



The Lakshmi Vilas Bank Ltd.

Regd. & Admn. Office, Salem Road, Karur-6.



DR. S. NARAYAN
Chairman

Ladies and Gentlemen,

It is indeed a great pleasure to welcome you all to this meeting and present to you the Annual Report of your bank for the financial year 2008-2009.

The Directors' Report and the final accounts of the bank for the period ended 31st March, 2009 have already been provided to all the shareholders. With your permission, I would like to consider them as read.

The global economic environment continues to remain uncertain, although the rate of contraction in economic activities and the extent of pressures on financial systems eased in the first quarter of 2009-2010. Though India was not as seriously affected as some of the developed countries, yet there has been some impact on growth. Indian economy in the Year 2008-2009 has recorded a 6.7 per cent growth in GDP as against 8.8 per cent recorded during the high growth phase of 2003-2004 to 2007-2008.

The Indian financial markets have rebounded from their last year lows and continue to function efficiently and exhibit stability with lower volatility. Higher volumes in transactions were recorded in the first quarter of 2009-2010. Several monetary policy initiatives which included reduction in the SLR & CRR and moderation of repo & reverse repo rates etc., have had positive impact on both deposit and lending rates. The first quarter of 2009-2010 saw correction of the rates. Fiscal stimulus measures coupled with complementary monetary policy steps enabled a projection of 6.7% growth in GDP for the full year. The growth outlook for 2009-2010 is well supported by the high domestic saving rate, sound financial system and supportive macroeconomic policy environment.



CHAIRMAN'S SPEECH
AT THE 82ND ANNUAL
GENERAL MEETING ON
28TH AUGUST 2009

**Indian Banking scenario:**

Aggregate deposits of scheduled commercial banks increased by 19.8% (Rs. 6,33,383 crore) during 2008-2009 as compared with 22.4% (Rs. 5,85,006 crore) in 2007-08.

Non-food credit extended by scheduled commercial banks increased by 17.28% (Rs. 4,09,098 crore) as compared with 22.3% (Rs. 4,30,725 crore) in the previous year. The call rates hovered around the reverse repo rate. The commercial paper market exhibited greater activity, reflecting revival in demand for funds by the NBFCs and the working capital needs of corporates. The Government securities market witnessed increases in volume in the primary segment reflecting the large borrowing programme of the Govt. The Yield curve at the end of June 2009 had steepened at the short-end due to ample liquidity. The borrowing program of the Government to bridge fiscal deficit and meet public expenditure is expected to impact the yields with implications of heavy depreciation.

On the credit front, as, with both deposit and lending rates showed signs of moderation, the off-take of credit in the first quarter of 2009-10 was sound though not very impressive. With the return of capital flows, the foreign exchange market showed appreciation of the rupee, reversing part of the depreciation in the previous quarter. The equity market recovered a large part of its earlier losses.

Performance of your bank during 2008-2009

You will be glad to note that your bank registered considerable improvements in all vital parameters during the financial year 2008-2009.

Your bank's total business mix stood at Rs.12,606.73 crore at the end of March 2009 as compared to Rs. 9,477.27 crore of the previous year thus recording a 33% growth.

Deposits have increased to Rs. 7,360.90 crore at the end of March 2009 from Rs. 5,618.49 crore registering a growth of 31% over the previous year and Advances have touched Rs. 5,245.83 crore at the end of the year as compared to Rs.3,858.79 crore of the previous year recording a growth of 36%. The priority sector advances have increased from Rs.1,488.19 crore to Rs.1,763.18 crore and Agri-advances from Rs. 637.50 crore to Rs. 797.78 crore over the preceding year. Total investments of your bank grew to Rs. 1,863.06 crore from Rs. 1,693.67 crore in the previous year.

The net profit of your bank rose to Rs. 50.30 crore from Rs. 25.27crore on an operating profit base of Rs.108.85 crore.



The net owned funds of your bank rose to Rs. 453.70 crore and Capital funds increased to Rs. 507.54 crore and capital adequacy stood at 10.09%. The Bank has proposed to raise Rs. 240-300 crore, through offer of equity shares on Rights basis to strengthen the capital base and improve CRAR to 12-13%.

Your bank has filed Draft letter of offer with SEBI for vetting and seeks your overwhelming support to the "Right Issue".

The net non-performing assets of your bank have been brought down to 1.24% from 1.55%. Your bank has opened Branch at Kaveripattinam and plans to open 22 more branches during the current year. Branches will be opened in different parts of the country though more of them will be opened in Tamilnadu and Andhra Pradesh. We will also be entering the State of Chhattisgarh for the first time with a proposed branch at Raipur.

The Bank has installed 120 ATMs both off site and on site and plans to take the number to 150 by March 2010. We have become a part of the National Network of ATMs and consequently customers of your bank can now access more than 50,000 ATMs situated in every nook and corner of the country. Your bank is one of the first banks in the country to implement the "UNIFIED COMMUNICATION" system enabling any staff member to converse with any other through Voice, Chat and mail modes.

Human capital has been strengthened through various recruitment drives carried out throughout the year. Internal promotion process was completed enabling people to shoulder higher responsibility. Imparting soft skills, enabling change management and equipping with domain specific skill sets were the theme of the training programs conducted throughout the year and your bank will continue to lay emphasis on this front to perennially upgrade quality of Human Resources. The bank of tomorrow will be well manned by people from within.

To decentralize the functions of Administrative office, Zonal offices have been set up at Coimbatore, Chennai, Bangalore and Mumbai for governing the 252 branches of the bank. In the process Divisional offices have been wound up. This measure will improve functional efficiency, take us nearer to the customer and ensure greater customer satisfaction.

Many technological initiatives have been taken which place your bank on the same pedestal as any new generation techno savvy bank. Some of the products introduced relate to internet banking, mobile payments etc. your bank is in the process of tying up with VISA for debit cards. Many other initiatives are also on the anvil which when implemented will propel the bank to a high pedestal of innovative banking.



The Business plan for 2009-2010 envisages:

- a) To Attain Business Mix of Rs. 17,200 crore at a growth rate of 37% with Deposits of Rs. 9,850 crore & Advances of Rs.7,350 crore.
- b) To increase number of Branches to 273 and 150 ATMs.

Before I conclude, I on behalf of the Bank & Board and on my own behalf would like to place on record our gratitude to shareholders and customers and all constituents for their unstinted support. I am glad to record my appreciation for the positive role played by employees at all level.

I also gratefully acknowledge the continuous guidance and support of the RBI, SEBI and NSE.

Thanking you,

Dr. S. NARAYAN
Chairman

Note: This does not purport to be a record of the proceedings of the 82nd Annual General Meeting.