



SH: 123 / 2016-17

September 30, 2016

The General Manager
Department of Corporate Services
BSE Limited
I Floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street Fort, Mumbai – 400 001

The Manager
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', Bandra – Kurla Complex
Bandra (E), Mumbai – 400 051

Dear Sir,

Sub: Compliance of Reg. 34 of SEBI (LODR) Regulations, 2015

Pursuant to Reg. 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the enclosed herewith a copy of the Annual Report of the Bank for financial year 2015-16. The Annual Report was adopted and approved by the shareholders of the Bank at the 89th Annual General Meeting held on September 29, 2016.

Kindly take the same on record.

Thanking you,

Yours faithfully,


Santosh Kumar Barik
Company Secretary

Board of Directors



Dr. Jayaram Nayar
Chairman



G. Sreeram
Managing Director & CEO



P. Mohanan



Chella K. Srinivasan



Dr. Lakshmy Devi K. R.



E. Madhavan



C. K. Gopinathan



P. S. Sreekumar



Arun Rao M. G.



Susobhan Sinha
Addl. Director (RBI)



S. T. Kannan
Addl. Director (RBI)



P. Manikandan
Chief General Manager



A. K. S. Namboodiri
General Manager - RBS & IT



Rajan A.
General Manager - HR & Recovery

Registered and Corporate Office

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

Kindly refer to the website for other offices

Company Secretary

Santosh Kumar Barik

Secretarial Auditor

M. Vasudevan, Practicing Company Secretary, Thrissur

Auditors

K Venkatachalam Aiyer & Co, Chartered Accountants, Ernakulam

Legal Advisors

M/s. Menon & Pai, Ernakulam

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

M/s. Varghese & Jacob, Ernakulam

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

Stock Exchanges

National Stock Exchange of India Limited (NSE)

BSE Limited (formerly known as Bombay Stock Exchange Limited)

Registrar & Transfer Agents

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

Table of Contents

3	Directors' Report	56	Balance Sheet
20	Management Discussion and Analysis Report	57	Profit & Loss Account
32	Report on Corporate Governance	58	Cash Flow Statement
54	Independent Auditor's Report	60	Schedules

Vision

Banking on Relationships forever

Mission

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

Directors' Report

Dear Shareholders,

It gives the Board pleasure to place before you the highlights of your Bank's performance during the financial year 2015-16. Details of the achievements and initiatives taken by the Bank are provided in the 89th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2016 and the Profit and Loss Account for the year ended on that date. It has been a challenging year with the bank focusing on working towards improving its performance in the medium term.

Your bank's operating environment remained a cause for concern with the private investment climate and economic sectors under some pressure. The declining oil prices seem to have started impacting on the domestic remittance expecting sectors of the economy of Kerala too. Your bank has experienced subdued deposit and credit growth but has had to grapple with stressed asset quality. These factors have weakened profitability and adversely impacted on your bank's capital position.

Performance Highlights

The salient features of the Bank's performance for the financial year ended March 31, 2016 are:

- CASA share to Total Deposits reached 25.06% as on 31st March 2016.
- Retail segment advance to total advance increased from 39% as on 31.03.2015 to 47% as on 31.03.2016.
- Achieved operating profit of ₹3.28 crore for the financial year 2015-16.
- Interest expended reduced by ₹85.15 crore during the financial year 2015-16 as compared to previous FY 2014-15.
- Net NPA is reduced to 2.78% on 31.03.2016 as against 3.29% as on 31.03.2015 and Gross NPA is reduced to 6.36% as against 7.00% as on 31.03.2015.
- Provision for NPA is reduced to ₹93.74 crore in the Financial Year 2015-16 as against ₹294.77 crore in 2014-15.
- The share of Retail Deposits to Term deposit recorded an increase of 7.86% from 52.84% as on 31st March 2015 to 60.70% as on 31st March 2016.
- The Bank has revived the insurance business which has yielded an income of ₹3.52 crore in Financial Year 2015-16 as against ₹1.42 crore in 2014-15.
- Book value per share is ₹28.63.

Capital and Reserves

The Bank's Paid up capital and reserves stood at ₹507.95 crore as on 31.03.2016.

Total Business

The total Business of the Bank as on 31.03.2016 stood at ₹18737.77 crore as against ₹20503.58 crore as on 31.03.2015.

Deposits

The total Deposits of the Bank stood at ₹11353.76 crore as on 31.03.2016 as against ₹12381.68 crore as on 31.03.2015.

Advances

The Bank's total advance stood at ₹7384.01 crore as on 31.3.2016 as against ₹8121.90 crore as on 31.03.2015.

PRIORITY SECTOR ADVANCES

The Bank continued its constructive approach towards priority sector lending in conformity with the national policies, regulatory expectations and fulfillment of social objectives. The Bank's priority sector advances stood at 40.27% and its agricultural advance is at 16.70% of the adjusted net bank credit. The weaker section advances were at 10.42%, which is above the prescribed norm of 10%. Lending under various socio-economic schemes has shown satisfactory progress.

Profitability

The bank's operating profit during the year was ₹3.28 crore as against ₹16.58 crore during the previous year. The bank declared a net loss of ₹209.45 crore during the year under report and the same at the previous year was ₹241.47 crore.

Dividend

In view of the net loss recorded by the Bank during the year, no dividend is recommended.

Non-Performing Assets

The RBI has taken a number of proactive steps to address concerns confronting the banking sector's NPA accretions. The RBI undertook special asset quality review (AQR) across the banking industry. As a result, the gross NPA of banks and provisioning requirements increased significantly affecting their profitability. However, the various monitoring/recovery measures employed by the Bank helped it in restricting further slippages into NPA to

a considerable extent and ensured reasonable recovery from the existing NPA accounts. The provision requirement for current year was ₹93.73 crore as against ₹294.77 crore in the previous financial year.

During the year the new slippage to NPA in the Bank was ₹250.75 crores, in comparison with the figure of ₹337.17 crores of the previous year.

The total recovery in NPA which include Cash Recovery and Upgradation, during the current fiscal was ₹176.72 crore. The corresponding figure for the past year was ₹84.51 crore.

The Bank has sold 2 assets to Assets Reconstruction Company with a gross balance of ₹61.65 crores (last year-NIL) with a view to reduce NPA.

Both the Gross NPA and Net NPA percentages have reduced from 7% to 6.36% and from 3.29% to 2.78% respectively during the financial year 2015-16.

The Provision Coverage Ratio (PCR) which was 67.82% as on 31.3.2015 has improved to 75.67% as on 31.3.2016.

Customer Service

The Bank has taken a series of measures during the year through deployment of technology and otherwise for enhancing service quality. A well defined and full-fledged Customer Grievance Redressal Mechanism is put in place at the Bank.

The Customer Service Committee of the Board 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 on an ongoing basis. The Bank has a 24 x 7 Phone Banking Call Centre at Thrissur.

The Bank is a member of Banking Codes & Standards Board of India (BCSBI) and is actively implementing the Code of Commitment to Customers as also the Code for Micro and Small Enterprises formulated by the BCSBI. In the annual Compliance survey conducted by BCSBI on implementation of BCSBI Code, the Bank has achieved "Above Average" rating for compliance. The Bank has achieved a "High Level" of compliance rating with regard to the "Grievance Redressal" segment thereby placing the Bank among the top five private sector banks on the said parameter.

During the financial year 2015-16, the Bank resolved 5388 complaints as against of total of 5411 complaints received. The organized structure for handling complaints at Branches, Regional offices, ATM Reconciliation Desk, Call Centre and Corporate Office, has helped the Bank in better customer service.

Customer Touch points

The Bank's customer immediate touch points stood at 678 as on 31.03.2016, comprising 266 branches, 398 ATMs and 14 processing centres.

We have received a total of 107 recommendations from the Reserve Bank of India's Committee on Customer Service. Out of the 100 recommendations applicable to your bank, we have implemented 85 recommendations and the implementation of remaining items is in process.

Particulars	Contact Centre	RO & CO	ATM Recon	Banking Ombudsman	Total
Number of complaints outstanding at the beginning of the year	3	0	8	5	16
Number of complaints received during the year	1425	105	3842	39	5411
Number of complaints resolved during the year	1419	103	3824	42	5388
Number of complaints pending during the year	9	2	26	2	39

New Products and Services introduced:

- **Facility for Online submission of Social Security Scheme Applications**

During the last Financial Year, the Bank has developed in-house a web based software application accessible by branches to key in/capture the details of applications received at branches for Social Security Schemes such as the Prime Minister's Jeevan Jyothi Bima Yojana (PMJJBY), Prime Minister's Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) announced by Central Government.

- **Implementation of Sovereign Gold Bond Scheme**

Bank has implemented a scheme introduced by RBI where the public can subscribe to gold bonds through scheduled commercial Banks. This has been smoothened with software application to capture the customer and subscription details and onward upload to RBI E-kuber portal.

'DhanSmart' Mobile Banking Application is extended for iOS & Windows Mobile OS.

As part of Bank's continuous efforts to facilitate its customers with technology products, new and enhanced Mobile banking application has been extended to iOS & Windows mobile operating systems.

- **Transaction Limit enhancement in Mobile Banking**

Recognizing the need to cater to the observed upward trend in Mobile Banking transactions and taking in to account customer convenience as also respecting the feedback received from customers, the Bank has enhanced the transaction limit in 'DhanSmart' – Mobile Banking application from ₹10000/- to ₹25000/- with effect from 1st March, 2016.

- **Introduction of Dhanam Genius – Kids/ Student account**

With a view to broaden the product offerings to the savings account segment, especially in the young/students category, bank has introduced a new savings account product- Dhanam Genius. This has enriched features like Sweep in / out facility and ATM card with personalized photographs.

- **Introduction of Dhanam Yuvak Savings account**

Bank has introduced new savings account- 'Dhanam Yuvak' which exclusively caters to the needs of Youth segment with special features like ATM card with personalized photo and many more conveniences.

- **New Application for Wage Protection System- An Initiative by Labour Department**

The Bank is empanelled in the implementation of Wage

Protection System (WPS) announced by the Government of Kerala. Bank has developed an application to download available data from the Labour Department server, based on which the system will enable disbursement of salaries to employees.

Investor Education and Protection Fund

In accordance with the provisions of Section 125 of the Companies Act, 2013, during the year, the Bank transferred ₹9,50,056/-, being the unclaimed / unpaid dividend for the financial year 2007-08, to the Investor Education and Protection Fund (IEPF).

Listing on Stock Exchanges

The equity shares of the Bank are listed on BSE Ltd. and National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the financial year 2016-17.

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

The Bank has supported various initiatives for energy conservation at its various premises. The Bank uses information technology extensively in its operation and consistently pursuing its goal of technological up-gradation in a cost effective manner for delivering quality customer service.

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

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

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

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

Number of complaints filed during the financial year – Nil

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

Particulars of employees

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

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

Green Initiatives in Corporate Governance

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

ANTI-MONEY LAUNDERING (AML)

Transactions processed through the Core Banking Solution is monitored for detecting suspicious transaction using Infrasoftware Technologies –AML application, to discharge the obligation cast on the Bank under Prevention of Money Laundering Act.

The Offsite Monitoring Teams set up for post facto verification of KYC Compliance while establishing new customer relationships by the branches are stabilized fully now.

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

Directors

The composition of the Board of Directors of the Bank is in accordance with the Banking Regulation Act, 1949, the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the best practices of Corporate Governance. As on March 31, 2016, the Board comprises 8 Directors including Managing Director & CEO, 5 non-executive Directors and 2 nominee Directors. All the Directors have rich experience

and specialized knowledge in various sectors like banking, agriculture & rural economy, small scale industry, economics and accountancy.

Declarations have been taken from Independent Directors as required under the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI guidelines. The remuneration paid to the Directors during the year is disclosed in Report on Corporate Governance.

Changes in the Board

Sri T. Y. Prabhu ceased to be Part-time Chairman of the Bank on completion of the stipulated period. Sri Jayakumar P. G. ceased to be Managing Director & CEO of the Bank. Dr. B. Ravindran Pillai and Sri Rohit Jain ceased to be Directors on the Board of the Bank.

The Board places on record its appreciation for the invaluable services rendered by them during their tenure as Directors on the Board of the Bank.

Dr. Jayaram Nayar was appointed as Part-time Chairman and Sri G. Sreeram took over as Managing Director & CEO of the Bank. Sri E. Madhavan was appointed as Additional Director. RBI nominated Sri S. T. Kannan as Additional Director on the Board of the Bank in terms of Section 36AB of the Banking Regulation Act, 1949.

Composition of Audit Committee

The Board of the Bank has constituted a five member Audit Committee. All the five members of the Committee are non-executive Directors, with Mr. Chella K. Srinivasan, who is a Chartered Accountant, as its Chairman and Dr. Lakshmy Devi K. R., Mr. K. Jayakumar, Mr. Susobhan Sinha and Mr. S. T. Kannan as the other members. The Committee has been constituted in accordance with regulatory requirements. The terms of reference of the Committee are in accordance with the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI guidelines.

Declaration by Independent Directors

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

Board Level Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the performance evaluation of the Board as a whole, the individual Directors and various Committees of the Board are undertaken annually. The Nomination & Remuneration Committee has formulated the criteria for performance evaluation of Directors.

A separate meeting of independent Directors evaluates the performance of non-independent Directors, Chairman and the Board as a whole. The Board evaluates the performance of the Directors who are Members of the Nomination & Remuneration Committee. The Nomination & Remuneration Committee evaluates the performance of the Directors who are Members of the Board who are not Members of the Committee. The evaluation of the individual Directors is being done in the absence of the Director being evaluated.

The Board evaluates the performance of Board level committees. Nomination & Remuneration Committee recommends the appointment / reappointment / continuation of Directors to the Board. Based on the recommendation of the Committee, the Board will take the appropriate action.

The criteria for performance evaluation of Directors, Board and its Committees are as under:

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

- Conduct of Meetings;
- Professionalism in the Board and Committees.

Changes in Key Managerial Personnel (KMP)

Sri Jayakumar P.G. ceased to be Managing Director & CEO of the Bank and Sri G. Greeram took over as Managing Director & CEO for a period of 3 years w.e.f. April 6, 2015.

Sri Krishnan K.S., who was the Chief Financial Officer & Company Secretary, vacated office on September 30, 2015. Sri Bhasi K.V. was appointed as Chief Financial Officer of the Bank w.e.f. October 1, 2015. Sri Santosh Kumar Barik took over as Company Secretary of the Bank w.e.f. October 1, 2015.

Explanation for the Auditors' comments in the Report

The Auditors' report for the year 2015-16 does not contain any qualifications. However, it includes the following emphasis of matters;

Emphasis of matter

- i. Note No.6 (iv) of the financial statements regarding deferment of shortfall arising from the sale of certain Non Performing Assets during the year ended 31st March, 2016 in terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated 1st July, 2015 and the unamortized balance as at 31st March, 2016 amounting to ₹10.97 crores.
- ii. Note No.23 of the financial statements regarding retention of deferred tax assets amounting to ₹37.06 crores.

Since the above comments read with respective notes are self explanatory, no explanation is offered in this regard.

Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013, the Board had appointed Sri M. Vasudevan, Practicing Company Secretary, Thrissur as the Secretarial Auditor to conduct the Secretarial Audit of the Bank for the financial year 2015-16. The Bank has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The report of the Secretarial Auditor for the financial year 2015-16 is annexed to this report. The response of the Bank to the observations made in the Secretarial Audit Report is given below: