INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DHANLAXMI BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dhanlaxmi Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31st March, 2024, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information in which are included the Returns for the year ended on that date audited by the branch auditors of the Bank's branches located across India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the Principal Accounting Policies and Notes appended thereto give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 (the "Act") in the manner so required for banking companies and are in conformity with accounting principles generally accepted in India and give a true and fair view of the state of affairs of the Bank as at 31st March, 2024, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in *the "Auditor's Responsibilities for the Audit of the Financial Statements"* section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion of the financial statements.

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

Emphasis of Matter

We draw attention to Note No. 14(i) of Schedule 18 to the financial statements regarding amortization of additional liability on account of revision in family pension amounting to Rs. 14.29 Crores. As stated therein, the bank has charged an amount of Rs. 8.57 Crores to the profit and loss account for the financial year ended March 31, 2024. With this, the entire amount of family pension stands amortized.

We draw attention to Note No. 1.2(a) of Schedule 18 to the financial statements regarding the treatment of application software as an intangible asset and its deduction in the computation of net worth until September 30, 2023. However, during the quarter ended December 31, 2023, the bank changed its approach and treated the application software as a fixed asset, consequently not deducting it in the computation of net worth from the quarter ended December 31, 2023, onwards. The consequential positive impact on the Capital to Risk Weighted Assets Ratio for the year ended March 31, 2024 is 41 basis points.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31.03.2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the Key Audit Matters
1. Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances	
Refer Note No. 4 of Schedule 18 to the financial statements relating to Asset Quality in respect of movement of Non-Performing Assets (NPAs) and related provisions. Advances constitute a significant portion of the Bank's total assets. They are, inter alia, governed by income	Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. We have evaluated and understood the Bank's internal control system in adhering to the relevant RBI guidelines

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

recognition, asset classification, and provisioning (IRAC) norms, as well as other circulars and directives issued by the RBI from time to time, which provide guidelines related to the classification of Advances into performing and non-performing Advances (NPA) and the recognition of provisions. The identification of performing and non-performing advances involves the establishment of a proper mechanism, and the Bank is required to apply a significant degree of judgment to identify and determine the amount of provision required against each non-performing asset (NPA), applying both quantitative and qualitative factors prescribed by the regulations. The management of the bank relies on the CBS (Core Banking Solutions) along with other allied IT systems accompanied by various estimates, prudent judgement relating to performance of borrowers, determination of security value, manual interventions including services of experts & professionals for asset classification, Income recognition and provisioning thereon. Compliance of relevant prudential norms issued by the Reserve Bank of India (RBI) in respect of income recognition, asset classification and provisioning pertaining to advances is a key audit matter due to its high degree of complexity and materiality involved. Bank has significant exposure to a large number of borrowers across various sectors, products and industries and there is a high degree of complexity, uncertainty and judgment involved in recoverability of advances, nature of transactions, estimation of provisions thereon.	regarding income recognition, asset classification and provisioning pertaining to advances. We evaluated the design, implementation and operating effectiveness of key internal controls over the valuation of securities for NPAs and Special Mention Accounts ('SMA'). We checked the minutes of credit and business committee meetings and enquired with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product. We have test checked advances to examine the validity of the recorded amounts, loan documentation, examined the statement of accounts, indicators of impairment, impairment provision for non-performing assets and compliance with income recognition, asset classification and provisioning pertaining to advances in terms of applicable RBI guidelines. We have reviewed the CBS and other related & allied systems for compliance with the prudential norms issued by Reserve Bank of India. We considered the Internal Audit, Systems Audit, Credit Audit and Concurrent Audit reports. We considered the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year.

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

2. Valuation of Investments, Identification of and provisioning for Non-Performing Investments.	
Refer Note No. 3 of Schedule 18 to the financial statements with respect to Investments and related Provisions. Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. These are governed by the circulars and directives of the RBI. These directions of RBI, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments. Considering the complexities and extent of judgement involved in the valuation, volume of transactions, investments on hand and degree of regulatory focus, this has been determined as a Key Audit Matter. Accordingly, our audit was focused on valuation of investments, classification, identification of nonperforming investments and provisioning related to investments.	Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. We tested the accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security on sample basis. We assessed and evaluated the process adopted for collection of information from various sources for determining market value of the investments. We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained in accordance with the RBI Circular for those selected sample of NPIs; We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions. We assessed and evaluated the process of identification of NPIs and corresponding reversal of income and creation of provision.

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

Other Matters

We did not audit the financial statements of 236 branches and processing centres included in the financial statements of the Bank whose financial statements reflect total assets of Rs. 6594.03 Crores as at 31st March 2024 and total revenue of Rs. 652.43 Crores for the year ended on that date, as considered in the financial statements. These branches and processing centres cover 63.20% of gross advances, 82.07% of deposits and 57.61% of non-performing assets as at 31st March 2024 and 47.99% of revenue for the year ended 31st March 2024. The financial statements of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of branches, is based solely on the report of such branch auditors.

Our opinion is not modified in respect of the above matter.

Information other than the Financial Statements and Auditor's Report thereon

The Bank's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Bank's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with governance for the Financial Statements

The Bank's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

the Act read with relevant rules issued thereunder, in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management and Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Management and Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and Board of Directors.

- Conclude on the appropriateness of management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of the misstatements in the financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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 and Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder.

1. As required by Sub Section 3 of section 30 of the Banking Regulation Act, 1949, 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) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

   c) The returns received from the Offices and branches of the Bank have been found adequate for the purpose of our audit;

   d) the profit and loss account shows a true balance of profit for the year then ended.

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

2. Further, as required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;

c) The reports on the accounts of the branch offices of the Bank audited by branch auditors under Section 143(8) of the Act have been forwarded to us and have been properly dealt with by us in preparing this report;

d) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us;

e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

f) On the basis of written representations received from the directors as on 31 March, 2024 and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2024 from being appointed as a director in terms of Section 164(2) of the Act;

g) With respect to the adequacy of the internal financial controls with reference to the financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended;

The Bank is a Banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of Act do not apply;

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

i) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note No. 16(d) of Schedule 18 to the financial statements;

ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note No 16(f) of Schedule 18 to the financial statements;

iii) There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Bank.

iv) (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Bank from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v) The bank has not declared or paid any dividend during the year and hence the compliance of Section 123 of the Act is not applicable.

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

vi) Based on our examination which included test checks, the Bank has used an accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with.

As provision to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11 (g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2024.

For Krishnamoorthy & Krishnamoorthy
Chartered Accountants
Firm Registration No.001488S

K.J. Narayanan
Partner
Membership No: 202844
UDIN: 24202844BKBEHF6209

Place: Thrissur
Date: 22.05.2024

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

B Aruna
Partner
Membership No: 216454
UDIN: 24216454BKDAVL1895

Place: Thrissur
Date: 22.05.2024

ANNEXURE 'A' TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in Paragraph 2(g) under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date)

Independent Auditor's Report on the Internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls with reference to financial statements of Dhanlaxmi Bank Limited ("the Bank") as of 31 March, 2024 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2024, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial statements.

Meaning of Internal financial controls with reference to financial statements

A bank's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with

KRISHNAMOORTHY & KRISHNAMOORTHY CHARTERED ACCOUNTANTS THRISSUR

SAGAR & ASSOCIATES Hyderabad Chartered Accountants

generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and Directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal financial controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For Krishnamoorthy & Krishnamoorthy
Chartered Accountants
Firm Registration No.001488S

K.J. Narayanan
Partner
Membership No: 202844
UDIN: 24202844BKBEHF6209

Place: Thrissur
Date: 22.05.2024

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

B Aruna
Partner
Membership No: 216454
UDIN: 24216454BKDAVL1895

Place: Thrissur
Date: 22.05.2024