तन.
मन.
धन.

12 Million

customers reached

Customers have always trusted our experience and our straight-forward attitude we bring to banking. Our very own `Tann Mann Dhan' philosophy reflects the strong relation we share with our customers while using efficiency, trust and innovation as the cornerstones of our business.

Source: TAM Ratings: Basis the extrapolation of TV viewing audience reach @ 1+ for April 10-Mar `11 campaign in Brand TG.

9,48,594 New Cards in the Market

Nearly a million new customers chose our Credit and Debit Cards this year.

They came to us because we gave them revolutionary, feature-packed products. We helped them spread payment with a guaranteed 45-day interest free "pay-by-transaction" billing. We kept them secure with theft security and purchase insurance.

We also launched a Gift Card which enables the customer to shop and dine a o s 4,50,000 VISA merchant outlets.

16.2 Million

Transactions in 365 days

We have worked hard to make our services easier to use. Developing convenient, compelling products we have earned our customers' trust. And the result? Over 16 million individual transactions in last year.

Registered & Corporate Office
Dhanlaxmi Bank Limited, PB No. 9, Dhanlaxmi Building, Naickanal, Thrissur - 680001.

Mumbai Office
Dhanlaxmi Bank Limited, Trade View, 2nd floor, Near Gate No. 4, Kamala Mills Compound, Lower Parel, Mumbai - 400013.

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
Suresh A. Shroff & Co.
Advocates & Solicitors

Major Exchange Houses
UAE Exchange Centre LLC
Al Ahalia Money Exchange Bureau

Foreign Correspondent Banks
Mashreq Bank PSC, Dubai
ANZ Banking Group, Australia
The Bank of Nova Scotia, Canada
Zuercher Kantonal Bank, Switzerland
CommerzBank AG, Germany
The Royal Bank of Scotland N.V. Germany
Wells Fargo Bank N.A., UK
National Westminister Bank PLC, UK
DBS Bank Ltd, Singapore
Deutsche Bank Trust Co Americas, USA
The Bank of New York Mellon, USA
Doha Bank, Doha

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 - 500081.

Insurance Partner
Bajaj Allianz

Broking Partner
Destimoney Securities Private Ltd.

Mutual Fund Partners
ICICI Prudential AMC Ltd.
Kotak Mahindra Asset Management Co. Ltd.
UTI Mutual Fund
HDFC Asset Management Co. Ltd.
FIL Fund Management Private Ltd.

SME Rating Partner
CRISIL Ltd.

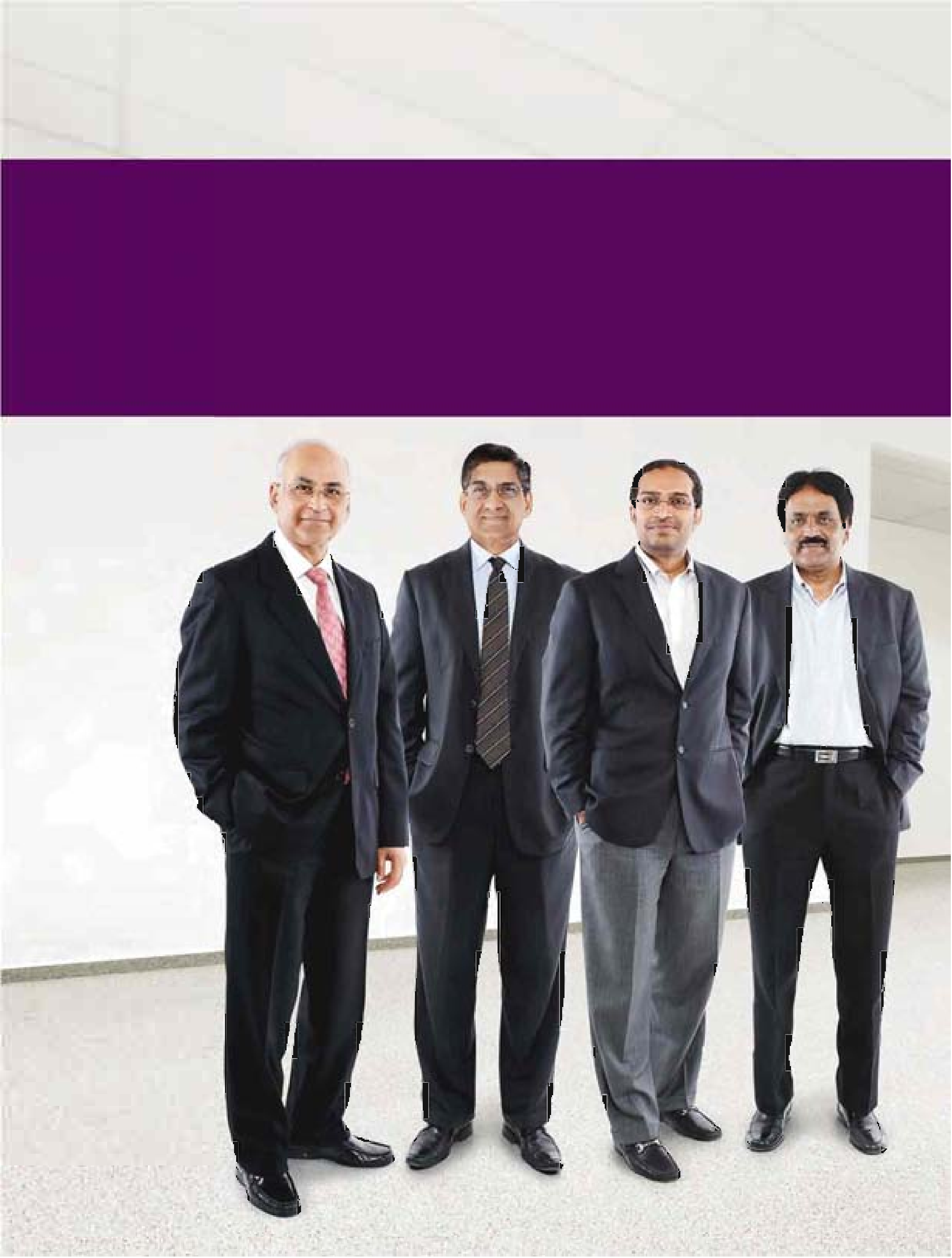
Financial Inclusion and Outreach Partners

Technology Partner
Financial Informtion Network and Operations Ltd.

Business Correspondent
Fino Fintech Foundation

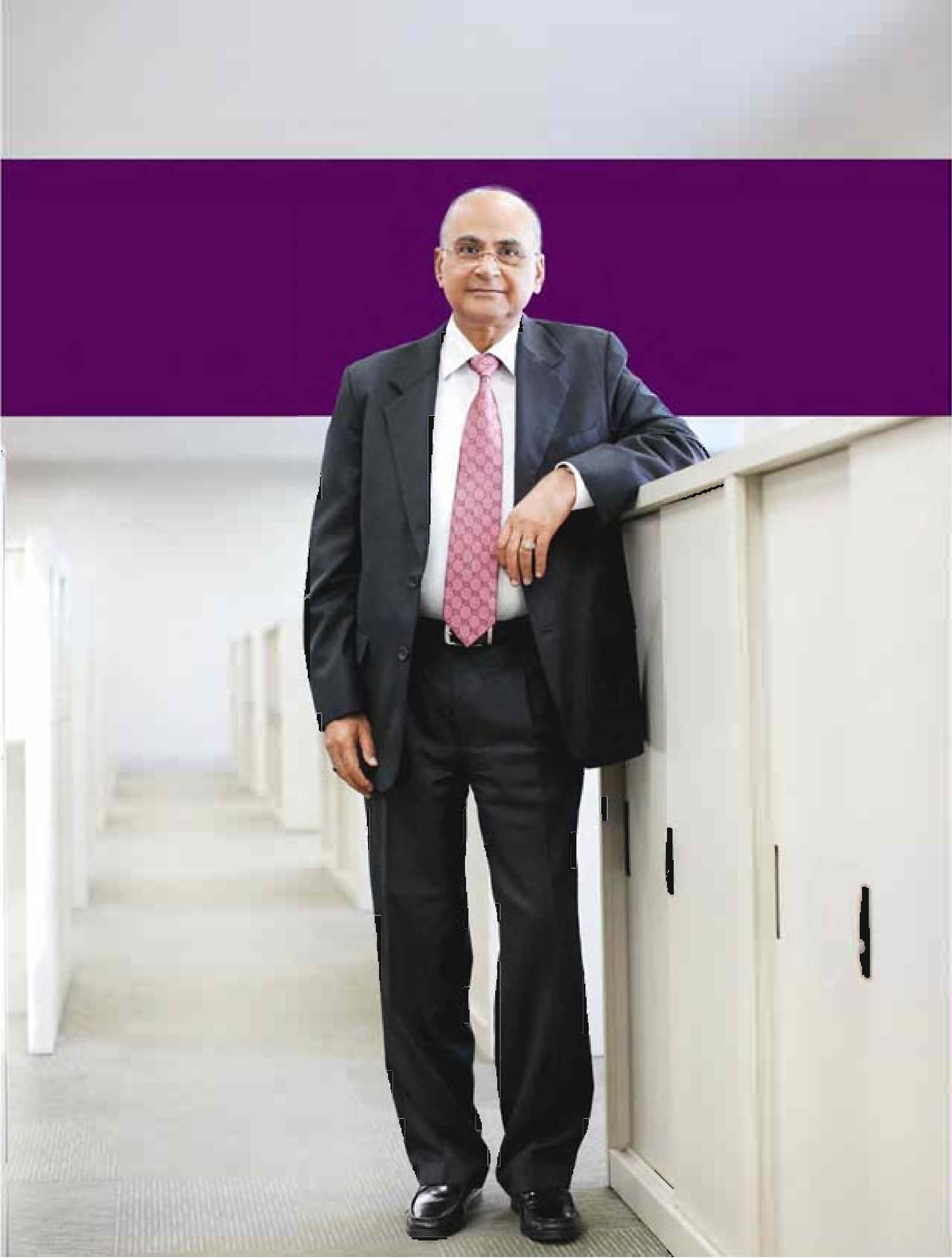
ATM Services
AGS Infotech Private Ltd. / Wincor Nixdorf GmbH

Table of Contents



Board of Directors

From Left to Right: GN Bajpai (Chairman), VR Chalasani, Sateesh Kumar Andra, K Srikanth Reddy, Amitabh Chaturvedi (MD & CEO), S Santhanakrishnan, Shailesh V Haribhakti, Ghanshyam Dass



Chairman's Statement

G. N. Bajpai

As India emerges unscathed from the global financial crisis, a multitude of challenges confronts the economy today. But, robust domestic demand and momentum will keep powering economic growth at 8% and above every year.

Dear Shareholders,

We continue to live in exciting times. India was witness to some extraordinary events during the past one year. These changes have been viewed differently by different people but, seen from my perch, these transformations mark the rites of passage for an economy like India. As India occupies its rightful place at the global high table, some of these changes might be necessary to prepare the nation for a prolonged period of global leadership. The year that just got over once again re-affirmed India's strong economic foundations and the robust growth impulses that have got hard-wired into the domestic economy. There have been many commentators in the past who have written off the Indian economy on the basis of models and templates that were applicable to other geographies. The world is today slowly, but surely, figuring out the uniqueness of the Indian polity, its distinctive economy and a growth model propelled by genuine, robust and vibrant democracy. There is better appreciation too of India's problems.

And problems there are aplenty. But, I would not like to call them problems; they are more in the nature of challenges confronted by any growing economy, particularly of India's size. Let me highlight here the three most important challenges faced by India. First, and foremost, the biggest challenge facing any elected government is the economic emancipation of teeming millions. For any economy that is growing at India's pace – a trend growth of over 8% – poverty is like a curse. All the good and sensible policy decisions mean nothing when viewed against the curse of poverty. The social disquiet in some parts of the country is a vivid manifestation of the impatience with the deprivation. Eliminating poverty is a national mission and I feel all sections of civil society in the country – government, the corporate sector, academia, judiciary, media, not-for-profit sector – should put their collective weight behind this movement. The government has put considerable policy emphasis in tackling the scourge of poverty, and it needs total and unstinted support.

The second challenge is overcoming the inadequacy of key infrastructure which can provide the necessary impetus to the growth impulses. Lack of infrastructure is becoming a drag on the growth potential of the economy. The problem lies in policy design, the inability to access long term financing and sharpness of focus. Insurance and pensions are two legs of the financial sector that have traditionally provided long term financing across geographies for infrastructure projects. Absence of a robust debt market, in particular a secondary debt market, is a serious handicap. Greater policy focus is required for these sectors and in building a vibrant debt market.

The third challenge facing the Indian economy today is surmounting policy ambiguity over agriculture. This sector's contribution to GDP has been shrinking over the years, though the number of people who depend on it for their livelihood has either remained the same or grown over the years. This is a time-bomb ticking away. Urgent reforms are necessary to solve this problem – land reforms, sector access to corporate investment, improving the infrastructure for delivery of key inputs (such as high-yielding seeds, fertilisers, water, etc), improved reach to market and market-related information, availability of latest farming techniques, building up an eco-system which focuses on supply of agricultural and allied services. A large section of the Indian population still depends on agriculture – directly or indirectly – for its livelihood and it is imperative that their source of economic engagement gets the government's due attention.

That the Indian economy continues to deliver annual growth over 8% year after year – despite the monumental challenges faced by the economy – is indeed testimony to the country's resilience and robust health. Last year's normal monsoon provided the platform for re-stabilisation in the food economy, especially after the deficient rains in 2009 and the subsequent drop in the output of foodgrains. However, this moment of respite was short-lived as prolonged monsoons ruined the vegetable crop and unleashed a fresh bout of inflationary pressures in the economy. This now threatens to spill over to non-food manufactured products, turning inflation into a generalized phenomenon.

Inflation, in fact, has become a structural issue and continues to be a crimp in our otherwise smooth growth curve. Combating the evil of price rise – which somebody rightly called as a "tax on the poor" – has since become the primary focus of the country's economy managers. The bane of Inflation reflects some of the challenges highlighted earlier. One reason for the indomitable presence of inflation in our economy is structural design -- a consumption driven economy which has been compounded by the problem of infrastructure – the ability to supply goods and services gets seriously impaired due to the infrastructure deficit. This adds to the costs of delivery and aids inflationary pressures. Another reason behind the entrenched presence of inflation is the unpleasant side-effect of a growing economy – when demand races ahead of the economy's ability to supply goods and services. And, finally, the rising prices of commodities globally – such as, crude oil, metals, agri-commodities – get inevitably transmitted to domestic prices in a globally connected economy. Indeed, the global economy poses some medium term risks to our growth story. The crisis of governance in the Middle - East - North - Africa geographical axis has pushed up crude oil prices, fuelling the inflationary situation in India. The series of natural disasters in Japan has disrupted the supply chains of many globally critical industries. The threat of sovereign defaults in the Euro-zone is still very real and any misstep could spark off another global financial contagion. The excessive deficit financing by US administration is building unpleasant trails in the global economic recovery.

The central bank, Reserve Bank of India, has raised interest rates -- by 150 bps between April 2010 and March 17, 2011 – in an attempt to quell the inflationary pressures. Both the government and the Reserve Bank are conscious that anchoring inflation and inflationary expectations should not upset the economy's growth momentum. This is a fine balancing act and I am sure that the country's economic managers will be up to this new challenge, given the mature and sagacious way in which they handled the fall-out from the global financial crisis. I am also confident that the economy will continue to march at 8% and above growth rates during the months ahead.

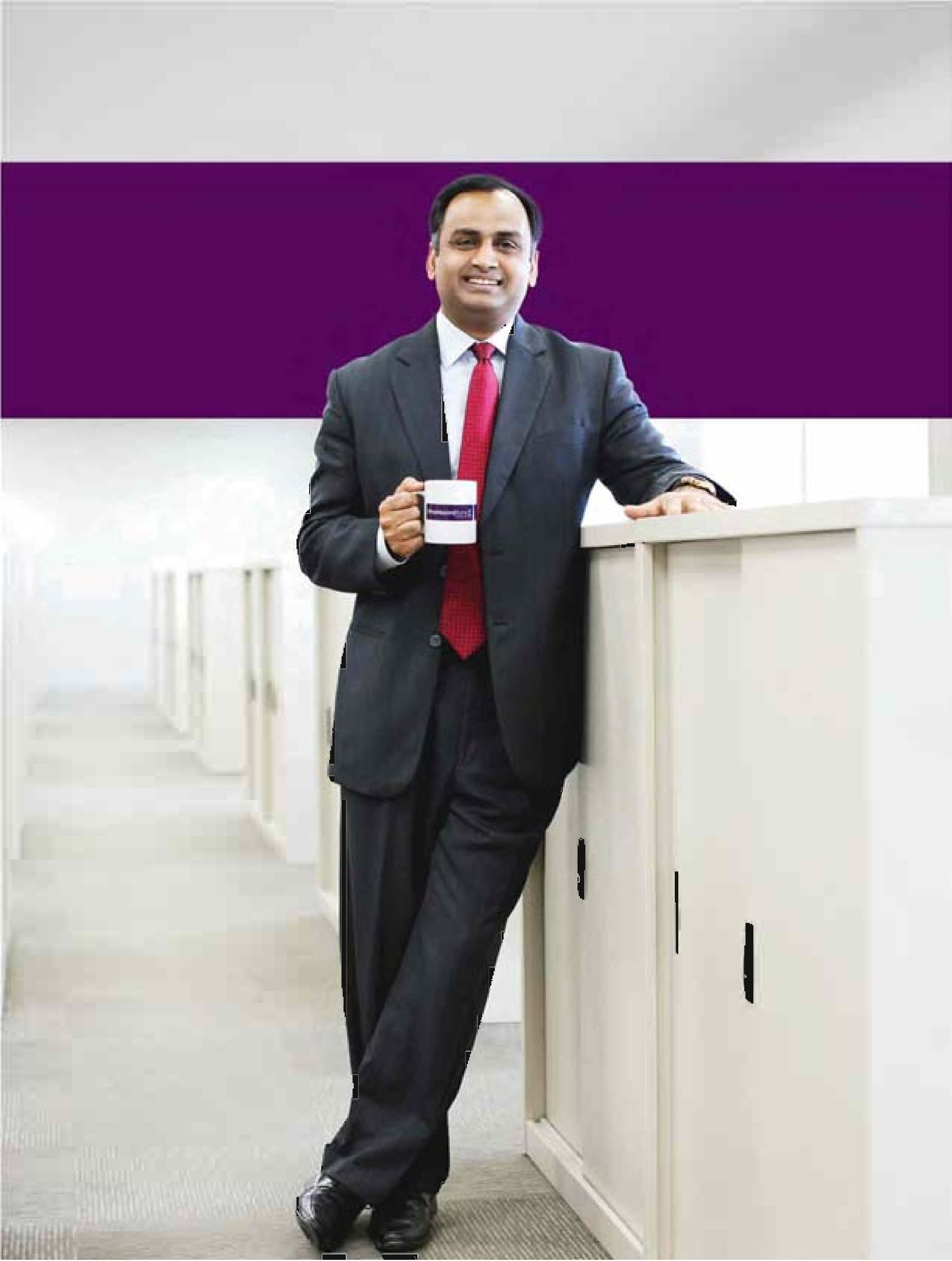
A growing economy also needs a healthy and vigorous financial sector to finance the growth. Great expectations surround the government's avowed desire to open up bank licensing. We look forward to the entry of new players since that not only deepens the existing market but also enhances competition, eventually translating into better products and services. The ultimate winner in the battle of business will be the customer.

Dear shareholders, I am happy to state that your Bank is fully prepared to meet this competition. We were able to successfully consolidate our operations during the whole of last year – which included raising additional capital from institutional shareholders through a fresh issue of equity – and have put almost all the growth platforms in place. 2011-12 will see a fresh thrust in business growth through an expanded physical footprint, addition of new business lines, further capital raising exercise, a substantially higher retail assets portfolio, a renewed push to SME lending and a reengineered, high-margin strategy in wholesale banking.

I wish you all a very successful 2011-12.

Thank you.

Ghyanendra Nath Bajpai



MD & CEO's Statement

Amitabh Chaturvedi

Your bank has been able to outperform industry growth rates with total business increasing by 78.13% to ₹ 21,651 crore and total advances and total deposits registering a year-on-year growth of 80.39% and 76.51% respectively

Dear Shareholders,

Fiscal 2011 marked the beginning of a sustainable turnaround in the history of your bank's performance. Your bank had set out last year with a clear focus on productivity. The objective was to leverage the existing capacities by increasing volumes across all businesses and improving the bottom line.

I am pleased to report that your bank has been successful in achieving this goal. In doing so, your bank has successfully managed to reorient itself from a small private sector bank, to one of India's fastest growing mid-size private sector banks with a pan-India presence. The results as presented to you in this report speak for themselves. The numbers not just reinforce our strategy and our robust business model but also take us closer to our vision of becoming one of the top private sector banks in India.

Before I dwell into the opportunities for your bank in FY12 amid the changing industry milieu, let me share some significant developments that have unfolded during the year.

A true measure of how effective our initiatives were can be gauged from our business growth. Yet again, your bank has been able to outperform industry growth rates with total business increasing by 78.13% to ₹ 21,651 crore and total advances and total deposits registering a year-on-year growth of 80.39% and 76.51% respectively. You would be pleased to know that for the third year in succession, Dhanlaxmi Bank's growth rates under deposits and advances were among the highest in the banking industry.

During the year, as part of our commitment to be an integrated financial solutions company, your bank acquired a 15% stake in Destimoney Securities Pvt. Ltd. (DSPL). This strategic investment will further augment our growth, broaden our product portfolio and provide investment-savvy customers cost-effective financial solutions.

Last year, your bank launched a complete bouquet of products and services, expanded branch and ATM network, introduced call center, launched Mobile and Internet banking services. With the successful completion of Phase I - 'investment and capacity building phase' – your bank is now set to enter Phase II – growth and profitability phase.

At present, as we stand in the midst of a new business year, the outlook for India is more optimistic and confident. With high GDP growth rates, further liberalization of various sectors and industries, younger and educated demographics, the Indian economy stands at a crucial stage of its evolution.
With demand for goods and services staying elevated in the economy, various sectors and industries will have to reform themselves. The banking industry in India itself is in a transition phase. With changes in policy and an improved regulatory framework, coupled with growing balance sheet and increased profitability, banks are gearing up for further opportunities and re-evaluating their whole business profile. With the Reserve Bank of India mulling on guidelines for new banking licences and with its recent discussion paper on deregulation of savings rate, competition in the industry is expected to further intensify.

With increasing competition, traditional banking rules will be re-written. Technological innovations will continue to dictate the course of the industry in the coming years. Going forward, banks will continue to seek economies of scale. Only those banks which are able to meet the enhanced expectations of customers and adapt themselves to the changing industry paradigm will be able to survive.

Realizing the potential size of the opportunity, the business model of your bank underwent a structural change to accommodate the changing regulations and to foster growth. Looking at the challenges and opportunities, I feel Dhanlaxmi Bank is in a unique position to grab the prospects arising out of the changing financial landscape.

Looking forward to FY 2012, I feel a sense of optimism and excitement. Your bank will look to go beyond peripheral issues and focus on significant areas like improvements in profitability, efficiency and achieving economies of scale. This year there will be a special focus on 3Ps:

1. Profitability
2. Productivity
3. Product per customer

Productivity would mean increased productivity per employee, productivity per channel and efficient processes. Product per Customer would signify increased depth and breadth of relationship that the customer has with the bank. There will be an enhanced focus on Fee income that will significantly contribute to the bank's profitability. Corporate Banking, Branch banking, TAG and Treasury shall make Fee Income as their key focus area.

Your bank will continue to focus on our strategy of diversification by business, geography and risk. We will also set sights on new opportunities – right from further expanding our network by adding more branches and deepening our presence in existing states to setting up Investment Banking Group and Wealth Management businesses to tap and cater to the increasing needs of the diverse customer segment. These initiatives will surely set the stage for increased profitability and growth in times to come.

To further augment our growth plans, adequate capital would be needed. You would also be pleased to know that the Reserve Bank of India has approved our plans to raise capital of around Rs.1, 000 crore. The capital will be raised in tranches through a combination of Preferential allotment, GDR or QIP. The capital will be used to support our expansion plans and will provide us with a firm base for exponential business growth.

The new initiatives will be an investment in the future. With an enviable team - as strong as we ever had - which is armed with the best technology, systems, processes and infrastructure, I am confident this is the right time to build and leverage the existing capacity for higher productivity.

Given the pace of growth and your bank's performance, it is not inconceivable that Dhanlaxmi Bank would be perceived as an ideal benchmark for 'transformation and turnaround' in the years to come.

Thank you.

Amitabh Chaturvedi

734 Touch Points

Across the country

With a 33% increase in our branch and ATM Network, since last year, we are now happy to welcome our customers across 734 touch points across India. Open and bright, inviting and informal – we are defining a new type of bank.

10 New Products & Services

in 12 months

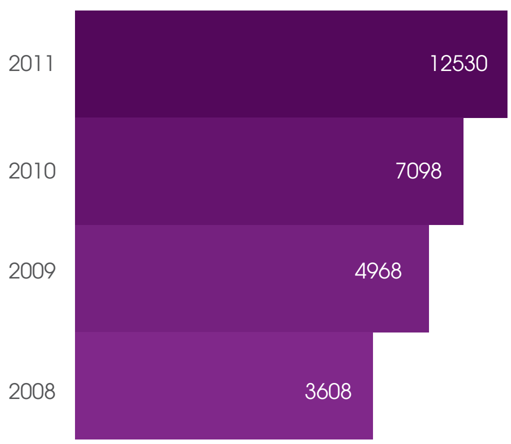
We take care of our customers. This year we have launched 10 new key products & services – which signifies one great leap forward every five weeks, reinforcing our utmost belief in responding to customer needs.

Key products & services launched

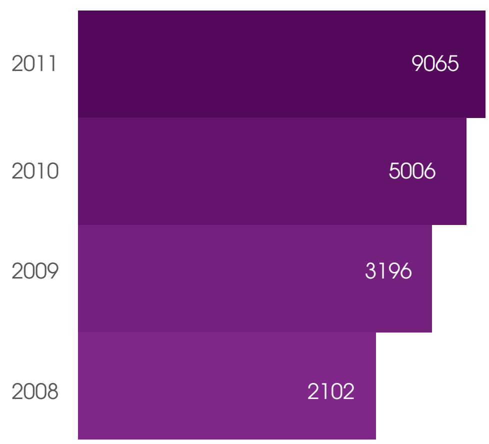
- Mobile Banking Service
- Credit Cards
- Gift Card
- Instapay
- Dhanam Flexi Loan
- Premium Current Account
- Special Savings Account for Educational Institutions
- Special Current Account for Co-operative Societies
- Bill payment through Internet Banking
- USDhan2India

Performance Tracker

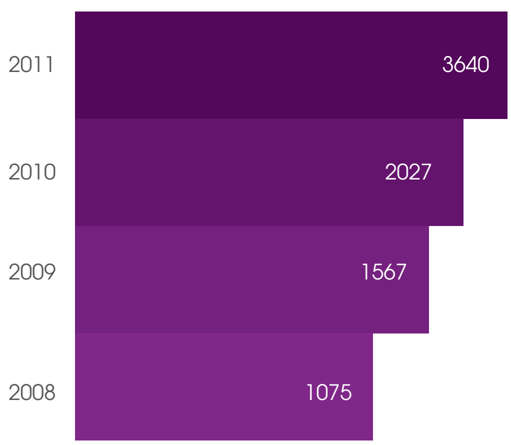
DEPOSITS (₹ in crore)



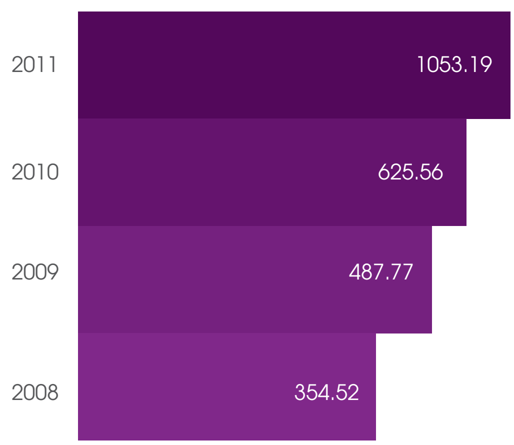
NET ADVANCES (₹ in crore)



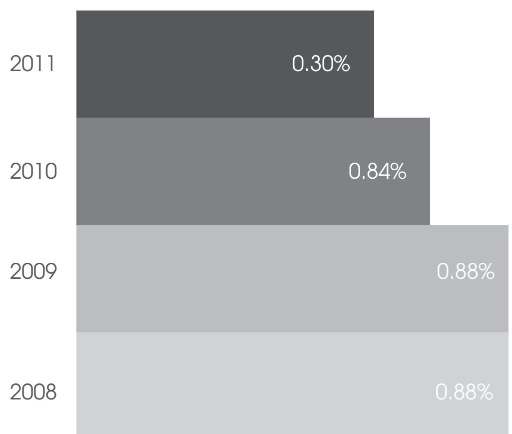
INVESTMENTS (₹ in crore)



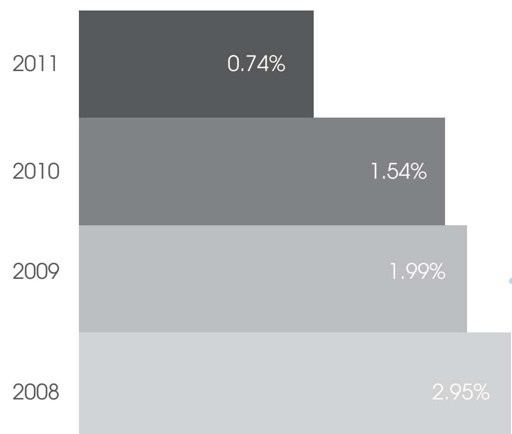
TOTAL INCOME (₹ in crore)



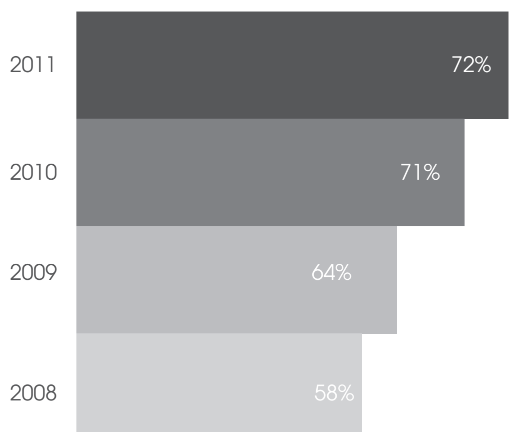
NET NPA (in percentage)



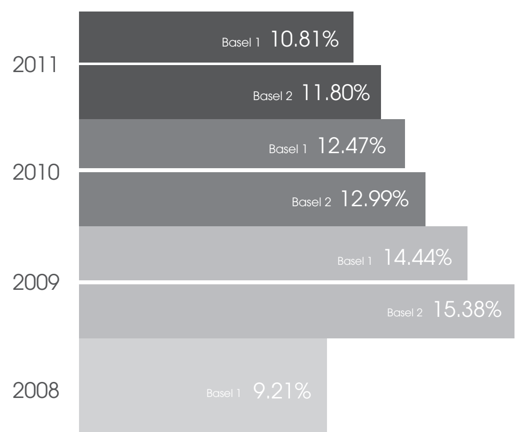
GROSS NPA (in percentage)



CREDIT / DEPOSIT RATIO (in percentage)



CAPITAL ADEQUACY RATIO (in percentage)



1198 New Faces

in 12 months

Warm, friendly, professional people. We have 29% more of them than last year. And with initiatives like "My Bank, My View", we are working together to create a vibrant, friendly and upbeat working environment, because we want to be an 'Employer of Choice'.

Directors' Report

Report of the Board of Directors

Your Directors have pleasure in presenting the Bank's 84th Annual Report along with the Audited Balance Sheet and Profit and Loss account for the year ended 31.03.2011.

Performance Highlights

The salient features of the Bank's performance for the year 2010-11 are:

- 5 branches and 179 ATMs were opened taking the customer outlets to 734 as on 31st March 2011.
- Total deposits rose from ₹ 7,098.48 crore to ₹ 12,529.63 crore, an increase of ₹ 5,431.15 crore at a growth rate of 76.51 %.
- CASA balances increased from ₹ 1,551.54 crore to ₹ 2,869.21 crore, an increase of ₹ 1,317.67 crore at a growth rate of 84.93 %.
- Total advances increased from ₹ 5,056.49 crore to ₹ 9,121.62 crore, an increase of ₹ 4,065.13 crore at a growth rate of 80.39 %.
- Total business rose from ₹ 12,154.97 crore to ₹ 21,651.25 crore at a growth rate of 78.13%. This is much higher vis-à-vis the business growth of the banking industry at 18.33 %.
- Credit Deposit Ratio increased from 71.23 % as on 31.03.2010 to 72.80 % as on 31.03.11.
- Priority Sector Advances as a percentage to Net Bank Credit was 50.90 % as at the end of March 2011 as against the RBI benchmark of 40 %.
- Agricultural outstandings as a percentage to Net Bank Credit was 18.30 % as at the end of March 2011 as against the RBI prescription of 18 %.
- Weaker Section Advances as a percentage to Net Bank Credit was 16.15 % as at the end of March 2011 as against the RBI norm of 10 %.
- Gross NPA ratio declined from 1.54 % to 0.74 % and Net NPA percentage came down from 0.84 % to 0.30 %.
- Provision Coverage Ratio increased from 47.95 % to 60.50 %.

Dividend

The Board has recommended a dividend of 5 % to the shareholders subject to the approval of the Reserve Bank of India.

Capital and Reserves

The Bank's Capital and Reserves increased from ₹ 440.08 crore as on 31.03.2010 to ₹ 844.64 crore as on 31.03.2011. The Capital Adequacy Ratio as per Basel I was 10.81 % as on 31.03.2011 as against 12.47% as on 31.03.10. Under Basel II, it was 11.80 % as on 31.03.11 as against 12.99 % as on 31.03.10. The benchmark prescribed by RBI is 9 %.

Strengthening the Capital Base

The Bank has successfully raised ₹ 380.73 crore through a Qualified Institutional Placement (QIP) in July 2010 by placing 2,10,00,000 Equity Shares of face value Rs. 10 (Equity Shares) at ₹ 181.30 per Equity Share, including a premium of ₹ 171.30. The market capitalisation of the Bank as at 31.03.11 stood at ₹ 965.01 crore.

Branch Expansion

During the year, 5 new branches were opened at

Vasai, Andheri & Prabhadevi in Mumbai, Jodhpur in Rajasthan and Bareilly in UP, taking the number of branches from 270 as on 31.03.10 to 275 as on 31.03.11. The number of ATMs increased from 280 to 459 during the year. Consequently, the Bank's customer outlets rose from 550 as on 31.03.10 to 734 as on 31.03.11. The top 5 States where the Bank has presence are (number of customer outlets given in brackets) Kerala (317), Tamilnadu (114), Maharashtra (78), Andhra Pradesh (54) and Karnataka (53).

Deposits

The total deposits of the Bank increased from ₹ 7098.48 crore as on 31.03.2010 to ₹ 12,529.63 crore as on 31.03.2011, recording an increase of ₹ 5,431.15 crore at a rate of 76.51 %. This level of growth is the highest in the Bank's history. It compares very favourably with the growth of the banking industry at 15.8 %. The Bank laid considerable emphasis during the year on mobilization of low cost funds on account of which CASA balances increased from ₹ 1,551.54 crore as on 31.03.2010 to ₹ 2,869.21 crore as on 31.03.2011, showing an increase of ₹ 1,317.67 crore at 84.93 %. The emphasis on CASA enabled the Bank to reduce the average cost of deposits from 6.80 % in 2009-10 to 6.51 % in 2010-11. CASA as a percentage to total deposits increased from 21.86 % as on 31.03.10 to 22.90 % as on 31.03.11.

The Bank launched a number of incentive based campaigns during the year for employees as well as customers for strengthening its resources base with special reference to CASA accounts. The number of deposit accounts increased from 11.41 lacs as on 31.03.10 to 13.20 lacs as on 31.03.11.

Advances

Total advances of the Bank increased from ₹ 5,056.49 crore as on 31.03.2010 to ₹ 9,121.62 crore as on 31.03.2011, an increase of ₹ 4,065.13 crore at a growth rate of 80.39 %. This level of credit growth is the highest ever for the Bank and compare enviously with that of the growth of the banking industry at 21.55 %. During the year, the Credit Deposit Ratio rose from 71.23 % to 72.80 %. The number of borrowal accounts increased from 2.09 lacs as on 31.03.10 to 2.29 lacs as on 31.03.11.

Market Share

The total business of the Bank increased by 78.13 % during 2010 – 11 with deposits clocking 76.51 % and advances recording 80.39 %. This level of growth resulted in a sharp increase in the Bank's market share on an all India basis. The market share of the Bank in deposits increased from 0.153 % to 0.225 % during the period 26.03.10 – 25.03.11 while the market share in advances rose from 0.153 % to 0.223% during the same period. The following table portrays the Bank's business growth vis-à-vis the industry during the year.

(₹ in crore)

Head	Deposits (Actuals)		Advances (Actuals)		Growth (%)	
	26.03.10	25.03.11	26.03.10	25.03.11	Depostis	Advances
Our Bank	6848	11696	4964	8801	**70.79**	**77.30**
All Scheduled Commercial Banks	4486574	5204703	3240399	3938659	**16.01**	**21.55**
Market Share (%)	0.15	0.22	0.15	0.22		

Priority Sector Advances

The Bank continued its endeavours during the year in assisting the growth of the productive sectors of the economy. Priority Sector Advances increased from ₹ 1,409.28 crore as on 31.03.2010 to ₹ 2,585.86 crore as on 31.03.2011, recording a growth of 83.49 %. The priority sector ratio as on 31.03.2011 was 50.90 %, well above the RBI benchmark of 40 %. The Bank also surpassed the RBI norm of 18 % in respect of agricultural credit by recording 18.30 % as on 31.03.2011. Agricultural outstandings increased from ₹ 765.16 crore as on 31.03.10 to ₹ 922.27 crore as on 31.03.11, an increase of ₹ 115.17 crore at 20.53 %. Weaker Section advances as on 31.03.11 stood at ₹ 814.29 crore as against ₹ 477.14 crore on 31.03.10. Weaker Section Advances outstandings as a % of Net Bank Credit was 16.15 % as on 31.03.11 vis-à-vis the RBI benchmark of 10 %.

'No Frill' Accounts

The number of 'No Frill' SB accounts opened by the Bank as part of our financial inclusion endeavours increased from 1,00,010 as on 31.03.10 to 1,09,711 as on 31.03.11. The outstanding balances under this head as on 31.03.11 were ₹ 26.05 crore which works out to ₹ 2,374 per account even though 'no frills' accounts can be opened and operated with zero balance.

Profitability

The Bank's net profit for the year ended March 31, 2011 stood at ₹ 26.06 crore, against ₹ 23.30 crore for the year ended March 31, 2010. The relatively subdued rise in net profit is attributable to expenditure incurred in creating additional capacities during 2010-11 in the form of additional manpower, physical infrastructure and technology upgradation. The expenditure on such additional capacity creation translated itself into productive gains with the Bank recording its highest ever growth in business of 78.13 % during 2010-11. The business per employee too rose sharply from ₹ 3.70 crore as on 31.03.10 to ₹ 5.08 crore as on 31.03.2011.

Non-Performing Assets

Focussed measures were taken during the year to reduce the level of existing non-performing assets, as well as preventing fresh accretion of NPAs. This became necessary in the context of rapid asset expansion during the year. The percentage of gross NPAs to gross advances declined from 1.54 % to 0.74 % during the year, while the net NPA ratio fell encouragingly from 0.84 % to the lowest ever level of 0.30 % during the period. The total cash recoveries, including upgradation and recoveries in written-off accounts, during the year was to ₹ 59.30 crore (₹ 44.86 crore in 2009-10) surpassing the annual target by a margin of ₹ 19.30 crore. The Provision Coverage Ratio also increased sharply from 47.95 % in 2009-10 to 60.50 % in 2010-11.

The Bank could achieve a record 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 the highest importance to the quality of service rendered across its branches / offices. It has taken a series of measures during the year through deployment of technology and otherwise for significantly enhancing service quality.

The Customer Service Committee of the Board, comprising of 6 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. In addition to introduction of a number of products and services, two key developments in this area relate to the upgradation of the software to the latest version for widening the range of services to the customers and establishment of a 24x7 Phone Banking Call Centre at Bangalore as an outsourced model to cater to customer needs across the country.

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

- Salary Multiplier account
- Special Savings account for educational institutions & Co-operative Societies
- Premium Current account
- USDhan2India
- Instapay
- Mobile Banking
- Bill payment module on internet banking
- Internet banking kiosks
- Gift Cards
- Credit Cards
- Money Transfer Service Scheme (MTSS)

In addition to the above, there were value adds in a number of existing products in line with the Bank's customer centric outlook.

The Bank took several measures during the year to technologically upgrade its grievance redressal mechanism with a view to accelerating the speed and enhancing the quality of response to customer complaints especially in an era of rapid growth.

The position of customer complaints during 2010–11 is as under:

No of complaints received : 246

No of complaints resolved : 247

No of complaints pending : 11

(as on 31.03.11)

The above pending complaints were closed subsequently.

Investor Education and Protection Fund

During the year, the Bank had transferred the unclaimed, unpaid dividend for the year 2002-03, an amount of ₹ 10,91,890/- 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 2010-11.

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 at 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 2011:

- 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 31st March 2011;
- 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

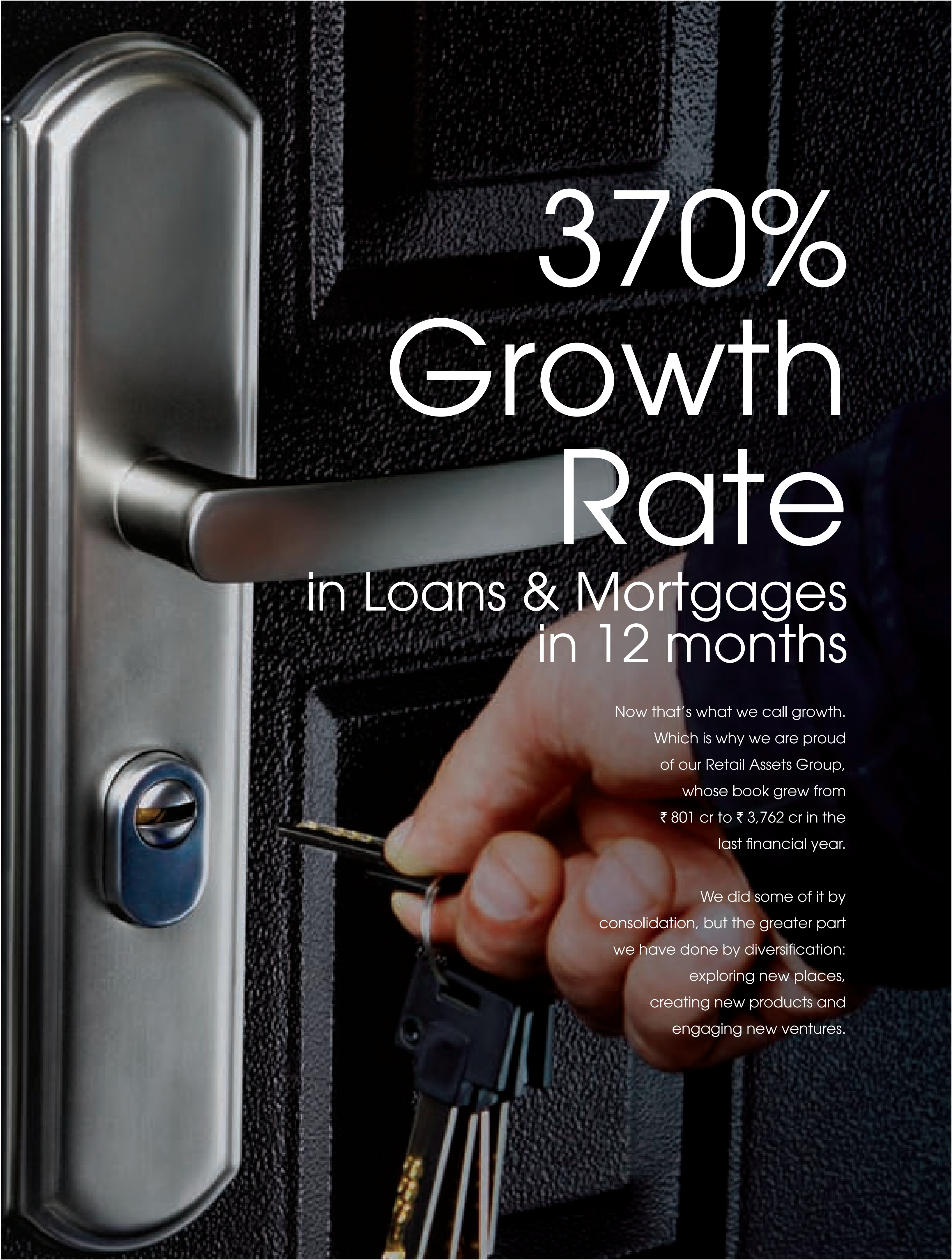
There was no change in the composition of the Board during the year. All the Non-Executive Directors of the Bank have certified that apart from receiving the Director's remuneration / sitting fees, they have not entered into any material pecuniary relationship or transactions with the Bank, its promoters, its Directors, its senior management, which may affect the independence of their directorship.

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

Acknowledgements

The Board happily 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.



370% Growth Rate

in Loans & Mortgages in 12 months

Now that's what we call growth. Which is why we are proud of our Retail Assets Group, whose book grew from ₹ 801 cr to ₹ 3,762 cr in the last financial year.

We did some of it by consolidation, but the greater part we have done by diversification: exploring new places, creating new products and engaging new ventures.

Management Discussion and Analysis Report

Global Economy

The year 2010-11 was an eventful year for the world economy. Even as growth turned out to be better than expectations in advanced economies, the positive sentiments remained clouded due to persistence of high unemployment in the USA and a continuing sovereign debt crisis in the Euro-zone. The crisis of governance in Egypt, Libya and other Middle East countries rattled the world with crude oil price shocks and the year closed with a natural disaster in Japan threatening supply chains for many industries.

In the first half of FY11, global growth improved largely led by strong growth in emerging economies (EMEs). This led the International Monetary Fund (IMF) to revise its estimate for global growth for 2010 to 4.6% from 4.2% previously. However, recovery remained uneven across nations. Higher unemployment and weak housing markets resulted in a second round of quantitative easing (QE2) in the US and continued fiscal stimulus by other advanced nations even as they battled concerns on their sovereign debt. QE2 involved US Fed buying $600 billion of long dated government securities from the secondary markets. The Euro-zone witnessed the risk of debt crisis spreading to more nations from the embattled PIGS (Portugal, Ireland, Greece and Spain) countries. This crisis led to a rise in bond yields and risk insurance on credit default swaps for these countries. Concerns about government's deficits and debt levels led to ratings downgrades of these nations. On May 2010, a bail-out of Greece by IMF and Euro nations prevented the contagion from spreading across the region. Euro nations, along with IMF, chalked out the European Financial Stability Facility (EFSF) an overall rescue package of €750 billion (about $1 trillion), and bond guarantees of up to €440 billion (approximately $630 billion) for on-lending in difficulty. Ireland's bailout and such measures contained the crisis even as Germany and few other nations continued to grow in sharp contrast to these nations.

EMEs - led by China, India and Brazil - maintained a high growth trajectory throughout the year. This initially raised fear of excessive capital flows, especially post QE2, into these nations and the speculation of currency wars. However, the effect of QE2 and easy liquidity conditions on commodity prices were the most significant event for the EMEs, as inflationary pressures started building up in the second half of the fiscal year. To add to the problem, floods in Queensland, Australia, resulted in prices of coal, steel and food articles rising globally. Inflation and overheating prompted monetary tightening in the EMEs. China has been, by far, the most aggressive among these nations to tackle inflation.

Asymmetry in growth in advanced and emerging nations and different policy challenges for these nations have been the highlight of the year. China became the second largest economy by overtaking Japan's in the second half of the year.

According to IMF, global GDP grew by 5% in 2010 compared with -0.5% growth in 2009, as financial markets improved, business activity remained buoyant in EMEs and confidence improved in developed economies.

The Libyan and Middle East crisis recently pushed crude oil (Brent) prices to as high as $124/barrel, which now clouds the global growth outlook. ECB has recently hiked interest rates by 25 bps to 1.25%, acknowledging the emerging inflation challenge which was so far limited to EMEs. As we enter 2011-12, policy challenges will get further complicated for advanced economies as they tackle old challenges of kick-starting growth, ensuring financial stability and quashing the new emerging challenge of inflation.

Indian Economy

The Indian economy recovered further during 2010-11 with higher GDP growth. Robust 8.9% GDP growth in the first half of fiscal year marked a return to its pre-crisis high growth trajectory. Sustained aggregate demand and good monsoons ensured that GDP growth of around 8.5% would be achieved despite the volatility witnessed in IIP.

The first half of the year saw strong broad-based economic growth, led primarily by higher industrial production, services growth and recovery in agriculture. Higher than normal monsoons and the sowing data for the winter rabi crop, points to higher agricultural output for the year. However, slower and volatile IIP in second half of the year have raised concerns on sustainability of the high economic growth.

In the second half of the year, capital goods growth was very volatile and, being an indicator of investment activity, pointed to moderation in the industrial activity. Slower FDI also highlighted lesser addition to capital formation. Though IIP has been lower in the second half of the year, due to a high base effect and volatile capital goods growth, there has nonetheless been a strong disconnect between the demand and supply side of GDP as demand indicators continue to be strong.

Lower time deposits growth and rise in the Government's cash reserves due to the spectrum auctions for the 3G and broadband wireless access protocols resulted in liquidity problems during the year as credit growth continued to grow at a high of 22-23% (year-on-year) while deposits growth lagged behind. This led RBI to ease SLR requirement by 1% to 24% and open a second LAF window. Growth of time deposits improved in the second half of the year to about 18%, from 14% levels seen in October 2010, as banks increased interest rates offered on term deposits.

On the external front, during the start of the year there were concerns about the rising current account deficit. However, strong exports growth in the second half has narrowed the trade deficit, thereby easing concerns about the growing current account deficit and ensuring a favourable position on balance of payments (BOP). During the year, exports surged by 37% and stood at $245 billion. Imports growth stood lower at 22% YoY, underlining the strong domestic activity and stood at $350 billion for the year.

Inflation has emerged as a key challenge to growth due to the recent supply-side shocks and accommodative global liquidity stance. While inflation was high in the first half of the year, it was expected to decline due to a favourable high base in the second half. However, unseasonal rains in November 2010 impacted prices of food articles, especially vegetables, which again brought inflation to centre stage. A sudden surge of food inflation, coupled with rising crude oil and commodity prices, has forced RBI to undertake monetary measures to tackle the price situation. RBI hiked interest rates by 150bps since April 2010. RBI also admitted that food and fuel inflation has spilled on to core inflation. The central bank is thus expected to continue prioritising inflation management. However, it also acknowledged the limited efficacy of monetary policy in containing inflation. The Reserve Bank of India is thus expected to balance growth and inflation management objectives, even as it continues to hike interest rates.

Rising interest rates and volatility in industrial production has raised concerns about the outlook for economic growth during 2011-12. However, industrial growth is expected to revive as the high base subsides and recent IIP growth indicates broad-based industrial growth. Given the strong demand side indicators and the risks from higher crude oil and commodity prices, we might have to live in an environment of high growth and high inflation, at least till the Middle East crisis is resolved.

Bank Performance

Despite the volatile external environment, the Bank managed to show robust growth in both business and financial performance indicators during the year 2010-11 by leveraging the capacity created over last two years – Robust technology platform, enhanced processes, new products, fresh hiring, new brand identity with increased customer touch points, well defined Business segments and large number of corporate relationships.

The Bank's growth rates for deposits and advances are ahead of the banking industry. Deposits and advances rose to ₹ 12,530 crores and ₹ 9,122 crores respectively as on March 31, 2011. From a business mix heavily dependent on one segment in the past, the Bank has been able to accomplish the desired diversification in the overall loan book. Our Retail advance has grown from 16% of the total Advance mix as at March 31, 2010 to 41% as on March 31, 2011. Despite such substantial growth, we have been able to maintain our asset quality levels with our Gross NPA ratio and Net NPA ratio as on March 2011 being 0.74% and 0.30% respectively. The Bank's net profit for the year ended March 31, 2011 stood at ₹ 26.06 crore, against ₹ 23.30 crore for the year ended March 31, 2010.

Your Bank now plans to leverage this strong foundation to provide the growth impetus during 2011-12. The focus during the year will be on improving profitability, efficiency and achieving economies of scale. The nature of your Bank's customer engagement in the retail business will undergo considerable transformation which will allow the Bank to significantly increase the depth and breadth of its existing relationship with the customer. This holds true for even your Bank's wholesale customers – whether they are large or small corporates. Generating fee income will become a key focus area for your Bank's various arms – Treasury, Corporate Banking, Trade and Advances Group and Branch Banking. Your Bank is also engaged in an exercise to raise additional capital of around ₹ 1,000 crore. All these endeavours are expected to translate into higher margins and an increased bottomline.

Business Overview:

A detailed overview of various business segments along with performance during 2010-11 is presented below:

Retail Asset & Credit Card Group

In a country like India, with a significant portion of the population remaining unbanked, the regulator's policy design has always tilted towards promoting retail banking. Dhanlaxmi Bank too foresees a huge potential available in the retail assets business.

The basis of a healthy Retail Assets portfolio lies in diversification of risk. Consequently, during 2010-11, the Retail Assets Group diversified on all fronts -- geography, products, segments and sourcing channels. As a result, the Retail Assets division has a very well diversified portfolio and there is no concentration risk. It was also necessary for the Retail Assets division to build a risk-free opening book for 2011-12, to provide the required impetus. The Group, therefore, focused on secured assets and revenue generating assets funding. Flagship products were mortgages, commercial vehicles, gold loan and construction equipment. Here again,

the focus was only on top-rated customers.
Having tested the waters, augmented capacities and built a risk-free opening book, Retail Assets now plans to unlock the potential and reach the masses by virtue of the Bank's growing branch presence across the country. It not only opens up a wider customer base, but also enhances our efforts in building a cost-effective and diversified portfolio which yields a higher net interest margin.

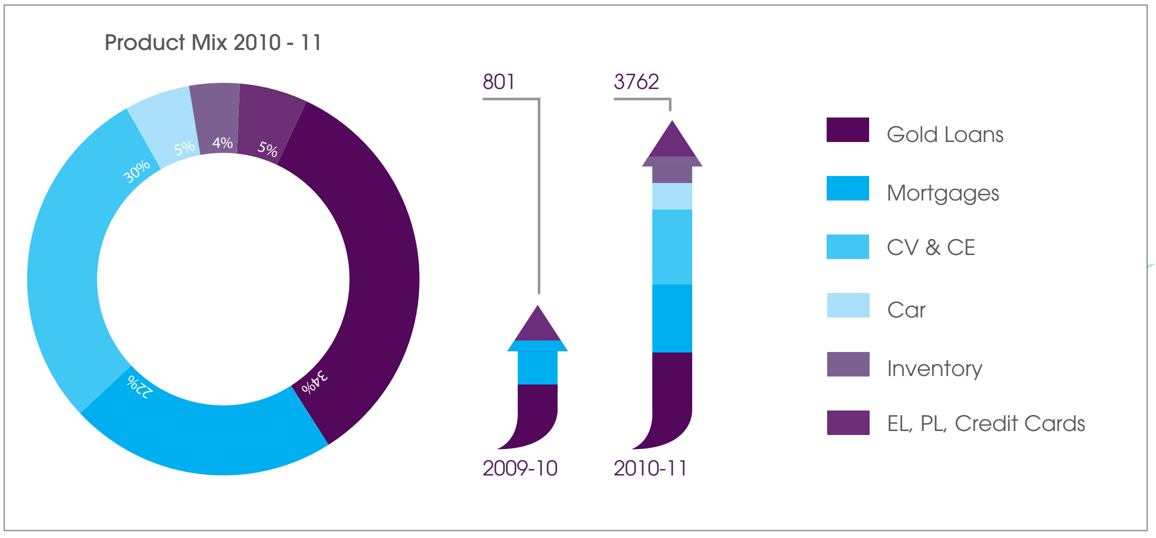
The product suite was enhanced from 3 products being offered till 2009-10 (namely, home loans, gold loans and education loans) to an 8-product suite by adding loan against property, car loan, commercial vehicle and equipment loans, personal loan and credit cards. The introduction of new products, accompanied by the consolidated growth of existing products, has enabled the Bank to achieve 370% growth in its retail assets book from ₹ 801 crore in 2009-10 to ₹ 3,762 crore in 2010-11. This was well supported by the improved NIMs & fee income.

What made it possible was also deployment of right people, policies & products, systems and processes. Dhanlaxmi Bank now provides Platinum Credit Card to its customers with its first-of-its-kind unique facility: A pay-by-transaction facility, which allows the customer to be billed separately for each swipe and thus enjoy full 45 days interest-free credit period on each transaction.

Another innovative feature is the emPower tool which allows on-line financial planning by helping customers keep track of their expenses and organizing their budgets in a more effective manner. The card also comes with insurance, priority pass for lounge access and concierge facilities. The whole operational model is designed to ensure minimal capital costs.

The team size reached 400 during the year, with the right mix of personnel across the sales, credit, product, policy, FCU, operations & collections verticals. After a successful launch in 26 strategically identified locations, the Retail Assets footprint now covers 180 locations across the country (including 25 retail assets hubs) with gold loans serviced through 238 branches.

Growth in Retail Assets (₹ in Crore)



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.

Microfinance & Agriculture Lending

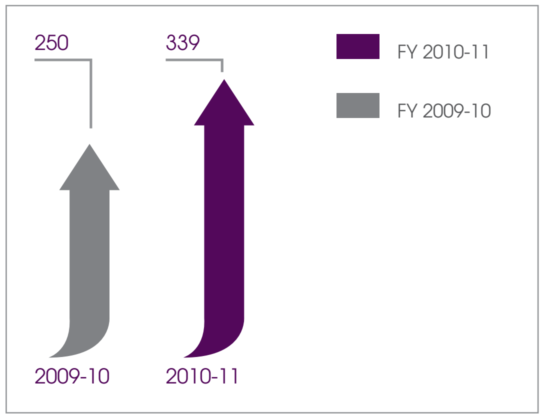
Your Bank has been working with various self help groups to cover a wider consumer base, rather than concentrate on providing microfinance and agricultural loans only through its own branch network. The Bank's NGO partners work with the objective of providing credit for income generation activities often 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. 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, your Bank is able to finance specific needs of the farmers. Highlights of the Bank's Micro-finance and Agri-business were:

- Focused on grassroots lending to self-help groups through direct SHG – Bank linkage lending model.
- Maintained stable asset quality.
- Tied-up with dairies for providing cattle loans under JLG model and NGOs for providing rural housing loans to SHG members.
- As on March 2011, the Bank had covered about 0.3 million households under these initiatives.

Micro & Agri – Funding at the bottom of the Pyramid

Micro & Agri YOY Growth

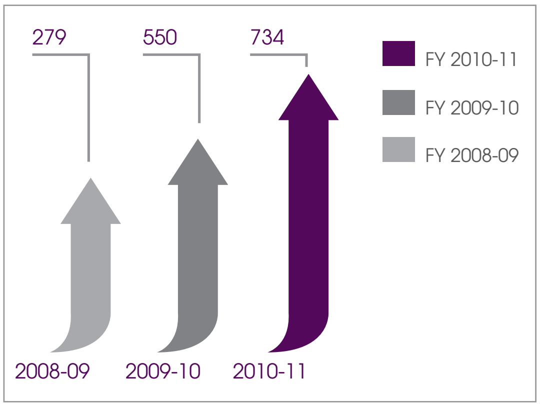


- Achieved Direct & Indirect Agri Priority sector targets of 18.30% as against target of 18%
- Overall weaker section portfolio accounted for 16.15% as against a target of 10% of ANBC
- Focused on Grass root level lending to SHGs through Direct SHG – Bank Linkage Lending Model in Kerala & TN
- Tied-up with Dairies for providing Cattle loans under JLG model and NGOs for providing rural housing loans to SHG members.

Retail Banking

Tapping growth opportunities in newer markets and thereby achieving business growth and customer-acquisition, the Bank continued to enlarge its distribution network especially in the areas of low-cost CASA deposits, lending to retail, agriculture and SME segments and the sale of third party products. During fiscal 2011, the total number of customer outlets were 734 against 550 last year.

Increasing Reach: Touch Points - Branches and ATMs

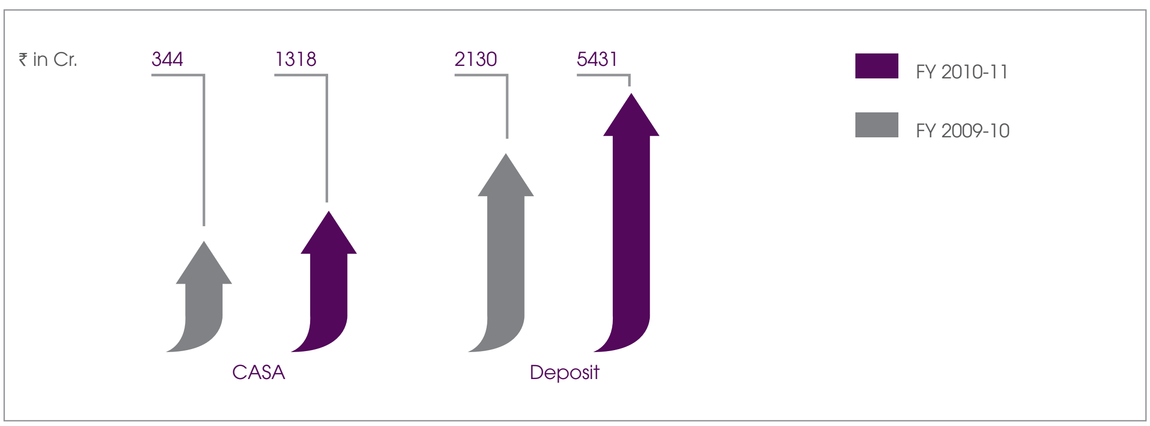


Your Bank proposes to increase its market share in India's growing financial services industry through continuous and ongoing emphasis on building a strong retail franchise. The Bank remains committed to developing long-term strong relationships with its customers and ensuring that they have access to high-quality service as well as the full suite of financial solutions to help achieve their financial objectives. Growth strategies have focused on building profitable relationships across various customer segments by providing cutting-edge technology and a customer centric approach to products.

The Bank provides all the financial services under one roof through various deposits products, retail loans, credit cards, debit cards, depository (custody services), investment advisory, bill payments and several transactional services. Given the importance of providing both seamless services to retail clientele and also ensuring secure, compliant systems, the Retail Banking Operations (RBO) department has been formed. During the year, some of the initiatives undertaken were intended to improve the operational efficiency of branches. Monitoring and control functions were also reinforced for risk containment and regulatory compliance. Based on customer feedback, key processes have been analyzed and corrective measures have been initiated to improve operational efficiency and turnaround time.

The Bank continued to grow its retail liabilities book with a focus on quality of domestic as well as non-resident Indian customers acquired. During the year, new CASA customer acquisition has grown by 13%. The increase in CASA during 2010-11 was ₹ 1,318 crore vis-à-vis ₹ 344 crore in 2009-10 representing a growth of 283%. Further, the increase in deposits during 2010-11 was ₹ 5,431 crore vis-à-vis ₹ 2,130 crore in the previous year showing a growth of 155%. The Non-Resident Indian (NRI) deposit grew year on year by 49% to ₹ 522 crore in fiscal 2011.

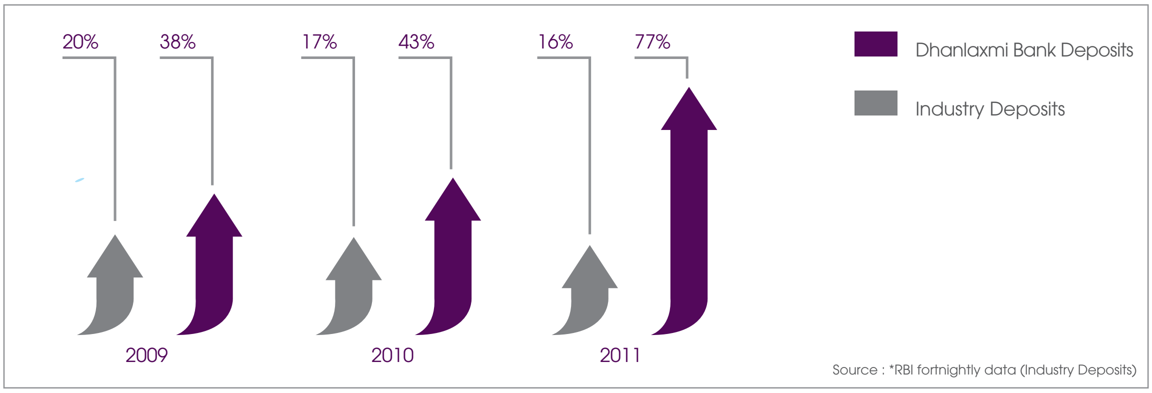
Incremental Growth Chart



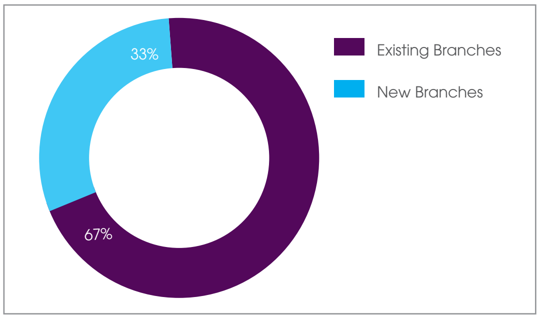
Your Bank's deposits grew by 77% during 2010-11 against an industry deposit growth rate of 16% during the same period.

The new branches launched since September 2009 contributed 33% of total deposit growth.

Dhanlaxmi Bank Deposits Vs Industry Deposits Growth



Contribution to Deposit by New Branches since September 2009



Financial Inclusion

Over the past 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 its various businesses, as well as across product groups.

Dhanlaxmi Bank has been actively involved in providing micro-credit facility at grassroots levels for over a decade after recognizing its emerging potential as an approach for empowerment of women and poverty alleviation. We anticipate the living standards to significantly improve as a result of augmenting the income / business cycles of these individuals. This would 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 projects – and therefore 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 and information technology enabled kiosks, and other information & communication technology. We believe that apart from agricultural loans, there are many other credit products that the Bank can use to aid financial improvement in rural locations. The Bank has extended provision of 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 28 customer service points (CSP) in Kerala & Tamil Nadu, reaching out to over 12,000 'no-frill' accounts. The business correspondent location 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 No Frill 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 1,09,711 as on March 31, 2011.

Corporate Banking

The Bank's Corporate Banking group is set up with the objective of creating a client-centric organization for customers in the large business segment. It provides a wide array of 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. 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.

Although the Bank is sector-agnostic, 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 11th Five Year Plan is expected to double to $1 trillion in the next five year plan (2012-17).

During the financial year ended March 31, 2011, growth in the wholesale banking business continued to be driven by new customer acquisition and higher cross-sell with a focus on optimizing yields and increasing product penetration. The main focus was on offering transaction banking products to this segment, besides deepening these relationships by offering funded, non-funded treasury and foreign exchange products.

The client acquisition was driven by highly customized and structured trade finance solutions, establishing the Bank's image as a solution provider to premier corporates. Innovative solutions developed were successfully replicated across different client segments. Improvement in client profile helped the Bank grow the asset book significantly, as better quality risk facilitated booking transactions of larger ticket size. Execution of structured transactions significantly improved the fees and earnings from these clients.

This business registered a healthy growth in the financial year ended March 31, 2011. The Bank's wholesale advances showed a growth of over 10%. On the overall advances of the bank, Corporate Banking had a share of 39%.

Credit Sanction & Monitoring:

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

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

Bank has a structured and standardized credit approval process which includes a well established procedure of comprehensive credit appraisal and credit rating. Credit risk management enables bank to identify, assess, manage proactively and optimize the credit risk at an individual level or at an entity level. The Bank's credit team is headed by the Chief Credit Officer.

The Bank's credit exposure is primarily categorized into retail and wholesale banking. Retail exposure is mostly in the segment of mortgage, vehicle loan, education loan and other commercial loans. Wholesale exposure of the Bank is categorized into Trade Advance Group (SME) and Large Corporate Group.

Retail credit lending is largely based on predefined parameters and is mostly decentralized. The key role of the credit team is vetting retail products from the perspective of credit risk, legal and compliance. The head of retail policy & risk is responsible for the complete segment of policy & risk for the entire product portfolio. Each individual product or combination of products have a policy manager who manages the end-to-end activities and reports to the Head (Policy & Risk). Each segment has a national credit manager to assess and approve the exposure.

The Trade Advance Group comprises borrowers drawn from the universe of SME, trade, MSME and other service sectors. A zonal structure is key to the Bank's credit delivery system. Each zone has credit officers, who are near to the borrowers to understand the risks in each exposure. This credit delivery system helps in increasing productivity, reducing turn -around time and achieving customer satisfaction.

The Bank has formulated a suitable policy framework for Large Corporate Group for companies with net worth of ₹ 50 crore and above to meet short term, long term and non-fund based credit requirements of the corporate. The Credit policy framework is intended to provide efficient delivery of products and services to corporates with all possible safeguards for prudent management of credit portfolio under this segment. Since the advances are of varied nature under this segment and deeper understanding of the industry is required for the management of credit portfolio, the central credit team takes care of the exposure under this segment. A credit approval authorization framework has been laid down by Bank's Board of Directors.

The post sanction process comes under the purview of Credit Mid Office Group (CMOG) which takes care of the 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 the weaker parameters and taking remedial action in time.

The practice of providing an internal rating to borrowers, besides the external rating, has been built up 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. Your Bank is adopting a careful assessment of risk-return trade-off which is critical to its success.

Capital and Commodity Markets

The Bank started a capital and commodity markets group in 2010-11. The Bank has been appointed as clearing and settlement bank for Stock Exchange Mumbai (BSE), Multi Commodity Exchange (MCX), MCX –SX, Indian Energy Exchange (IEX), National Commodity and Derivatives Exchange (NCDEX).

The capital and commodity markets group issues bank guarantees on behalf of trading members in exchanges. The Bank also gives fund-based limits to these exchange members. During the year, your Bank sanctioned bank guarantees to 5 broking clients. The Bank also opened settlement account for one BSE member and one MCX member. The Bank acted as collecting bankers to 7 public issues of equity/bonds.

Cash Management Services

The Bank has expanded its cash management services to more corporate/SME clients during 2010-2011. The Bank has now more than 30 Clients who avail of cash management services.

International Financial Institutions Group (IFIG)

The international financial institutions group (IFIG) is responsible for managing all banking relationships with international banks for all products including trade finance, payments and international correspondent banking tie-ups.

In the areas of trade, IFIG's forte is cross-border trade and supporting Indian corporates' trade finance and projects related requirements in India and abroad through confirming LCs, re-issuing bid-bonds, performance and advance payment guarantees, stand-by letters of credit using our correspondent banking network. It also arranges international source of trade funding through supplier's credit and buyer's credit products. On the payment side, IFIG establishes remittance tie-ups with both foreign banks and exchange houses to facilitate remittances to India. On the correspondent banking side, the bank continues to pursue a strategy of widening the correspondent banking activity and deepening existing relationships.

During the year, IFIG could arrange credit lines from various international banks to support its cross-border business. On the payment side, we have tied up with Doha Bank, the second largest bank in Qatar for remittance business. We also tied up with BONY Melon for remittance from USA to India using the online platform. We were also successful in establishing correspondent banking relationship with leading banks in more than 55 countries.

Credit Mid Office Group

Credit Mid Office Group (CMOG) was formed during April 2010 in the Bank to streamline and strengthen the post-credit sanction activities. CMOG functions broadly involve credit dispensation and credit administration. This group aims at smoothening of credit administration and monitoring functions in the Bank, and, strengthening the post-sanction activities of the bank.

Detailed guidelines and well-defined procedures on the process flow for credit disbursement were put in place. A well-trained, branch-centric CMOG team was also put in place in commercial thrust branches at potential centers to ensure timely security creation, quality documentation and efficient credit delivery.

CMOG has played a key role in the timely and orderly dispensation of credit. It has also contributed to maintaining asset quality and avoiding slippages to NPA. CMOG also takes care of audit compliance in respect of credit-related areas. CMOG will be the keeper of checks and balances resulting in robust credit administration.

The major areas of focus are:

- Safety – security and safe-keeping of loan documents
- Turn-around-time
- Perfection – extensively detailed in the CMOG manual

Treasury

The Bank has an integrated treasury department, covering both domestic and global markets, which manages the Bank's funds across geographies. During the year, the Bank posted growth in both customer-base and proprietary treasury business. In foreign exchange business, the Bank has increased its presence in the inter-bank markets and despite the competitive environment, grew the customer forex merchant business during the year by 100% while adding a large number of new clients. Trading income from forex also saw a robust growth of 1000%.

The Bank has played a key role in the sovereign debt markets with participation in several primary auctions held by RBI and active trading in the secondary market.

Treasury also accessed cross-border markets to augment the resources of the Bank and support customer trade business across the borders to increase trade finance activity.

Apart from enhancing its exposure and activities in the Forex and Government securities segments, Treasury also significantly increased its activities in money market instruments by becoming a significant player in short term instruments.

The Treasury Group is responsible for compliance with reserve requirements and management of liquidity and interest rate risk on the Bank's balance sheet. Given the regulatory requirement of holding government securities to meet the statutory liquidity ratio (SLR) requirement, your Bank maintains a portfolio of government securities. While a significant portion of these SLR securities are held in the "Held-to-Maturity' (HTM) category, Treasury also holds large positions for active trading.

Highlights of achievements in Treasury

- 3-fold increase in new clients added
- 100% growth in Merchant Profit
- 100% growth in Merchant Volumes
- 1600% increase in Money Market Trading Income

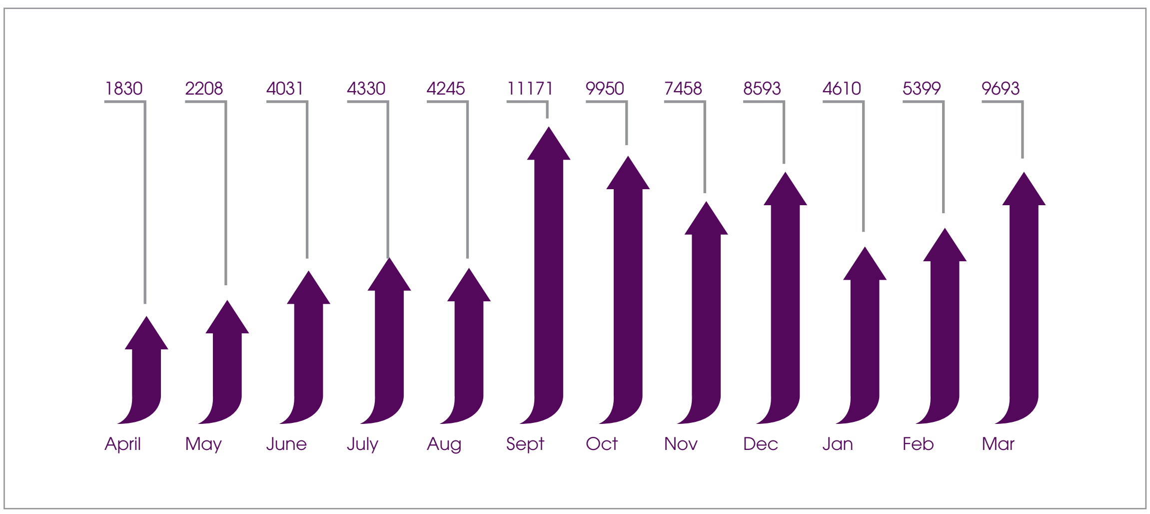
Mutual Fund Distribution and Bank Assurance

The Bank started full-fledged distribution of mutual fund schemes through its network in FY 2010-11. SIPs (systematic investment plans) became a focus area keeping in mind the goal of financial inclusion & bank's strength in rural markets, especially in Kerala. SIPs promote systematic investments which, in turn, inculcates some financial discipline in investors. Systematic approach also shields investor from sudden twists and turns of equity markets.

Equity being an asset class that delivers superior returns over the longer term, your Bank actively recommends SIPs of 5 years and above. With such clarity in business process, accompanied by distribution reach, the Bank achieved the distinction of being the second largest private sector bank in terms of fresh SIPs mobilized, according to a CAMS monthly ranking for September 2010. In the subsequent months too, the Bank has retained its spot among the Top 5 players.

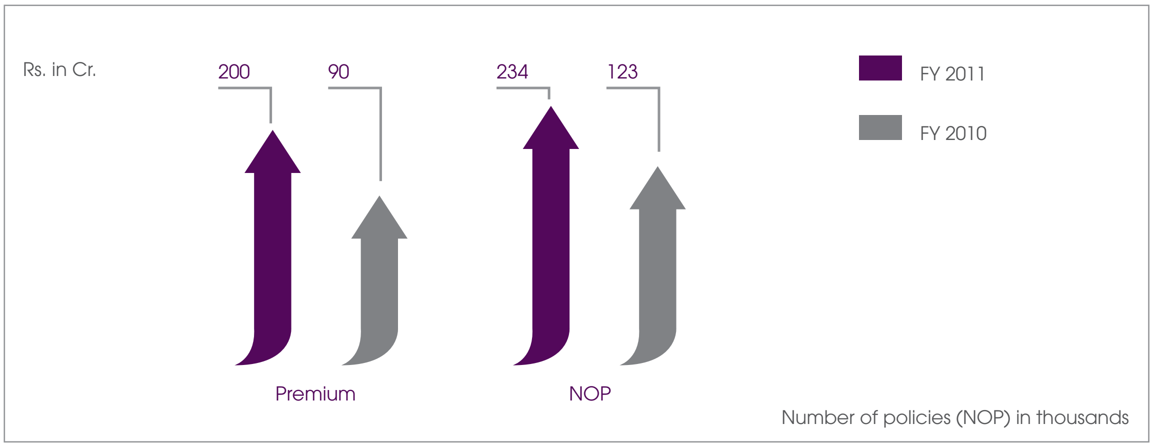
During 2010-11, the Bank has mobilised in excess of 80,000 mutual fund applications, of which over 73,000 are SIPs.

No of SIPs - FY 2010 - 11



Insurance

Life Insurance Performance



General Insurance Performance

The General Insurance collection for the fiscal year 2011 was **Rs. 14 crore as compared to Rs. 6 crore for the fiscal year 2010.**

The number of general insurance policies for the fiscal year 2011 was 66,142 as compared to 31,035 policies for the fiscal year 2010.

Information Technology

The Bank has consolidated its vendor base and has established associations with truly world class partners, such as IBM, Bharti, Oracle, WIPRO, Avaya. During 2010-11, the Bank became a truly multi-channel, multiproduct, technology-enabled Bank with technology playing a crucial role as business enabler. Some of the achievements:

- The Bank's Core Banking System (CBS) – Flex Cube -- has been upgraded in both the Retail and Corporate verticals to the latest versions.
- Technology infrastructure has been upgraded to state-of-the-art servers from IBM.
- Databases in Oracle have been upgraded from Version 9i to 11g.
- The Bank's data centre has been shifted to a managed data centre with a fully secured access through in-camera and biometric authentication procedures in place.
- Dual networks commissioned across all branches.
- Load balancing introduced across all networks of the Bank to streamline application access.
- FinnOne suite of applications deployed for the exclusive use of the retail assets business and operations.
- Treasury application KASTLE replaced with integrated treasury suite Credence which now serves Treasury front office, mid office and back office.
- Internal facilities for online travel requests, stationery requests, lead management, Friends@Work fully developed and deployed on the Bank's intranet. In fact, the intranet has brought the community of Dhanlaxmi Bank employees closer.

Milestones:

1. Transaction processing volumes have jumped from 2.1 million to 5.8 million per day and can be scaled up to 10 million
2. Supporting channel expansion (180 to 275 branches, 72 to 459 ATMs and powering Internet, Mobile and telebanking)
3. Setting up, new accounts from 100 accounts a day to capacity of over a 1,000
4. Moving 62% of transaction from branches to centralised hubs
5. End-of-day processing time reduced to 4 hours from 12 with headroom increased by 300%
6. Network and system uptime 99.9%

7. Executing over 66 pan-enterprise application projects
8. Overall, Transaction Processing recorded an impressive 85.75% YOY, between March 2010 and March 2011.

You will be proud to know that your Bank is among the first to:

- Implement Oracle 11g R2 technology in India
- Implement storage virtualization among Indian private sector banks
- Go live on new RTGS, NEFT, CCIL applications with zero business downtime
- Implement Oracle general ledger initiative in less than 90 days

Operations

Banking Operations

Banking Operations in its second year of operations has been able to successfully move 62% of the branch transactions either to the centralized processing centre or to the regional processing centre. This has enabled branches to focus on selling, cross-selling and customer service. Almost all the non-customer facing transactions have moved away from branches, thereby releasing branch bandwidth for customers.

Banking operation units saw transaction volumes increase by 200% over last year with only a meagre 5% increase in manpower. This is due to the significant changes in process and technology that has supported the increasing volume of transactions.

The year also saw the movement of major automation projects – such as workflow digitization, where scanned images replaced movement of physical forms – that enabled the Bank to match turn-around time with other competing banks. Account opening TAT reduced from the initial 15 days to two days.

Dhanlaxmi Bank is among the Banks chosen to roll out cheque truncation system in Chennai which will allow the Bank to move from processing physical cheques to processing through scanned images. Implementation of high-end modules in NEFT and RTGS has enabled straight through process (STP) directly to the customer account without manual intervention.

Overall, the banking operations team has built suitable and sustainable growth platforms through automation of processes, centralization of multiple processes and engaging vendors for improving the workflow.

Retail Asset and Credit Card Operations

Operations for Retail Asset department commenced in April, 2010 and in a very short span was ready with a set-up of 19 locations across India with centralized operations in Mumbai.

The Bank signed up with Nucleus for the best retail lending software and went live in just 100 days for seven products, against the industry practice of nine months. This was a remarkable achievement.

The Bank integrated with VISA Network for online credit card transactions and launched the first credit card on April 19, 2010. We are the first Bank to introduce a feature of Pay by Transaction which is unique in the industry.

The end-to-end activity of credit card operations is functioning smoothly, managed by a vendor and monitored by the Bank. All the credit card processes are automated – such as, online approvals, alerts to the customers. The Bank has kept the core activities in-house and outsourced the noncore activities to vendors. This exercise has provided the Bank with twin benefits - cost reduction and scalability. This has also resulted in the Bank reaching a benchmark turnaround time.

Alternate Channels

With the Board having approved a separate vertical – 'Alternate Channels' to meet the anywhere/ anytime Banking needs of our customers - the department has taken steps to provide safe, secure

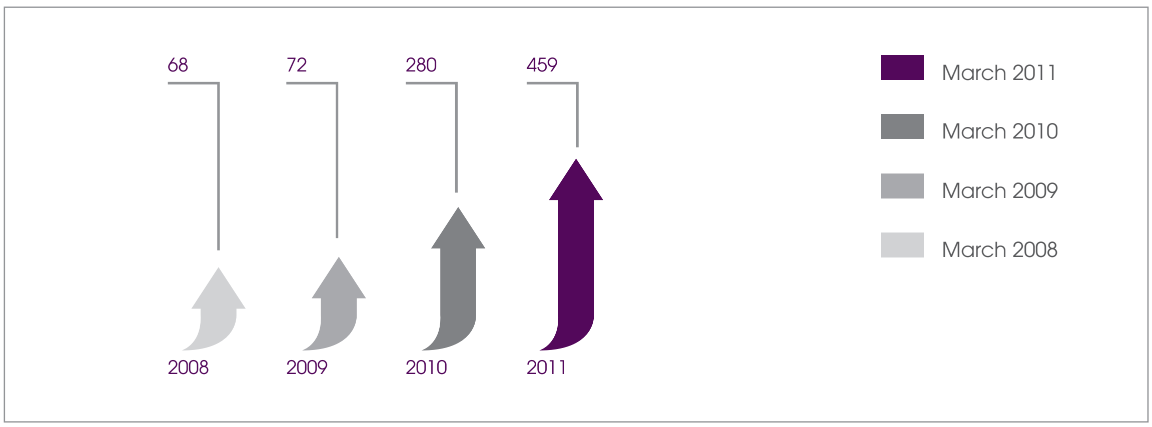
& convenient banking facilities to the Bank's customers and at a time and place of their choice. The department primarily focuses on the non-branch banking delivery channels - ATMs, debit & pre-paid cards, mobile banking, phone banking, internet banking & self service delivery channels.

The performance highlights during the year were:

- The ATM footprint across the country increased from 280 as on March 31, 2010, to 459 as on March 31, 2011 - a growth of 64%.
- Launch of the mobile banking service.
- Launch of bill payment module on internet banking. Our customers can now pay bills for over 500 billers, covering a broad spectrum of utility service providers across the country by accessing the internet banking facility.
- Enablement of our secured online e-commerce through debit cards and secured internet banking access through virtual keyboard have been well received by customers.
- Launch of the 24/7 phone banking centre catering to varied customer segments through multi-lingual capability. This centre is currently being operated in Bengaluru and shall soon be rolled out at one more location.
- Launch of a gift card targeted at our existing and walk-in customers for their gifting needs.
- Enablement of Insta-PIN for debit cards for customer convenience. A customer can now walk into any of the Bank's branches and get a debit card PIN generated instantly, against proper documentation in a secured manner.
- Installation of cash sorting machines in branches to comply with RBI guidelines on fake note detection.
- Installation of the internet banking kiosks.
- Installation of cheque deposit machine and coin sorting machines as part of building the self-service delivery channel strategy.

The Bank is simultaneously working on other projects – such as, launch of the prepaid foreign currency denominated travel cards, M-Commerce, bill payment through mobile - to provide more convenient banking avenues for our customers.

Number of ATMs

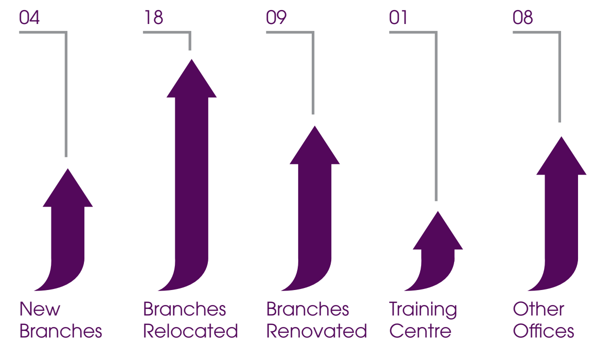


Infrastructure

In FY 2010-11, the Bank's infrastructure team furnished 40 branches/offices across the country. One of them is a signature branch at Prabhadevi, Mumbai, which has been noticed and appreciated widely. In addition, many branches have been upgraded in terms of infrastructure and over 160 additional seats have been created to accommodate the growing manpower of the bank.

Construction work at the Bank's proposed new Corporate Office building in Thrissur started in January. This building will have a seating capacity for 1,000 people and will have facilities like library, auditorium, a recreation area, technology lab and a museum that will talk about the Bank's 84-year-old history and achievements.

Infrastructure



Marketing and Corporate Communication

The Bank wore a new contemporary, modern and vibrant look last year. Keeping in line with Bank's vision and growth aspiration the task this year was to create awareness, build affinity with the brand and let the audiences know what the brand signifies.

The bank launched its first ever television commercial in Kerala. The task was to re-assure the Bank's commitment to its existing customers. The core message of the communication was to reaffirm that though the Bank is changing at the core, the Bank still remains unchanged.

As the Bank expanded and entered into newer geographies, it was important to build affinity in the new markets and make people aware of the brand and its philosophy. The Bank launched its national television campaign outlining the Bank's belief of valuing new meaning of wealth – It is more than just money, it is about love, joy and peace of mind.

The belief was summarized as "Tann Mann Dhan" in the television commercials. The Bank reached 12 Mn individuals across the country. Many other strategic initiatives in and around the branch catchments were rolled out through the year in order to remain top of mind for the existing and prospective customers. The Bank launched its first state-of-the-art flagship branch in Mumbai.

To enhance value, reputation and brand image, the Bank developed and implemented Public Relations program across print and electronic media. Communications programs were aligned with the goals and strategic planning processes of the Bank; this process ensured adequate credibility for the Bank through focused and consistent exposure on the Bank's achievement, outlook and growth plans, products and service offerings. The exercise resulted in higher visibility, image and quality of exposure for the Bank in media compared to previous year.

These Marketing and PR efforts will continue as we move towards achieving our vision of being among the top five private banks in India.

Risk Management

Expanding business arenas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institutions. The Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices, which address the risk management aspects of the different risk classes - namely, credit risk, market risk and operational risk. The policies, procedures and practices adopted in the Bank are benchmarked to the best in the industry on a continuous basis and the Bank has a clear goal to reach an advanced level of sophistication in risk management.

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

The Bank's risk management policies – such as, ICAAP 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.

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 guidelines set down by the Reserve Bank of India.

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, such as 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 the three distinct building blocks - policy & strategy, organisational structure and operations/systems.

The 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 credit risk management (CRM) policy was taken out from the credit policy and released as a separate document with added focus on credit risk management. In order to create/share risk awareness at all functional levels and to standardise the credit risk management practices in the Bank, qualitative inputs like instruments of credit risk management, CRM practices, CRMC functions etc. are detailed in the revised CRM policy.

The credit risk management framework aims at ensuring sustained growth of a healthy credit portfolio. The 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.

The 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 uses various internal rating models for rating borrowers for measuring credit risk. To be in line with the changing economic environment, all rating models were revised during the year, taking into consideration the inputs received from the business verticals. All exposures of ₹ 2 lakh and above will come under the purview of rating. Retail loans are subjected to scoring models which support credit decisions. Bank conducts rating migration analysis on an annual basis for better monitoring and follow-up of accounts. In case of retail asset, pool/ segment rating methodology is also applied to monitor defaults.

The functions of rating validation and development of rating models are vested with the Integrated Risk Management Group. Given the importance of credit rating, the scope of rating validation was enhanced for all individual credit exposures of ₹ 25 lakh and above. In addition, implementation of laid down policies for collateral management and credit risk mitigation has also enabled the Bank to proactively ensure asset quality. Bank has strengthened the credit risk management cell and created a separate vertical – Credit Mid Office Group (CMOG) – for credit administration and monitoring. 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 started conducting quarterly industry analysis/study during the year 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.

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 concerned 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. This is the risk to a bank's earnings and capital arising out its inability to meet obligations on time when they become due without incurring unacceptable losses. Liquidity obligations of the Bank arise 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 a daily structural liquidity statement which is used by the Treasury Department for effective liquidity management. Apart from the above, the trend in the Bank's liquid assets to short-term liabilities, core deposits growth ratio, volatility dependence ratio and loan sources out of core deposits are measured and analyzed. 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. In simple terms, it is the Bank's exposure to financial loss through movements in interest rates. The immediate impact of changes in interest rates is on bank's earnings due to change in net interest income (NII). The change in net interest income in the event of adverse change in interest rates is measured in terms of EAR (earning at risk) using the traditional gap analysis. A long-term impact of changing interest rates is on bank's market value of equity (MVE) or net worth as the economic value of bank's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. The Bank uses duration gap analysis to measure the change in MVE.

Bank uses VaR limits in the trading portfolios to determine the potential loss on a 10-day holding period basis with a 99% confidence level.

The Asset Liability Management Committee (ALCO), comprising the Bank's senior management, is responsible for reviewing the Bank's liquidity position and ensuring/adhering to the limits set by the Board. ALCO plays an important role in deciding the business strategy of the Bank in line with the Bank's budget, corporate goals and risk tolerance levels decided by the Board having regard to the capital adequacy and regulatory prescriptions. During the year, ALCO met 28 times to deliberate on various ALM issues and manage liquidity, interest-rate and earnings risks.

In line with RBI guidelines, Bank has moved to Base Rate system with effect from July 1, 2010, to ensure transparency in lending rates.

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. Bank's Operational Risk Management Committee oversees the application of the policy directives. All the new products, processes and systems - including revision of existing processes and systems - are vetted by operational risk management cell of IRMG and placed before ORMC for approval. Further, a separate expert committee called Product and Process Approval Committee is formed at central office with active participation from inspection, planning, branch banking, operations and business lines as its members. The chiefs of risk and operations are special permanent invitees to the committee and this committee is the recommendatory committee to ORMC and meets thrice a month.

People risk is mitigated by implementation of directives laid down in operational risk, human resources and training policies. Each 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 a "fraud risk management policy". The above framework lays down the steps to be adopted for preventive vigilance. 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 set-up and regular testing rolled out by the Department of Information Technology. Operational risk from external events, were brought down by transferring the risk outside the Bank by means of appropriate insurance cover.

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. The scope of RCSA was extended to thrust branches and other core functions during the last year (covered 30 non-branch functions and 65% of thrust branches). An "operational risk loss data reporting format" was adopted from the loss data methodology document and loss data reporting for retail banking functions are initiated during the year for regulatory compliance.

Inspection & Vigilance

In line with the reorganization of business model, necessary modifications have been made to the audit methodology with the objective of auditing an activity at the place of its origination. Accordingly, we have brought all the regional processing centres, trade finance wing and central processing centre under the ambit of concurrent audit during the year, besides continuing the existing coverage of concurrent audit for all major branches and integrated treasury.

Currently, concurrent audit covers 78% of the total business of the Bank. Comprehensive revision of policy on KYC and AML measures was undertaken during the year. RBIA of 227 branches were conducted in the year and all the report reviews were also completed on time. Movement of concurrent audits of few branches to internal officials has resulted in substantial improvement of the quality of the reports.

ISO 9001: 2008 surveillance audit was carried out at 12 departments of the Bank's head office by external auditors and the certification validity is extended for three years. Data centre and disaster recovery audit was also taken up by external auditors. AML – Transactional monitoring based on set rules are done and the Bank filed reports on cash transactions, suspicious transactions, counterfeit currencies on time to Financial Intelligence Unit, Govt of India.

Offsite Surveillance System (OSS) was operationalized during the year. This is a web-based technology which provides data to monitor and analyze exceptions on a day-to-day basis and thus facilitates tracking risks at transaction level. The objective of the system is to monitor all CBS transactions based on the criteria defined on a daily basis and meet the needs of inspectors, concurrent auditors and other end-user departments by generating alerts. The alerts were thoroughly checked, scrutinized and based on the severity of the divergence, the OSS desk escalates the observations/ deviations to the respective branches daily for compliance. The system has also enabled identification of revenue recovery, timely escalation of post migration issues to CBS for resolution etc.

Human Resources

The bank has always recognized employees as its most valuable asset and focuses on building a transparent, performance-driven, meritocratic culture to acquire, develop and nurture talent.

During the year, the stated mission was investment and capacity building. The human resources objective was to attract the right talent, achieve service excellence and encourage productivity and performance oriented growth. Streamlining processes, establishing performance management systems and a continuous performance review mechanism resulted in meeting the above mentioned objectives.

During 2010-11, the Bank evolved as a strong employer in the financial services segment. The Bank's employee strength increased to 4,260 as on March 31, 2011, from 4,080 as on March 31, 2010. Application of technology enabled operations allowed Human Resources to manage employee processes proactively and resolve concerns at a quicker pace. Additionally, the unique employee engagement initiatives helped the bank in constructing a positive and vibrant work environment.

"Self Scoring for Success (3S)", the Bank's Performance Management System, based on balanced score card, has assisted in objective setting, transparent measurement of performance and reinforced the message of meritocracy, promoting the desired behaviour across the bank. The online tool made performance management simpler and faster.

The bank also had a strong focus on learning and development. The endeavour was to augment human resource capability, skill inventory and competencies of employees to enhance customer experience and better business results. The Bank's Staff Training College has built adequate training infrastructure which seeks to upgrade skill levels through a combination of in-house and external programmess. It includes the induction program for new entrants, specific value added programs to build a pool of specialists in respective domains.

To create a Talent Pool as our core differentiator, priority was given to retaining talent and investing in deepening the leadership pool through various interventions, including talent identification development, providing employees with challenging opportunities at early stages of career and addressing the needs of the future.

For an upbeat work environment and simultaneously making significant assessment towards creating Dhanlaxmi Bank an Employer of Choice, we introduced "My Bank, My View" – a platform for employees to share their opinion thereby measuring the Employee Engagement Quotient. Employees from all segments participated in the survey providing us an array of areas of improvement.

Through the fulfillment of the HR agenda, the bank will continue to proceed to achieve its ultimate goal of being the preferred employer in the banking sector, excelling in customer delivery through insight, smart application of technology and empowered human resources practices.

Corporate Social Responsibility

As a responsible corporate citizen, Dhanlaxmi Bank has concentrated its philanthropic efforts in the areas of Health and Education. It seeks to contribute towards the creation of a Healthy India.

Taking this initiative forward the Bank made the first of its kind "Walkers Park" in Thrissur with the intention of encouraging the citizens to walk towards a healthy lifestyle. Donation of a 24/7 ambulance to the city, conducting health check-up drives and consultation camps for citizens were a few initiatives conducted for wellness at Thrissur.

In association with So What Now – a Bangalore based NGO -- the Bank has reached out to the community by organizing health check-up camps for students of Ambedkar Memorial Society at Bangalore. Moreover, this alliance has also initiated a concept of Recycle Tuesday at all our offices and branches in Bangalore, where employees/customers are encouraged to bring old newspapers, books and related items for recycling. The money collected from the recycling activity is utilized for providing a healthy ragi drink to the students of Ambedkar Memorial School.

Taking the trend of Happy Health ahead, the bank in association with the Family Planning Association of India organized a Healthy Baby Programme for babies and mothers from 200 families from the underprivileged section of the society in Delhi.

The Dhanlaxmi Bank Scholarship Programme – an alliance with Thrissur Management Association – was initiated for deserving MBA students seeking financial assistance. We provide additional opportunities to the students for internship and projects at our bank.

The bank believes that our ability to successfully compete largely depends on the way it identifies itself with the societal needs and plans to have a holistic approach to Corporate Social Responsibility.

6 Initiatives

in 12 months

Our only small number, but a special one. We understand what it means to be young at heart and so are committed to creating a healthy India and lend a helping hand to our very promising next generation. And we've done so by launching 6 initiatives

A creative association with So What Now in Bangalore on all kinds of initiatives; a Healthy Baby Programme in Delhi with The Family Planning Association of India; and two projects at home in Thrissur, a Walkers' Park and Scholarship Programme for deserving MBA students.

Report on Corporate Governance

2010 - 11

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

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

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

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

1. **Board of Directors :**

   a) **Composition of the Board as on 31.03.2011 :**

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

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

The 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. Amitabh Chaturvedi - Managing Director and Chief Executive Officer	Executive	Majority – Banking & Finance
3	Mr. Vidyadhara Rao Chalasani	Non-Executive	Minority – Finance
4	Mr. K. Srikanth Reddy	Non-Executive	Majority – Agriculture & Rural Economy
5	Mr. Shailesh V. Haribhakti	Non-Executive	Majority – Accountancy
6	Mr. S. Santhanakrishnan	Non-Executive	Majority – Banking
7	Mr. Ghanshyam Dass	Non-Executive	Majority – Banking & Finance
8	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.

b) Number of Board Meetings held during the year 2010-11 with dates :

During the year 2010-11, 10 Board meetings were held on the following dates :

11.05.2010, 15.07.2010, 15.07.2010, 13.08.2010, 13.09.2010, 28.10.2010, 08.12.2010, 21.01.2011, 01.03.2011 and 23.03.2011.

c) Attendance of Directors :

Sl. No.	Director	Number of Board Meetings		Last AGM Attendance
		Held	Attended	
01	Mr. Ghyanendra Nath Bajpai	10	10	Present
02	Mr. Amitabh Chaturvedi	10	10	Present
03	Mr. Vidyadhara Rao Chalasani	10	06	Present
04	Mr. K Srikanth Reddy	10	10	Present
05	Mr. Shailesh V. Haribhakti	10	09	Present
06	Mr. S. Santhanakrishnan	10	10	Present
07	Mr. Ghanshyam Dass	10	09	Present
08	Mr. Sateesh Kumar Andra	10	08	Present

d) Directors' Shareholding as on 31.03.2011 :

Sl. No.	Director	No. of shares held	% of holding
1	Mr. Ghyanendra Nath Bajpai	25,000	0.03
2	Mr. Amitabh Chaturvedi	Nil	0.00
3	Mr. Vidyadhara Rao Chalasani	200	0.00
4	Mr. K. Srikanth Reddy	15,000	0.02
5	Mr. Shailesh V. Haribhakti	50,200	0.06
6	Mr. S. Santhanakrishnan	700	0.00
7	Mr. Ghanshyam Dass	5,000	0.01
8	Mr. Sateesh Kumar Andra	400	0.00

e) The Committees of Directors functioning in the Bank during the year ending 31.03.2011 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

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

f) **Committee position of Directors in the Bank as on 31.03.2011 :**

Sl. No.	Name of the Director	Member	Chairman
1	Mr. Ghyanendra Nath Bajpai	1. Human Resource Development Committee 2. Nomination Committee 3. Risk Management Committee 4. Remuneration Committee 5. Information Technology Committee	1. Human Resource Development Committee 2. Nomination Committee 3. Risk Management Committee 4. Remuneration Committee 5. Information Technology Committee
2	Mr. Amitabh Chaturvedi	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Management Committee 4. Human Resource Development Committee 5. Remuneration Committee 6. Nomination Committee 7. Customer Service Committee 8. Risk Management Committee 9. Information Technology Committee	
3	Mr. Vidyadhara Rao Chalasani	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Audit Committee 4. Customer Service Committee 5. Risk Management Committee	-
4	Mr. K. Srikanth Reddy	1. Shareholders' Grievance Redressal Committee 2. Management Committee 3. Human Resource Development Committee 4. Remuneration Committee 5. Audit Committee 6. Customer Service Committee 7. Information Technology Committee	-
5	Mr. Shailesh V. Haribhakti	1. Large Value Fraud Monitoring Committee 2. Human Resource Development Committee 3. Remuneration Committee 4. Nomination Committee 5. Audit Committee 6. Risk Management Committee	-

Sl. No.	Name of the Director	Member	Chairman
6	Mr. S. Santhanakrishnan	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Management Committee 4. Nomination Committee 5. Audit Committee 6. Customer Service Committee 7. Risk Management Committee 8. Information Technology Committee	1. Shareholders' Grievance Redressal Committee 2. Customer Service Committee 3. Audit Committee 4. Management Committee 5. Committee of Directors 6. Large Value Fraud Monitoring Committee
7	Mr. Ghanshyam Dass	1. Shareholders' Grievance Redressal Committee 2. Large Value Fraud Monitoring Committee 3. Information Technology Committee 4. Customer Service Committee 5. Risk Management Committee 6. Human Resource Development Committee	-
8	Mr. Sateesh Kumar Andra	1. Large Value Fraud Monitoring Committee 2. Information Technology Committee 3. Audit Committee 4. Customer Service Committee 5. Remuneration Committee	-

g) Committee Position of Directors in other Public Limited Companies as on 31.03.2011 :

Sl. No.	Name of the Director	Public Companies in which holding Directorship	Membership in Board Committees	Committees of which Chairman
1	Mr. Ghyanendra Nath Bajpai	1. Future Generali India Life Insurance Co. Ltd.		Audit/ Shareholder Grievance Committee
		2. Future Generali India Insurance Co. Ltd.		Audit/ Shareholder Grievance Committee
		3. Emaar MGF Land Ltd.	Audit Committee	-
		4. Future Capital Holdings Ltd.	Audit Committee	-
		5. Mandhana Industries Ltd.	Audit Committee	-
		6. Future Ventures India Ltd.	-	Audit Committee
		7. Kingfisher Airlines Ltd.	Audit Committee	-
		8. New Horizons India Ltd.	-	-
		9. PNB Housing Finance Ltd.	-	-
		10. Nitesh Estates Ltd.	-	-
		11. Usha Martin Ltd.	-	-
		12. Micromax Informatics Ltd.	-	-
		13. Walchandnagar Industries Ltd.	-	-
		14. Dalmia Cement (Bharat) Ltd.	Audit Committee	-

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

2. **Audit Committee :**

i) The Board of the Bank has constituted a five-member Audit Committee. All the five members of the Committee are Non-Executive Independent Directors, with Mr. S. Santhanakrishnan as its Chairman and Mr. Vidyadhara Rao Chalasani, Mr. K. Srikanth Reddy, Mr. Shailesh V. Haribhakti and Mr. Sateesh Kumar Andra 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 2010-11	Dates of Meetings
10	11.05.2010, 27.05.2010, 05.08.2010, 13.08.2010, 21.08.2010, 12.10.2010, 28.10.2010, 08.12.2010, 21.01.2011 and 28.02.2011

The details of attendance of each Director are as under :

Name of the Director	Number of Audit Committee Meetings Held	Attended
Mr. S. Santhanakrishnan *	10	08
Mr. Vidyadhara Rao Chalasani	10	05
Mr. K. Srikanth Reddy	10	10
Mr. Shailesh V. Haribhakti	10	09
Mr. Sateesh Kumar Andra	10	06

* Ceased to be member on 27.05.2010 and inducted to the Committee on 13.08.2010.

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 2010-11	Dates of Meetings
03	11.05.2010, 24.07.2010 and 13.08.2010

The details of attendance of each Director are as under :

Name of the Director	Number of Remuneration Committee Meetings	
	Held	Attended
Mr. Ghyanendra Nath Bajpai	03	03
Mr. Amitabh Chaturvedi	03	03
Mr. K. Srikanth Reddy	03	03
Mr. Shailesh V. Haribhakti	03	03
Mr. Sateesh Kumar Andra	03	01

Mr. S. Santhanakrishnan had attended the Remuneration Committee meeting held on 13.08.2010 as a special invitee.

4. Shareholders' Grievance Redressal Committee :

i) Mr. Amitabh Chaturvedi, Mr. K. Srikanth Reddy, Mr. S. Santhanakrishnan, Mr. Vidyadhara Rao Chalasani 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 6 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. Warrier Secretary to Board & Company Secretary	0487 - 6617000 0487 - 2334612 (D)	0487 2335367	investors@dhanbank.co.in
Registrar & Share Transfer Agent	M/s. Karvy Computershare (P) Ltd.	040 23420815 - 23420824	040 23420814	einward.ris@karvy.com

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

No. of meetings held during the year 2010-11	Dates of Meetings
05	11.05.2010, 15.07.2010, 13.09.2010, 03.12.2010 and 01.03.2011

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	05	05
2	Mr. K. Srikanth Reddy	05	05
3	Mr. S. Santhanakrishnan	05	05
4	Mr. Vidyadhara Rao Chalasani	05	03
5	Mr. Ghanshyam Dass	05	05

iv) Number of investor complaints received and attended to by the Bank during the year 2010-11 are as follows :

Sl. No.	Nature of complaint	No. of complaints pending as on 01.04.2010	No. of complaints received	No. of complaints resolved	No. of complaints pending as on 31.03.2011
1	Transfer related Complaints	Nil	3	3	Nil
2	Dividend related Complaints	Nil	3	3	Nil
3	Others	Nil	0	0	Nil
	Total	**Nil**	**6**	**6**	**Nil**

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 2010-11	Dates of Meetings
02	09.06.2010 and 28.10.2010

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	02	02
Mr. Vidyadhara Rao Chalasani	02	00
Mr. S. Santhanakrishnan	02	02
Mr. Shailesh V. Haribhakti	02	01
Mr. Ghanshyam Dass	02	02
Mr. Sateesh Kumar Andra	02	01

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 2010-11	Dates of Meetings
02	09.06.2010 and 21.01.2011

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	02	02
Mr. K. Srikanth Reddy	02	02
Mr. Vidyadhara Rao Chalasani	02	01
Mr. Ghanshyam Dass	02	02
Mr. Sateesh Kumar Andra	02	02

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 2010-11	Dates of Meetings
03	13.08.2010, 03.12.2010 and 28.02.2011

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	03	03
Mr. Vidyadhara Rao Chalasani	03	02
Mr. Shailesh V. Haribhakti	03	02
Mr. S. Santhanakrishnan	03	03
Mr. Ghanshyam Dass	03	03

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 2010-11	Dates of Meetings
02	09.06.2010 and 08.12.2010

The details of attendance of each Director are as under :

Director	Number of Nomination Committee Meetings Held	Attended
Mr. Ghyanendra Nath Bajpai	02	02
Mr. Amitabh Chaturvedi	02	02
Mr. Shailesh V. Haribhakti	02	01
Mr. S. Santhanakrishnan	02	02

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 2010-11	Dates of Meetings
06	11.05.2010, 27.05.2010, 21.08.2010, 12.10.2010, 08.12.2010 and 28.02.2011

The details of attendance of each Director are as under :

Director	Number of Management Committee Meetings	
	Held	Attended
Mr. Amitabh Chaturvedi	06	06
Mr. K. Srikanth Reddy	06	06
Mr. S. Santhanakrishnan	06	06

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 2010-11	Dates of Meetings
03	24.07.2010, 03.12.2010, and 15.03.2011

The details of attendance of each Director are as under :

Director	Number of HRD Committee Meetings	
	Held	Attended
Mr. Ghyanendra Nath Bajpai	03	03
Mr. Amitabh Chaturvedi	03	03
Mr. K. Srikanth Reddy	03	03
Mr. Shailesh V. Haribhakti	03	03
Mr. Ghanshyam Dass	03	03

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 2010-11	Dates of Meetings
01	03.12.2010

The details of attendance of each Director are as under :

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

12. Committee of Directors :

The Board of the Bank has constituted a Committee of Directors (vide item E-41 of the Board Meeting held on 13.08.2010), comprising of Mr. Amitabh Chaturvedi, Mr. S. Santhanakrishnan and Mr. Shailesh V. Haribhakti 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 2010-11	Dates of Meetings
04	13.09.2010, 28.10.2010, 21.01.2011 and 23.03.2011

The details of attendance of each Director are as under :

Director	Number of Committee of Directors Meetings	
	Held	Attended
Mr. Amitabh Chaturvedi	04	04
Mr. S. Santhanakrishnan	04	04
Mr. Shailesh V. Haribhakti	04	03

13. General Body Meetings

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

AGM Number	Date & Time	Venue
83rd	15.07.2010 11 a.m	LuLu International Convention Centre, Thrissur
82nd	31.07.2009. 03 p.m.	LuLu International Convention Centre, Thrissur
81st	27.09.2008. 11 a.m	Kousthubham, Shoranur Road, Thrissur

Details of special resolutions passed in the previous 3 AGMs :

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

At the 82nd 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 83rd 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).

14. Disclosures :

Related Party Transactions

During the financial year, the Bank did not enter into any related party transactions with its Directors or Senior Management or their Relatives that would potentially conflict with and/or adversely affect the interests of the Bank, excepting the remuneration paid to the Managing Director & CEO.

Disclosure of Accounting Treatment

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

Risk Management

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

The organization of Risk Management function in the Bank spans various levels of oversight from operatives to the Board, offering lines of defense and escalation. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank-wide risks. These are administered by the structured/internalized roles and functions of the Committees namely Risk Management Committee of the Board (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	53,71,000	-	53,71,000

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

During the year:

- The Bank has complied with the directives issued by the Stock Exchanges/Securities and Exchange Board of India (SEBI) and other statutory authorities on all matters related to capital markets and no penalties have been imposed by them.

- The Bank has complied with all the mandatory requirements and has adopted the following non-mandatory requirements of Clause 49 of the Listing Agreement :

  • The Nomination Committee undertakes the process of due diligence to determine the suitability of the person for appointment/continuing to hold appointment as a Director on the Board.

  • The Company has framed Whistle Blower Policy and affirmed that no personnel have been denied access to the Audit Committee.

15. Means of Communication

The Board took on record the unaudited financial results subjected to a "Limited Review" by the Auditors, in the prescribed proforma of the Stock Exchanges within one month of the closure of every quarter and announced immediately thereafter, the results to all the Stock Exchanges where the Bank's shares are listed. The Board also approved the audited annual results within three months. The highlights of quarterly results and audited annual results were published in leading 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.

16. General Shareholder Information

84th AGM	**Date**	22nd June, 2011
	Time	1.30 pm to 3.30 pm
	Venue	Lulu International Convention Center, Thrissur - 680 003
Name and other details regarding Compliance Officer		**Mr. Ravindran K. Warrier** Secretary to Board & Company Secretary Dhanlaxmi Bank Ltd. Naickanal, Thrissur - 680 001
Financial Year		2010-11
Date of Book Closure		10th June 2011 to 22nd June 2011 (both days inclusive)
Dividend Payment Date		Within 30 days from the date of declaration
Listing on Stock Exchanges		The equity shares of the Bank are listed on - Cochin Stock Exchange Ltd. Bombay Stock Exchange Ltd. National Stock Exchange of India Ltd.
Stock Code – Equity Shares		532180 – Bombay Stock Exchange Ltd. DHANBANK - National Stock Exchange of India Ltd.

Registrar and Transfer Agents	M/s. Karvy Computershare Private Ltd. `Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad – 500 081. Phone : 040 - 23420815 -23420824 Fax : 040 - 23420814 E-mail : einward.ris@karvy.com
Dematerialisation of shares and liquidity	The equity shares are available for dematerialisation with ISIN No. INE 680A01011.
Registered Office and Address for Correspondence	P.B.No. 9, Dhanlaxmi Buildings, Naickanal, Thrissur 680 001. E-mail : investors@dhanbank.co.in

Market Price Data

The monthly high and low prices of the Bank's shares traded in The National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd., (BSE) during each month in the financial year ended 31 March 2011 are as under :

Month	NSE		BSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2010	156.00	132.25	155.95	132.10
May 2010	155.60	139.50	155.40	140.25
June 2010	194.00	149.40	193.70	149.50
July 2010	189.60	173.65	190.50	173.55
August 2010	199.75	175.65	198.95	175.25
September 2010	192.50	179.00	192.30	178.10
October 2010	212.20	183.75	212.50	184.10
November 2010	188.90	152.20	188.00	152.35
December 2010	164.90	125.00	164.40	124.70
January 2011	132.00	94.00	133.00	94.00
February 2011	114.90	95.15	115.10	95.00
March 2011	115.30	99.10	115.10	98.75

Distribution of shareholding as on 31.03.2011 :

Share Range	No. of Shares	% of Members	No. of Shares	% of shares
upto 1 - 5000	50548	87.57	7162006	8.41
5001 - 10000	6830	11.83	11049797	12.98
10001 - 20000	151	0.26	2137633	2.51
20001 - 30000	48	0.08	1170425	1.37
30001 - 40000	19	0.03	673670	0.79
40001 - 50000	11	0.02	507275	0.61
50001 - 100000	30	0.06	2224772	2.61
100001 & Above	84	0.15	60210171	70.72
Total	**57721**	**100.00**	**85135749**	**100.00**

Category-wise distribution of shareholding as on 31.03.2011 :

Sl. No.	Category	No. of Share holders	No. of Shares held	% of Total Shares
1	Banks	3	132857	0.16
2	Clearing Members	192	425419	0.50
3	Directors	7	96500	0.11
4	Foreign Institutional Investor	48	27802163	32.66
5	H U F	610	790196	0.93
6	Insurance Companies	2	497277	0.58
7	Bodies Corporates	998	15688556	18.43
8	Mutual Funds	9	4878363	5.72
9	Non-Resident Indians	1194	5192882	6.10
10	Resident Individuals	54651	29624374	34.80
11	Trusts	7	7162	0.01
	Total	**57721**	**85135749**	**100.00**

As on 31.03.2011, 43,05,168 shares constituting 5.06% and 8,08,30,581 shares constituting 94.94% of the paid-up capital were held in physical and electronic mode respectively.

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

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

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

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

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

ANNEXURE I

Managing Director & CEO Certification on compliance with the Code of conduct for Directors and Senior Management Personnel of the bank

To the members of 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 March 31, 2011.

Place : Mumbai
Date : April 23, 2011

Amitabh Chaturvedi
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, 2011, 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 explanantions 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, Chandiok & Co.
Chartered Accountants
Firm Registration No: 001076N

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

Place: Mumbai
Date: April 23, 2011

For Sharp and Tannan
Chartered Accountants
Firm Registration No.: 1099982W

Edwin P. Augustine
Partner
Membership No.: F-043385

Place: Mumbai
Date: April 23, 2011

ANNEXURE III

Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2011

A.

		Particulars	ESOP Scheme
	1.	Number of options granted	3,999,225
	2.	The Pricing Formula	Closing price prior to the date of meeting of the Remuneration Committee in which the options are granted, on the Stock Exchange where there is highest trading volume on the said date
	3.	Number of options vested	3,342,492
	4.	Number of options exercised	20,149
	5.	Total number of shares arising as a result of exercise of options	20,149
	6.	Number of options lapsed	10,700
	7.	Variation in the terms of options	NA
	8.	Money realised by exercise of options (₹)	2,384,634
	9.	Total Number of Options in force	3,311,643

B.	Employee-wise details of options granted to :		
	(i)	Senior managerial personnel	No such options were granted
	(ii)	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	No such options were granted
	(iii)	Identified employees who were granted option, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	No such options were granted

C.	Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20	
		3.29

D.	The impact on the profits and EPS of the fair value method is given in the table below -	
		₹
	Profit as reported	260,621,801
	Add - Intrinsic Value Cost	0
	Less - Fair Value Cost	99,964,079
	Profit as adjusted	160,657,722
		₹
	Earning per share (Basic) as reported	3.31
	Earning per share (Basic) adjusted	2.04
	Earning per share (Diluted) as reported	3.29
	Earning per share (Diluted) adjusted	2.03

E.	Weighted average exercise price of Options whose		
	(a)	Exercise price equals market price	144.70
	(b)	Exercise price is greater than market price	Nil
	(c)	Exercise price is less than market price	Nil

	Weighted average fair value of options whose	
	(a) Exercise price equals market price	88.24
	(b) Exercise price is greater than market price	Nil
	(c) Exercise price is less than market price	Nil
F.	Method and Assumptions used to estimate the fair value of options granted during the year :	
	The fair value has been calculated using the Black Scholes Option Pricing model	
	The Assumptions used in the model are as follows :	

	Date of grant	11-May-10
	1. Risk Free Interest Rate	7.65%
	2. Expected Life	6.50
	3. Expected Volatility	61.70%
	4. Dividend Yield	1.13%
	5. Price of the underlying share in market at the time of the option grant (₹)	143.10

Auditors' Report

31st March, 2011

1. We have audited the attached Balance Sheet of Dhanlaxmi Bank Limited ('the Bank') (formerly 'The Dhanalakshmi Bank Limited') as at 31 March 2011 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, 104 branches audited by the Branch Auditors and 149 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 of the Companies Act, 1956.

4. The financial information as at and for the year ended 31 March 2011 of 104 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;

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;

   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. based on information and explanations given to us, the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956;

   d. on the basis of the written representations received from the Directors as at 31 March 2011, and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2011 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 March 2011 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 March 2011 and total revenue/net cash flows of the Bank for the year then ended, respectively, the said financial statements, together with the notes thereon and attached thereto give the information required by the Banking Regulation Act, 1949, as well as the Companies Act, 1956, in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India;

   a. in the case of Balance sheet, of the state of affairs of the Bank as at 31 March 2011;

   b. in the case of Profit and Loss Account, of the profit for the year ended on that date; and

   c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

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

Place: Mumbai
Date: April 23, 2011

Sharp and Tannan
Chartered Accountants
Firm Registration No.: 109982W

Edwin P. Augustine
Partner
Membership No.: 043385

Place: Mumbai
Date: April 23, 2011

Balance Sheet

As at March 31, 2011

(₹ in '000)

	Schedule	As at March 31, 2011	As at March 31, 2010
Capital and Liabilities			
Capital	1	851,357	641,156
Reserves and Surplus	2	7,595,043	3,759,615
Deposits	3	125,296,317	70,984,840
Borrowings	4	6,261,056	3,175,534
Other liabilities and provisions	5	2,677,727	2,307,765
Total		**142,681,500**	**80,868,910**
Assets			
Cash and Balances with Reserve Bank of India	6	8,028,047	6,128,986
Balances with banks and money at call and short notice	7	1,323,559	1,374,297
Investments	8	36,396,768	20,277,927
Advances	9	90,651,517	50,062,586
Fixed Assets	10	1,343,558	794,701
Other Assets	11	4,938,051	2,230,413
Total		**142,681,500**	**80,868,910**
Contingent Liabilities	12	32,508,539	5,575,271
Bills for Collection		1,806,454	552,374
Significant Accounting Policies	18		
Notes forming part of the financial statements	19		
The Schedules referred to above form an integral part of the Balance Sheet.			

For and on behalf of the Board of Directors

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Amitabh Chaturvedi
Managing Director & CEO

Shailesh V. Haribhakti
Director

Bipin Kabra
Chief Financial Officer

Mini Nair
Senior Vice President
(Finance & Accounts)

Ravindran K. Warrier
Company Secretary

As per our Report of even date
For Walker, Chandiok & Co.
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: April 23, 2011

For Sharp and Tannan
Chartered Accountants

Edwin P. Augstine
Partner

Date: April 23, 2011

Profit & Loss Account

For the year ended March 31, 2011

(₹ in '000)

	Schedule	Year ended March 31, 2011	Year ended March 31, 2010
Income			
Interest earned	13	9,064,178	5,345,706
Other income	14	1,467,696	909,876
Total		**10,531,874**	**6,255,582**
Expense			
Interest expended	15	6,412,860	3,940,207
Operating expenses	16	3,444,682	1,928,582
Provisions and contingencies	17	413,710	153,756
Total		**10,271,252**	**6,022,545**
Net profit for the year		260,622	233,037
Profit brought forward		100	100
Transfer from dividend payable account including dividend tax		37,503	-
Total		**298,225**	**233,137**
Appropriations			
Transfer to statutory reserve		78,187	69,911
Transfer to capital reserve		2,328	64,927
Transfer to special reserve U/s. 36(1)(viii) of Income Tax Act		18,581	15,844
Transfer to other reserve		149,227	7,343
Proposed dividend		42,568	64,116
Dividend tax		7,234	10,896
Balance carried forward to Balance Sheet		100	100
Total		**298,225**	**233,137**
Earnings Per Share (in ₹) (Refer Note 24 of Schedule 19)			
Basic EPS		3.31	3.64
Diluted EPS		3.29	3.64
Significant Accounting Policies	18		
Notes forming part of the financial statements	19		
The Schedules referred to above form an integral part of the Profit and Loss Account.			

For and on behalf of the Board of Directors

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Amitabh Chaturvedi
Managing Director & CEO

Shailesh V. Haribhakti
Director

Bipin Kabra
Chief Financial Officer

Mini Nair
Senior Vice President
(Finance & Accounts)

Ravindran K. Warrier
Company Secretary

As per our Report of even date

For Walker, Chandiok & Co.
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: April 23, 2011

For Sharp and Tannan
Chartered Accountants

Edwin P. Augstine
Partner

Date: April 23, 2011

Cash Flow Statement

For the year ended March 31, 2011

(₹ in '000)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Cash flow from operating activities		
Net profit before income tax	396,811	276,993
Adjustments for :		
Depreciation on fixed assets	155,934	103,045
Loss on Revaluation of Investments	64,330	6,731
Amortisation of premia on investments	62,833	43,717
Loan Loss provisions	44,110	22,200
Provision against standard assets	146,100	74,200
Provision for wealth tax	418	423
Provision for non-performing investments	-	(5,800)
Provision for restructured assets	3,400	4,115
Profit on sale of fixed assets	(5,228)	(7,120)
Operating Proft before working capital changes	**868,708**	**518,504**
Adjustments for :		
Increase in Investments	(16,246,004)	(4,648,952)
Increase in Advances	(40,633,041)	(18,124,222)
Increase in Borrowings	3,010,521	1,205,534
Increase in Deposits	54,311,477	21,296,727
Increase in Other assets	(2,672,828)	(677,531)
Increase in Other liabilities and provisions	245,254	553,681
Cash (used in)/from operating activities	**(1,115,913)**	**123,741**
Direct taxes paid (net of refunds)	(171,000)	(125,500)
Net cash used in operating activities	**(1,286,913)**	**(1,759)**

(₹ in '000)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Cash flows from investing activities		
Purchase of fixed assets	(718,938)	(543,877)
Proceeds from sale of fixed assets	17,152	113,275
Net cash used in investing activities	**(701,786)**	**(430,602)**
Cash flows from financing activities		
Proceeds from issue of equity shares	210,201	-
Proceeds from issue of Upper and Lower Tier II capital instruments, net of repayment	75,000	1,150,000
Proceeds from Share Premium (net of share issue expenses)	3,589,329	-
Dividend provided last year paid during the year including dividend tax	(37,509)	(75,012)
Net cash generated from financing activities	**3,837,021**	**1,074,988**
Net increase in cash and cash equivalents	**1,848,322**	**642,627**
Cash and cash equivalents as at the beginning of the year	7,503,283	6,860,656
Cash and cash equivalents as at the end of the year	**9,351,605**	**7,503,283**

For and on behalf of the Board of Directors

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Amitabh Chaturvedi
Managing Director & CEO

Shailesh V. Haribhakti
Director

Bipin Kabra
Chief Financial Officer

Mini Nair
Senior Vice President
(Finance & Accounts)

Ravindran K. Warrier
Company Secretary

As per our Report of even date
For Walker, Chandiok & Co.
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: April 23, 2011

For Sharp and Tannan
Chartered Accountants

Edwin P. Augstine
Partner

Date: April 23, 2011

Schedules to the Financial Statements

As at March 31, 2011

(₹ in `000)

		As at March 31, 2011	As at March 31, 2010
SCHEDULE 1 - CAPITAL			
Authorised Capital			
	10,00,00,000 (31 March, 2010 : 10,00,00,000) Equity Shares of ₹ 10 each	1,000,000	1,000,000
Subscribed, Called up and Paid up Capital			
	8,51,35,749 (31 March, 2010 : 6,41,15,600) Equity Shares of ₹ 10 each	851,357	641,156
	Total	**851,357**	**641,156**
SCHEDULE 2 - RESERVES AND SURPLUS			
I.	**Statutory reserves**		
	Opening Balance	694,427	624,516
	Additions : Transfer from Profit and Loss Account	78,187	69,911
	Total	**772,614**	**694,427**
II.	**Revenue and other reserves**		
	Opening Balance	677,264	669,921
	Additions : Transfer from Profit and Loss Account	149,227	7,343
	Adjustments during the year	(296)	-
	Total	**826,195**	**677,264**
III.	**Balance in Profit and Loss Account**	**100**	**100**
IV.	**Share Premium**		
	Opening Balance	2,050,268	2,050,268
	Additions during the year (net of share issue expenses)	3,589,329	-
	Total	**5,639,597**	**2,050,268**
V.	**Capital Reserves**		
	Opening Balance	296,280	233,389
	Additions : Transfer from Profit and Loss Account	2,328	64,927
	Deductions due to Depreciation of Revalued Premises	(1,928)	(2,036)
	Total	**296,680**	**296,280**
VI.	**Special reserve U/s. 36(1)(viii) Of Income Tax Act**		
	Opening Balance	41,276	25,432
	Additions: Transfer from Profit and Loss account	18,581	15,844
	Total	**59,857**	**41,276**
	Total (I, II, III, IV, V & VI)	**7,595,043**	**3,759,615**

(₹ in '000)

				As at March 31, 2011	As at March 31, 2010
SCHEDULE 3 - DEPOSITS					
I.	**I.**	**Demand Deposits**			
		(i)	From banks	1,137	151
		(ii)	From others	15,310,755	5,634,525
	Total			**15,311,892**	**5,634,676**
	II.	**Savings Bank Deposits**		**13,380,210**	**9,880,748**
	III.	**Term Deposits**			
		(i)	From banks	9,602,733	1,155,000
		(ii)	From others	87,001,482	54,314,416
	Total			**96,604,215**	**55,469,416**
	Total (I, II & III)			**125,296,317**	**70,984,840**
II.	**I.**	**Deposits of Branches in India**		125,296,317	70,984,840
	II.	**Deposits of Branches outside India**		-	-
	Total			**125,296,317**	**70,984,840**
SCHEDULE 4 - BORROWINGS					
I.	**Borrowings in India**				
	(i)	Reserve Bank of India		3,790,000	20,000
	(ii)	Other banks		-	-
	(iii)	Other institutions and agencies		2,471,056	3,155,534
				6,261,056	**3,175,534**
II.	**Borrowings Outside India**			-	-
	Total (I & II)			**6,261,056**	**3,175,534**
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS					
I.	Bills payable			562,701	690,254
II.	Interest accrued			1,478,103	901,629
III.	Others (including provisions)			636,923	715,882
	Total			**2,677,727**	**2,307,765**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA					
I.	Cash in Hand (including foreign currency notes)			1,486,831	1,181,108
II.	Balances with Reserve Bank of India				
	(i)	In current accounts		6,541,216	4,947,878
	(ii)	In other accounts		-	-
	Total (I & II)			**8,028,047**	**6,128,986**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE					
I.	**In India**				
	(i)	Balances with banks			
		(a)	In current accounts	307,823	486,717
		(b)	In other deposit accounts	822,485	768,485
	Total			**1,130,308**	**1,255,202**

(₹ in `000)

				As at March 31, 2011	As at March 31, 2010
	(ii)	Money at call and short notice			
		(i)	with banks	-	-
		(ii)	with other institutions	-	
	Total (i & ii)			**1,130,308**	**1,255,202**
II.	**Outside India**				
		(i)	In current accounts	193,251	119,095
		(ii)	In other deposit accounts	-	-
	Total			**193,251**	**119,095**
	Total (I & II)			**1,323,559**	**1,374,297**
SCHEDULE 8 - INVESTMENTS					
I.	**Investments in India in**				
	(i)	Government securities		33,081,070	16,794,051
	(ii)	Other approved securities		1,213	1,749,894
	(iii)	Shares		19,633	6,200
	(iv)	Debentures and bonds		608,668	330,000
	(v)	Subsidiaries/joint ventures		-	-
	(vi)	Others		2,686,184	1,397,782
	Total			**36,396,768**	**20,277,927**
II.	**Investments outside India**			-	-
	Total (I & II)			**36,396,768**	**20,277,927**
	(i)	Gross Value of Investments			
		(a)	In India	36,489,068	20,359,117
		(b)	Outside India	-	-
	Total			**36,489,068**	**20,359,117**
	(ii)	Provision for Depreciation			
		(a)	In India	92,300	81,190
		(b)	Outside India	-	-
	Total			**92,300**	**81,190**
	(iii)	Net Value of Investments			
		(a)	In India	36,396,768	20,277,927
		(b)	Outside India	-	-
	Total			**36,396,768**	**20,277,927**
SCHEDULE 9 - ADVANCES					
I.	(i)	Bills purchased and discounted		11,526,797	1,097,056
	(ii)	Cash credits, overdrafts and loans repayable on demand		11,203,737	17,770,979
	(iii)	Term loans		67,920,983	31,194,551
	Total			**90,651,517**	**50,062,586**
II.	(i)	Secured by tangible assets		79,519,059	38,580,562
	(ii)	Covered by bank/Government Guarantee		365,627	97,291
	(iii)	Unsecured		10,766,831	11,384,733
	Total			**90,651,517**	**50,062,586**

(₹ in `000)

				As at March 31, 2011	As at March 31, 2010
III.	**I.**	**Advances in India**			
		(i)	Priority sectors	25,652,365	12,553,586
		(ii)	Public sector	2,108,742	3,107,579
		(iii)	Banks	-	4,148
		(iv)	Others	62,890,410	34,397,273
	Total			**90,651,517**	**50,062,586**
	II.	**Advances outside India**		-	-
	Total (I & II)			**90,651,517**	**50,062,586**

		As at March 31, 2011	As at March 31, 2010
SCHEDULE 10 - FIXED ASSETS			
I.	**Premises**		
	At cost as per last Balance sheet	349,214	342,798
	Additions/adjustments during the year	3,575	6,416
	Deductions during the year	(378)	-
	Depreciation to date	(86,550)	(78,058)
	Net Block	**265,861**	**271,156**
II.	**Other Fixed Assets (includes Furniture and Fixture and Computers)**		
	At cost as per last Balance sheet	999,525	756,469
	Additions/adjustments during the year	810,056	349,212
	Deductions during the year	(69,667)	(106,157)
	Depreciation to date	(755,773)	(664,228)
	Net Block	**984,141**	**335,296**
III.	**Capital Work-in-progress**	**93,556**	**188,249**
	Total (I, II & III)	**1,343,558**	**794,701**

			As at March 31, 2011	As at March 31, 2010
SCHEDULE 11 - OTHER ASSETS				
	I.	Interest accrued	945,595	664,884
	II.	Inter office adjustments (Net)	101,603	337,272
	III.	Tax paid in advance and tax deducted at source (net of provisions)	477,719	427,820
	IV.	Deferred tax asset	143,251	48,670
	V.	Stationery and stamps	1,182	648
	VI.	Non banking assets acquired in satisfaction of claims	548	1,682
	VII.	Others	3,268,153	749,437
	Total		**4,938,051**	**2,230,413**

			As at March 31, 2011	As at March 31, 2010
SCHEDULE 12 - CONTINGENT LIABILITIES				
	I.	Claims against the bank not acknowledged as debts	24,643	26,770
	II.	Liabilities on account of outstanding forward exchange contracts	27,832,756	3,150,964
	III.	Guarantees given on behalf of constituents in India	3,356,928	1,282,637
	IV.	Acceptance endorsements and other obligations	585,866	382,101
	V.	Other items for which Bank is contingently liable #	708,346	732,799
	# (Disputed Income Tax Liability)			
	Total		**32,508,539**	**5,575,271**

Schedules to the Financial Statements

For the year ended March 31, 2011

(₹ in `000)

		Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 13 - INTEREST EARNED			
I.	Interest/discount on advances/bills	6,990,975	4,193,945
II.	Income on investments	2,017,335	1,078,520
III.	Interest on balance with Reserve Bank of India and other inter-bank funds	55,868	53,131
IV.	Others	-	20,110
	Total	**9,064,178**	**5,345,706**
SCHEDULE 14 - OTHER INCOME			
I.	Commission, exchange and brokerage	87,174	70,315
II.	Profit/(Loss) on sale of investments (Net)	96,773	177,943
III.	Profit/(Loss) on sale of land, building and other assets (Net)	5,228	7,120
IV.	Profit/(Loss) on exchange transactions (Net)	56,565	23,299
V.	Income from insurance	66,150	56,998
VI.	Miscellaneous income	1,155,806	574,201
	Total	**1,467,696**	**909,876**
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on deposits	5,842,374	3,702,272
II.	Interest on Reserve Bank of India and Inter bank borrowings	327,385	108,178
III.	Others	243,101	129,757
	Total	**6,412,860**	**3,940,207**

(₹ in '000)

		Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provisions for employees	2,014,649	1,090,805
II.	Rent, taxes and lighting	459,225	216,027
III.	Printing and stationery	51,382	30,700
IV.	Advertisement and publicity	60,606	5,875
V.	Depreciation to bank's property	155,934	103,045
VI.	Directors' Fee, allowance and expense	2,881	3,097
VII.	Auditors' fee and expense (including Branch Auditors)	5,823	5,897
VIII.	Law charges	2,984	1,484
IX.	Postage, telegram, telephone etc.	122,252	50,675
X.	Repairs and maintenance	20,850	20,028
XI.	Insurance	79,117	51,830
XII.	Other expenditure	468,979	349,119
	Total	**3,444,682**	**1,928,582**

SCHEDULE 17 - PROVISIONS AND CONTINGENCIES			
I.	Provision for NPA (Advances)	44,110	22,200
II.	Provision for standard assets	146,100	74,200
III.	Provision for restructured advances	3,400	4,115
IV.	Bad debts written off	19,163	7,930
V.	Provision for Depreciation on Investments (Net)	64,330	6,731
VI.	Provision for NPA (Investments)	-	(5,800)
VII.	Provision for Income Tax/Wealth Tax	166,200	51,167
VIII.	Deferred tax credit	(29,593)	(6,787)
	Total	**413,710**	**153,756**

SCHEDULE 18 - PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2011

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 in 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 issued by the Institute of Chartered Accountants of India 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 periods.

PRINCIPAL ACCOUNTING POLICIES

1. **Revenue recognition**

   - Items of income and expenditure are accounted for on accrual basis, except as stated hereunder :
     - o Interest on loans and advances 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. Discount on bills is recognized upfront except where the tenure exceeds one year.
   - Loan processing fee is accounted for upfront when it becomes 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 determined.
   - 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-recognised 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 would be utilized to meet the shortfall/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 actual 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.

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 Held to Maturity 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.
- 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 weighted average cost method

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 at the break-up value, if the latest balance sheet is available, or at ₹ 1, as per RBI guidelines. 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 are 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	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.

f) 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 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 under 'Other assets' which will be amortised during the life of such loans. Other assets 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 under the Reducing Balance Method except on computer hardware, computer software and system development expenditure. 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 under 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 its estimated useful life, which is generally five years

For assets purchased and sold during the year, depreciation is provided on a 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 Foreign Exchange Dealers' Association of India (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. The resulting profit or loss is included in the Profit and Loss Account.

- 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

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. 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 Provident Fund Trust of the bank and 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.

- **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.

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 Accounting Standard – 19, Leases, issued by the Institute of Chartered Accountants of India.

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 Accounting Standard - 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 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 and projected for new entities) is less than ₹ 50 crores.

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

Secondary Segments: Geographical segments

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

SCHEDULE 19 - NOTES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011

1. Capital commitments ₹ 249 Lakhs (Previous Year – ₹ 774 Lakhs).

2. **(a) Provisions and contingencies**

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
Provision for depreciation on Investments	643	67
Provision towards Standard Assets	1,461	742
Provision towards NPA (including write off)	633	301
Provision towards Non-Performing Investments	-	(58)
Provision towards Security Receipts	-	-
Provision towards Income Tax, Wealth Tax etc.	1,662	512
Deferred Tax Asset	(296)	(68)
Provision for diminution in value of Restructured Accounts	34	42
Total	**4,137**	**1,538**

(b) Floating provisions

₹ in Lakhs

		March 31, 2011	March 31, 2010
(a)	Opening balance in the floating provisions account	200	200
(b)	The quantum of floating provisions made during the accounting year	-	-
(c)	Amount of draw down made during the accounting year	-	-
(d)	Closing balance in the floating provisions account	200	200

3. **Capital adequacy**

₹ in Lakhs

Sr. No.	Items	March 31, 2011		March 31, 2010	
		Basel I	Basel II	Basel I	Basel II
(i)	Capital and Risk Assets Ratio (%)	10.81	11.80	12.47	12.99
(ii)	CRAR-Tier I Capital (%)	8.62	9.41	8.45	8.80
(iii)	CRAR-Tier II Capital (%)	2.19	2.39	4.02	4.19
(iv)	Amount of Subordinated debt raised as Tier-II capital	2,750	2,750	19,700	19,700

4. **Investments**

₹ in Lakhs

ITEMS	March 31, 2011	March 31, 2010
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	364,891	203,591
(b) Outside India,	-	-
(ii) Provisions for Depreciation on investment		
(a) In India	(923)	(811)
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	363,968	202,780
(b) Outside India,	-	-
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	811	803
(ii) Add: Provisions made during the year	112	67
(iii) Less: (Write-off/write-back of excess provisions during the year)	-	59
(iv) Closing Balance	923	811

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, 2011	As on March 31, 2010
	2011	2010	2011	2010	2011	2010		
Securities sold under repos	1,500	2,625	71,500	2,625	30,800	4,875	37,500	2,625
Securities purchased under reverse repos	-	2,625	-	10,500	-	2,500	-	-

6. **Non-SLR investment portfolio**

a) Issuer wise composition of Non-SLR investments as on March 31, 2011

₹ 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	15,055	15,055	2	-	-
(iv)	Private Corporate	5,714	5,385	1,359	1,359	131
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	**21,683**	**21,354**	**1,361**	**1,359**	**131**

b) Non-Performing Non-SLR Investments

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
Opening balance	744	803
Additions during the year	-	-
Reductions during the year	-	59
Closing balance	744	744
Total provisions held	**744**	**744**

7. **Derivatives**

The bank uses forward exchange contract to hedge against its foreign currency exposures relating to the underlying transaction and firm commitments. The bank has not entered into any derivative instruments for trading/speculative purposes either in foreign exchange or domestic treasury operations.

8. **Asset quality**

i) In terms of Agricultural Debt Waiver and Debt Relief Scheme 2008, framed by the Government of India, the bank had received ₹ 313 Lakhs from RBI on account of loans to small and marginal farmers out of the amount eligible for debt waiver of ₹ 435 Lakhs during FY 2010. The balance amount of ₹ 122 Lakhs had been shown as receivables and clubbed under the head "Advances" as on March 31, 2010. The amount of ₹ 122 Lakhs was also received from RBI during 2010-11 and hence receivable from RBI in this regard as at March 31, 2011 is ₹ Nil.

The position with reference to Agricultural Debt Relief Scheme is as under :

Claim pertaining to Debt Relief Scheme arising till December 31, 2009 of ₹ 16 Lakhs, which was pending receipt from Government of India, was subsequently received from Reserve Bank of India during 2010-11.

Additional claim amount of ₹ 2.20 Lakhs pertaining to the extended period of the Debt Relief Scheme from January 1, 2010 to June 30, 2010 is due from Government of India under Agricultural Debt Relief Scheme 2008 (clubbed under head advances)

ii) Non-performing asset

₹ in Lakhs

Items			March 31, 2011	March 31, 2010
(i)	Net NPAs to Net Advances (%)		0.30	0.84
(ii)	Movement of NPAs (Gross)			
	(a)	Opening balance	7,750	6,443
	(b)	Additions during the year	4,113	5,216
	(c)	Reductions during the year	(5,154)	(3,909)
	(d)	Closing balance	6,709	7,750
(iii)	Movement of Net NPAs			
	(a)	Opening balance	4,194	2,824
	(b)	Additions during the year	3,708	4,606
	(c)	Reductions during the year	(5,190)	(3,213)
	(d)	ECGC Collection	35	(23)
	(e)	Floating Provision	-	-
	(f)	Closing balance	2,747	4,194
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	(a)	Opening balance	3,469	3,555
	(b)	Provisions made during the year	1,591	1,285
	(c)	Write-off/write-back of excess provisions	(1,150)	(1,371)
	(d)	Closing balance	3,910	3,469

iii) Details of loan assets subjected to restructuring as on March 31, 2011

₹ in Lakhs

Particulars		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	1	-	1
	Amount outstanding	486.00		11.19
	Sacrifice (Diminution in the fair value)	34.00		0.56
Sub standard advances restructured	No. of Borrowers	-	-	-
	Amount outstanding			
	Sacrifice (Diminution in the fair value)			
Doubtful advances restructured	No. of Borrowers	-	-	-
	Amount outstanding	-	-	
	Sacrifice (Diminution in the fair value)	-	-	
Total	No. of Borrowers	1	-	1
	Amount outstanding	486.00		11.19
	Sacrifice (Diminution in the fair value)	34.00		0.56

Sacrifice for April 1, 2010 to March 31, 2011 to be provided : ₹ 34.56 Lakhs

iv) **Provisions on standard assets**

₹ in Lakhs

Item	March 31, 2011	March 31, 2010
Provisions towards Standard Assets	3,373	1,912

9. **Business ratio**

Sr. No.	Items		March 31, 2011	March 31, 2010
(i)	Interest Income as a percentage to Working Funds	(%)	8.09	7.97
(ii)	Non-interest income as a percentage to Working Funds	(%)	1.31	1.36
(iii)	Operating Profit as a percentage to Working Funds	(%)	0.60	0.58
(iv)	Return on Assets	(%)	0.23	0.35
(v)	Business (Deposits plus advances) per employee – ₹ in Lakhs		589.22	369.61
(vi)	Profit per employee - ₹ in Lakhs		0.71	0.71

10. **Asset liability management**

Maturity Pattern of certain items of assets and liabilities as at March 31, 2011 are as follow :

₹ in Lakhs

Due within	Advances	Invest-ments	Foreign currency Assets	Foreign currency Liabilities	Deposits	Borrowings
Day 1	7,710	-	6,423	9,707	4,346	-
2 to 7 Days	10,314	-	4,706	144	44,119	37,500
8 to 14 days	11,796	-	270	156	37,793	-
15 to 28 days	20,366	23,226	1,310	828	80,944	-
29 days upto 3 months	74,108	19,631	30,021	27,976	277,856	290
Over 3 months and upto 6 months	85,509	25,153	26,765	27,501	144,370	800
Over 6 months and upto 1 year	190,132	11,762	73,003	74,358	238,805	910
Over 1 year and upto 3 years	270,814	7,865	-	1,103	409,655	4,830
Over 3 years and upto 5 years	139,364	19,404	-	586	12,601	15,531
Over 5 years	96,402	257,850	-	97	2,474	2,750
Total	**906,515**	**364,891**	**142,498**	**142,456**	**1,252,963**	**62,611**

11. **Lending to sensitive sector**

i) **Exposure to real estate sector**

₹ in Lakhs

Category	March 31, 2011	March 31, 2010
a) Direct exposure		
(i) Residential mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	51,617	16,668
(of which individual housing loans up to ₹ 15 Lakhs)	11,537	15,882
(ii) Commercial real estate –		
Lending secured by mortgages on commercial real estate's (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;	39,674	11,014
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a) Residential,	-	-
b) Commercial Real Estate.	-	-
b) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	17,299	18,403

ii) Exposure to capital market

₹ In Lakhs

Particulars		March 31, 2011	March 31, 2010
(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;	1,420	330
(ii)	advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including Initial Public Offers/Employee Stock Options), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	92	37
(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;	5,150	60
(vi)	loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii)	bridge loans to companies against expected equity flows/ issues;	-	-
(viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix)	financing to stockbrokers for margin trading;	-	-
(x)	all exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	-	-
Total Exposure to Capital Market		**6,662**	**427**

12. Risk category wise country exposure

₹ in Lakhs

Risk Category	Exposure (net) as at March 31, 2011	Provision held as at March 31, 2011	Exposure (net) as at March 31, 2010	Provision held as at March 31, 2010
Insignificant	3,758	-	1,912	-
Low	13	-	-	-
Moderate	-	-	-	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	**3,771**	**-**	**1,912**	**-**

13. Details of single borrower limit, group borrower limit exceeded by the bank

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

14. Provision

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
Income Tax	1,658	508
Wealth Tax	4	4
Deferred Tax Credit	(296)	(68)

15. No penalty has been imposed during the year 2010-11 by RBI.

16. Disclosure for customer complaints/unimplemented awards of banking ombudsman

Customer complaints

Particulars	March 31, 2011
(a) No. of complaints pending at the beginning of the year	12
(b) No. of complaints received during the year	286
(c) No. of complaints redressed during the year	277
(d) No. of complaints pending at the end of the year	21

Unimplemented awards of Banking Ombudsmen

Particulars	March 31, 2011
(a) No. of unimplemented awards at the beginning of the year	-
(b) No. of Awards passed by the Banking Ombudsmen during the year	-
(c) No. of Awards implemented during the year	-
(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 ended March 31, 2011.

18. (i) Concentration of deposits, advances and npas

a) Concentration of Deposits

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
Total Deposits of twenty largest depositors	241,852	202,900
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	19.30%	28.57%

b) Concentration of Advances

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
Total Advances to twenty largest borrowers	139,426	146,356
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	15.29%	28.93%

c) Concentration of Exposures

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
Total Exposure to twenty largest borrowers/customers	167,700	155,329
Percentage of Exposures to twenty largest Borrowers/ customers to Total Exposure of the bank on borrowers/ customers	13.25%	30.72%

d) Concentration of NPAs

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
Total Exposure to top four NPA accounts	1,150	1,139

(ii) Sector-wise NPAs

Sector	Percentage of NPAs to total Advances in that Sector as on March 31, 2011	Percentage of NPAs to total Advances in that Sector as on March 31, 2010
Agriculture and allied activities	0.98%	0.56%
Industry (Micro and small, Medium and Large)	0.76%	0.85%
Services	0.59%	15.52%
Personal Loans	2.23%	14.95%

(iii) Movement of NPAs

₹ in Lakhs

Particulars	Amount as on March 31, 2011	Amount as on March 31, 2010
Opening balance	7,750	6,443
Additions (Fresh NPAs) during the year	4,113	5,216
Sub-total (A)	**11,863**	**11,659**
Less :-		
(i) Up gradations	1,543	772
(ii) Recoveries (excluding recoveries made from upgraded accounts)	3,420	2,749
(iii) Write-off	191	388
Sub-total (B)	**5,154**	**3,909**
Closing balance as on March 31, 2011(A-B)	6,709	7,750

(iv) Overseas assets, npa and revenue

₹ in Lakhs

Particulars	March 31, 2011	March 31, 2010
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. Employee stock option plan

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 August 6, 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 current year. Options granted to the employees under the first plan (`Existing Employees' – "ESOP") 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' – "JESOP") 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 Employee Stock Option Plan - 2009 as at March 31, 2011 are as under :

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	3,342,492
7.	Exercised	20,149
8.	Lapsed options	10,700
9.	Vested and unexercised	3,311,643
10.	Total number of options in force	3,311,643
11.	Money realized	₹ 2,384,634

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.					

Notes :

a) The Compensation Committee has granted a total of 3,999,225 options convertible into 3,999,225 Equity Shares which represents 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.

b) The Bank accounts for 'Employee Share Based Payments' using the fair value method.

The movement of stock options during the year ended March 31, 2011 is summarized below :

Particulars	Number of options
Outstanding at the beginning of the year	3,979,225
Granted during the year	20,000
Forfeited during the year	(10,700)
Exercised during the year	(20,149)
Expired during the year	-
Outstanding at the end of the year	3,968,376
Exercisable at the end of the year	3,311,643

20. Employee benefits (Accounting Standard -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	470	219	122
Interest cost on benefit obligation	360	242	147
Expected return on plan assets	(470)	(193)	-
Net actuarial (gain)/loss recognized in the year	1,009	(78)	3
Past Service Cost - amortization	316	195	-
Expenses recognized in the Profit and Loss account	1,684	385	272

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)	9,677	3,056	1,665
Fair value of plan assets at the end of the year (ii)	8,047	2,200	-
Difference (ii)-(i)	(1,630)	(855)	(1,665)
Unrecognized past service liability	1,262	781	-
Net liability recognized in the Balance Sheet	(368)	(75)	(1,665)

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	5,347	2,025	1,679
Interest cost	360	242	147
Current Service Cost	470	219	122
Benefits paid	(511)	(320)	(286)
Net actuarial (gain)/loss on obligation	656	(86)	3
Past service cost	3,532	976	-
Settlements	(177)	-	-
Present value of the defined benefit obligation at the end of the year	9,677	3,056	1,665

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	5,145	2,335	-
Expected return on plan assets	470	193	-
Contributions by employer	1,165	-	286
Benefit paid	(511)	(320)	(286)
Settlements	177	-	
Actuarial loss	(352)	(7)	-
Transfer to provident fund	1,954		
Fair value of plan assets at the end of the year	8,047	2,200	
Total Actuarial Gain/(Loss) to be recognized immediately	(1,008)		(3)

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	2,357	472	-
State Government securities	1,348	842	-
Investment in Public Sector Undertakings	1,914	472	-
Investment in Private Sector Undertakings	1,225	250	-
Others	962	76	-
Total	**7,806**	**2,112**	**-**

F. Actuarial assumptions

Principal assumptions used for actuarial valuation are :

Method used	PENSION Project Unit Credit Method	GRATUITY Project Unit Credit Method	LEAVE Project Unit Credit Method
Discount rate	8.50%	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 amortization of the additional expenses over a period of five years beginning with the financial year ending March 31, 2011 subject to a minimum of 1/5th of the total amount involved every year. Out of the total liability of 25.54 crores arising on account of above mentioned amendments, ₹ 5.11 crores has been charged to the Profit and Loss account in the current year and the balance unrecognized portion shall be amortized with in next four 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.

a) Treasury Operations

b) Corporate/Wholesale Banking

c) Retail banking

d) Other banking business operations

II. Secondary Segments : Geographical segments.

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

Segment results – March 31, 2011

₹ in Lakhs

	Treasury		Retail Banking		Corporate / Wholesale Banking		Other Banking Operations		Unallocated		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Revenue	22,265	13,481	44,301	14,066	38,700	34,737	-	-	53	272	105,319	62,556
Results	1,534	1,682	3,573	1,625	2,582	2,714		-			7,689	6,021
Unallocated Expenses	-	-	-	-	-	-	-	-	-	-	946	2,154
Operating Profit	-	-	-	-	-	-	-	-	-	-	6,743	3,867
Total provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,771**	**1,094**
Tax Expenses	-	-	-	-	-	-	-	-	-	-	1,366	444
Extra ordinary items	-	-	-	-	-	-	-	-	-	-	0	0
Profit After Tax	-	-	-	-	-	-	-	-	-	-	2,606	2,330
Other Information												
Segment Assets	437,755	226,086	520,908	160,914	461,938	414,190	-	-	-	-	1,420,601	801,189
Unallocated Assets											6,214	7,500
Total Assets											**1,426,815**	**808,689**
Segment Liabilities	414,811	211,668	491,596	154,733	435,944	398,280	-	-	-	-	1,342,351	764,681
Unallocated Liabilities											84,464	44,007
Total Liabilities											**1,426,815**	**808,689**

22. Particulars of related party transactions (AS-18)

Particulars	March 31, 2011	March 31, 2010
a) Key Management personnel b) Nature of transaction: Remuneration (including perquisites)	Mr. Amitabh Chaturvedi, Managing Director and Chief Executive Officer ₹ 5,371,000	Mr. Amitabh Chaturvedi, Managing Director and Chief Executive Officer ₹ 3,600,000

23. Lease accounting (AS -19)

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

₹ in Lakhs

Period	March 31, 2011	March 31, 2010
Not later than one year		
• Rented Premises	3,000	1,784
• Information Technology (IT) equipments	409	407
Later than one year and not later than five years		
• Rented Premises	12,960	5,342
• IT equipments	409	814
Later than five years		
• Rented Premises	5,000	5,296
• IT equipments		-
Total	**21,778**	**13,657**
Total minimum lease payments recognized in the Profit and Loss Account for the year		
• Rented Premises	3,397	14,30
• IT equipments	409	-

24. Earnings per share (AS- 20)

Particulars	March 31, 2011	March 31, 2010
Net Profit after tax available for equity share holders (₹ in crores)	26.06	23.31
Weight average No. of equity shares for Basic EPS	78,737,719	64,115,600
Weight average No. of equity shares for Diluted EPS	79,222,004	64,279,373
Earnings per share (Basic)	₹ 3.31	₹ 3.64
Earnings per share (Diluted)	₹ 3.29	₹ 3.64

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

The major components of Deferred Tax are as follows :

₹ in Lakhs

Particulars	Deferred tax asset		Deferred tax liability	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Depreciation on Assets	-	-	279.98	11.13
Leave Encashment	566.00	497.83	-	-
Standard Assets Provision	1,146.49		-	-
Total	**1,712.49**	**497.83**	**279.98**	**11.13**
Net balance	**1,432.51**	**486.70**	**-**	**-**

26. Bancassurance business

₹ in Lakhs

Sr. No.	Nature of Income	March 31, 2011
1	For selling life insurance policies	584.98
2	For selling non life insurance policies	76.52
3	For selling mutual fund products	181.00
4	Others	-
	Total	**842.50**

27. Miscellaneous income under schedule 14 includes ₹ 3,000 Lakhs being Commitment Fee received from M/s. Bajaj Allianz Life Insurance Company with whom the Bank has entered into agency agreement for life and general insurance. (Previous Year ₹ 2,700 Lakhs)

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

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

Signatories to Schedule 1 to 18

For and on behalf of the Board of Directors

Ghyanendra Nath Bajpai
Chairman

S. Santhanakrishnan
Director

Amitabh Chaturvedi
Managing Director & CEO

Shailesh V. Haribhakti
Director

Bipin Kabra
Chief Financial Officer

Mini Nair
Senior Vice President
(Finance & Accounts)

Ravindran K. Warrier
Company Secretary

As per our Report of even date
For Walker, Chandiok & Co.
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: April 23, 2011

For Sharp and Tannan
Chartered Accountants

Edwin P. Augstine
Partner

Date: April 23, 2011

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 and Surpluses comprising of
  - Statutory Reserves;
  - Capital Reserves;
  - Share Premium and
  - Balance in Profit and Loss Account

Tier II Capital includes

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

During the year, the Bank has issued 2,10,00,000 Equity Shares of ₹ 10 each, allotted to applicants at the Issue Price of ₹ 181.30 per Equity Share (including ₹ 171.30 towards share premium) aggregating to ₹ 380.73 crores. Further the Bank had issued Upper Tier II bonds amounting to ₹ 27.50 crores.

Quantitative disclosures :

₹ in Lakhs

Items		March 31, 2011	March 31, 2010
(a)	The amount of Tier I capital, with separate disclosure of :		
	Paid-up share capital	8,514	6,412
	Reserves	73,679	35,491
	Innovative Instruments	-	-
	Other capital instruments	-	-
	Sub-total	82,193	41,903
	Less amounts deducted from Tier I capital, including goodwill and investments.	1,433	487
	Total Tier I capital	**80,760**	**41,416**
(b)	The total amount of Tier 2 capital (net of deductions from Tier 2 capital)	20,554	19,706
(c)	Debt capital instruments eligible for inclusion in Upper Tier 2 capital		
	• Total amount outstanding	2,750	-

Items		March 31, 2011	March 31, 2010
	• Of which amount raised during the current year	2,750	-
	• Amount eligible to be reckoned as capital funds	2,750	-
(d)	Subordinated debt eligible for inclusion in Lower Tier 2 capital		
	Total amount outstanding	17,700	19,700
	Of which amount raised during the current year.	-	15,000
	Amount eligible to be reckoned as capital funds.	13,080	16,620
(e)	Other deductions from capital, if any		
(f)	Total eligible capital- Tier I + Tier 2 (a+b-e)	101,314	61,122

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 maximization. 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 Capital Risk Weighted Assets Ratio (CRAR) based on both Basel I and Basel II guidelines. The Bank maintains 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		March 31, 2011	March 31, 2010
(a)	Capital requirements for credit risk		
	• Portfolios subject to standardized approach	72,099	39,439
	• Securitization exposures		--
(b)	Capital requirements for market risk Standardized duration approach		
	• Interest rate risk	2,275	506
	• Foreign exchange risk (including gold)	68	68
	• Equity position risk	16	11
(c)	Capital requirements for operational risk		
	• Basic Indicator Approach	2,816	2,322
(d)	Total and Tier I CRAR for the Bank		
	• Total CRAR (%)	11.80	12.99
	• Tier I CRAR(%)	9.41	8.80
(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;

a) interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,

b) the account remains `out of order' as indicated at paragraph 2 below, in respect of an Overdraft/ Cash Credit (OD/CC),

c) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

d) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,

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

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

2. 'Out of Order' status

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

3. 'Overdue'

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

Strategies and processes for Credit Risk Management

Credit Risk Management Committee (CRMC) headed by MD and 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, Trade and Advances Group and Corporate;

c) Industry wise segment 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 director of the Bank.

i) Credit Risk Management Cell is validating the rating assigned to all individual credit exposures of ₹ 25 Lakhs 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 Management Information System, is in place.

l) The Bank has a Credit Mid Office Group which takes care of the security creation and account management

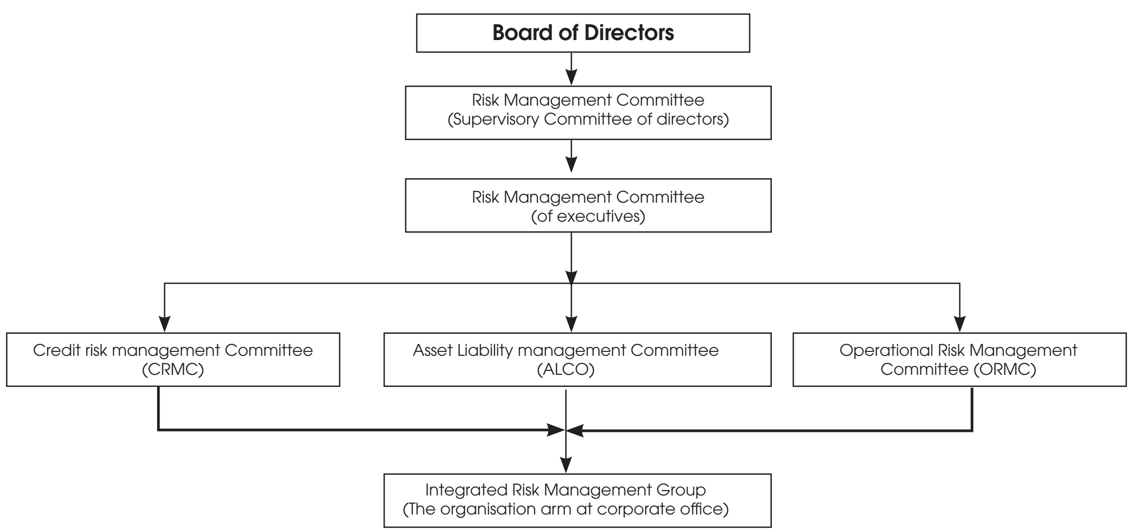
m) Credit Monitoring and Recovery Group takes care of the monitoring of the loan assets.

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 Sanction, Credit Mid-Office Group, Policy and Research, Treasury and the Business groups, i.e., Whole sale Banking Group, Trade and Advances Group and Retail Assets Group. The Committee is headed by the Managing Director and CEO of the Bank and also includes the Executive Director. CRMC monitors credit risk on a bank wide basis and discuss on adherence to prudential limits, policies on rating standards and benchmarks etc.

GOVERNMENT STRUCTURE OF RISK MANAGEMENT IN THE BANK



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. In case of Retail Assets pool/segment, rating methodology is also applied.
- Different rating models are used for different types of exposures, for eg; Traders, Small Medium Entity, Non-Bank Financial Company, Corporate, small loans etc.
- Integrated Risk Management Group 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 portfolio 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 Head (ZCH)
  - Credit Head (CH)
  - 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 fully automated software solution to get system support for calculation of Risk Weighted Assets for CRAR computation and generate various credit related reports for review of exposure and monitoring, and conducting analysis of credit portfolio from various angles.

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

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 and machineries, land and 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. The bank has a separate vertical – Credit Mid Office Group (CMOG) for Credit administration and monitoring. The CMOG was formed to streamline and strengthen the post loan sanction activities in the bank.

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		March 31, 2011	March 31, 2010	TOTAL March 31, 2011	TOTAL March 31, 2010
Fund Based	Loans and advances	915,450	508,384	974,981	535,900
	Others (Fixed Assets and other Assets)	59,531	27,516		
Non-Fund Based	Letter of Credit, Bank Guarantee etc	39,428	16,647	45,991	18,295
	Forward Contracts	5,567	630		
	Others	996	1,018		
Investments (Banking Book only)	-	244,828	170,444	244,828	170,444
Total of Credit Risk exposure	**-**	**-**	**-**	**1,265,800**	**724,639**

(b) Geographic distribution of exposures :

₹ in Lakhs

Exposures	March 31, 2011			March 31, 2010		
	Fund based	Non Fund Based	TOTAL	Fund Based	Non-fund based	TOTAL
Domestic operations	1,219,809	45,991	1,265,800	706,343	18,295	724,638
Overseas operations	Bank has no overseas operations					

(c) Industry type distribution of exposures :

₹ in Lakhs

Sr. No.	Industry	Total Lending Exposures			
		Fund Based Outstanding		NFB Outstanding	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
1	Mining and Quarrying	218	270	-	-
2	Food Processing	1,252	2,659	-	-
3	Sugar	229	216	-	-
4	Edible oils and Vanaspati	307	107	-	-
5	Textiles	17,971	13,876	166	61
6	Paper and paper products	13,802	13,228		
7	Chemicals and chemical products	15,436	13,644	1,249	1,044
7.1	Of which, fertilizer	9,600	4,400		
7.2	Of which, Drugs and Pharmaceuticals	1,397	7,608		
7.3	Others	4,439	1,636		
8	Rubber and rubber products	10,104	5,591	-	-
9	Cement and Cement products	10,227	14,000	-	-
10	Metal and Metal products	2,267	2,500	-	-
11	All Engineering	18,230	16,635	92	77
12	Automobiles	8,631	2,000	-	-
13	Gems and Jewellery	22,445	10,813	1,390	650

Sr. No.	Industry	Total Lending Exposures			
		Fund Based Outstanding		NFB Outstanding	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
14	Construction		2,078	-	-
15	Infrastructure	124,036	113,863	1,527	1,426
15.1	Of which, Power	54,092	36,217	-	-
15.2	Of which, Telecommunications	15,500	15,500	-	-
15.3	Of which, Roads and ports	6,206	7,125	-	-
15.4	Of which, Other infrastructure	48,238	55,021	-	-
16	NBFC	51,867	83,072	-	-
17	Trading	128,089	85,590	-	-
18	Other Industries	24,935	26,531	-	-
	Total	**450,046**	**406,673**	**4,424**	**3,258**
19	Residuary other advances (to balance with Total advances)	462,116	98,976	34,933	13,389
	Grand Total	**912,162**	**505,649**	**39,357**	**16,647**

(d) Residual maturity breakdown of assets :

₹ in Lakhs

Maturity Pattern Assets	Advances March 31, 2011	Advances March 31, 2010	Investments March 31, 2011	Investments March 31 2010	Foreign Currency March 31, 2011	Foreign Currency March 31, 2010
Day 1	7,710	9,537	-	-	6,423	24
2 to 7 Days	10,314	6,057	-	-	4,706	9,909
8 to 14 days	11,796	6,302	-	2,497	270	-
15 to 28 days	20,366	9,538	23,226	7,139	1,310	-
29 days up to 3 months	74,108	35,625	19,631	4,118	30,021	2,202
Over 3 months and up to 6 months	85,509	35,909	25,153	7,329	26,765	467
Over 6 months and up to 1 year	190,132	58,042	11,762	1,820	73,003	120
Over 1 year and up to 3 years	270,814	157,877	7,865	412	-	-
Over 3 years and up to 5 years	139,364	111,816	19,404	21,132	-	-
Over 5 years	96,402	69,924	257,850	159,144	-	-
Total	**906,515**	**500,627**	**364,891**	**203,591**	**142,498**	**12,722**

(e) Non-performing assets :

₹ in Lakhs

No.	Items	Amount	
		March 31, 2011	March 31, 2010
1	**Gross NPAs**	**6,709**	**7,750**
1.1	Substandard	1,878	3,557
1.2	Doubtful 1	1,378	1,014
1.3	Doubtful 2	735	810
1.4	Doubtful 3	1,136	1,033
1.5	Loss	1,582	1,336
2	**Net NPAs**	**2,747**	**4,194**

No.	Items	Amount	
		March 31, 2011	March 31, 2010
3	**NPA Ratios**		
3.1	Gross NPAs to Gross Advances (%)	0.74	1.54
3.2	Net NPA s to Net Advances (%)	0.30	0.84
4	**Movement of NPAs (gross)**		
4.1	Opening balance	7,750	6,443
4.2	Additions	4,113	5,216
4.3	Reductions	5,154	3,909
4.4	Closing balance	6,709	7,750
5	Movement of provisions for NPAs		
5.1	Opening balance	3,469	3,555
5.2	Provisions made during the year	1,591	1,285
5.3	Write-off	0	308
5.4	Write back of excess provisions	1,150	1,063
5.5	Closing balance	3,910	3,469
6	**Amount of non-performing investments**	**744**	**744**
7	**Amount of provisions held for non –performing investments**	744	744
8			
8.1	Opening balance	744	803
8.2	Provisions made during the period	-	-
8.3	Write-off/ Write back of excess provisions	-	59
8.4	Closing balance	744	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, ie, CRISIL, CARE, FITCH, ICRA and international credit rating agencies, i.e, standard and poor, Moody's , FITCH, etc.	
2	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same.	No change	
3	Types of exposure for which each agency is used	All the above identified rating agency rating are used for various types of exposures as follows :	
		(i)	For exposure with a contractual maturity of less than or equal to one year (except cash credit, overdraft and other revolving Credits), **Short-Term Rating** given by External Credit Assessment Institutions will be applicable.
		(ii)	For domestic cash Credit, overdrafts and other revolving credits (irrespective of the period) and/or term loan exposures of over one year, **Long Term Rating** will be applicable.
		(iii)	For overseas exposures, irrespective of the contractual maturity, Long Term Rating given by IRAs will be applicable.
		(iv)	Rating by the agencies is used for both fund based and non-fund based exposures.
		(iv)	Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.

4	Description of the process used to transfer public issue rating on to comparable assets in the banking book.	Long–term issue specific (our own exposures or other issuance of debt by the same borrower-constituent/counter-party) ratings or Issuer (borrower-constituent/counter-party) ratings can be applied to other unrated exposures of the same borrower-constituent/counterparty in the following cases : (i) If the Issue specific rating or issuer rating maps to risk weight equal to or higher than the unrated exposures , any other unrated exposure on the same counter-party will be assigned the same risk weight , if the exposure ranks *pari-passu* or junior to the rated exposure in all aspects (ii) In cases where the borrower-constituent/counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt may be applied to Bank's unrated exposures if the Bank's exposure ranks *pari-passu* or senior to the specific rated debt in all respects and the maturity of unrated Bank's exposure is not later than Maturity of rated debt.

Quantitative disclosures :

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

₹ in Lakhs

Particulars		March 31, 2011			March 31, 2010		
		Fund based	Non-fund based	Total	Fund based	Non-fund based	Total
Below 100% risk weight		671,536	17,408	688,944	407,245	4,089	411,334
100% risk weight		519,220	36,582	555,802	275,937	14,207	290,144
More than 100% risk weight		122,568	3,559	126,127	23,161	-	23,161
Total Exposure		**1,313,324**	**57,549**	**1,370,873**	**706,343**	**18,296**	**724,639**
Deducted (Risk mitigants)	Below 100% Risk Weight	70,737	-	70,737	25,231	-	25,231
	100% Risk Weight	17,973	-	17,973	426	-	426
	More than 100% Risk Weight	80,039	-	80,039	9,325	-	9,325
Net Exposure		**1,144,575**	**57,549**	**1,202,124**	**671,361**	**18,296**	**689,657**

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 counterparty with the Bank
- Gold : value arrived at after notionally converting these to 99.99% purity

- Securities issued by Central and State Governments
- Kisan Vikas Patra and National Savings Certificates
- Life Insurance Policies restricted to their surrender value
- Debt securities rated by an approved Rating Agency
- Unrated debt securities issued by banks, listed in Stock Exchange
- Units of Mutual Funds

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

The main types of guarantor counterparty and their creditworthiness are as follows :

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

Main types of guarantor counterparty as per RBI guidelines are : -

- Sovereigns (Central/State Governments)
- Sovereign entities like Export Credit Guarantee Corporation, Credit Guarantee Fund Trust For Small Industries
- Bank and primary dealers with a lower risk weight than the counterparty
- Other entities rated AA (-) and above. The guarantees have to be issued by entities with a lower risk weight than the counterparty.

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

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (In Lakhs)		Risk Concentration %	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Gold	137,489	52,628	81.48	54.35
Cash & Bank Deposits	30,852	43,762	18.28	45.20
KVP/IVP/NSC	345	378	0.20	0.39
LIC Policy	64	57	0.04	0.06
Total	**168,750**	**96,825**	**100.00**	**100.00**

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

Concentration on account of collateral is also relevant in the case of land and building. However, as land and 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 is covered by :

(i) Eligible Financial Collateral : ₹ 168,750 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 (ALM) policy. The Asset Liability Management Committee (ALCO) 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. Bank has an independent mid-office for market risk management functions like monitoring of adherence to set limits, independent valuation and reporting of activities. mid- office reports to Head of Integrated Risk Management Group.

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, Value at Risk 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 and triggers, risk monitoring and reporting.

Liquidity risk of the Bank is assessed through structural liquidity statement which is prepared on a daily basis. The Bank also reviews various liquidity ratios on a quarterly 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 quarterly 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 Held for Trading and Available for Sale, Gold and foreign exchange 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 foreign exchange open positions.

Quantitative disclosures :

₹ in Lakhs

Particulars	Amount of capital requirement March 31, 2011	Amount of capital requirement March 31, 2010
Interest rate risk	2,275	506
Equity position risk	16	11
Foreign exchange risk	68	68

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 is conducting Risk and Control Self Assessment (RCSA) at Thrust Branches and other core functions to highlight 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 (RBIA) is in place in all the Branches.

The framework for Operational Risk Management is well-defined in the 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 and 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 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 and 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 and Control Self Assessment (RCSA), 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 and 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 RBI. The qualitative and quantitative requirements 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 in the banking book. 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 quarterly basis.

The framework for managing interest rate risk in the banking book under Pillar II of Basel II is put in place through Internal Capital Adequacy Assessment Process Policy document.

Scope and nature of risk reporting/ measurement systems

Interest rate risk in the banking book is measured and Modified Duration of Equity is evaluated on a quarterly basis. The likely drop in Market Value of Equity for a 200 bps change in interest rates is computed. Earnings at Risk (EAR) 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 and nature of Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk in banking book is computed through Duration Gap Analysis. The various assumptions used are as follows : -

- Items such as capital, reserves and surplus, bills payable, inter-office adjustment, provisions are treated as non-rate sensitive.
- Similarly items such as cash, current account, fixed assets are considered to be non-rate sensitive.
- The midpoint of each time bucket is considered as the proxy for the maturity of all assets and liabilities in that time bucket.
- The Bank uses market yields and coupons for various instruments and they are mapped to the same set of products for respective maturities.
- The frequency of coupon payment is assumed to be annual.
- The basis for interest calculation for each time bucket is assumed to be 'actual/actual'
- The Bank has also carried out studies to adopt Economic Value Approach for its additional capital calculation under Pillar II. Under this approach, the Bank's interest rate risk is indicated by comparing the weighted average duration of assets with the weighted average duration of liabilities to arrive at the duration of the gap (equity). As with gap analysis, the sign and magnitude of DGAP provides the impact of interest rate changes on the Economic Value of Equity (EVE).
- Modified Durations of each category of assets and liabilities are computed for all the time buckets using the maturity date, coupon, yield, frequency and basis for interest calculation.

Quantitative disclosures :

The impact on earnings and economic value of equity for notional interest rate shocks as on March 31, 2011.

Earnings at Risk

₹ in Lakhs

Change in interest rate	Change in EaR
± 25 bps	199
± 50 bps	398
± 75 bps	597
± 100 bps	796

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 March 31, 2011	18.27%

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 March 31, 2011 as per Basel I norms are ₹ 84,357 Lakhs and as per Basel II norms is ₹ 77,274 Lakhs.

Capital (Tier I and Tier II) maintained by the Bank as on March 31, 2011 is ₹ 101,314 Lakhs, which is above the prudential floor limit.

Balance Sheet Abstract and Company's General Business Profile

A. Registration details

Registration Number	09307	State Code	09
Balance sheet date	31-Mar-11		

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

Public issue	Nil	Bonus issue	Nil
Rights Issue	Nil	Private Placement	210201

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

Total Liabilities	142681500	Total assets	142681500
Sources of funds			
Paid up capital	851357	Reserves and Surplus	7595043
Secured Loan	Nil	Unsecured Loans	131557373
Application of funds			
Net Fixed assets	1343558	Investments	36396768
Net current Assets	102263447	Misc. Expenditure	Nil
Accumulated Losses	Nil		

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

Total Income	10531874	Total Expenditure	9857542
Profit before tax	397229	Profit after tax	260622
Earnings per share			
Basic	3.31	Dividend rate	5%
Diluted	3.29		

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

(As per monetary terms)

Item Code	NA
Product Description	Banking Company