinivasan, Independent Director, was Chairman of the meeting. Sri P. Mohanan, Dr. Lakshmy Devi K. R., Sri Arun Rao M. G. and Sri P. S. Sreekumar, 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, 2018

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 2017-18 as under:

Sl. No.	Name of Director	Total amount of Sitting Fees paid during the year ended March 31, 2018
1	Dr. Jayaram Nayar	1,90,000/-
2	Sri P. Mohanan	4,30,000/-
3	Sri Chella K. Srinivasan	4,50,000/-
4	Dr. Lakshmy Devi K. R.	3,40,000/-
5	Sri Arun Rao M. G.	1,70,000/-
6	Sri P. S. Sreekumar	3,30,000/-
7	Sri Gopinathan C. K.	4,20,000/-
8	Sri E. Madhavan	2,30,000/-
9	Sri G. Vijaya Raghavan	1,00,000/-
10	Sri Sajeev Krishnan	50,000/-

The Remuneration Policy of the Bank is hosted on the website of the Bank http://www.dhanbank.com/investor_relations/inv_stat_policy.aspx.

5. INFORMATION ON DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED AT THE 91st 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 ; 64 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.
Terms and conditions of appointment/re-appointment along with details of remuneration	Sri Gopinathan C. K. will be entitled to sitting fees for attending Board/ Committee Meetings.
Details of Remuneration last drawn	Sri Gopinathan C. K. was paid only sitting fees of ₹4,20,000/- for attending Board / Committee Meetings during the financial year 2017-18.
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 Meetings of the Bank held on September 29, 2016 and September 30, 2017.
Sector	Minority
Shareholding in the Bank as on the date of this Notice	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
Number of Board Meetings attended during 2017-18	10
Chairman / Member of Committees of Board of Directors of the Bank as on the date of this Notice	Sri Gopinathan C. K. is a Member of: 1. Management Committee; 2. HRD Committee; 3. Large Value Fraud Monitoring Committee; 4. Stakeholders' Relationship Committee; 5. Customer Service Committee; 6. Nomination & Remuneration 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 Notice	Nil

2. SRI ARUN RAO M. G. (DIN - 07547651)

Date of Birth and age	22.02.1987 ; 31 years
Qualifications	ACS, LLB, MBL, M.COM.
Brief Resume, Experience and Nature of expertise in specific functional areas	Sri Arun Rao M. G. is a Practicing Company Secretary with more than 5 years of experience in Company Secretarial Practice and Corporate Laws. He is an Associate Member of the Institute of Company Secretaries of India. He also holds a bachelor's degree in Law and master's degrees in commerce and business laws. He has experience in handling secretarial matters of various companies.
Terms and conditions of appointment/re-appointment along with details of remuneration	Sri Arun Rao M. G. will be entitled to sitting fees for attending Board / Committee Meetings.

Details of Remuneration last drawn	Sri Arun Rao M. G. was paid only sitting fees of ₹ 1,70,000/- for attending Board / Committee Meetings during the financial year 2017-18.
Date of first appointment on Board	Sri Arun Rao M. G. was appointed as Additional Director (Non-Independent category) w.e.f. May 15, 2018. Previously, he had held the office of director of the Bank till September 28, 2017.
Sector	Minority
Shareholding in the Bank as on the date of this Notice	Nil
Relationship with other Directors, Manager and Key Managerial Personnel of the Bank	Nil
Number of Board Meetings attended during 2017-18	5
Chairman/Member of Committees of Board of Directors of the Bank as on the date of this Notice	Sri Arun Rao M. G. is a Member of: 1. Management Committee; 2. Risk Management Committee; 3. HRD Committee; 4. IT Strategy Committee; 5. Nomination & Remuneration Committee.
Directorship in other entities	Nil
Membership/Chairmanship of Committees of Boards of other listed companies as on the date of this Notice	Nil

3. SRI K. N. MURALI (DIN - 0007902366)

Date of Birth and age	26.12.1955; 62 years
Qualifications	B.COM.
Brief Resume, Experience and Nature of expertise in specific functional areas	<p>Sri K. N. Murali has worked in State Bank of Travancore, State Bank of Saurashtra and State Bank of Hyderabad in various positions across the country. He had joined State Bank of Travancore as probationary officer and rose to the position of General Manager. Sri K. N. Murali has handled credit, inspection and audit.</p> <p>Sri K. N. Murali has headed two largest branches of State Bank of Saurashtra at Mumbai and Hyderabad having predominantly commercial business. At State Bank of Travancore, he headed the Trivandrum zone, which was the largest zone of the Bank.</p> <p>As General Manager (Commercial Network) of State Bank of Travancore, Sri K. N. Murali was responsible for all large advances of the Bank. He has also undergone training program at Kellogg's Institute of Management, Chicago.</p>
Terms and conditions of appointment / re-appointment along with details of remuneration	Sri K. N. Murali will be entitled to sitting fees for attending Board/Committee Meetings.
Details of Remuneration last drawn	Not Applicable
Date of first appointment on Board	Sri K. N. Murali was appointed as Additional Director (Independent category) w.e.f. June 07, 2018.
Sector	Majority Sector – Agriculture and Rural economy & Small-scale Industry
Shareholding in the Bank as on the date of this Notice	Nil
Relationship with other Directors, Manager and Key Managerial Personnel of the Bank	Nil
Number of Board Meetings attended during 2017-18	Not Applicable

Chairman / Member of Committees of Board of Directors of the Bank as on the date of this Notice	Sri K. N. Murali is a Member of:- 1. Audit Committee; 2. Management Committee; 3. NPA Monitoring Committee; 4. Large Value Fraud Monitoring Committee; 5. Redressal Committee on Wilful Defaulters and Review Committee on Non-Cooperative Borrowers.
Directorship in other entities	Nil
Membership/Chairmanship of Committees of Boards of other listed companies as on the date of this Notice	Nil

6. DETAILS OF LAST THREE ANNUAL GENERAL MEETINGS

Name of Meeting	Day, Date & Time	Venue	Special Resolutions passed at the Meeting
90 th Annual General Meeting	30.09.2017 10.00 a.m.	Vadakke Samoooha Madom, Thrissur	1. To re-appoint Sri P. S. Sreekumar as Independent Director of the Bank, not liable by rotation. 2. To authorize the Board of Directors to issue redeemable secured / unsecured non-convertible debentures (NCDs).
89 th Annual General Meeting	29.09.2016 10.00 a.m.	Vadakke Samoooha Madom, Thrissur	1. To consider issue of redeemable secured/unsecured Non-convertible debentures (NCDs). 2. To consider further issue of equity shares.
88 th Annual General Meeting	29.09.2015; 10.00 a.m.	Vadakke Samoooha Madom, Thrissur	1. To re-appoint Sri P. Mohanan as Independent Director of the Bank, not liable to retire by rotation. 2. To re-appoint Sri Chella K. Srinivasan as Independent Director of the Bank, not liable to retire by rotation. 3. To re-appoint Sri K. Jayakumar as Independent Director of the Bank, not liable to retire by rotation. 4. To authorize the Board of Directors to increase the issued and paid-up capital.

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	85,866
Total number of equity shares	20,98,46,619
Number of votes polled	7,80,97,562

Particulars	Number of votes	% of votes to number of votes polled
Number of votes in favour of the resolution	7,80,93,926	99.9953
Number of votes against the resolution	3,636	0.0047

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 43165465 equity shares on preferential basis on May 15, 2017.

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.

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, 2018, 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, 2017.

(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.

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.

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. 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.

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.

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

91 st Annual General Meeting	Date	September 27, 2018
	Time	10.00 a.m.
	Venue	"Safina", Lulu International Convention Center & Garden Hotels, Puzhakkal, Ayyanthole P O, Thrissur - 680 003
Name and other details regarding Compliance Officer	Sri Santosh Kumar Barik Company Secretary Dhanlaxmi Bank Ltd. Dhanalakshmi Buildings, Naickanal, Thrissur – 680 001 Phone: 0487-661 7000 Fax: 0487-2335367 E-mail: investors@dhanbank.co.in	
Financial Year	2017-18	
Date of Book Closure	September 23, 2017 to September 27, 2017 (both days inclusive)	
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 2018-19 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 2017	39.60	29.90	38.85	31.90
May 2017	42.55	38.00	42.25	33.65
June 2017	41.85	36.40	41.1	37.10
July 2017	44.00	38.60	43.05	39.75
August 2017	40.30	32.10	39.50	32.85
September 2017	39.90	35.30	39.50	35.80
October 2017	39.70	36.60	38.85	36.45
November 2017	37.80	33.60	37.15	32.45
December 2017	33.95	29.80	32.95	28.55
January 2018	31.80	29.05	31.30	26.60
February 2018	26.90	22.60	26.35	22.75
March 2018	23.25	20.55	23.70	20.85

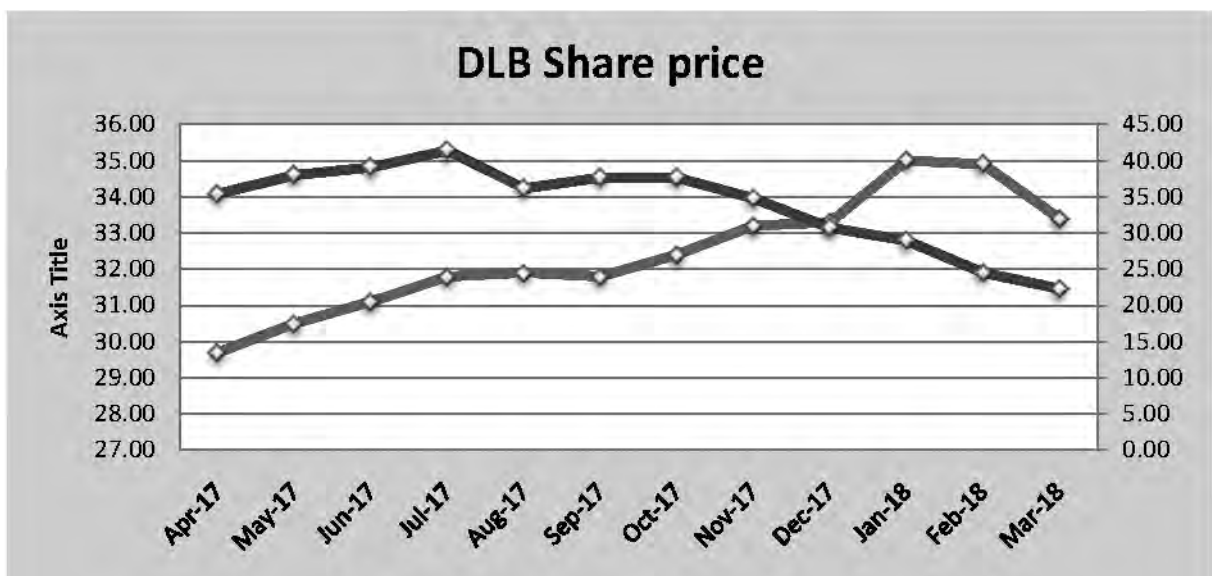
(C) Distribution of shareholding as on March 31, 2018

Category (No. of Shares)	Cases	% of Cases	Amount	% of Amount
upto 1-5000	63817	78.05	103950580	4.11
5001-10000	8331	10.19	69784640	2.76
10001-20000	4566	5.58	71198710	2.81
20001-30000	1601	1.96	41506140	1.64
30001-40000	713	0.87	25998230	1.03
40001-50000	741	0.91	35588970	1.41
50001-100000	1033	1.26	78507180	3.10
100001 & above	959	1.17	2103586390	83.14
Total	81761	100.00	2530120840	100.00

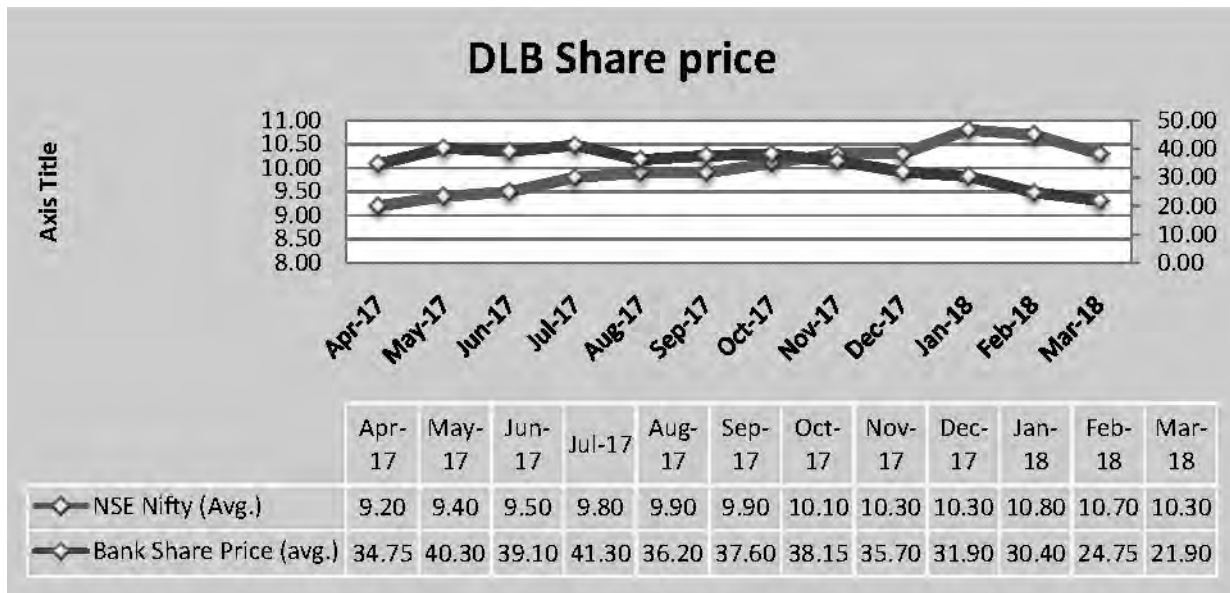
(D) Category-wise distribution of shareholding as on March 31, 2018

Sl. No.	Description	Cases	Shares	% Equity
1	Banks	4	378759	0.15
2	Clearing Members	99	597202	0.24
3	Directors	6	18951200	7.49
4	Foreign Portfolio Investors	11	31601600	12.49
5	H U F	1428	4503054	1.78
6	Insurance Companies	3	9454989	3.74
7	Bodies Corporates	770	22505921	8.90
8	NBFC	14	12645617	5.00
9	Non Resident Indians	928	47247478	18.67
10	NRI Non- Repatriation	309	1288379	0.51
11	Resident Individuals	78186	102934404	40.68
12	Trusts	2	6300	0.00
13	IEPF	1	897181	0.35
	Total	81761	253012084	100

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



(F) Performance of the Bank's Equity shares relative to to NSE Nifty



(G) Dematerialisation of Shares and Liquidity

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 680A01011. As on March 31, 2018, 27,42,682 shares constituting 1.08% and 25,02,69,402 shares constituting 98.92% of the paid-up capital were held in physical and electronic mode respectively.

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

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 – 682 021.

In terms of Section 125 of the Companies Act, 2013, the amount which has remained unclaimed/unpaid for a period of 7 years from the date of transfer to the unpaid /unclaimed Dividend Account has to be transferred to the "Investors' Education and Protection Fund" and thereafter, no claim can be made by any shareholder against the Bank or the fund for the dividend amount of that year. The unpaid dividend for the financial year 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 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, T. Latha, 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.

By and on behalf of the Board

Place : Thrissur
Date : 06.08.2018

Sd/-
T. Latha
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, 2018, 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 : 06.08.2018

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

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, 2018 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)

Place : Thrissur
Date : May 23, 2018

BHASI K. V.
Chief Financial Officer

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, 2018, 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, 252 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 2018, 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, 2018 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2018 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 29 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 31 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

For Sridhar & Co.
Chartered Accountants
Firm Registration Number: 003978S

I. Jayasindhu
Partner
Membership Number: 205660

Place : Thrissur
Date : 23 May, 2018

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

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

To
The Members of Dhanlaxmi Bank Limited

We have audited the internal financial controls over financial reporting of Dhanlaxmi Bank Limited ("the Bank") as of 31 March 2018 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 2018, 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

I. Jayasindhu
Partner
Membership Number: 205660

Place : Thrissur
Date : 23 May, 2018

Balance Sheet

As at March 31, 2018

(₹ in '000)

	Schedule No.	As at March 31, 2018	As at March 31, 2017
CAPITAL AND LIABILITIES			
Capital	1	2,530,121	2,098,466
Share Application Money Pending Allotment		-	-
Reserves and Surplus	2	4,964,509	4,446,354
Deposits	3	109,196,596	112,936,779
Borrowings	4	3,921,741	1,452,000
Other Liabilities and Provisions	5	2,251,629	2,397,622
TOTAL		122,864,596	123,331,221
ASSETS			
Cash and Balances with Reserve Bank of India	6	6,028,466	5,749,754
Balances with Banks and Money at call and short notice	7	2,687,618	2,326,036
Investments	8	43,646,007	41,941,490
Advances	9	61,104,934	64,463,496
Fixed Assets	10	2,037,571	2,142,651
Other Assets	11	7,360,000	6,707,794
TOTAL		122,864,596	123,331,221
Contingent Liabilities	12	7,729,061	7,924,687
Bills for Collection		3,445,865	2,577,013
Significant Accounting Policies	17		
Notes to financial Statements	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

Mr. Sajeev Krishnan
Chairman

Mr. Chella K. Srinivasan
Director

Dr. K. R. Lakshmi Devi
Director

Mr. P. S. Sreekumar
Director

Mr. C. K. Gopinathan
Director

Mr. S. T. Kannan
Director

Mr. E. Madhavan
Director

Ms. N. Sara Rajendra Kumar
Director

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

CA. I. Jayasindhu
Partner
Membership No. 205660

Place : Thrissur
Date : 23.05.2018

Profit & Loss Account

for the year ended March 31, 2018

(₹ in '000)

	Schedule No.	Year ended March 31, 2018	Year ended March 31, 2017
INCOME			
Interest Earned	13	10,133,158	10,890,557
Other Income	14	1,024,687	1,110,189
Total		11,157,845	12,000,746
EXPENSE			
Interest expended	15	6,675,170	7,574,563
Operating Expenses	16	3,020,877	3,485,462
Provisions and Contingencies		1,710,543	816,943
Total		11,406,590	11,876,968
Net Profit/(Loss) for the year		(248,745)	123,778
Profit /(Loss) brought forward		(8,365,257)	(8,311,656)
Transfer from Dividend Payable Account including Dividend Tax			
Total		(8,614,002)	(8,187,878)
Appropriations			
Transfer to Statutory Reserve		-	31,000
Transfer to Capital Reserve		40,819	146,379
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		(8,654,821)	(8,365,257)
Total		(8,614,002)	(8,187,878)
Earnings Per Share (in ₹)			-
Basic EPS		-0.98	0.59
Diluted EPS		-0.98	0.59
Face value per Share		10.00	10.00
Significant Accounting Policies	17		
Notes to financial Statements	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

Mr. Sajeev Krishnan
Chairman

Mr. Chella K. Srinivasan
Director

Dr. K. R. Lakshmi Devi
Director

Mr. P. S. Sreekumar
Director

Mr. C. K. Gopinathan
Director

Mr. S. T. Kannan
Director

Mr. E. Madhavan
Director

Ms. N. Sara Rajendra Kumar
Director

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

CA. I. Jayasindhu
Partner
Membership No. 205660

Place : Thrissur
Date : 23.05.2018

Cash Flow Statement

for the year ended March 31, 2018

(₹ in '000)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Cash flow from operating activities		
Net profit before income tax	(248,745)	123,778
Adjustments for :		
Depreciation on fixed assets net of reversal of revaluation reserve	134,621	203,155
Depreciation on Investments	357,109	(57,445)
Amortisation of premia on investments	105,262	44,133
Loan Loss provisions including write off	1,342,412	846,867
Provision against standard assets	(33,900)	66,500
Provision for wealth tax	-	-
Provision for Deferred Tax Asset	-	-
Provision for NPA (Investments)	(4,800)	(16,192)
Provision for restructured assets	(473)	(55,111)
Provision for fraud	4,691	(822)
Provision for OIS MTM Loss	0	0
(Profit) / (Loss) on sale of fixed assets	(1,601)	591
Provision for unhedged Forex Exposure	(6,513)	6,414
Adjustments for :		
(Increase) / Decrease in Investments	(2,162,088)	(3,989,629)
(Increase) / Decrease in Advances	2,016,623	4,271,565
Increase / (Decrease) in Borrowings	969,741	(1,066,459)
Increase / (Decrease) in Deposits	(3,740,183)	(600,795)
(Increase) / Decrease in Other Assets	(643,895)	327,246
Increase / (Decrease) in Other Liabilities and Provisions	(110,271)	(1,093,355)
Direct taxes paid (net of refunds)	(8,311)	(2,107)
Net cash flow from operating activities	(2,030,321)	(991,666)
Cash flows from investing activities		
Purchase of fixed assets	(29,798)	(109,955)
Proceeds from sale of fixed assets	1,858	4,703
Net cash used in investing activities	(27,940)	(105,252)

(₹ in '000)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Cash flows from financing activities		
Proceeds from issue of equity shares	431,655	324,050
Proceeds from issue of Upper and Lower Tier II capital instruments net of repayment	1,500,000	-
Proceeds from Share Premium (net of share issue expenses)	766,900	517,326
Dividend provided last year paid during the year including dividend tax	-	-
Net cash generated from financing activities	2,698,555	841,376
Net increase in cash and cash equivalents	640,294	(255,542)
Cash and cash equivalents as at April 1st	8,075,790	8,331,332
Cash and cash equivalents as at March 31st	8,716,084	8,075,790
Note:		
Components of Cash and Cash Equivalents as at:	31.03.2018	31.03.2017
Cash and Balance with Reserve Bank of India (RBI)	6,028,466	5,749,754
Balances with Banks and Money at Call and Short Notice	2,687,618	2,326,036
Total	8,716,084	

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

Mr. Sajeev Krishnan
Chairman

Mr. Chella K. Srinivasan
Director

Dr. K. R. Lakshmi Devi
Director

Mr. P. S. Sreekumar
Director

Mr. C. K. Gopinathan
Director

Mr. S. T. Kannan
Director

Mr. E. Madhavan
Director

Ms. N. Sara Rajendra Kumar
Director

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

CA. I. Jayasindhu
Partner
Membership No. 205660

Place : Thrissur
Date : 23.05.2018

Schedules to the Financial Statements

As at March 31, 2018

(₹ in '000)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 1 - CAPITAL		
Authorised Capital		
30,00,00,000 Equity Shares of ₹10 each	3,000,000	3,000,000
Issued, Subscribed and Paid up		
253012084 Equity Shares of ₹10 each	2,530,121	2,098,466
209846619 Equity Shares of ₹10 each as at March 31, 2017		
Total	2,530,121	2,098,466
SCHEDULE 2 - RESERVES AND SURPLUS		
I. STATUTORY RESERVES		
Opening Balance	803,614	772,614
Additions: Transfer from Profit and Loss Account	-	31,000
	803,614	803,614
II. REVENUE AND OTHER RESERVES		
Opening Balance	885,179	805,850
Additions : Transfer from Profit and Loss Account	-	-
Adjustments during the year	5,486	79,329
	890,665	885,179
III. BALANCE IN PROFIT AND LOSS ACCOUNT	(8,654,821)	(8,365,257)
IV. SECURITIES PREMIUM ACCOUNT		
Opening Balance	9,287,582	8,770,256
Additions during the year (net of share issue expenses)	766,900	517,326
	10,054,482	9,287,582
V. CAPITAL RESERVES		
Opening Balance	1,775,379	1,146,736
Additions: Due to Revaluation of Premises		500,119
Transfer from Profit and Loss Account	40,819	146,379
Deduction due to depreciation on revalued premises	(5,486)	(17,855)
	1,810,712	1,775,379
VI. SPECIAL RESERVE U/s 36(1)(viii) OF INCOME TAX ACT, 1961		
Opening Balance	59,857	59,857
Additions: Transfer from Profit and Loss Account	-	-
Less: Transfer to Profit and Loss Account	-	-
	59,857	59,857
Total	4,964,509	4,446,354

(₹ in '000)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
(i) From Banks	162	5,391
(ii) From Others	6,848,408	7,572,658
	6,848,570	7,578,049
II. Savings Bank Deposits	26,786,378	25,672,417
III. Term Deposits		
(i) From Banks	-	5,000
(ii) From Others	75,561,648	79,681,313
	75,561,648	79,686,313
Total	109,196,596	112,936,779
B I. Deposits of Branches in India	109,196,596	112,936,779
II. Deposits of Branches outside India	-	-
Total	109,196,596	112,936,779
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	969,741	-
(ii) Other Banks	-	-
(iii) Other Institutions and Agencies	-	-
	969,741	-
II. Tier II bonds in India		
Upper Tier II bonds	275,000	275,000
Lower Tier II bonds	2,677,000	1,177,000
	2,952,000	1,452,000
III. Borrowings Outside India	-	-
	-	-
Total	3,921,741	1,452,000
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	338,485	491,624
II. Interest accrued	330,798	389,400
III. Inter Office Adjustments (Net)	-	-
IV. Others (including Provisions)	1,582,346	1,516,598
Total	2,251,629	2,397,622
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash on Hand (including foreign currency notes)	1,008,831	1,088,423
II. Balances with Reserve Bank of India		
(a) In current accounts	5,019,635	4,661,331
(b) In other accounts	-	-
	5,019,635	4,661,331
Total	6,028,466	5,749,754

(₹ in '000)

	As at March 31, 2018	As at March 31, 2017
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks :		
(a) In current accounts	47,334	43,528
(b) In other deposit accounts	1,000,000	1,900,000
	1,047,334	1,943,528
(ii) Money at Call and Short Notice		
(a) With banks	1,600,000	350,000
(b) With other institutions	-	-
	1,600,000	350,000
Total	2,647,334	2,293,528
II. Outside India		
(a) In current account	40,284	32,508
(b) In other deposit accounts	-	-
	40,284	32,508
Total	2,687,618	2,326,036
SCHEDULE 8 - INVESTMENTS		
A Investments in India in		
(i) Government Securities	30,378,226	31,275,102
(ii) Approved Securities	-	-
(iii) Shares	26,484	54,705
(iv) Debentures and Bonds	3,216,469	850,000
(v) Subsidiaries/Joint Ventures	-	-
(vi) Others	10,024,828	9,761,683
Total	43,646,007	41,941,490
B Investments outside India		
	-	-
	43,646,007	41,941,490
(i) Gross Value of Investments		
(a) In India	44,795,898	42,744,607
(b) Outside India	-	-
	44,795,898	42,744,607
(ii) Provision for Depreciation		
(a) In India	1,149,891	803,117
(b) Outside India	-	-
	1,149,891	803,117
(iii) Net Value of Investments		
(a) In India	43,646,007	41,941,490
(b) Outside India	-	-
	43,646,007	41,941,490
SCHEDULE 9 - ADVANCES		
A		
(i) Bills Purchased and discounted	41,593	731,496
(ii) Cash Credits, Overdrafts and Loans repayable on Demand	22,537,488	22,246,179
(iii) Term Loans	38,525,853	41,485,821
Total	61,104,934	64,463,496
B		
(i) Secured by Tangible assets	59,345,263	62,054,229
(ii) Covered by Bank/Govt. Guarantee	2,028	1,848,819
(iii) Unsecured	1,757,643	560,448
Total	61,104,934	64,463,496

(₹ in '000)

		As at March 31, 2018	As at March 31, 2017
C	I. ADVANCES IN INDIA		
	(i) Priority Sectors	27,062,396	27,165,646
	(ii) Public Sector	1,005,182	67,694
	(iii) Banks	148,266	-
	(iv) Others	32,889,090	37,230,156
	Total	61,104,934	64,463,496
	II. ADVANCES OUTSIDE INDIA	-	-
	Total	61,104,934	64,463,496

SCHEDULE 10 - FIXED ASSETS

A	Premises		
	At cost as per last Balance Sheet	1,743,512	1,243,393
	Additions during the year due to revaluation of Premises	-	500,119
	Additions/Adjustments during the year	146	-
	Deductions during the year	-	-
	Depreciation to date	339,365	333,116
	Net Block	1,404,293	1,410,396
B	Other Fixed Assets (includes Furniture and Fixture and Computers)		
	At cost as per last Balance Sheet	1,987,407	2,455,445
	Additions/Adjustments during the year	45,068	78,708
	Deductions during the year	20,367	546,745
	Depreciation to date	1,685,885	1,567,271
		326,223	420,137
	Capital Work in progress	307,055	312,118
	Net Block	2,037,571	2,142,651

SCHEDULE 11 - OTHER ASSETS

I.	Interest Accrued	1,778,193	1,573,081
II.	Inter Office Adjustments (Net)	5,490	52,472
III.	Tax paid in advance and Tax Deducted at Source (net of provisions)	288,056	279,745
IV.	Deferred Tax Asset	370,591	370,591
V.	Stationery and stamps	4,291	5,130
VI.	Non Banking Assets acquired in satisfaction of claims	36,965	36,965
VII.	Others	4,876,414	4,389,810
	Total	7,360,000	6,707,794

SCHEDULE 12 - CONTINGENT LIABILITIES

I.	Claims against the bank not acknowledged as debts	1,920,330	2,060,676
II.	Liabilities on account of outstanding forward exchange contracts	2,717,063	2,421,641
III.	Guarantees given on behalf of constituents in India	2,427,774	2,634,087
IV.	Acceptance endorsements and other obligations	176,241	380,482
V.	Other items for which Bank is contingently liable #	487,653	427,801
	#(Amount transferred to DEAF)	252,187	202,172
	#(Disputed Tax Liability)	235,466	225,629
	Total	7,729,061	7,924,687

Schedules to the Financial Statements

for the year ended March 31, 2018

(₹ in '000)

	Year ended March 31, 2018	Year ended March 31, 2017
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/bills	6,922,219	7,694,851
II. Income on Investments	2,924,345	2,770,214
III. Interest on balance with RBI/other inter Bank funds	106,008	240,744
IV. Others	180,586	184,748
Total	10,133,158	10,890,557
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	50,826	54,274
II. Profit/(Loss) on sale of Investments (Net)	108,387	345,568
III. Profit/(Loss) on sale of land, building and other Assets (Net)	(1,601)	591
IV. Profit on exchange transactions (Net)	52,777	46,586
V. Income from Insurance	65,826	19,449
VI. Miscellaneous Income	748,472	643,721
Total	1,024,687	1,110,189
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	6,407,842	7,306,723
II. Interest on RBI/Inter Bank Borrowing	87,825	92,693
III. Others	179,503	175,147
Total	6,675,170	7,574,563
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	1,635,791	1,948,983
II. Rent, Taxes and Lighting	426,691	479,975
III. Printing and Stationery	22,769	21,931
IV. Advertisement and Publicity	2,809	2,346
V. Depreciation to Banks property	134,621	203,155
VI. Directors Fee, Allowance and Expense	2,935	2,220
VII. Auditors Fee and Expense (including Branch Auditors)	10,113	8,500
VIII. Law charges	17,401	11,418
IX. Postage, Telegram, Telephone etc.	57,513	88,615
X. Repairs and Maintenance	21,608	22,888
XI. Insurance	141,361	137,516
XII. Other Expenditure	547,265	557,915
Total	3,020,877	3,485,462

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS, MARCH 31, 2018

SCHEDULE 17- SIGNIFICANT ACCOUNTING POLICIES

A. Corporate Information and Background

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 Regulation Act, 1949 and the Companies Act, 2013. 56.5% of the branches of the Bank is in Kerala.

B. Basis of Preparation

Financial Transactions are recorded, prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and comply with generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act 1949, Circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') notified under Section 133 of the Companies Act, 2013 as amended by the Companies (Accounting Standards) Amendment Rules, 2016, Read with rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and current practices prevailing within the banking industry in India.

C. Use of Estimates

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

D. Significant Accounting Policies

1. Revenue Recognition

- Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and revenue can be reliably measured under AS-9 "Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified by Reserve Bank of India (RBI) guidelines.
- In terms of RBI Circular, FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 trades, in priority sector portfolio by purchasing/selling Priority Sector Lending Certificates (PSLCs) is allowed by RBI. Fees paid/received for purchase/sale of PSLC is treated as expense/income respectively.
- Interest income from loans and advances, investments (including deposits placed with banks and other institutions) are recognized over the period of the Loans and Advances, Investments, Deposits etc., on accrual basis. However interest accrued and other dues in the nature of non-interest income relating to Advances/Investments, classified as Non-performing Advances/Investments under RBI guidelines, are recognised only on realisation.
- Overdue Interest on Investments and Bills discounted are accounted on realization.
- Profit or Loss on sale of Investment is recognized in the Profit and Loss Account. However, an amount equal to the profit on sale of investments in the Held to Maturity (HTM) category is appropriated to Capital Reserve Account, net of applicable taxes.
- Income (other than interest) on investments in the "Held to Maturity (HTM)" category acquired at a Discount to Face Value, is recognized as follows;
 - i. On interest bearing securities, it is recognized only at the time of sale/redemption.
 - ii. On Zero coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.
- Commission on ATM interchange fees are recognized as they accrue.
- Upfront fees on restructured accounts are apportioned over the restructured period.
- Profit earned from the sale of gold/silver bullion (i.e., the difference between the sale price and the purchase price) is included under "Other Income".
- 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.
- Insurance claims, Locker Rent, Interest on Income Tax Refund, Commission from Distribution of Mutual Fund products and Commission from Depository Services are accounted on receipt basis.
- Commission income on issuance of Bank Guarantee/Letter of Credit and Discount on Bill Discounted is collected upfront and is recognised over the period of the underlying liability.
- Commission on distribution of Insurance products is accounted on accrual basis.
- Processing fee/upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/facility is recognised in the year of receipt without spreading it over the period of loan/facility.
- All other amounts collected from customers as Non-interest income or recovery of expenses towards provision of various services/facilities are accounted/recognised on receipt basis.

2. EXPENSES RECOGNITION

A) Interest Expenses

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

B) Employee Benefits

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. Provident Fund is a Defined Contribution Plan in which both the employee and the Bank contribute monthly at a predetermined rate. Contribution to provident fund are recognized as expense as and when the services are rendered. The Bank has no liability for future provident fund benefits other than its annual contribution.

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. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

c) New Pension Scheme (NPS)

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to Profit and Loss account and the Bank has no further liability beyond the contribution to the fund on this account.

d) 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 Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised 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 unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

f) Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognised during the period when the employee renders the service.

C) Employee Stock Compensation Cost

Measurement of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India (ICAI) and SEBI (Share Based Employee Benefits) Regulations, 2014. The Bank measures compensation cost relating to employee stock options using the intrinsic value method. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock (i.e., the last closing price on the stock exchange on the day preceding the date of grant of stock options) over the exercise price. The exercise price of the Bank's stock option is the last closing price on the stock exchange on the day preceding the date of grant of stock options and accordingly there is no compensation cost under the intrinsic value method.

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/M Measurement

- Advances are classified into Performing Assets (Standard) and Non-Performing Assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, sacrifice provisions on restructured advances and unrealized

interest on NPAs. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at the minimum required level as per the guidelines of the RBI on matters relating to prudential norms.

- Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".
- For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e., a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period. The Bank also maintains provision on loans under scheme for sustainable structuring of stressed assets S4A and SDR scheme as per RBI guidelines.
- For entities with un-hedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of un-hedged position. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.
- The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – direct advances to Sectors agricultural and SME at 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate residential housing at 0.75% and for other sectors at 0.40%. Additional provision for standard asset at higher rates in respect of advances to stressed assets of the economy in accordance with the Board approved policy for making provision for standard assets at rates higher than the regulatory minimum based on evaluation of risk and stress in various sectors.
- Loss on sale of assets to Asset Reconstruction Companies The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

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. Floating Provisions

The Bank has a policy for creation and utilization of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilized only for contingencies under extraordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

6. Country Risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country. The provision is reflected in Schedule -5 of the Balance Sheet under "Other liabilities and Provisions – Others".

5. Investments

A) Classification

- (a) In accordance with the RBI guidelines, investments are categorised in to "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) and are further classified under six groups;
 - i. Government Securities,
 - ii. Other Approved Securities,
 - iii. Shares,
 - iv. Debentures and Bonds,
 - v. Subsidiaries/Joint Ventures and
 - vi. 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" (HFT). As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date.
- (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 valuation of investments is made in accordance with the RBI Guidelines:

- i) Held for Trading/Available for Sale (HFT/AFS): Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the Market Price of the Scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, pricelist of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- ii) Held to Maturity (HTM): These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortized over the remaining maturity of the security. Any diminution, other than temporary, in the value of such securities is provided for each investment individually.
- iii) Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments are valued at carrying cost.
- iv) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- v) Securities sold under both Market Repo and RBI Repo (LAF) will be revalued as per the norms prescribed by the RBI.
- vi) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - 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 FIMMDA/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 are adopted for this purpose;
 - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e., overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at breakup value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company;
 - investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company / Securitization Company;
 - non-Performing Investments are identified and valued based on RBI guidelines.

C) Repurchase (REPO) and Reverse Repurchase (Reverse REPO) Transactions

The securities sold and purchased under Repo/Reverse Repo (including transactions conducted under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with Reserve Bank of India (RBI)) are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under Schedule 4 (Borrowings) and balance in Reverse Repo Account is classified under Schedule 7 (Balance with Banks and Money at Call & Short Notice).

D) Short Sales

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and resultant mark-to-market gain/losses are accounted for as per the relevant RBI guidelines for valuation of investments.

E) Non-Performing Investments

In respect of securities included in any of the three categories of investments where interest/principal is in arrears, for more than 90 days, income is not recognised and appropriate provision for the depreciation in the value of the investments is made, as

per prudential norms applicable to non-performing advances. Debentures/Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

F) Transfer Between Categories

Classification of investments under Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) is done at the time of purchase and subsequent shifting amongst categories is done in conformity with the regulatory guidelines. 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.

G) Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

H) Disposal 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 recognised in the Profit and Loss account. In case of Profits, the same is appropriated to Capital Reserve, after adjustments for tax and transfer to statutory reserve.

8. Property, Plant and Equipment

- An item of property, plant and equipment that qualify for recognition as an asset are initially recognized and measured at cost.
- After initial recognition, the Bank chooses 'Cost Model' or 'Revaluation Model' for subsequent measurement as its accounting policy and applies that policy to entire class of property, plant and equipment.
- Property, Plant and Equipment following 'Cost Model' are carried at Cost less any accumulated depreciation/amortization and any accumulated impairment losses.
- Property, Plant and Equipment following 'Revaluation Model' are carried at Revalued Amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation/amortization and any accumulated impairment losses.
- Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value.
- An increase in the carrying amount of an asset arising on revaluation is credited to owners' interest under "Revaluation Reserve". However, the increase is recognized in the statement of profit and loss to the extent that it reverses a decrease in the revaluation of same asset previously recognized in the profit and loss account. A decrease in the carrying amount of an item of an asset arising on revaluation is charged to the statement of profit and loss. However, the decrease is debited directly to owners' interest under the heading "Revaluation Surplus" to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset.
- Revaluation Surplus included in owners' interest in respect of an item of property, plant and equipment is transferred to "Revenue Reserves" when the asset is retired or disposed off. The difference between the depreciation based on the revalued carrying amount and the depreciation based on original cost is also transferred to "Revenue Reserves" from "Revaluation Reserve". However, such transfers from "Revaluation Reserve" to "Revenue Reserve" are not made through the statement of profit or loss.
- Cost of an item of property, Plant and Equipment includes a) purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management viz., cost of employee benefits (as defined in AS-15 'Employee Benefits') arising directly from the construction or acquisition of the item of property, plant and equipment, cost of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees, cost of testing whether the asset is functioning properly; (c) the initial estimate of the cost of dismantling, removing the item and restoring the site on which it is located, referred to as 'decommissioning, restoration and similar liabilities.'
- Depreciation on fixed assets is charged based on the estimated useful life of the asset in compliance with the Schedule II of the Companies Act, 2013. Depreciable amount of an asset is allocated on a systematic basis over the useful life of the asset.
- Residual value and useful life of the asset is reviewed at least at each financial year end, and if expectations differ from previous estimates, such changes are accounted for as a change in accounting estimate in accordance with AS-5 "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".
- Method of depreciation used is assessed and reviewed at each financial year end and if there is a significant change in the pattern of consumption of the future economic benefits embodied in the asset, the method of depreciation is changed

to reflect the changed pattern and such a change is accounted for and disclosed as a change in Accounting Estimate in accordance with AS-5. AS-5 "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

- Impairment of an item of property, plant and equipment is determined by applying the Accounting Standard 28. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the statement of profit and loss when the compensation becomes receivable.
- 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.
- Land and premises owned by the Bank are valued under 'Revaluation Model' and other Fixed Assets are valued under 'Cost Model'.

9. Non-Banking Assets

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

10. Cash and Cash Equivalents

Cash and Cash Equivalents include cash in hand, balances with Reserve Bank of India (RBI) and Balances with other banks/institutions and money at call and short notice (including effects of changes in exchange rates on cash and cash equivalents in foreign currency)

11. Transactions Involving Foreign Exchange

- i) Foreign Currency transactions are recorded on initial recognition in the reporting currency by applying the foreign currency amount, the exchange rate between the reporting currency and the foreign currency on the date of the transaction.
- ii) Foreign Currency Monetary items are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates
- iii) Foreign Currency Non-Monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.
- iv) Contingent Liabilities denominated in foreign currency are revalued using the exchange rate notified by FEDAI at the end of each quarter.
- v) Outstanding foreign exchange spot and forward contracts held for trading are revalued at the exchange rate notified by FEDAI for specified maturities and the resulting profit or loss is recognized in the statement of profit and loss.
- vi) Foreign Exchange forward contracts which are not intended for trading and are outstanding on the Balance Sheet date, are revalued at the closing spot rate. The premium or discount arising at the inception of such contracts is amortized as expense or income over the life of the contract.
- vii) Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or as expense in the period in which they arise.
- viii) Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognized in the statement of profit and loss.

12. Derivative Transactions

The Bank recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are measured at fair value as at the Balance Sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognized in the Profit and Loss Account.

13. Segment Information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

14. Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. A basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

15. Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as

operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

16. Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceeds the estimated recoverable amount, impairment is recognised for such excess amount. The impairment loss is recognized as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a reduction in revaluation to the extent a revaluation reserve is available for that asset. When there is indication that an impairment loss recognized for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

17. 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.

18. 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.

19. Share Issue Expenses

Share issue expenses are charged to the Share Premium Account.

20. Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

SCHEDULE 18 – NOTES TO THE FINANCIAL STATEMENTS

1. CAPITAL

1.1 Capital Infusion

During the year ended March 31, 2018, the Bank allotted 4,31,65,465 Equity Shares at ₹27.80 per share. Face Value per share ₹10 per and share at premium of ₹17.80 per share on preferential allotment basis. Accordingly the share capital is increased by ₹43,16,54,650/- and Share Premium is increased by ₹76,83,45,277/-. Expenditure incurred on raising the capital amounting to ₹0.14 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, 2018	March 31, 2017
Opening Balance	209.85	177.44
Addition pursuant to Preferential Allotment	43.16	32.41
Closing Balance	253.01	209.85

Share Premium

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Opening Balance	928.76	877.03
Addition pursuant to Preferential Allotment (net of expenditure of ₹0.14 crore) (PY 0.05 crore)	76.69	51.73
Closing Balance	1005.45	928.76

Tier II Capital

During the year ended March 31, 2018, the Bank issued Unsecured Redeemable Non-Convertible Basel III compliant Subordinated Tier II Bonds in the nature of Debentures ('Bonds') for ₹150 Crore for 7 years on private placement. Accordingly the Tier II Capital is increased by ₹150.00 Crore.

(₹ in Crore)

Particulars	March 31, 2018
Opening Balance	145.20
Addition pursuant to Private Placement	150.00
Closing Balance	295.20

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)	6.125	6.75	7.375	8
Minimum Tier-1 Capital	7	7	7	7
Minimum Total Capital	9	9	9	9
Minimum Total Capital+Capital Conservation Buffer (CCB)	9.625	10.250	10.875	11.500

As at March 31, 2018, 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 1.875%.

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

(₹ in Crore)

Sl. No.	Items	March 31, 2018	March 31, 2017
		Basel III	Basel III
(i)	Tier-1 Capital (₹)	631.86	534.63
(ii)	Common Equity Tier-1 Capital (CET-1) (₹)	631.86	534.63
(iii)	Additional Tier-1 Capital (₹)	0	0
(iv)	Tier-2 Capital (₹)	194.58	74.06
(v)	Total Capital (₹)	826.44	608.69
(vi)	Total Risk Weighted Assets (₹)	5958.57	5932.96
(vii)	Common Equity Capital Adequacy Ratio (%)	10.60	9.01
(viii)	Tier I Capital Adequacy Ratio (%)	10.60	9.01
(ix)	Tier II Capital Adequacy Ratio (%)	3.27	1.25
(x)	Total Capital Adequacy Ratio (%)	13.87	10.26
(xi)	Percentage of the shareholding of the Government of India in public sector banks	NA	NA
(xii)	Amount of equity capital raised (including premium)	120.00	84.14
(xiii)	Amount of Additional Tier 1 capital raised ; of which Perpetual Non-Cumulative Preference Shares(PNCPS); Perpetual Debt Instruments (PDI) :	NIL	Nil
(xiv)	Amount of Tier 2 capital raised ; Of which	150.00	
	Debt Capital Instrument:	150.00	Nil
	Preference Share Capital Instruments : [Perpetual Cumulative Preference Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS)]	NIL	Nil

2. INVESTMENTS

2.1 Value of Investment & movement of depreciation

(₹ in Crore)

Items	March 31, 2018	March 31, 2017
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	4,479.59	4274.46
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation on investments		
(a) In India	114.99	80.31
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	4364.60	4194.15
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	80.31	101.36
(ii) Add: Provisions made during the year	36.41	4.74
(iii) Less: (Write-off/write-back of excess provisions during the year)	1.73	25.79
(iv) Closing Balance	114.99	80.31

RBI Circular DBR. No.BRBC.102/21.04.048/2017-18 dated April 02, 2018 grants banks an option to spread the provisioning for mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017 and March 31, 2018. The circular states that the provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss was incurred. The Bank has not availed this option and recognized the entire mark to market loss on investments of ₹19.81 Crores in the respective quarters.

2.2 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, 2018	As on March 31, 2017
	2018	2017	2018	2017	2018	2017		
Securities sold under repos								
i) Government Securities	Nil	Nil	198.35	Nil	15.95	Nil	Nil	Nil
ii) Corporate Debt Securities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Securities purchased under reverse repos								
i) Government Securities	Nil	Nil	Nil	24.53	Nil	0.22	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, 2018	March 31, 2017
Repo under Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF)	47.00	Nil
Reverse Repo under Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF)	160.00	35.00

2.3 a) Issuer-wise composition of Non-SLR investments as on March 31, 2018

(₹ in Crore)

Sl. 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	122.13	89.68	0.00	0.00	0.00
(ii)	Financial Institutions	191.33	191.33	0.00	0.00	0.00
(iii)	Banks	786.57	786.03	0.00	0.00	0.00
(iv)	Private Corporates	203.14	201.77	39.31	39.31	52.35
(v)	Subsidiaries/ Joint Ventures	0.00	0.00	0.00	0.00	0.00
(vi)	Others (Security Receipts and PTC)	109.63	109.63	0.00	0.00	109.63
(vii)	Less: Provision held towards depreciation and NPI	86.01	83.36	39.31	39.31	80.90
	Total	1,412.79	1,378.43	39.31	39.31	161.98

- **Issuer-wise composition of Non SLR investments as on March 31, 2017**

(₹ in Crore)

Sl. 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
	Total	1066.64	1062.17	0.00	0.00	84.36

@ 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, 2018	March 31, 2017
Opening balance	32.67	35.36
Additions during the year	0	Nil
Reductions during the year	0.48	2.69
Closing balance	32.19	32.67
Total provisions held	32.19	32.67

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, 2018				As at March 31, 2017			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government Securities	0.00	913.87	2,152.93	3,066.80	41.36	1539.06	1554.86	3135.28
Other Approved Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares (Include pre-shares)	0.00	31.88	0.00	31.88	0.00	23.94	0.00	23.94
Debentures and Bonds	0.00	348.93	0.00	348.93	0.00	107.84	0.00	107.84
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	1,031.98	0.00	1,031.98	0.00	1007.40	0.00	1007.40
Total	0.00	2,326.66	2,152.93	4,479.59	41.36	2678.24	1554.86	4274.46

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

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Collateralized Borrowing and Lending Obligation (CBLO)	128.09	195.12
Clearing of Securities	35.87	35.47
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	160.00
Total	326.96	393.59

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, 2018	March 31, 2017
Outstanding CBLO Borrowing	49.97	Nil
Outstanding CBLO Lending	NIL	Nil
Amortized Book Value of Securities given as collateral to Clearing Corporation of India Ltd. (CCIL)	NIL	185.37

2.4 Sale and Transfers to/from HTM Category during FY 2017-18

Sl. No.	Particulars	Classification	Book Value ₹ in Cr.
1	Shifting from AFS to HTM	G SEC & SDL	95.10
2	Shifting from HTM to AFS	G SEC & SDL	120.51
3	Sale to GOI Under Repurchase Program (not attracting 5% cap)	G SEC	60.02
4	Sale from HTM	G SEC	358.81
5	Sale from HTM	SDL	222.16
	Total Sale in regular marketing attracting 5% cap (4+5)		580.97
Sale in terms of % to 31.03.2017 Position			37.36%

During the year ended March 31, 2018, the aggregate book value of investments sold from Held to Maturity (HTM) category was 37.36% (Total ₹580.97 Cr) which was 32.36% 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 was ₹2100.33 Crore (Previous Year ₹1554.92 Crore) against the book value of ₹2152.93 Cr (Previous Year ₹1554.86 Crores) as on 31.03.2017. The Bank has not kept provision for excess book value of ₹52.60 Crore over market value. 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 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 to 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
Sale in terms of % to 31.03.2016 Position			90.89%

During the year ended March 31, 2017, the aggregate book value of investments sold from Held to Maturity (HTM) category was 90.89% (Total ₹1654.85 Cr) 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 was ₹1554.92 Crore (Previous Year ₹1820.42 Crore) and the excess of market value over book value was ₹0.06 Crore as on 31.03.2017 (Previous year excess of 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

3 DERIVATIVES

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

The Bank has not entered into Forward Rate Agreement (FRA) and Interest Rate Swap (IRS) during FY 2017-18. The bank had NIL outstanding FRA and IRS position at the end of March 2018.

3.2 OIS (Overnight Index Swap) position

The Bank has not entered into OIS (Overnight Index Swap) during FY 2017-18. The bank had NIL outstanding OIS position at the end of March 2018.

3.3 Unhedged/uncovered foreign currency exposure of the Bank

The Bank's foreign currency exposures as at March 31, 2018 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 Board. NOOP limit is ₹14.00 Crore and actual position as on March 31, 2018 is ₹3.07 Crore. AGL limit is USD 89 Mio and actual position as on March 31, 2018 is USD 55.71 Mio.

3.4 Exchange Traded Interest Rate Derivatives

(₹ in Crore)

Sl. No.	Particulars	March 31, 2018	March 31, 2017
(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

3.5 Currency Futures

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

3.6 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;
- policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants; and
- accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

Quantitative Disclosures

(₹ in Crore)

Sl. No.	Particulars	March 31, 2018		March 31, 2017	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)	Nil	Nil	Nil	Nil
	a) For hedging	Nil	Nil	Nil	Nil
	b) For trading	Nil	Nil	Nil	Nil
(ii)	Marked to Market Positions [1]	Nil	Nil	Nil	Nil
	a) Asset (+)	Nil	Nil	Nil	Nil
	b) Liability (-)	Nil	Nil	Nil	Nil
(iii)	Credit Exposure [2]	Nil	Nil	Nil	Nil
(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	Nil
(v)	Maximum and Minimum of 100*PV01 observed during the year	Nil	Nil	Nil	Nil
	a) on hedging	Nil	Nil	Nil	Nil
	b) on trading	Nil	Nil	Nil	Nil

3.7 The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year March 31, 2018 and March 31, 2017.

4 ASSET QUALITY

4.1 Non-Performing Advances

Details of movement of gross NPAs, net NPAs and provisions during the year ended March 31, 2018 and March 31, 2017 are given below:

(₹ in Crore)

Particulars		March 31, 2018	March 31, 2017
(i)	Net NPAs to Net Advances (%)	3.19	2.58
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	315.60	458.92
	(b) Additions during the year (fresh NPAs during the year)	358.33	154.76
	(c) Reductions during the year	204.62	298.08
	(d) Closing balance	469.31	315.60
(iii)	Movement of Net NPAs		
	(a) Opening balance	166.48	193.19
	(b) Additions during the year	257.13	126.14
	(c) Reductions during the year	230.71	158.62
	(d) Less: CGTMSE	0.02	(0.27)
	(e) Less: Diminution in fair value of restr. NPA accounts	(1.77)	(5.50)
	(f) Less: Provision buffer-Sale to ARC	0.00	0.00
	(g) Closing balance	194.65	166.48
(iv)	Movement of provisions for NPAs (excluding provisions on std. assets)		
	(a) Opening balance	148.79	265.20
	(b) Provisions made during the year	178.00	111.64
	(c) Write-off/ write-back of excess provisions	52.49	228.05
	(d) Closing balance	274.30	148.79

4.2 Disclosure of Divergence in the Asset Classification and Provisioning

The divergence observed by the RBI for financial year 2016-17 in respect of bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning 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'.

(₹ in Crore)

Sl. No.	Particulars	Amount
1.	Gross NPAs as on March 31, 2017* as reported by the bank	315.60
2.	Gross NPAs as on March 31, 2017 as assessed by RBI	340.00
3.	Divergence in Gross NPAs (2-1)	24.40
4.	Net NPAs as on March 31, 2017 as reported by the bank	166.48
5.	Net NPAs as on March 31, 2017 as assessed by RBI	185.68
6.	Divergence in Net NPAs (5-4)	19.20
7.	Provisions for NPAs as on March 31, 2017 as reported by the bank	148.79
8.	Provisions for NPAs as on March 31, 2017 as assessed by RBI	153.99
9.	Divergence in provisioning (8-7)	5.2
10.	Reported Net Profit after Tax (PAT) for the year ended March 31, 2017	12.38
11.	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2017 after taking into account the divergence in provisioning	7.18

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

- # Including provision of ₹1.07 crore on restructured assets provided as per para 17.4.1 of Master Circular DBR. No. BPBC.2/21.04.048/2015-16 dated July 1, 2015 issued by RBI.

4.5 Disclosure – Resolution of stressed Assets under Revised framework

- Bank is not having any impact on account of RBI Circular dated Feb. 12, 2018 – Resolution of Stressed Assets Revised Framework.
- Bank has not implemented any resolution plan under RBI Circular dated Feb. 12, 2018 – Resolution of Stressed Assets Revised Framework.
- There is no slippage during the quarter from restructured book on account of Feb. 12, 2018 RBI Circular.
- There is no Impact on the outstanding restructured book as on March 31, 2018 as there was no schemes of Restructuring under the process of implementation as on 12.02.2018.
- There is no exposures to accounts where the Bank expects a delay in implementation of resolution plan triggering a potential reference to NCLT as per Feb. 12, 2018 RBI notification (For Borrowers with aggregate debt of > ₹2,000 Crores)

4.6 Disclosure on earlier Restructuring schemes

Bank has not implemented any restructuring schemes under the Flexible Structuring of Existing loans (FD), Strategic Debt Restructuring scheme (SDR), Change in ownership outside strategic debt restructuring scheme and Scheme For Sustainable Structuring of Stressed Assets (S4A).

4.7 Details of financial assets sold to Securitization/Reconstruction Company

A. Details of Sales

(₹ in Crore)

Sl. No.	Item	March 31, 2018	March 31, 2017
(i)	No. of accounts	Nil	Nil
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii)	Aggregate consideration (Net Book Value of ₹... crore)	Nil	Nil
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v)	Aggregate gain/loss over net book value	Nil	Nil

B. Details of Book Value of Investments in Security Receipts

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
I) Backed by NPA's sold by the bank as underlying (*)	109.63	114.83
II) Backed by NPA's sold by the other banks/Financial Institutions/NBFC as underlying	Nil	Nil
Total	109.63	114.83

4.8 Details of non-performing financial assets purchased/sold (from/to banks)

(₹ in Crore)

Sl. No.	Particulars	March 31, 2018	March 31, 2017
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

4.9 Provisions on Standard Assets

(₹ in Crore)

Particulars	As on March 31, 2018	As on March 31, 2017
Provision towards standard Assets	24.83	24.16
Provision towards Specific Standard Assets*	4.17	8.22

*Additional provision of ₹4.17 Crores (Previous year ₹4.22 Crores) was made by the Bank against its exposure to telecom sector in view of the RBI Circular No. DBR.No. BPBC. 64/21.04.048/2016-17 dated April 18, 2017. Previous year figure also includes upfront provision of ₹4.00 Crore against an account then referred to S4A, but withdrawn subsequently during current year.

4.10 Advances against Intangible Assets

- Outstanding advances against intangible securities such as charge over the rights, licenses, authority, etc. has been taken as on March 31, 2018 is ₹77.21 Crores (Previous Year : ₹51.07 crore).
- Other unsecured advances is ₹217.74 crores (Previous year : ₹154.63 crore)

5 BUSINESS RATIOS

Sl. No.	Particulars	March 31, 2018	March 31, 2017
(i)	Interest Income as a percentage to Working Funds (%)*	8.05	8.46
(ii)	Non-interest income as a percentage to Working Funds (%)*	0.81	0.86
(iii)	Operating Profit as a percentage to Working Funds (%)*	1.16	0.73
(iv)	Return on Assets (%)*	(0.20)	0.10
(v)	Business (Deposits plus net advances) per employee – ₹ in Crore #	9.19	8.85
(vi)	Profit/(Loss) per employee – ₹ in Crore #	(1.32)	0.01

* 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.

6 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, 2018 (Previous year : based on simple average of month-end position).

(₹ in Crore)

Particulars	Average of month end position during the year ended 31.03.2018		Average of month end position during the quarter ended 31.03.2017	
	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)		2072.84		2682.92
Cash Outflows				
2. Retail deposits and deposits from small business customers, of which:	5582.48	364.00	7047.60	568.65
(i) Stable deposits	3921.69	196.08	2723.51	136.17
(ii) Less stable deposits	1679.19	167.92	4324.09	432.47
3. Unsecured wholesale funding, of which:	768.13	267.73	1426.24	433.84
(i) Operational deposits (all counterparties)	-	-	-	-
(ii) Non-operational deposits (all counterparties)	768.13	267.73	1426.24	433.84
(iii) Unsecured debt			-	-
4. Secured wholesale funding				
5. Additional requirements, of which	-	-	-	-
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-
6. Other contractual funding obligations	517.77	59.22	545.01	50.40

7.	Other contingent funding obligations	225.08	6.75	306.27	9.18
8.	Total Cash Outflows				
Cash Inflows					
9.	Secured lending (e.g. reverse repos)	-	-	-	-
10.	Inflows from fully Performing exposures	-	-	-	-
11.	Other cash inflows	0	0	-	-
12.	Total Cash Inflows	0	0	-	-
			Total Adjusted Value		Total Adjusted Value
21.	TOTAL HQLA		2072.84		2680.07
22.	Total Net Cash Outflows		695.39		775.68
23.	Liquidity Coverage Ratio (%)		298.08%		345.51%

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 01, 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 11% of NDTL 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, 2018 is 298.08% (March 31, 2017: 345.51%), which is comfortably above RBI prescribed minimum requirement of 90%.

LCR computed based on daily simple average for the year ended March 31, 2018 is not comparable with those reported on simple averages of monthly observations over the previous quarter (i.e., the average is calculated over a period of 90 days) during the year ended March 31, 2017.

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 29-90 days bucket or actual maturity whichever is earlier.

• **Specified assets and liabilities as at March 31, 2018:**

(₹ 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 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	66.36	218.97	198.75	423.05	529.28	446.32	1356.18	3376.91	3957.09	239.63	107.11	10919.66
Advances (Net)	138.26	76.75	61.66	124.56	236.30	233.64	333.83	597.68	3276.37	468.03	563.42	6110.50
Investments (Gross)	0.00	0.00	47.10	5.00	24.56	264.93	512.97	604.49	1001.21	245.66	1773.68	4479.59
Borrowings	0.00	96.97	0.00	54.50	29.30	0.00	10.00	1.00	22.90	0.00	177.50	392.17
Foreign Currency Assets	38.98	24.38	0.18	23.41	7.45	20.50	41.37	163.65	1.14	3.12	9.34	333.53
Foreign Currency Liabilities	27.54	26.55	3.46	16.91	6.22	6.31	23.57	147.03	56.82	4.81	0.00	319.22

• **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 year	Over 1 year and upto 3 years	Over 3 years 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

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, 2018	March 31, 2017
a) Direct Exposure		
(i) Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (A)	461.34	441.00
Of Which individual Housing loan eligible for inclusion in Priority Sector Advances	222.78	197.55
(ii) Commercial Real Estate –		
Landings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits; (B)	280.86	407.91

(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
(iv) Other Direct Exposure (C)	204.51	199.35
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) (D)	65.94	70.51
Total Exposure to Real Estate Sector (A+B+C+D)	1012.65	1118.77

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, 2018	March 31, 2017
(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;	31.84	18.56
(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;	2.03	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
(x) all exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
Total Exposure to Capital Market	33.87	20.56

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 March 31, 2018	Provision held as at March 31, 2018	Exposure (net) as at March 31, 2017	Provision held as at March 31, 2017
Insignificant	21.58	Nil	54.86	Nil
Low	1.51	Nil	3.68	Nil
Moderate	2.22	Nil	2.32	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
Total	25.31	Nil	60.86	Nil

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, 2018 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	Malabar Gold Private Limited	100.00	16.43%
2	The Kerala State Financial Enterprises Limited	99.86	16.41%
3	Muthoot Capital Services Limited	95.00	15.61%

- 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, 2018 was Nil for the contraventions of various KYC/ AML requirements/ directions of the Reserve Bank of India.

11 CHANGE IN ACCOUNTING ESTIMATES

Change in method of Depreciation from WDV to SLM

Deprecation on Fixed assets is charged based on useful life of asset in compliance with schedule II of Companies Act 2013. The Bank assesses and reviews the pattern of consumption of future economic benefits embedded in the Fixed Assets at every Financial Year End. If such pattern of consumption is significant the method of depreciation is changed. Based on such review it was found that the pattern of consumption of premises owned by the Bank is same throughout the useful life of premises. Accordingly the method of charging depreciation on premises is shifted from WDV to SLM during the current financial year. Impact on account of such change in method of depreciation is given below:

(₹ in Crore)

Depreciation		Impact on P & L :
WDV	SLM	
6.58	0.63	Benefit 5.95

12 DISCLOSURE AS PER ACCOUNTING STANDARDS (AS)

12.1 Accounting Standard 5: Net Profit or Loss for the period, prior period items and changes in Accounting Policies:

Prior period income / expenditure items is as below:

(₹ in Crore)

Particulars	Prior period Income	Prior Period Expense
Sale of Fixed Assets as scrap written off in earlier years	0.11	
Reversal of erroneous Interest Subsidy claim accounted 2015-16		0.93
Reversal of expenses of revenue nature shown under capital work in progress relating to 2011-12		2.18
Outstanding balance in RAG finnone oracle control account transferred to prior period income based on verification report	4.39	
Net Prior period (Income)/ Expense	(1.39)	

12.2 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	
	2017-18	2016-17	2017-18	2016-17
Changes in the present value of the defined benefit obligations				
Present value of obligation at the beginning of the year	148.85	143.64	42.75	42.65
Interest cost	9.05	14.47	3.35	3.59
Current Service Cost	8.85	9.30	3.49	3.43
Benefits paid	(43.34)	(6.22)	(6.57)	(8.83)
Net actuarial (gain)/loss on obligation	5.41	10.63	(2.79)	1.91
Past service cost	0	91.23	7.61	Nil
Settlements	(21.74)	(114.20)		Nil
Present value of the defined benefit obligation at the end of the year	146.09	148.85	47.84	42.75
Change in the fair value of plan assets				
Fair value of plan assets at the beginning of the year	160.84	130.04	43.74	41.93
Expected return on plan assets	12.12	11.75	3.45	3.36
Contributions by employer	15.11	133.36	4.69	6.09
Contributions by employee	3.56	3.77	Nil	Nil
Benefit paid	(4.33)	(6.22)	(6.57)	(8.83)
Settlements	(21.74)	(114.20)	Nil	Nil
Actuarial gain/(loss)	(1.68)	2.34	(0.82)	1.19
Fair value of plan assets at the end of the year	163.88	160.84	44.48	43.74
Total Actuarial Gain/(Loss) to be recognized immediately	(7.09)	(8.29)	1.96	(0.72)
Expenses recognized in Profit and Loss Account				
Current Service Cost	8.85	9.30	3.49	3.43
Interest cost on benefit obligation	9.05	14.47	3.35	3.59
Expected return on plan assets	(12.12)	(11.75)	(3.45)	(3.36)
Net actuarial (gain)/loss recognized in the year	7.09	8.29	(1.96)	0.72
Past Service Cost PSL – amortization	0	91.23	7.61	Nil
* Asset arising on actuarial valuation not recognized	17.79	11.99	(3.36)	1.00
Expenses recognized in the Profit and Loss account	12.87	123.53	5.68	5.38
The amount recognized in the Balance Sheet				
Present Value of obligation at the end of the year (i)	146.09	148.85	47.84	42.75
Fair value of plan assets at the end of the year (ii)	163.88	160.84	44.48	43.75
Difference (ii)-(i)	17.79	11.99	(3.36)	1.00
Unrecognized past service liability	Nil	Nil	Nil	Nil
* Asset arising on actuarial valuation not recognised	17.79	11.99	(3.36)	1.00
Net asset/(liability) recognized in the Balance Sheet	Nil	Nil	(3.36)	Nil

* During the previous year as a matter of prudence, bank 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 Crore)

Particulars	Pension		Gratuity	
	2017-18	2016-17	2017-18	2016-17
Central Government securities	19.63	20.32	Nil	Nil
State Government securities	27.33	27.84	5.01	5.01
Investment in Private Sector Undertakings	18.50	18.50	2.50	2.50
Others	97.32	91.18	36.72	35.79
Total	162.78	157.84	44.23	43.30

Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Pension		Gratuity	
	Project Unit Credit Method		Project Unit Credit Method	
	2017-18	2016-17	2017-18	2016-17
Discount rate	7.70%	7.25%	7.70%	7.25%
Expected rate of return on assets	7.80%	8.00%	7.80%	8.00%
Future salary increase	2.50%	2.50%	5.00%	5.00%

Disclosure on option to spread additional liability on account of the Enhancement in gratuity limits

Ministry of Labour and Employment, Government, Government of India on March 29, 2018 has enhanced the gratuity ceiling to an employee under Payment of Gratuity Act, 1972 to Rs.20 Lakh from earlier limit of Rs.10 Lakh. This change has resulted in an incremental gratuity liability amounting to Rs. 761 Lakh. As per the RBI circular DBR. BPBC.9730/21.04.018/2017-18 dated April 27, 2018, the Bank has an option to spread the impact of change in gratuity ceiling over four quarters beginning with the quarter ended March 31, 2018. The Bank has not availed this option and the full incremental liability of ₹761 lakh has been charged to the profit and loss account for the quarter and year ended March 31, 2018.

ii. Family Pension

As at	28.02.2018
Value of past Service liability	₹13.62 Crores

Actuarial valuation of liability in respect of pensions payable to Family pensioners was valued in accordance with the requirements of AS-15 for the first time and it works out to ₹13.62 crores, based on the assumptions as given:

Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Family Pension	
	Project Unit Credit Method	
	2017-18	2016-17
Discount rate	7.70%	NA
Expected rate of return on assets	7.80%	NA
Future salary increase	NA	NA

iii. Leave encashment benefit

(₹ in Crore)

Particulars	Leave		Sick Leave	
	2017-18	2016-17	2017-18	2016-17
Changes in the present value of the defined benefit obligations				
Present value of obligation at the beginning of the year	29.95	26.95	3.24	2.79
Interest cost	2.33	2.29	0.28	0.26
Current Service Cost	3.02	3.24	0.62	0.56
Benefits paid	(4.75)	(7.51)	Nil	Nil
Net actuarial (gain)/loss on obligation	(1.73)	4.97	(0.72)	0.37
Past service cost	Nil	Nil	Nil	Nil
Settlements	Nil	Nil	Nil	Nil
Present value of the defined benefit obligation at the end of the year	28.81	29.95	3.42	3.24
Change in the fair value of plan assets				
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	4.75	7.51	Nil	Nil
Benefit paid	(4.75)	(7.51)	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	1.73	(4.97)	0.72	0.37
Expenses recognized in Profit and Loss Account				
Current Service Cost	3.02	3.24	0.62	0.56
Interest cost on benefit obligation	2.33	2.28	0.28	0.26
Expected return on plan assets	Nil	Nil	Nil	Nil
Net actuarial (gain)/loss recognized in the year	(1.73)	4.97	(0.72)	0.37
Past Service Cost PSL – amortization	Nil	Nil	Nil	Nil
Expenses recognized in the Profit and Loss account	3.61	10.50	0.18	0.45
The amount recognized in the Balance Sheet				
Present Value of obligation at the end of the year (i)	28.81	29.95	3.42	3.24
Fair value of plan assets at the end of the year (ii)	Nil	Nil	Nil	Nil
Difference (ii)-(i)	(28.81)	(29.95)	(3.42)	(3.24)
Unrecognized past service liability	Nil	Nil	Nil	Nil
Net asset/(liability) recognized in the Balance Sheet	(28.81)	(29.95)	(3.42)	(3.24)

Details of the Plan Asset

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

Particulars	Leave		Sick Leave	
	2017-18	2016-17	2017-18	2016-17
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
Total	Nil	Nil	Nil	Nil

Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Leave		Sick Leave	
	Project Unit Credit Method		Project Unit Credit Method	
	2017-18	2016-17	2017-18	2016-17
Discount rate	7.70%	7.25%	7.70%	7.25%
Expected rate of return on assets	Nil	Nil	Nil	Nil
Future salary increase	5.00	5.00%	5.00%	5.00%

12.3 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

- Treasury Operations
- Corporate/Wholesale Banking
- Retail Banking
- Other banking business operations

II. Secondary Segments: Geographical segments

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

(₹ in Crore)

SEGMENT RESULTS – March 31, 2018

Business Segments	Treasury		Retail Banking		Corporate / Wholesale Banking		Other Banking Operations		Unallocated		Total	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Revenue	319.16	340.36	364.26	390.68	432.37	469.04	Nil	Nil	Nil	Nil	1115.79	1200.08
Results	49.49	59.30	67.42	37.94	29.27	(3.16)	Nil	Nil	Nil	Nil	146.18	94.08
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	146.18	94.08
Total Provisions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	171.05	81.69
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								-			(24.87)	12.39
Other Information	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Segment Assets	4925.98	4658.89	3093.65	3253.65	4200.98	4335.45	Nil	Nil	Nil	Nil	12220.61	12267.99
Unallocated Assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	65.86	65.03	65.86	65.03
Total Assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12286.47	12333.12
Segment Liabilities	4599.72	4346.42	2942.10	3135.26	3995.18	4196.96	Nil	Nil	Nil	Nil	11537.00	11675.41
Unallocated Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	749.47	654.48	749.47	654.48
Total Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12286.47	12333.12

12.4 Related Party Disclosures (As 18)

Key Management Personnel	2017-18		2016-17	
	From	To	From	To
Sri G. Sreeram, MD & CEO	01.04.2017	31.03.2018	01.04.2016	31.03.2017
Sri K. V. Bhasi, CFO	01.04.2017	31.03.2018	01.04.2016	31.03.2017
Sri Santosh Kumar Barik C.S.	01.04.2017	31.03.2018	01.04.2016	31.03.2017

Key Management Personnel	Nature of Transaction	2017-18	2016-17
Sri G. Sreeram, MD & CEO	Remuneration including perquisites	₹39,00,000/-	₹36,00,000/-
Sri K. V. Bhasi, CFO	Remuneration including perquisites	₹15,62,661/-	₹13,90,468/-
	Vehicle Loan Given	NIL	₹9,00,000/-
	Vehicle Loan Outstanding	NIL	₹3,09,475/-
	Interest Income	NIL	Nil
Sri Santosh Kumar Barik C.S.	Remuneration including perquisites	₹13,50,994/-	₹2,89,675/-
	Rent Advance	₹48,000/-	₹48,000/-

12.5 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, 2018	March 31, 2017
Operating Lease Payments	30.05	31.86

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, 2018	March 31, 2017
Not later than one year	4.51	0.59
Later than one year and not later than five years	27.72	45.34
Later than five years	16.85	18.89
Total	49.08	64.82

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

12.6 Earnings per Share (AS 20)

Particulars	March 31, 2018	March 31, 2017
Net Profit/ (Loss) after tax (₹ in Crore)	(24.87)	12.38
Weight average number of equity shares for Basic EPS	253012084	209846619
Weight average number of equity shares for Diluted EPS	253012084	209846619
Earnings per share (Basic) in ₹	(0.98)	0.59
Earnings per share (Diluted) in ₹	(0.98)	0.59

12.7 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, 2018. The existing Deferred Tax Asset recognized in March 31, 2014 amounting to ₹37.06 Crore is reviewed in the light of fluctuating trend in performance and a considered conservative view has been taken to retain the same as such. 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, 2018	March 31, 2017
Deferred Tax Asset		
Leave Encashment	0.47	0.47
Provision for Standard Assets	0.17	0.17
Amortization of HTM Securities	3.21	3.21
Carry forward loss	36.11	36.11
Total (A)	39.96	39.96
Deferred Tax Liability		
Depreciation on Fixed Assets	0.82	0.82
Special Reserve u/s 36(1)(viii)	2.04	2.04
Others	0.04	0.04
Total (B)	2.90	2.90
Net Deferred Tax Asset (A – B)	37.06	37.06

12.8 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

13. Provisions and Contingencies

The breakup of Provisions and Contingencies for the year ended March 31, 2018 and March 31, 2017 are given below:

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Provision for depreciation on Investments	35.71	(5.74)
Provision for Non Performing Investments	(0.48)	(1.62)
Provision for Standard Assets	(3.39)	6.65
Provision against Fraud	0.47	(0.08)
Provision for OIS MTM Loss	Nil	Nil
Provision for NPA (including Bad Debts written off)	134.24	84.69
Provision for Restructured Advances	(0.05)	(5.51)
Provision for Income Tax, Wealth Tax etc.	Nil	Nil
Provision for Unhedged Forex Exposure	(0.65)	0.64
Income Tax Written off	Nil	Nil
Provision for forth coming bi-partite settlement	5.00	Nil
Other Provisions (Net)*	0.20	2.67
Total	171.05	81.69

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

14. Reserves and Surplus (From Reserves Draw Down)

During the financial year ended March 31, 2018 the Bank has drawn down ₹0.14 crore from reserve (Previous Year – ₹0.05 Cr).

15. Floating Provisions

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(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

16. Disclosure for Customer Complaints/Unimplemented Awards of Banking Ombudsman (as certified by the Management and relied upon by the auditors)

Particulars	2017-18	2016-17
Customer complaints		
(a) No. of complaints pending at the beginning of the year	41	39
(b) No. of complaints received during the year	13233	8211
(c) No. of complaints redressed during the year	13258	8209
(d) No. of complaints pending at the end of the year	16	41
Unimplemented awards of Banking Ombudsmen		
(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

17. Disclosure of Letter of Comforts (LOCs) issued by the Bank

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

18. Provision Coverage Ratio (PCR)

Particulars	March 31, 2018	March 31, 2017
Provision Coverage Ratio	80.02%	79.99%

19. Bancassurance Business

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income	March 31, 2018	March 31, 2017
1	For selling life insurance policies	6.05	1.64
2	For selling non life insurance policies	0.53	0.30
	Total	6.58	1.94

20. 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, 2018	March 31, 2017
Total Deposits of twenty largest depositors (₹ in crore)	2534.01	2678.27
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	23.23	23.71

b) Concentration of Advances

Particulars	March 31, 2018	March 31, 2017
Total Advances to twenty largest borrowers (₹ in crore)	1127.87	1019.66
Percentage of Advances to twenty largest borrowers to total Advances of the Bank	17.66	15.46

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, 2018	March 31, 2017
Total Exposure to twenty largest borrowers/customers (₹ in crore)	1284.77	1181.21
Percentage of Exposures to twenty largest borrowers/customers to total Exposure of the Bank on borrowers/customers	17.92	16.29

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, 2018	March 31, 2017
Total Exposure to top four NPA accounts (₹ in Crore)	128.02	95.07

21. Sector-wise advances

(₹ in Crore)

Sl. No.	Sector	March 31, 2018			March 31, 2017		
		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
A	Priority Sector						
1	Agriculture and allied activities	1174.95	12.00	1.02	1225.53	12.34	1.00
2	Advances to industries sector eligible as priority sector lending	428.18	100.10	23.38	717.61	22.44	3.13
3	Services	830.98	64.39	7.75	483.04	42.67	8.83
4	Personal loans (Other than above)	418.99	18.05	4.31	326.08	16.40	5.03
	Sub-total (A)	2853.10	194.54	6.82	2752.26	93.85	3.41
B	Non Priority Sector						
1	Agriculture and allied activities	Nil	Nil	Nil	Nil	Nil	Nil
2	Industry	785.48	92.52	11.78	612.88	84.06	13.72
3	Services	1475.47	155.06	10.51	1919.98	114.86	5.98
4	Personal loans (Other than above)	1272.68	27.19	2.14	1310.69	22.83	1.74
	Sub-total (B)	3533.63	274.77	7.78	3843.55	221.75	5.77
	Total (A+B)	6386.73	469.31	7.35	6595.81	315.60	4.78

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.

22. NPA

22.1 Movement of NPAs

Particulars	March 31, 2018	March 31, 2017
Net NPA to Net Advances	3.19%	2.58%
Gross NPA as at the beginning of the year	315.60	458.92
Additions (Fresh NPAs) during the year	358.33	154.76
Sub-total (A)	673.93	613.68
Less:		
(i) Upgradations	143.31	64.91
(ii) Recoveries (excluding recoveries made from upgraded accounts)	59.09	44.21
(iii) Write-offs	2.22	1.63
(iv) Technical write-off	0.00	187.33
(v) Sale to ARC	0.00	0.00
Sub-total (B)	204.62	298.08
Gross NPA as at the end of the year (A-B)	469.31	315.60

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

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance of Technical / Prudential written-off accounts as at April 1	516.41	335.13
Add : Technical / Prudential write-offs during the year	0.00	187.33
Sub-total (A)	516.41	522.46
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	11.33	6.05
Less : Other charges receivable excluded from Gross balance	Nil	Nil
Closing balance as at March 31 (A – B)	505.08	516.41

22.3 Overseas Assets, NPA and Revenue

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Total Assets	Nil	Nil
Total NPAs	Nil	Nil
Total Revenue	Nil	Nil

23. Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas
Nil	Nil

24. 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 stakeholders.
- 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		2017-18	2016-17
(a)	<ul style="list-style-type: none"> • Number of meetings held by the Nomination & Remuneration Committee during the financial year • Remuneration paid to its members 	5 0.017	2 0.006
(b)	<ul style="list-style-type: none"> (i) Number of employees having received a variable remuneration award during the financial year (ii) Number and total amount of sign-on awards made during the financial year (iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus (iv) Details of severance pay, in addition to accrued benefits, if any 	Nil Nil Nil Nil	Nil Nil Nil Nil
(c)	<ul style="list-style-type: none"> (i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms (ii) Total amount of deferred remuneration paid out in the financial year 	Nil Nil	Nil Nil
(d)	Breakdown of amount awards for the financial year to show fixed and variable deferred and non-deferred <ul style="list-style-type: none"> • Fixed • Variable • Deferred • Non-Deferred 	Nil	Nil
(e)	<ul style="list-style-type: none"> (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments 	Nil Nil Nil	Nil Nil Nil

25. Securitization Transactions

The Bank has not done any securitization transaction during the year ended March 31, 2018 and March 31, 2017.

26. Intra-Group Exposures

Bank does not have any group entities

27. 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, 2018	March 31, 2017
Opening balance of amounts transferred to DEAF	20.22	13.72
Add : Amounts transferred to DEAF during the year	5.23	6.70
Less : Amounts reimbursed by DEAF towards claims	0.23	0.20
Closing balance of amounts transferred to DEAF	25.22	20.22

28. Unhedged Foreign Currency Exposure of Bank's Customers

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

The Bank has maintained a provision of ₹0.85 crore (previous year – 1.5 crore) and an additional capital of ₹1.55 crore (previous year – 14.47 crore) on account of unhedged foreign currency exposure of its borrowers as at March 31, 2018.

29. Description of Contingent Liabilities

Sl. 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.
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	<ul style="list-style-type: none"> – 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

30. Capital Commitments

(₹ in Crore)

March 31, 2018	March 31, 2017
25.00	6.12

31. 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.

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, 2018	March 31, 2017
Income Tax	Nil	Nil
Wealth Tax	Nil	Nil
Deferred Tax	Nil	Nil

34. Provisioning Pertaining to Fraud in Advances

The Bank has reported 16 case of fraud that has a possible impact on the bank in the Financial year ended March 31, 2017 amounting to ₹61.74 crore. In respect of one Gems & Jewellery borrower group, where fraud was declared by some banks, the bank has fully provided for the entire funded exposure. 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, 2018 and March 31, 2017.
- Details of PSLCs purchased with Net Nominal Value

(₹ in Crore)

Sl. No.	PSLC Type	March 31, 2018	March 31, 2017
1	PSLC - Agriculture	Nil	Nil
2	PSLC - Small Farmers /Marginal Farmers	Nil	Nil
3	PSLC - Micro Enterprises	150	425
4	PSLC - General	Nil	Nil
	Total	150	425

37. Inter-Bank Participation with Risk Sharing

There was no purchase or sale of Inter-Bank Participation Certificate with risk sharing by bank during year ended March 31, 2018 and March 31, 2017.

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, 2018	March 31, 2017
Sitting Fees paid to Non-Executive Directors	0.27	0.22

39. ESOP Scheme

a) The details of the Employees Stock Option Plan-2009 currently in vogue in the Bank as at March 31, 2018 are as under:

Sl. No.	Particulars	ESOP 2009	ESOS 2013
1.	Details of Approval	Remuneration Committee resolution, dated August 6, 2009	Remuneration Committee approval dated August 14, 2014
2.	Implemented through	Directly by Bank	Directly by Bank
3.	Total number of shares	40,42,470	24,77,400
4.	Price per option	₹118.35	₹40.73
5.	Granted	39,99,225	24,77,400
6.	Vested	39,99,225	24,77,400
7.	Exercised	20,719	Nil
8.	Cancelled options	36,54,324	2,54,000
9.	Vested and unexercised	3,24,182	22,23,400
10.	Total number of options in force	3,24,182	22,23,400
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, 2018		March 31, 2017	
	ESOP 2009	ESOS 2013	ESOP 2009	ESOS 2013
Scheme Name				
Options outstanding at the beginning of the year	393987	2413870	471352	2451230
Options granted during the year	Nil	Nil	Nil	Nil
Options forfeited/cancelled during the year	69805	77010	77365	37360
Options exercised during the year	0	0	0	Nil
Options expired during the year	Nil	113460	Nil	Nil
Options outstanding at the end of the year	324182	2223400	393987	2413870
Options exercisable at the end of the year	324182	2223400	393987	1715350

40. Software Capitalized under Fixed Assets

The Bank has capitalized software under Fixed Asset amounting to ₹1.33 crore and ₹1.48 crore during the financial year ended March 31, 2018 and March 31, 2017 respectively, as given below:

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
At cost at March 31st of the preceding year	61.06	59.58
Additions during the year	1.33	1.48
Deductions during the year	0.01	-
Depreciation to date	58.96	55.7
Net Block	3.42	5.36

41. 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 ₹4.08 crores (previous year: ₹14.64 crores) was transferred to Capital Reserve.

42. 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.

43. Implementation of Indian Accounting Standard (Ind AS)

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. 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.

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 of junior/ middle level management 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.

Phase - 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 quarter ended June 30, 2017 to the Reserve Bank of India.

Reserve Bank of India (RBI) vide its Press Release dated April 05, 2018 has deferred the implementation of Ind AS by one year from April 01, 2018 to April 01, 2019 in view of the level of preparedness of the Bank and the necessary legislative amendments to make the format of financial statements in the Banking Regulation Act, 1949 are under the consideration of the Government of India.

44. 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

Mr. Sajeev Krishnan
Chairman

Mr. Chella K. Srinivasan
Director

Dr. K. R. Lakshmy Devi
Director

Mr. P. S. Sreekumar
Director

Mr. C. K. Gopinathan
Director

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

Mr. E. Madhavan
Addl. Director (RBI)

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

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

CA. I. Jayasindhu
Partner
Membership No. 205660

Place : Thrissur
Date : 23.05.2018

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, 2018, the Bank has issued, subscribed and paid-up capital of ₹253,01,20,840/-, constituting 25,30,12,084 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, 2018 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, 2018, are given below. The Bonds considered in computation of Tier 2 Capital is as per the criteria for inclusion of Debt Capital Instruments as Tier 2 Capital detailed in the Basel III Master Circular.

(₹ in Crore)

Series	Coupon (%)	Date of Allotment	Maturity Date	Amount of Issue *
Upper Tier II Series I	Payable annually @ 10% for the first 10 years	28.07.2010	30.07.2025	27.50
Series IX	Payable annually @ 11%	20.01.2012	20.07.2018	10.00
Series X- A	Payable half yearly @ 11.90%	29.05.2012	29.04.2018	54.50
Series X- B	Payable half yearly @ 11.95%	29.05.2012	29.05.2019	14.20
Series XI-A	Payable half yearly @ 11.90%	03.08.2012	03.05.2018	29.30
Series XI-B	Payable half yearly @ 11.95%	03.08.2012	03.08.2019	3.70
Series XIII-B	Payable half yearly @ 11.95%	10.12.2012	10.12.2019	5.00
Series XV	Payable half yearly @ 11.00%	29.03.2018	29.03.2025	150.00

*Of this ₹165.58 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 31.03.2018

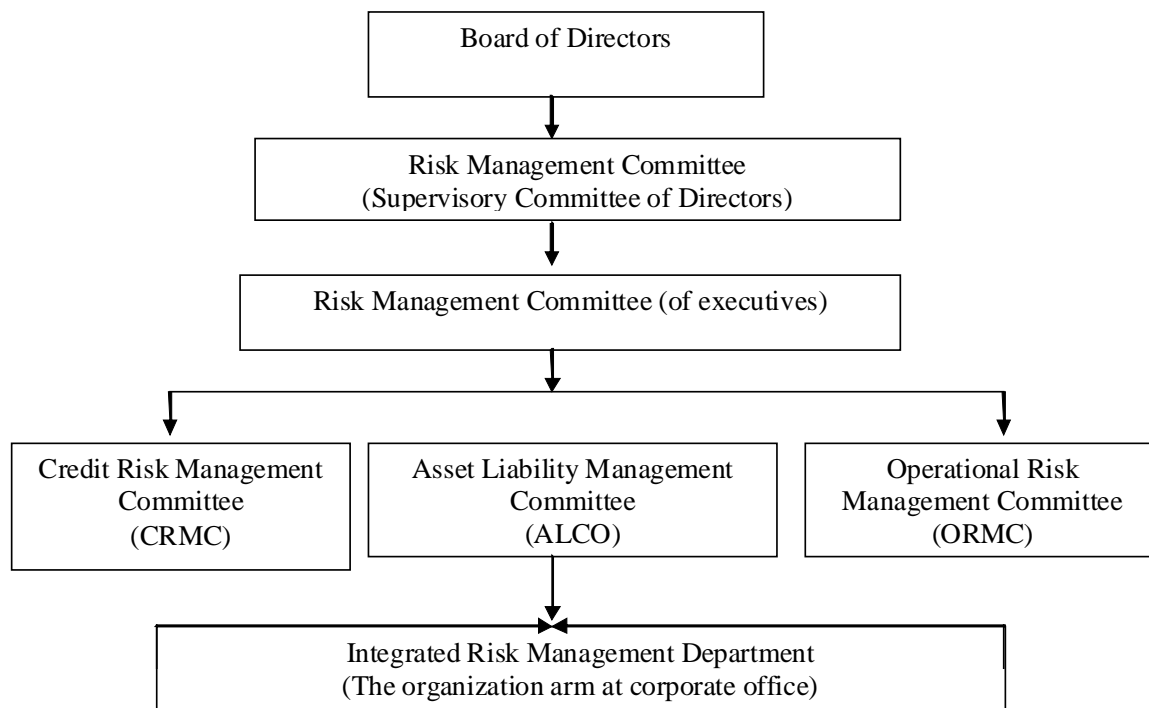
Items	₹ in million
Paid-up share capital	2530.12
Reserves	12848.10
Common Equity Tier 1 Capital before deductions	15378.22
Less amounts deducted from Tier I capital (accumulated losses, DTA and Intangible Assets)	9059.61
(a) Common Equity Tier 1 Capital	6318.61
(b) Additional Tier I Capital	0.00
(c) Total Tier I Capital (a+b)	6318.61
Directly issued Tier II capital instruments subject to phase out	1655.80
General Provisions/Revaluation Reserves	289.99
(d) Total Tier 2 Capital	1945.79
Total Eligible capital (c+d)	8264.40

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

₹ in Crore)

Items	31.03.2018
(a) Capital requirements for credit risk	
Portfolios subject to standardized approach (10.875%)	499.88
Securitization exposures	
(b) Capital requirements for market risk - Standardized duration approach	49.80
Interest rate risk	37.19
Foreign exchange risk (including gold)	1.26
Equity position risk	11.35
(c) Capital requirements for operational risk	59.16
Basic Indicator Approach	59.16
Total Capital Funds Required	608.84
Total Capital Funds Available	826.44
Total Risk Weighted Assets	5958.57
(d) Common Equity Tier 1, Tier 2 and Total Capital Ratios	
Common Equity Tier 1 CRAR (%)	10.60%
Tier 2 CRAR (%)	3.27%
Total CRAR % for the Bank	13.87%

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 lakhs and above is conducted on half yearly 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 & Machinaries, 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)

(₹ in Crore)

Overall Credit Exposure		Amount	Total in Crore
Fund Based	Loans & advances	6442.43	
	Cash, RBI and Banks	871.61	7815.37
	Others (Fixed Assets & other Assets)	501.33	
Non Fund Based	LC, BG etc.	260.40	
	Forward Contracts / Interest rate SWAPS	285.71	
	Others	240.80	786.91
Investments (Banking Book only)	–	2535.66	2535.66
Total of Credit Risk Exposure	–	11137.94	11137.94

(b) Geographic distribution of exposures:

(₹ in Crore)

Exposures	31.03.2018		Total
	Fund based	Non Fund Based	
Domestic operations	10351.03	786.91	11137.94
Overseas operations	Bank has no overseas operations		

(c) Industry type distribution of exposures as on 31.03.2018:

Particulars	Funded (Amt. in Crore) Gross Advance
A. Mining and Quarrying	0.98
B. Food Processing	80.02
C. Beverages (excluding Tea & Coffee) and Tobacco	2.52
D. Textiles	79.86
E. Leather and Leather products	19.81

Particulars	Funded (Amt. in Crore)
	Gross Advance
F. Wood and Wood Products	8.43
G. Paper and Paper Products	7.73
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear fuels	0.00
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	23.27
J. Rubber, Plastic and their Products	2.79
K. Glass & Glassware	10.11
L. Cement and Cement Products	5.19
M. Basic Metal and Metal Products	71.93
N. All Engineering	32.74
O. Vehicles, Vehicle Parts and Transport Equipments	4.67
P. Gems and Jewellery	350.93
Q. Construction	60.03
R. Infrastructure	445.56
S. Other Industries	6.64
All Industries (A to S)	1213.21
Residuary other advances	5173.52
Gross Advances	6386.73

Exposures to Infrastructure (transport, energy, water sanitation, communication etc.) and Gems and Jewellery accounted for 6.98% and 5.49% 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 Crore)

Sl. No.	Industry	Gross Advance	Gross NPA	Provision
1	Infrastructure	445.56	7.80	1.98
2	Gems and Jewellery	350.93	50.01	50.00
3	Textiles	79.86	30.10	5.70
4	Food Processing	80.02	7.90	6.36
5	Basic Metal and Metal Products	71.93	0.03	0.01
	Total	1028.30	95.84	64.05

(d) Residual maturity breakdown of assets as on 31.03.2018:

(₹ in Crore)

Maturity Pattern Assets	Advances (Net)	Investments (Gross)	Foreign Currency Assets
Next Day	138.26	0.00	38.98
2 - 7 Days	76.75	0.00	24.38
8 - 14 Days	61.66	47.10	0.18
15 - 30 Days	124.56	5.00	23.41
31 D - 2 M	236.30	24.56	7.45
2 - 3 Months	233.64	264.93	20.50
3 - 6 Months	333.83	512.97	41.37
6 Months - 1 Year	597.68	604.49	163.65
1 Year - 3 Years	3276.37	1001.21	1.14
3 - 5 Years	468.03	245.66	3.12
Over 5 Years	563.42	1773.68	9.34
Total	6110.50	4479.59	333.53

(e) Non-performing assets:

No.	Items	Amount in ₹ in Million
		31.03.2018
1	Gross NPAs	4693.05
1.1	Substandard	944.34
1.2	Doubtful 1	1555.98
1.3	Doubtful 2	1567.44
1.4	Doubtful 3	374.51
1.5	Loss	250.78
2	Net NPAs	1946.53
3	NPA Ratios	
3.1	Gross NPAs to Gross Advances (%)	7.35%
3.2	Net NPAs to Net Advances (%)	3.19%
4	Movement of NPAs (gross)	
4.1	Opening balance	3156.03
4.2	Additions	3583.34
4.3	Reductions	2046.30
4.4	Closing balance	4693.03
5	Movement of provisions for NPAs	
5.1	Opening balance	1487.90
5.2	Provisions made during the quarter	1779.96
5.3	Write-off	22.11
5.4	Write back of excess provisions	502.75
5.5	Closing balance	2743.00
6	Amount of Non Performing Investments (NPI)	321.90
7	Amount of provisions held for NPI	321.90
8	Movement of Provisions held for NPIs	
8.1	Opening balance	326.7
8.2	Provisions made during the period	
8.3	Write-off/Write back of excess provisions	4.8
8.4	Closing balance	321.90

TABLE DF 4 – DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH**Qualitative Disclosures:****(a) For Portfolios under the standardized approach**

1	Names of credit rating agencies used	Bank has approved all the external credit rating agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts, i.e. CRISIL, CARE, India Ratings & Research Pvt. Ltd., ICRA, Brick Work Ratings, SMERA and International Credit rating agencies, i.e., Standard and Poor, Moody's and FITCH.
2	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same	No change

3	Types of exposure for which each agency is used	<p>The external rating assigned by an agency is considered only if it fully takes into account the credit exposure of the Bank.</p> <p>Bank is entitled to use the ratings of all the above identified Rating Agency rating for various types of exposures as follows :</p> <p>(i) For Exposure with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short-Term Rating given by 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 Crore)

Particulars	Total
Below 100% risk weight	6365.99
100% risk weight	2549.41
More than 100% risk weight	197.95
Total Exposure	9113.34

*in below 100% risk weighted exposures, ₹279.96 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 Disclosures:

(a) General

Policies and processes for collateral valuation and management:

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

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

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

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

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

The main types of guarantor counterparty and their creditworthiness

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

- ✓ Sovereigns (Central/ State Governments)
- ✓ Sovereign entities like ECGC, CGTMSE, CRGFTLIH
- ✓ 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 31.03.2018:

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (in Crore)	Risk Concentration %
Gold	886.86	64.07%
Cash & Deposits	496.32	35.86%
KVP/VP/NSC	0.73	0.05%
LIC Policy	0.20	0.01%
Total	1384.11	100.00%

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

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

Quantitative Disclosures:

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

- (i) Eligible Financial Collateral : ₹ 1384.11Crore
- (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 31.03.2018 (₹ in Crore)
Interest rate risk	37.19
Equity position risk	11.35
Foreign exchange risk	1.26

TABLE DF 8 – OPERATIONAL RISK:

Qualitative Disclosures:

(a) General

Strategies and processes:

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

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

Scope and nature of risk reporting/measurement systems:

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

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

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

Operational Risk capital assessment:

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

TABLE DF 9 – INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

(a) Qualitative Disclosures:

Strategies and processes:

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

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

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

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

Scope and nature of risk reporting/measurement systems:

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

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

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

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

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

- i) Identify variables such as principal amount, maturity date/re-pricing date, coupon rate, yield, frequency and basis of interest calculation for each item/category of Rate Sensitive Asset/Rate Sensitive Liability (RSA/RSL).

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

(b) Quantitative Disclosures:

The impact on earnings and economic value of equity for notional interest rate shocks as on 31.03.2018.

Earnings at Risk:

Change in interest rate	Change in NII (₹ in Crore)
± 25 bps	3.68
± 50 bps	7.35
± 75 bps	11.03
± 100 bps	14.70

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 31.03.2018	9.04%
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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, 2018 is given below:

Particulars	Notional Amounts	Credit Equivalent
Forward Exchange Contracts	2717.06	66.42

(₹ 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	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)	12,584.60	
2 Retained earnings	(248.75)	
3 Accumulated other comprehensive income (and other reserves)	2793.62	

4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock CET1 (only applicable to non-joint stock companies)	0
	Public sector capital injections grandfathered until January 1, 2018	0
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0
6	Common Equity Tier 1 capital before regulatory adjustments	15,129.47
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 – ₹8406.08 mio and other intangible assets – ₹34.19 mio)	8440.27
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	Total regulatory adjustments to Common equity Tier 1	8810.86
29	Common Equity Tier 1 capital (CET1)	6318.61
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory instruments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (41a+41b)	-
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-
	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	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	6318.61
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	1655.80
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	289.99
51	Tier 2 capital before regulatory adjustments	1945.79
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments (56a+56b)	-
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-
	Regulatory Adjustments Applied to Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-
	of which: [INSERT TYPE OF ADJUSTMENT]	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	1945.79
58a	Tier 2 capital reckoned for capital adequacy	1945.79
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	1945.79
59	Total capital (TC = T1 + T2) (45 + 58c)	8264.40
	Risk Weighted Assets in respect of Amounts subject to Pre-Basel III Treatment	-
	of which:	-
	of which:	-
60	Total risk weighted assets (60a + 60b + 60c)	59585.69
60a	of which: total credit risk weighted assets	45965.92
60b	of which: total market risk weighted assets	6224.83
60c	of which: total operational risk weighted assets	7394.95
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.60%
62	Tier 1 (as a percentage of risk weighted assets)	10.60%
63	Total capital (as a percentage of risk weighted assets)	13.87%
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 1.875%	8.875%
71	National total capital minimum ratio (if different from Basel III minimum) - including CCB of 1.875%	10.875%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings – based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Notes to Template

(₹ in Million)

Row No. of the template	Particulars	
10	Deferred tax assets associated with accumulated losses	361.09
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred Tax Liability	9.5
	Total as indicated in row 10	370.59
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-

44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 Capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital	289.99
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	289.99
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

DF 12 – COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENTS

Step 1		Balance Sheet as in	Balance sheet under
		financial statements	regulatory scope of
		As on reporting date	As on reporting date
		(₹ in million)	consolidation*
A	Capital & Liabilities		
	Paid-up Capital	2,530.12	
i	Reserves & Surplus	4964.51	
	Minority Interest	-	
	Total Capital	7494.63	
	Deposits	109196.60	
ii	of which: Deposits from banks	0.16	
	of which: Customer deposits		
	of which: Other deposits (pl. specify)	109196.60	
	Borrowings	3921.74	
	of which: From RBI	969.74	
	of which: From banks	-	
iii	of which: From other institutions & agencies		
	of which: Others - book credit balances in foreign currency minor accounts	-	
	Of which: Tier 2 Capital instruments	2952.00	
iv.	Other liabilities & provisions	2251.63	
	Total	122864.60	
B	Assets		
i	Cash and balances with Reserve Bank of India	6028.47	
	Balance with banks and money at call and short	2687.62	
ii	Investments:	43646.01	
	of which: Government securities	30378.23	
	of which: Other approved securities	-	
	of which: Shares	26.48	
	of which: Debentures & Bonds	3216.47	
	of which: Subsidiaries / Joint Ventures / Associates	-	
	of which: Others (COD ₹9223.57 MI and SR ₹801.26 MI)	10024.83	

iii	Loans and advances	61104.93
	of which: Loans and advances to banks	-
	of which: Loans and advances to customers	61104.93
iv	Fixed assets	2037.57
v	Other assets	7360.00
	of which: Goodwill and intangible assets	-
	of which: Deferred tax assets	370.59
vi	Goodwill on consolidation	-
vii	Debit balance in Profit & Loss account	
	Total Assets	122864.60

*Bank has no subsidiaries

Step 2		Balance Sheet as in	Balance Sheet under	Ref. No.	
		financial statements	regulatory scope of		
		As on reporting date	As on reporting date		
Capital & Liabilities					
i	Paid-up Capital	2530.12		(a)	
	of which : Amount eligible for CET1	2530.12		(a)(i)	
	of which : Amount eligible for AT1	-			
	Reserves & Surplus	4964.51		(b)	
	of which : Amount eligible for CET1	4193.28		(b)(i)	
	Statutory Reserve	803.61		(b)(ii)	
	Share Premium	10054.48		(b)(iii)	
	General Reserve	890.67		(b)(iv)	
	Capital Reserve (excluding Revaluation Reserves)	408.47		(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	(8406.08)		(b)(vii)	
	Current Financial Year Profit (Not eligible)	(248.75)		-	
	Revaluation Reserve (part of Tier 2 capital at a discount of 55 percentage)	631.01		(b)(ix)	
	Minority Interest	-			
	Total Capital	7494.63		(a)+(b)	
ii	Deposits	109196.60		(c)	
	of which: Deposits from banks	0.16		(c)(i)	
	of which: Customer deposits	109196.43		(c)(ii)	
	of which: Other deposits (pl. specify)	-			
iii	Borrowings	3921.74		(d)	
	of which: From RBI	969.74		(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	2952.00		(d)(v)	

Step 2		Balance Sheet as in	Balance Sheet under	Ref. No.
		financial statements	regulatory scope of consolidation	
		As on reporting date	As on reporting date	
iv.	Other liabilities & provisions	2251.63		(e)
	of which: Standard Asset provision included under Tier 2 Capital	289.99		(e)(i)
	of which : DTLs related to goodwill	0		
	of which : Details related to intangible	0		
	Total assets	122864.60		(a)+(b)+(c) +(d)+(e)
B	Assets			
i	Cash and balances with Reserve Bank of India	6028.47		(f)
	Balance in India with banks and money at call	2687.62		(g)
ii	Investments	43646.01		(h)
	of which: Government securities	30378.23		(h)(i)
	of which: Other approved securities	-		-
	of which: Shares	26.48		(h)(ii)
	of which: Debentures & Bonds	3216.47		(h)(iii)
	of which: Subsidiaries / Joint Ventures /	-		-
	of which: Others (COD ₹9223.57 MI and SR ₹801.26 MI)	10024.83		(h)(iv)
iii	Loans and advances	61104.93		(i)
	of which: Loans and advances to banks	-		(i)(i)
	of which: Loans and advances to Customers	61104.93		(i)(ii)
iv	Fixed assets	2037.57		(j)
v	Other assets	7360.00		(k)
	of which: Goodwill and intangible assets			-
	Out of which :			
	Goodwill	-		-
	Other Intangibles (excluding MSRs)	-		-
	Deferred tax assets	370.59		(k)(i)
vi	Goodwill on consolidation	-		
vii	Debit balance in Profit & Loss account			
	Total Assets	122864.60		(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	12,584.60	(a)+(b)(iii)
2	Retained earnings	1694.28	(b)(ii)+(b)(iv)
3	Accumulated other comprehensive income (and other reserves)	408.47	(b)(v)

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
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	14687.35 (a)+ (b)(ii)+ (b)(iii)+ (b)(iv) + (b)(v)
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-

Table DF 13 – Main Features of Regulatory Capital Instruments – Eligible Instruments

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A	Lower Tier II Series XV
1	Issuer	Dhanlaxmi Bank Ltd.	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	INE680A08081
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	Applicable Indian Statutory and Regulatory Requirements
Regulatory treatment						
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/ group & solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type	Common Shares	Upper Tier 2 Capital Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (₹ in Million, as on 31.03.2018)	2530.12	137.50	0	0	1500.00
9	Par value of instrument	Shares of ₹10/ each	₹1 million	₹1 million	₹1 million	₹1 million
10	Accounting classification	Shareholder's Equity	Liability	Liability	Liability	Liability
11	Original date of issuance	Various	28.07.2010	20.01.2012	29.05.2012	29.03.2018
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date/No maturity	No maturity	30.07.2025	20.07.2018	29.04.2018	29.03.2025
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	Yes, Exercise of Call Option is subject to prior approval of RBI

Item	Particular	Equity Shares	Upper Tier II Series I	Lower Tier II Series IX	Lower Tier II Series X-A	Lower Tier II Series XV
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	Bank can exercise Call Option to redeem the Bonds at par at the end of 5th Year from the Deemed Date of Allotment. Optional Call Date is 29.03.2023 and redemption amount is in full
16	Subsequent call dates, if applicable Coupons/dividends	NA	NA	NA	NA	NA
17	Fixed or floating dividend/coupon	NA	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	10%	11%	11.90%	11.00%
19	Existence of a dividend stopper	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No
22	Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	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	All Depositors & other Creditors of the Bank
36	Non-compliant transitioned features	No	Yes	No	No	No
37	If yes, specify non-compliant features	NA	Does not have Point of Non Viability Trigger	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	Lower Tier II Series XV
1	Issuer	Dhanlaxmi Bank Ltd.	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	INE680A08081
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	Applicable Indian Statutory and Regulatory Requirements
Regulatory treatment						
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier 2 Debt Instruments	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 31.03.2018)	28.40	0	7.40	10.00	1500.00
9	Par value of instrument	Rs.1 million	Rs.1 million	Rs.1 million	Rs.1 million	Rs.1 million
10	Accounting classification	Liability	Liability	Liability	Liability	Liability
11	Original date of issuance	29.05.2012	03.08.2012	03.08.2012	10.12.2012	29.03.2018
12	Perpetual or dated	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	28.03.2025
14	Issuer call subject to prior supervisory approval	No Call Option	No Call Option	No Call Option	No Call Option	Yes, Exercise of Call Option is subject to prior approval of RBI
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA	Bank can exercise Call Option to redeem the Bonds at par at the end of 5th Year from the Deemed Date of Allotment. Optional Call Date is 29.03.2023 and redemption amount is in full
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA	NA	NA	NA
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	11.95%	11.90%	11.95%	11.95%	11.00%
19	Existence of a dividend stopper	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non Convertible

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	Lower Tier II Series XV
24	If convertible, conversion trigger(s)	NA				
25	If convertible, fully or partially	NA				
26	If convertible, conversion rate	NA				
27	If convertible, mandatory or optional conversion	NA				
28	If convertible, specify instrument type convertible into	NA				
29	If convertible, specify issuer of instrument it converts into	NA				
30	Write-down feature	No	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)	Depositors & other Creditors of the Bank	Depositors & other Creditors of the Bank	Depositors & other Creditors of the Bank	Depositors & other Creditors of the Bank	Depositors & other Creditors of the Bank
36	Non-compliant transitioned features	No				
37	If yes, specify non-compliant features	NA				

Table DF – 14

FULL TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS (ELIGIBLE INSTRUMENTS)

	Upper Tier II-Series I	Series IX	Series X A	Series X B	Series XI A	Series XI B	Series XIII B	Series XV
Nature of Instrument	#	##	##	##	##	##	##	##
Amount Subscribed	₹275 million	₹100 million	₹545 million	₹142 million	₹293 million	₹37 million	₹50 million	₹1500 million
Face value of the Bond	₹1 million	₹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	29.03.2018
Date of Redemption	30.07.2025	20.07.2018	29.04.2018	29.05.2019	03.05.2018	03.08.2019	10.12.2019	29.03.2025
Put and Call option (if yes, give details)	###	Not Applicable	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	11.00%
Listing	NSE	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. As on 31.03.2018 the Nomination & Remuneration Committee comprises of Sri P. S. Sreekumar as Chairman, Dr. Lakshmi Devi K. R. and Sri Gopinathan C. K. as members after reconstitution by Board at its meeting held on 11.01.2018.

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 stakeholders.

The roles and responsibilities of the Compensation & Remuneration Committee (CRC) are as follows:

- ✓ To oversee the framing, review and implementation of compensation policy of the bank on behalf of the board.
- ✓ To ensure the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- ✓ To determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
- ✓ For determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership (ii) to retain employees or skill groups among them (iii) attract talented professionals (iv) to instill a sense of belonging to the Bank, among employees.

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

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

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its circular no. DBOD. No.BC.72/29.67.001/2011-12 dtd. 13/01/2012. The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers covered under Cost to the Company payment scheme, the overall salary will be pegged at 115% of IBA salary of corresponding grade. Officers appointed on contract basis are offered a fixed consolidated pay as determined by Board/Committee/ MD & CEO on a case to case basis.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks

The Board of Directors through the Remuneration Committee shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration

The factors taken in to account for the annual performance review are:

- ✓ The performance of the Bank
- ✓ The performance of the business unit
- ✓ Individual performance of the employee
- ✓ Other risk perceptions and economic considerations

e. A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

- ✓ As of now, Bank is not offering variable pay and hence no such deferrals of variable
- ✓ Employee Stock Option Scheme/Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms

Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

- ✓ Performance Linked Incentives to those employees who are eligible for incentives

- ✓ Ex-gratia for other employees who are not eligible for Performance linked Incentives
- ✓ Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.

As of now, Bank is not having a variable pay structure.

Board of the Bank at its meeting held on 14/09/2014 has approved the Employees Stock Options Scheme (ESOS 2013). The salient features of the ESOS 2013 are as under:

- ✓ Confirmed employees who are in the service of the Bank as on 01/05/2014 having more than 2 years of service in the Bank are eligible.
- ✓ Present Grade and completed years of service as on 01/05/2014 are the yard sticks considered for grant of options to employees.
- ✓ Granted shares shall vest as per the following vesting schedule:
 - 30% shall vest on completion of 12 months from the date of grant (14.08.2014) which is on 14.08.2015
 - 30% shall vest on completion of 24 months from the date of grant which is on 14.08.2016
 - Remaining 40% shall vest on completion of 36 months from the date of grant which is on 14.08.2017.
- ✓ Exercise period for the options granted shall be 3 years from the date of vesting.
- ✓ The options are being granted at ₹40.73 per option
- ✓ The grade wise/experience wise eligibility grid is as under:

Completed year of service as on 01/05/2014									
Grade	> 2 years but ≤ 3 years	> 3 years but ≤ to 5 years	> 5 years but ≤ to 10 years	> 10 years but ≤ to 15 years	> 15 years but ≤ 1 to 20 years	> 20 years but ≤ to 25 years	> 25 years but ≤ to 30 years	> 30 years but ≤ to 35 years	> 35 years but ≤ to 40 years
Grade 7	2500	5000	7500	10000	12500	15000	17500	20000	22500
Grade 6	1500	3000	4500	6000	7500	9000	10500	12000	13500
Grade 5	1000	2000	3000	4000	5000	6000	7000	8000	9000
Grade 4	600	1200	1800	2400	3000	3600	4200	4800	5400
Grade 3	500	1000	1500	2000	2500	3000	3500	4000	4500
Grade 2	400	800	1200	1600	2000	2400	2800	3200	3600
Grade 1	300	600	900	1200	1500	1800	2100	2400	2700
Grade E2	200	400	600	800	1000	1200	1400	1600	1800
Clerk	200	400	600	800	1000	1200	1400	1600	1800
Sub Staff	100	200	300	400	500	600	700	800	900

Quantitative Disclosures:

Number of meetings held by the Nomination & Remuneration Committee during the quarter ended 31.03.2018	5
Remuneration paid to the members of Remuneration Committee (Sitting fees)	₹1,70,000/-
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 31.03.2018	
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	1 22864.60
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-404.80
4 Adjustments for derivative financial instruments	66.40
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)	1 789.50
7 Other adjustments	4173.34
8 Leverage ratio exposure	1 28489.04

TABLE DF 18 – LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Item	Leverage ratio framework (₹ in million)
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1 27037.93
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	404.80
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1 26633.13
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	12.10
5 Add-on amounts for PFE associated with all derivatives transactions	54.30
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)	66.40
Securities financing transaction exposures	
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)	
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	1789.50
18	(Adjustments for conversion to credit equivalent amounts)	0
19	Off-balance sheet items (sum of lines 17 and 18)	1789.50
Capital and total exposures		
20	Tier 1 capital	6318.60
21	Total exposures (sum of lines 3, 11, 16 and 19)	128489.03
Leverage ratio		
22	Basel III leverage ratio	4.92%

Liquidity Coverage Ratios (LCR)

The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. As per RBI guidelines on "Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and LCR Disclosure Standards" dated June 9, 2014, LCR is introduced in a phased manner starting with a minimum requirement of 60% from January 1, 2015 and reaching minimum 100% on January 1, 2019.

Definition of LCR

Stock of high quality liquid assets (HQLAs) $\geq 100\%$

Total net cash outflows over the next 30 calendar days

Below mentioned is a position of Liquidity Coverage Ratio computed based on daily simple average for the year ended March 31, 2018.

(₹ in Crore)

Particulars	Daily average during the year ended 31.03.2018	
	Total Unweighted Value (average)	Total Weighted Value (average)
1 High Quality Liquid Assets		2072.84
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	5582.48	364.00
(i) Stable deposits	3921.69	196.08
(ii) Less stable deposits	1679.19	167.92
3. Unsecured wholesale funding, of which:	768.13	267.73
(i) Operational deposits (all counterparties)	-	-
(ii) Non-operational deposits (all counterparties)	768.13	267.73
(iii) Unsecured debt		
4. Secured wholesale funding		
5. Additional requirements, of which	-	-
(i) Outflows related to derivative exposures and other collateral requirements	-	-
(ii) Outflows related to loss of funding on debt products	-	-
(iii) Credit and liquidity facilities		
6. Other contractual funding Obligations	517.77	59.22
7. Other contingent funding obligations	225.08	6.75

8. Total Cash Outflows		
Cash Inflows		
9. Secured lending (e.g. reverse repos)	-	-
10. Inflows from fully Performing exposures	-	-
11. Other cash inflows	0	0
12. Total Cash Inflows	0	0
		Total Adjusted Value
13. TOTAL HQLA		2072.84
14. Total Net Cash Outflows		695.39
15. Liquidity Coverage Ratio (%)		298.08%



Our Corporate Office decorated with lights during the occasion of "Thirissur Pooram" one of the most colourful festival of Kerala.



Our former MD & CEO Sri.G Sreeram distributing the DLB-TMA Scholarship. We have been awarding Scholarship of Rs 50,000/- each to two identified management students in Thirissur every year.



Our Sannidhanam Branch for 'Mandalam - Makaravilakku Season 2017-18' was inaugurated by Devaswom Minister Sri. Kadakampalli Surendran on 15.11.2017. Travancore Devaswom Board President Sri. A. Padmakumar, Member Sri. K. P. Sankaradas and other dignitaries were also present in the occasion. Chief General Manager Sri. Manikandan P, the then Thiruvananthapuram Regional Manager Sri. Sreekumar M. P. also attended the inaugural function.



A helping Hand- Dhanlaxmi Bank has handed over Rs.1 Crore as a contribution to Chief Minister's Distress Relief Fund. The Bank was represented by Mr. Sajeiv Krishnan (Chairman), Ms. T Latha (Managing Director & CEO), Directors Mr.C K Gopinathan and Mr.Arun Rao and Mr. Manikandan.P (Chief General Manager).



Bhopal Branch was shifted to new premises and Minister of Finance and Commercial Taxes Sri. Jayant Malaiya addressed the inaugural function. The event was graced with the presence of Arch Bishop Dr. Leo Cornelio and office bearers of the Nair Community. Chief General Manager Sri. Manikandan P. was also present in the inaugural function.



M/s Tata Consultancy Services (TCS) organized the 6th Edition of "TCS Fit4life Corporate Challenge" on 18th February 2018 at Kochi. The 10K Run was conducted to promote an awareness on physical fitness amongst the work force and to contribute towards a social cause. More than 150 participants from our Bank took active participation in the Challenge. Our Bank achieved the trophy for "The Corporate with highest number of Female Participation" in the event.

DhanlaxmiBank 
established 1927

Registered & Head Office:

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