

Registered Office: Dhanlaxmi Buildings, Naickanal, Thrissur – 680 001.

NOTICE

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

ORDINARY BUSINESS

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

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

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

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

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

SPECIAL BUSINESS

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

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

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

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

By order of the Board

Sd/-

Ravindran K. Warriar
Secretary to Board &
Company Secretary

Place : Thrissur
Date : 27.08.2012

Notes:

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

EXPLANATORY STATEMENT

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

Item No.6

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

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

Item No. 7

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

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

Existing vesting Option

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

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

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

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

Amended Vesting Option as per Remuneration Committee dated 26.08.2011

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

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

B) All employees joined after 31.07.2010

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

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

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

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

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

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

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

By order of the Board

Sd/-

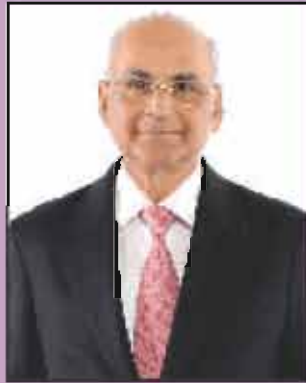
Ravindran K Warriar
Secretary to Board &
Company Secretary

Place : Thrissur
Date : 27.08.2012

Annual Report 2011-12

A large, stylized map of India is the central focus, filled with a collage of various Indian cultural, historical, and natural elements. In the center, a vibrant, multi-armed Hindu deity, likely Lord Venkateswara, is seated on a large pink lotus flower. The deity is adorned with elaborate golden jewelry and a crown, holding pink lotus flowers and a golden pot. Below the lotus is a golden plate of sweets. Surrounding the central figure are numerous smaller images: the Taj Mahal, camels with riders, a rhinoceros, a person on a boat, a temple gopuram, a person in traditional attire, and various other scenes of Indian life and heritage. The entire composition is set against a dark purple background.

Board of Directors



G N Bajpai, Chairman



P G Jayakumar, Managing Director & CEO



S Santhanakrishnan



K Srikanth Reddy



Shailesh V Haribhakti



Sateesh Kumar Andra

Registered Office & Corporate Office

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

Kindly refer to the website for other offices.

Company Secretary

RAVINDRAN K. WARRIER

Auditors

M/s Walker, Chandiok & Co., Mumbai

M/s Sharp & Tannan, Mumbai

Legal Advisors

Amarchand & Mangaldas

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

Advocates & Solicitors

Stock Exchanges

National Stock Exchange (NSE)

Bombay Stock Exchange (BSE)

Cochin Stock Exchange (CSE)

Registrar & Transfer Agents

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

Vithal Rao Nagar, Madhapur, Hyderabad - 500 081.

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Chairman's Statement

G. N. Bajpai

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

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

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

With best wishes

G. N. Bajpai
Chairman