

## NOTICE

Notice is hereby given that the 85<sup>th</sup> Annual General Meeting of Dhanlaxmi Bank Limited will be held on Thursday, September 27, 2012 at 3 p.m. at Kousthubham Auditorium, Thrissur – 680 001 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2012 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditor thereon.
2. To declare dividend for the year 2011-12.
3. To appoint a Director in place of Mr. K. Srikanth Reddy (Director in Majority Sector), who retires by rotation and offers himself for re-appointment.

Mr. K. Srikanth Reddy was appointed as additional Director on 29.10.2007 & elected as Director at the 81<sup>st</sup> AGM held on 27.09.2008 and re-appointed at the 82<sup>nd</sup> AGM held on 31.07.2009. The details of Mr. K. Srikanth Reddy who retires by rotation and offers himself for re-appointment, required under the Listing Agreement is given below.

Mr. K. Srikanth Reddy has been in civil services for over 16 years and worked in Ministries of Planning and Programme Implementation, Food Processing Industries, Defense, Communications, Welfare and Tourism and Civil Aviation. He is also running own agricultural farms in Andhra Pradesh.

|                                                                                                                                        |                             |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Date of Birth                                                                                                                          | 05.06.1953                  |
| Date of Appointment                                                                                                                    | 29.10.2007                  |
| Qualification                                                                                                                          | B.Com, MBA                  |
| Expertise in specific functional area                                                                                                  | Agriculture & Rural Economy |
| Directorships held in other Public companies (excluding foreign companies and Section 25 companies)                                    | Nil                         |
| Memberships/Chairmanships of committees of other public companies (includes only Audit Committee and Shareholders Grievance Committee) | Nil                         |
| Number of shares held in the Company                                                                                                   | 20,000                      |

4. To appoint a Director in place of Mr. Shailesh V. Haribhakti (Director in Majority Sector), who retires by rotation and does not offer himself for re-appointment.
5. To appoint Statutory Auditors and fix their remuneration.

### SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

**"RESOLVED THAT** pursuant to the provisions of Section 228 and other applicable provisions, if any of the Companies Act, 1956 ("Act"), the Board be and is hereby authorised to appoint as Branch Auditors of any branch office of the Bank, whether existing or which may be opened hereafter, in consultation with the Bank's Auditor, any person(s) qualified to act as Branch Auditor within the provisions of Section 228 of the Act and to fix their remuneration".

7. To consider and if thought fit, to pass with or without any modification, the following resolution as a Special Resolution.

**"RESOLVED THAT** the approval of the shareholders of the Bank be and is hereby accorded to amend the Clause 10 of the scheme, existing vesting option of The Dhanalakshmi Bank Employees Stock Option Scheme (ESOP Scheme), full details whereof have been furnished as per particulars furnished in the explanatory statement given hereunder in respect of this item of business".

By order of the Board

Sd/-

**Ravindran K. Warriar**  
**Secretary to Board &**  
**Company Secretary**

Place : Thrissur  
Date : 27.08.2012

## Notes:

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item Nos. 6 and 7 above, are annexed hereto.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Bank. Proxies, in order to be effective, must be received at the Bank's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolution / authority, as applicable.
3. The Register of Members and Share Transfer Books of the Bank will be closed from Saturday the 15<sup>th</sup> September 2012 to Thursday the 27<sup>th</sup> September 2012, both days inclusive. Transfers received during book closure shall be considered after re-opening of the Register of Members.
4. Members holding shares in physical form are requested to advise any change of address, with PINCODE immediately to the Bank's Registrar and Share Transfer Agent, M/s Karvy Computershare Pvt. Ltd., Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081. Members holding shares in electronic form must send the advice about change in address to their respective Depository Participant only and not to the Bank or the Bank's Registrar and Share Transfer Agent.
5. The shareholders and Beneficial Owners who have not so far encashed / claimed the dividends for the last 7 financial years i.e., from 2004-2005 to 2010-2011, have to submit the dividend warrant(s) if any available with them for revalidation to the Company Secretary, Dhanlaxmi Bank Ltd., Dhanalakshmi Building, Naickanal, Thrissur – 680 001.
6. In terms of Section 205 C of the Companies Act, 1956 the dividends which are unclaimed for a period of seven years have to be transferred to "Investor Education and Protection Fund" (the Fund) maintained with Central Government and the shareholders / Beneficial Owners' cannot make any claim for the dividends once the unclaimed dividends are transferred to such Fund. The dividends remained unclaimed up-to 2003-2004 has been transferred to the Fund.
7. The Board of Directors of your Bank has recommended to the Reserve Bank of India for appointing M/s. P. B. Vijayaraghavan & Co., Chennai as Central Statutory Auditor of the Bank for the year 2012-13 from the panel of three Audit Firms - 1) M/s. P. B. Vijayaraghavan & Co., Chennai, 2) M/s. R. G. N. Price & Co., Ernakulam and 3) M/s. CNGSN & Associates, Chennai in the order of preference.
8. Shareholders are advised to join the Government of India's Green Initiative by registering their e-mail Ids for the purpose of receipt of notices, reports and other communications from your Bank so as to cut down consumption of newspapers. If this initiative succeeds, it may do away with the printing thousands of copies of notices and annual reports and will also result in considerable savings in postal charges. Your Bank takes due note of the position those people who may not have facility to download notices and also those who are comfortable in reading only physical copies. Therefore this requirement is optional only and your Bank will continue to send physical copies of notices and reports in the usual course to those who have not registered their e-mail Ids.

## EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

### Item No.6

In terms of Section 228 of the Companies Act, 1956, the Branch Offices of the Bank have to be audited either by Statutory Auditor or other qualified Auditors. Bank intends to entrust the Audit of Branch Offices either to the Statutory Auditor or to other qualified Auditors in consultation with Statutory Auditor on such remuneration and on such terms and conditions as the Board deems fit. The members are requested to authorise the Board of Directors of the Bank to appoint branch auditors in consultation with the Bank's Auditor and to fix their remuneration.

None of the Directors is concerned or interested in the Resolution under the above item. The Board recommends the passing of the above item as an Ordinary Resolution.

### Item No. 7

As you are aware, your Bank established The Dhanalakshmi Bank Employees Stock Option Scheme, 2009 for the purpose of grant of stock options to employees. The scheme was established and implemented in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 [the SEBI Guidelines]. Necessary approval of shareholders of the Bank by way of a special resolution was obtained at the Annual General Meeting of your Bank held on 31<sup>st</sup> July 2009 & in 22<sup>nd</sup> June 2011. The scheme has proved its utility as your Bank was able to attract talents and create a strong management team which is a sine qua non for assuring a vibrant future. The said resolution conferred upon the Board of Directors / Remuneration Committee of Directors a power to make appropriate amendments to the Scheme.

At the meeting held on 26.08.2011, the Remuneration Committee your Bank has approved certain amendments to the Vesting Option of the Scheme in order to overcome certain limitations that the approved scheme does not offer a flexible vesting schedule. The existing and the amended vesting option are given below;

### Existing vesting Option

#### a) Vesting Option of Joining Employees (all employees joined during 01.01.2009 to 31.12.2009, including Mr. Amitabh Chaturvedi)

- All the options granted to 'Joining Employees' under the Scheme, shall vest after completion of 12 months from the date of grant. All the options granted to 'Joining Employees' under the Scheme, shall be subject to a lock-in period of twenty four months from date of vesting of options under this Scheme.

#### b) Vesting Option of Existing Employees (all employees joined as on 31.12.2008)

- All options granted to existing employees under the Scheme shall vest – 30% after completion of 12 months another 30% on completion of 24 months and the balance 40% on completion of 36 months from the date of grant date.

### Amended Vesting Option as per Remuneration Committee dated 26.08.2011

#### A) All employees who are on the rolls of the Bank as on 31.07.2010 (Including Existing & Joining Employees)

- *For all employees who had become employees of the Bank before 31.07.2010 – 50% on completion of 12 months and the balance 50% on completion of 24 months from the grant date.*

#### B) All employees joined after 31.07.2010

- *For rest of the employees and new joinees – 30% on completion of 12 months, another 30% on completion of 24 months and the balance 40% on completion of 36 months from the grant date.*

The SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 [SEBI Guidelines] stipulates the following conditions:

- That the proposed variation to the Scheme should not be detrimental to the interests of the employees [Para 7.1 of the SEBI Guidelines].
- That the company may by special resolution in a General Meeting vary the terms of ESOP offered pursuant to an earlier resolution of a general body but not yet exercised by the employee provided such variation is not prejudicial to the interests of the option holders [Para 7.3 of the SEBI Guidelines].
- That the Company should give full particulars of the employees who are beneficiaries of such variation [Para 7.4 of the SEBI Guidelines]

As already stated, the proposed variation is of general nature and it applies to all existing beneficiaries and joining employees. It is not detrimental to the interests of employees. A copy of the scheme 'as amended' is available for inspection by members during working hours at the registered office of the Bank until the date of the Annual General Meeting.

The Bombay Stock Exchange, vide its letter dated DCS/AMAL/BS/ESOP-IP/60/2012-13 dated April 30, 2012 had approved the fresh creation of 10,65,709 options for

being issued to Eligible Employees which upon exercise lead to issue of equal number of equity shares of the Bank. The Remuneration Committee of the Board of Directors of the Bank, in its meeting held on 26.08.2011, had approved the cancellation of GRANT – 3 whereby there was a proposal to issue 8,50,100 Options and instead approved the grant of 11,19,654 options. It is under this new proposal, on the basis of the application made by the Bank, Bombay Stock Exchange had approved the further grant of 10,65,709 Options as stated above. With respect to 10,65,709 options approved by Stock Exchanges aforesaid, it represents the number obtained by 6% of the paid-up capital of the Bank as on 25.08.2011 duly deducting thereon the options already granted.

None of the Directors except Managing Director & CEO to the extent of 42,000 options vested on August 06, 2009 but not exercised, is concerned or interested in the Resolution under the above item. The Board recommends the passing of the above item as a Special Resolution.

By order of the Board

Sd/-

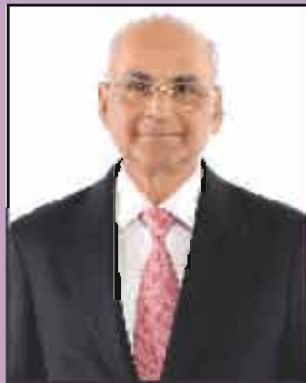
**Ravindran K Warriar**  
**Secretary to Board &**  
**Company Secretary**

Place : Thrissur  
Date : 27.08.2012

# Annual Report 2011-12

A large, stylized map of India is the central focus, filled with a collage of various images representing Indian culture, history, and nature. In the center, a colorful Hindu deity, likely Lord Venkateswara, is seated on a large pink lotus flower. The deity is adorned with elaborate jewelry and a crown, holding a conch shell and a mace. Surrounding the deity are various scenes: the Taj Mahal, camels in a desert, a rhinoceros, a person on a boat, and other cultural landmarks. The entire map is set against a dark blue background with a subtle grid pattern.

## Board of Directors



**G N Bajpai, Chairman**



**P G Jayakumar, Managing Director & CEO**



**S Santhanakrishnan**



**K Srikanth Reddy**



**Shailesh V Haribhakti**



**Sateesh Kumar Andra**

**Registered Office & Corporate Office**

Dhanlaxmi Bank Ltd., P B No. 9, Dhanalakshmi Buildings, Naickanal  
THRISSUR - 680 001.

Kindly refer to the website for other offices.

**Company Secretary**

RAVINDRAN K. WARRIER

**Auditors**

M/s Walker, Chandiok & Co., Mumbai

M/s Sharp & Tannan, Mumbai

**Legal Advisors**

Amarchand & Mangaldas

B. S. Krishnan, High Court of Kerala, Cochin.

Advocates & Solicitors

**Stock Exchanges**

National Stock Exchange (NSE)

Bombay Stock Exchange (BSE)

Cochin Stock Exchange (CSE)

**Registrar & Transfer Agents**

Karvy Computer Share Private Ltd., Plot No. 17-24,

Vithal Rao Nagar, Madhapur, Hyderabad - 500 081.

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# Chairman's Statement

G. N. Bajpai

Dear Shareholders,

I have often been inspired by the adage penned by the immortal Chinese religio-philosopher Confucius: "Our greatest glory is not in never falling but in rising every time we fall". The wisdom inherent in the quote applied in a large sense to the global as well as Indian economy and also to enterprises including our own Bank during the year 2011-12.

The global economy painted telltale signs of slowing down in the year passed by. In its latest update of the World Economic Outlook (WEO), the International Monetary Fund has revised its projection of global growth in 2012 marginally downwards to 3.5% and also emphasized further downside risks to growth. In the U.S., output growth decelerated to 1.5% in Q2 from 2% in Q1 of 2012. Fiscal cliff hanger – Bush era tax cuts and payroll tax cuts looms large, while congress bickers on raising debt. Fed is smarting to unleash QE3 to push growth. In the Euro area, growth was flat in Q1 after a contraction by 1.2% in the previous quarter. In the UK, growth climbed down by 2.8% in Q2 and 1.3% in Q1. As of now, "Greece totters, Spain withers and Italy dithers". Initiatives implemented so far have hardly calmed the markets and overhang of debt seem snowballing into an avalanche. Options in circulation to address the mess appear to be OMNISHABLES. Japan too has suffered slippages. The volcano of debt to GDP

ratio of 200%, currently protected by private sector and House Hold Savings could erupt into a deluge with the flight of capital.

Among the BRICS countries, global engine of growth-China fell from 8.1% in Q1 of 2012 to 7.6% in Q2, broadcasting signals of strain; exports, FDI, bank lending et el all are moving southward. Wen Jiabao said some time back, "There are structural problems in Chinese economy that cause unsteady, unbalanced, uncoordinated unsustainable developments." Growth had also moderated significantly in Brazil (GDP is growing lower than Japan) and South Africa in Q1. According to IMF, growth in a number of Emerging Development Economies (EDEs) turned out to be lower than earlier forecast.

It appears bad leadership, tepid tactics and partisan politics have contaminated the environment across geographies. Hopefully, the Europe will witness the requisite political courage to move towards creation of a strong and stable monetary union and building a perspective of erecting the magnificence of the fiscal union and steer the world economy out of prolonged uncertainty.

Against this backdrop, Asia's third largest-India could hardly remain insulated. A sharp slowdown in industrial growth as well as deceleration in services sector

pulled down the overall GDP growth to a nine- year low of 6.5% for 2011-12. In fact, it decelerated over 4 successive quarters from 9.2% in Q4 of 2010-11 to 5.3% in Q4 of 2011-12. A key reason for the decline was the negative growth in the Index of Industrial Production (IIP) that fell sharply from 8.2% in 2010-11 to 2.9% in 2011-12. Global rating agencies are adding to the gloom through periodical threats of a downgrade.

It is by now well known that the Indian economy was buffeted by numerous constraints during the year viz. political uncertainties, policy paralysis, lower capex, declining capital inflows, weakening rupee and renewed concerns about the slowdown of global economy. In fact, the three demons of macro-economic stability – inflation, fiscal deficit and current account have invaded together and derailed the growth trajectory. RBI and Ministry of Finance have also since expressed serious discomfort over the rising fiscal deficit and declining House Hold Savings (lowest in 22 years). Challenged by adverse macro and micro factors both have scaled down growth prospects. Estimates of GDP growth pronounced by the economists, agencies and policy planners as of now range between 5%-6.5%. Monetary authorities are still grappling with finding the right balance between containing inflation (their dharma) and spurring growth; and Political Executive with social and political overtones of alleged corruption in the national life.

However, India's resilience in the face of challenges has been legendary, which was tested even recently when it successfully weathered the storm of the 2008 global meltdown. Some of our economy's fundamentals are still intact and portend immense growth potential. It augurs well that the Prime Minister elevated the success of economic reforms as being essential to national security in his Independence Day address to the nation. A comforting note comes from the Centre for Monitoring Indian Economy (CMIE), which estimates the aggregate value of completed projects for FY 13 to rise to ₹ 5.7 lakh crore compared to ₹ 4.1 lakh crore in 2011-12. The

change of guard at the Ministry of Finance seems to beam rays of hope. Newspapers' reports suggest, "Men are at work"; bureaucracy is energized, files are being dusted and Allies have been beckoned. The key growth drivers are being primed to contain fiscal deficit and inflation and propel the economy into a higher growth trajectory with special reference to infrastructure investment, job creation and structural reforms for boosting agricultural productivity. However, the journey of the year 2012-13 is going to be formidably challenging.

Though the financials of the banking system grew in size as well as strength during the year, periodical changes in RBI's policy rates to contain inflation vis-à-vis growth dynamics have affected the credit expansion. Further, during the year, economic slowdown impacted the banking sector adversely resulting in a sharp increase in non-performing assets. Additionally, it is estimated that restructured assets amount to over 2.2% of GDP broadcasting SOS for revival of the economy. However, banking industry is readying to meet the emerging challenges with conviction and dexterity.

Our Bank went through a churning during the year that affected both growth and profitability. There has been change of leadership and restructuring of the organization. Other immediate priorities like capital raising, consolidation and profitability are being addressed sagaciously. The Bank has crafted a Turnaround Plan for 2012-13 with the guidance of the RBI, which is well on track. Bank is hopeful of emerging triumphant yet again from this trying phase too with vital indicators pointing to a definite revival. Your continued support and confidence will arm us further with the requisite weaponry to conquer.

May the year 2012-13 prove rewarding to you and all other stakeholders.

With best wishes

**G. N. Bajpai**  
Chairman

# Managing Director & CEO's Statement

Dear Shareholders

I am privileged to share with the shareholders of Dhanlaxmi Bank the perspectives on the future we dream about the bank.

I have been a part and parcel of Dhanlaxmi for over 35 years. Its ethos and culture have shaped my core beliefs and value systems in banking over the decades. The bank's chequered history in the service of the people of this country, particularly the common man and the financially excluded sections of the society are widely recognized. The soul of the bank is its social commitment. The defining character of the Bank, in its 85 year old journey, has always been its strength of resilience – a capacity to bounce back even in the worst of times. Popularly known as God's Bank in God's own country, it has often served as a crucible for experimentation and adversities have conferred on it a special blessing to be back in the reckoning, more often sooner than later.

It would seem appropriate to judge the Bank's progress in recent years against the above backdrop. Needless to emphasise that the Bank had consciously opted in 2008-09 for a different business model that carried an inspiring and challenging vision. The strategy towards achieving

it was launched with the opening of 66 branches and around 400 ATMs spread across 14 States and its changed brand that made the Bank a truly pan India entity and reflected youthfulness in its maturity. The bank also introduced several improvements like the centralized account opening, which helped to take the KYC-AML standards to a higher pedestal and for better regulatory compliance. The infusion of young blood lent a certain vigour and vitality to the organization. Successful raising of capital at a high premium provided the right atmosphere for accelerated growth.

However, the weaknesses in the business model compounded by slowdown in economy came to the fore in 2011-12 and impacted the business growth and coupled high operating expenses pushed the Bank into the strained profitability scenario. Consequent to change in leadership, and revisit of business model organisational restructuring to branch centric approach shaped up. This model is time tested in the banking industry and is in vogue in over 80% of the Banks in the country today.

We are confident that this model will be more delightful to the customers as the customer facing points are empowered to offer solutions to all customer needs. This takes us further close to the customer for better relationship, which has been the

soul of the bank all along its eight decades journey. In the reengineered business model, decision making will be faster as Branch head, Regional Head, Zonal Heads are closer to the markets of the geography they operate. The systems have been fine tuned to render impeccable services to the patrons of the bank.

All the good initiatives of the last three years have totally integrated into the new system to make the delivery of the bank's services and products unique and hence, more efficient.

The technological capabilities the bank acquired in the last couple of years make it one of the best in the industry, offering state of the art banking services like internet banking, mobile banking, three in one account for savings and stock trading et al.

An important felt need at this juncture has been manpower rationalization, which is under way. A more realistic Performance Management System is also on the cards. Pricing policy, which is central to improved profitability, is constantly under review. Fee based income has been elevated to the priority watch list. In fact, every activity is critically scrutinized from the viewpoint of income generation or cost reduction or both.

The transition to the new model has been smooth. Keeping in view the formidable nature of the challenges ahead, the Bank is leaving no stone unturned to raise fresh capital, accelerate business growth and improve the bottom-line through a slew of initiatives. It is on the road to prosperity and is well set to achieve the goals enshrined in the Turnaround Plan 2012-13 that was formulated with the guidance of RBI and the board of the bank. All trade unions in the Bank have been lending excellent support in business development and all around progress of the bank. Thus journey to prosperity is gathering momentum every passing day.

I gratefully acknowledge and inform our stake holders about the excellent support the bank is fortunate to have from the government, Quassi government institutions, Statutory institutions, leading NGOs engaged in the social service of Bank's Home state, the religious trusts, valued customers of all hues. This unstinted support make our journey to prosperity, speedy and sagacious. I would like to inform the dear shareholders that your bank enjoys huge trust and confidence in the society.

Let me take this opportunity to assure you that your Bank has the inherent strength of character to weather any storm and forge ahead in a competitive landscape. The future holds exciting possibilities and we are upbeat in harnessing them. Even as we greatly value your support in the Bank's endeavours, we seek your continued patronage in taking the Bank to greater heights.

Thanking you and with warm regards,

**P. G. Jayakumar**

Managing Director and CEO

# Directors' Report

## Report of the Board of Directors

We have pleasure in presenting the Bank's 85<sup>th</sup> Annual Report along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.03.2012.

## Capital and Reserves

The Bank's Capital and Reserves declined from ₹844.64 crore as on 31.03.2011 to ₹725.25 crore as on 31.03.2012. The Capital Adequacy Ratio as per Basel I was 9.49% as on 31.03.2012 as against 10.81% as on 31.03.11. Under Basel II, it was 9.49% as on 31.03.12 as against 11.80% as on 31.03.11. The benchmark prescribed by RBI is 9%.

## Branch Expansion

The Bank's customer outlets stood at 680, as on 31.03.12, comprising 268 branches, 400 ATMs and 12 processing centres. No branch or ATM was opened during the year. The top 5 States where the Bank has presence are (number of customer outlets given in brackets): Kerala (307), Tamil Nadu (114), Maharashtra (78), Andhra Pradesh (54) and Karnataka (53).

## Deposits

The total deposits of the Bank stood at ₹11,804.41 crore as on 31.03.2012 as against ₹12,529.63 crore as on 31.03.2011. The decline is largely

attributable to the withdrawal/non-renewal of bulk deposits under Certificate of Deposits and Inter Bank Deposits during the year. The Bank consciously discouraged mobilization of bulk funds from a cost and ALM perspective. CASA balances as on 31.03.2012 accounted for 19.35% of total deposits.

The Bank launched incentive based campaigns during the year for strengthening its resources base with special emphasis on CASA accounts. The number of deposit accounts increased from 13.20 lac as on 31.03.2011 to 14.61 lac as on 31.03.2012.

## Advances

Total advances of the Bank stood at ₹8,830.85 crore as on 31.03.2012 as against ₹9,121.61 crore as on 31.03.2011. The decline is largely attributable to shedding of low yielding advances. There was also a conscious shift in focus during the year from corporate segment to SME and Retail sectors. During the year, the Credit Deposit Ratio rose from 72.80% to 74.81%. The number of borrowal accounts stood at 2.17 lac as on 31.03.12 as compared to 2.29 lac as on 31.03.11.

## Total Business

The total business of the Bank stood at ₹20,635.26 crore as on 31.03.2012 as against ₹21,651.24 crore as on 31.03.2011.

### **Priority Sector Advances**

The Bank continued its efforts during the year in facilitating the growth of the productive sectors of the economy. Priority Sector Advances increased from ₹2,565.23 crore as at the end of March 2011 to ₹2,810.34 crore as at the end of March 2012 – a rise of ₹245.11 crore during 2011-12. Direct agricultural outstandings grew from ₹704.09 crore to ₹781.71 crore during the same period. The share of priority sector advances and agricultural credit in net bank credit was 30.87% and 9.97% vis-à-vis the RBI mandated targets of 40% and 18% respectively. The outstandings under credit to weaker sections of society was ₹738.78 crore representing 8.11% of Net Bank Credit vis-à-vis the guideline of 10% set by RBI.

The Bank has chalked out a set of aggressive strategies in the current year for reaching the prescribed targets under the above segments. A key aspect of this strategy is the popularizing of gold loan especially agricultural gold loan and focus on micro lending, the training for which is in full swing across all our branches in the country.

### **Profitability**

As against a profit of ₹26.06 crore for the previous year, the Bank posted a loss of ₹115.63 crore in the current year due to a sharp increase in manpower cost, other operational expenses and higher NPA provisioning. A number of income generation and cost reduction endeavours were put in place in the last quarter of the year to strengthen the bottomline, which have started yielding results.

### **Dividend**

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

### **Non-Performing Assets**

Concerted efforts were taken during the year to reduce the level of non-performing assets. However, owing to fresh accretion and a decline in total

advances, the percentage of gross NPAs to gross advances increased from 0.74% to 1.18% during the year, while the net NPA ratio increased from 0.30% to 0.66% during the period. The total cash recoveries, including upgradation and recoveries in written-off accounts, during the year was ₹64.15 crore (₹59.30 crore in 2010-11) surpassing the annual target of ₹63.49 crore. Increase in Net NPA was to the extent of ₹30.53 crore during the year. The Provision Coverage Ratio stood at 45.59% as at the end of 31.03.12.

The Bank could achieve good recovery during the year through a set of measures, viz. action under SARFAESI Act, litigation, settlement through negotiation etc. The health of the borrowal accounts was continuously monitored with a view to constantly improving the asset quality and to facilitate faster recycling of funds.

### **Customer Service**

The Bank attaches top priority to the quality of service rendered across its branches/offices. It has taken several measures during the year through deployment of technology and otherwise for significantly enhancing service quality.

A Customer Service Committee of the Board, comprising of 5 Directors, monitors the implementation of customer service measures periodically. Customer Service Committees comprising of Bank personnel as well as our constituents have been formed at the apex level and at Branches for monitoring service quality and bringing about improvements in this area on an ongoing basis. The Bank is a member of the Banking Codes and Standards Board of India (BCSBI) and is actively implementing the Code of Commitment to Customers as also the Code for Micro and Small Enterprises formulated by the BCSBI. The Bank has 24x7 phone banking call centre at Bangalore as an outsourced model, which is functioning satisfactorily.

#### **Damodaran Committee on Customer Service**

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

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

The recommendations of the Committee were studied by the IBA and a list of 77 recommendations were advised to banks for implementation. The Bank has already implemented 64 of these and the remaining items are in process.

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

1. Speed Clearing in 193 locations
2. Insta-PIN facility for Debit Cards
3. Launch of one time registration bill payment feature
4. New features added in mobile banking
5. Introduction of mobile banking for NRI customers
6. Online Tax return filing facility for customers
7. Introduction of Dhanlaxmi Bank Gold and Platinum debit cards
8. Introduction of Dhanlaxmi Bank Forex Cards
9. Launch of short code for Lead Generation and SMS based ATM / Branch Locator
10. Launch of Interactive Voice Response (IVR) at Call Centre
11. One Time Registration Bill Payment module – through Internet Banking
12. E-Commerce enablement of Visa Debit Card
13. Corporate Internet Banking
14. IMPS (Interbank Mobile Payment Service) via Mobile Banking
15. Retail Gold Sales – Corporate Deals
16. Shabarimala Accident Policy
17. Gold Bullion and Dhan Silver Bar sales
18. Decentralisation of opening of Fixed Deposit and Loan Against Deposits

In addition to the above, there were value adds in several existing products in line with the Bank's constant endeavours to cater to growing customer needs.

The position of customer complaints during 2011 – 12 is as under:

| Particulars                                            | Contact Centre | ZOs & CO | ATM Recon. | Banking Ombudsmen | Total |
|--------------------------------------------------------|----------------|----------|------------|-------------------|-------|
| No. of complaints pending at the beginning of the year | 24             | 11       | 0          | 10                | 45    |
| No. of complaints received during the year             | 3731           | 622      | 8673       | 74                | 13100 |
| No. of complaints redressed during the year            | 3741           | 626      | 8669       | 81                | 13117 |
| No. of complaints pending at the end of the year       | 14             | 7        | 4          | 3                 | 28    |

Out of the 28 complaints pending for resolution as on 31.03.2012, 23 complaints including all Ombudsman complaints have been closed since till date.

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

During the year, the Bank had transferred the unclaimed, unpaid dividend for the year 2003-04 an amount of ₹5,34,425 to the Investor Education and Protection Fund (IEPF) constituted under Section 205C of the Companies Act, 1956.

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

The Equity shares of the Bank are listed on the Bombay Stock Exchange Ltd., National Stock Exchange Ltd., and Cochin Stock Exchange Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2011-12.

#### **Conservation of energy**

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

#### **Technology Absorption**

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

#### **Foreign Exchange Earnings and Outgo**

Being an authorised dealer in Foreign Exchange, all possible measures are taken by the Bank to increase foreign exchange earnings.

#### **The Companies (Disclosure of Particulars in respect of Board of Directors) Rules, 1968.**

"The statement containing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the rules thereunder, is given in an Annexure appended hereto and forms part of this report. In terms of Section 219(1) (iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the Annexure may write to the Company Secretary of the Registered Office of the Bank."

#### **Directors' responsibility statement**

The Directors confirm that in the preparation of the annual accounts for the year ended 31 March 2012:

- the applicable accounting standards have been followed along with proper explanation relating to material departures, if any
- the accounting policies, framed in accordance with the guidelines of the Reserve Bank of India, were applied consistently
- reasonable and prudent judgment and estimates were made wherever required so as to present a true and fair view of the state of affairs of the Bank as at the end of the financial year and the profit of the Bank for the year ended 31<sup>st</sup> March 2012
- proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing Banks in India
- the accounts have been prepared on a 'going concern' basis and
- that proper systems are in place to ensure compliance of all laws applicable to the Bank.

#### **Changes in the Board**

Shri Amitabh Chaturvedi demitted office on 06.02.2012 as Managing Director & Chief Executive Officer.

Shri. Vidyadhara Rao Chalasani, Director resigned on 14.12.2011.

Shri. Ghanshyam Dass, Director resigned on 16.07.2012.

The Board places on record its appreciation for the valuable services.

Mr. P. G. Jayakumar, was appointed as Managing Director and CEO on 6.02.2012 and assumed charge as regular MD & CEO on 18.5.2012 on receipt of approval of his appointment by RBI.

All the Non-Executive Directors of the Bank have

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

All Directors except Managing Director and CEO are Non-Executive and Independent Directors.

#### **Acknowledgements**

The Board places on record its gratitude to:

- The Government of India, the Reserve Bank of India, State Governments, Securities and

Exchange Board of India and other regulatory bodies for their continued assistance and guidance.

- The customers, shareholders, other stakeholders and well wishers for their valued patronage.
- The officers and staff for their active involvement and contribution to the Bank's growth and development.

By Order of the Board

Sd/-

Place : Mumbai  
Date : 25.08.2012

**G. N. Bajpai**  
Chairman

# Management Discussion and Analysis Report

## Global Economy

The financial crisis of 2008 and its aftermath continued to cast its ominous shadow on the global economy during the year. The gradual recovery from its ill effects was affected by the sovereign debt crisis in Europe. Consequently banks overseas developed risk aversion and reducing their debt exposure to emerging markets like India affecting inward fund flows. The global economy grew by 3.9% in 2011 against 5.3% in 2010 and is expected to decline further to 3.5% in 2012 as per the International Monetary Fund's April, 2012 update of the World Economic Outlook. Gross Domestic Product (GDP) growth in advanced economies declined to 1.6% in 2011 compared to 3.2% in 2010 and is expected to further slow down to 1.4% in 2012. Emerging economies too suffered the impact of the global slowdown with their GDP growth recording 6.2% in 2011 compared to 7.5% in 2010 and expected to fall to 5.7% in 2012. It can be said in the light of the above that global financial system is still some distance away from a full recovery.

## Indian Economy

The country's economy was affected during the year by concerns of burgeoning fiscal and current account deficit and higher inflation. Therefore, balancing growth with price stability became key

factors in the RBI's monetary policy throughout the year.

All three sectors viz. agriculture, industry and services slowed down in 2011-12. The growth of agriculture and allied sectors was only 2.8% in 2011-12 against 7% in 2010-11. Services sector is estimated to grow at 8.5% in 2011-12 as against 9.2% in 2010-11 reflecting the overall slow down in the economy. The Index of Industrial Production (IIP) for 2011-12 was low at 2.8% vis-à-vis 8.2% in 2010-11. The growth in index of 8 core industries contributing 38% to the IIP fell to 4.3% during 2011-12 as compared to 6.6% in the previous year. There was a decline in capacity utilization across sectors especially infrastructure.

While headline inflation during FY 2011-2012 remained highest at around 9%, the continued fall of the rupee against the dollar during the year dented the confidence of investors in the robustness of the country's economy.

## Developments on the Monetary Front

Throughout the year, the monetary policy of the RBI endeavoured to balance growth vis-à-vis inflation. The policy rates were appropriately changed (13 times since March 2010) in conformity with the

stance. The key developments on this front during the year were:

- Repo rate was the only one varying policy rate and Reverse Repo rate to be 100 basis points below the Repo.
- A new Marginal Standing Facility (MSF) was introduced in May 2011 upto 1% of NDTL at 1% above repo rate.
- SB interest were deregulated in Oct. 2011 and NRE/NRO rates deregulated in December 2011.
- Bank rate increased from 6% p.a. to 9.5% p.a. w.e.f. 13.2.2012.
- Draft guidelines for implementation of Basel III capital regulations introduced.
- Higher rates of provisioning were introduced for non-performing assets.

#### **Performance of the Banking system**

Aggregate deposits of All Scheduled Commercial Banks grew by ₹9,04,510 crore (17.40%) on year-to-year basis to touch ₹61,12,480 crore as at the last Friday of March 2012. Gross Advances grew by ₹7,62,710 crore (19.30%) during the same period to touch ₹47,04,790 crore. Food credit increased by 24.12% to ₹79,790 crore. Non-Food credit grew by 19.27% to ₹46,25,000 crore. The investment portfolios of banks moved up by 16.20% (compared to the growth of 8.40% during previous year) to touch ₹17,44,960 crore.

#### **Credit Monitoring**

Credit Administration Officers have been posted at branches to take care of the post sanction credit process such as security creation, account management, monitoring of the assets, quality of asset portfolio, reporting of irregularities, and ensuring adherence to terms of sanction. This helps in monitoring those areas prone to weakness and taking remedial action in time.

Detailed guidelines and well-defined procedures on the process flow for credit disbursement were put in

place to ensure safety of securities and safe-keeping of loan documents.

#### **Credit Sanction**

Credit Risk is defined as the possibility of losses associated with attenuation in the credit quality of borrowers or counterparties. Credit risk is managed through a framework which sets out policies and procedures covering its measurement and management. To manage the credit risk, a comprehensive Credit Policy has been put in place in the Bank with the following broad objectives:

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

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. The Bank expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio. The Bank is adopting a careful assessment of risk-return trade-off, which is critical to its success.

The Bank has also created dedicated and distinct teams to take care of various functions and sub-functions. As part of these exercises, the credit dispensation function was trifurcated as Credit Sourcing, Credit Sanction and Credit Monitoring. Recovery of the non-performing assets is taken care of by a separate team.

To enable taking a focused view within the credit

portfolio, the 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**

The Bank provides its corporate and institutional clients a wide range of commercial and transactional banking products, backed by high quality service and relationship management.

Funded and non-funded products including working capital finance, term loan finance, trade services, foreign exchange, cash management, distribution products and syndication services for debt and equity are offered by the Bank.

The main focus is on growth sectors like pharmaceuticals, infrastructure, hospitality, education, etc. As per Planning Commission estimates, infrastructure spending in India of approximately \$500 billion envisaged during the 11<sup>th</sup> Five Year Plan is expected to double to \$1 trillion in the next five year plan (2012-17).

Out of the total advances of the Bank, Corporate Banking has a share of 23%.

### **Lending to Micro, Small and Medium Enterprises**

The Micro, Small and Medium Enterprises (MSME) segment is a key business area for the Bank. MSMEs play a vital role in the development of the economy and generation of employment. Banks are able to participate in both fund and non-fund based credit limits, diversification of risk and cross-selling. Importantly, banks can also fulfill their priority sector obligations by lending to MSME.

One of the routes for achieving financial inclusion

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

### **Retail Advances**

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

### **Microfinance & Agriculture Lending**

The Bank has been working with various Self Help Groups to cater to a wide consumer base through its own branch network, rather than concentrate on providing microfinance and agriculture loans only. 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 kisan credit cards, 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. Highlights of the Bank's Microfinance and Agri-business during the year were:

- Outstandings in the area of Micro Credit was ₹248.42 crore as on 31.03.2012.
- Direct & Indirect Agriculture sector ratio stood at 9.97% as against target of 18%.
- Overall weaker section portfolio accounted for 8.11% 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 22614 number of SHGs maintaining savings bank account with our various branches. Credit facilities availed by SHGs from the Bank stood at ₹109.83 crore as on 31.03.2012. Kisan Credit Cards amounting to ₹5.19 crore were issued to 217 farmers as on 31.03.2012.
- Tied-up with dairies for providing cattle loans under JLG model and with NGOs for providing rural housing loans to SHG members.

### **Financial Inclusion**

In the last few years, your Bank has been working on a number of initiatives to promote financial inclusion across identified sections of rural, under-banked and un-banked consumers. These initiatives target segments of the population that have limited or no access to the formal banking system for their basic banking and credit requirements. The Bank's financial inclusion initiatives have been integrated across various businesses, as also product groups.

The Bank has been actively involved in providing micro-credit facility at grassroots levels for over a decade having recognized its emerging potential

as an instrument for empowerment of women and for poverty alleviation. Bank expects the living standards to significantly improve as a result of augmenting the income/ business cycles of these individuals. This would incidentally create more jobs and therefore, more stable families, supported by new incomes and employment. As basic needs are met, borrowers will be able to put in more effort into other income-generating projects – such as irrigation and thereby maximize the use of available resources.

The Bank also leverages these branches as hubs for other inclusion initiatives such as direct linkages to Self Help Groups and joint liability groups, bank on wheels, point of sale (POS) terminals, information technology enabled kiosks etc. The Bank firmly believes that, apart from agricultural loans, there are many other credit products that the Bank can use to aid financial inclusion endeavours in rural locations. The Bank has extended its retail loans to large segments of the rural population where the end-use of the products acquired by availing our loans is used for income generating activities. For example, loans for tractors or commercial vehicles supplement the farmer's income by improving productivity and reducing expenses.

As part of the overall efforts towards financial inclusion, the Bank has opened 22 BCs (Customer Service Points (CSP) in Kerala & Tamil Nadu) covering 20,507 'no-frill' accounts. The business correspondent locations will have a representative from the Bank to guide and educate customers on various banking services. These CSPs will be responsible for sourcing 'no-frills' accounts, service the deposit and withdrawal requirements of the customer after opening such accounts. Other banking services, such as insurance and loan products, will also be offered from the CSP location. The CSPs are being offered marketing, technology and training support required to deliver the above services. The Bank has tied up with NGOs

for deepening its overall inclusion activities. The number of 'no-frill' savings bank accounts opened by the Bank through its branch network totalled to 1,17,853 as on 31.03.2012.

### **Information Technology, Operations and Customer Service**

The year 2011-12 was encouraging for the Bank's IT operations. The Bank secured three awards from renowned entities during the year viz.

- EDGE Award 2011 conferred by "Information Week" for using IT for maximizing business impact.
- Computer Society of India (CSI) national award for excellence in IT.
- The Asian Banker Technology Implementation Award 2012 – International award for best Branch automation project.

The awards are a recognition of the Bank's constant endeavours to improve the quality of customer service through deployment of advanced technology.

Significant initiatives on the IT front taken during the year were:

- Master Data Mart, that will help the Bank understand the customers across relationships and help track progress.
- An integrated Disaster Recovery Run on a working day encompassing all offices/branches, thereby giving confidence on Business Continuity from an IT perspective.
- Corporate Internet Banking that helps our customers transact through the internet.
- Beefing up of Information Security capabilities.
- More customer friendly features enabled in our Core Banking System.
- The data flow for RBI has been automated for regulatory MIS reports.
- Cheque Truncation System implemented in

Chennai, Bangalore and Coimbatore making clearing and collection facilities easy for the customers across the country.

- Launched Interactive Voice Response System enabling customers to know the account balance and other enquiry through telephone using their debit cards.
- The "prasadham" distribution process in Shabarimala was automated to efficiently manage the entire process.
- Customer Relationship Management has been initiated to enhance the quality of Customer Service.
- Launched Inter Bank Mobile Payments for customers to transact through their mobile phones.
- Offered the facility of investment in IPOs through its Branches as also through ASBA facility thereby giving our Bank customers an edge.
- All branches were trained to service the retail asset customers of the bank for their most frequent customer requests like statement of account, foreclosure, certificates etc.
- Also launched a complaint tracker which helped the customers monitor the resolution of their customers within the timelines prescribed.
- The Bank's efforts in digitization helped shorten the Turn Around Time and saved nearly five lac sheets of paper and over one lac couriers thereby making it environment friendly.
- The Bank added products in the Forex suite for the convenience of its customers traveling overseas by launching the US Dollar, EUR and GBP denominated Forex Travel Cards. These products are available through select branches to our walk-in customers as well.
- Launched the 'Gold' and the 'Platinum' variants of its Visa Debit Cards with higher cash withdrawal and purchase limits. These Debit card offerings targeted at specific customer segments also provide various benefits and lifestyle privileges in conjunction with Visa.

### Treasury Operations

The year 2011-12 put to test the resilience of the Bank to withstand wild swings in both interest and exchange rates. The Bank was able to moderate the interest rate risk on the investment portfolio and could attain a 7% reduction in the Modified Duration without compromising on portfolio yield. This was possible through investments in a judicious mix of treasury bills and floating rate instruments. In the foreign exchange market, the Bank could more than double the merchant turnover during the year. The trading volumes recorded a 33% increase during the year. In line with the objective of turning Treasury in to a Profit Centre, the Bank commenced transactions in derivatives and handled a volume of ₹650 crore. It was also active in trading in non-SLR debt instruments and contributed significantly to the revenue. Further, the Bank augmented its resource base by accessing overseas inter-bank markets considerably during the year, within the regulatory norms in vogue. This also helped the Bank in supporting customers with trade credits from across the border. The Bank played its role as a member of self regulatory bodies, FEDAI and FIMMDA.

As part of broadbasing the revenue streams, the Bank commenced bullion business during the year with necessary approval from the RBI. The Bank also commenced retailing in gold and silver and established robust systems in procurement and pricing and managing the attendant risks.

The gross investments of the Bank increased from ₹3,648.91 crore as at the end of 2010-11 to ₹4,376.55 crore as at the end of 2011-12. SLR accounted for 93.43% (₹4,089.22 crore/ ₹4,376.55 crore) of the portfolio. The Bank also adhered to the SLR/CRR norms prescribed by the RBI throughout the year.

### Forex Business

There has been a sharp increase in remittance volumes under Speed remittance arrangements owing to competitive pricing of transactions vis-à-vis peer banks. The positive impact of this

pricing on remittance volumes is given in the following table.

| Speed Remittance Transactions         |          |          |                          |
|---------------------------------------|----------|----------|--------------------------|
| Particulars                           | FY 10-11 | FY 11-12 | % Increase Over FY 10-11 |
| Number of Transactions                | 37,405   | 98,305   | 163%                     |
| Value of Inward Remittance (in Crore) | 159.89   | 487.64   | 205%                     |

The remittance tie-up arrangement with Doha Bank has considerably helped in generating 'new to Bank' HNI customers besides increasing remittance volumes. This arrangement resulted in inflows of ₹132 crore from 11,288 transactions in FY 2011-12 and is likely to scale up in the next financial year with enablement of real-time credits to customer accounts.

Pursuant to increase in remittance volumes, NRI business clocked an encouraging growth of 42% over FY 2010-11 with overall book growth of ₹223 crore in FY 2011-12. NRI deposits of the Bank for the year ended 31.03.2012 stood at ₹745 crore. The Bank had drawing arrangements with 8 Exchange Houses covering DDA as well as speed remittance.

The Bank went live on remittance tie-up with Al Zaman Exchange in Qatar during the year. This would increase our reach in Qatar and increase remittance volumes, which are currently channelized only through Doha Bank in Qatar.

The Bank has initiated straight processing for providing real-time credits to our customers' accounts routing transactions through branches of UAE Exchange, Abu Dhabi. This would help in scaling up the remittance volumes and in turn generating low cost NRI CASA deposits.

Besides exchange houses tie-up arrangements in UAE, Kuwait and Oman, the Bank is also exploring tie-ups with leading banks based in other GCC locations like Qatar, Saudi Arabia and Oman.

### **Marketing and Corporate Communication**

The focus in this area was to make inroads into customers' mind through our various products offering best suit customer needs at various levels in the customer life cycle. Niche channels were utilized at various touch points to ensure that the Bank remained top of the mind. Some of the key areas in the Bank's scheme of things were: Branch catchment visibility, In-branch design, Gold Coin, NRI banking, Fixed Deposit and launch of Forex Card. These products were promoted through online campaigns such as as SEO (Search Engine Optimization) and SEM (Search Engine Marketing), digital media and on-ground activation.

True to our promise, the Bank partnered with renowned brands to provide greater value to our customers. Focus was on up-selling and cross-selling of our products to increase the wallet share per customer.

The Bank made solid inroads into the Social Media front too. It launched its first ever Facebook page and had more than 13,000 followers soon after.

The Bank also focused on building 'state-of-the-art' in-branch designs to ensure favourable customer experience with its branches across the country. Further, market research across key metros was carried out to test the efficacy of our strategies.

The marketing efforts were suitably tailored to business needs throughout the year.

### **Inspection & Vigilance**

The Bank has a detailed Inspection Manual and a robust Inspection Policy, which are updated periodically. The policy takes care of modifications in the audit methodology in line with the changes brought in the organizational structure and business models with the objective of auditing an activity at the place of its origin. This comprises of Risk Based Internal Audit (RBIA) of branches, Concurrent Audit of branches, Central Processing Centre, Regional

Processing Centers, Trade Finance, Retail Asset and Integrated Treasury. RBIA of the branches is done at periodic intervals as per the risk rating awarded to the branch in the previous Audit. During the year 2011-12, 173 branches were subjected to RBIA. Besides, 214 RBIA reports were subjected to first review and 196 RBIA reports were taken up for final review during the year. 57 Branches, 9 Regional Processing Centers, 7 Trade Finance Locations, 5 Retail Asset Operation Centers, Central Processing Centre and Integrated Treasury were also covered under the purview of Concurrent Audit. These branches/Treasury cover 71.20% of deposits, 89.26% of total advances and 78.91% of the total business. Out of this, audit of 31 branches, 8 RPCs, 6 Trade Finance Locations, 5 Retail Asset Offices and CPC were undertaken by our own internal Audit officers.

Off site Surveillance System (OSS) was introduced during the year, which is a web based technology providing data to monitor and analyze exceptions and thus facilitates tracking of risks at transaction level. The system has enabled identification of revenue recovery, timely escalation of post migration issues to CBS for resolution, defects in setting variance and other system parameters etc. besides facilitating analysis of specific day to day exceptions and monitoring of the same. The alerts generated by the system are thoroughly checked, scrutinized and based on the severity of the divergence, the OSS escalates the observations to the respective branches for compliance. Further, OSS also extends necessary MIS support to internal auditors and concurrent auditors.

ISO 9001: 2008 Surveillance Audit was carried out at 12 departments of the Bank's Head Office by external auditors and extended the validity of the certification by 1 year.

Vigilance department of the Bank is responsible for implementing policies laid down in this regard by the Government of India, RBI and the Bank's

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

### **Anti Money Laundering (AML)**

Centralized transaction monitoring is done on the basis of the guidelines defined for the industry. The Bank files reports such as Cash Transaction Reports (CTR), Suspicious Transaction Reports (STR), Non-Profit Organization's Transaction (NTR) and Counterfeit Currency Report (CCR) well in time to Financial Intelligence Unit (FIU), Govt. of India.

During the year, we have evaluated various options to further strengthen the controls in AML and have finalized a new software to take care of the guidelines of the IBA.

DC/DR Audit: Data Centre and Disaster Recovery Centre audit were conducted by external Auditors, which covered all applications deployed, network and other delivery channels to ensure that the required controls are in place.

### **Risk Management**

The Bank has adopted an integrated approach for the management of risk. Effective internal policies have been 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 ensures adherence to the implementation of the risk management policies.

The risk management policies like ICAAP (Internal Capital Adequacy Assessment Process) Policy, Credit Risk Management Policy, Asset Liability Management Policy, Operational Risk Management Policy and Integrated Risk Management Policy were comprehensively reviewed during the year.

The Bank has also developed a Stress testing Policy and formulated different stress scenarios. 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.

During the FY 2011-12, banks in general had to face many challenges like tight liquidity conditions, falling spread, rising provision for NPAs etc. Considering the market scenario and bank specific issues, the Bank has conducted a study of historical data focusing on the top five risk events emerging in the Bank viz. liquidity risk, capital risk, credit risk, profitability risk and interest rate risk. A detailed analysis of the above top five risks was done along with mitigation strategies which enabled the Bank management to assess the material risk exposures incurred by the bank and to evaluate the potential vulnerability.

### **Basel II**

The Bank is Basel II compliant and assesses the capital adequacy under the New Capital Adequacy Framework (NCAF) on a quarterly basis as per RBI guidelines.

**Under Pillar I**, the Bank computes capital for credit risk under Standardized Approach, for market risk under Standardized Duration Approach and for operational risk under Basic Indicator Approach.

**Under Pillar II**, the Bank has put in place the ICAAP (Internal Capital Adequacy Assessment Process) 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.

**Under Pillar III**, the Bank discloses its risk philosophy, risk exposures, risk assessment and its capital adequacy to the market in a more consistent and comprehensive manner.

### **Credit Risk**

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

Bank has a Board approved Credit Risk Management policy, which is reviewed annually. It deals with various areas of credit risk, goals to be achieved, current practices and future strategies. The CRM policy details the risk appetite, credit risk identification, measurement, monitoring/controlling mechanisms and concentration risk. During the year, Bank's CRM Policy was reviewed in line with RBI guidelines.

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. The bank presently has six risk rating models, which were reviewed and revised during the year based on the portfolio specific characteristics of the bank, best practices prevalent in the industry and in line with AFI report etc. All exposures of ₹2 lac and above will come under the purview of rating. Retail loans are subjected to scoring models, which support credit decisions.

The Bank has put in place Rating migration analysis of all credit exposures above ₹10 crore on a quarterly basis. Rating migration analysis covering all advances above ₹25 lac is being conducted on an annual basis. As a step to move towards advanced approaches, the Bank has attempted to compute the Probability of Default (PD) based on 3 year rating migration data. In the case of retail asset, pool/segment rating methodology is also applied to monitor defaults.

During the year 2011-12, the Bank undertook functions of rating validation and development of rating models and completed it for 1130 credit exposures. Bank has been using B2ReCAP software for calculation of Risk-Weighted Assets (RWA) and Regulatory Capital for Credit Risk.

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 quarterly 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. During the year FY 2011-12, the Bank has conducted industry analysis on the sectors – Real Estate, NBFC, Infrastructure and SME.

The Credit Risk Management Committee (CRMC) consisting of the Bank's senior management including MD & CEO is responsible for the implementation of the credit risk policy/strategy approved by the Board. CRMC met 6 times in the year 2011-12 to monitor adherence to prudential exposure norms, rating migration analysis, industry analysis etc. and to discuss/recommend new credit products.

### **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.

One of the major risks under Market Risk is the **Liquidity Risk**, which is the risk to a bank's earnings and capital arising from its inability to timely meet obligations when they become due without incurring unacceptable losses. Liquidity obligation of the Bank arises from withdrawal of deposits, repayment of borrowed funds at maturity and meeting credit and working capital needs. The primary tool of monitoring liquidity is the mismatch/gap analysis, which is monitored over successive time bands on a static basis. The Bank is generating daily Structural Liquidity Statement, which is used by the Treasury Department for effective liquidity management. Apart from the above, the trend in the major liquidity ratios are measured and analyzed fortnightly. 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 (Earnings 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.

The Asset Liability Management Committee (ALCO) consisting of the Bank's senior management is responsible for reviewing Bank's liquidity position and ensuring adherence 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. During the year, ALCO met 32 times to deliberate on various ALM issues and manage liquidity, interest-rate and earnings risks.

### **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.

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", which was revised during the year. 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 back up facilities, the existence of disaster setup and regular testing. Operational risk from external events, were brought down by transferring the risk outside the Bank by means of appropriate insurance cover.

The Bank had rolled out the Risk Control Self Assessment (RCSA) to pro-actively identify emerging risks at operational level for devising mitigants at source itself during 2010-11 and has successfully completed RCSAs of 'Trust' branches and other business functions.

Separate document on Risk Control Self Assessment has perceived immense importance with unique tools and methodologies of management. Business Line Mapping, identifying Key Risk Indicators (KRI) and collation of "Loss Events" are brought into the ambit of Operational Risk Management as a first measure to move towards The Standardized Approach (TSA)/ Advanced Measurement Approach (AMA).

### **Human Resources**

The Bank moved towards the end of the year from a vertical based business model to a branch centric business model, as part of a conscious, strategic decision to accelerate growth, improve profitability and enhance service quality. This led to restructuring of the organization throwing up surplus staff in the system. Consequently, manpower rationalization measures were put in place and these are continuing.

The Bank's employee strength, which was 3665 as on 31<sup>st</sup> March 2011, fell to 3468 as on 31<sup>st</sup> March 2012. The number of sales executives also declined to 492 on 31<sup>st</sup> March 2012 from the level of 595 as on 31<sup>st</sup> March 2011.

Considerable importance is being attached to providing training to employees keeping in view the changed business model. A total of 1710 employees were trained during the year. The following initiatives were introduced by the training system during the year:

- "Daily Banking Digest" that shares with all employees the essence of the day's developments in the financial sector.
- A monthly bulletin "Regulatory Comfort" that provides a gist of all RBI circulars issued to Scheduled Commercial Banks, during the month.
- 'Learning Curve', an e-bulletin that focusses on a specific banking subject every fortnight.

The Bank entered into a wide ranging agreement with Dhanalakshmi Bank Officers Organization during the year, which paved the way for a conducive industrial relations climate.

### **Corporate Social Responsibility**

The Bank strengthened its endeavours in this area during the year. It continued its association with 'Walkers Park' in Thrissur. In alliance with Trichur Management Association, it had initiated in the year 2010 scholarship programs for deserving MBA students seeking financial assistance. During the year 2011-12, the bank gave the scholarship to two MBA students.

The City of Mumbai has more than 1000 Children suffering from Thalassaemia Major. They need lifelong blood transfusions every fortnight. A huge quantity of blood is required daily for this purpose. In association with Think Foundation, an NGO looks at

the needs of children with Thalassaemia disease. As a token of its contribution, the Bank organized blood donation camps and awareness programs at its various offices in Mumbai.

Blood donation camps, relief materials to flood & quake victims, donations drives, 'giving' weeks etc. were part of the Bank's CSR activity during the year.

As part of our 85<sup>th</sup> Foundation day, several 'Community Connect' activities were carried out throughout the Bank. Its employees visited several orphanages, juvenile homes, charity institutions and ashrams on the day across the country and conducted various programs and donated food, dress, books and other materials to the inmates. Tree plantation drive, Clean your city campaign, Health check-up/Blood donation/Eye check-up camps, Annadhanam & drinking water to Shabarimala pilgrims/Devotees of Mukteshwar temple, donation of books & other materials were undertaken on the anniversary day.

#### **Sale of Bullion**

The Bank had received license from RBI to import Gold in March 2011 and Silver in June 2011. The wholesale and retail gold business was consequently launched. Pursuant to this, the Bank sold 335.15 kg of Gold and 65.85 kg of Silver in FY 2011-12 generating ₹7.32 crore revenue in retail bullion sales. The bank also sold 7532.35 kg of gold and 35752.33 kg silver in FY 2011-12 generating ₹2.76 crore revenue in wholesale bullion business.

The bank launched 2g, 5g, 8g, 10g, 20g and 50g coins for retail gold sales and 50g and 100g in retail silver sales. The above initiatives received good response from the public at large.

#### **Outlook and challenges for 2012-13**

Keeping in view the slowdown in the economy during 2011-12, the Govt. has projected a GDP growth of around 7% for 2012-13. The outlook in respect of

other areas is as under:

- Fiscal deficit is budgeted at 5.1% of GDP through capping of subsidies at 2% of GDP.
- Higher GDP growth and industrial performance anticipated vis-à-vis 2011-12.
- Aggregate deposits of the banking system are expected to grow by 16%-16.5% and bank credit by around 17% in FY 2013.
- Falling inflation is expected to lead to policy rate cuts during the year resulting in fall in borrowing costs..

The key challenges for the banking system during FY 2013 are:

- Need for large capital mobilization in view of Basel III implementation.
- Scope for improving NIM in the light of deregulation of SB as well as NRE/NRO deposit rates.
- Enhancing IT systems in place to comply with the MIS demands of Automated Data flow to RBI.
- Converting the opening balance sheet as on 1.4.2013 in compliance with the converged International Financial Reporting Standards.
- Coping with the exit of experienced personnel on account of increased level of superannuation.

# Report on Corporate Governance

2011-12

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

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

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

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

## 1. Board of Directors

### a) Movement of Directors during the year

| Name of the Director         | Appointment | Cessation                                 |
|------------------------------|-------------|-------------------------------------------|
| Mr. Vidyadhara Rao Chalasani |             | Director w.e.f.14.12.2011                 |
| Mr. Amitabh Chaturvedi       |             | Managing Director & CEO w.e.f. 06.02.2012 |

### b) Composition of the Board as on 31.03.2012

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

All Directors are **Non-Executive and independent Directors**.

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

| Sl. No. | Name of the Director/Designation                | Executive/ Non-executive | Sector which the Director represents   |
|---------|-------------------------------------------------|--------------------------|----------------------------------------|
| 1       | Mr. Ghyanendra Nath Bajpai – Part-time Chairman | Non-Executive            | Majority - Finance                     |
| 2       | Mr. K. Srikanth Reddy                           | Non-Executive            | Majority – Agriculture & Rural Economy |
| 3       | Mr. Shailesh V. Haribhakti                      | Non-Executive            | Majority – Accountancy                 |
| 4       | Mr. S. Santhanakrishnan                         | Non-Executive            | Majority - Banking                     |
| 5       | Mr. Ghanshyam Dass                              | Non-Executive            | Majority - Banking & Finance           |
| 6       | Mr. Sateesh Kumar Andra                         | Non-Executive            | Majority - Small Scale Industry        |

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

**c) Number of Board Meetings held during the year 2011-12 with dates**

During the year 2011-12, 12 Board meetings were held on the following dates :

23.04.2011, 16.05.2011, 22.06.2011, 25.07.2011, 22.09.2011, 20.10.2011, 09.12.2011, 30.12.2011, 06.02.2012, 14.02.2012, 21.02.2012 and 28.03.2012

**d) Attendance of Directors**

| Sl.No. | Director                        | Number of Board Meetings |          | Last AGM Attendance |
|--------|---------------------------------|--------------------------|----------|---------------------|
|        |                                 | Held                     | Attended |                     |
| 01     | Mr. Ghyanendra Nath Bajpai      | 12                       | 12       | Present             |
| 02     | Mr. Amitabh Chaturvedi *        | 08                       | 08       | Present             |
| 03     | Mr. Vidyadhara Rao Chalasani ** | 07                       | 02       | Present             |
| 04     | Mr. K. Srikanth Reddy           | 12                       | 12       | Present             |
| 05     | Mr. Shailesh V. Haribhakti      | 12                       | 11       | Present             |
| 06     | Mr. S. Santhanakrishnan         | 12                       | 12       | Present             |
| 07     | Mr. Ghanshyam Dass              | 12                       | 09       | Present             |
| 08     | Mr. Sateesh Kumar Andra         | 12                       | 12       | Present             |

\* Resigned as MD & CEO w.e.f. 06.02.2012

\*\* Resigned as Director w.e.f. 14.12.2011

**e) Directors' Shareholding as on 31.03.2012**

| Sl. No. | Director                   | No. of Shares held | % of holding |
|---------|----------------------------|--------------------|--------------|
| 1       | Mr. Ghyanendra Nath Bajpai | 50,000             | 0.06         |
| 2       | Mr. K. Srikanth Reddy      | 20,000             | 0.02         |
| 3       | Mr. Shailesh V. Haribhakti | 200                | 0.00         |
| 4       | Mr. S. Santhanakrishnan    | 700                | 0.00         |
| 5       | Mr. Ghanshyam Dass         | 5,000              | 0.01         |
| 6       | Mr. Sateesh Kumar Andra    | 400                | 0.00         |

**f) The Committees of Directors functioning in the Bank during the year ending 31.03.2012 were as under:**

1. Audit Committee
2. Remuneration Committee
3. Shareholders' Grievance Redressal Committee
4. Large Value Fraud Monitoring Committee
5. Customer Service Committee
6. Risk Management Committee
7. Nomination Committee
8. Management Committee
9. Human Resources Development Committee.
10. Information Technology Committee
11. Committee of Directors (Proposals)
12. Committee of Directors (MD & CEO)

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

**g) Committee position of Directors in the Bank as on 31.03.2012:**

| Sl. No. | Name of the Director       | Member                                                                                                                                                                                                                                                                              | Chairman                                                                                                                                                               |
|---------|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Mr. Ghyanendra Nath Bajpai | 1. Human Resource Development Committee<br>2. Nomination Committee<br>3. Risk Management Committee<br>4. Remuneration Committee<br>5. Information Technology Committee                                                                                                              | 1. Human Resource Development Committee<br>2. Nomination Committee<br>3. Risk Management Committee<br>4. Remuneration Committee<br>5. Information Technology Committee |
| 2       | Mr. K. Srikanth Reddy      | 1. Shareholders' Grievance Redressal Committee<br>2. Management Committee<br>3. Human Resource Development Committee<br>4. Remuneration Committee<br>5. Audit Committee<br>6. Customer Service Committee<br>7. Information Technology Committee                                     | —                                                                                                                                                                      |
| 3       | Mr. Shailesh V. Haribhakti | 1. Large Value Fraud Monitoring Committee<br>2. Human Resource Development Committee<br>3. Remuneration Committee<br>4. Nomination Committee<br>5. Audit Committee<br>6. Risk Management Committee<br>7. Committee of Directors (Proposals)<br>8. Committee of Directors (MD & CEO) | —                                                                                                                                                                      |

| Sl. No. | Name of the Director    | Member                                                                                                                                                                                                                                                                                                                                                                                                                                         | Chairman                                                                                                                                                                                                                                                                                                                            |
|---------|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4       | Mr. S. Santhanakrishnan | <ol style="list-style-type: none"> <li>Shareholders' Grievance Redressal Committee</li> <li>Large Value Fraud Monitoring Committee</li> <li>Management Committee</li> <li>Nomination Committee</li> <li>Audit Committee</li> <li>Customer Service Committee</li> <li>Risk Management Committee</li> <li>Information Technology Committee</li> <li>Committee of Directors (MD &amp; CEO)</li> <li>Committee of Directors (Proposals)</li> </ol> | <ol style="list-style-type: none"> <li>Shareholders' Grievance Redressal Committee</li> <li>Customer Service Committee</li> <li>Audit Committee</li> <li>Management Committee</li> <li>Large Value Fraud Monitoring Committee</li> <li>Committee of Directors (MD &amp; CEO)</li> <li>Committee of Directors (Proposals)</li> </ol> |
| 5       | Mr. Ghanshyam Dass      | <ol style="list-style-type: none"> <li>Shareholders' Grievance Redressal Committee</li> <li>Large Value Fraud Monitoring Committee</li> <li>Information Technology Committee</li> <li>Customer Service Committee</li> <li>Risk Management Committee</li> <li>Human Resource Development Committee</li> <li>Audit Committee</li> <li>Committee of Directors (MD &amp; CEO)</li> <li>Committee of Directors (Proposals)</li> </ol>               | -                                                                                                                                                                                                                                                                                                                                   |
| 6       | Mr. Sateesh Kumar Andra | <ol style="list-style-type: none"> <li>Large Value Fraud Monitoring Committee</li> <li>Information Technology Committee</li> <li>Committee of Directors (MD &amp; CEO)</li> <li>Customer Service Committee</li> <li>Remuneration Committee</li> </ol>                                                                                                                                                                                          | -                                                                                                                                                                                                                                                                                                                                   |

**h) Committee Position of Directors in other Public Limited Companies as on 31.03.2012:**

| Sl. No. | Name of the Director       | Public Companies in which holding Directorship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Membership in Board Committees                                                                                                                                                                                                                             | Committees of which Chairman                                                                                                                                                                                                                                                               |
|---------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Mr. Ghyanendra Nath Bajpai | <ol style="list-style-type: none"> <li>Future Generali India Life Insurance Co. Ltd.</li> <li>Future Generali India Insurance Co. Ltd.</li> <li>Emaar MGF Land Ltd.</li> <li>Future Capital Holdings Ltd.</li> <li>Mandhana Industries Ltd.</li> <li>Future Ventures India Ltd.</li> <li>United Spirits Ltd.</li> <li>New Horizons India Ltd.</li> <li>PNB Housing Finance Ltd.</li> <li>Nitesh Estates Ltd.</li> <li>Usha Martin Ltd.</li> <li>Micromax Informatics Ltd.</li> <li>Walchandnagar Industries Ltd.</li> <li>Dalmia Cement (Bharat) Ltd.</li> </ol> | <ol style="list-style-type: none"> <li>-</li> <li>-</li> <li>Audit Committee</li> <li>Audit Committee</li> <li>Audit Committee</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>Audit Committee</li> </ol> | <ol style="list-style-type: none"> <li>Audit/ Shareholder Grievance Committee</li> <li>Audit/ Shareholder Grievance Committee</li> <li>-</li> <li>-</li> <li>-</li> <li>Audit Committee</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> <li>-</li> </ol> |

| Sl. No. | Name of the Director       | Public Companies in which holding Directorship                                                                                                                                                                                                                                                                                                                                                                                                                           | Membership in Board Committees                                                                                                                                   | Committees of which Chairman                                                                                                                          |
|---------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2       | Mr. K. Srikanth Reddy      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | -                                                                                                                                                                | -                                                                                                                                                     |
| 3       | Mr. Shailesh V. Haribhakti | 1. Pantaloon Retail (India) Ltd.<br>2. Everest Kanto Cylinder Ltd.<br>3. Mahindra Life Space Developers Ltd.<br>4. Blue Star Ltd.<br>5. Hexaware Technologies Ltd.<br>6. ACC Ltd.<br>7. Ambuja Cements Ltd.<br>8. Future Capital Holdings Ltd.<br>9. J K Paper Ltd.<br>10. Fortune Financial Services (India) Ltd.<br>11. Raymond Ltd.<br>12. Future Value Retail Ltd.<br>13. Hercules Hoists Ltd.<br>14. L& T Finance Holdings Ltd.<br>15. Torrent Pharmaceuticals Ltd. | Audit Committee<br>-<br>Audit Committee<br><br>Audit Committee<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>Audit Committee                    | -<br>-<br>-<br><br>-<br>Audit Committee<br>Audit Committee<br>Audit Committee<br><br>-<br>-<br>Audit Committee<br>-<br>-<br>-<br>Audit Committee<br>- |
| 4       | Mr. S. Santhanakrishnan    | 1. Reliance Capital Trustee Co. Ltd.<br>2. ICICI Home Finance Co. Ltd.<br>3. Easy Access Financial Services Ltd.<br>4. Sundaram-Clayton Ltd.<br>5. TVS Credit Services Ltd.<br>6. Axiom Cardages Ltd.                                                                                                                                                                                                                                                                    | Audit Committee<br>Audit Committee<br><br>-<br>-<br>-<br>Audit Committee                                                                                         | -<br>-<br><br>-<br>-<br>Audit Committee<br>-                                                                                                          |
| 5       | Mr. Ghanshyam Dass         | 1. Jain Irrigation Systems Ltd.<br>2. Jubilant Industries Ltd.<br><br><br><br><br><br><br><br><br><br>3. Powerica Ltd.                                                                                                                                                                                                                                                                                                                                                   | -<br>Audit, Committee to Monitor Voluntary Corporate Governance & CSR Guidelines, and Business Sustainability Committee<br><br><br><br><br><br><br><br><br><br>- | Audit Committee<br><br><br><br><br><br><br><br><br><br>-                                                                                              |
| 6       | Mr. Sateesh Kumar Andra    | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | -                                                                                                                                                                | -                                                                                                                                                     |

## 2. Audit Committee

- i) The Board of the Bank has constituted a four-member Audit Committee. All the four members of the Committee are non-executive Directors, with Mr. S. Santhanakrishnan as its Chairman and Mr. K Srikanth Reddy, Mr. Shailesh V. Haribhakti and Mr. Ghanshyam Dass as the other members.
- ii) Brief description of the terms of reference:  
Apart from the mandatory items to be taken care by the Audit Committee in accordance with Para II (D) of Clause 49 of the Listing Agreement, the role of the Committee includes the following:
  - a. Providing direction as also overseeing the operations of the total audit function in the Bank.
  - b. Reviewing the Risk Based Internal Audit (RBIA)/audit function – the system, its quality and effectiveness in terms of follow up.

- c. Reviewing the (RBIA) reports of all branches (First Review) and final review of branches having High, Medium and above Risk level with "Increasing" trend.
- d. Focusing on the follow-up of:
  - Reconciliation of inter-branch adjustment accounts
  - Long outstanding entries in inter-bank accounts and nostro accounts
  - Arrears in balancing of books at various branches
  - Frauds and
  - Other key areas of housekeeping
- e. Reviewing half yearly reports from the Compliance Officers of the Bank.
- f. Following up all the issues brought out in the Long Form Audit Report (LFAR) and interacting with the Statutory Auditors before finalisation of the annual financial accounts and reports.
- g. Following up on all the issues/concerns raised in the Annual Financial Inspection (AFI) reports of Reserve Bank of India in respect of Regional Offices/Zonal Offices and Head Office.
- h. Reviewing with the Management, the quarterly and annual financial statements.
- i. Review of Revenue leakage detected in RBIA/Revenue/Concurrent Audit.
- j. Review of Concurrent Audit of Depository Department.
- k. Review of dishonored cheques of ₹ 1 crore and cheques issued by broker entities.
- l. Review of Forex Transactions.
- m. Review of Concurrent Audit of Integrated Treasury and branches (quarterly).
- n. Summary of Risk Control Self Assessment (RCSA) of functions/branches done together with open and closed issues.
- o. Working of the Vigilance Department – month wise.
- p. Quarterly report on the activity of Inspection Department.
- q. Review of the functioning of the meetings of Audit Committee of Executives.
- r. Review of Inspection reports on Zonal Offices.
- s. Quarterly/Annual review of frauds.

**iii) Meetings, dates and attendance during the year**

| No. of meetings held during the year 2011-12 | Dates of Meetings                                                                                     |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------|
| 08                                           | 23.04.2011, 16.06.2011, 25.07.2011, 22.09.2011,<br>20.10.2011, 09.12.2011, 14.02.2012 and 28.03.2012. |

The details of attendance of each Director are as under:

| Name of the Director           | Number of Audit Committee Meetings |          |
|--------------------------------|------------------------------------|----------|
|                                | Held                               | Attended |
| Mr. S. Santhanakrishnan        | 08                                 | 08       |
| Mr. Vidyadhara Rao Chalasani * | 06                                 | 02       |
| Mr. K. Srikanth Reddy          | 08                                 | 08       |
| Mr. Shailesh V. Haribhakti     | 08                                 | 07       |
| Mr. Ghanshyam Dass #           | 02                                 | 02       |
| Mr. Sateesh Kumar Andra \$     | 06                                 | 06       |

\* Resigned as Director w.e.f. 14.12.2011

# Inducted to the Committee w.e.f. 02.02.2012

\$ Ceased to be a member w.e.f. 09.12.2011

### 3. Remuneration Committee:

The Board constituted a Remuneration Committee on 29.02.2008, which was reconstituted on 27.09.2008 and 06.10.2009, for determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership, (ii) to retain employees or skill groups among them, (iii) attract talented professionals, (iv) to instill a sense of belonging to the Bank, among employees.

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

#### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Date of Meeting |
|----------------------------------------------|-----------------|
| 01                                           | 26.08.2011      |

The details of attendance of each Director are as under:

| Name of the Director       | Number of Remuneration Committee Meeting |          |
|----------------------------|------------------------------------------|----------|
|                            | Held                                     | Attended |
| Mr. Ghyanendra Nath Bajpai | 01                                       | 01       |
| Mr. Amitabh Chaturvedi *   | 01                                       | 01       |
| Mr. K. Srikanth Reddy      | 01                                       | 01       |
| Mr. Shailesh V. Haribhakti | 01                                       | 01       |
| Mr. Sateesh Kumar Andra    | 01                                       | 00       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

### 4. Shareholders' Grievance Redressal Committee

- i) Mr. S. Santhanakrishnan, Mr. K. Srikanth Reddy and Mr. Ghanshyam Dass are members of the Committee. The Committee reviews redressal of investors' complaints like transfer of shares, non-receipt of Annual Reports, non-receipt of dividend warrants and other related matters. The Committee reviews reports from the Registrar and Share Transfer Agents to monitor grievances redressal and also reviews the Reconciliation of Share Capital Audit Report and Half-Yearly Secretarial Audit Reports.

During the year, the Bank received 2 complaints from shareholders, which have been resolved.

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

| Description of delegated authority                     | Full address of delegated authority                                | Telephone Numbers                       | Fax Numbers     | E-mail ID                                                        |
|--------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------|-----------------|------------------------------------------------------------------|
| Name and designation of Compliance Officer of the Bank | Mr. Ravindran K. Warriar<br>Secretary to Board & Company Secretary | 0487 - 6617000<br>0487 - 2334612<br>(D) | 0487<br>2335367 | investors@dhanbank.co.in                                         |
| Registrar & Share Transfer Agent                       | M/s Karvy<br>Computershare (P) Ltd.                                | 040<br>23420815 -<br>23420824           | 040<br>23420814 | <a href="mailto:einward.ris@karvy.com">einward.ris@karvy.com</a> |

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

| No. of meetings held during the year 2011-12 | Dates of Meetings                     |
|----------------------------------------------|---------------------------------------|
| 03                                           | 23.04.2011, 22.09.2011 and 14.02.2012 |

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

| Sl. No. | Name of the Director            | No. of meetings held during the Director's tenure | No. of meetings attended |
|---------|---------------------------------|---------------------------------------------------|--------------------------|
| 1       | Mr. Amitabh Chaturvedi *        | 02                                                | 02                       |
| 2       | Mr. K. Srikanth Reddy           | 03                                                | 03                       |
| 3       | Mr. S. Santhanakrishnan         | 03                                                | 03                       |
| 4       | Mr. Vidyadhara Rao Chalasani ** | 02                                                | 00                       |
| 5       | Mr. Ghanshyam Dass              | 03                                                | 02                       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

\*\* Resigned as Director w.e.f. 14.12.2011

- iv) Number of investor complaints received and attended to by the Bank during the year 2011-12 are as follows:

| Sl. No.      | Nature of complaint         | No. of complaints pending as on 01.04.2011 | No. of complaints received | No. of complaints resolved | No. of complaints pending as on 31.03.2012 |
|--------------|-----------------------------|--------------------------------------------|----------------------------|----------------------------|--------------------------------------------|
| 1            | Transfer related Complaints | Nil                                        | Nil                        | Nil                        | Nil                                        |
| 2            | Dividend related Complaints | Nil                                        | 2                          | 2                          | Nil                                        |
| 3            | Others                      | Nil                                        | Nil                        | Nil                        | Nil                                        |
| <b>Total</b> |                             | <b>Nil</b>                                 | <b>2</b>                   | <b>2</b>                   | <b>Nil</b>                                 |

#### 5. Large Value Fraud Monitoring Committee:

The Committee has been constituted to exclusively monitor large frauds of ₹1 crore and above.

##### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings         |
|----------------------------------------------|---------------------------|
| 02                                           | 16.06.2011 and 14.02.2012 |

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

| Name of the Director            | Number of Large Value Fraud Monitoring Committee Meetings |          |
|---------------------------------|-----------------------------------------------------------|----------|
|                                 | Held                                                      | Attended |
| Mr. Amitabh Chaturvedi *        | 01                                                        | 01       |
| Mr. Vidyadhara Rao Chalasani ** | 01                                                        | 01       |
| Mr. S. Santhanakrishnan         | 02                                                        | 02       |
| Mr. Shailesh V. Haribhakti      | 02                                                        | 02       |
| Mr. Ghanshyam Dass              | 02                                                        | 02       |
| Mr. Sateesh Kumar Andra         | 02                                                        | 02       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

\*\* Resigned as Director w.e.f. 14.12.2011

## 6. Customer Service Committee

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

### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings                     |
|----------------------------------------------|---------------------------------------|
| 03                                           | 16.05.2011, 20.10.2011 and 03.03.2012 |

The details of attendance of each Director are as under:

| Name of the Director            | Number of Customer Service Committee Meetings |          |
|---------------------------------|-----------------------------------------------|----------|
|                                 | Held                                          | Attended |
| Mr. Amitabh Chaturvedi *        | 02                                            | 02       |
| Mr. S. Santhanakrishnan         | 03                                            | 03       |
| Mr. K. Srikanth Reddy           | 03                                            | 03       |
| Mr. Vidyadhara Rao Chalasani ** | 02                                            | 00       |
| Mr. Ghanshyam Dass              | 03                                            | 02       |
| Mr. Sateesh Kumar Andra         | 03                                            | 03       |

\* Resigned as MD & CEO w.e.f.06.02.2012

\*\* Resigned as Director w.e.f. 14.12.2011

## 7. Risk Management Committee:

Risk Management Committee of the Board oversees the implementation of Risk Management guidelines prescribed by the Reserve Bank of India. The Committee reviews the procedures laid down to ensure that the Bank controls the risks through a properly defined framework.

### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Date of Meeting                       |
|----------------------------------------------|---------------------------------------|
| 03                                           | 25.07.2011, 09.12.2011 and 28.03.2012 |

The details of attendance of each Director are as under:

| Name of the Director            | Number of Risk Management Committee Meetings |          |
|---------------------------------|----------------------------------------------|----------|
|                                 | Held                                         | Attended |
| Mr. Ghyanendra Nath Bajpai      | 03                                           | 02       |
| Mr. Amitabh Chaturvedi *        | 02                                           | 02       |
| Mr. Vidyadhara Rao Chalasani ** | 02                                           | 01       |
| Mr. Shailesh V. Haribhakti      | 03                                           | 02       |
| Mr. S. Santhanakrishnan         | 03                                           | 03       |
| Mr. Ghanshyam Dass              | 03                                           | 02       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

\*\* Resigned as Director w.e.f. 14.12.2011

## 8. Nomination Committee

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

### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings                     |
|----------------------------------------------|---------------------------------------|
| 03                                           | 23.04.2011, 13.05.2011 and 10.06.2011 |

The details of attendance of each Director are as under:

| Director                   | Number of Nomination Committee Meetings |          |
|----------------------------|-----------------------------------------|----------|
|                            | Held                                    | Attended |
| Mr. Ghyanendra Nath Bajpai | 03                                      | 03       |
| Mr. Amitabh Chaturvedi*    | 03                                      | 03       |
| Mr. Shailesh V. Haribhakti | 03                                      | 03       |
| Mr. S. Santhanakrishnan    | 03                                      | 03       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

## 9. Management Committee:

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

### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings                                 |
|----------------------------------------------|---------------------------------------------------|
| 04                                           | 23.04.2011, 22.09.2011, 09.12.2011 and 03.03.2012 |

The details of attendance of each Director are as under:

| Director                 | Number of Management Committee Meetings |          |
|--------------------------|-----------------------------------------|----------|
|                          | Held                                    | Attended |
| Mr. Amitabh Chaturvedi * | 03                                      | 03       |
| Mr. K. Srikanth Reddy    | 04                                      | 04       |
| Mr. S. Santhanakrishnan  | 04                                      | 04       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

## 10. Human Resources Development Committee

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

### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings |
|----------------------------------------------|-------------------|
| 01                                           | 26.08.2011        |

The details of attendance of each Director are as under:

| Director                   | Number of HRD Committee Meetings |          |
|----------------------------|----------------------------------|----------|
|                            | Held                             | Attended |
| Mr. Ghyanendra Nath Bajpai | 01                               | 01       |
| Mr. Amitabh Chaturvedi *   | 01                               | 01       |
| Mr. K. Srikanth Reddy      | 01                               | 01       |
| Mr. Shailesh V. Haribhakti | 01                               | 01       |
| Mr. Ghanshyam Dass         | 01                               | 00       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

## 11. Information Technology Committee

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

### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings         |
|----------------------------------------------|---------------------------|
| 02                                           | 16.05.2011 and 03.03.2012 |

The details of attendance of each Director are as under:

| Director                   | Number of Information Technology Committee Meetings |          |
|----------------------------|-----------------------------------------------------|----------|
|                            | Held                                                | Attended |
| Mr. Ghyanendra Nath Bajpai | 02                                                  | 01       |
| Mr. Amitabh Chaturvedi *   | 01                                                  | 01       |
| Mr. K. Srikanth Reddy      | 02                                                  | 02       |
| Mr. S. Santhanakrishnan    | 02                                                  | 02       |
| Mr. Ghanshyam Dass         | 02                                                  | 01       |
| Mr. Sateesh Kumar Andra    | 02                                                  | 02       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

## 12. Committee of Directors (Proposals)

The Board of the Bank has constituted a Committee of Directors (Proposals) (vide item E-41 of the Board Meeting held on 13.08.2010), comprising of Mr. S. Santhanakrishnan and Mr. Shailesh V. Haribhakti and Mr. Ghanshyam Dass to approve all financial sanctions/exposures between ₹6 crores and ₹25 crores.

### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings                                             |
|----------------------------------------------|---------------------------------------------------------------|
| 05                                           | 02.04.2011, 10.06.2011, 22.09.2011, 09.12.2011 and 07.03.2012 |

The details of attendance of each Director are as under:

| Director                   | Number of Committee of Directors (Proposals) Meetings |          |
|----------------------------|-------------------------------------------------------|----------|
|                            | Held                                                  | Attended |
| Mr. Amitabh Chaturvedi *   | 04                                                    | 04       |
| Mr. S. Santhanakrishnan    | 05                                                    | 05       |
| Mr. Shailesh V. Haribhakti | 05                                                    | 03       |
| Mr. Ghanshyam Dass #       | 01                                                    | 01       |

\* Resigned as MD & CEO w.e.f. 06.02.2012

# Inducted to the Committee w.e.f. 14.02.2012

## 13. Committee of Directors (MD & CEO)

Consequent to the resignation of Mr. Amitabh Chaturvedi, MD & CEO, Reserve Bank of India (RBI) vide letter dated February 08, 2012 has advised to constitute a Committee of Directors to oversee the operations and administrations of the Bank till a regular MD & CEO is appointed and the discretionary powers of

the MD & CEO for sanction of credit proposals to be exercised by the above Committee of Directors. Therefore the Board of the Bank has constituted a Committee of Directors (MD & CEO) comprising of Mr. S. Santhanakrishnan and Mr. Shailesh V. Haribhakti, Mr. Ghanshyam Dass and Mr. Sateesh Kumar Andra.

#### Meetings, dates and attendance during the year

| No. of meetings held during the year 2011-12 | Dates of Meetings                     |
|----------------------------------------------|---------------------------------------|
| 03                                           | 03.03.2012, 07.03.2012 and 17.03.2012 |

The details of attendance of each Director are as under:

| Director                   | Number of Committee of Directors (MD & CEO) Meetings |          |
|----------------------------|------------------------------------------------------|----------|
|                            | Held                                                 | Attended |
| Mr. S. Santhanakrishnan    | 03                                                   | 03       |
| Mr. Shailesh V. Haribhakti | 03                                                   | 01       |
| Mr. Ghanshyam Dass         | 03                                                   | 02       |
| Mr. Sateesh Kumar Andra    | 03                                                   | 03       |

Mr. K. Srikanth Reddy has been invited to the Committee of Directors (MD & CEO) as a Special Invitee at the meeting held on 07.03.2012.

#### 14. General Body Meetings

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

| AGM Number       | Date & Time        | Venue                                          |
|------------------|--------------------|------------------------------------------------|
| 84 <sup>th</sup> | 22.06.2011 1.30 PM | LuLu International Convention Centre, Thrissur |
| 83 <sup>rd</sup> | 15.07.2010 11 AM   | LuLu International Convention Centre, Thrissur |
| 82 <sup>nd</sup> | 31.07.2009 03 PM   | LuLu International Convention Centre, Thrissur |

Details of special resolutions passed in the previous 3 AGMs.

At the 82<sup>nd</sup> AGM, two Special Resolutions were passed, one for altering the Clause (iii) of Article 64 of Articles of Association of the Bank and the other for implementation of the Dhanalakshmi Bank Employees Stock Option Scheme 2009.

At the 83<sup>rd</sup> AGM, two Special Resolutions were passed, one for changing the name of the Bank from 'The Dhanalakshmi Bank Limited' to 'Dhanlaxmi Bank Limited' and the other for Issue of 2.10 crore Equity Shares of ₹10/- each to the Qualified Institutional Buyers (QIBs) by a Qualified Institutional Placement (QIP).

At the 84<sup>th</sup> AGM, three Special Resolutions were passed, one for Issue of not exceeding 2,07,52,000 equity shares on preferential basis, other one was to amend the terms of the Dhanalakshmi Bank Employees Stock Option Scheme 2009 (ESOP Scheme) and the last one for altering the Articles of Association of the Bank so as to include any other Whole time Director or any Director in the whole time employment of the Bank between the words "The Chairman and / or Managing Director" and "shall not retire by rotation" appearing in Article 50(iii) of the Articles of Association of the Bank.

#### 15. Disclosures

##### Related Party Transactions

During the financial year, the Bank did not enter into any related party transactions with its Directors or Senior

Management or their Relatives that would potentially conflict with and / or adversely affect the interests of the Bank, excepting the remuneration paid to the Managing Director & CEO.

#### Disclosure of Accounting Treatment

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

#### Risk Management

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

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

#### Remuneration of Directors

| Name & Designation                 | Salary    | Perquisites | Total     |
|------------------------------------|-----------|-------------|-----------|
| Mr. Amitabh Chaturvedi, MD & CEO * | 38,42,254 | -           | 38,42,254 |

\* Resigned w.e.f. 06.02.2012

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

*During the year:*

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

#### 16. Means of Communication

The Board took on record the unaudited financial results subjected to a "Limited Review" by the Auditors, in the prescribed proforma of the Stock Exchanges within 45 days of the closure of every quarter and announced immediately thereafter, the results to all the Stock Exchanges where the Bank's shares are listed.

The Board also approved the audited annual results within three months. The highlights of quarterly results and audited annual results were published in leading one national and one vernacular newspaper within 48 hours of the conclusion of the Board Meeting in which they were taken on record and information was also placed on the website of the Bank at [www.dhanbank.com](http://www.dhanbank.com).

## 17. General Shareholder Information

|                                                     |                                                                                                                                                                                                                                                   |                                         |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| 85 <sup>th</sup> AGM                                | <b>Date</b>                                                                                                                                                                                                                                       | <b>27.09.2012</b>                       |
|                                                     | <b>Time</b>                                                                                                                                                                                                                                       | <b>3 p.m.</b>                           |
|                                                     | <b>Venue</b>                                                                                                                                                                                                                                      | <b>Kousthubham Auditorium, Thrissur</b> |
| Name and other details regarding Compliance Officer | <b>Mr. Ravindran K. Warriar</b><br>Secretary to Board & Company Secretary<br>Dhanlaxmi Bank Ltd.<br>Naickanal, Thrissur - 680 001                                                                                                                 |                                         |
| Financial Year                                      | 2011-12                                                                                                                                                                                                                                           |                                         |
| Date of Book Closure                                | 15th September 2012 to<br>27th September 2012                                                                                                                                                                                                     |                                         |
| Listing on Stock Exchanges                          | The equity shares of the Bank are listed on:<br>Cochin Stock Exchange Ltd.<br>Bombay Stock Exchange Ltd.<br>National Stock Exchange of India Ltd.                                                                                                 |                                         |
| Stock Code – Equity Shares                          | 532180 – Bombay Stock Exchange Ltd.<br>DHANBANK - National Stock Exchange of India Ltd.                                                                                                                                                           |                                         |
| Registrar and Transfer Agents                       | M/s. Karvy Computershare Private Ltd.<br>Plot No. 17-24, Vithal Rao Nagar,<br>Madhapur, Hyderabad – 500 081<br>Phone : 040 23420815 -23420824<br>Fax : (040) 23420814<br>E-mail: <a href="mailto:einward.ris@karvy.com">einward.ris@karvy.com</a> |                                         |
| Dematerialisation of shares and liquidity           | The equity shares are available for dematerialisation with ISIN<br>No. INE 680A01011.                                                                                                                                                             |                                         |
| Registered Office and Address for Correspondence    | P.B.No.9, Dhanlaxmi Buildings, Naickanal, Thrissur – 680 001.<br>E-mail : <a href="mailto:investors@dhanbank.co.in">investors@dhanbank.co.in</a>                                                                                                  |                                         |

## Market Price Data

The monthly high and low prices of the Bank's shares traded in The National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd., (BSE) during each month in the financial year ended 31 March 2012 are as under:

| Month          | NSE      |         | BSE      |         |
|----------------|----------|---------|----------|---------|
|                | High (₹) | Low (₹) | High (₹) | Low (₹) |
| April 2011     | 135.95   | 112.55  | 135.90   | 112.75  |
| May 2011       | 130.15   | 115.00  | 130.35   | 114.55  |
| June 2011      | 124.20   | 110.10  | 123.95   | 110.05  |
| July 2011      | 122.00   | 103.00  | 121.40   | 103.15  |
| August 2011    | 107.45   | 67.00   | 108.65   | 66.60   |
| September 2011 | 86.80    | 73.05   | 83.65    | 72.00   |
| October 2011   | 74.70    | 54.30   | 74.65    | 54.25   |
| November 2011  | 72.50    | 52.00   | 72.30    | 52.30   |
| December 2011  | 63.20    | 41.95   | 63.10    | 42.40   |
| January 2012   | 62.00    | 43.85   | 61.80    | 43.70   |
| February 2012  | 76.10    | 54.25   | 76.00    | 54.80   |
| March 2012     | 75.00    | 56.30   | 75.00    | 57.20   |

**Distribution of shareholding as on 31.03.2012:**

| Distribution of Shareholding as on 31.03.2012 |                   |                |               |                 |               |
|-----------------------------------------------|-------------------|----------------|---------------|-----------------|---------------|
| Sl. No.                                       | Category (Shares) | No. of Holders | % to Holders  | No. of Shares   | % to Equity   |
| 1                                             | 1 - 5000          | 70711          | 98.90         | 19563775        | 22.98         |
| 2                                             | 5001 - 10000      | 375            | 0.52          | 2761988         | 3.24          |
| 3                                             | 10001 - 20000     | 177            | 0.25          | 2553448         | 3.00          |
| 4                                             | 20001 - 30000     | 76             | 0.11          | 1904924         | 2.24          |
| 5                                             | 30001 - 40000     | 35             | 0.05          | 1246707         | 1.46          |
| 6                                             | 40001 - 50000     | 21             | 0.03          | 961691          | 1.13          |
| 7                                             | 50000 - 100000    | 24             | 0.03          | 1771132         | 2.08          |
| 8                                             | 100001 and above  | 75             | 0.10          | 54372654        | 63.87         |
| <b>Total</b>                                  |                   | <b>71494</b>   | <b>100.00</b> | <b>85136319</b> | <b>100.00</b> |

**Category - wise distribution of shareholding as on 31.03.2012:**

| Sl. No.      | Description                    | Cases        | Shares          | % to Equity   |
|--------------|--------------------------------|--------------|-----------------|---------------|
| 1            | Banks                          | 4            | 136137          | 0.16          |
| 2            | Clearing Members               | 188          | 1594852         | 1.87          |
| 3            | Directors                      | 6            | 76300           | 0.09          |
| 4            | Foreign Institutional Investor | 43           | 28054753        | 32.95         |
| 5            | Huf                            | 790          | 966674          | 1.14          |
| 6            | Insurance Companies            | 2            | 442277          | 0.52          |
| 7            | Bodies Corporates              | 995          | 10662140        | 12.52         |
| 8            | Mutual Funds                   | 7            | 63000           | 0.07          |
| 9            | Non Resident Indians           | 1459         | 5079162         | 5.97          |
| 10           | Resident Individuals           | 67991        | 38045544        | 44.69         |
| 11           | Trusts                         | 9            | 15480           | 0.02          |
| <b>Total</b> |                                | <b>71494</b> | <b>85136319</b> | <b>100.00</b> |

As on 31.03.2012, 41,32,759 shares constituting 4.85% and 8,10,03,560 shares constituting 95.15% of the paid up capital were held in physical and electronic mode respectively.

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

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

**18. Compliance status of Clause 49 of the listing agreement**

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

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

## **ANNEXURE I**

### **MANAGING DIRECTOR & CEO CERTIFICATION ON COMPLIANCE WITH THE CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF THE BANK**

#### **TO THE MEMBERS OF DHANLAXMI BANK LIMITED**

I affirm that the Board of Directors and Senior Management Personnel of the Bank have complied with the Code of Conduct during the financial year ended 31 March, 2012.

Sd/-

Place : Mumbai  
Date : 25.08.2012

**P. G. JAYAKUMAR**  
Managing Director & CEO

## **ANNEXURE II**

### **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE To the shareholders of Dhanlaxmi Bank Limited**

We have examined the compliance of conditions of Corporate Governance by **Dhanlaxmi Bank Limited** (formerly, "The Dhanalakshmi Bank Limited") for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the Bank with the Stock Exchanges.

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

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

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

**For Walker, Chandio & Co.**  
Chartered Accountants  
Firm Registration No.: 001076N

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

Place : Mumbai  
Date : 22<sup>nd</sup> June, 2012

**For Sharp & Tannan**  
Chartered Accountants  
Firm Registration No.: 109982W

Sd/-  
**Edwin P. Augustine**  
Partner  
Membership No.: 043385

Place : Mumbai  
Date : 22<sup>nd</sup> June, 2012

# Auditors' Report

31st March, 2012

## To the Members of Dhanlaxmi Bank Limited

1. We have audited the attached Balance Sheet of **Dhanlaxmi Bank Limited** (the 'Bank') as at 31<sup>st</sup> March, 2012 the annexed Profit and Loss Account and the Cash Flow Statement for the year ended on that date, in which are incorporated the audited returns of 19 branches and treasury division audited by us, 107 branches audited by the Branch Auditors and 161 branches on which we carried out limited review procedures. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 (1), (2) and (3C) of the Companies Act, 1956.
4. The financial information as at and for the year ended 31<sup>st</sup> March, 2012 of 107 branches has been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports of such other auditors.
5. On the basis of our audit and having regard to the reports received by us from the auditors of the branches audited by other auditors and based on limited review procedures carried out by us on certain branches as mentioned above, 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; and
  - c. the returns received from the offices and

branches of the Bank have been found adequate for the purposes of our audit.

6. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to the Bank and are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.
7. We further report that:
  - a. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and returns;
  - b. in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;
  - c. on the basis of the written representations received from the Directors, as on 31 March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

8. In our opinion and to the best of our information and according to the explanations given to us, and on consideration of reports submitted by the auditors of the branches not audited by us, and based on limited review procedures carried out by us on the financial reporting of certain branches as mentioned under paragraph 1 above, since the total assets of such branches as at 31<sup>st</sup> March, 2012 and total revenue/net cash flows for the year then ended are not very significant to the total assets of the Bank as at 31<sup>st</sup> March, 2012 and total revenue/net cash flows of the Bank for the year then ended, respectively, the said financial statements read together with the Significant Accounting Policies and the Notes in Schedule 17 and 18 respectively, give the information required by the Companies Act, 1956, in the manner so required for banking companies and the guidelines issued by the Reserve Bank of India from time to time, give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a. in the case of Balance sheet, of the state of affairs of the Bank as at 31<sup>st</sup> March, 2012;
  - b. in the case of Profit and Loss Account, of the loss for the year ended on that date; and
  - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Walker, Chandio & Co.**  
Chartered Accountants  
Firm Registration No.: 001076N

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

Place : Mumbai  
Date : 30<sup>th</sup> May, 2012

**For Sharp & Tannan**  
Chartered Accountants  
Firm Registration No.: 109982W

Sd/-  
**Edwin P. Augustine**  
Partner  
Membership No.: 043385

Place : Mumbai  
Date : 30<sup>th</sup> May, 2012

# Balance Sheet

As at March 31, 2012

(₹ in '000)

|                                                        | Schedule | As at<br>March 31, 2012 | As at<br>March 31, 2011 |
|--------------------------------------------------------|----------|-------------------------|-------------------------|
| <b>Capital And Liabilities</b>                         |          |                         |                         |
| Capital                                                | 1        | 851,363                 | 851,357                 |
| Reserves and Surplus                                   | 2        | 6,431,092               | 7,595,043               |
| Deposits                                               | 3        | 118,044,103             | 125,296,317             |
| Borrowings                                             | 4        | 17,215,095              | 6,261,056               |
| Other Liabilities and Provisions                       | 5        | 4,223,210               | 2,677,727               |
| <b>Total</b>                                           |          | <b>146,764,863</b>      | <b>142,681,500</b>      |
| <b>Assets</b>                                          |          |                         |                         |
| Cash and Balances with Reserve Bank of India           | 6        | 8,679,453               | 8,028,047               |
| Balances with Banks and Money at call and short notice | 7        | 581,157                 | 1,323,559               |
| Investments                                            | 8        | 43,601,572              | 36,396,768              |
| Advances                                               | 9        | 87,580,524              | 90,651,517              |
| Fixed Assets                                           | 10       | 1,486,942               | 1,343,558               |
| Other Assets                                           | 11       | 4,835,215               | 4,938,051               |
| <b>Total</b>                                           |          | <b>146,764,863</b>      | <b>142,681,500</b>      |
| Contingent Liabilities                                 | 12       | 33,615,648              | 32,508,539              |
| Bills for collection                                   |          | 3,633,763               | 1,806,454               |
| Significant Accounting Policies                        | 18       |                         |                         |
| Notes to the Financial Statements                      | 19       |                         |                         |

The schedules referred to above form an integral part of the Financial Statements.

For and on behalf of the Board of Directors

Sd/- **Ghyanendra Nath Bajpai**  
Chairman

Sd/- **Shailesh V. Haribhakti**  
Director

Sd/- **Ravindran K. Warriar**  
Company Secretary

As per our Report of even date

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

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

Place : Mumbai  
Date : May 30, 2012

Sd/- **S. Santhanakrishnan**  
Director

Sd/- **Bipin Kabra**  
President & CFO

Sd/- **P. G. Jayakumar**  
Managing Director & CEO

Sd/- **Mini Nair**  
Senior Vice President  
(Finance & Accounts)

**For Sharp & Tannan**  
Chartered Accountants  
Firm Registration No.: 109982W

Sd/- **Edwin P. Augustine**  
Partner  
Membership No. 043385

Place : Mumbai  
Date : May 30, 2012

# Profit & Loss Account

For the year ended March 31, 2012

(₹ in '000)

|                                                               | Schedule | Year ended<br>March 31, 2012 | Year ended<br>March 31, 2011 |
|---------------------------------------------------------------|----------|------------------------------|------------------------------|
| <b>Income</b>                                                 |          |                              |                              |
| Interest Earned                                               | 13       | 13,936,543                   | 9,064,178                    |
| Other Income                                                  | 14       | 1,436,418                    | 1,467,696                    |
| <b>Total</b>                                                  |          | <b>15,372,961</b>            | <b>10,531,874</b>            |
| <b>Expense</b>                                                |          |                              |                              |
| Interest expended                                             | 15       | 11,461,344                   | 6,412,860                    |
| Operating Expenses                                            | 16       | 4,890,676                    | 3,444,682                    |
| Provisions and Contingencies                                  | 17       | 177,211                      | 413,710                      |
| <b>Total</b>                                                  |          | <b>16,529,231</b>            | <b>10,271,252</b>            |
| <b>Net Profit / Loss for the year</b>                         |          | <b>(1,156,269)</b>           | <b>260,622</b>               |
| Profit brought forward                                        |          | 100                          | 100                          |
| Transfer from dividend payable account including dividend tax |          | -                            | 37,503                       |
|                                                               |          | <b>(1,156,169)</b>           | <b>298,225</b>               |
| <b>Appropriations</b>                                         |          |                              |                              |
| Transfer to Statutory Reserve                                 |          | -                            | 78,187                       |
| Transfer to Capital Reserve                                   |          | 45,708                       | 2,328                        |
| Transfer to Special Reserve U/S 36(1)(viii) of Income Tax Act |          | -                            | 18,581                       |
| Transfer to Other Reserve                                     |          | -                            | 149,227                      |
| Proposed dividend                                             |          | -                            | 42,568                       |
| Dividend tax                                                  |          | -                            | 7,234                        |
| Balance carried forward to Balance Sheet                      |          | (1,201,877)                  | 100                          |
| <b>Total</b>                                                  |          | <b>(1,156,169)</b>           | <b>298,225</b>               |
| Earnings Per Share (in ₹)                                     |          |                              |                              |
| Basic EPS                                                     |          | (13.58)                      | 3.31                         |
| Diluted EPS                                                   |          | (13.58)                      | 3.29                         |
| Significant Accounting Policies                               | 18       |                              |                              |
| Notes to the Financial Statements                             | 19       |                              |                              |

The schedules referred to above form an integral part of the Financial Statements.

For and on behalf of the Board of Directors

Sd/- **Ghyanendra Nath Bajpai**  
Chairman

Sd/- **S. Santhanakrishnan**  
Director

Sd/- **P. G. Jayakumar**  
Managing Director & CEO

Sd/- **Shailesh V. Haribhakti**  
Director

Sd/- **Bipin Kabra**  
President & CFO

Sd/- **Mini Nair**  
Senior Vice President  
(Finance & Accounts)

Sd/- **Ravindran K. Warriar**  
Company Secretary

As per our Report of even date  
**For Walker, Chandiook & Co.**  
Chartered Accountants  
Firm Registration No.: 001076N

Sd/- **Khushroo B. Panthaky**  
Partner  
Membership No.: F-42423  
Place : Mumbai  
Date : May 30, 2012

**For Sharp & Tannan**  
Chartered Accountants  
Firm Registration No.: 109982W

Sd/- **Edwin P. Augustine**  
Partner  
Membership No. 043385  
Place : Mumbai  
Date : May 30, 2012

# Cash Flow Statement

For the year ended March 31, 2012

(₹ in '000)

| Particulars                                     | Year ended<br>March 31, 2012 | Year ended<br>March 31, 2011 |
|-------------------------------------------------|------------------------------|------------------------------|
| <b>Cash flow from operating activities</b>      |                              |                              |
| Net profit before income tax                    | (1,167,326)                  | 396,811                      |
| <b>Adjustments for :</b>                        |                              |                              |
| Depreciation on fixed assets                    | 294,667                      | 155,934                      |
| (Profit)/Loss on Revaluation of Investments     | 71,232                       | 64,330                       |
| Amortisation of premia on investments           | 75,654                       | 62,833                       |
| Loan Loss provisions including write off        | 86,217                       | 63,273                       |
| Provision against standard assets               | 4,185                        | 146,100                      |
| Provision for wealth tax                        | 470                          | 418                          |
| Provision for NPA (Investments)                 | (4,064)                      | -                            |
| Provision for restructured assets               | 3,690                        | 3,400                        |
| Profit on sale of fixed assets                  | (10,459)                     | (5,228)                      |
|                                                 | <b>521,593</b>               | <b>491,060</b>               |
| <b>Adjustments for :</b>                        |                              |                              |
| Increase in Investments                         | (7,347,627)                  | (16,246,004)                 |
| (Increase) /Decrease in Advances                | 2,976,900                    | (40,652,204)                 |
| Decrease in Borrowings                          | 10,854,039                   | 3,010,521                    |
| Increase/(Decrease) in Deposits                 | (7,252,214)                  | 54,311,477                   |
| (Increase) / Decrease in Other assets           | 188,893                      | (2,672,827)                  |
| Increase in Other liabilities and provisions    | 1,595,147                    | 245,254                      |
|                                                 | <b>1,015,138</b>             | <b>(2,003,783)</b>           |
| Direct taxes paid (net of refunds)              | (75,000)                     | (171,000)                    |
| <b>Net cash flows from operating activities</b> | <b>294,405</b>               | <b>(1,286,913)</b>           |

(₹ in '000)

| Particulars                                                                                         | Year ended<br>March 31, 2012 | Year ended<br>March 31, 2011 |
|-----------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Cash flows from investing activities</b>                                                         |                              |                              |
| Purchase of fixed assets                                                                            | (457,580)                    | (718,938)                    |
| Proceeds from sale of fixed assets                                                                  | 27,244                       | 17,152                       |
| <b>Net cash flows from investing activities</b>                                                     | <b>(430,336)</b>             | <b>(701,786)</b>             |
| <b>Cash flows from financing activities</b>                                                         |                              |                              |
| Proceeds from issue of equity shares                                                                | 6                            | 210,201                      |
| Proceeds from issue of Upper and Lower Tier II capital instruments net of repayment                 | 100,000                      | 75,000                       |
| Adjustments towards share issue expenses/ Proceeds from Share Premium (net of share issue expenses) | (4,938)                      | 3,589,329                    |
| Dividend provided last year paid during the year including dividend tax                             | (50,133)                     | (37,509)                     |
| <b>Net cash generated from financing activities</b>                                                 | <b>44,935</b>                | <b>3,837,021</b>             |
| <b>Net increase in cash and cash equivalents</b>                                                    | <b>(90,996)</b>              | <b>1,848,322</b>             |
| Cash and cash equivalents as at April 1st                                                           | 9,351,605                    | 7,503,283                    |
| <b>Cash and cash equivalents as at March 31st</b>                                                   | <b>9,260,609</b>             | <b>9,351,605</b>             |

For and on behalf of the Board of Directors

Sd/-

**Ghyanendra Nath Bajpai**

Chairman

Sd/-

**Shailesh V. Haribhakti**

Director

Sd/-

**Ravindran K. Warriar**

Company Secretary

As per our Report of even date

**For Walker, Chandiok & Co.**

Chartered Accountants

Firm Registration No.: 001076N

Sd/-

**Khushroo B. Panthaky**

Partner

Membership No.: F-42423

Place : Mumbai

Date : May 30, 2012

Sd/-

**S. Santhanakrishnan**

Director

Sd/-

**Bipin Kabra**

President & CFO

Sd/-

**P. G. Jayakumar**

Managing Director & CEO

Sd/-

**Mini Nair**

Senior Vice President

(Finance & Accounts)

**For Sharp & Tannan**

Chartered Accountants

Firm Registration No.: 109982W

Sd/-

**Edwin P. Augustine**

Partner

Membership No. 043385

Place : Mumbai

Date : May 30, 2012

# Schedules to the Financial Statements:

As at March 31, 2012

(₹ in '000)

|                                                                              | As at<br>March 31, 2012 | As at<br>March 31, 2011 |
|------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>SCHEDULE 1 - CAPITAL</b>                                                  |                         |                         |
| <b>Authorised</b>                                                            |                         |                         |
| 20,00,00,000 (March 31, 2011 : 10,00,00,000 ) Equity Shares of ₹10 each      | 2,000,000               | 1,000,000               |
| <b>Issued, Subscribed and Paid up</b>                                        |                         |                         |
| 8,51,36,319 (March 31, 2011 : 8,51,35,749 ) Equity Shares of ₹10 each        | 851,363                 | 851,357                 |
| <b>Total</b>                                                                 | <b>851,363</b>          | <b>851,357</b>          |
| <b>SCHEDULE 2 - RESERVES AND SURPLUS</b>                                     |                         |                         |
| <b>I. Statutory Reserve</b>                                                  |                         |                         |
| Opening Balance                                                              | 772,614                 | 694,427                 |
| Add: Transfer from Profit and Loss Account                                   | -                       | 78,187                  |
|                                                                              | <b>772,614</b>          | <b>772,614</b>          |
| <b>II. Revenue and Other Reserves</b>                                        |                         |                         |
| Opening Balance                                                              | 826,195                 | 677,264                 |
| Add : Transfer from Profit and Loss Account                                  | -                       | 149,227                 |
| Adjustments during the year                                                  | -                       | (296)                   |
|                                                                              | <b>826,195</b>          | <b>826,195</b>          |
| <b>III. Balance in Profit and Loss Account</b>                               | <b>(1,201,877)</b>      | <b>100</b>              |
| <b>IV. Securities Premium Account</b>                                        |                         |                         |
| Opening Balance                                                              | 5,639,597               | 2,050,268               |
| Add :- (Adjustments)/Additions during the year (net of share issue expenses) | (4,938)                 | 3,589,329               |
|                                                                              | <b>5,634,659</b>        | <b>5,639,597</b>        |
| <b>V. Capital Reserve</b>                                                    |                         |                         |
| Opening Balance                                                              | 296,680                 | 296,280                 |
| Add: Transfer from Profit and Loss Account                                   | 45,708                  | 2,328                   |
| Less: Due to depreciation of Revalued Premises                               | (2,744)                 | (1,928)                 |
|                                                                              | <b>339,644</b>          | <b>296,680</b>          |
| <b>VI. Special Reserve U/s 36(1)(viii) of Income Tax Act, 1961</b>           |                         |                         |
| Opening Balance                                                              | 59,857                  | 41,276                  |
| Add: Transfer from Profit and Loss account                                   | -                       | 18,581                  |
|                                                                              | <b>59,857</b>           | <b>59,857</b>           |
| <b>Total</b>                                                                 | <b>6,431,092</b>        | <b>7,595,043</b>        |

(₹ in '000)

|                                                                  | As at<br>March 31, 2012 | As at<br>March 31, 2011 |
|------------------------------------------------------------------|-------------------------|-------------------------|
| <b>SCHEDULE 3 - DEPOSITS</b>                                     |                         |                         |
| <b>A. I. Demand Deposits</b>                                     |                         |                         |
| (i) From Banks                                                   | 342,392                 | 1,137                   |
| (ii) From Others                                                 | 8,300,193               | 15,310,755              |
|                                                                  | <b>8,642,585</b>        | <b>15,311,892</b>       |
| <b>II. Savings Bank Deposits</b>                                 | <b>14,197,537</b>       | <b>13,380,210</b>       |
| <b>III. Term Deposits</b>                                        |                         |                         |
| (i) From Banks                                                   | 15,464,118              | 9,602,733               |
| (ii) From Others                                                 | 79,739,862              | 87,001,482              |
|                                                                  | <b>95,203,980</b>       | <b>96,604,214</b>       |
| <b>Total</b>                                                     | <b>118,044,103</b>      | <b>125,296,317</b>      |
| <b>B. I. Deposits of Branches in India</b>                       | 118,044,103             | 125,296,317             |
| <b>II. Deposits of Branches outside India</b>                    | -                       | -                       |
| <b>Total</b>                                                     | <b>118,044,103</b>      | <b>125,296,317</b>      |
| <b>SCHEDULE 4 - BORROWINGS</b>                                   |                         |                         |
| <b>I. Borrowings in India</b>                                    |                         |                         |
| (i) Reserve Bank of India                                        | 7,979,741               | 3,790,000               |
| (ii) Other Banks                                                 | -                       | -                       |
| (iii) Other Institutions and Agencies                            | 4,551,122               | 426,056                 |
|                                                                  | <b>12,530,863</b>       | <b>4,216,056</b>        |
| <b>II. Tier II bonds in India</b>                                |                         |                         |
| Upper Tier II bonds                                              | 275,000                 | 275,000                 |
| Lower Tier II bonds                                              | 1,870,000               | 1,770,000               |
|                                                                  | <b>2,145,000</b>        | <b>2,045,000</b>        |
| <b>III. Borrowings Outside India #</b>                           | 2,539,232               | -                       |
|                                                                  | <b>2,539,232</b>        | -                       |
| # Book credit balances in foreign currency mirror accounts       |                         |                         |
| <b>Total</b>                                                     | <b>17,215,095</b>       | <b>6,261,056</b>        |
| <b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>             |                         |                         |
| <b>I. Bills Payable</b>                                          | 480,147                 | 562,701                 |
| <b>II. Interest accrued</b>                                      | 2,172,864               | 1,478,103               |
| <b>III. Unsecured Redeemable Bonds #</b>                         | -                       | -                       |
| <b>IV. Others (including Provisions)</b>                         | 1,570,199               | 636,923                 |
| <b>Total</b>                                                     | <b>4,223,210</b>        | <b>2,677,727</b>        |
| <b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b> |                         |                         |
| <b>I. Cash on Hand (including foreign currency notes)</b>        | 1,575,023               | 1,486,831               |
| <b>II. Balances with Reserve Bank of India</b>                   |                         |                         |
| (a) In current accounts                                          | 7,104,430               | 6,541,216               |
| (b) In other accounts                                            | -                       | -                       |
|                                                                  | <b>7,104,430</b>        | <b>6,541,216</b>        |
| <b>Total</b>                                                     | <b>8,679,453</b>        | <b>8,028,047</b>        |

(₹ in '000)

|                                                                            | As at<br>March 31, 2012 | As at<br>March 31, 2011 |
|----------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b> |                         |                         |
| <b>I. In India</b>                                                         |                         |                         |
| (i) Balances with Banks :                                                  |                         |                         |
| (a) In current accounts                                                    | 544,071                 | 307,823                 |
| (b) In other deposit accounts                                              | 37,085                  | 822,485                 |
|                                                                            | <b>581,157</b>          | <b>1,130,308</b>        |
| (ii) Money at Call and Short Notice                                        |                         |                         |
| (a) With banks                                                             | -                       | -                       |
| (b) With other institutions                                                | -                       | -                       |
|                                                                            | -                       | -                       |
|                                                                            | <b>581,157</b>          | <b>1,130,308</b>        |
| <b>II. Outside India</b>                                                   |                         |                         |
| (a) In current account                                                     | -                       | 193,251                 |
| (b) In other deposit accounts                                              | -                       | -                       |
|                                                                            | -                       | 193,251                 |
| <b>Total</b>                                                               | <b>581,157</b>          | <b>1,323,559</b>        |
| <b>SCHEDULE 8 - INVESTMENTS</b>                                            |                         |                         |
| <b>A. Investments in India in</b>                                          |                         |                         |
| (i) Government Securities                                                  | 41,636,659              | 33,081,070              |
| (ii) Approved securities                                                   | 187                     | 1,213                   |
| (iii) Shares                                                               | 58,012                  | 19,633                  |
| (iv) Debentures and Bonds                                                  | 802,652                 | 608,668                 |
| (v) Subsidiaries/Joint Ventures                                            | -                       | -                       |
| (vi) Others                                                                | 1,104,062               | 2,686,184               |
| <b>Total</b>                                                               | <b>43,601,572</b>       | <b>36,396,768</b>       |
| <b>B. Investments outside India</b>                                        | -                       | -                       |
|                                                                            | <b>43,601,572</b>       | <b>36,396,768</b>       |
| (i) Gross Value of Investments                                             |                         |                         |
| (a) In India                                                               | 43,765,464              | 36,489,068              |
| (b) Outside India                                                          | -                       | -                       |
|                                                                            | <b>43,765,464</b>       | <b>36,489,068</b>       |
| (ii) Provision for Depreciation                                            |                         |                         |
| (a) In India                                                               | 163,891                 | 92,300                  |
| (b) Outside India                                                          | -                       | -                       |
|                                                                            | <b>163,891</b>          | <b>92,300</b>           |
| (iii) Net Value of Investments                                             |                         |                         |
| (a) In India                                                               | 43,601,572              | 36,396,768              |
| (b) Outside India                                                          | -                       | -                       |
| <b>Total</b>                                                               | <b>43,601,572</b>       | <b>36,396,768</b>       |
| <b>SCHEDULE 9 - ADVANCES</b>                                               |                         |                         |
| A. (i) Bills Purchased and discounted                                      | 2,351,909               | 11,526,797              |
| (ii) Cash Credits, Overdrafts and Loans repayable on Demand                | 15,088,779              | 11,203,737              |
| (iii) Term Loans                                                           | 70,139,836              | 67,920,984              |
| <b>Total</b>                                                               | <b>87,580,524</b>       | <b>90,651,517</b>       |

(₹ in '000)

|                                      | As at<br>March 31, 2012 | As at<br>March 31, 2011 |
|--------------------------------------|-------------------------|-------------------------|
| B. (i) Secured by Tangible assets    | 76,124,102              | 79,519,059              |
| (ii) Covered by Bank/Govt. Guarantee | 2,335,269               | 365,627                 |
| (iii) Unsecured                      | 9,121,154               | 10,766,831              |
| <b>Total</b>                         | <b>87,580,524</b>       | <b>90,651,517</b>       |
| <b>C. I. Advances in India</b>       |                         |                         |
| (i) Priority sectors                 | 28,103,400              | 25,652,365              |
| (ii) Public Sector                   | 174,563                 | 2,108,741               |
| (iii) Banks                          | 379                     | -                       |
| (iv) Others                          | 59,302,182              | 62,890,410              |
| <b>Total</b>                         | <b>87,580,524</b>       | <b>90,651,517</b>       |
| <b>II. Advances Outside India</b>    | -                       | -                       |
| <b>Total</b>                         | <b>87,580,524</b>       | <b>90,651,517</b>       |

**SCHEDULE 10 - FIXED ASSETS**

**A. Premises**

|                                                          |                |                |
|----------------------------------------------------------|----------------|----------------|
| At cost as per last Balance sheet                        | 352,411        | 349,214        |
| Additions during the year due to revaluation of Premises | -              | -              |
| Additions/Adjustments during the year                    | 2,668          | 3,575          |
| Deductions during the year                               | (5,849)        | 378            |
| Depreciation to date                                     | (94,780)       | (86,550)       |
| <b>Net Block</b>                                         | <b>254,450</b> | <b>265,861</b> |

**B. Other Fixed Assets (includes Furniture and Fixture and Computers)**

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| At cost as per last Balance sheet     | 1,739,914        | 999,525          |
| Additions/Adjustments during the year | 455,536          | 810,056          |
| Deductions during the year            | (37,969)         | 69,667           |
| Depreciation to date                  | (1,017,921)      | (755,773)        |
|                                       | <b>1,139,560</b> | <b>984,141</b>   |
| Capital Work In progress              | 92,933           | 93,556           |
| <b>Net Block</b>                      | <b>1,486,942</b> | <b>1,343,558</b> |

**SCHEDULE 11 - OTHER ASSETS**

|                                                                         |                  |                  |
|-------------------------------------------------------------------------|------------------|------------------|
| I. Interest Accrued                                                     | 1,548,529        | 945,595          |
| II. Inter Office Adjustments (Net)                                      | 10,153           | 101,603          |
| III. Tax paid in advance and Tax Deducted at Source (net of provisions) | 755,593          | 477,719          |
| IV. Deferred Tax Asset                                                  | 132,194          | 143,251          |
| V. Stationery and stamps                                                | 5,754            | 1,182            |
| VI. Non Banking Assets acquired in satisfaction of claims               | 548              | 548              |
| VII. Others                                                             | 2,382,443        | 3,268,153        |
| <b>Total</b>                                                            | <b>4,835,215</b> | <b>4,938,051</b> |

**SCHEDULE 12 - CONTINGENT LIABILITIES**

|                                                                      |                   |                   |
|----------------------------------------------------------------------|-------------------|-------------------|
| I. Claims against the bank not acknowledged as debts                 | 39,407            | 24,643            |
| II. Liabilities on account of outstanding forward exchange contracts | 20,149,849        | 27,832,756        |
| III. Guarantees given on behalf of constituents in India             | 5,384,177         | 3,356,928         |
| IV. Acceptance endorsements and other obligations                    | 1,182,292         | 585,866           |
| V. Liability on account of interest rate swaps                       | 6,500,000         | -                 |
| VI. Other items for which Bank is contingently liable #              | 359,923           | 708,346           |
| #(disputed income tax liability)                                     |                   |                   |
| <b>Total</b>                                                         | <b>33,615,648</b> | <b>32,508,539</b> |

# Schedules to the Financial Statements:

For the year ended March 31, 2012

(₹ in '000)

|                                                              | Year ended<br>March 31, 2012 | Year ended<br>March 31, 2011 |
|--------------------------------------------------------------|------------------------------|------------------------------|
| <b>SCHEDULE 13 - INTEREST EARNED</b>                         |                              |                              |
| I. Interest/Discount on Advances/bills                       | 10,753,875                   | 6,990,975                    |
| II. Income on Investments                                    | 3,135,840                    | 2,017,335                    |
| III. Interest on balance with RBI/other inter Bank funds     | 43,592                       | 55,868                       |
| IV. Others                                                   | 3,236                        | -                            |
| <b>Total</b>                                                 | <b>13,936,543</b>            | <b>9,064,178</b>             |
| <b>SCHEDULE 14 - OTHER INCOME</b>                            |                              |                              |
| I. Commission, Exchange and Brokerage                        | 84,996                       | 87,174                       |
| II. Profit/(Loss) on sale of Investments (Net)               | 88,734                       | 96,773                       |
| III. Profit on sale of land, building and other Assets (Net) | 10,459                       | 5,228                        |
| IV. Profit on exchange transactions (Net)                    | 118,800                      | 56,565                       |
| V. Income from Insurance                                     | 82,881                       | 66,150                       |
| VI. Miscellaneous Income                                     | 1,050,549                    | 1,155,806                    |
| <b>Total</b>                                                 | <b>1,436,418</b>             | <b>1,467,696</b>             |
| <b>SCHEDULE 15 - INTEREST EXPENDED</b>                       |                              |                              |
| I. Interest on Deposits                                      | 10,155,937                   | 5,842,374                    |
| II. Interest on RBI/Inter Bank Borrowing                     | 851,209                      | 327,385                      |
| III. Others                                                  | 454,198                      | 243,101                      |
| <b>Total</b>                                                 | <b>11,461,344</b>            | <b>6,412,860</b>             |

(₹ in '000)

|                                                           | Year ended<br>March 31, 2012 | Year ended<br>March 31, 2011 |
|-----------------------------------------------------------|------------------------------|------------------------------|
| <b>SCHEDULE 16 - OPERATING EXPENSES</b>                   |                              |                              |
| I. Payments to and Provisions for Employees               | 2,739,556                    | 2,014,649                    |
| II. Rent, Taxes and Lighting                              | 402,107                      | 459,225                      |
| III. Printing and Stationery                              | 62,970                       | 51,382                       |
| IV. Advertisement and Publicity                           | 108,299                      | 60,606                       |
| V. Depreciation to Banks property                         | 294,667                      | 155,934                      |
| VI. Directors Fee, Allowance and Expense                  | 2,319                        | 2,881                        |
| VII. Auditors Fee and Expense (including Branch Auditors) | 4,923                        | 5,823                        |
| VIII. Law charges                                         | 6,402                        | 2,984                        |
| IX. Postage, Telegram, Telephone etc.                     | 156,865                      | 122,252                      |
| X. Repairs and Maintenance                                | 33,327                       | 20,850                       |
| XI. Insurance                                             | 146,305                      | 79,117                       |
| XII. Other Expenditure                                    | 932,936                      | 468,979                      |
| <b>Total</b>                                              | <b>4,890,676</b>             | <b>3,444,682</b>             |
| <b>SCHEDULE 17 - PROVISIONS AND CONTINGENCIES</b>         |                              |                              |
| I. Provision for NPA (Advances)                           | 69,336                       | 44,110                       |
| II. Floating Provision for NPA (Advances)                 | -                            | -                            |
| III. Provision for Standard Assets                        | 4,185                        | 146,100                      |
| IV. Provision for Restructured Advances                   | 3,690                        | 3,400                        |
| V. Provision for Securitisation                           | -                            | -                            |
| VI. Bad Debts Written Off                                 | 16,882                       | 19,163                       |
| VII. Provision for Depn on Investments (Net)              | 75,654                       | 64,330                       |
| VIII. Provision for NPA (Investments)                     | (4,064)                      | -                            |
| IX. Provision for Income Tax/Wealth Tax/FT                | 471                          | 166,200                      |
| X. Deferred Tax                                           | 11,057                       | (29,593)                     |
| <b>Total</b>                                              | <b>177,211</b>               | <b>413,710</b>               |

## **SCHEDULE 18 - PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2012**

### **Background**

Dhanlaxmi Bank Limited was incorporated in November 1927 at Thrissur, in Kerala by a group of ambitious entrepreneurs. Dhanlaxmi Bank is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. Dhanlaxmi bank is a banking company governed by The Banking Regulation Act, 1949. It became a scheduled commercial bank since 1977.

### **Basis of preparation of financial statements**

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

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

### **PRINCIPAL ACCOUNTING POLICIES**

#### **1. Revenue recognition**

- Items of income and expenditure are accounted for on accrual basis, except as stated hereunder:
  - o Interest / Discount on loans & advances / Bills is recognized on accrual basis other than on those stipulated in RBI's prudential norms on income recognition, asset classification and provisioning relating to NPAs where the income is recognized on realization.
  - o Rent on safe deposit lockers, dividends, depository participant business etc. are accounted for on cash basis.
- Loan processing fee on retail assets is accounted for upfront when it becomes due. Loan processing fees for buyout/other loans would be recognized over the period of tenor of the loan on constant yield basis. Service charges to be paid on buyout loans would be recognized as and when due.
- Commission received on guarantees issued is amortised on a straight-line basis over the period of the guarantee.
- Interest on income tax refunds is accounted in the year in which the same is received / adjusted by the income tax department.
- In respect of accounts covered under one time settlement, the recoveries are adjusted against book balance and the net balance is written off.
- Income accounted for in the preceding year and remaining unrealized is de-recognized in respect of advances classified as NPA during the year. Interest on NPA is transferred to interest suspense account and recognised in Profit and Loss Account when realized.
- In respect of sale of Assets under securitization the Bank has followed RBI guidelines as under:
  - o Sale price received shall be duly accounted for and shall be apportioned to each asset on the basis of respective valuations given to the asset.
  - o If the sale price is below Net Book Value (i.e. Outstanding book balance less interest suspense and provisions held) {Net NPA}, then short fall should be debited to profit and loss account.

- o If sale value is higher than the Net NPA balance, then excess provisions shall not be reversed but should be utilized to meet the short fall/loss on account of sale of other non-performing Assets.
- o At the end of each reporting year, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines applicable to such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from security receipts are limited to the actuarial realization of the financial assets assigned to the instruments in the concerned scheme, the bank reckons the net asset value obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting year end. The cash consideration received in respect of accounts written off shall be credited to Profit and Loss Account and the value of Security Receipts shall be classified under investments and the corresponding provision shall be retained.
- All income other than the transactions specified above are accounted on proportionate basis over the period of the contract.

## 2. Investments

Investments are accounted for in accordance with the extant RBI guidelines on investment classification and valuation as mentioned below:

### a) Classification

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

### b) Basis of Classification

Investments that are held principally for resale within 90 days from the date of purchase are classified under "Held for Trading" category.

Investments which the Bank intends to hold till maturity are classified as HTM securities.

Investments which are not classified in the above categories are classified under "Available for Sale" category.

### c) Acquisition Cost

In determining acquisition cost of an investment:

- Brokerage, Commission, etc. paid at the time of acquisition, are charged to revenue at the time of settlement.
- Broken period interest (the amount of interest from the previous interest payment date till the date of purchase/sale of instruments) on debt instruments is treated as a revenue item.
- Cost of investments is based on the following basis:
  - o Held to Maturity – Weighted Average
  - o Held for Trading – Weighted Average
  - o Available for sale – Weighted Average

### d) Valuation of Investments is done as under

- Held to Maturity: 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium over the face value of fixed rate and floating rate securities acquired is amortised over the remaining period to maturity on a constant yield basis.
- 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. Quoted investments are valued based on the trades/quotes on the recognized stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association (FIMMDA), periodically.

The market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio (SLR) securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA. The valuation of other unquoted fixed income securities wherever linked to the Yield-to-Maturity (YTM) rates, is computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued as per the RBI guidelines which is presently at the break-up value, if the latest balance sheet is available, or at ₹1, per company.

Securities are valued scrip-wise and depreciation/appreciation is aggregated for each category. Net appreciation in each category, if any, being unrealised, is ignored, while net depreciation is provided for.

**Investment valuation norms for various categories is as given in table below:**

| Particulars                             | Valuation Norms                                                                                                                                                                                                   |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Central Government Securities           | Prices published by PDAI/FIMMDA                                                                                                                                                                                   |
| State Government Securities             | At YTM published by PDAI/FIMMDA                                                                                                                                                                                   |
| Other Approved Securities               | YTM published by PDAI/FIMMDA duly adjusted as per RBI guidelines                                                                                                                                                  |
| Bonds, Debentures and Preference Shares | As per rates / methodologies prescribed by FIMMDA                                                                                                                                                                 |
| Equity Shares                           | <b>Quoted:</b> Valued as per currently traded quotes on the stock exchange.<br><b>Unquoted:</b> Valued at book value as per the latest Balance Sheet. Where Balance Sheets are not available, at ₹1/- per Company |
| Units of Mutual Fund                    | Re-purchase price / NAV declared by the Mutual Fund as at the close of the year                                                                                                                                   |
| Other Securities                        | As per guidelines prescribed by RBI                                                                                                                                                                               |

Non-performing investments are identified and depreciation/provision is made thereon based on the RBI guidelines. The depreciation / provision is not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit or Loss Account until received.

#### e) Sale of Investments

Profit on sale of investments in the 'Held to Maturity' category is credited to the profit and loss account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit on sale of investments in 'Available for Sale' and 'Held for Trading' categories is credited to profit and loss account.

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

#### Repo and Reverse Repo Transactions

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

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

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

### 3. Advances

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

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

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

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

The Bank buys loans through the direct assignment route. In respect of direct assignment, where the purchase consideration is higher than the principal amount of the portfolio, the resultant additional upfront amount is classified as 'Other assets' which will amortise during the life of the advances on constant yield basis. In other cases, these are accounted at the deal value.

#### **4. Fixed assets and depreciation**

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

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

| Particulars                                               | Rate of Depreciation                                                  |
|-----------------------------------------------------------|-----------------------------------------------------------------------|
| Owned Premises                                            | 5.00% per annum                                                       |
| Office equipment                                          | 18.10% per annum                                                      |
| Motor cars                                                | 25.89% per annum                                                      |
| Electrical items                                          | 13.91%                                                                |
| Items (excluding staff assets) costing less than ₹5,000/- | Fully depreciated in the year of purchase                             |
| Computer Hardware expenditure                             | 33.33% per annum on Straight Line Basis                               |
| Computer software and system development expenditure      | 20.00% per annum on Straight Line Basis                               |
| All other assets                                          | As per the rates specified in Schedule XIV of the Companies Act, 1956 |

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 year.

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

#### **5. Impairment of Assets**

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

## **6. Transactions involving foreign exchange**

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

## **7. Employee Stock Option Scheme ("ESOS")**

Dhanlaxmi Bank Limited Employees Stock Option Scheme, 2009 ("ESOP Scheme") provides for the grant of equity shares of the Bank to its eligible employees and Directors in the whole time employment of the Bank/Managing Director. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee's compensation plans. Compensation cost is measured as the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. The fair market price is the latest closing price, immediately prior to the date of the Board of Directors meeting in which the options are granted, on the stock exchange on which the shares of the Bank are listed. In this regard the Bank has complied with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

## **8. Employee Benefit**

**The defined employee benefit schemes are as under:-**

### **• Provident Fund**

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

### **• Gratuity**

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

### **• Pension**

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

## **9. Lease Accounting**

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

## **10. Income tax**

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

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

#### **11. Accounting for provisions, contingent liabilities and contingent assets**

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

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

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

#### **12. Earnings per share**

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

#### **13. Segment reporting**

The Bank has recognized Business segments as primary reporting segment and geographical segments as secondary segment in line with RBI guidelines on compliance with Accounting Standard 17, Segment Reporting issued by the Institute of Chartered Accountants of India.

##### **Primary Segments: Business segments**

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

##### **Secondary Segments: Geographical segments**

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

**SCHEDULE 19 - NOTES TO THE FINANCIAL STATEMENTS****1. Capital commitments ₹719 Lakhs (Previous Year ₹249 Lakhs)****2. (a) Provisions and Contingencies**

₹ in Lakhs

| Particulars                                                        | March 31, 2012 | March 31, 2011 |
|--------------------------------------------------------------------|----------------|----------------|
| Provision for depreciation on Investments                          | 756            | 643            |
| Provision for Non-Performing Investments                           | (41)           | -              |
| Provision for Standard Assets                                      | 42             | 1,461          |
| Provision for NPA (including Bad Debts written off and write back) | 862            | 633            |
| Provision for diminution in value of Restructured Accounts         | 37             | 34             |
| Provision for Income Tax, Wealth Tax etc.                          | 5              | 1,662          |
| Deferred Tax Assets                                                | 111            | (296)          |
| <b>Total</b>                                                       | <b>1,772</b>   | <b>4,137</b>   |

**(b) Floating Provisions**

₹ in Lakhs

| Particulars                                    | 2011-12 | 2010-11 |
|------------------------------------------------|---------|---------|
| (a) Opening balance                            | 200     | 200     |
| (b) Additional Provisions made during the year | -       | -       |
| (c) Amount of draw down made during the year   | -       | -       |
| (d) Closing balance                            | 200     | 200     |

**3. Capital Adequacy**

₹ in Lakhs

| Sr. No. | Items                                                                           | March 31, 2012 |          | March 31, 2011 |          |
|---------|---------------------------------------------------------------------------------|----------------|----------|----------------|----------|
|         |                                                                                 | Basel I        | Basel II | Basel I        | Basel II |
| (i)     | Capital to Risk/weighted Assets Ratio (%)                                       | 8.79           | 9.49     | 10.81          | 11.80    |
| (ii)    | Tier I Capital (%)                                                              | 6.88           | 7.42     | 8.62           | 9.41     |
| (iii)   | Tier II Capital (%)                                                             | 1.91           | 2.07     | 2.19           | 2.39     |
| (iv)    | Percentage of the shareholding of the Government of India in nationalized banks | -              | -        | -              | -        |
| (v)     | Amount of Subordinated debt raised as Tier-II capital                           | 1,000          | 1,000    | 2,750          | 2,750    |
| (vi)    | Amount raised by issue of IPDI                                                  | -              | -        | -              | -        |
| (vii)   | Amount raised by issue of Upper Tier II instruments                             | -              | -        | -              | -        |

**4. Investments**

₹ in Lakhs

| Items                                                                      | March 31, 2012 | March 31, 2011 |
|----------------------------------------------------------------------------|----------------|----------------|
| <b>(1) Value of Investments</b>                                            |                |                |
| (i) Gross Value of Investments                                             |                |                |
| (a) In India                                                               | 437,655        | 364,891        |
| (b) Outside India                                                          | -              | -              |
| (ii) Provisions for Depreciation on investments                            |                |                |
| (a) In India                                                               | 1,639          | 923            |
| (b) Outside India                                                          | -              | -              |
| (iii) Net Value of Investments                                             |                |                |
| (a) In India                                                               | 436,016        | 363,968        |
| (b) Outside India                                                          | -              | -              |
| <b>(2) Movement of provisions held towards depreciation on investments</b> |                |                |
| (i) Opening balance                                                        | 923            | 811            |
| (ii) Add: Provisions made during the year                                  | 716            | 112            |
| (iii) Less: (Write-off/write-back of excess provisions during the year)    | -              | -              |
| (iv) Closing Balance                                                       | 1,639          | 923            |

## 5. Repo Transactions

₹ in Lakhs

| Particulars                              | Minimum outstanding during the year ended March 31 |       | Maximum outstanding during the year ended March 31 |        | Daily Average outstanding during the year ended March 31 |        | As on March 31, 2012 | As on March 31, 2011 |
|------------------------------------------|----------------------------------------------------|-------|----------------------------------------------------|--------|----------------------------------------------------------|--------|----------------------|----------------------|
|                                          | 2012                                               | 2011  | 2012                                               | 2011   | 2012                                                     | 2011   |                      |                      |
| Securities sold under repos              | 2,000                                              | 1,500 | 172,000                                            | 71,500 | 90,312                                                   | 30,800 | 72,500               | 37,500               |
| Securities purchased under reverse repos | 5,000                                              | -     | 42,500                                             | -      | 19,364                                                   | -      | -                    | -                    |

## 6. Non-SLR Investment Portfolio

### a. Issuer wise composition of Non-SLR investments as on March 31, 2012

₹ in Lakhs

| Sr. No.      | Issuer                              | Amount        | Extent of Private Placement | Extent of 'Below Investment Grade' Securities | Extent of 'Unrated' Securities | Extent of 'Unlisted' Securities |
|--------------|-------------------------------------|---------------|-----------------------------|-----------------------------------------------|--------------------------------|---------------------------------|
| (i)          | Public Sector Units                 | 914           | 914                         | -                                             | -                              | -                               |
| (ii)         | Financial Institutions              | -             | -                           | -                                             | -                              | -                               |
| (iii)        | Banks                               | 200           | 200                         | 200                                           |                                |                                 |
| (iv)         | Private Corporate                   | 8,426         | 8,356                       | 2,000                                         | 134                            | 131                             |
| (v)          | Subsidiaries/Joint Ventures         | -             | -                           | -                                             | -                              | -                               |
| (vi)         | Others                              | 2,346         | 2,346                       | -                                             | -                              | -                               |
| (vii)        | Provision held towards depreciation | -             | -                           | -                                             | -                              | -                               |
| <b>Total</b> |                                     | <b>11,886</b> | <b>11,816</b>               | <b>2,200</b>                                  | <b>134</b>                     | <b>131</b>                      |

### b. Non-Performing Non-SLR Investments

₹ in Lakhs

| Particulars                  | 2011-12    | 2010-11    |
|------------------------------|------------|------------|
| Opening balance              | 744        | 744        |
| Additions during the year    | -          | -          |
| Reductions during the year   | 40         | -          |
| Closing balance              | 704        | 744        |
| <b>Total provisions held</b> | <b>704</b> | <b>744</b> |

## 7. Derivatives

### Forward Rate Agreement/ Interest Rate Swap

₹ in Lakhs

| Sr. No. | Particulars                                                                                               | March 31, 2012 | March 31, 2011 |
|---------|-----------------------------------------------------------------------------------------------------------|----------------|----------------|
| i)      | The notional principal of swap agreements                                                                 | 65,000         | -              |
| ii)     | Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | 257            | -              |
| iii)    | Collateral required by the bank upon entering into swaps                                                  | -              | -              |
| iv)     | Concentration of credit risk arising from the swaps                                                       | 189            | -              |
| v)      | The fair value of the swap book                                                                           | 64,977         | -              |

**Exchange Traded Interest Rate Derivatives**

₹ in Lakhs

| Sr. No. | Particulars                                                                                                                            |   |
|---------|----------------------------------------------------------------------------------------------------------------------------------------|---|
| (i)     | Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)                    | - |
| (ii)    | Notional principal amount of exchange traded interest rate derivatives outstanding as on 31 <sup>st</sup> March 2012 (instrument-wise) | - |
| (iii)   | Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument- wise)       | - |
| (iv)    | Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument- wise)            | - |

**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 Lakhs

| Sr. No. | Particular                                                         | Currency Derivatives | Interest rate derivatives |
|---------|--------------------------------------------------------------------|----------------------|---------------------------|
| (i)     | Derivatives (Notional Principal Amount)                            | -                    | -                         |
|         | a) For hedging                                                     | -                    | -                         |
|         | b) For trading                                                     | -                    | 65,000                    |
| (ii)    | Marked to Market Positions [1]                                     | -                    | 64,977                    |
|         | a) Asset (+)                                                       | -                    | -                         |
|         | b) Liability (-)                                                   | -                    | -                         |
| (iii)   | Credit Exposure [2]                                                | -                    | 257                       |
| (iv)    | Likely impact of one percentage change in interest rate (100*PV01) | -                    | -                         |
|         | a) on hedging derivatives                                          | -                    | -                         |
|         | b) on trading derivatives                                          | -                    | 0.93                      |
| (v)     | Maximum and Minimum of 100*PV01 observed during the year           | -                    | -                         |
|         | a) on hedging                                                      | -                    | -                         |
|         | b) on trading                                                      |                      |                           |
|         | Maximum                                                            | -                    | 1.37                      |
|         | Minimum                                                            |                      | 0.75                      |

**8. Asset Quality**

- Claim pertaining to debt relief arising till December 31, 2009 was ₹15.16 Lakhs which was shown as receivable from Government of India under Agricultural Debt Relief Scheme 2008, which was received from RBI during

2010-11. Additional claim amount of ₹2.20 Lakhs pertaining to the extended period of Debt Relief Scheme from January 1, 2010 to June 30, 2010 (which was clubbed under head advances) was also received from RBI during 2011-12 and receivable from RBI in this regard is ₹ Nil.

**ii. Non-Performing Assets**

₹ in Lakhs

| Items                                                                             | March 31, 2012 | March 31, 2011 |
|-----------------------------------------------------------------------------------|----------------|----------------|
| (i) Net NPAs to Net Advances (%)                                                  | 0.66           | 0.30           |
| (ii) Movement of NPAs (Gross)                                                     |                |                |
| (a) Opening balance                                                               | 6,709          | 7,750          |
| (b) Additions during the year                                                     | 9,182          | 4,113          |
| (c) Reductions during the year                                                    | 5,464          | (5,154)        |
| (d) Closing balance                                                               | 10,427         | 6,709          |
| (iii) Movement of Net NPAs                                                        |                |                |
| (a) Opening balance                                                               | 2,747          | 4,194          |
| (b) Additions during the year                                                     | 7,028          | 3,708          |
| (c) Reductions during the year                                                    | 3,826          | (5,190)        |
| (d) ECGC Collection                                                               | 28             | 35             |
| (e) Floating Provision                                                            | 177            | -              |
| (f) Closing balance                                                               | 5,800          | 2,747          |
| (iv) Movement of provisions for NPAs<br>(excluding provisions on standard assets) |                |                |
| (a) Opening balance                                                               | 3,910          | 3,469          |
| (b) Provisions made during the year                                               | 2,331          | 1,591          |
| (c) Write-off/ write-back of excess provisions                                    | 1,638          | (1,150)        |
| (d) Closing balance                                                               | 4,603          | 3,910          |

**iii. Details of Loan Assets subjected to Restructuring as on March 31, 2012**

₹ in Lakhs

| Particulars                                 | CDR Mechanism | SME Debt Restructuring | Others |
|---------------------------------------------|---------------|------------------------|--------|
| No. of Borrowers                            | 3             | 1                      | -      |
| Standard advances restructured              |               |                        |        |
| Amount outstanding                          | 1,297.73      | 5.23                   | -      |
| Sacrifice<br>(Diminution in the fair value) | 3.15          | 0.33                   | -      |
| Sub standard advances restructured          |               |                        |        |
| No. of Borrowers                            | -             | -                      | -      |
| Amount outstanding                          | -             | -                      | -      |
| Sacrifice<br>(Diminution in the fair value) | -             | -                      | -      |
| Doubtful advances restructured              |               |                        |        |
| No. of Borrowers                            | -             | -                      | -      |
| Amount outstanding                          | -             | -                      | -      |
| Sacrifice<br>(Diminution in the fair value) | -             | -                      | -      |
| Total                                       |               |                        |        |
| No. of Borrowers                            | 3             | 1                      | -      |
| Amount outstanding                          | 1,297.73      | 5.23                   | -      |
| Sacrifice<br>(Diminution in the fair value) | 3.15          | 0.33                   | -      |

Sacrifice for 1.04.2011 to 31.03.2012 to be provided : ₹3.48 Lakhs

**iv. Details of financial assets sold to Securitisation / Reconstruction Company**

₹ in Lakhs

| Sr. No. | Item                                                                                  | March 31, 2012 | March 31, 2011 |
|---------|---------------------------------------------------------------------------------------|----------------|----------------|
| (i)     | No. of accounts                                                                       | -              | -              |
| (ii)    | Aggregate value (net of provisions) of accounts sold to SC/RC                         | -              | -              |
| (iii)   | Aggregate consideration                                                               | -              | -              |
| (iv)    | Additional consideration realized in respect of accounts transferred in earlier years | -              | -              |
| (v)     | Aggregate gain/loss over net book value.                                              | -              | -              |

**v. Details of non-performing financial assets purchased/sold****A. Details of non-performing financial assets purchased**

₹ in Lakhs

| Particulars                                                      | March 31, 2012 | March 31, 2011 |
|------------------------------------------------------------------|----------------|----------------|
| 1. (a) No. of accounts purchased during the year                 | -              | -              |
| (b) Aggregate outstanding                                        | -              | -              |
| 2. (a) Of these, number of accounts restructured during the year | -              | -              |
| (b) Aggregate outstanding                                        | -              | -              |

**B. Details of non-performing financial assets sold:**

₹ in Lakhs

| Particulars                         | March 31, 2012 | March 31, 2011 |
|-------------------------------------|----------------|----------------|
| 1. No. of accounts sold             | -              | -              |
| 2. Aggregate outstanding            | -              | -              |
| 3. Aggregate consideration received | -              | -              |

**vi. Provisions on Standard Assets**

₹ in Lakhs

| Item                               | March 31, 2012 | March 31, 2011 |
|------------------------------------|----------------|----------------|
| Provisions towards Standard Assets | 3,415          | 3,373          |

**vii. Unsecured advances against intangible assets**

As at March 31, 2012, the amount of unsecured advances against intangible assets was ₹ Nil and the estimated value of the intangible collaterals was ₹ Nil.

**9. Business Ratio**

| Sr. No. | Items                                                       | March 31, 2012 | March 31, 2011 |
|---------|-------------------------------------------------------------|----------------|----------------|
| (i)     | Interest Income as a percentage to Working Funds (%)        | 8.78           | 8.09           |
| (ii)    | Non-interest income as a percentage to Working Funds (%)    | 0.90           | 1.31           |
| (iii)   | Operating Profit as a percentage to Working Funds (%)       | (0.62)         | 0.60           |
| (iv)    | Return on Assets (%)                                        | (0.73)         | 0.23           |
| (v)     | Business (Deposits plus advances) per employee – ₹ in Lakhs | 592.92         | 589.22         |
| (vi)    | Profit/(Loss) per employee - Rs in Lakhs                    | (3.33)         | 0.71           |

**Provision Coverage Ratio (PCR)**

The PCR (ratio of provisioning of Gross non-performing assets)

| Particulars              | March 31, 2012 | March 31, 2011 |
|--------------------------|----------------|----------------|
| Provision Coverage Ratio | 45.59%         | 60.51%         |

## 10. Asset Liability Management

Maturity Pattern of certain items of assets and liabilities as at March 31, 2012 are as follow:

₹ in Lakhs

| Due within                      | Advances       | Investments    | Foreign currency |                | Deposits         | Borrowings     |
|---------------------------------|----------------|----------------|------------------|----------------|------------------|----------------|
|                                 |                |                | Assets           | Liabilities    |                  |                |
| Day 1                           | 24,253         | -              | 8,953            | 3,106          | 9,174            | 1,819          |
| 2 to 7 Days                     | 27,018         | 33,225         | 5,896            | 9,720          | 52,193           | 78,497         |
| 8 to 14 days                    | 11,337         | 13,637         | 838              | 540            | 41,634           | -              |
| 15 to 28 days                   | 15,702         | 29,371         | 383              | 236            | 49,818           | -              |
| 29 days upto 3 months           | 75,953         | 56,838         | 66,140           | 64,182         | 176,736          | 14,835         |
| Over 3 months and upto 6 months | 68,925         | -              | 31,254           | 31,851         | 231,557          | 13,630         |
| Over 6 months and upto 1 year   | 104,722        | 1,870          | 17,050           | 18,852         | 267,623          | 10,925         |
| Over 1 year and upto 3 years    | 326,714        | 15,354         | -                | 545            | 320,166          | 25,780         |
| Over 3 years and upto 5 years   | 83,875         | 59,851         | -                | 397            | 28,873           | 22,915         |
| Over 5 years                    | 137,306        | 227,509        | 64               | -              | 2,667            | 3,750          |
| <b>Total</b>                    | <b>875,805</b> | <b>437,655</b> | <b>130,578</b>   | <b>129,429</b> | <b>1,180,441</b> | <b>172,151</b> |

## 11. Lending To Sensitive Sector

### i) Exposure to Real Estate Sector

₹ in Lakhs

| Category                                                                                                                                                                                                                                                                                                                                                               | March 31, 2012 | March 31, 2011 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>a) Direct Exposure</b>                                                                                                                                                                                                                                                                                                                                              |                |                |
| <b>(i) Residential Mortgages -</b>                                                                                                                                                                                                                                                                                                                                     |                |                |
| Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; <b>(A)</b>                                                                                                                                                                                                                                   | 37,329         | 51,617         |
| Of which individual housing loans up to ₹15 lakh                                                                                                                                                                                                                                                                                                                       | 6,516          | 11,537         |
| <b>(ii) Commercial Real Estate -</b>                                                                                                                                                                                                                                                                                                                                   |                |                |
| Landings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits; <b>(B)</b> | 45,125         | 39,674         |
| <b>(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b>                                                                                                                                                                                                                                                                         |                |                |
| a. Residential                                                                                                                                                                                                                                                                                                                                                         | -              | -              |
| b. Commercial Real Estate                                                                                                                                                                                                                                                                                                                                              | -              | -              |
| <b>(iv) Other Direct Exposure (C)</b>                                                                                                                                                                                                                                                                                                                                  | 103,698        | -              |
| <b>b) Indirect Exposure</b>                                                                                                                                                                                                                                                                                                                                            |                |                |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). <b>(D)</b>                                                                                                                                                                                                                                                | -              | 17,299         |
| <b>Total Exposure to Real Estate Sector (A+B+C+D)</b>                                                                                                                                                                                                                                                                                                                  | <b>186,152</b> | <b>108,590</b> |

## ii) Exposure to Capital Market

₹ in Lakhs

| Particulars                                                                                                                                                                                                                                                                                                                                                  | March 31, 2012 | March 31, 2011 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| (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;                                                                                                                                                               | 1,379          | 1,420          |
| (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;                                                                                                                    | 140            | 92             |
| (iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;                                                                                                                                                                                    | -              | -              |
| (iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances; | -              | -              |
| (v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;                                                                                                                                                                                                                                        | 4,764          | 5,150          |
| (vi) loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;                                                                                                                           | -              | -              |
| (vii) bridge loans to companies against expected equity flows/issues;                                                                                                                                                                                                                                                                                        | -              | -              |
| (viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;                                                                                                                                                                         | -              | -              |
| (ix) financing to stockbrokers for margin trading;                                                                                                                                                                                                                                                                                                           | -              | -              |
| (x) all exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)                                                                                                                         | -              | -              |
| <b>Total Exposure to Capital Market</b>                                                                                                                                                                                                                                                                                                                      | <b>6,283</b>   | <b>6,662</b>   |

## 12. Risk Category Wise Country Exposure

₹ in Lakhs

| Risk Category | Exposure (net)<br>as at | Provision held<br>as at | Exposure (net)<br>as at | Provision held<br>as at |
|---------------|-------------------------|-------------------------|-------------------------|-------------------------|
|               | March 31, 2012          | March 31, 2012          | March 31, 2011          | March 31, 2011          |
| Insignificant | 1,686                   | -                       | 3,758                   | -                       |
| Low           | 8                       | -                       | 13                      | -                       |
| Moderate      | -                       | -                       | -                       | -                       |
| High          | -                       | -                       | -                       | -                       |
| Very High     | -                       | -                       | -                       | -                       |
| Restricted    | -                       | -                       | -                       | -                       |
| Off-credit    | -                       | -                       | -                       | -                       |
| <b>Total</b>  | <b>1,694</b>            | <b>-</b>                | <b>3,771</b>            | <b>-</b>                |

**13. Details of Single Borrower Limit, Group Borrower Limit Exceeded by the Bank**

The details of single borrower limit exceeded by bank

₹ in Lakhs

| Sr. No. | Name of the borrower               | Exposure Permissible | Actual Exposure |
|---------|------------------------------------|----------------------|-----------------|
| 1       | Parekh Aluminex                    | 13,700               | 14,200          |
| 2       | Core Education & Technologies Ltd. | 13,700               | 14,500          |

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

**14. Provisions**

₹ in Lakhs

| Particulars        | March 31, 2012 | March 31, 2011 |
|--------------------|----------------|----------------|
| Income Tax         | -              | 1,658          |
| Wealth Tax         | 4.71           | 4              |
| Fringe Benefit Tax | -              | -              |
| Deferred Tax       | 110.56         | (296)          |

15. No penalty has been imposed during the year 2011-12 by RBI

**16. Disclosure for Customer Complaints/unimplemented Awards of Banking Ombudsman**

**Customer complaints**

| Particulars                                                | 2011-12 |
|------------------------------------------------------------|---------|
| (a) No. of complaints pending at the beginning of the year | 21      |
| (b) No. of complaints received during the year             | 696     |
| (c) No. of complaints redressed during the year            | 707     |
| (d) No. of complaints pending at the end of the year       | 10      |

**Unimplemented awards of Banking Ombudsmen**

| Particulars                                                       | 2011-12 |
|-------------------------------------------------------------------|---------|
| (a) No. of unimplemented awards at the beginning of the year      | -       |
| (b) No. of Awards passed by the Banking Ombudsmen during the year | 1       |
| (c) No. of Awards implemented during the year                     | 1       |
| (d) No. of unimplemented Awards during the year                   | -       |

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

The Bank has not issued any Letter of Comfort during the year 2011-12.

**18. (I) Concentration of Deposits, Advances, Exposures and NPAs**

**a) Concentration of Deposits**

₹ in Lakhs

| Particulars                                                                       | March 31, 2012 | March 31, 2011 |
|-----------------------------------------------------------------------------------|----------------|----------------|
| Total Deposits of twenty largest depositors                                       | 264,165        | 241,852        |
| Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank | 25.70%         | 19.30%         |

**b) Concentration of Advances**

₹ in Lakhs

| Particulars                                                                      | March 31, 2012 | March 31, 2011 |
|----------------------------------------------------------------------------------|----------------|----------------|
| Total Advances to twenty largest borrowers                                       | 146,024        | 139,426        |
| Percentage of Advances to twenty largest borrowers to Total Advances of the bank | 16.53%         | 15.29%         |

**c) Concentration of Exposures**

₹ in Lakhs

| Particulars                                                                                                        | March 31, 2012 | March 31, 2011 |
|--------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Total Exposure to twenty largest borrowers/customers                                                               | 185,378        | 167,700        |
| Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers | 14.13%         | 13.25%         |

**d) Concentration of NPAs**

₹ in Lakhs

| Particulars                             | March 31, 2012 | March 31, 2011 |
|-----------------------------------------|----------------|----------------|
| Total Exposure to top four NPA accounts | 2,082          | 1,150          |

**(II) Sector-wise NPAs**

| Sector                                     | Percentage of NPAs to total Advances in that Sector as on March 31, 2012 | Percentage of NPAs to total Advances in that Sector as on March 31, 2011 |
|--------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Agriculture and allied activities          | 1.15%                                                                    | 0.98%                                                                    |
| Industry (Micro & small, Medium and Large) | 1.23%                                                                    | 0.76%                                                                    |
| Services                                   | 0.60%                                                                    | 0.59%                                                                    |
| Personal Loans                             | 2.41%                                                                    | 2.23%                                                                    |

**(III) Movement of NPAs**

₹ in Lakhs

| Particulars                                                        | 2011-12       | 2010-11       |
|--------------------------------------------------------------------|---------------|---------------|
| Opening balance                                                    | 6,709         | 7,750         |
| Additions (Fresh NPAs) during the year                             | 9,182         | 4,113         |
| <b>Sub-total (A)</b>                                               | <b>15,891</b> | <b>11,863</b> |
| Less:-                                                             |               |               |
| (i) Up gradations                                                  | 1,742         | 1,543         |
| (ii) Recoveries (excluding recoveries made from upgraded accounts) | 3,555         | 3,420         |
| (iii) Write-offs                                                   | 167           | 191           |
| <b>Sub-total (B)</b>                                               | <b>5,464</b>  | <b>5,154</b>  |
| <b>Closing balance (A-B)</b>                                       | <b>10,427</b> | <b>6,709</b>  |

**(IV) Overseas Assets, NPA and Revenue**

₹ in Lakhs

| Particulars   | March 31, 2012 | March 31, 2011 |
|---------------|----------------|----------------|
| Total Assets  | -              | -              |
| Total NPAs    | -              | -              |
| Total Revenue | -              | -              |

**(V) Off-balance Sheet SPVS Sponsored (Which are Required to be Consolidated as per Accounting Norms)**  
₹ in Lakhs

| Name of the SPV sponsored |          |
|---------------------------|----------|
| Domestic                  | Overseas |
| -                         | -        |

**19. ESOP Scheme**

On May 11, 2010, 20,000 options were issued at an exercise price of ₹144.70 to new joiners in addition to 3,979,225 options granted on 6 August, 2009 to employees under two different plans at a uniform option price of ₹118.35. Out of the above, 20,149 shares were exercised during the previous year and 570 shares were exercised during the current year. Options granted to the employees under the first plan ('Existing Employees') shall vest at the rate of 30%, 30% and 40% on each successive anniversary of the grant date. Options granted to the employees under the second plan ('Joining Employees') shall vest after completion of 12 months from the date of grant. Further, all the option granted to 'Joining Employees' under the scheme shall be subject to a lock in period of twenty four months from date of vesting of options under this scheme.

Based on the information provided by the client, the details of the Employees Stock Option Plan-2009 as at March 31, 2012 are as follows:

| Sr. No. | Particulars                      |                 | Employee Stock Option Plan-2009                          |                |                   |           |
|---------|----------------------------------|-----------------|----------------------------------------------------------|----------------|-------------------|-----------|
| 1.      | Details of Approval              |                 | Remuneration Committee resolution, dated August 6, 2009. |                |                   |           |
| 2.      | Implemented through              |                 | Directly by the bank                                     |                |                   |           |
| 3.      | Total number of shares           |                 | 4,042,470                                                |                |                   |           |
| 4.      | Price per option                 |                 | ₹ 118.35                                                 |                |                   |           |
| 5.      | Granted                          |                 | 3,999,225                                                |                |                   |           |
| 6.      | Vested                           |                 | 3,667,742                                                |                |                   |           |
| 7.      | Exercised                        |                 | 20,719                                                   |                |                   |           |
| 8.      | Lapsed options                   |                 | 1,559,891                                                |                |                   |           |
| 9.      | Vested and unexercised           |                 | 2,118,013                                                |                |                   |           |
| 10.     | Total number of options in force |                 | 2,418,615                                                |                |                   |           |
| 11.     | Money realized                   |                 | ₹ 2,452,094                                              |                |                   |           |
| 12.     | Senior Managerial Personnel      | Options Granted | Options Vested                                           | Options Lapsed | Options Exercised | Balance   |
|         |                                  | 1,100,000       | -                                                        | -              | -                 | 1,100,000 |

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

**Note:**

- The compensation Committee has granted a total of 3,999,225 options convertible into 3,999,225 Equity shares which represent 6.24% of the paid up share capital of the Bank. The fair market value one day before the date of grant is ₹118.35 which is also the exercise price of the option.
- The Bank accounts for 'Employee Share Based Payments' using the fair value method.

The movement of stock options during the year ended March 31, 2012 is summarized below :

| Particulars                              | Number of Options |
|------------------------------------------|-------------------|
| Outstanding at the beginning of the year | 3,968,376         |
| Granted during the year                  | -                 |
| Forfeited during the year                | 1,549,191         |
| Exercised during the year                | 570               |
| Expired during the year                  | -                 |
| Outstanding at the end of the year       | 2,418,615         |
| Exercisable at the end of the year       | 2,118,013         |

**20. Employee Benefits (AS 15)**

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

**A. Expenses recognized in Profit and Loss Account**

₹ in Lakhs

| Particulars                                        | Pension | Gratuity | Leave |
|----------------------------------------------------|---------|----------|-------|
| Current Service Cost                               | 553     | 240      | 165   |
| Interest cost on benefit obligation                | 738     | 280      | 173   |
| Expected return on plan assets                     | (977)   | (228)    | -     |
| Net actuarial gain/(loss) recognized in the year   | 826     | 145      | 326   |
| Past Service Cost PSL – amortization               | 1,262   | 781      | -     |
| Expenses recognized in the Profit and Loss Account | 2,402   | 1,218    | 664   |

**B. The amount recognized in the Balance Sheet**

₹ in Lakhs

| Particulars                                            | Pension | Gratuity | Leave   |
|--------------------------------------------------------|---------|----------|---------|
| Present Value of obligation at the end of the year (i) | 10,605  | 3,281    | 1,955   |
| Fair value of plan assets at the end of the year (ii)  | 10,001  | 2,944    | -       |
| Difference (ii)-(i)                                    | (604)   | (337)    | (1,955) |
| Unrecognized past service liability                    | -       | -        | -       |
| Net asset/(liability) recognized in the Balance Sheet  | (604)   | (337)    | (1,955) |

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

₹ in Lakhs

| Particulars                                                             | Pension | Gratuity | Leave |
|-------------------------------------------------------------------------|---------|----------|-------|
| Present value of obligation at the beginning of the year                | 9,677   | 3,056    | 1,665 |
| Interest cost                                                           | 737     | 280      | 173   |
| Current Service Cost                                                    | 553     | 240      | 165   |
| Benefits paid                                                           | (269)   | (440)    | (374) |
| Net actuarial gain/(loss) on obligation                                 | 564     | 145      | 326   |
| Past service cost                                                       | -       | -        | -     |
| Settlements                                                             | (657)   | -        | -     |
| Present value of the defined benefit obligation at the end of the year. | 10,605  | 3,281    | 1,955 |

**D. Change in the fair value of plan assets:**

₹ in Lakhs

| Particulars                                              | Pension | Gratuity | Leave |
|----------------------------------------------------------|---------|----------|-------|
| Fair value of plan assets at the beginning of the year   | 8,047   | 2,200    | -     |
| Expected return on plan assets                           | 977     | 228      | -     |
| Contributions by employer                                | 1,631   | 955      | 374   |
| Benefit paid                                             | (270)   | (440)    | (374) |
| Settlements                                              | (657)   | -        | -     |
| Actuarial gain/(loss)                                    | (261)   | -        | -     |
| PF transfer                                              | -       | -        | -     |
| Fair value of plan assets at the end of the year         | 10,001  | 2,944    | -     |
| Total Actuarial Gain/(Loss) to be recognized immediately | (826)   | (145)    | (326) |

#### E. Details of the Plan Asset

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

₹ in Lakhs

| Particulars                               | Pension      | Gratuity     | Leave    |
|-------------------------------------------|--------------|--------------|----------|
| Central Government securities             | 2,418        | -            | -        |
| State Government securities               | 2,192        | 280          | -        |
| Investment in Public Sector Undertakings  | 1,789        | 60           | -        |
| Investment in Private Sector Undertakings | 1,925        | 752          | -        |
| Others                                    | 1,422        | 1,804        | -        |
| <b>Total</b>                              | <b>9,746</b> | <b>2,896</b> | <b>-</b> |

#### F. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

| Method used                       | Pension                    | Gratuity                   | Leave                      |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
|                                   | Project Unit Credit Method | Project Unit Credit Method | Project Unit Credit Method |
| Discount rate                     | 8.50%                      | 8.50%                      | 8.50%                      |
| Expected rate of return on assets | 9.00%                      | 9.00%                      | -                          |
| Future salary increase            | 4.50%                      | 4.50%                      | 4.50%                      |

#### Note:

Consequent on the reopening of the pension option and enhancement of the gratuity limit following the amendments to Payment of Gratuity Act 1972, RBI has allowed amortisation of the additional expenses over a period of five years beginning with the financial year ending March 31, 2011 subject to a minimum of 1/5<sup>th</sup> of the total amount involved every year. Out of the total liability of ₹2,554 lakhs arising on account of above mentioned amendments, ₹511 lakhs has been charged to the Profit and Loss Account in the current year and the balance unrecognised portion shall be amortised with in next three years.

#### 21. 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.

#### SEGMENT RESULTS – March 31, 2012

(This section has been intentionally left blank)

₹ in Lakhs

|                         | Treasury          |                   | Retail Banking    |                   | Corporate /<br>Wholesale Banking |                   | Other Banking<br>Operations |                   | Unallocated       |                   | Total             |
|-------------------------|-------------------|-------------------|-------------------|-------------------|----------------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|-------------------|
|                         |                   |                   |                   |                   |                                  |                   |                             |                   |                   |                   |                   |
|                         | March 31,<br>2012 | March 31,<br>2011 | March 31,<br>2012 | March 31,<br>2011 | March 31,<br>2012                | March 31,<br>2011 | March 31,<br>2012           | March 31,<br>2011 | March 31,<br>2012 | March 31,<br>2011 | March 31,<br>2011 |
| Revenue                 | 33,870            | 22,265            | 72,463            | 44,301            | 47,260                           | 38,700            | -                           | -                 | 137               | 53                | 153,730           |
| Results                 | (1,448)           | 1,534             | (4,094)           | 3,573             | (3,248)                          | 2,582             | -                           | -                 | -                 | -                 | (8,790)           |
| Unallocated Expenses    | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | 1,001             |
| Operating Profit        | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | (9,791)           |
| Total Provisions        | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | 1,657             |
| Tax Expenses            | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | 115               |
| Extra ordinary items    | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | -                 |
| Profit After Tax        | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | (11,563)          |
| Other Information       | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | -                 |
| Segment Assets          | 516,178           | 437,755           | 567,874           | 520,908           | 374,656                          | 461,938           | -                           | -                 | -                 | -                 | 1,458,708         |
| Unallocated Assets      | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | 8,941             |
| Total Assets            | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | 1,467,649         |
| Segment Liabilities     | 510,692           | 414,811           | 532,690           | 491,596           | 351,443                          | 435,944           | -                           | -                 | -                 | -                 | 1,394,825         |
| Unallocated Liabilities | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | 72,824            |
| Total Liabilities       | -                 | -                 | -                 | -                 | -                                | -                 | -                           | -                 | -                 | -                 | 1,467,649         |

## 22. Related Party Disclosures (AS 18)

|                                                                   | 2011-12                                            | 2010-11                            |
|-------------------------------------------------------------------|----------------------------------------------------|------------------------------------|
| a) Key Management Personnel                                       | Sri Amitabh Chaturvedi<br>MD & CEO                 | Sri Amitabh Chaturvedi<br>MD & CEO |
| b) Nature of transaction:<br>Remuneration (including perquisites) | ₹ 38,42,254<br>(Resigned w.e.f. February 06, 2012) | ₹ 53,71,000                        |

## 23. Leases (AS 19)

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

₹ in Lakhs

| Period                                                                              | March 31, 2012 | March 31, 2011 |
|-------------------------------------------------------------------------------------|----------------|----------------|
| Not later than one year                                                             |                |                |
| • Rented Premises                                                                   | 3,280          | 3,000          |
| • IT equipments                                                                     | 409            | 409            |
| Later than one year and not later than five years                                   |                |                |
| • Rented Premises                                                                   | 14,016         | 12,960         |
| • IT equipments                                                                     | -              | 409            |
| Later than five years                                                               |                |                |
| • Rented Premises                                                                   | 4,000          | 5,000          |
| • IT equipments                                                                     | -              | -              |
| <b>Total</b>                                                                        | <b>21,705</b>  | <b>21,778</b>  |
| Total minimum lease payments recognized in the Profit and Loss Account for the year |                |                |
| • Rented Premises                                                                   | 2,738          | 3,397          |
| • IT equipments                                                                     | 409            | 409            |

## 24. Earnings Per Share (AS 20)

| Particulars                                            | March 31, 2012 | March 31, 2011 |
|--------------------------------------------------------|----------------|----------------|
| Net Profit/ (Loss) after tax (₹ in lakhs)              | (11,562.69)    | 2,606.22       |
| Weight average number of equity shares for Basic EPS   | 85,136,268     | 78,737,719     |
| Weight average number of equity shares for Diluted EPS | 83,309,976     | 79,222,004     |
| Earnings per share (Basic)                             | ₹ (13.58)      | ₹ 3.31         |
| Earning per share (Diluted)                            | ₹ (13.58)      | ₹ 3.29         |

## 25. Accounting for Taxes on Income (AS 22)

The major components of Deferred Tax are as follows:

₹ in Lakhs

| Particulars                   | Deferred tax assets |                 | Deferred tax liabilities |                |
|-------------------------------|---------------------|-----------------|--------------------------|----------------|
|                               | March 31, 2012      | March 31, 2011  | March 31, 2012           | March 31, 2011 |
| Depreciation on Assets        | -                   | -               | 420.21                   | 279.98         |
| Leave Encashment              | 634.20              | 566.00          | -                        | -              |
| Provision for Standard Assets | 1,107.95            | 11,46.49        | -                        | -              |
| <b>Total</b>                  | <b>1,742.15</b>     | <b>1,712.49</b> | <b>420.21</b>            | <b>279.98</b>  |
| <b>Net balance</b>            | <b>1,321.94</b>     | <b>1,432.51</b> | <b>-</b>                 | <b>-</b>       |

**26. Bancassurance Business**

₹ in Lakhs

| Sr. No.      | Nature of Income                        | 2011-12         |
|--------------|-----------------------------------------|-----------------|
| 1            | For selling life insurance policies     | 760.16          |
| 2            | For selling non-life insurance policies | 68.65           |
| 3            | For selling mutual fund products        | 335.10          |
| 4            | Others                                  | -               |
| <b>Total</b> |                                         | <b>1,163.91</b> |

**27. Draw Down of Reserves**

The bank has not undertaken any draw down of reserves during the year except expenses incurred towards increasing of Authorised share capital, which have been adjusted against the Share Premium Account.

**28. Impact of Change in Accounting Policy**

Till the previous year, income from bills discounting was recognized upfront except where the tenure exceeds one year. However, during the year, the Bank has changed its method of recognizing income, wherein the income is apportioned to the profit and loss account on a daily basis to the extent it relates to the year and the balance amount in subsequent periods. Had the Bank had followed the earlier accounting policy, income for the year would have been higher by ₹205 Lakhs and the Loss for the Year would have been lower by the like amount.

**29. Previous year figures are regrouped wherever necessary.**

Signatories to Schedule 1 to 18

Sd/-

**Ghyanendra Nath Bajpai**

Chairman

Sd/-

**S. Santhanakrishnan**

Director

Sd/-

**P. G. Jayakumar**

Managing Director &amp; CEO

Sd/-

**Shailesh V. Haribhakti**

Director

Sd/-

**Bipin Kabra**

President &amp; CFO

Sd/-

**Mini Nair**Senior Vice President  
(Finance & Accounts)

Sd/-

**Ravindran K. Warriar**

Company Secretary

**For Walker, Chandiok & Co.**

Chartered Accountants

Firm Registration No.: 001076N

**Sharp & Tannan**

Chartered Accountants

Firm Registration No.: 109982W

Sd/-

**Khushroo B. Panthaky**

Partner

Membership No.: F-42423

Sd/-

**Edwin P. Augustine**

Partner

Membership No.: 043385

Place : Mumbai

Date : May 30, 2012

Place : Mumbai

Date : May 30, 2012

## BASEL II (PILLAR III) DISCLOSURES

### TABLE DF 1 – SCOPE OF APPLICATION

#### Qualitative Disclosures:

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

#### Quantitative Disclosures:

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

### TABLE DF 2 - CAPITAL STRUCTURE

#### Qualitative disclosures:

- a) Summary

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

Tier II Capital includes

- Revaluation Reserve,
- Special Reserves,
- Standard Asset Provisions and
- Tier II Bonds.

#### Quantitative Disclosures:

₹ in lakhs

| Items                                                                            | 31.03.2012   | 31.03.2011   |
|----------------------------------------------------------------------------------|--------------|--------------|
| (a) The amount of Tier I capital, with separate disclosure of :                  |              |              |
| Paid-up share capital                                                            | 8514         | 8514         |
| Reserves                                                                         | 62067        | 73679        |
| Innovative Instruments                                                           | -            | -            |
| Other capital instruments                                                        | -            | -            |
| Sub-total:                                                                       | 70581        | 82193        |
| Less amounts deducted from Tier I capital, including goodwill and investments.   | 5858         | 1433         |
| <b>Total Tier I capital</b>                                                      | <b>64722</b> | <b>80760</b> |
| (b) The total amount of Tier II capital (net of deductions from Tier II capital) | 18044        | 20554        |
| (c) Debt capital instruments eligible for inclusion in Upper Tier II capital     |              |              |
| • Total amount outstanding                                                       | 2750         | 2750         |
| • Of which amount raised during the current year.                                | 0            | 2750         |
| • Amount eligible to be reckoned as capital funds                                | 2750         | 2750         |

| Items                                                                  | 31.03.2012 | 31.03.2011 |
|------------------------------------------------------------------------|------------|------------|
| (d) Subordinated debt eligible for inclusion in Lower Tier II capital. |            |            |
| Total amount outstanding                                               | 18700      | 17700      |
| Of which amount raised during the current year.                        | 1000       | -          |
| Amount eligible to be reckoned as capital funds.                       | 10540      | 13080      |
| (e) Other deductions from capital, if any                              | -          | -          |
| (f) Total eligible capital – Tier I + Tier 2 (a+b-e)                   | 82767      | 101314     |

**TABLE DF 3 – CAPITAL ADEQUACY****Qualitative Disclosures:**

The Bank has put in place a robust Risk Management Architecture with due focus not only on Capital optimization, but also on Profit Maximisation. The Bank has put in place the "Internal Capital Adequacy Assessment Process" Policy. Capital requirement for current business levels and framework for assessing capital requirement for future business levels has been made. Capital need and capital optimization are monitored periodically by the Committee of Top Executives. The Top Executives deliberate on various options available for capital augmentation in tune with business growth. The Bank has worked out CRAR based on both Basel I and Basel II guidelines. The Bank maintains Basel II CRAR of more than 9% and Tier I CRAR of more than 6%. Besides the Bank complies with the prudential floor for maintenance of capital as per the Revised Framework.

**Quantitative Disclosures:**

₹ in Lakhs

| Items                                                                                           | 31.03.2012 | 31.03.2011 |
|-------------------------------------------------------------------------------------------------|------------|------------|
| (a) Capital requirements for credit risk                                                        |            |            |
| • Portfolios subject to standardized approach                                                   | 72260      | 72099      |
| • Securitisation exposures                                                                      | -          | -          |
| (b) Capital requirements for market risk Standardized duration approach                         |            |            |
| • Interest rate risk                                                                            | 1630       | 2275       |
| • Foreign exchange risk (including gold)                                                        | 326        | 68         |
| • Equity position risk                                                                          | 83         | 16         |
| (c) Capital requirements for operational risk                                                   |            |            |
| • Basic Indicator Approach                                                                      | 4170       | 2816       |
| (d) Total and Tier I CRAR for the Bank                                                          |            |            |
| • Total CRAR (%)                                                                                | 9.49       | 11.80      |
| • Tier I CRAR (%)                                                                               | 7.42       | 9.41       |
| (e) Total and Tier I CRAR for the consolidated Group                                            |            |            |
| • Total CRAR (%)                                                                                | NA         | NA         |
| • Tier I CRAR (%)                                                                               | NA         | NA         |
| (f) Total and Tier I CRAR for the Significant subsidiary which are not under consolidated group |            |            |
| • Total CRAR (%)                                                                                | NA         | NA         |
| • Tier I CRAR (%)                                                                               | NA         | NA         |

**TABLE DF 4 –CREDIT RISK: GENERAL DISCLOSURES****Qualitative disclosures:****(a) General :****Definitions of past due and impaired (for accounting purposes)**

The bank has adopted the definition of the past due and impaired (for accounting purposes) as defined by the Regulator for income recognition and asset classification norms 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;

- interest and/or instalment 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 instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- e) the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,

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

## 2. 'Out of Order' status

An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order'.

## 3. 'Overdue'

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

## Strategies and Processes for Credit Risk Management

Credit Risk Management Committee (CRMC) headed by MD & CEO is the top level functional committee for Credit risk. The committee considers and takes decisions necessary to manage and control credit risk within overall quantitative prudential limit set up by Board. The committee is entrusted with the job of approval of 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.

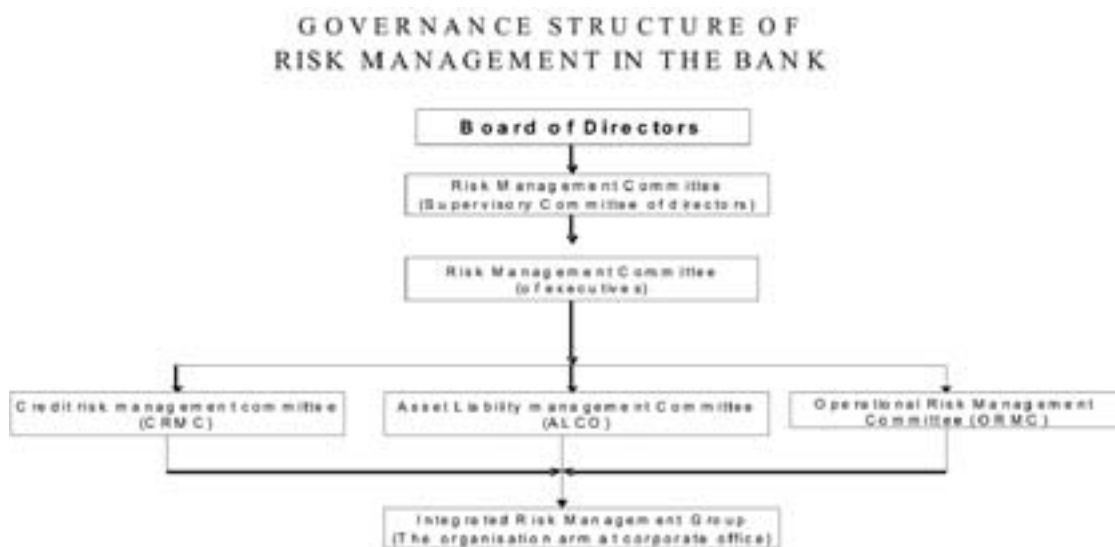
The Bank's strategies to manage the credit risks in its lending operations are as under:

- 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 is covered under Banks Credit Policy, Credit Monitoring Policy and Recovery Policy which are periodically reviewed by the Board.
- b) Defined segment exposures delineated into Retail, SME and Corporates;
- c) Industry wise exposure caps on aggregate lending by Bank
- d) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds in line with RBI guidelines.
- e) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels
- f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit accounts
- g) A clear and well defined delegation of authority within the Bank in regard to decision making linking exposure, rating and transaction risks.
- h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank.
- i) Credit Risk management Cell is validating the rating assigned to all individual credit exposures of ₹25 Lakh and above.

- j) Bank has an ever improving procedures and structures with respect to Credit Approval Process, Credit Rating, Prudential Limits, Documentation, Credit Monitoring and Review Mechanism.
- k) A Loan Review Mechanism for constantly evaluating the quality of loan book, by way of review of sanctions made, renewal process, submission of monitoring reports, credit related MIS, is in place.
- l) The Bank has a Credit Administration team which takes care of the security creation and account management.
- m) Credit Monitoring & Recovery Group takes care of the monitoring of the loan assets.
- n) Bank has started quarterly industry study which would provide necessary information to increase/hold/decrease exposure under various industries.

#### Structure and Organization of the Risk Management function in the Bank

The Bank has a Credit Risk Management Committee (CRMC) in place with representation from IRMG, Credit, Credit Mid-Office Group and Treasury. The Committee is headed by the Managing Director & CEO of the Bank. CRMC monitors credit risk on a bank wide basis and discuss on adherence to prudential limits, policies on rating standards and benchmarks etc.



#### Scope and Nature of Risk Reporting and/or Measurement Systems

The Bank has developed a comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Major initiatives of IRMG 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 eg; Traders, SME, NBFC, Corporate, small loans etc.
- ✓ IRMG validates the ratings of all exposures of ₹25 lakhs and above.
- ✓ An independent analysis is carried out of the various risks attached to the credit proposals including industry analysis.

- ✓ Carries out rating migration analysis of the credit exposures of ₹10 crores & above on a quarterly basis. Rating Migration analysis covering all exposures of ₹25 lacs and above is being conducted on an annual basis.
- ✓ Evaluates the asset quality by tracking the delinquencies and migration of borrower from one rating scale to another in various industry, business segment etc.

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

- Branch Heads / Branch operational Managers (Jointly)
- Regional Credit Head
- Zonal Credit Committee (ZCC)
- Corporate Credit Committee (CCC)
- Management Committee of Directors (MC/ Board)

Head Integrated Risk Management Group is a member of the CCC. The bank has implemented a software solution to get system support for calculation of Risk Weighted Assets for CRAR computation.

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

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

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals. In order to ensure that documents are properly executed, the function has been brought under the purview of Credit Administrative Officers (CAOs). The CAOs 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.

**Quantitative Disclosures:**

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

₹ in Lakhs

| Overall credit exposure              |                                      | 31.03.2012 | 31.03.2011     | TOTAL<br>31.03.2012 | TOTAL<br>31.03.2011 |
|--------------------------------------|--------------------------------------|------------|----------------|---------------------|---------------------|
| Fund Based                           | Loans & advances                     | 886838     | 915450         | 1038912             | 1068497             |
|                                      | Cash, RBI and Banks                  | 92606      | 93516          |                     |                     |
|                                      | Others (Fixed Assets & other Assets) | 59468      | 59531          |                     |                     |
| Non-Fund Based                       | LC, BG etc.                          | 58657      | 39428          | 82773               | 57549               |
|                                      | Forward Contracts                    | 9852       | 5567           |                     |                     |
|                                      | Others                               | 14264      | 996            |                     |                     |
| Investments (Banking Book only)      |                                      | --         | 290706         | 290706              | 244828              |
| <b>Total of Credit Risk exposure</b> |                                      | --         | <b>1412391</b> | <b>1412391</b>      | <b>1370874</b>      |

- (b) Geographic distribution of exposures:

₹ in Lakhs

| Exposures           | 31.03.2012                      |                |         | 31.03.2011 |                |         |
|---------------------|---------------------------------|----------------|---------|------------|----------------|---------|
|                     | Fund based                      | Non-Fund Based | TOTAL   | Fund Based | Non-fund based | TOTAL   |
| Domestic operations | 1329618                         | 82773          | 1412391 | 1313325    | 57549          | 1370874 |
| Overseas operations | Bank has no overseas operations |                |         |            |                |         |

- (c) Industry type distribution of exposures:

₹ in Lakhs

| Sl. No. | Industry                          | Total Lending Exposures |            |                 |            |
|---------|-----------------------------------|-------------------------|------------|-----------------|------------|
|         |                                   | Fund Based Outstanding  |            | NFB Outstanding |            |
|         |                                   | 31.03.2012              | 31.03.2011 | 31.03.2012      | 31.03.2011 |
| 1       | Mining and Quarrying              | 0                       | 218        | 0               |            |
| 2       | Food Processing                   | 5083                    | 1252       | 366             |            |
| 3       | Sugar                             | 216                     | 229        |                 |            |
| 4       | Edible oils and vanaspati         | 562                     | 307        |                 |            |
| 5       | Textiles                          | 19757                   | 17971      | 6508            | 166        |
| 6       | Paper & paper products            | 1265                    | 13802      | 2               |            |
| 7       | Chemicals and chemical products   | 14430                   | 15436      | 4695            | 1249       |
| 7.1     | Of which, fertilizer              |                         | 9600       |                 |            |
| 7.2     | Of which, Drugs & Pharmaceuticals | 8759                    | 1397       | 4515            |            |
| 7.3     | Others                            | 5671                    | 4439       | 180             |            |
| 8       | Rubber and rubber products        | 4343                    | 10104      | 27              |            |
| 9       | Cement & Cement products          | 4403                    | 10227      | 20              |            |
| 10      | Metal & Metal products            | 29517                   | 2267       | 119             |            |
| 11      | All Engineering                   | 6980                    | 18230      | 2149            | 92         |
| 12      | Automobiles                       | 4699                    | 8631       | 440             |            |
| 13      | Gems & Jewellery                  | 23067                   | 22445      | 12435           | 1390       |

₹ in Lakhs

| Sl. No. | Industry                                                  | Total Lending Exposures |               |                 |              |
|---------|-----------------------------------------------------------|-------------------------|---------------|-----------------|--------------|
|         |                                                           | Fund Based Outstanding  |               | NFB Outstanding |              |
|         |                                                           | 31.03.2012              | 31.03.2011    | 31.03.2012      | 31.03.2011   |
| 14      | Construction                                              | 2082                    |               | 120             |              |
| 15      | Infrastructure                                            | 72963                   | 124036        | 8694            | 1527         |
| 15.1    | Of which, Power                                           | 29586                   | 54092         | 464             |              |
| 15.2    | Of which, Telecommunications                              | 7499                    | 15500         |                 |              |
| 15.3    | Of which, Roads & ports                                   |                         | 6206          |                 |              |
| 15.4    | Of which, Other infrastructure                            | 35878                   | 48238         |                 |              |
| 16      | NBFC                                                      | 41073                   | 51867         | 3006            |              |
| 17      | Trading                                                   | 11719                   | 128089        | 595             |              |
| 18      | Other Industries                                          | 81190                   | 24935         | 4258            |              |
|         | <b>Total</b>                                              | <b>323349</b>           | <b>450046</b> | <b>43898</b>    | <b>4424</b>  |
| 19      | Residuary other advances (to balance with Total advances) | 559736                  | 462116        | 18703           | 34933        |
|         | <b>Grand Total</b>                                        | <b>883085</b>           | <b>912162</b> | <b>62601</b>    | <b>39357</b> |

**(d) Residual maturity breakdown of assets:**

₹ in Lakhs

| Maturity Pattern                 | Advances      | Advances      | Investments   | Investments   | Foreign        | Foreign       |
|----------------------------------|---------------|---------------|---------------|---------------|----------------|---------------|
| Assets                           | 31.03.2012    | 31.03.2011    | 31.03.2012    | 31.03.2011    | Currency       | Currency      |
|                                  |               |               |               |               | 31.03.2012     | 31.03.2011    |
| Day 1                            | 24253         | 7710          | 0             | -             | 8,953          | 6423          |
| 2 to 7 Days                      | 27018         | 10314         | 33225         | -             | 5,896          | 4706          |
| 8 to 14 days                     | 11337         | 11796         | 13637         | -             | 838            | 270           |
| 15 to 28 days                    | 15702         | 20366         | 29371         | 23226         | 383            | 1310          |
| 29 days up to 3 months           | 75953         | 74108         | 56838         | 19631         | 66,140         | 30021         |
| Over 3 months and up to 6 months | 68925         | 85509         | 0             | 25153         | 31,254         | 26765         |
| Over 6 months and up to 1 year   | 104722        | 190132        | 1870          | 11762         | 17,050         | 73003         |
| Over 1 year and up to 3 years    | 326714        | 270814        | 15354         | 7865          | 0              | -             |
| Over 3 years and up to 5 years   | 83875         | 139364        | 59851         | 19404         | 0              | -             |
| Over 5 years                     | 137306        | 96402         | 227509        | 257850        | 65             | -             |
| <b>Total</b>                     | <b>875805</b> | <b>906515</b> | <b>437655</b> | <b>364891</b> | <b>130,578</b> | <b>142498</b> |

**(e) Non-performing assets:**

₹ in Lakhs

| No. | Items             | Amount       |             |
|-----|-------------------|--------------|-------------|
|     |                   | 31.03.2012   | 31.03.2011  |
| 1   | <b>Gross NPAs</b> | <b>10427</b> | <b>6709</b> |
| 1.1 | Substandard       | 5359         | 1878        |
| 1.2 | Doubtful 1        | 1790         | 1378        |
| 1.3 | Doubtful 2        | 1004         | 735         |
| 1.4 | Doubtful 3        | 791          | 1136        |
| 1.5 | Loss              | 1483         | 1582        |
| 2   | <b>Net NPAs</b>   | <b>5800</b>  | <b>2747</b> |

₹ in Lakhs

| No. | Items                                                           | Amount     |            |
|-----|-----------------------------------------------------------------|------------|------------|
|     |                                                                 | 31.03.2012 | 31.03.2011 |
| 3   | <b>NPA Ratios</b>                                               |            |            |
| 3.1 | Gross NPAs to Gross Advances (%)                                | 1.18       | 0.74       |
| 3.2 | Net NPAs to Net Advances (%)                                    | 0.66       | 0.30       |
| 4   | <b>Movement of NPAs (gross)</b>                                 |            |            |
| 4.1 | Opening balance                                                 | 6709       | 7750       |
| 4.2 | Additions                                                       | 9182       | 4113       |
| 4.3 | Reductions                                                      | 5464       | 5154       |
| 4.4 | Closing balance                                                 | 10427      | 6709       |
| 5   | <b>Movement of provisions for NPAs</b>                          |            |            |
| 5.1 | Opening balance                                                 | 3910       | 3469       |
| 5.2 | Provisions made during the year                                 | 2331       | 1591       |
| 5.3 | Write-off                                                       | 1638       | 0          |
| 5.4 | Write back of excess provisions                                 | 0          | 1150       |
| 5.5 | Closing balance                                                 | 4603       | 3910       |
| 6   | <b>Amount of non-performing investments</b>                     | 704.00     | 744        |
| 7   | <b>Amount of provisions held for non-performing investments</b> | 704.00     | 744        |
| 8   | <b>Movement of Provisions held for NPIs</b>                     |            |            |
| 8.1 | Opening balance                                                 | 744.00     | 744        |
| 8.2 | Provisions made during the period                               | -          | -          |
| 8.3 | Write-off/ Write back of excess provisions                      | (40.00)    | -          |
| 8.4 | Closing balance                                                 | 704.00     | 744        |

TABLE DF 5- DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

**Qualitative Disclosures:****(a) For Portfolios under the standardized approach**

|   |                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Names of credit rating agencies used                                                                      | Bank has approved all the four external credit rating agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts, i.e., CRISIL, CARE, FITCH, ICRA and International Credit rating agencies, i.e, Standard and poor, Moody's , FITCH                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 2 | Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same. | No change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3 | Types of exposure for which each agency is used                                                           | <p>All the above identified Rating Agency rating are used 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) , <b>Short-Term Rating</b> given by ECAs will be applicable.</p> <p>(ii) For Domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and/or Term Loan exposures of over one year, <b>Long Term Rating</b> will be applicable.</p> <p>(iii) For Overseas exposures, irrespective of the contractual maturity, Long-Term Rating given by IRAs will be applicable.</p> <p>(iv) Rating by the agencies is used for both fund based and non-fund based exposures.</p> <p>(v) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.</p> |

|   |                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Description of the process used to transfer public issue rating on to comparable assets in the banking book. | 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/counter party in the following cases :<br>(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 pari passu or junior to the rated exposure in all aspects.<br>(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. |
|---|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### Quantitative Disclosures

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

₹ in Lakhs

| Particulars                | 31.03.2012        |                |                | 31.03.2011     |                |                |
|----------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|
|                            | Fund based        | Non-fund based | Total          | Fund based     | Non-fund based | Total          |
| Below 100% risk weight     | 758447            | 19073          | 777519         | 671536         | 17408          | 688944         |
| 100% risk weight           | 437351            | 58845          | 496196         | 519220         | 36582          | 555802         |
| More than 100% risk weight | 133821            | 4855           | 138676         | 122568         | 3559           | 126127         |
| <b>Total Exposure</b>      | <b>1329619</b>    | <b>82773</b>   | <b>1412391</b> | <b>1313324</b> | <b>57549</b>   | <b>1370873</b> |
| Deducted (Risk mitigants)  | Below 100% RW     | 82392          | 1610           | 84002          | 70737          | 70737          |
|                            | 100% RW           | 11468          | 4136           | 15605          | 17973          | 17973          |
|                            | More than 100% RW | 48567          | 1998           | 50565          | 80039          | 80039          |
| <b>Net Exposure</b>        | <b>1187192</b>    | <b>75028</b>   | <b>1262219</b> | <b>1144575</b> | <b>57549</b>   | <b>1202124</b> |

**TABLE DF 6 –CREDIT RISK MITIGATION – STANDARDIZED APPROACH**

#### Qualitative Disclosure:

##### (a) General

##### Policies and processes for collateral valuation and management:

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

##### 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 counter-party 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 counter-party and their creditworthiness:**

Bank accepts guarantees of individuals or corporates of adequate network, as an additional comfort for mitigation of credit risk which can be translated into a direct claim on the guarantor and are unconditional and irrevocable.

Main types of guarantor counter-party as per RBI guidelines are: -

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

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

| Financial Risk Mitigants | Outstanding Covered by<br>Risk Mitigants (In Lakhs) |               | Risk Concentration % |               |
|--------------------------|-----------------------------------------------------|---------------|----------------------|---------------|
|                          | 31.03.2012                                          | 31.03.2011    | 31.03.2012           | 31.03.2011    |
| Gold                     | 108488                                              | 137489        | 72.24                | 81.48         |
| Cash & Bank Deposits     | 41432                                               | 30852         | 27.59                | 18.28         |
| KVP/VP/NSC               | 213                                                 | 345           | 0.14                 | 0.20          |
| LIC Policy               | 37                                                  | 64            | 0.02                 | 0.04          |
| <b>Total</b>             | <b>150170</b>                                       | <b>168750</b> | <b>100</b>           | <b>100.00</b> |

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

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

**Quantitative Disclosures:**

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

- (i) Eligible Financial Collateral : ₹150170 lakhs
- (ii) Other eligible Collateral (after Hair Cuts) : ₹ Nil

**DF TABLE 7- SECURITISATION – STANDARDIZED APPROACH**

**Qualitative Disclosures:**

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

**DF TABLE 8 - 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. 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.

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

**Quantitative Disclosures :**

₹ In Lakhs

| Particulars                  | Amount of capital requirement<br>31.03.2012 | Amount of capital requirement<br>31.03.2011 |
|------------------------------|---------------------------------------------|---------------------------------------------|
| <b>Interest rate risk</b>    | <b>1630</b>                                 | <b>2275</b>                                 |
| <b>Equity position risk</b>  | <b>83</b>                                   | <b>16</b>                                   |
| <b>Foreign exchange risk</b> | <b>326</b>                                  | <b>68</b>                                   |

## TABLE DF 09-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 integrating the Inspection, Legal and IT departments. The risk reporting consists of operational risk loss incidents/ events occurred in branches/ offices relating to people, process, technology and external events. The bank has implemented a software solution which is a modular Operational risk management solution which satisfies end-to-end operational risk management requirements (quantitative and qualitative).

#### 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; 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 now in the process of Business Line mapping in line with the RBI guidelines, targeting of migrating to The Standardised Approach (TSA) for operational risk capital assessment. The ORM Cell is now focusing on the qualitative and quantitative requirements (RCSA, KRI identification, Business line mapping etc.) prescribed by the regulator are being adopted by the Bank to move on to the Advanced Approaches in due course.

**TABLE DF 10- INTEREST RATE RISK IN THE BANKING BOOK (IRRBB):**

**Qualitative Disclosures:**

**Strategies and processes**

The Bank has put in place a comprehensive market risk management framework to address market risks. The Asset Liability Management Policy prescribes 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).

**Quantitative Disclosures**

The impact on earnings and economic value of equity for notional interest rate shocks as on 31.03.2012.

**Earnings at Risk**

₹ in Lakhs

| Change in interest rate | Change in EaR |
|-------------------------|---------------|
| ± 25 bps                | 250           |
| ± 50 bps                | 500           |
| ± 75 bps                | 751           |
| ± 100 bps               | 1001          |

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 31.03.2012 | 7.66% |
|---------------------------------------------------------------------|-------|

**Prudential floor limit for minimum capital requirements:**

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

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

The minimum capital required to be maintained by the Bank as on 31.03.2012 as per Basel I norms is ₹84711 Lakhs and as per Basel II norms is ₹78469 Lakhs.

Capital (Tier I and Tier II) maintained by the Bank as on 31.03.2012 is ₹82766 Lakhs, which is above the Basel II prudential floor limit.

## Balance Sheet Abstract and Company's General Business Profile

### A. Registration details

|                     |        |            |    |
|---------------------|--------|------------|----|
| Registration Number | 09307  | State Code | 09 |
| Balance Sheet Date  | Mar-12 |            |    |

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

|              |     |                   |     |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Bonus Issue       | Nil |
| Rights Issue | Nil | Private Placement | Nil |

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

|                      |             |                      |             |
|----------------------|-------------|----------------------|-------------|
| Total Liabilities    | 146,764,863 | Total Assets         | 146,764,863 |
| Sources of Funds     |             |                      |             |
| Paid up Capital      | 851,363     | Reserves and Surplus | 6,431,092   |
| Secured Loan         | Nil         | Unsecured Loans      | 135,259,198 |
| Application of Funds |             |                      |             |
| Net Fixed Assets     | 1,486,942   | Investments          | 43,601,572  |
| Net Current Assets   | 97,453,138  | Misc. Expenditure    | Nil         |
| Accumulated Losses   | Nil         |                      |             |

### D. Performance of the Company ( ₹ '000s)

|                    |             |                   |             |
|--------------------|-------------|-------------------|-------------|
| Total Income       | 15,372,961  | Total Expenditure | 16,352,020  |
| Profit Before Tax  | (1,144,742) | Profit After Tax  | (1,156,269) |
| Earnings Per share |             |                   |             |
| Basic              | (13.58)     | Dividend rate     | NA          |
| Diluted            | (13.58)     |                   |             |

### E. Generic names of three principal products/ services of the company

(As per monetary terms)

|                     |                 |
|---------------------|-----------------|
| Item Code           | NA              |
| Product Description | Banking Company |

For and on behalf of the Board of Directors

Sd/-

**Ghyanendra Nath Bajpai**

Chairman

Sd/-

**S. Santhanakrishnan**

Director

Sd/-

**P. G. Jayakumar**

Managing Director & CEO

Sd/-

**Shailesh V. Haribhakti**

Director

Sd/-

**Bipin Kabra**

President & CFO

Sd/-

**Mini Nair**

Senior Vice President  
(Finance & Accounts)

Sd/-

**Ravindran K. Warriar**

Company Secretary

As per our Report of even date

**For Walker, Chandiok & Co.**

Chartered Accountants

Firm Registration No.: 001076N

Sd/-

**Khushroo B. Panthaky**

Partner

Membership No.: F-42423

Place : Mumbai

Date : May 30, 2012

**For Sharp & Tannan**

Chartered Accountants

Firm Registration No.: 109982W

Sd/-

**Edwin P. Augustine**

Partner

Membership No.: 043385

Place : Mumbai

Date : May 30, 2012





**P G Jayakumar, Managing Director & CEO in a function at Corporate office on 15 /06/ 2012 felicitating the farmers, who received aid from the Bank and won the Kerala State Govt awards for the best Animal Farm ( Sri. Muhammed Haji), the best Dairy Farm (Mrs. Mumthas) and the best dairy farmer in Thrissur District (Mr. Nandakumar)**



**Dr. Mar. Raphael Thattil, Auxiliary Bishop of Syro-Malabar Catholic Archdiocese of Thrissur inaugurating our High Road Thrissur Branch evening counter in the presence of Sri T K Thomas, Assistant Police Commissioner of Thrissur**

**[www.dhanbank.com](http://www.dhanbank.com)**