



DIRECTORS' 93rd ANNUAL REPORT

To

THE MEMBERS

The Directors of your Bank hereby are presenting the 93rd Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2020 (FY 2019-20).

1. FINANCIAL PERFORMANCE

The highlights of the financial performance of your Bank for the year ended 31st March, 2020 are as under:

Particulars	For the year ended (₹ in crores)	
	31 st March 2020	31 st March 2019
Deposits	21443.19	29279.44
Advances (net)	13827.89	20103.26
Investments (net)	5383.83	8430.17
Total Income	2558.03	3090.21
Operating Loss	(-15.46)	(-)11.97
Provisions & Contingencies	820.59	882.13
Net Loss	(-836.04)	(-)894.10

At the outset, this year proved to be most difficult for your Bank on the back of certain events happening in our bank coupled with certain external factors.

Consequentially your bank registered a total business of ₹ 38116.53 crores in FY 2019-20 as against ₹ 51235.40 crores in FY 2018-19, a decrease of 25.61%.

Deposits fell by 26.76%, from ₹ 29279.44 crores as at 31st March 2019 to ₹ 21443.19 crores as at 31st March 2020 on the back of conscious decision to reduce bulk deposits. CASA represented 26.63% of total deposits.

Total advances (net) reduced by 31.22%, from ₹ 20103.26 crores to ₹ 13827.89 crores in the same period on the constraints arising from lower CRAR.

The total Priority Sector Advances were ₹ 8441.32 crores forming 34.96% of Adjusted Net Bank Credit (ANBC) against the regulatory prescription of 40% of ANBC for the FY 2019-20.

The total Agricultural Advances stood at ₹ 3623.68 crores forming 15.01% of ANBC against the regulatory prescription of 18.00% of ANBC. Of which, loans to Non Corporate Farmers stood at ₹ 2469.66 crores forming 10.23% of ANBC against the mandatory requirements of 12.11%, loans to Small and Marginal Farmers stood at ₹ 2107.47 crores forming 8.73% of ANBC against the mandatory requirements of 8.00% of ANBC for the year 2019-20.

Our Bank's advances to Micro Enterprises under MSME were at 6.28% of ANBC amounting to ₹ 1517.03 crores against the mandatory requirements of 7.50% of ANBC for the year 2019-20.

Bank's advances to Weaker Sections were ₹ 2260.88 crores forming 9.36% of ANBC against the mandatory requirements of 10.00% of ANBC for the year 2019-20.

The shortfall in achievement with the regulatory guidelines under priority sector, agricultural lending, micro enterprises and weaker section advances arise mainly due to reduction/repayment of advances.

The Bank's exposures to sensitive sectors including Real Estate and Capital Market were maintained well within the regulatory limits as well as overall internal ceilings prescribed for such exposures.

As at the end of the year under review, the total investments (net) of the Bank stood at ₹ 5383.83 crores as on 31st March 2020 as against ₹ 8430.17 crores as on 31st March 2019.

Your Bank's Treasury continues to focus on sound Asset-Liability Management and on servicing clients with appropriate treasury products and was managed reasonably well in a systematic way in a year when yields were constantly rising.



2. PROFIT / LOSS

The Bank has posted an operating loss of ₹ 15.46 crores in FY 2019-20 against the operating loss of ₹ 11.97 crores in the previous year FY 2018-19. The net loss for the year, after provisions and taxes, amounted to ₹ 836.04 crores as against a net loss of ₹ 894.10 crores recorded in 2018-19.

3. APPROPRIATIONS

Particulars	For the year ended (₹ in crores)	
	31 st March 2020	31 st March 2019
Profit brought forward		
Transfer from Investment Reserve	(-) 1565.29	(-)671.12
Amount available for appropriation	0.00	0.00
Transfer to Statutory Reserve	(-) 836.04	(-)894.10
Capital Reserve	59.26	0.07
Other Reserve	0.00	0.00
Investment Reserve	0.00	0.00
Special Reserve u/s 36(i)(viii)of the IT Act, 1961	0.00	0.00
Proposed Dividend/Dividend paid	0.00	0.00
Corporate Dividend Tax	0.00	0.00
Balance of profit carried forward	0.00	0.00
	(-) 2460.59	(-)1565.29

4. DIVIDEND

In an environment of heightened uncertainty caused by COVID-19, it is important that banks conserve capital to retain their capacity to support the economy and absorb losses. Accordingly RBI vide circular DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 has directed all the banks not to make any further dividend pay-outs from the profits pertaining to the financial year ended March 31, 2020 until further instructions. Further, in view of the Net Loss for the FY 2019-20, your Board of Directors is unable to recommend any dividend for the year.

Your Bank has a Board approved Dividend Distribution Policy which has been formulated in line with Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and extant RBI Circulars / Directives. The Dividend Distribution Policy is enclosed as Annexure I to the Directors' Report. The Policy has also been made available in the website of the Bank and can be accessed at <https://www.lvbank.com/Policies.aspx> .

5. CAPITAL RAISING

Preferential Allotment

During the year, your Bank had allotted 1,68,00,000 Equity Shares at a price of ₹ 112/- (face value of ₹ 10/- and premium of ₹ 102/- per equity share) for an aggregate amount of ₹ 188.16 crores on 04.07.2019 to M/s. Indiabulls Housing Finance Limited under Preferential Issue as per Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended with approval of the shareholders through an Extra-ordinary General Meeting held on 20thMay 2019.

Your Bank continues to explore various options for raising further capital and will keep the shareholders informed through necessary disclosures at the Stock Exchanges and Bank's website.

6. STATEMENT OF DEVIATION OR VARIATION

During the year, the Bank had allotted 1,68,00,000 Equity Shares (face value of ₹ 10/- and premium of ₹ 102/-) for an aggregate amount of ₹ 188.16 crore, on 04th July 2019 to M/s.Indiabulls Housing Finance Limited by way of Private Placement. The issue was done in order to enhance the Capital Adequacy Ratio in line with the RBI norms. The proceeds of the issue were used primarily to enhance the Bank's Capital Adequacy Ratio and to increase our capacity to lend and for general corporate purposes subject to compliance



of applicable laws. There was no variation prompting disclosure under Regulation 32 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended.

7. EPS / BOOK VALUE

Earnings per Share stood at ₹ (-)25.16 for the year ended 31st March, 2020 as compared to ₹ (-) 34.66 as on 31st March, 2019. Book Value of the share, stood at ₹ 31.21 on 31st March, 2020 as compared to ₹ 53.48 as on 31st March, 2019. The Book value adjusted for DTA, Intangible assets stood at ₹ (-)5.63 on 31st March, 2020 as compared to ₹ 25.08 as on 31st March, 2019.

8. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

Net Owned Funds (NOF) of the Bank decreased from ₹ 1710.97 crores as at the end of FY 2019 to ₹ 1050.96 crores as at the end of FY 2020. The net owned funds adjusted for DTA, Intangible assets was (-) ₹ 189.42 crores at the end of FY 2020 as against ₹ 802.28 crores as at the end of FY 2019.

The Capital Adequacy Ratio (CAR) as on 31st March 2020 as per BASEL III is 1.12%. The Tier-I and Tier-II components of Capital Adequacy Ratio were maintained at (-) 0.88% and 2.00% respectively.

9. POSITION OF IND-AS IMPLEMENTATION

The Reserve Bank of India (RBI) issued a circular in February 2016, requiring scheduled commercial banks to implement Indian Accounting Standards (Ind AS) from April 1, 2018. Thereafter, RBI, vide a press release dated April 5, 2018, deferred the implementation of Ind AS by one year. Subsequently, RBI through a Circular dated March 22, 2019 has deferred the Ind AS implementation till further notice, as the legislative amendments recommended by the Reserve Bank towards implementation of Ind AS are still under consideration of the Government of India. In the meantime, RBI has advised the banks to continue submitting proforma Ind AS financial statements for every quarter, starting from quarter ended June 30, 2019 with date of transition as April 1, 2019.

The Bank has engaged a Chartered Accountant Firm from Mumbai as consultant to guide the Bank in the preparation of the Proforma Ind AS financial statements and also constituted a Steering Committee and commenced the process of Ind AS implementation. Bank is also in the process of identifying a suitable IT Consultant to provide appropriate software solution for treasury, a consultant to assist in the PD/LGD calculations and also to make modifications in the Core Banking System to enable extraction of data as per Ind AS requirement to assist for reporting under Ind AS.

In accordance with RBI directions, the Bank has been submitting Quarterly standalone proforma Ind AS financial statements to the RBI, from time to time.

10. DIVERGENCE IN ASSET CLASSIFICATION AND PROVISIONING FOR NPAs

As per RBI circular no.DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019, Banks are required to disclose the divergence in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts wherever either a) the additional provisioning requirements assessed by RBI exceeds 10 percent of the reported profit before provisions and contingencies for the reference period and b) the additional gross NPAs identified by RBI exceeds 15% of the published incremental Gross NPAs for the reference period. Accordingly the Bank has disclosed the divergence in Asset Classification and Provisioning for NPAs in compliance to Risk Assessment Report (RAR) of RBI for the financial year 2018-19 in the Notes to the Audited Financial Statements of the Bank and the same was also filed with the Stock Exchanges.

11. NON-PERFORMING ASSETS (NPA)

During the FY 2019-20 the asset quality deteriorated in banking industry in general and in your bank, many accounts have slipped to NPA from different segments including Corporate, MSME & Retail. The total slippage during the FY 2019-20 was to the tune of ₹ 1553.24 crores. The Gross NPA as on 31st March 2020 stood at ₹ 4233.31 crores while the Net NPA was ₹ 1387.86 crores against which a provision of ₹ 2768.32 crores have been made. In percentage terms, the GNPA was 25.39%, Net NPA 10.04% and Provision Coverage Ratio was 71.25%. With the concerted effort of the recovery teams as well as the branches, the Bank could recover ₹ 761.38 crores from the NPA Accounts. Despite the good performance under recovery, the huge slippage of accounts to NPA overshadowed the recovery performance. It is pertinent to mention here that under the NPA Portfolio, majority of the amount is in corporate segment & again some of the accounts from corporate segment are under reference to NCLT. Hence, recovery was difficult due to moratorium in the accounts. With dedicated recovery team at Corporate Office and Regional Offices, the Bank is making untiring efforts for improved recovery performance during the FY 2020-21.



12. BRANCH AND ATM NETWORK

The Bank's network spread as on 31st March 2020 stood at 566 branches with 558 General Banking branches, 7 Commercial Banking Branches, 1 Satellite branch and 7 extension counters with its presence spread across 16 States and 3 Union Territories (Puducherry, Delhi & Chandigarh).

The Bank has added 2 new ATMs during the FY 2019-20 and the ATM network stood at 973 which includes 528 Offsite ATMs.

13. FINANCIAL INCLUSION

Financial Inclusion is aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. In other words, financial inclusion is delivery of banking services at an affordable cost to vast sections of disadvantaged and low-income groups.

Inclusive growth is possible only through proper mechanism which channelizes all the resources from top to bottom. Financial inclusion is an innovative concept which uses alternative techniques to promote banking habits among people from rural and unorganized sectors.

The vision for Financial Inclusion, "convenient access to a basket of basic formal financial products and services that should include savings, remittance, credit, government-supported insurance and pension products to small and marginal farmers and low income households at reasonable cost with adequate protection progressively supplemented by social cash transfers, besides increasing the access of small and marginal enterprises to formal finance with a greater reliance on technology to cut costs and improve service delivery".

Your Bank is implementing financial inclusion under Business Correspondent (BC) channel through M/s. Integra Microsystems Private Limited., who is our technology service provider (TSP) & Corporate Business Correspondent (CBC) covering 134 villages and 230 wards (364 outlets) linked to 142 Branches with 146 (109) BC Agents through Micro ATMs, which are enabled with AEPS (Aadhaar Enabled Payment System) and interoperable facility can offer any (bank) customers both onus/off-us transactions like deposits, withdrawals, Fund Transfer, Balance enquiry & Mini Statement transactions.

PFRDA, GOI has conducted a national level campaign titled "PLEDGE TO PERSIST" under APY for all the banks under different categories. Among the Private Sector Banks, LVB has emerged as a topper in this campaign and received an award from PFRDA as "Best Performing Bank". Atal Pension Yojana is a Social Security Scheme introduced by Govt. of India, aimed at providing a steady stream of income after the age of 60 to all citizens of India. Under the Old Age Pension distribution 34,999 beneficiaries are being served at their door-step every month through our Business Correspondent Model.

14. INTERNATIONAL BUSINESS

During financial year 2019-20, the Rupee depreciated by nearly 8.8% against the US Dollar, when compared to 6.25% depreciation in the Previous fiscal year. The reasons for this move in the Rupee were: 1) Protectionist Trade Wars engaged by US President in the early part of financial year 2) Concerns over a slowdown in economic growth in India weighed on the rupee and 3) By the last quarter of fiscal year, COVID pandemic induced economic havoc gained ground. Rupee was one of the poorest performers as compared to its Asian Peers due to external as well as internal growth woes. RBI foreign exchange reserves reached a high of USD 481 Billion in Feb 2020 only to Drop to USD 477 Billion by end of March 2020 still 16 percent gain YOY. The US Federal Reserve continuously cut the policy rate throughout the year, initially to accommodate the Trade war induced recession fears, later to accommodate stress induced by COVID pandemic. Bank of England too followed Federal Reserve in rate cuts. ECB held on to rates. In the reporting financial year, the Bank has made a foreign exchange turnover of ₹ 5,115.62 crores and is geared for further higher growth. The export credit stood at ₹ 139 crores and outstanding NRI deposit (including NRE INR and F.C. deposit) is ₹ 970 crores.

15. LIABILITIES PRODUCTS

The imposition of PCA coupled with serious regulatory actions over some Banks has led to the Bank witnessing uncertain deposit outflow to the extent of ₹ 7843 crores in FY 2019. Though the bank had been recovering from the after-effects of PCA, the outbreak of the pandemic has ceased its momentum of growth. We will be expanding our efforts to improve our overall deposit levels in FY 2021. Key initiatives during FY19-20:

- Being a customer-centric banking institution, our focus will be on improving banking experiences for our customers. As part of a firm commitment to building caring relationships with senior citizens, we have introduced a new recurring deposit product exclusively for senior citizens offering them an additional rate of interest.



- We have enriched our digital channel experiences to align with the Digital India initiative of Government of India. We will be giving the LVB VISA Signature debit card, a premium debit card to our wealth clients as part of our endeavor to offer exciting discounts and privileged banking experience to them.
- LVB has been honored with the Best Performing Private Bank Award from PFRDA on January 9, 2020
- Lakshmi Vilas Bank (LVB) has taken a giant leap forward with the launch of its digital customer connect programme LVB JOY “Just Offers for You”. It is a unique program which features exclusive offers from over 40 plus most popular online and offline brands across major categories such as lifestyle, dining, healthcare, groceries, shopping, travel, entertainment and business. The new product has been designed to allow senior citizens to access offers across most popular offline and online pharmacies, hospitals, diagnostic services, travel and groceries whereas women customers will have access to offers across most popular beauty salons, spa services, online and offline dining, travel, entertainment etc.

16. ALIGNING TECHNOLOGY WITH BUSINESS OBJECTIVE

Your Bank is consistently enhancing Technology platform to provide better and secured customer experience. Your Bank has introduced various new features including Personal Finance Manager Dash-Board, Self-user On-Boarding, Bharath Bill Payment Systems (BBPS), multiple fund transfers etc., in its internet banking for better customer convenience. Your Bank has enhanced its CBS system with latest API (Application Programming Interface) layer to serve you better through various online channels. Bank has implemented e-KYC based account opening at all its Branches. Your Bank has modernised its ATM machines with latest technologies to serve you better. Your Bank also has launched a new mobile responsive website with lead generation features for an effective corporate communication.

17. WEALTH MANAGEMENT / PARABANKING ACTIVITIES:

Life Insurance:

Bank has entered strategic alliance with three leading Life Insurance companies in the country, Max Life Insurance, Aditya Birla Sun Life Insurance and Pramerica Life Insurance Company Ltd to offer Life Insurance cover to the valued customers of the Bank. The products offered to our clients are more diversified and tailor made to meet out their requirements.

During the Financial year 2019-20, through fresh Life Insurance premium of ₹ 22.62 Crores, 5204 lives have been covered earning fee income of ₹ 9.40 Crores for the Bank through Life Insurance premium collections (both fresh & renewals) during the year.

General Insurance:

Bank has tied up with Future Generali General Insurance Company Ltd & HDFC Ergo General Insurance Company Ltd to offer Non-Life Insurance products to the various customer segments. During the year, by way of General Insurance premium of ₹ 18.75 Crores, the assets of concerned borrowers and retail customers have been covered, besides earning a fee income of ₹ 1.41 Crores for the Bank through General Insurance premium collections.

Health Insurance:

Bank has tied up with M/s. Manipal Cigna Health Insurance Company Ltd to offer Health Insurance Products to the customers; earning fee income of ₹ 1.29 Crores for the Bank for the Health Insurance premium of ₹ 8.05 Crores (both fresh & renewal).

During the year, bank has enrolled 3718 new customers and protected them from their Medical emergencies.

FISDOM

Bank has tied up with M/s. Finwizard Technology Pvt Ltd (widely known as FISDOM) to offer mobile based Wealth management services to our Customers.

- ✓ Fisdome enables end-to-end digital transactions for mutual funds
- ✓ Here our customers can invest in equity, debt and liquid instruments through Fisdome and Fisdome has covered almost all leading AMCs.
- ✓ We have acquired 5993 clients during FY20 with fresh AUM of ₹ 65.46 Crores
- ✓ The total AUM as on 31st Mar'20 is ₹ 99.09 Crores
- ✓ Our active Monthly SIP book is ₹ 2.4 Crores.



18. RISK

The objective of risk management of the Bank is to achieve optimum return while operating within acceptable level of risk appetite. The Bank has an independent risk management function which is tasked with managing risk through policies and processes approved by the Board of Directors. These encompass identification, measurement and management of risks across the various businesses of the Bank. The risk management function in the Bank strives to scientifically study vulnerabilities of process across business portfolios through quantitative or qualitative examination of the embedded risks and controls. The function continues to focus on refining and improving its risk management systems through automation of processes and building and strengthening controls. The overall risk management function of the Bank is supervised by the Risk Management Committee of the Board of Directors. The Bank has formulated and adopted a robust risk management framework. The Bank has in place internal committees such as Credit Risk Management Committee (CRMC), Asset Liabilities Committee (ALCO), Operational Risk Management Committee (ORMC), Business Continuity Management Committee (BCMC), Information Systems and Steering Committee (ISSC). These internal committees meet frequently and discuss risk related issues arising from businesses and processes and have active participation from the Top Management of the Bank. The overall risk appetite and risk philosophy of the Bank is articulated by the Management to the Risk Management Committee of the Board and Board of Directors. The risk appetite framework provides guidance to the management on the permitted levels of exposure to various businesses and maps to the business strategy of the Bank. Further the Internal Capital Adequacy Assessment Process (ICAAP) of the Bank assesses all the significant risks associated with various businesses and projects the requirement of capital. The independent risk management structure within the Bank is responsible for managing the credit risk, market risk, liquidity risk, operational risk, other Pillar II risks like reputation risk and strategic risks and exercising oversight on risks associated with outsourcing. The Bank has in place well-defined policies appropriate for the various risks, viz. credit risk, market risk, operational risk, liquidity risk, counterparty risk, country risk, reputational risk, strategic risk and outsourcing risk. These are reviewed periodically in order to benefit from internal and external experience. IT and cyber risk has assumed significance in keeping with the rising risk in these areas and to keep pace with regulatory advisories.

19. INTERNAL CONTROLS

The Bank has an independent Audit & Inspection Department, which subjects all the branches of the Bank besides the Treasury, Currency Chests, Service Branches, Regional Offices and every department of the Corporate Office, to regular inspection. With the launch of Commercial Banking Branches (CBB), which deals with post sanction credit administration functions like documentation, disbursement and monitoring of Corporate and MSME advances, at seven centres across the country, the CBBs are also subjected to regular annual inspection. The Bank also carries out regular IS audits covering application systems and processes in business units.

Key areas including Treasury, centralized operations departments and a large number of branches are under Concurrent Audit, which is carried out by qualified external auditors and meets requirements of Risk Based Supervision. In addition, the Bank also carries out thematic audits in selected businesses / products from time to time. As part of preventive vigilance mechanism, Vigilance Audits are conducted at randomly selected branches to assess their preparedness to prevent frauds.

The Audit Committee of the Board, constituted in line with RBI guidelines and as per the requirements of SEBI Regulations, reviews the adequacy of the audit and compliance functions, including the policies, procedures and techniques. The composition of Audit Committee of the Board is provided in Annexure-C to this report.

20. HUMAN RESOURCES

After PCA, the staff strength of the Bank has come down from 4557 as on 31.03.2019 to 4349 as on 31.03.2020. In addition, 177 Sales Personnel were engaged for sales as on 31.03.2020.

The Bank's focus on training the human resources on a continuous basis gained momentum by conducting online e-learning duly leveraging technology. Bank has trained considerable number of resources in offsite training programmes conducted by reputed training institutions such as SIBSTC, NIBM, CAB, IDRBT, IBA, CAFRAL & FEDAI. Further, the Bank had entered into a strategic training collaboration with M/s. Manipal Global Academy of BFSI for bridging the skill gap and developing the internal talent pool.

21. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE BANK

Disclosure under Section 186 of the Companies Act, 2013 is not applicable for the Bank, being Banking Company.

22. DEPOSITS

Being a banking company, the disclosure requirement as per Rule 8(5) (v) & (vi) of the Companies (Accounts) Rules, 2014 read with Sections 73 and 74 of the Companies Act, 2013 are not applicable to the Bank.



23. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

There were no related party transactions during the year under review and Form AOC-2 is not applicable to the Bank. During the FY 2019-20, the Bank did not have any material Related Party Transaction. The Bank has an approved policy on Related Party Transactions, which has been disclosed on the website and can be viewed at <https://www.lvbank.com/policies.aspx>

24. OUTLOOK OF THE BANK 2020-21

The country's annual median GDP growth for 2020-21 is projected at (-) 4.5%, with the rapid spread of COVID-19 pandemic manifesting into an economic and healthcare crisis globally. The pandemic outbreak has severely impacted the economic activities as the country had to go through a lockdown to check spread of the virus. However, the restrictions are being gradually eased.

Agriculture seems to be the only sector with a silver lining right now. Even though activity in sectors like consumer durables, FMCG is gaining traction, majority of the companies are still operating at low capacity utilisation rates. Labour availability and feeble demand remain as major issues for the companies.

The Ministry of Finance in its macroeconomic June 2020 report has stated that India's economic growth is expected to contract 4.5% in the current fiscal year. The report shows a 6.4% fall in the Gross Domestic Product number than what the government had estimated in April 2020. The Ministry highlighted that the shrinkage is because of the slower global economic growth amid the ongoing COVID-19 pandemic.

IMF's records reveal that this is the lowest ever for India since 1961. The IMF does not have the data beyond that year. However, India's economy is expected to bounce back in 2021-22 with a robust 6% growth, it said.

The Washington-based multilateral lender said that the COVID-19 pandemic and the multi-phased lockdown imposed to curb its spread has resulted in a devastating blow to the Indian economy. In its latest edition of the Global Economic Prospect, the World Bank downgraded its projection of India by a massive negative 9%.

The Banking sector:

- The Reserve Bank of India (RBI) said India's gross domestic product (GDP) growth will be in negative territory in 2020-21 as the outbreak of coronavirus has disrupted economic activities. Reserve Bank of India (RBI) Governor said the combined impact of demand compression and supply disruption will depress economic activity in the first half of the current fiscal.
- Assuming that economic activity gets restored in a phased manner in the second half of this year and taking in consideration favorable base effect, it is expected that combined fiscal, monetary and administrative measures currently undertaken by both the government and RBI create conditions for a gradual revival of activities in the second half of 2020-21.
- Prime Minister Narendra Modi announced a ₹ 20 lakh crores stimulus package (encompassing previously announced COVID-19 packages by the Government and RBI) equivalent to about 10% of India's GDP, aimed at making the country self-reliant and reviving the stalled economy.
- The RBI also announced a slew of measures to help the economy tide over the Covid-19 crisis. These include a six months moratorium for all term loans, special liquidity facilities, targeted long-term repo operations among other measures. It also announced significant cut in key lending rate to enable banks lend to end borrowers at a cheaper rate.
- Announcing the latest Monetary Policy decisions, RBI Governor announced the RBI MPC has unanimously voted to maintain the status quo on policy rates and no further reduction. The RBI Governor also announced stimulus measures, which included additional liquidity of ₹ 10,000 crores at repo rate to NABARD and NHB. Among other measures, the RBI allowed stressed MSME borrowers to restructure debt if their loans were classified as 'standard' as on 1st March 2020. The MSME loan restructuring scheme was already in place, but, due to the coronavirus, the MSME pain has been aggravated, and this warranted additional support, the Governor added. In an effort to mitigate the impact of COVID-19 on households, the RBI increased the permissible loan to value ratio (LTV) for loans sanctioned against pledge of gold ornaments and jewellery for non-agricultural purposes from 75% to 90% till 31st March 2021.
- GDP growth in 2020-21 is estimated to remain in the negative territory with some pick-up in growth impulses in the second half of 2020-21 onwards.



25. CORPORATE GOVERNANCE

Corporate Governance of the Bank continues to rest on the fundamental pillar of high ethical values, designed to enhance and protect the interests of all the stakeholders. The Bank has complied with the corporate governance provisions as specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations"). All the Directors on the Board have executed deed of covenants and provided the declaration & undertaking individually in line with the recommendations of Dr.Ganguly Committee Report.

Further pursuant to SEBI Listing Regulations, a Management Discussion and Analysis is presented in Annexure A and Report on Board Committees is furnished in Annexure B. Composition of the Board of Directors together with the attendance of Directors at various meetings of the Board, its Committees and General Meetings and the number of directorships held by them along with the details of Audit Committee of the Board and Stakeholders Relationship Committee are furnished in Annexure C, including composition of the Audit Committee of the Board. General Shareholders' information is furnished in Annexure D.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations, the Board has carried out annual evaluation of its own performance (Board as a whole), all of its Directors, Committees of the Board, its Non-Executive Chairman and MD & CEO (interim). The manner of evaluation conducted during the year under report is furnished as under:

The performance evaluation of the Board as a whole and that of the individual Directors, Managing Director & CEO and of various committees were conducted based on the "Criteria for evaluation of Independent Directors and the Board" framed by the Nomination, Remuneration and Compensation Committee of the Board, SEBI Listing Regulations and Guidance Note on Board Evaluation issued by Securities and Exchange Board of India (SEBI).

The Board had already taken note of the evaluation made by the Independent Directors on the Board at their meeting held on 21.03.2020. During the evaluation, the Independent Directors had noted that the performance of non-independent directors and the Board as a whole was found to be satisfactory and the Independent Directors had further made the following observations:

- A. Non-independent / Promoter directors are actively participating in the Board / Committee meetings and offering their ideas, involved in raising of capital.
- B. The Chairman of the Board had been knowledgeable, understood the situation and had acted accordingly.
- C. The meetings are conducted transparently.
- D. The active participation of all the board members in the deliberations is ensured.

Based on the inputs received from the deliberations of the Independent Directors in their meeting and also considering certain specific criteria depending on the role of the director/committee in the Bank and the criteria for evaluation framed by the Nomination, Remuneration and Compensation Committee of the Board, the subject of board evaluation consisted of the following:

1. Evaluation of Board as a whole.
2. Evaluation of Board Committees.
3. Evaluation of Individual Directors of the Board.
 - Evaluation of Managing Director
 - Evaluation of Non-Independent Directors
 - Evaluation of Independent Directors

While evaluating the performance of the Board, Board Committees and Individual Directors, the Directors considered various parameters including those formulated by the Nomination, Remuneration and Compensation Committee of the Board and the Guidance Note on Board Evaluation prescribed by SEBI. Some of the factors considered included the composition and diversity of the Board, ensuring healthy Independent to Non-independent Directors ratio, manner of conduct of Board and Committee meetings, etc.

Being governed by the Banking Regulation Act, 1949, SEBI Listing Regulations and Companies Act, 2013, the mandatory Committees of the Board have been entrusted with specific roles and responsibilities under the relevant regulatory provisions. Besides the mandatory Committees as prescribed by the regulators, the Board has separately constituted certain Committees with specific reasons.



The evaluation of Board Committees were done taking into account their mandate, composition, frequency of their meetings, independence of the Committees from the Board, contribution of the Committees to the decisions of the Board through recommendations and to the Management through decisions, etc. The Board also views the recommendations of the Committees, if any, seriously and takes it into consideration. Based on the evaluation, the performance of the Committees were found to be satisfactory.

The Managing Director & CEO (Interim) of the Bank was evaluated based on various criteria including the Business targets set and the Bank's overall performance considering the PCA limitations, gaining of investors' confidence, regulatory confidence, staff confidence, etc., within the given limitations and the circumstances, exercising good judgement in managing the financial affairs and budgets of the organization. It was assessed that he has built good working relationship with Board members and has worked closely and cooperatively with the board. He has also ensured proper coordination between the Board and the Senior Management, he demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.) with untiring efforts in raising capital of the Bank by interacting with various investors and creating an investor friendly environment, maintains smooth rapport with various Industry Forums and Regulatory Bodies and actively participates in Board and Committee meetings.

Considering the above criteria and the business, the members of the Board requested the Managing Director & CEO (Interim) to ensure that the Management works more proactively in improving the key business parameters, works towards achieving the business plan of the Bank and creates good quality and bankable asset portfolio.

The Non-Executive Directors (both Independent and Non-Independent) of the Bank were evaluated based on various factors including their attendance, ability to understand duties, responsibilities, qualifications, disqualifications and liabilities as a Director, coordination and rapport with fellow Board Members, approach towards conflict resolution and their contribution in enhancing the Board's overall effectiveness, integrity and maintaining of confidentiality, ability to raise appropriate issues at meetings and seek necessary clarifications, taking advantage of opportunity to upgrade skills by attending professional development programmes, remaining abreast of various developments in the Indian banking arena and keeping up with the various modifications / re-enactments of statutory enactments applicable to the Bank like the Companies Act, SEBI Regulations and the Banking Regulation Act, 1949, etc.

The Independent Directors of the Bank were also provided familiarization program about the bank and their ability to bring out Independent judgment to the issues handled by the Board without getting influenced otherwise. The evaluation with respect to individual non-executive directors revolved around various factors as mentioned above and it was ensured that the Board members evaluated their fellow member Directors in the absence of the Director being evaluated.

26. NUMBER OF MEETINGS OF THE BOARD

During the financial year, the Board met 27 times. The Board meetings were held in accordance with the provisions of the Companies Act, 2013 as amended. The details of the meetings held are provided in the Corporate Governance Report that forms part of this Annual Report.

27. POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

According to the Articles of Association of the Bank, the number of Directors of the Bank shall not be less than three and more than fifteen. The process of due diligence is undertaken in compliance of Directives / Guidelines / Circulars issued by RBI from time to time in the matter of appointment / re-appointment of Director. The Non-Executive Chairman of the Bank and the Managing Director of the Bank are appointed with prior approval of the RBI. Based on the vacancies that may arise in the Board from time to time, the Board follows a due process of appointment of directors through necessary due diligence in line with the regulatory advice given by RBI, SEBI and MCA by way of Circulars / Guidelines / Regulations / enactments. The Nomination, Remuneration and Compensation Committee of the Board has formulated criteria for evaluation for the appointment or re-appointment of directors including independent Directors.

The Managing Director & CEO of the Bank is paid remuneration as approved by the RBI but is not paid any sitting fees. The Non-Executive Chairman of the Bank is paid honorarium as approved by the RBI along with sitting fees paid for attending Board / Board Committee meetings. Other than the Managing Director & CEO and Part-time Chairman, no other directors are paid any remuneration/ honorarium. But they are paid sitting fees for attending Board and Board Committee Meetings. The details of remuneration of the Managing Director & CEO and that of the sitting fees paid to the other directors are available elsewhere in the report. The Senior Management and the other KMPs of the Bank along with other employees are paid remuneration based on internal HR policies of the Bank. The Senior Management of the Bank along with the KMPs abide by the Code of Conduct prescribed by the Bank. The code of conduct has been disclosed at the Bank's website and can be viewed at <https://www.lvbank.com/code-of-conduct.aspx>. The Managing Director & CEO, Chief Financial Officer and Company Secretary are the Key Managerial Personnel (KMPs) of the Bank, as stipulated by the Companies Act, 2013. As on 31.03.2020, other than the Managing Director & CEO (Interim), there are no other whole-time directors in the bank.



In line with RBI circular DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015 on Guidelines on Compensation of Non-Executive Directors of Private Sector Banks, Board of Directors had formulated a Compensation Policy. The Compensation Policy for Payment of Remuneration to Directors has been made available in the website of the Bank and can be accessed at <https://www.lvbank.com/policies.aspx>.

28. 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 section 149(6) of the Companies Act 2013, and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and the 'Fit and Proper' declaration as prescribed by the Reserve Bank of India. It is confirmed that the Independent Directors have complied with the code for Independent Directors prescribed in Schedule IV to the Companies Act as amended.

29. CONFIRMATION ON INDEPENDENT DIRECTORS

The Board confirms that, in its opinion, the Independent Directors fulfil the conditions specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and are independent of the management.

30. FAMILIARISATION PROGRAMME

Pursuant to the Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Bank has to conduct a familiarization programme for newly inducted Independent Directors and the Bank has done accordingly. In compliance with Regulation 46 (2) (i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the details of the familiarisation programme conducted are disclosed in the website of the Bank and can be viewed at <https://www.lvbank.com/independent-directors-terms-condition.aspx>.

31. BOARD OF DIRECTORS & KEY MANAGERIAL PERSONNEL

Appointments

- Smt.Supriya Prakash Sen was appointed as an Additional Director on 14th June 2019 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and representing Information Technology and Finance categories under majority sector as per Banking Regulation Act, 1949.
- Shri Gorinka Jaganmohan Rao was appointed as an Additional Director on 02nd December 2019 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Risk Management, Payment & Settlement Systems, Finance and Banking Category under Majority Sector as per Banking Regulation Act, 1949.
- Shri Raghuraj Gujjar was appointed as an Additional Director on 02nd December 2019 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Non-Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Accountancy category under minority sector as per Banking Regulation Act, 1949.
- Shri Shakti Sinha was appointed as an Additional Director on 02nd December 2019 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Economics, Cooperation, Law, Finance and Human Resources Category under Majority Sector as per Banking Regulation Act, 1949.
- Shri Satish Kumar Kalra was appointed as an Additional Director on 02nd December 2019 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Banking, Risk Management, Business Management, Finance and Human Resources Category under Majority sector as per Banking Regulation Act, 1949.



- Smt. Meeta Makhan was appointed as an Additional Director on 23rd January 2020 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Banking & Business Management Category under Minority sector as per Banking Regulation Act, 1949.
- Shri Sanjay Kumar Khemani was appointed as an Additional Director on 23rd January 2020 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Accountancy & Finance Category under Minority sector as per Banking Regulation Act, 1949.
- Shri K.R.Pradeep was appointed as an Additional Director on 23rd January 2020 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Non-Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Accountancy & Law category under Minority sector as per Banking Regulation Act, 1949.
- Shri B.K.Manjunath was appointed as an Additional Director on 10th June 2020 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Accountancy Category under Majority sector as per Banking Regulation Act, 1949.
- Shri Y.N.Lakshminarayana Murthy was appointed as an Additional Director on 30th July 2020 pursuant to the provisions of Section 149 (4) and Section 161 of the Companies Act, 2013 and classified as Non-Executive and Independent Director in terms of Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, representing Majority Category under Agriculture & Rural Economy sector as per Banking Regulation Act, 1949.

Resignations / Cessation of tenure of appointment

- Shri Kusuma R Muniraju retired from the Board on 19th June 2019 pursuant to Reserve Bank of India directive on Report of the consultative group of Directors of Banks/Financial Institutions (Dr. Ganguly Group) - Implementation of recommendations dated 09.09.2002 as he has attained 70 years of age.
- Smt. Supriya Prakash Sen, Non-Executive and Independent Director resigned from the Board on 02nd October 2019 after serving about 3.5 months, providing reason for her resignation as “due to personal reasons” and she had further confirmed that there are no other material reasons other than those provided in her letter.
- Smt. Anuradha Pradeep, Non-Executive and Non Independent Director resigned from the Board on 01st November 2019.
- Shri Sanjay Kumar Khemani, Non-Executive and Independent Director resigned from the Board on 19th March 2020 after serving on the Board for about 2 months, providing reason for resignation as “Considering the role of the Committees he was inducted, he felt that he do not possess domain expertise required for effectively contributing for furtherance of the objective of these committees and therefore he felt that he would not be able to contribute much to the Bank through these Committees” and he had further confirmed that there are no other material reasons other than those provided in his letter.
- Shri B.K.Manjunath, Part-time Chairman of our Bank had retired on 5th June 2020 on completion of his tenure of appointment approved by Reserve Bank of India in terms of Section 10B (1A) of the Banking Regulation Act, 1949.
- Shri Y.N.Lakshminarayana Murthy, Non-Executive and Independent Director of our Bank had retired on closing hours of 17th July 2020 (effective from 18th July 2020) on completion of his tenure of appointment as approved in the 90th Annual General Meeting of the Bank held on 18th July 2017.
- Shri H.S.Upendra Kamath, Non-Executive and Independent Director of our Bank had retired on closing hours of 07th August 2020 (effective from 08th August 2020) on completion of his tenure of appointment as approved in the 91st Annual General Meeting of the Bank held on 08th August 2018.

MD & CEO

- Shri Parthasarathi Mukherjee, Managing Director & CEO had submitted his resignation owing to personal reasons in the Board Meeting held on 28th August 2019 and the Board had accepted the same. Shri Parthasarathi Mukherjee was relieved from his services at the closing hours on Saturday, 31st August 2019 as per his request.



- Shri S.Sundar was Co-opted by the Board as Additional Director of the Bank on 31st December 2019. He was also appointed as Managing Director & CEO (Interim) of the Bank with effect from 01st January 2020, after obtaining the approval from Reserve Bank of India.

RBI Additional Director:

Reserve Bank of India, Mumbai vide their letter DoR.PSBD No.3824 /16.05.013 /2019-20 dated November 18, 2019 and order DoR. PSBD No.3827/16.05.013/2019-20 dated November 18, 2019 has appointed Shri Sundaram Shankar, General Manager, Reserve Bank of India, Hyderabad Regional Office as Additional Director on the Board in place of Shri Suvendu Pati, General Manager, Chennai Regional Office for a period of two years with effect from November 18, 2019 to November 17, 2021 or till further orders, whichever is earlier.

Re-appointment of Director retiring by rotation:

Shri N.Saiprasad, Director will be retiring by rotation at the ensuing 93rd Annual General Meeting and being eligible, offers himself for re-appointment.

Relationship between Directors inter-se:

None of the Directors of the Board are related inter-se. It may however be noted that Shri Raghuraj Gujjar is currently the Managing Director of Kare Power Resources Private Limited and Brindavan Hydropower Private Limited, which are promoter group entities belonging to Shri K.R.Pradeep, the Promoter and non-executive director of the Bank, who holds 2,01,95,000 (94.59%) equity shares and 2,07,10,024 (99.99%) equity shares in those two entities respectively.

Key Managerial Personnel

Shri Parthasarathi Mukherjee, Managing Director & CEO of the Bank resigned & relived from the services of the Bank on 31st August 2019.

During the financial year, Shri S.Sundar, Chief Financial Officer had resigned from the services of the Bank on 31st December 2019 and was appointed and took charge as MD & CEO (Interim) on 01st January 2020.

Apart from the above, there were no changes in the Key Managerial Personnel during the year.

Shri K.Hariharan, Vice President was appointed and took charge as the Chief Financial Officer of the Bank with effect from 30th June 2020.

32. LIST OF CORE SKILLS / COMPETENCIES IDENTIFIED BY THE BOARD

The Banking Regulation Act, 1949, prescribes that not less than fifty-one percent of the total members of the Board of Directors of a Banking Company shall consist of persons who shall have special knowledge or practical experience in respect of one or more of the matters namely, Accountancy, Agriculture & Rural Economy, Banking, Co-operation, Economics, Finance, Law, Small-scale Industry, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management and Business Management, any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank of India, be useful to the Banking Company. Being a Bank, the Board of Directors are bound by the said provisions with regard to the core skills / expertise /competencies.

The details of the Board of Directors as on 31.03.2020 and further as on the date of this report with their core areas of expertise are given below:

Sl. No.	Name of the Director	Areas of Expertise
1	Shri B.K.Manjunath, Chairman ¹	Accountancy
2	Shri S.Sundar, MD & CEO (Interim)	Banking and Accountancy
3	Shri Y.N.Lakshminarayana Murthy ²	Agriculture & Rural Economy
4	Shri G.Sudhakara Gupta	Business
5	Shri H.S.Upendra Kamath ³	Banking (Practical Experience) and Small Scale Industry (Special Knowledge)
6	Shri N.Saiprasad	Business
7	Shri Gorinka Jaganmohan Rao	Risk Management, Payment & Settlement Systems, Finance and Banking


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Sl. No.	Name of the Director	Areas of Expertise
8	Shri Raghuraj Gujjar	Accountancy
9	Shri Shakti Sinha	Economics, Cooperation, Law, Finance and Human Resources
10	Shri Satish Kumar Kalra	Banking, Risk Management, Business Management, Finance and Human Resources
11	Smt. Meeta Makhan	Banking & Business Management
12	Shri K.R.Pradeep	Accountancy & Law

¹ Shri B.K.Manjunath retired as Chairman of the Bank on 05th June 2020 and was appointed as Additional Director under Non-Executive and Independent category of the Bank on 10th June 2020.

² Shri Y.N.Lakshminarayana Murthy retired on 17th July 2020 and was appointed as Additional Director under Non-Executive and Independent category of the Bank on 30th July 2020.

³ Shri H.S.Upendra Kamath retired on 07th August 2020.

33. DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 134(3) (c) OF COMPANIES ACT, 2013

The Board of Directors of your Bank confirms that in the preparation of the annual accounts for the year ended March 31, 2020:

- The applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- 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 company at the end of the financial year and of the profit and loss of the Company for that period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts on a going concern basis.
- The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- 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.

34. SOCIAL INITIATIVES 2019-2020

Donation

Your Bank as a responsible corporate citizen has been supporting various philanthropic activities by donating such initiatives to the tune of ₹ 3.16 Lakhs. Further, your bank has also taken several initiatives in the area of CSR.

Corporate Social Responsibility (CSR)

In accordance with the directives of Government of India, Bank is required to spend 2% of the average net profit of the last 3 Financial Years or any part thereof on CSR activities. The Bank has disclosed its CSR policy in the website and the same can be viewed at <https://www.lvbank.com/policies.aspx>. The Annual Report on the CSR activities undertaken during the year as per the format specified by the Ministry of Corporate Affairs is forming part of this Report and is annexed to this Report as Annexure-E.

35. BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report prepared in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended has been made available on the Bank's website at <https://www.lvbank.com/business-responsibility-report.aspx>.


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36. ANNUAL RETURN

The extract of Annual Return in Form No. MGT 9 is annexed herewith as Annexure J. Pursuant to the provisions of Section 134(3) (a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, as amended, the Annual Return of the Bank as on March 31, 2020 will be made available on the website of the Bank and can be accessed at <https://www.lvbank.com>.

37. STATEMENT ON COMPLIANCE TO APPLICABLE SECRETARIAL STANDARDS

The Bank is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

38. PARTICULARS OF EMPLOYEES

The disclosures pursuant to the provisions (as amended) of Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the Disclosures pursuant to the provisions of Section 197 (12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are enclosed as Annexure-F.

39. EMPLOYEES STOCK OPTION SCHEME

In the year 2010, the shareholders of the Bank have approved the issue of shares through Stock Option Scheme (ESOS 2010). During FY 2019-2020, total of 10,521 options were exercised by the eligible employees. In the year 2017, the shareholders of the Bank have approved the issue of shares through Employees Stock Option Scheme 2017 (ESOS – 2017). The implementation of both the said Schemes is in accordance with the applicable SEBI Regulations.

All the options granted so far have been under ESOS 2010 and no options have been granted under ESOS 2017 till date. There are no material changes made in the Schemes during the year and all the schemes are in compliance of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. Statutory disclosures regarding ESOS have been furnished in Annexure G to the report and can be viewed at www.lvbank.com.

40. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of Section 134(1)(m) of the Companies Act, 2013 and the applicable rule under the Companies (Accounts) Rules, 2014 relating to conservation of energy and technology absorption do not apply to your Bank. The Bank has, however, used Information Technology extensively in its operations. The Bank continues to encourage the country's exports and will endeavor to enlarge its export financing.

41. DETAILS OF MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING THE FINANCIAL POSITION OF THE BANK WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE BANK TO WHICH THE FINANCIAL STATEMENT RELATE AND THE DATE OF THE REPORT

1. M/s. Religare Finvest Ltd., had deposited ₹ 19,52,75,841.26 on 11.11.2016, ₹ 215,83,03,562.93 on 11.11.2016, ₹ 153,02,34,680.63 and ₹ 204,03,12,901.48 on 9.1.2017 with our bank. The said amounts were kept with our Janpath branch. Our Janpath branch extended deposit loan to M/s. RHL Holdings Ltd and M/s. Ranchem Ltd on 11.11.2016 and 09.01.2017 to an extent of 92% - 95% of the deposits of M/s. Religare Finvest Ltd.

The bank had liquidated the deposits of M/s. Religare Finvest Ltd on 20.02.2018 and adjusted the proceeds to the loans availed by M/s. RHL Holding Pvt. Ltd and M/s. Ranchem Ltd due to non-submission of clear intimation/communication and relevant papers/documents for continuation/renewal of deposit loan facility. M/s. Religare Finvest Ltd questioned the appropriation of said deposits into the above said loan accounts and filed a commercial suit No.940/2018 before High Court, Delhi against the bank. In this regard, bank had obtained opinion from two different reputed law firm and advocates opined that the claim is not tenable and bank has got good case. The said suit is pending for hearing.

Meanwhile, RFL lodged a criminal complaint with EOW, Delhi during the pendency of the above said civil case and FIR was registered by EOW, Delhi bearing FIR No.189/2019 dated 23.09.2019 under section 409 and 120 B of IPC against the bank, RHC Holding, Ranchem and their directors & others. Further, we understand that a chargesheet has been filed against Malvinder/ Shivender Singhs & our employees and court is yet to take cognizance of the same.



In pursuance of the above said FIR registered by the EOW, Delhi, Enforcement Directorate, New Delhi also registered a case under PMLA Act and issued summons to our Principal Nodal Officer to furnish certain details about Religare transaction under section 50 of PMLA Act. The investigation is still pending.

The Ministry of Corporate Affairs directed Serious Fraud Investigation Office (“SFIO”) to conduct investigation into the affairs of Religare Enterprises Limited (“REL”). Accordingly, investigation has been commenced and the same is pending.

2. The Board at its meeting held on April 5, 2019 had approved the scheme of amalgamation of The Lakshmi Vilas Bank Limited (LVB) (“Transferor Company”) with Indiabulls Housing Finance Limited (IHFL) (“Transferee Company”). In furtherance to the same, based on the mutual discussion of the management of LVB and IHFL, respectively, the Board at its meeting held on May 3, 2019 had considered and approved amendments to effect merger of IHFL (“Transferor Company 1”) and its wholly owned subsidiary, Indiabulls Commercial Credit Ltd., (ICCL) (“Transferor Company 2”) into and with LVB (“Transferee Company”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 as amended, Companies (Compromises, Arrangements and Amalgamations) Rules 2016, and other rules and regulations framed thereunder. The Scheme was subject to the receipt of approval from the Reserve Bank of India, other Regulatory approvals and all other applicable compliances. Further, on the joint application filed by the said three entities with Competition Commission of India (CCI) on May 10, 2019, CCI has accorded its approval by Order under Section 31(1) of the Competition Act, 2002 dated June 20, 2019. The Bank had submitted an application seeking Reserve Bank of India (RBI) approval on May, 07, 2019 for voluntary amalgamation of Indiabulls Housing Finance Limited and Indiabulls Commercial Credit Limited into and with the Lakshmi Vilas Bank Limited, however Reserve Bank of India vide letter dated October 09, 2019, informed that the application for voluntary amalgamation of Indiabulls Housing Finance Limited and Indiabulls Commercial Credit Limited with The Lakshmi Vilas Bank Limited (“LVB” or “Transferee Company”) cannot be approved.
3. The Bank routinely evaluates capital raising options and proposals which are in its best interest.

The Bank has signed preliminary, non-binding letter of intent (Loi) with M/s. Clix Capital Services Private Limited (“Clix Capital”) and M/s. Clix Finance India Private Limited (“Clix Finance”) (collectively, the “Clix Group”) as on 15th June 2020 in relation to the proposed amalgamation of Clix Group with the Bank. Under the non-binding LoI, the proposed amalgamation is subject to completion of mutual due-diligence in exclusive window within September 15th, 2020, and will be subject to regulatory and other customary approvals. In the event the discussions between the contracting parties in relation to the proposed transaction is successful and definitive agreements are executed, we will make appropriate disclosures as required under the provisions of applicable law.

42. DETAILS OF SIGNIFICANT MATERIAL ORDERS PASSED, IMPACTING THE GOING CONCERN STATUS AND COMPANY’S OPERATIONS IN FUTURE BY REGULATORS OR COURTS OR TRIBUNALS

During the year under review, no Significant Material Orders were passed by any regulators or courts or tribunals against the Bank other than those disclosed separately in the financial statements, directors report and in the Corporate Governance Report.

43. OTHER PENALTIES IMPOSED BY REGULATORS

- RBI has imposed a monetary penalty of ₹ 1.00 crores on Bank for non-adhering to IRAC norms observed in statutory inspection with respect to financial position as on March 31, 2017.
- RBI has imposed a total penalty of ₹ 83,250/- on account of deficiency like mutilated notes etc., observed in Soiled Notes remittances made by our currency chest transactions and incognito visit by RBI officials to respective branch.

44. NUMBER OF CASES FILED, IF ANY AND THEIR DISPOSAL UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

In order to provide protection against sexual harassment of women at workplace and for the prevention and redressal of complaints of sexual harassment and for matters connected therewith or incidental thereto, as sexual harassment results in violation of the fundamental rights of a woman to equality under Articles 14 and 15 of the Constitution of India and her right to life and to live with dignity under Article 21 of the Constitution and right to practice any profession or to carry on any occupation, which includes a right to a safe environment free from sexual harassment, a well-defined policy in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been adopted in the bank. The complaints registered under the Act, on actions covered under the ambit of Sexual Harassment at work place are handled by a committee represented by two senior executives of the Bank, a lady executive and an external member. Redressal of such complaints are dealt in a prudent manner, giving equal opportunity to both the aggrieved and the accused for representation of the case and without affecting the dignity and self-esteem of the women employee (permanent, contractual, temporary, trainee).


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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

45. VIGIL MECHANISM / WHISTLE BLOWER POLICY

Disclosure of information in the public interest by the employees of an organization is increasingly gaining acceptance by Public bodies for ensuring better governance standards and probity in the conduct of affairs.

As a proactive measure for strengthening financial stability and with a view to enhance public confidence in the robustness of the financial sector, RBI has formulated a scheme called “Protected disclosures scheme for private sector and foreign banks”.

In the above perspective, our Bank has formulated and implemented a “Whistle Blower Policy” which is made available in the Bank’s Website and local intranet. During the year 2019-20, no personnel has been denied access to the Audit committee. The Web link thereto is https://www.lvbank.com/UserFiles/File/WhistleBlowerPolicy_2015.pdf.

46. CODE OF CONDUCT TO REGULATE, MONITOR AND REPORT TRADING BY INSIDERS IN SECURITIES OF THE LAKSHMI VILAS BANK LIMITED

The Bank has formulated a Code of Conduct pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended, to regulate, monitor and ensure reporting of trading by the employees and other connected persons towards achieving compliance with the SEBI Regulations and is designed to maintain highest ethical standards of dealing in securities of the Bank by persons to whom it is applicable. The code of conduct and related policy are available in the Bank’s website and can be viewed at <https://www.lvbank.com/insider-trading.aspx>

47. AUDITORS

Statutory Auditors:

The Statutory audit of the Bank was carried out by M/s. P. Chandrasekar LLP, Chartered Accountants, Bangalore whose report is annexed and forms part of this report. The Statutory Central and Branch Auditors have audited all the branches and other offices of the Bank. The qualified opinion of the Statutory Auditors together with the basis and our response to the same are furnished hereunder:

Observation:

Qualified Opinion:

1. During the financial year ended 31st March 2018, the Bank had adjusted loans aggregating to ₹ 794 crores extended to RHC Holding Private Limited and Ranchem Private Limited against deposits of Religare Finvest Limited. The said adjustment has been contested by Religare Finvest Limited and a suit has been filed against the Bank in May 2018 before the Honourable High Court of Delhi. The matter still remains sub-judice. Further, the Economic Offences Wing, Delhi (“EOW”) has initiated proceedings against the Directors of the Bank and SEBI has sought clarification on the above matter. However, as per the Bank, based on legal opinions obtained against the suit, the said appropriation is lawful and tenable and hence not made any specific provision on this score. The Reserve Bank of India (“RBI”) vide letter dated 21st November 2019, had advised the Bank to maintain provisions, on a prudential basis, to cover potential losses for the ‘Claim against the Bank not acknowledged as debt’ in respect of the above-mentioned matter. In case of adverse judgment, the management needs to provide an additional amount of ₹ 594 crores after considering the available contingent provision of ₹ 200 crores provided in the books. Considering the above, the Provisions (other than Tax) and Contingencies would have increased, net loss for the year would have increased, shareholders’ funds would have decreased, by Rs.594 crores each and the Capital Adequacy Ratio (Basel III) would have reduced by 4.50%.
2. Bank has reversed the cumulative provision of Rs.48.70 crores held towards revision of wages due to employees with effect from November 2017. While the Bank has cited the withdrawal of mandate given to the Indian Banks’ Association (“IBA”) to negotiate revision of salary on its behalf, as the basis for reversing the provision, there is no evidence to suggest that there will not be any liability for the wage revision with effect from November 2017. While the quantum of wage revision cannot be determined as on date, it is likely that the provision required would at least be ₹ 48.70 crores. Considering the above, the Employees Cost and the net loss for the year would have increased by ₹ 24 crores each, other income would have decreased by ₹ 24.70 crores and other liabilities and Provisions as at 31st March 2020 would have increased by ₹ 48.70 crores.





3. Bank has recognised net deferred tax asset of Rs.1,185.57 crores as at 31st March 2020, of which Rs.326.01 crores was created during the year ended 31st March 2020. As mentioned in Note 17 of the Financial Results, the Bank has decided not to opt for reduced corporate tax rate under Section 115BAA of the Income Tax Act and the deferred tax asset and liability have been calculated with the existing tax rate. As per the requirements of AS 22 "Accounting for Taxes on Income", deferred tax assets should be recognised and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In our opinion, considering the recurring losses and in the present scenario of the Bank going through the Prompt Corrective Action imposed by the RBI, there is no certainty that the Bank will have sufficient future taxable income to justify the creation of deferred tax asset. Had the deferred tax asset not been created and retained, the net loss for the year would have been higher by ₹ 1,185.57 crores.

Response:**Impact is not Quantified**

1. "Disputing the said adjustment, M/s.Religare Finvest Limited has filed a suit against the Bank in May, 2018 before the Honourable High Court of Delhi and the same is being defended appropriately by the Bank. The matter still remains sub-judice. Based on two independent legal opinion that the Bank's action is lawful and tenable, no liability is expected. The matters is sub judice".

Impact is Quantified

2. "Board directed Management to withdraw the mandate given to IBA to negotiate wages of its officers and workmen staff from 1st November 2017. Accordingly, Bank has written separate letters to IBA regarding withdrawal of mandate for Officers and for workmen staff. Since the mandate stands withdrawn, there is no liability on the Bank to pay any arrears of wages with effect from 1st November, 2017. Accordingly, Bank has reversed the entire provision of arrears of wages amounting to ₹ 48.70 crores."
3. "Bank has already engaged services of merchant bankers and has received non-binding letter from Clix group for amalgamation with the bank which is under process. Simultaneously Bank will talk to other investors to raise capital. This will enable the Bank to grow the business and this along with other cost control measures undertaken by the Bank would generate sufficient profits in order to absorb DTA."

Secretarial Auditor:

Pursuant to the provisions of the Companies Act, 2013, the Bank has appointed Shri K Muthusamy, Practising Company Secretary, Coimbatore (CoP 3176) as the Secretarial Auditor of the Bank for the FY 2019-20. The Secretarial Audit Report dated 15th June 2020 is annexed to this report as Annexure H. There are no qualifications, reservation or adverse remark or disclaimer in the report.

48. LISTING AGREEMENT WITH STOCK EXCHANGES

The Equity Shares of the Bank are listed with the National Stock Exchange of India Limited, Mumbai and BSE Limited, Mumbai to enhance the liquidity of your equity shares.

49. ACKNOWLEDGMENTS

Your Directors would like to thank the shareholders and customers for their continued goodwill and support. The Board also gratefully acknowledges the guidance and co-operation received from the Reserve Bank of India and other regulatory and government authorities like SEBI, NSE, BSE, NSDL, CDSL and Department of Income Tax.

Your Directors would also like to express their sincere appreciation of the contribution made by the management and staff including the Employees' Union and Officers' Association for their support and look forward to a more evolved relationship, as steps are taken to re-orient the bank for the future.

For and on behalf of the Board of Directors

B.K.Manjunath
Chairman of the Meeting

S.Sundar
Managing Director & CEO

Place: Chennai
Date: 26.08.2020