



90
YEARS



Board of Directors



Dr. Jayaram Nayar
Chairman



G. Sreeram
Managing Director & CEO



P. Mohanan



Chella K. Srinivasan



Dr. Lakshmy Devi K. R.



C. K. Gopinathan



Arun Rao M. G.



P. S. Sreekumar



E. Madhavan
Addl. Director (RBI)



S. T. Kannan
Addl. Director (RBI)



N. Sara Rajendra Kumar
Addl. Director (RBI)



P. Manikandan
Chief General Manager



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



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

Sridhar & Co, Chartered Accountants, Thiruvananthapuram

Legal Advisors

M/s. Menon & Pai, Ernakulam

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

M/s. Varghese & Jacob, Ernakulam

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

Stock Exchanges

National Stock Exchange of India Limited (NSE)

BSE Limited (formerly known as Bombay Stock Exchange Limited)

Registrar & Transfer Agents

Karvy Computershare Private Limited,

Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli,

Financial District, Nanakramguda, Serilingampally,

Hyderabad – 500 032

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Vision

Banking on Relationships forever

Mission

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

Directors' Report

Dear Shareholders,

It gives the Board pleasure to place before you the highlights of your Bank's performance during the financial year 2016-17. Details of the achievements and initiatives taken by the Bank are provided in the 90th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2017 and the Profit and Loss Account for the year ended on that date. It has been a challenging year with the bank focusing on working towards improving its performance in the medium term.

Your bank's operating environment remained a cause for concern with the private investment climate and economic sectors under same pressure.

Performance Highlights

The salient features of the Bank's performance for the financial year ended March 31, 2017 are:

1. Profit & Loss – Key Highlights

- Net Profit of ₹8.81 crore in Q4 FY 2016-17 from a loss of ₹131.60 crore during the Q4 FY 2015-16.
- For FY 2016-17 Net profits grew by 105.91% to ₹12.38 crore from a loss of ₹209.45 crore in FY 2015-16.
- For FY 2016-17 Operating Profit grew by 2868 % to ₹94.07 crore from ₹ 3.28 crore reported during the FY 2015-16.
- Net Interest Income of grew by ₹26.92 crore from ₹304.68 crore during FY 2015-16 to ₹331.6 crore during Y 2016-17. Y-o-Y growth 8.84%.
- Non Interest Income of grew by ₹34.30 crore from ₹76.72 crore during FY 2015-16 to ₹111.02 crore during Y 2016-17. Y-o-Y growth 44.71%.
- Operating Expense reduced by ₹174 crore from ₹1277.71 crore during FY 2015-16 to ₹1103.71 crore during FY 2016-17.
- Net Interest Margin (NIM) improved to 2.76% during FY 2016-17 from 2.47% during FY 2015-16.
- Cost of Funds reduced to 6.61% during FY 2016-17 from 7.5% during FY 2015-16.
- Cost Income ratio stood at 78.75% during FY 2016-17 compared to 99.14% during FY 2015-16.
- Book Value per share increased to ₹31.19 during FY 2016-17 from ₹28.63 in FY 2015-16

2. Balance Sheet- Key Highlights

- CASA to total deposits stands at 29% during FY 2016-17 as compared to 25% during FY 2015-16.
- CASA increased by ₹483 crore to ₹3325 crore during FY 2016-17 from ₹2842 crore during FY 2015-16, registered growth of 17%.

- Capital Adequacy Ratio stood at 10.26% as on March 31, 2017 compared to 7.51% as on March 31, 2016.
- Total Capital adequacy as at March 31, 2017 stood at 10.26% with Tier I ratio at 9.01% and Tier II Capital at 1.25%. (meeting the norms prescribed by reserved Bank of India)

3. Asset Quality- Key Highlights

- Gross NPA reduced to ₹315.60 crore during FY 2016-17 from ₹458.92 crore during FY 2015-16.
- Net NPA reduced to ₹166.48 crore during FY 2016-17 from ₹193.19 crore during FY 2015-16.
- Gross NPA stands at 4.78% and Net NPA stands at 2.58% as on March 31, 2017 compared to 6.36% and 2.78% respectively as on March 31, 2016.

Capital and Reserves

The Bank's Paid up capital and reserves was ₹658.48 crore as on 31.03.2017. The capital adequacy ratio as per Basel II and Basel III was 10.49% and 10.26% respectively.

Total Business

The total Business of the Bank as on 31.03.2017 stood at ₹17976.69 crore as against ₹18737.77 crore as on 31.03.2016.

Deposits

The total Deposits of the Bank stood at ₹11293.68 crore as on 31.03.2017 as against ₹11353.76 crore as on 31.03.2016.

Advances

The Bank's total advance stood at ₹6683.01 crore as on 31.03.2017 as against ₹7384.01 crore as on 31.03.2016.

PRIORITY SECTOR ADVANCES

Your Bank continued its prudent approach towards priority sector lending in conformity with the national policies, regulatory expectations and fulfillment of social objectives. The Bank's priority sector advances stood at 45.31% and its agricultural advance was at 19.26% of the adjusted net bank credit. The weaker section advances were at 11.95%, which was above the prescribed norm of 10%. Lending under various socio-economic schemes had shown satisfactory progress.

Profitability

The bank's operating profit during the year was ₹94.07 crore as against ₹3.28 crore during the previous year. The bank declared a net profit of ₹12.38 crore during the year under report and the same at the previous year was ₹(209.45) crore.

Dividend

The Board has not recommended any dividend in the financial year 2016 – 2017.

Vision & Mission

Our Vision: "Banking on Relationships forever".

Our 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.

Non-Performing Assets

The recovery of NPA had been affected by some of the external factors including Govt. Policies. However, the various monitoring / recovery measures employed by the Bank helped 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 ₹76.42 crore as against ₹93.73 crore in the previous financial year.

During the year the new slippage to NPA in the Bank was ₹154.76 crore in comparison with the figure of ₹250.75 crore of the previous year.

The total recovery in NPA which includes cash recovery and upgradation during the current fiscal was ₹109.12 cores. The corresponding figure of the past year was ₹176.72 crore.

Both the Gross NPA and net NPA percentage reduced from 6.36% to 4.78% and 2.78% to 2.58% respectively during the financial year 2016-17.

The provision coverage ratio (PCR) which was 75.67% as on 31.3.2016 improved to 79.99% as on 31.3.2017.

Customer Service

The Bank attaches very high importance to the quality of customer service rendered across its branches / offices. It took a series of measures during the year through deployment of technology and for significantly enhancing service quality. A well defined and full-fledged Customer Grievance Redressal Mechanism is put in place in the Bank.

The Customer Service Committees, comprising of Bank personnel as well as our constituents, monitors the implementation of customer service measures periodically. Customer Service Committee of the Board have been formed at the apex level and Customer Service Committees at branches also for monitoring

service quality and bringing about improvements in this area on an ongoing basis. The Bank has a 24 x 7 Phone Banking Call Centre at Thrissur as an outsourced model to cater to customer needs across the country.

The Bank is a member of Banking Codes & Standards Board of India (BCSBI) and is actively implementing the Code of Commitment to Customers as also the Code for Micro and Small Enterprises formulated by the BCSBI. In the annual Compliance survey conducted by BCSBI on implementation of BCSBI Code, the Bank has achieved "Above Average" rating for compliance amidst total 51 banks (including public sector, private sector and foreign banks) surveyed across the major parameters such as customer centricity, information dissemination, customer feedback and transparency. 2733 branches of 51 member banks were covered. Survey and verification was done on 90 parameters of the code. Around 8485 customers were interviewed to elicit their views on 13 parameters. The rating exercise was done with the help of the methodology and framework developed by CRISIL.

Also the Bank has been successful in achieving a "High Level" of compliance with regard to the "Grievance Redressal" segment. The Bank achieved a higher score of 93 in "Grievance Redressal" in the current rating as against 88 in 2015 in "Grievance Redressal" segment.

During the financial year 2016 -17, the Bank received 8211 complaints as against a total of 5411 complaints received in the previous financial year. The organized structure for handling complaints at Branches, Regional offices, ATM Reconciliation Desk, Call Centre and Corporate Office who are in turn handling all transactions and services for the customers has helped the Bank in better customer service and early resolution of complaints.

Customer Touch Points

The Bank's customer outlets stood at 644 as on 31.03.2017, comprising 260 branches, 371 ATMs, 11 RPCs, CPC & Treasury. We have concentrated on consolidating our operations across the country and thereby aiming at utilizing our branches to their fullest potential.

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

- **Implementation of Bharath Bill Payment System (BBPS)**

Bharat Bill Payment System (BBPS) is an integrated bill payment system in offering interoperable and accessible bill payment service to customers through a network of agents, enabling multiple payment modes, and providing

| Particulars | Contact Centre | ATM Recon | CO & RO | Banking Ombudsman | Total |
|--|----------------|-----------|---------|-------------------|-------|
| No. of complaints outstanding at the beginning of the year | 9 | 26 | 2 | 2 | 39 |
| No. of complaints received during the year | 2701 | 5351 | 143 | 16 | 8211 |
| No. of complaints resolved during the year | 2699 | 5352 | 143 | 15 | 8209 |
| No. of complaints pending during the year | 11 | 25 | 2 | 3 | 41 |

instant confirmation of payment. We have received the necessary approval from RBI to act as BBPOU in the Bharat Bill Payment System (BBPS).

- **Introduction of IMPS (Immediate Payment Services) in our Retail Internet Banking module which helps the users to transact 24*7*365 days.**

With the introduction of Immediate Payment Services IMPS module in Retail Internet Banking (RIB), customers have the facility of round the clock banking facility for fund transfer even on holidays.

- **Distribution of Mutual Fund Products**

Bank started Mutual Fund distribution business on 1st April 2008. The ARN license for Mutual Fund distribution expired in 2014. As per the Board approval, we have renewed the license and now we have revamped Mutual Fund distribution through our branch offices. Presently the bank is empanelled with 22 Mutual Fund companies for distribution of Mutual Fund business.

- **Pre approved Credit Card for Liability Customer with One Year Vintage and Average Monthly Balance of ₹50,000/- above for last One Year.**

Our credit card department is having a capacity to handle much higher volumes compared to the current base of only 7039 cards without incurring further expenses. The surge in numbers will give additional income to Bank and increase in productivity of available resources. Bank has come up with pre approved cards to our existing customer base with more than one year vintage and average balance of ₹50,000/- above which has given a boost to our credit card numbers. We have offered credit limit equal to Average Monthly Balance of customer with minimum limit of ₹50,000/- and maximum limit of ₹2,00,000/-

- **New module for marking Form 15G / 15H and thereby recording TDS waiver in Core Banking system, complying with regulatory requirements.**

Based on revised guidelines from Directorate of Income Tax (Systems) on collection of Form 15G / 15H from depositors, marking Tax waiver and reporting the same to Income Tax Department, vide Notification No.4/2015 dated 1st December, 2015, we have devised new CBS module on collection of Form 15G/15H and TDS waiver marking. The module was developed by M/s. IT Flux Technologies Pvt. Ltd, who have been already associated with us for development of web based portals for APY / PMJBY / PMSBY and other government projects like NPCI / MMS / Gold Bond Schemes, etc.

Investor Education and Protection Fund

During the year, the Bank transferred ₹ 20,17,696/-, being the unclaimed / unpaid dividend for the financial year 2008-09, to the investor Education and Protection Fund (IEPF) in accordance with the provisions of Section 125 of the Companies Act, 2013.

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 2017-18.

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

The Bank has undertaken various initiatives for energy conservation at its premises. Further, the Bank has used information technology extensively in its operation and consistently pursuing its goal of technological upgradation 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 export credit.

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

ANTI-MONEY LAUNDERING (AML)

Transactions processed through the Core Banking Solution is monitored for identifying the transaction of suspicious nature, if any, using Infra Soft Technologies Ltd.-AML application, to discharge the obligation cast on the Bank under Prevention of Money Laundering Act. New software from M/s. Ospyn Technologies P Ltd. is made use of for customer on-boarding, which takes care of the need for compliance of various regulations under PML Rules/ Banking Regulation Act, Income Tax rules etc.

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

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, 2017, the Board comprises 9 Directors including Managing Director & CEO, 7 non-executive Directors and 1 nominee Director. All the Directors have rich experience and specialized knowledge in various sectors like banking, economics, law, co-operation and accountancy. The remuneration / sitting fees paid to the Directors during the year is disclosed in Report on Corporate Governance.

There are 5 independent Directors on the Board of the Bank as on March 31, 2017. Declarations have been taken from Independent Directors as required under the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI guidelines.

Changes in the Board

Dr. Jayaram Nayar was appointed as part-time Chairman on the Board of the Bank w.e.f April 06, 2016.

Sri. Arun Rao M.G and Sri. P.S Sreekumar were appointed as Additional Directors on the Board of the Bank w.e.f July 04, 2016 and as non-executive independent Directors at the Annual General Meeting held on September 29, 2016.

Sri. Gopinathan C.K was appointed as Additional Director on the Board of the Bank w.e.f August 11, 2016 and as non-executive Director at the Annual General Meeting held on September 29, 2016.

Sri. K. Jayakumar , Sri. E. Madhavan and Sri. Susobhan Sinha ceased to be Directors on the Board of the Bank w.e.f April 28, 2016, September 29, 2016 and March 02, 2017 respectively. The Board places on record its appreciation for the invaluable services rendered by them during their tenure as Directors on the Board of the Bank.

Composition of Audit Committee

The Board of the Bank has constituted a 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. P.Mohanam, Mr. Arun Rao M.G 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.

Policy on appointment and remuneration of Directors

The Nomination & Remuneration Committee recommends the appointment / reappointment / continuation of Directors to the Board after conducting due diligence of the Directors on the basis of the "fit & proper" criteria prescribed by RBI along with the provisions of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Nomination Policy approved by the Board. The Board will take the appropriate action based on the recommendations of the Nomination & Remuneration Committee.

The criteria for determining qualifications, positive attributes and independence of Directors to be appointed / re-appointed or for continuation of Directors include, inter-alia, the following:-

- Ensuring that the appointment / re-appointment / continuation is in conformity with the provisions of the Banking Regulation Act, 1949, RBI guidelines, Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Ensuring that the criteria for independence of Directors as stated in the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is complied with, in case of independent Directors
- Ensuring that the person does not attract any disqualification as per the Banking Regulation Act, 1949, RBI guidelines Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- Special knowledge or practical experience in various fields as enumerated in Section 10A(2)(a) of the Banking Regulation Act, 1949 or any other field which may be useful to the Bank;
- Professional knowledge and experience;
- Experience in the field of banking / finance sectors;
- Interest in NBFCs and other entities;
- Relatives connected with the Bank;

- Fund and non-fund facilities availed from the Bank;
- Defaults, if any, by the Director or interested with respect to the credit facilities availed from any Bank;
- Professional achievements relevant to the office of Directorship;
- Prosecution, if any, pending or commenced or resulting in conviction in the past against the director and / or against any of the interested entities for violation of economic laws and regulations;
- Criminal prosecution, if any, pending or commenced or resulting in conviction in the past against the Director;
- Any other factors as the Nomination & Remuneration Committee may think fit for the purpose of considering the appointment / re-appointment / continuation as Director

The Bank has a Board approved Compensation Policy which deals with the compensation & benefits of the Employees of the Bank and Whole-time Directors.

The objectives of the Compensation Policy of the Bank inter-alia includes, to provide a fair and persistent basis for motivating, inspiring and rewarding the employees appropriately, according to their jobs/role size, performance, accomplishments, contribution, skill, aptitude and competence to implement standards on sound compensation practices and incentives and to provide effective governance of compensation payable to the employees, alignment of compensation with prudent risk taking and effective supervisory oversight. The disclosure requirement of the remuneration is separately provided in "Disclosure under Basel III norms."

The Board considers the recommendations of the Nomination & Remuneration Committee and approves the remuneration, with or without modifications, subject to regulatory approvals. The remuneration payable to Whole-time Directors/MD & CEO is subject to prior approval of the Reserve Bank of India (RBI). Therefore, the remuneration or any revision in remuneration to Whole-time Directors/MD & CEO is payable only after receipt of the approval from RBI.

The non-executive Directors are paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other regulatory guidelines, as amended from time to time. The Board while recommending any change in the sitting fees considers various factors like size and complexity of organization, comparison with the peer banks and regulatory guidelines as applicable. Apart from sitting fees, the Bank does not pay any other remuneration to the non-executive Directors.

The total remuneration paid to MD & CEO and non-executive Directors for the financial year 2016-17 is included in the Report on Corporate Governance forming part of this Report.

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

Board Level Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the performance evaluation of the Board as a whole, the individual Directors and various Committees of the Board are undertaken annually. The evaluation of the individual Directors is being done in the absence of the Director being evaluated.

A separate meeting of independent Directors evaluates the performance of non-independent Directors, Chairman and the Board as a whole. The separate meeting of independent Directors is held once in a year.

The criteria for performance evaluation of Directors, Board and its Committees include, inter-alia, the following:

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

Changes in Key Managerial Personnel (KMP)

There were no changes in Key Managerial Personnel (KMP) in the financial year 2016-17.

Explanation for the Auditor's Comments in the Report

The auditors report for the year 2016-17 does not contain any qualifications.

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 2016-17. The Bank has provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The report of the Secretarial Auditor is annexed to this report. The Secretarial Audit Report for the financial year 2016-17 does not contain any qualification.

Corporate Governance

A separate report on Corporate Governance as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and certificate from Sri. M. Vasudevan, Practicing Company Secretary certifying compliance with the conditions of Corporate Governance are annexed to this report.

Number of Board Meetings

A total of 9 Board Meetings were held during the year. The Board meetings were held in accordance with the regulatory requirements. The details of the meetings held are provided in the Corporate Governance Report that forms part of this Annual Report.

Extracts of Annual Return

Pursuant to Section 92 (3) of the Companies Act, 2013 read with Rule 12 (1) of the Companies (Management and Administration) Rules 2014, Extract of Annual Return as on the financial year ended March 31, 2017 in Form No. MGT - 9 is annexed to this report.

Related Party Transactions

The Bank has adopted the "Policy on materiality of related party transactions and dealing with related party transactions" in accordance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy is hosted on the website of the Bank www.dhanbank.com/investor_relations/inv_stat_policy.aspx.

During the financial year, the Bank did not enter into any related party transactions with its Directors or their Relatives that would potentially conflict with and / or adversely affect the interests of the Bank, except the outstanding vehicle loan advanced to the Chief Financial Officer, rent advance to Company Secretary and the remuneration paid to the Managing Director & CEO, Chief Financial Officer and Company Secretary. There was no related party transaction for which Form AOC-2 was applicable.

Material Changes and Commitments affecting Financial Position of the Bank

There are no material changes and commitments affecting the financial position of the Bank which has occurred between the end of the financial year of the Bank, i.e, March 31, 2017 and the date of Director's Report, i.e, August 11, 2017.

Subsidiary Companies

The Bank does not have any subsidiary companies.

Strictures and Penalties

During the last three years, there were no penalties or strictures imposed on the Bank by the Stock exchanges(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market.

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Bank or the future operations of the Bank.

Management Discussion and Analysis Report

This has been dealt with in a separate section in the Annual Report.

Director's Responsibility Statement

Pursuant to the provisions of Section 134 (5) of the Companies Act, 2013 with respect to the Director's Responsibility Statement, it is hereby confirmed that:-

- (a) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year 2016-17 and of the profit and loss of the Bank for that period.;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgements

The Board of Directors places on record its gratitude to the Government of India, Reserve Bank of India, State Governments, Securities and Exchange Board of India and other Regulatory bodies including stock exchanges where the Bank's shares are listed for their support and guidance. The Board also places on record its gratitude to the Bank's customers, shareholders, other stakeholders and well wishers for their valued patronage. The Board further places on record its appreciation for the valuable services rendered by M/s Sridhar & Co., Statutory Central Auditors of the Bank. The Board expresses its sincere appreciation for the dedicated services rendered by officers and employees of the Bank at all levels.

By Order of the Board

Place: Thrissur

Sd/

Date: 11-08-2017

(Dr. Jayaram Nayar)

Chairman