



## EXECUTIVES

### GENERAL MANAGERS

R.Sridharan  
Naganna Prabhakaran  
S.R.Narayanamurthy  
B.Murali Nair, CHIEF TECHNOLOGY OFFICER.

### DEPUTY GENERAL MANAGER & COMPANY SECRETARY

S.Venkateswaran

### DEPUTY GENERAL MANAGERS

S.Ravishankar  
J.V.S.Chetty  
V.Sekar  
L.Sadanandam  
R.V.Raman  
S.Suresh Babu  
A.K.Ramakrishnan

### ASSISTANT GENERAL MANAGERS

B.Kalyanavenkataraman  
S.Elangovan  
T.B.Sathyanarayanan  
M.Sethuraman  
RM.Kumarappan  
N.Durairajan  
B.Ranjan Babu  
S.Kannan  
K.Vishnumohan  
K.Srinivasan

### AUDITORS

S.Viswanathan  
Chartered Accountants, Chennai

N.B.S & Co (Previously known as N.B.Shetty & Co)  
Chartered Accountants, Mumbai

### REGD. & ADMN. OFFICE

Salem Road, Kathapara, Karur-639 006, Tamilnadu  
Phone: 04324-220068 & 220069  
Website: [www.lvbank.com](http://www.lvbank.com)  
E.Mail: [secretarial@lvbank.com](mailto:secretarial@lvbank.com)

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## BOARD OF DIRECTORS



Shri. R.M. NAYAK  
Chairman & Chief Executive Officer  
(TILL 19.06.2007)



Shri. D.L. SURESH BABU



Shri. K.B. KRISHNAN



Shri. M.P SHYAM



Shri. R. DHANDAPANI  
(TILL 20.08.2007)



Shri. K. BALAJI



Shri. E. SREEDHAR



Shri. N. SAIPRASAD



Shri. G. SUDHAKARA GUPTA



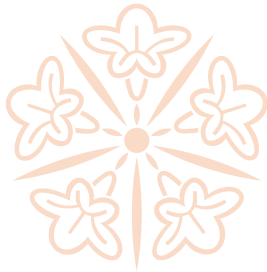
Shri. K. RAVINDRAKUMAR



## BRANCH NETWORK EXPANSION



VELACHERY (TN)



NOIDA (UP)



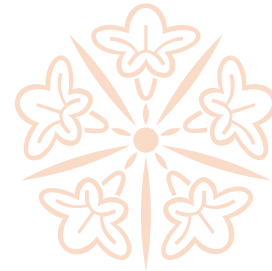
KARIM NAGAR (AP)



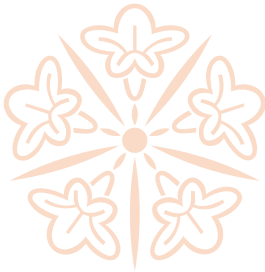
## BRANCH NETWORK EXPANSION



T. NAGAR (TN)



GURGOAN (HARYANA)



CHINNA SALEM (TN)



## DIRECTORS' REPORT

### 1. TO THE MEMBERS

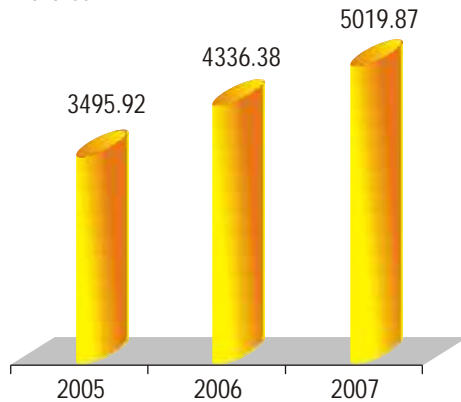
Your Directors have great pleasure in presenting the 80<sup>th</sup> Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2007.

### 2. FINANCIAL PERFORMANCE

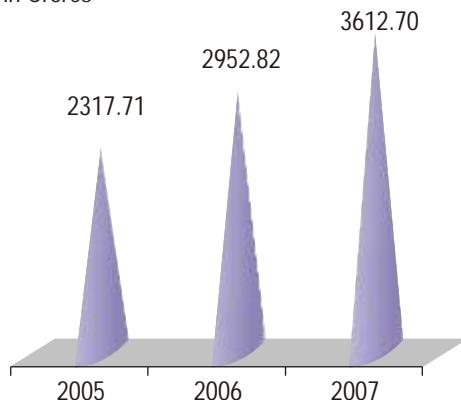
(Rs. in crores) For the year ended		
	31 <sup>st</sup> March 2007	31 <sup>st</sup> March 2006
Deposits	5019.87	4336.38
Gross Advances	3612.70	2952.82
Investments	1309.30	1279.87
Total Income	474.99	357.00
Operating profit	73.58	39.92
Provisions and contingencies	56.00	17.45
Net Profit	17.58	22.47

Your Bank has continued to post a robust growth in business volumes and revenue that compare favourably with the industry averages. The Bank attained total business turnover of Rs.8632.57 crores from Rs.7289.20 crores as on 31.03.2007 registering a growth rate of 18.43%.

#### Deposits Rs. in Crores

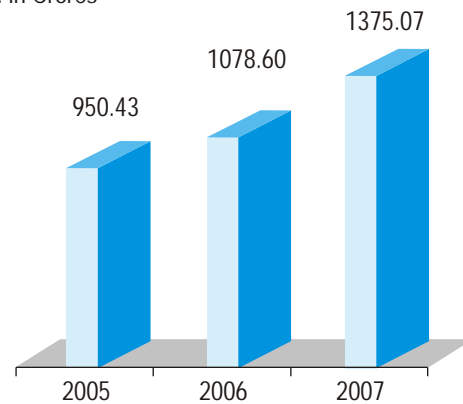


#### Advances Rs. in Crores

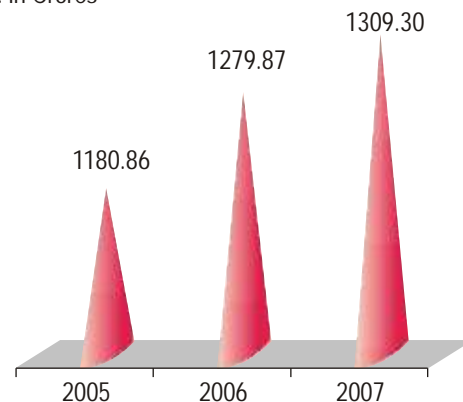


The total deposits during the year grew from Rs.4336.38 crores in 2005-06 to Rs.5019.87 crores registering a growth of 15.76%. The total credit expanded from Rs.2952.82 crores of the previous year to Rs.3612.70 crores during the fiscal, an increase of 22.35%. The priority sector credit increased from Rs.1078.60 crores to Rs.1375.07 crores and Agri advances reached a level of Rs.651.37 crores from Rs.480.36 crores in the previous year. The lending under other targeted segments showed good progress.

#### Priority Sector Advances Rs. in Crores



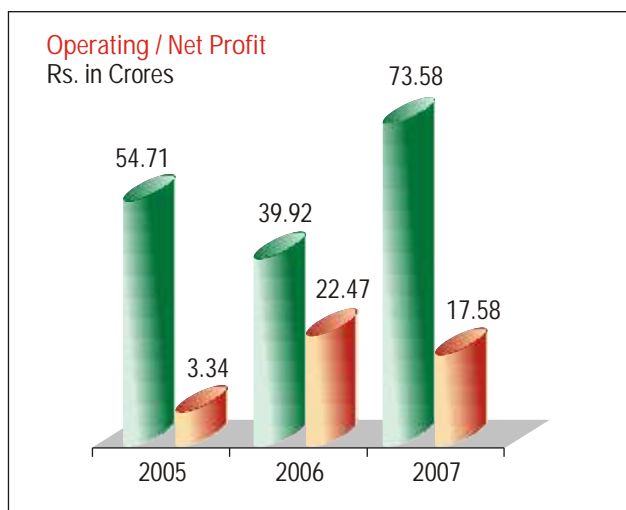
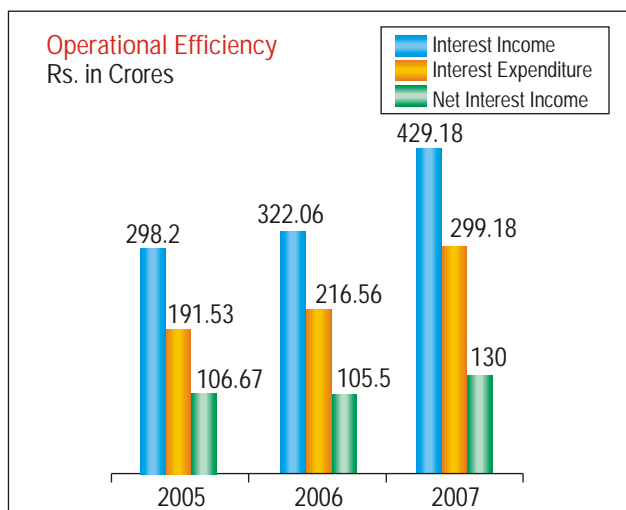
#### Investments Rs. in Crores



During the year under review, the total investments of the Bank stood at Rs.1309.30 crores as against Rs.1279.87 crores as at 31.03.2006. Despite hardening interest rate your Bank could insulate the investment portfolio from the negative impact of volatile interest rates by adopting prudent investment policy and risk mitigation techniques.

### 3. PROFIT

The net profit of the Bank stood at Rs.17.58 crores as against Rs.22.47 crores recorded in 2005-06, because of the increased provision. As a result, the Return on Assets (ROA) moderately impacted from 0.53% in 2005-06 to 0.33% as on 31.03.2007.



#### 4. APPROPRIATION

Particulars	(Rs. in crores) For the year ended	
	31 <sup>st</sup> March 2007	31 <sup>st</sup> March 2006
Net Profit	17.58	22.47
Profit brought forward	0.37	0.22
Balance transferred from IFR	40.74	--
Amount available for appropriation	58.69	22.69
Transfer to:		
Statutory Reserve	53.24	10.00
Capital Reserve	0.77	1.00
Investment Fluctuation Reserves	--	4.75
Other Reserve	0.25	1.00
Proposed Dividend	3.42	4.88
Corporate Dividend Tax	0.58	0.68
Balance of Profit Carried forward	0.43	0.37

As appropriated above Rs.54.26 crores have been transferred to Reserves to strengthen the Net worth of the Bank. During the year the entire amount of Rs.40.74 crores in Investment Fluctuation Reserve (IFR) was transferred to Profit & Loss appropriation account.

#### 5. DIVIDEND

Your Directors are pleased to recommend a dividend of 7% for the year 2006-07 on the enhanced equity capital on account of bonus and rights shares. Partly paid-up rights shares shall rank for dividend in proportion to the amount paid-up.

The total amount of dividend proposed to be distributed is Rs.4.00 Crores (including dividend distribution tax).

#### 6. EPS/BOOK VALUE

The Earnings Per Share and the Book Value of the share stood at Rs.3.60 and Rs.81.18 respectively as at 31.03.07.

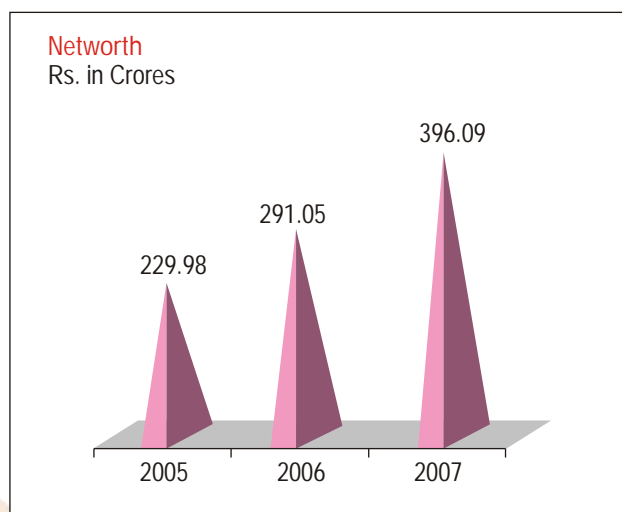
#### 7. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

During the financial year 2006-07, your Bank raised Rs.30 crores by way of Unsecured, Redeemable, Non-convertible Subordinated bonds - Series V- rated "A" by the rating agency, CARE and A- (Ind) by Fitch and allotment was made on 30.09.2006.

During the year, your Bank rewarded the shareholders with a bonus issue of one equity share for every two shares held by capitalizing the share premium account with your approval and with Rights Issue of equity shares in the ratio of one share for every shares held excluding the bonus at a price of Rs.50/- per share (including the premium of Rs.40/- per share) to strengthen Tier I capital which evoked very good response from the shareholders exhibiting their deep patronage. The share issue expenses of Rs.1.14 crore were netted against the share premium account. The directors of the Bank thank the shareholders for the strong support.

Consequent to Rights Issue and transfer of Rs.54.26 crores as given in appropriation account to Reserves, the net worth of your Bank has increased from Rs.291.05 Crores to Rs.396.08 crores.

The Capital Adequacy Ratio (CAR) as on 31<sup>st</sup> March 2007 stood at 12.43%, well above the regulatory minimum of 9.00 % stipulated by RBI. The Tier-I and Tier II components of Capital Adequacy Ratio are 9.93 % and 2.50 % respectively.



#### 8. NON PERFORMING ASSETS

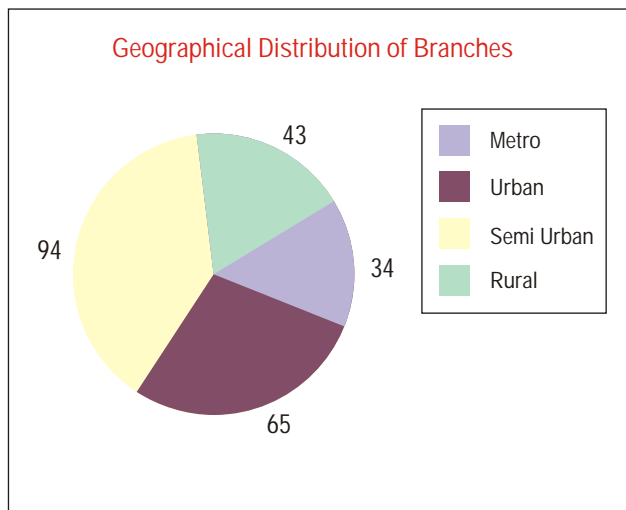
The Bank continued to improve its assets quality by giving a thrust to NPA Management with a focused vigor on recovery front for bringing about marked reduction in the level of NPA.

The gross NPA increased to Rs.131.18 crores from the levels of Rs.124.77 crores in the previous year. However, in percentage terms, the gross NPA stood at 3.57% as against 4.14 % in the previous year. The net NPA slightly gone up to Rs.56.94 crores in 2006-07 compared to Rs.55.60 crores in the previous year. However, the percentage of net NPAs fell to 1.58% from 1.89 % of the previous year.



## 9. BRANCH NETWORK

During the year, the Bank continued to expand its distribution network by opening 9 branches viz.6 branches in Tamil Nadu in T.Nagar, Velachery, Chinna Salem, Echanari, Kulithalai and Thokkavadi and one branch each in the states of Haryana (Gurgoan), Uttar Pradesh(Noida) and Andhra Pradesh (Karimnagar). As on 31.03.2007 the bank had 236 branches including 5 Satellite Offices spread across 11 states and one Union Territory. The bank has plans to open 15 more branches during 2007-08 (for which licences from RBI have already been obtained) of which 3 branches are in Andhra Pradesh, 4 branches in Tamil Nadu, 2 branches each in Maharashtra & Orissa and 1 branch each in the states of Rajasthan, Haryana, Jharkand and Delhi (Union Territory).



## 10. RATINGS / RECOGNITION

The premier credit rating agency of the country CARE has accorded 'A' rating to the Bank's Tier II subordinated bonds indicating adequate safety for repayment of principal and interest and Fitch has rated A-(Ind).

For achieving operational efficiency, the Bank has put in place a comprehensive Integrated Risk Management System, benchmarking its practices with the best in the industry. Appreciating the initiatives taken by the Bank in the area of Risk Management, the RBI has nominated the Bank as a member of the Steering Committee on Basel II.

## 11. INTERNATIONAL BUSINESS

The Bank achieved foreign exchange business turnover of Rs.2262.27 crores as against Rs.1522.92 crores during the previous year, registering a growth of 48.55%. Lending to export sector increased from Rs.120.45 crores to Rs.156.93 crores.

## 12. PARABANKING / CROSS SALES

### DISTRIBUTION OF:

#### a) LIFE INSURANCE:

Bank has a Bancassurance pact with M/s AVIVA Life Insurance Company for distributing their life insurance schemes through the branches. During the year 2006-07, 1782 fresh policies were procured by branches with an insurance premium collection of Rs. 4.30 crores. The total premium collected by the bank during this fiscal, both by fresh and renewal premium is Rs.12.71 Crores & the bank has earned a gross commission of Rs.106.87 lacs.

#### b) GENERAL INSURANCE:

Bank has tied up with M/s.Bajaj Allianz General Insurance company to market their General Insurance products through the branches.

#### c) MUTUAL FUND SCHEMES:

The bank is presently having a tie up with 10 leading Asset Management companies to distribute their schemes through the select branches. The income earned out of this business is Rs.18.37 lacs for the fiscal 2006-07.

The bank has plans to improve the bottom line by accelerating the Para Banking business also.

## 13. SEGMENT REPORTING

The overall performance of the Bank in major business and operational segments has been satisfactory. Both business and earnings continued to display high growth.

### TREASURY OPERATIONS

During the year ended 31.03.2007, the Bank has earned a total revenue of Rs.96.82 crores in treasury operations with a net result of Rs.12.46 crores (previous year profit of Rs.11.76 crores)

### EXPOSURE TO SENSITIVE SECTOR

The Bank's exposures to sensitive sectors including Real Estate and Capital Market were maintained well within the limits of regulatory/Board prescription.

### RISKS AND CONCERNS

The bank has put in place various risk management systems for managing market risk, credit risk and operational risk. The integrated risk management committees of the Board (IRMC-B) and of the top management (IRMC-E) undertake the supervisory review of the risk management function of the bank. The integrated risk management policy (IRM policy) framework of the bank covers detailed policy frameworks on management of credit risk, interest rate risk, liquidity risk, price risk, exchange risk etc. The policy framework has been reviewed periodically for enhancing the scope of risk management process in the bank. The risk parameters set as per the policies are measured and monitored periodically against the limits and triggers spelt out in the IRM policy framework. Bank is in the process of putting in place various system for complying with the new norms of capital adequacy (Basel II norms). The Bank is fully geared to implement the Basel II norms on Capital Adequacy.

### INTERNAL CONTROL SYSTEMS

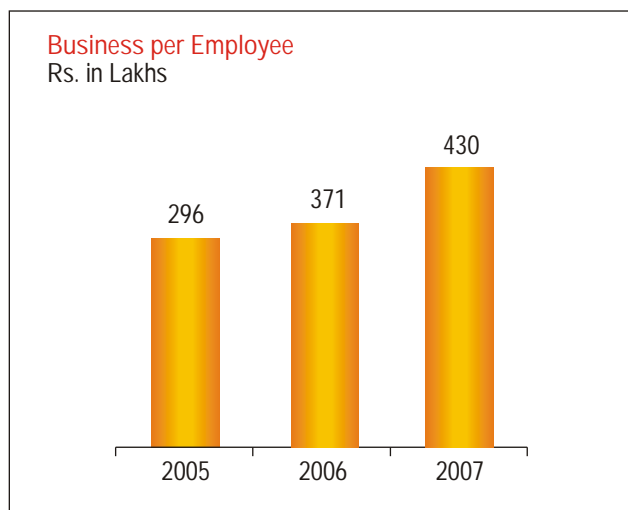
The Bank has put in place well articulated internal control measures in tune with the complexity of business operations, organization size and supervisory compliance standards. The system of regular inspection, credit inspection, concurrent audit, etc form the integral part of the internal control mechanism. As per RBI guidelines, the Bank has introduced Risk Based Internal Audit System in 150 Branches. Computerized operations have been subject to Systems/IS Audit. The Audit Committee of the Board is supervising the internal audit and compliance function on an ongoing basis.

## 14. HUMAN RESOURCES

As on 31<sup>st</sup> March 2007, the total number of employees of the Bank stood at 1926. The employee productivity measured in terms of Business per employee, increased to Rs.430 lacs from Rs.371 lacs in the previous year. During the year the Bank recruited nearly 139 personnel and promoted as much as 40 personnel at various levels. Focusing on training its employees on a continuous basis, training



programs are being conducted by the Bank, with internal and external faculty. Industrial relationship in the Bank has remained cordial.



## 15. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Bank has sponsored a medical centre at Vengamedu, Karur under aegis of Karur Rotary Club, since 1994 for catering to the medical requirements of needy people. The Bank has liberally donated towards construction of class rooms to Vasavi Educational Trust, Karur, besides contributions to Educational / Charitable Institutions.

## 16. CORPORATE GOVERNANCE

The basic philosophy of Corporate Governance of the Bank has continued to base on high standard of ethical values with a view to enhancing and protecting the interest of all the stakeholders. The Bank has fully complied with the code of corporate governance as enumerated in Clause 49 of the Listing Agreement. All the Directors on the Board have executed deed of covenant and undertaking individually in line with the recommendations of Dr.Ganguly Committee Report.

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis is presented in Annexure-A, 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 Annual General Meeting and the number of directorships held by them along with the details of Audit Committee and Share Transfer & Investors' Grievances Committee are furnished in Annexure-C. General Shareholders' information is furnished in Annexure-D.

## 17. BOARD OF DIRECTORS

The Term of office of Mr.R.M.Nayak, Chairman & CEO ended on 19<sup>th</sup> June 2007 after he completed two years of his office as per the terms of approval for his appointment given by RBI vide its letter DBOD/ No.1303/08.44.001/2004-2005 dated June 11, 2005. The Directors place on record their appreciation of the valuable services rendered by Mr.R.M.Nayak during his tenure.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, Shri.D.L.Suresh Babu, Shri.M.P.Shyam, and Shri.K.Balaji Directors are retiring by rotation and being eligible, offer themselves for reappointment as Directors of the Bank. In terms of Clause 49 of the Listing Agreement, brief resumes of the above directors is furnished elsewhere in this report.

## 18. DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SEC 217 (2AA) OF COMPANIES ACT, 1956

All the Directors on the Board of your Bank confirm that in the preparation of the annual accounts for the year ended March 31, 2007:

- the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- the accounting policies framed in accordance with the guidelines of the Reserve Bank of India, were applied consistently;
- reasonable and prudent judgement and estimates were made wherever required so as to present a true and fair view of the state of affairs of the Bank as at the end of the financial year and the profit of the Bank for the year ended on March 31, 2007;
- proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India; and
- accounts have been prepared on a 'going concern' basis.

## 19. STATUTORY DISCLOSURE

1. The provisions of Section 217(1)(e) of the Companies Act, 1956 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.

2. The Bank continued to encourage the country's exports and accordingly endeavored to enlarge its export financing.

3. None of the Bank's employees fall within the purview of section 217(2A) of the Companies Act, 1956 except Mr.R.M.Nayak, who joined the Bank as Chairman and CEO on 20<sup>th</sup> June, 2005 and his term of office ended on 19<sup>th</sup> June 2007. Details of his salary are furnished in the Notes on Accounts. He is not related to any of the Directors of the Bank.

## 20. OTHER HIGHLIGHTS

### BRAND INITIATIVES

The new identity the bank embraced by adopting the new logo unit, representing the deep cultural values of the bank, projecting an image of modernity, strength and prosperity energized the stakeholders of the bank which is exhibited by splendid all round performance.

### TECHNOLOGY ROLLOUT

The bank entered the era of centralized and networked banking with the introduction of the Core Banking System. As on 31<sup>st</sup> March, 2007, CBS software has been implemented in 30 branches situated mainly in metro, covering substantial portion of Bank's business. As on date the CBS software has been implemented in 88 branches covering more than 50% of the Bank's business. This has provided a solid foundation for introduction of technology driven products and meeting the competition. All the Core Banking branches are capable of providing instant transfer of funds between the CBS branches and also quick remittance through the RTGS facility of RBI. Customers are now capable of carrying out anytime/ anywhere banking from nearly 25 centers across various states. More products are on the anvil to enhance the customer experience.

The introduction of Core Banking has also enabled the Bank to obtain real time information for decision support. This will also go a long way in strengthening the Management Information System of the Bank.



## CORPORATE GOAL

Encouraged by the strong performance during 2006-07, your Bank has envisaged to achieve business turnover of Rs.11,200 crores, comprising deposits of Rs.6615 crores and advances of Rs.4585 crores for the year ending 31.03.2008.

## 21. MISSION & VISION

Every organization communicates its purpose of existence through its Vision and Mission statements. Vision statement focuses on the organization's future while a Mission statement focuses on its present state.

The mission of the Bank is to play an integral role in the growth and prosperity of its customers by providing them with high standard services and innovative products through state-of-the art technology.

Encompassing the time tested traditional values and sophistication in operations through modernization and innovation, the Bank is endeavoring to meet all the financial requirements of its customers under one roof. The value based tradition, adherence to best practices, speedy induction of state-of-the art technology and good corporate governance have been the core strengths of the Bank.

## 22. AUDITORS

The statutory auditors M/s. S.Viswanathan, Chartered Accountants, Chennai and M/s.N.B.S & Co., Chartered Accountants, Mumbai are retiring at this Annual General Meeting. M/s S.Viswanathan, Chartered Accountants, Chennai had been the joint Statutory Auditors of your Bank since 2004, have completed consecutive 4 year period. They cannot be considered for re-appointment as per the extant

regulatory guidelines of RBI. Your directors therefore propose to appoint M/s Sundaram & Srinivasan, Chennai and re-appoint M/s N.B.S & Co, (Previously known as M/s.N.B.Shetty & Co), Chartered Accountants, Mumbai as the joint Statutory Auditors of the Bank at the forthcoming Annual General Meeting of the Bank subject to the approval of Reserve Bank of India under Section 30 (1A) of the Banking Regulation Act, 1949. Considering their professionalism and the quality of the audit carried out by them, the Board has recommended their re-appointment of M/s.N.B.S & Co, Chartered Accountants, Mumbai for another year.

Your directors place on record their appreciation for the professional services rendered by M/s. S.Viswanathan, Chennai as the Statutory auditor of the Bank.

The statutory audit of the Bank was carried out by M/s. S.Viswanathan, Chartered Accountants, Chennai and M/s. N.B.S & Co, Chartered Accountants, Mumbai whose report is attached to the Annual Report. The Statutory Central and Branch Auditors audited all the branches and other offices of the Bank.

## 23. ACKNOWLEDGEMENT

Your Directors would like to place on record their profound gratitude for the committed support received from the share holders, customers and other stake holders of the Bank. Board also gratefully acknowledges the guidance and co-operation received from the Reserve Bank of India and other government and regulatory authorities like SEBI, NSE etc.

Your Directors would like to take this opportunity to express their appreciation of the contribution of the dedicated team of employees and their sincere efforts in organization building.

Place: KARUR  
Date :31st July 2007

For and on behalf of the Board of Directors

(N.SAIPRASAD)  
(K. RAVINDRAKUMAR)  
(K. BALAJI)  
DIRECTORS



## REPORT OF AUDITORS TO THE MEMBERS OF THE LAKSHMI VILAS BANK LIMITED, KARUR

- 1) We have audited the attached Balance Sheet of THE LAKSHMI VILAS BANK LIMITED, KARUR as at 31<sup>st</sup> March 2007, the annexed Profit and Loss Account and also the Cash Flow Statement for the year ended on that date in which are incorporated the returns of 48 Branches, 8 Divisional Offices, 5 Service Branches, audited by us and 187 Branches audited by Branch auditors appointed u/s. 228(4) of the Companies Act, 1956. There are no unaudited branches or other offices. These financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) The Balance Sheet and the Profit & Loss account have been drawn up in accordance with the provisions of Section 29 of Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
- 4) The reports on the accounts of the branches audited by Branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
- 5) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
- 6) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- 7) In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- 8) The Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and audited returns from the branches of the Bank.
- 9) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956.
- 10) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- 11) Subject to Note no. 1 (a) of Schedule 17(B) to the accounts regarding the effect of adjustments arising from reconciliation of inter-branch transactions and tallying of balances in the accounts as per General Ledger with those of subsidiary ledgers, the quantum of which is not ascertained, in our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis:
  - (i) The said Balance Sheet gives a true and fair view of the State of Affairs of the Bank as at 31<sup>st</sup> March 2007;
  - (ii) The Profit & Loss Account shows true balance of Profit for the year ended on that date; and
  - (iii) The Cash Flow Statement gives a true and fair view of the cash flows for the year then endedand are in conformity with the Accounting Principles generally accepted in India.

for M/s S Viswanathan  
Chartered Accountants  
(CHELLA K. RAGHAVENDRAN)  
Partner  
Membership No:208562

Place: Karur  
Date: 18<sup>th</sup> June 2007

for M/s NBS & Co.,  
Chartered Accountants  
(N.B. SHETTY)  
Partner  
Membership No: 16718



## BALANCE SHEET AS ON 31st MARCH 2007

Rs.000s

	SCHEDULE	AS AT 31/03/2007	AS AT 31/03/2006
<b>I. CAPITAL &amp; LIABILITIES</b>			
a. Capital	1	478051	195346
b. Reserves & Surplus	2	3482836	2715190
c. Deposits	3	50198723	43363800
d. Borrowings	4	797499	52998
e. Other Liabilities & Provisions	5	3310705	2866474
<b>TOTAL ...</b>		<b>58267814</b>	<b>49193808</b>
<b>II. ASSETS</b>			
a. Cash & Balances with Reserve Bank of India	6	2863047	2001103
b. Balances with Banks and Money at Call & Short Notice	7	3551558	2632897
c. Investments	8	13093024	12798668
d. Advances	9	36127030	29528197
e. Fixed Assets	10	355042	324658
f. Other Assets	11	2278113	1908285
<b>TOTAL ...</b>		<b>58267814</b>	<b>49193808</b>
Contingent Liabilities	12	9848463	9660403
Bills for collection		1338004	1788513
Significant Accounting Policies and Notes on Accounts	17		

Schedules 1 to 12 and 17 form part of this Balance Sheet.

As per our report of date annexed

For M/s. S. Viswanathan  
Chartered Accountants  
Chella K. Raghavendran  
Partner  
Membership No. : 208562

For M/s. NBS & Co.  
Chartered Accountants  
N.B. Shetty  
Partner  
Membership No. : 16718

Karur  
18-06-2007

S.R. Narayanamurthy  
General Manager

R. Sridharan  
General Manager

S.Rajagopal  
Sr. General Manager

R.M. Nayak  
Chairman & CEO

### DIRECTORS

D.L.Suresh Babu  
K.B.Krishnan  
M.P.Shyam  
R.Dhandapani  
K.Balaji  
E.Sreedhar  
N.Saiprasad  
G.Sudhakar Gupta  
K.Ravindrakumar



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

Rs.000s

	SCHEDULE	YEAR ENDED 31/03/2007	YEAR ENDED 31/03/2006
<b>I. INCOME</b>			
a. Interest Earned	13	4291789	3220564
b. Other Income	14	458069	349440
<b>TOTAL . . .</b>		<b>4749858</b>	<b>3570004</b>
<b>II. EXPENDITURE</b>			
a. Interest Expended	15	2991798	2165640
b. Operating Expenses	16	1022229	1005195
c. Provisions & Contingencies		559988	174467
<b>TOTAL . . .</b>		<b>4574015</b>	<b>3345302</b>
<b>III. NET PROFIT FOR THE YEAR</b>			
Profit brought forward		3714	2197
Transfer from IFR		407415	
<b>TOTAL . . .</b>		<b>586972</b>	<b>226899</b>
<b>IV. APPROPRIATIONS</b>			
a. Transfer to Statutory Reserve		532415	100000
b. Transfer to Capital Reserve		7726	10000
c. Transfer to Investment Fluctuation Reserve		0	47500
d. Transfer to Other Reserves		2500	10000
e. Proposed Dividend		34153	48836
f. Tax on Proposed Dividend		5804	6849
g. Balance carried over to Balance Sheet		4374	3714
<b>TOTAL . . .</b>		<b>586972</b>	<b>226899</b>
Previous year figures are regrouped wherever necessary.			
Earnings Per Share - Basic (Rs.) [Refer B Note on account sl.no.7]		3.60	11.50

Schedules 13 to 16 and 17 form part of this Profit & Loss Account.

As per our report of date annexed

For M/s. S. Viswanathan  
Chartered Accountants  
Chella K. Raghavendran  
Partner  
Membership No. : 208562

For M/s. NBS & Co.  
Chartered Accountants  
N.B. Shetty  
Partner  
Membership No. : 16718

Karur  
18-06-2007

S.R. Narayanamurthy  
General Manager

R. Sridharan  
General Manager

S.Rajagopal  
Sr. General Manager

R.M. Nayak  
Chairman & CEO

### DIRECTORS

D.L.Suresh Babu  
K.B.Krishnan  
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N.Saiprasad  
G.Sudhakara Gupta  
K.Ravindrakumar



Rs.000s

	AS AT 31/03/2007		AS AT 31/03/2006	
<b>SCHEDULE 1 - CAPITAL</b>				
AUTHORISED CAPITAL (10,00,00,000 equity shares of Rs.10/- each)		1000000		1000000
ISSUED CAPITAL (4,91,88,111 equity shares of Rs.10/- each)		491881		196810
Subscribed, Called-up and Paid Up Capital (48789555 * equity shares of Rs.10/- each) (Less:1968962 Equity Shares on which Rs.5/- per share calls due) *Includes 12640078 equity shares of Rs.10/- each issued by way of bonus shares as fully paid		478051		195346
TOTAL ...		478051		195346
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>				
I. STATUTORY RESERVE				
Opening Balance	1554131		1211972	
Additions during the year			342159	
Transfer from Current Year's Profit	125000			
Transfer from Investment Fluctuation Reserve	407415	2086546		1554131
II. CAPITAL RESERVE				
Opening Balance	178347		168347	
Additions during the year	7726	186073	10000	178347
III. SHARE PREMIUM				
Opening Balance	505537		144194	
Additions during the year	631760	1137297	361343	505537
IV. REVENUE & OTHER RESERVES				
A. INVESTMENT FLUCTUATION RESERVE				
Opening Balance	407415		359915	
Additions during the year	-		47500	
Deduction during the year	407415	0	-	407415
B. OTHER RESERVES				
Opening Balance	66046		298158	
Additions during the year	2500		10047	
Deductions during the year	68546		308205	
	0	68546	242159	66046
V. BALANCE IN PROFIT & LOSS ACCOUNT		4374		3714
TOTAL ...		3482836		2715190
<b>SCHEDULE 3 - DEPOSITS</b>				
A. I. DEMAND DEPOSITS				
1. From Banks	48889		18227	
2. From Others	5020290	5069179	4512617	4530844
II. SAVINGS BANK DEPOSITS		5996548		5478580
III. TERM DEPOSITS				
1. From Banks	4082700		3914828	
2. From Others	35050296	39132996	29439548	33354376
TOTAL (I + II + III)		50198723		43363800
B (I). DEPOSITS OF BRANCHES IN INDIA		50198723		43363800
(II). DEPOSITS OF BRANCHES OUTSIDE INDIA		NIL		NIL
TOTAL ...		50198723		43363800



Rs.000s

	AS AT 31/03/2007		AS AT 31/03/2006	
<b>SCHEDULE 4 - BORROWINGS</b>				
I. BORROWINGS IN INDIA				
1. Reserve Bank of India	0		0	
2. Other Banks	0		0	
3. Other Institutions & Agencies	797499	797499	52998	52998
II. BORROWINGS OUTSIDE INDIA		0		0
<b>TOTAL ... (I + II)</b>		<b>797499</b>		<b>52998</b>

SECURED BORROWINGS INCLUDED IN I & II ABOVE		0		0
---	--	---	--	---

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills payable		558822		764125
II. Inter-office adjustments (net)		0		96556
III. Interest accrued		411996		213409
IV. Unsecured Sub-ordinated Debts		1308000		1008000
V. Deferred Tax Liability (NET)		0		0
VI. (i) Others - (including Provisions)		887387		681384
(ii) Contingent Provisions against Standard Assets		144500		103000
<b>TOTAL ...</b>		<b>3310705</b>		<b>2866474</b>

## SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

Cash in Hand (including Foreign Currency Notes)		<b>430973</b>		446907
Balances with Reserve Bank of India				
I) in current account		<b>2432074</b>		1554196
II) in other accounts		<b>0</b>		0
<b>TOTAL ...</b>		<b>2863047</b>		<b>2001103</b>

## SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE

I. IN INDIA				
[i] Balance with Banks				
a. in current accounts		310921		288715
b. in other deposit accounts		2629000		2219000
		2939921		2507715
[ii] Money at call and short notice				
a. with banks		500000		0
b. with other institutions		0		0
<b>TOTAL ... (i + ii)</b>		<b>3439921</b>		<b>2507715</b>
II. OUTSIDE INDIA IN CURRENT ACCOUNTS		111637		125182
<b>TOTAL ... (I + II)</b>		<b>3551558</b>		<b>2632897</b>



Rs.000s

	AS AT 31/03/2007	AS AT 31/03/2006
<b>SCHEDULE 8 - INVESTMENTS</b>		
<b>I. INVESTMENTS IN INDIA IN</b>		
I. Government Securities [incl. treasury bills & zero coupon bonds]	11873998	11676901
II. Other approved securities	158902	168851
III. Shares	42207	35861
IV. Debentures & Bonds	329869	394048
V. Subsidiaries and Joint Ventures	0	0
VI. Others [including Commercial Paper, Mutual Funds, NSC, Units, etc.]	688048	523007
<b>TOTAL ...</b>	<b>13093024</b>	<b>12798668</b>
GROSS INVESTMENTS IN INDIA	13536528	13168566
LESS: DEPRECIATION	443504	369898
NET INVESTMENTS IN INDIA	13093024	12798668
<b>II. INVESTMENTS OUTSIDE INDIA</b>		
<b>TOTAL ...</b>	<b>NIL</b>	<b>NIL</b>
	<b>13093024</b>	<b>12798668</b>
<b>SCHEDULE 9 - ADVANCES</b>		
A. I. Bills purchased & discounted	1818966	1941615
II. Cash credits, overdrafts & loans repayable on demand	20090808	13632447
III. Term loans	14217256	13954135
<b>TOTAL ...</b>	<b>36127030</b>	<b>29528197</b>
B. PARTICULARS OF ADVANCES		
I. Secured by tangible assets [incl. advances against Book Debts]	33425284	26511272
II. Covered by Bank / Govt. Guarantees	411849	374579
III. Unsecured	2289897	2642346
<b>TOTAL ...</b>	<b>36127030</b>	<b>29528197</b>
C. SECTORAL CLASSIFICATION OF ADVANCES		
I. Priority Sector	13750699	10786012
II. Public Sector	963873	969463
III. Banks	30357	49356
IV. Others	21382101	17723366
<b>TOTAL ...</b>	<b>36127030</b>	<b>29528197</b>



Rs.000s

	AS AT 31/03/2007		AS AT 31/03/2006	
<b>SCHEDULE 10 - FIXED ASSETS</b>				
I. PREMISES				
At Cost	238728		228913	
Additions during the year	<u>450</u>		<u>9815</u>	
	239178		238728	
Deductions during the year	<u>25990</u>		<u>0</u>	
	213188		238728	
Depreciation to date	<u>74750</u>	138438	<u>69476</u>	169252
II. OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)				
At Cost	599221		562076	
Additions during the year	<u>138282</u>		<u>38694</u>	
	737503		600770	
Deductions during the year	<u>1353</u>		<u>1549</u>	
	736150		599221	
Depreciation to date	<u>519546</u>	216604	<u>450303</u>	148918
III. ASSETS ON LEASE				
At Cost	130975		130975	
Additions during the year	<u>0</u>		<u>0</u>	
	130975		130975	
Deductions during the year	<u>21398</u>		<u>0</u>	
	109577		130975	
Depreciation to date	<u>109577</u>		<u>109577</u>	
	0		21398	
Lease adjustment account	<u>0</u>	0	<u>14910</u>	6488
<b>TOTAL ...</b>		<u>355042</u>		<u>324658</u>

## SCHEDULE 11 - OTHER ASSETS

I. Inter-Office Adjustments (net)	193599	0
II. Interest Accrued	280306	242871
III. Tax Paid in Advance and Tax Deducted at Source	1062777	966085
IV. Deferred Tax Asset (NET)	430564	373393
V. Stationery & Stamps	6201	7137
VI. Non Banking Assets acquired in satisfaction of claims	66077	17840
VII. Others	238589	300959
<b>TOTAL ...</b>	<u>2278113</u>	<u>1908285</u>

## SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts	4563994	730918
II. Liability for partly paid Investments	0	0
III. Liability on account of outstanding forward exchange contracts	2666375	6278914
IV. Guarantees given on behalf of constituents		
in India	1146274	965712
outside India	34	264
V. Acceptances, Endorsements & Other Obligations	1471786	1684595
VI. Other items for which the Bank is contingently liable	0	0
<b>TOTAL ...</b>	<u>9848463</u>	<u>9660403</u>



Rs.000s

	YEAR ENDED 31/03/2007	YEAR ENDED 31/03/2006
<b>SCHEDULE 13 - INTEREST EARNED</b>		
I. Interest / discount on advances / bills	3121274	2166688
II. Income on Investments	1000644	953351
III. Interest on balance with Reserve Bank of India & other inter-bank Funds	161632	100305
IV. Others	8239	220
<b>TOTAL ...</b>	<b>4291789</b>	<b>3220564</b>

## SCHEDULE 14 - OTHER INCOME

I. Commission, Exchange and Brokerage	356982	311935
II. Profit on sale of Investments	66496	51372
Less: Loss on sale of Investments	<u>78997</u>	<u>158350</u>
III. Profit on revaluation of Investments	0	0
Less: Loss on revaluation of Investments	<u>109175</u>	<u>111268</u>
IV. Profit on sale of Land, Buildings & Other Assets	4069	0
Less: Loss on sale of Land, Buildings & Other Assets	0	665
V. Profit on Exchange Transactions	<u>55535</u>	<u>45611</u>
Less: Loss on Exchange Transactions	0	0
VI. Income earned by way of Dividends from Companies in India.	33717	7106
VII. Lease Rentals	0	0
VIII. Miscellaneous Income	129442	203699
<b>TOTAL ...</b>	<b>458069</b>	<b>349440</b>

## SCHEDULE 15 - INTEREST EXPENDED

I. Interest on Deposits	2843468	2068207
II. Interest on Reserve Bank of India / Inter-Bank Borrowings	32963	5079
III. Others	115367	92354
<b>TOTAL ...</b>	<b>2991798</b>	<b>2165640</b>

## SCHEDULE 16 - OPERATING EXPENSES

I. Payments to and Provision for Employees	562002	597011
II. Rent, Taxes & Lighting	82946	77304
III. Printing & Stationery	14700	15039
IV. Advertisement & Publicity	12600	7230
V. Depreciation on Bank's Property	74517	63384
VI. Directors' fees, allowances	1795	2025
VII. Auditors' fees & Expenses (incl. Branch Auditors)	2436	1736
VIII. Law Charges	5032	3386
IX. Postage, Telegrams, Telephones etc.,	25399	28526
X. Repairs & Maintenance	6420	4828
XI. Insurance	43759	35921
XII. Other Expenditure	190623	168805
<b>TOTAL ...</b>	<b>1022229</b>	<b>1005195</b>



## SCHEDULE 17

### A. Significant Accounting Policies

#### 1. General:

The financial statements have been prepared in accordance with the historical cost convention except where otherwise stated and conform to the statutory provisions and practices prevailing within the banking industry in India and the guidelines / instructions of Reserve Bank of India issued from time to time.

#### 2. Foreign Exchange Transactions:

- Foreign Currency Assets and Liabilities have been translated at the exchange rates prevailing at the close of the year as per the guidelines issued by FEDAI. The resultant profit or loss is accounted for.
- Income and Expenditure in foreign currency are translated at the exchange rates prevailing on the date of the respective transaction.

#### 3. Investments

Investments are categorized under the heads 'Held to Maturity', 'Available for Sale' and 'Held for Trading' and are valued in aggregate for each category, in accordance with the guidelines of the Reserve Bank of India.

#### 4. Advances

##### 4.1 In accordance with the prudential norms issued by RBI:

- Advances are classified into standard, sub-standard, doubtful and loss assets borrower-wise;
- Provisions are made for loan losses, and
- General provision for standard advances is made.

##### 4.2 Advances disclosed are net of provisions made for non-performing assets.

#### 5. Fixed Assets

- Fixed Assets have been accounted for at their historical cost.
- Depreciation on assets other than computers has been provided for on the diminishing balance method at the rates specified in Schedule XIV to the Companies Act, 1956.
- Depreciation on computers has been provided for on straight-line method at the rate of 33.33 per cent as per the guidelines issued by the Reserve Bank of India.
- Operating Software, which is an integral part of hardware, is capitalized and depreciation is provided for at the rate of 33.33% on straight-line method.
- For premises, in which land cost and construction cost could not be ascertained separately, depreciation is provided for on the total cost.
- None of the fixed assets have been revalued during the year.
- During the year two assets which were earlier accounted as bankable asset has been transferred to non bankable asset and the value has been reinstated at original value by reversing the depreciation charged earlier.

#### 6. Staff Benefits

Annual contribution to the approved Employees' Gratuity Fund, approved Pension Fund and provision for Leave Encashment have been made on actuarial basis. Contribution to Provident Fund is accounted for on actual basis.

#### 7. Taxes on Income

Provision for taxation is made on the basis of the estimated tax liability with adjustment for deferred tax in terms of the Accounting Standard 22 (Accounting for Taxes on Income) formulated by the Institute of Chartered Accountants of India.

#### 8. Recognition of Income and Expenditure

- Income and expenditure are accounted for on accrual basis.
- The following items of income are recognized on realization basis, owing to the significant uncertainty in collection thereof:
  - Interest on non-performing advances, including overdue bills and dividend income on investments.
  - Interest on non-performing investments.
  - Interest on tax refund received from Income Tax Department
  - Interest on over-due/matured deposits is accounted for at the time of renewal.

#### 9. Net profit

The net profit as per the Profit & Loss account is arrived at after necessary provisions towards

- Taxation.
- Advances and other assets.
- Shortfall in the value of investments
- Retirement benefits.

All provisions have been made as per Reserve Bank of India guidelines and to the satisfaction of the auditors.

#### 10. Accounting Standards

Accounting Standards as specified in section 211(3C) of the Companies Act 1956, to the extent they are applicable to Banking Companies and as per directions issued by the RBI from time to time, have been followed.

#### B. NOTES ON ACCOUNTS

- Reconciliation of inter branch transactions is completed up to 30.09.2006. The outstanding unreconciled entries up to 31.12.2006 were identified and reconciled through manual intervention. The matching process through system is in progress.
  - In a few branches, tallying of the balances in the accounts as per General Ledger with those of subsidiary ledgers/registers/schedules is in progress. The effect of this on the profit of the Bank is not ascertainable.
- "Payment to and Provision for Employees" includes remuneration paid to Chairman and Chief Executive Officer of the Bank as detailed below:

(Amount in Rs.)

Sri. R.M.Nayak (01.04.2006 to 31.03.2007)	2006-2007
Consolidated Pay	Rs. 24,00,000.00
Employer's contribution to Provident Fund	Rs. 90,000.00
Leave encashment	-
Gratuity	-
Monetary value of perquisites #	Rs. 26,518.46
Total	Rs. 25,16,518.46

# (at cost in terms of amended provisions of sec.217 (2A) of the Companies Act, 1956)

- The computation of Income as per provisions of The Income Tax Act, 1961 results in a loss for the year under consideration. In this computation, the bank has considered certain deductions based on judicial pronouncements and legal opinion. The bank has made a provision of Rs.0.59 Crores towards Income Tax u/s 115JB of Income Tax Act, 1961 and recognized the credit u/s.115JAA. During the year a deferred tax of Rs.5.72 Crores has been recognized by credit to Profit and Loss account to comply with the provisions of Accounting Standard 22 issued by Institute of Chartered Accountants of India. The management is of the opinion that it is in order in recognizing the Deferred Tax Asset as above.

(b) The disputed Income Tax demand outstanding as on 31.03.2007 amounts to Rs.454.18 crores and is included under Item I of Schedule 12 (Contingent Liabilities). Of the above, Rs.453.32 crores has been paid or adjusted by the Income Tax Department. No provision is considered necessary in respect of the disputed liabilities in view of favourable decisions by various appellate authorities on similar issues.

#### 4. DISCLOSURE REQUIREMENTS

##### 4.1 Capital

(Rs. in Crore)

Items	2006-07	2005-06
i) CRAR (%)	12.43%	10.79%
ii) CRAR - Tier I capital (%)	9.93%	6.94%
iii) CRAR - Tier II Capital (%)	2.50%	3.85%
iv) Percentage of the shareholding of the Government of India in nationalized banks	NIL	NIL
v) Amount of subordinated debt raised as Tier-II capital	130.80	100.80

##### 4.2 Investments

(Rs. In crore)

Items	2006-07	2005-06
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	1353.65	1316.86
(b) Outside India	NIL	NIL



(ii) Provisions for Depreciation		
(a) In India	44.35	36.99
(b) Outside India	NIL	NIL
(iii) Net Value of Investments		
(a) In India	1309.30	1279.87
(b) Outside India		NIL
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	36.99	41.99
(ii) Add: Provisions made during the year	7.36	--
(iii) Less: Write-off/ write-back of excess provisions during the year	--	5.00
Closing balance	44.35	36.99

#### 4.2.1 Repo Transactions (Rs. In crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31 2007
Securities sold under repos	2.20 (4.00)	112.02 (120.00)	14.47 (18.91)	-- --
Securities purchased under reverse repos	10.50 (10.00)	126.00 (250.00)	6.40 (49.67)	-- (26.25)

#### 4.2.2 Non-SLR Investment Portfolio

##### i) Issuer composition of Non SLR investments

(Rs. in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	2.22	2.00	0.00	0.00	0.00
(ii)	FIs	25.36	3.83	1.83	1.83	1.83
(iii)	Banks	10.12	9.94	3.25	3.25	3.25
(iv)	Private Corporate	14.34	12.99	12.49	12.49	12.49
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others @	73.76	-	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	125.80				

@ Others- includes investments in Mutual Funds and RIDF.

##### ii) Non-performing Non-SLR investments

(Rs. in crore)

Particulars	Amount
Opening balance	10.55
Additions during the year since 1st April 2006	--
Reductions during the above period	--
Closing balance	10.55
Total provisions held	10.46

(iv) Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil
a)	
b)	
c)	

### 4.3 Derivatives

#### 4.3.1 Forward Rate Agreement/ Interest Rate Swap

Items	2006-07	2005-06
i) The notional principal of swap agreements	NIL	NIL
ii) Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	NIL	NIL
iii) Collateral required by the bank upon entering into swaps	NIL	NIL
iv) Concentration of credit risk arising from the swaps	NIL	NIL
v) The fair value of the swap book	NIL	NIL

#### 4.3.2 Exchange Traded Interest Rate Derivatives:

(Rs. Crore)

S.No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil
	a)	
	b)	
	c)	
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2007 (instrument-wise)	Nil
	a)	
	b)	
	c)	
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil
	a)	
	b)	
	c)	

#### 4.3.3 Disclosures on risk exposure in derivatives

##### Quantitative Disclosures

(Rs. in Crore)

Sl.No	Particular	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)	NIL	NIL
	a) For hedging	NIL	NIL
	b) For trading	NIL	NIL
(ii)	Marked to Market Positions [1]		
	a) Asset (+)	NIL	NIL
	b) Liability (-)		
(iii)	Credit Exposure [2]	NIL	NIL
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	NIL	NIL
	b) on trading derivatives	NIL	NIL
(v)	Maximum and Minimum of 100*PV01 observed during the year	NIL	NIL
	a) on hedging	NIL	NIL
	b) on trading	NIL	NIL

### 4.4 Asset Quality

#### 4.4.1 Non-Performing Asset

(Rs. in Crore)

Items	2006-07	2005-06
(i) Net NPAs to Net Advances (%)	1.58%	1.89%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	124.77	187.45
(b) Additions during the year	79.50	11.97
(c) Reductions during the year	73.09	(74.65)
(d) Closing balance	131.18	124.77
(iii) Movement of Net NPAs		
(a) Opening balance	55.59	115.05
(b) Additions during the year	31.58	11.97
(c) Reductions during the year	30.22	(71.43)
(d) Closing balance	56.95	55.59



(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	60.93	61.42
(b) Provisions made during the year	47.39	19.35
(c) Write-off/ write-back of excess provisions	41.85	(19.84)
(d) Closing balance	66.47	60.93

#### 4.4.2 Details of Loan Assets subjected to Restructuring (Rs. in crore)

Item	2006-07	2005-06
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation; of which under CDR (Number of accounts)	5.71 Nil	3.27 3.27 1
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation; of which under CDR (Number of accounts)	3.52 Nil	NIL NIL
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation; of which under CDR (Number of accounts)	2.19 Nil	3.27 3.27 1
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation; of which under CDR	Nil Nil	NIL NIL
Note: [(i) = (ii)+(iii)+(iv)]		

#### 4.4.3 Details of debts Restructured of SME Sector Advances: (Rs. in crore)

Item	2006-07	2005-06
Total amount of loan assets subjected to restructuring, rescheduling, renegotiation: Of which under CDR	2.28	Nil
The amount of Standard assets subjected to restructuring, rescheduling, renegotiation: Of which under CDR	2.28	Nil

#### 4.4.4 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction (Rs. in crs.)

Item	2006-07	2005-06
(i) No. of accounts	23	22
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	2.88	19.08
(iii) Aggregate consideration	5.00	11.00
(iv) Additional consideration realized in respect of accounts transferred in earlier years	NIL	Nil
(v) Aggregate loss over net book value.	NIL	8.08

#### 4.4.5 Provisions on Standard Asset (Rs. in Crore)

Item	2006-07	2005-06
Provisions towards Standard Assets	14.45	10.30

#### 4.5. Business Ratios

Items	2006-07	2005-06
(i) Interest Income as a percentage to Working Funds	7.98	7.58
(ii) Non-interest income as a percentage to Working Funds	0.85	1.08
(iii) Operating Profit as a percentage to Working Funds	1.37	0.94
(iv) Return on Assets (%)	0.33	0.53
(v) Business (Deposits plus advances) per employee (Rs. in Crs)	4.30	3.71
(vi) Profit per employee (Rs. in lakhs)	0.91	1.20

#### 4.6 Asset Liability Management

##### Maturity pattern of certain items of assets and liabilities

(Rs. in crore)

	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	519.61 (394.13)	299.65 (441.93)	950.26 (685.14)	303.34 (581.19)	341.59 (724.15)	1395.47 (545.18)	257.47 (101.89)	952.48 (862.77)	5019.87 (4336.38)
Advances	282.71 (241.63)	189.32 (223.59)	475.60 (349.09)	260.17 (276.04)	392.05 (354.19)	1448.92 (1194.19)	193.07 (159.23)	370.86 (154.86)	3612.70 (2952.82)
Investments	12.83 (27.24)	34.33 (0.00)	3.00 (0.10)	34.83 (1.36)	27.04 (3.65)	113.02 (62.69)	263.50 (165.57)	820.75 (1019.26)	1309.30 (1279.87)
Borrowings	0.00 (0.00)	0.00 (0.00)	0.36 (0.00)	0.36 (0.36)	75.74 (0.73)	2.41 (2.98)	0.87 (1.23)	0.00 (0.00)	79.74 (5.30)
Foreign Currency assets	7.91 (1.49)	1.02 (0.63)	0.23 (3.92)	0.00 (2.37)	0.00 (0.00)	0.00 (0.00)	1.41 (1.57)	-	10.57 (9.98)
Foreign Currency liabilities	14.91 (7.50)	1.23 (1.18)	0.87 (0.49)	2.41 (1.78)	4.97 (9.42)	8.93 (4.95)	0.54 (0.20)	-	33.86 (25.52)

#### 4.7 Lending to Sensitive Sector

##### 4.7.1 Exposure to Real Estate Sector

(Rs. in crs)

Category	2006-07	2005-06
a) Direct exposure		
(i) Residential Mortgages	73.62	49.41
(ii) Commercial Real Estate	49.22	30.33
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential,		--
b. Commercial Real Estate.		--
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	135.53	66.77
Total advance to real estate sector	258.37	146.51

##### 4.7.2 Exposure to Capital Market

Rs in Crore

Items	2006-07	2005-06
(i) Investments made in equity shares,	1.76	0.92
(ii) Investments in bonds/ convertible debentures	--	--
(iii) Investments in units of equity oriented mutual funds	20.64	11.04
(iv) Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds	3.59	1.25
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stock brokers and market makers:	67.00	34.25
Total Exposure to Capital Market (i+ii+iii+iv+v)	92.99	47.46
(vi) Of (v) above, the total finance extended to stockbrokers for margin trading.	-	-

##### 4.7.3 Risk Category wise Country Exposure

(Rs. in Crs)

Risk Category	Exposure (net) as at 31.3.2007	Provision held as at 31.3.2007	Exposure (net) as at 31.3.2006	Provision held as at 31.3.2006
Insignificant	53.57	NIL	48.57	NIL
Low	31.03	NIL	12.77	NIL
Moderate	7.95	NIL	3.04	NIL
High	0.13	NIL	NIL	NIL
Very High		NIL	NIL	NIL
Restricted		NIL	NIL	NIL
Off-credit		NIL	NIL	NIL
Total	92.68	NIL	64.38	NIL



#### 4.7.4 Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the bank.

A. For the period 1.4.06 to 30.09.06 (Based on the capital funds of Rs.317.05 cr as on 31.03.2006)

Rs. in Crores

S.No.	Name of the Borrower	Exposure Ceiling (15% of Capital Funds)	Limit Sanctioned	Period during which limit exceeded	Amount outstanding during the period limit exceeded	Board Sanction Details	Position as on 30.09.06
1	Sri Saravana Spinning Mills Pvt Ltd.,	47.56	62.14	Apr'06 to Sep'06	39.16	Sanctioned in the Board Meeting held on 14/08/06	39.16
2	Infrastructure Development finance Company (IDFC)	47.56	50.33	Apr'06 to Sep'06	50.34	Sanctioned in the Board Meeting held on 17/06/2006	50.34
3	Housing Development finance Corporation Ltd (HDFC)	47.56	50.00	Apr'05 to Sep'06	50.33	Sanctioned in the Board Meeting held on 17/06/2006	50.33

B. For the period 1.10.06 to 31.03.07 (Based on Capital Funds of Rs.332.89 cr as on 30.09.2006)

S.No.	Name of the Borrower	Exposure Ceiling (15% of Capital Funds)	Limit Sanctioned	Period during which limit exceeded	Amount outstanding during the period limit exceeded	Board Sanction Details	Position as on 31.03.07
1	Sri Saravana Spinning Mills Pvt Ltd.,	49.93	62.14	Oct'06 to Mar '07.	54.01	Sanctioned in the Board Meeting held on 14.08.06	54.01
2	SSM Fine Yarns	49.93	52.38	Oct'06 to Mar '07.	41.44	Sanctioned in the Board Meeting held on 15.03.07	41.44
3	Infrastructure Development Finance Co.Ltd(IDFC)	49.93	50.00	Oct'06 to Mar'07.	50.00	Sanctioned in the Board Meeting held on 17.06.2006	50.00
4	Housing Development Finance Corporation Ltd (HDFC)	49.33	50.00	Oct'06 to Mar'07.	50.00	Sanctioned in the Board Meeting held on 17.06.2006	50.00

#### 4.8 Miscellaneous

4.8.1 Amount of Provisions made for Income-tax during the year:

(Rs.in Crore)

	2006-07	2005-06
Provision for Income Tax (inclusive of DTA)	-5.72	-4.10

4.8.2 Disclosure of Penalties imposed by RBI

No penalties were imposed by Reserve Bank of India during the year.

#### 5. Accounting Standards:

In compliance with the guidelines issued by Reserve Bank of India regarding disclosure requirements of the various Accounting Standards issued by the Institute of Chartered Accountants of India the following information is disclosed.

#### 5.1 Prior period items - AS 5

There are no material prior period items of income / expenditure during the year requiring disclosure.

#### 5.2 Accounting Standard 17 - Segment Reporting

##### Part A: Business segments

(Rs. in crore)

Business Segments	Treasury		Other banking operations		Residual Operations		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	96.82	89.91	378.16	278.21			474.98	368.12
Result	12.46	11.76	109.89	40.65			122.35	52.41
Unallocated expenses							48.77	12.50
Operating profit							73.58	39.91
Provisions & Contingencies							61.45	21.54
Income taxes							(5.45)	(4.10)
Extraordinary profit/ loss								-
Net profit							17.58	22.47
Other Information								
Segment assets	1350.86	1319.05	4242.49	3403.57			5593.35	4722.62
Unallocated assets							233.43	196.76
Total assets							5826.78	4919.38
Segment liabilities	0.38	0.42	5357.10	4566.54			5357.48	4566.96
Unallocated liabilities							75.21	61.37
Total liabilities							5430.69	4628.33



Entire Investment portfolio has been considered as Treasury Segment and accordingly its income and assets are allocated to the segment. All other income and allocable assets are considered as pertaining to Other Banking Operations segment. In respect of the funds lent to the Treasury segment, the cost has been allocated on Transfer pricing Method.

#### Part B: Geographic segments

Since the bank is having domestic operations only, no reporting is necessary under this segment.

#### 6. Accounting Standard -18 Related Party disclosures

The disclosure under AS-18 is furnished in Note no.2 in respect of remuneration to Key Management Personnel.

[Rs. In Crore]		
Components	Deferred Tax Assets	Deferred Tax Liability
Leave Encashment	3.08 (2.56)	--
Depreciation on Fixed Assets	--	3.66 (3.66)
Provision for Wage Arrears	2.95 (2.95)	--
Carried forward Loss	40.69 (35.49)	--
Net Deferred Tax Asset/Liability	43.06 (37.34)	--

Figures in brackets pertain to previous year.

#### 9. Intangible Assets AS 26:

The Bank has followed the AS 26 - Intangible asset issued by ICAI and the guidelines issued by the RBI and has consistent with the compliance.

#### 10. Accounting Standard 28- Impairment of Assets:

A substantial portion of the bank's assets comprises financial assets to which Accounting Standard 28 is not applicable. In the opinion of the bank, there is no impairment of other assets to any material extent as at 31<sup>st</sup> March 2007 requiring recognition in terms of the said standard.

#### 11. Break up of 'Provisions & Contingencies' shown under the head in Profit & Loss Account (Rs. in crores)

Particulars	31.03.2007	31.3.2006
Provisions for Standard assets	4.15	4.75
Bad and Doubtful Debts	47.39	19.36
Taxation (Net of Deferred Tax)/FBT/Int. Tax	-5.45	-4.10
Investment Depreciation	7.36	-5.00
Others/ Contingencies(net)	2.55	2.44
Total	56.00	17.45

13. The Bank earned a profit of Rs.0.77 Crores on sale of securities under HTM category in the previous year. As per the guidelines of the Reserve Bank of India, this profit has to be transferred to Capital Reserve.

14. Previous year's figures have been regrouped / reclassified wherever considered necessary to conform to the current year's classification.

#### 15. A. Customer Complaints:

(a) No. of complaints pending at the Beginning of the year	3
(b) No. of complaints received during the year	34
(c) No. of complaints redressed during the year	31
(d) No. of complaints pending at the end of the year	6

#### 15. B. Awards passed by the Banking Ombudsman.

(a) No. of unimplemented Awards at the beginning of the year	1
(b) No. of Awards Passed by the Banking Ombudsmen during the year	13
(c) No. of Awards implemented during the year	13
(d) No. of unimplemented Awards at the end of the year	1

#### Shifting of IFR to P&L Appropriation A/c

In accordance with the circular DBOD.No.BP.BC.38/21.04.141/2005-06 issued by Reserve Bank of India the entire amount of Rs.40,74,15,301.14 outstanding in Investment Fluctuation Reserve was transferred to Profit and Loss Appropriation Account.

#### 7. Accounting Standard 20 Earnings Per Share (EPS):

EPS calculation in accordance with the AS-20 issued by the ICAI is as under:

	2006-07	2005-2006
Net profit after Tax (Rs. in '000)	175843	224702
No. of shares	48789555	19534569
Earnings per share - Basic & diluted (Rs.)	3.60	11.50

Note: There are no potential dilutive equity shares.

#### 8. Accounting Standard 22 Accounting for Taxes on Income

The bank has accounted for Income Tax in compliance with AS 22. Accordingly, Deferred Tax Assets & Liabilities are recognized. The major components of Deferred Tax are as under:

#### 12. Details of movement in provisions in accordance with Accounting Standard 29: Rs.in Crores

Particulars	Opening as on 01.04.2006	Provision made during the year	Provisions reversed/ adjusted	Closing as on 31.03.2007
Provision for Standard Assets	10.30	4.15	0.00	14.45
Prov.for Bad and doubtful debts	60.93	47.39	41.85	66.47
Investments	36.99	7.36		44.35
Taxation (incl.FBT/Int.Tax)	7.47	1.29	1.02	7.74
Wage arrears	0.30	0.00	0.30	0.00
Others				
Prov. for Bonus	0.08	0.10	0.09	0.09
Prov. for pension	5.51	3.60	5.51	3.60
Prov. for Dividend (incl.Div.Tax)	5.57	4.00	5.57	4.00
Prov. for Loss assets(excl.adv)	0.62	1.00	NIL	1.62
Prov. for Gratuity	0.33	NIL	0.33	NIL
Prov. for Leave encashment	8.10	1.55	0.64	9.01
Prov. for Lease assets	0.41	NIL	0.41	NIL

#### Share Capital & Issue Expenses netted against Share Premium Account

Pursuant to the resolutions passed by the Board of Directors of the Bank at their meeting held on July 6, 2006 the bank has recommended to issue bonus shares in the ratio of one equity share for every two equity shares held and further issue of 1,96,71,439 equity shares of Rs.10/- each for cash at a premium of Rs.40/- per equity share aggregating to Rs.98.36 crores on rights basis to the existing equity shareholders of the bank, in the ratio of one equity share for every one equity share held as on the record date i.e., 24.11.2006. Against which the bank has received Rs.93.44 crores as on 31.03.2007. The share issue expenses of Rs.1.14 crores were netted against the Share Premium Account.

#### Movement Floating provisions

Particulars	2006-07	2005-06
Floating Provisions at the beginning of the year	2.52	9.25
Floating Provisions made during the year	--	0.02
Floating Provisions utilization during the year	2.52	6.75
Floating Provisions at the end of the year	--	2.52



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

(Rs. in thousands)

	31.03.2007	31.03.2006
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit as per Profit & Loss Account	175,843	224,702
<b>ADJUSTMENTS FOR:</b>		
Provisions & Contingencies	559,988	174,467
Depreciation	74,517	63,384
Loss on sale of assets	(4,069)	665
Income Tax / T D S paid	(86,741)	(86,152)
Net cash flow before changes in Working Capital	719,538	377,066
<b>CHANGES IN WORKING CAPITAL :</b>		
<b>LIABILITIES : Increase/Decrease in</b>		
Deposits	6,834,923	8,404,549
Refinances	744,501	(636,439)
Other Liabilities	(380,717)	110,710
	7,198,707	7,878,820
<b>ASSETS : Increase/Decrease in</b>		
Investments	367,962	940,054
Advances	6,654,256	6,356,216
Leased-out Assets	0	0
Other Assets	228,574	170,999
	(7,250,792)	(7,467,269)
<b>CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(138,732)	(48,509)
Sale of Fixed Assets	37,900	884
	(100,832)	(47,625)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Shares issued	914,465	441,644
Tier II Bonds	300,000	(90,000)
Dividends paid	(481)	(1,013)
	1,213,984	350,631
Cash flow for the year	1,780,605	1,091,623
Cash & Cash equivalents at the beginning of the year	4,634,000	3,542,377
Cash & Cash equivalents at the end of the year	6,414,605	4,634,000

Note: Cash, Balances with Other Banks, Balances with R B I, and Money at Call and Short Notice have been considered as cash and cash equivalents.

### Auditors' Certificate

We have verified the Cash Flow Statement of The Lakshmi Vilas Bank Limited, Karur for the year ended March 31, 2007. This cash flow statement is the responsibility of the Management of the Bank in accordance with clause 32 of the listing agreement entered into with the Stock Exchange and is in agreement with the Balance Sheet as at March 31, 2007 and the Profit & Loss Account for the year ended March 31, 2007 dealt with in our report dated 18.06.2007 to the members of The Lakshmi Vilas Bank Limited.

For MESSRS. S. VISWANATHAN  
CHARTERED ACCOUNTANTS

(CHELLA K.RAGHAVENDRAN)  
PARTNER  
MEMBERSHIP NO.208562

KARUR - 639 006.  
18.06, 2007

For MESSRS. N.B.S & CO  
CHARTERED ACCOUNTANTS

(N.B.SHETTY)  
PARTNER  
MEMBERSHIP NO.16718



Auditors' Certificate on Corporate Governance

To  
The Members of  
The Lakshmi Vilas Bank Limited  
Karur.

June 18, 2007

We have examined the compliance of conditions of Corporate Governance by The Lakshmi Vilas Bank Limited for the year ended 31<sup>st</sup> March, 2007 as stipulated in clause 49 of the Listing Agreement of the said Bank with Stock Exchanges.

The Compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the Conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Notes issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the Bank as per the records maintained by the Share Transfer and Investors' Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For M/s.S.Viswanathan  
Chartered Accountants  
(Chella K.Raghavendran)  
Partner  
M.No.208562

For M/s.N.B.S & Co  
Chartered Accountants  
(N.B.Shetty)  
Partner  
M.No.16718

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER SCHEDULE VI,  
PART IV OF THE COMPANIES ACT, 1956 (Rs.in 000s)**

A REGISTRATION DETAILS		D APPLICATION OF FUNDS	
Registration	01377	Net Fixed Assets	35,50,42
State	18	Investment	13,09,30,24
Balance Sheet Date	31.03.2007	Net Current Assets	5,38,20,13
<b>B CAPITAL RAISED DURING THE YEAR</b>		Miscellaneous Expenditure	Nil
Public Issue	Nil	Accumulated Losses	Nil
Bonus Issue	98,35,720	<b>PERFORMANCE OF THE COMPANY</b>	
Rights Issue	1,96,71,439	Total Income	4,74,98,58
Private Placement	Nil	Total Expenditure	4,57,40,15
<b>C POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b>		Profit Before Tax	12,13,30
Total Liabilities	582678.14	Profit After Tax	17,58,43
Total Assets	582678.14	Earnings Per Share (Rs.)	3.60
<b>SOURCES OF FUNDS</b>		Dividend Rate	7%
Paid-up Capital	47,80,51	<b>GENERAL NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY (AS PER MONETARY TERMS)</b>	
Reserves and Surplus	3,48,28,36	Items Code	N.A.
Secured Loans	NIL	Product Description	Banking Company
Unsecured Loans	79,74,99		



## Annexure A MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### a) Industry Structure and Developments

Banking industry consists of Nationalized Banks, Old Private Sector Commercial Banks, New Private Sector Commercial Banks, Co-operative Banks, Regional Rural Banks and Foreign Banks. Our Bank was established in 1926 as Banking Company and has been classified as Scheduled Commercial Bank by the RBI.

#### Macro-Economic Environment

The Economic survey 2006-07, points out that Indian Economy entered in high-growth trajectory. The macro economic fundamentals in 2006-07 are generally strong. According to the Index of Industrial Production (IIP) press release, for the fiscal 2006-07, the industry as a whole grew by 11.3% (8.2% in 2005-06) and manufacturing sector grew by 12.3% (9.1% in 2005-06). The momentum of growth in the services sector continued with a growth of 11.2% in fiscal 2006-07.

The inflation rate as measured by the wholesale price index (WPI) ruled high at 5.74% as on 31<sup>st</sup> March 2007 against the previous year figure of 3.98%, due to supply side constraints and excess forex assets build-up that has grown over 32% on a year-on-year basis. The average inflation ruled at 5% with an upward bias in the second half of the fiscal which necessitated monetary measures to contain growth rate, resulting in hardening of interest rate.

The Central Statistical Organization (CSO) has revised upwards the GDP growth estimate for 2006-07 to 9.4 % from 9.2% envisaging economy entering into a new orbit of high growth trajectory if the current pace of growth is maintained with non-accelerating inflation.

The Banking industry, by and large witnessed a marginal increase in Net Interest Margin (NIM). The 10 year benchmark Government of India securities closed at 7.95% as on March 2007. The hardening of yield was due to large number of sellers for long term securities.

Many banks resorted to revise upward their prime lending rates due to resources becoming dearer. Repricing of deposits across different maturities is carried out as part of ALM.

For this fiscal the Banking industry witnessed a brisk credit off-take for deployment. The total Bank credit posted a decent growth of 28.51% and aggregate deposits have grown by 24.27%. The Credit Deposit Ratio touched 74.13%, the highest since the 74.99% level of 1976-77. The Investment Deposit Ratio dipped to a level of 30.54%, making it the lowest since the 30%, reached way back in 1970-71.

In the Annual Policy Statement for 2007-08, Dr. Y.Y.Reddy, Governor, RBI, said that the problem in economic management today is one of plenty rather than scarcity. With the dollar flood threatening to become a deluge, from the single-minded focus on tinkering repo rates and the CRR, the RBI, has turned its attention to measures that could arrest capital inflows which complicate both exchange rate and liquidity management. The annual monetary policy statement 2007-08 is memorable not because it left interest rate untouched but because it has nudged the country closer to a fuller float of the rupee. RBI pegs the non-food credit growth at 24-25% a decline of nearly five percentage points from the average growth over the past four years. The credit policy has raised the limits of foreign exchange for individuals as also companies and mutual funds .

The main features and projections of the Monetary Policy are :-

- Bank rate, repo rate, reverse repo kept unchanged.

- Scheduled banks required to maintain CRR of 6.5% with effect from the fortnight begun on April 28, 2007.
- Risk weight on residential housing loans up to Rs.20 lacs to individuals reduced from the existing 75% to 50% as a temporary measure.
- Risk weights on loans up to Rs.1 lakh against gold and silver ornaments has been reduced to 50% from the existing level of 125% .
- Indian Corporates have more leeway in dollar spending (remittance allowed up to 10 million USD for infrastructure consultancy services against the current limit of 1 million USD).
- ECB limits raised to 400 million USD from 300 million USD.
- GDP Growth rate projected at 8.5% for 2007-08.

#### The Highlights of the First Quarter Review of the Annual Policy Statement on Monetary Policy for the Year 2007-08.

- Bank Rate kept unchanged.
- Reverse Repo Rate and Repo Rate under LAF kept unchanged.
- Cash Reserve Ratio increased by 50 basis points to 7.0% with effect from the fortnight beginning August 4, 2007.
- GDP Projection for 2007-08 retained at around 8.5%, barring domestic or external shocks.
- Holding inflation within 5.0% in 2007-08 assumes priority in the policy hierarchy, while reinforcing the medium term objective to condition policy and perceptions to reduce inflation to 4.0% - 4.5% on a sustained basis.

#### Domestic Developments

- Real GDP growth during the quarter Jan - March 2007 is placed at 9.1% as against 10% in the corresponding quarter a year ago.
- Inflation, measured by variation in the wholesale price index (WPI) on a year-on-year basis declined from 5.9% at the end March 2007 to 4.4% as on July 14, 2007.
- Growth in money supply (M3) at 21.6% on a year-on-year basis was above the projected trajectory of 17.0 - 17.5% indicated in the Annual Policy Statement for 2007-08 and higher than 19.0% a year ago.
- The year-on-year increase in aggregate deposits of scheduled commercial banks (SCB) at 24.4% (Rs.5,31,881 Crore) up to July 6, 2007 was higher than 20.9% (Rs.3,77,392 Crore) a year ago.
- The year-on-year non-food credit growth of SCB at 24.4% (Rs.3,67,258 Crore) on July 6, 2007 was lower than 32.8% (Rs.3,70,899 Crore) a year ago.

### b) Opportunities and Threats

Based on the economic factors and performance during the fiscal 2006-07, it is estimated that the aggregate deposits of the commercial banks would enter new growth orbit in 2007-08.

The biggest challenge faced by the industry is increasing cost of funds and reducing yield on investment. The menace of NPAs continues to haunt and affects the profitability of the banks, even though recovery performance continues to be encouraging. On transition from 'regulatory adequacy' to 'market efficiency', banks need to use product development and differentiation, innovation, business process re-engineering techniques backed by technological up-gradation.



## c) Business Segmentation

The segment wise performance of the bank, both in deposit and advances is furnished below:-

Deposits	Rs.in Crs.	%	Advances	Rs.in Crs	%
Demand Deposits	506.92	10.10	Bills purchased & discounted.	181.89	5.04
Savings Deposits	599.65	11.95	Cash Credits, Overdrafts & Demand Loans.	2009.08	55.61
Term Deposits	3913.30	77.95	Term Loans	1421.73	39.35
Total	5019.87	100.00	Total	3612.70	100.00

## d) Outlook

India's macro economic performance turned out to be stronger than anticipated and expected to register higher GDP growth rate over the next year with expected good monsoon and increase in demand for bank credit.

## e) Risk and Concerns

The dynamic changes taking place in the economic, regulatory, business and operational environments are necessitating the constant attention of the top management on enhancing the scope of risk management process in the bank. Risk Management initiatives in the bank are being supervised by the Integrated Risk Management Committees of the Board (IRMC-B) and of the top management (IRMC-E). Integrated Risk Management Policy (IRM Policy) framework of the bank has been reviewed for refining the risk management objectives and fine tuning strategies thereon from time to time.

Banks are exposed to credit risk, market risk and operational risk in general and they are the integral parts of the banking business. Necessary systems for identification, measurement, monitoring and management of credit risk, market risk and operational risks have already been put in place in the bank. The risk profile of the bank has been assessed periodically through measuring specified risk parameters viz., the limits prescribed in the IRM Policy. Concerted efforts are taken for mitigating the adverse impact of these risks on the bank's business profile, operational and control systems.

By taking a comprehensive and holistic view of the complexities of various risks and the contours of the business profile, the bank has initiated a number of steps for bringing about an enhancement of the entire risk management process across the organization aiming at meeting the regulatory prescriptions on capital management and systems requirement in compliance to the new capital adequacy framework (Basel II norms) which is to be effective from 31/03/2009. In the new capital adequacy framework, the capital charge for credit risk, market risk and operational risk will be as per the standardized approach, standardized duration approach and basic indicator approach respectively. Systems for compliance to the Pillar I norms (minimum capital requirements) have already been evolved and the bank is undertaking the parallel computation of Capital to Risk Asset Ratio (CRAR) under the new norms with effect from June, 2006.

The necessary policy frameworks such as policy on credit risk mitigation process, policy on internal capital adequacy assessment process etc., have already been

formulated. The capital adequacy as per the new norms is being assessed periodically and actions are initiated for ensuring sufficient level of capital required as per the new norms. Bank has planned to bestow full attention to streamline various support systems in compliance to the Pillar II norms (supervisory review process) during remaining part of the parallel run aiming at a smooth switching over to the Basel II norms by 31/03/2009.

## Internal Controls

Commensurate with the size of the Bank and complexity of operations, the Bank has put in place a well articulated internal control measures such as separate Audit and Inspection Department which subjects all the Branches including International Division, Investment Cell, Currency Chest, Service Branches and every department of the Administrative Office to regular inspection. The internal and compliance functions are supervised by the Audit Committee of the Board. 75 Key branches including Investment Cell at Mumbai are under concurrent audit which covers almost 70% of the Bank's business. 26 branches are covered under voucher audit by concurrent auditors. Revenue/income leakage audit is conducted half yearly in the branches not covered by concurrent audits. This accounts for 149 branches. All computerized branches are subjected to a separate security-audit regularly. Expenditure audit is conducted half yearly in some important departments. A risk-oriented audit was conducted in International Division and Investment Cell on 31.12.2006.

Audit Committee of the Board has been constituted in line with RBI guidelines. To meet the requirement of clause 49 of the Listing Agreement, the Audit Committee reviews the adequacy of the audit and compliance function, including the policies, procedures, techniques.

## Human Resources Development / Industrial Relations

Development and harnessing of human resources are prime focus to match the demands of the industry which enters into a new orbit featured by high level of sophistication on technology front in the areas of core banking and internet banking.

To face the competition and newer challenges with ease, banks continue its focus in the area of training & development to outperform the set industry standard. Against this backdrop, our Bank runs a full-fledged Training College with skilled and experienced faculty to impart job-oriented training at frequent intervals to its staff at various levels. Wherever required, specialized courses handled by Guest faculty in the respective fields are conducted at our Staff Training College. Besides this, officers are selected based on the need to attend the training offered by premier institutions like NIBM, BTC etc.,

## Discussion on Financial parameters with respect to operational performance

The Bank continued its emphasis on "Operating Profit Approach". The Bank could record moderate to good performance in terms of various key financial parameters.

Deposits increased by 15.76%

Advances increased by 22.35%

Net Interest income improved by 23.22%

Number of branches increased to 236 from 227

Number of staff: 1926



## ANNEXURE B BOARD OF DIRECTORS AND COMMITTEES

The composition of the Board of Directors, headed by Executive Chairman is governed by the provisions of the Companies Act, 1956, Banking Regulation Act, 1949 and listing agreement entered with NSE. The Board had strength of 10 Directors as on 31.03.2007. The Board consists of eminent persons with considerable professional expertise and experience in Banking, Law, Accountancy, Engineering, Small Scale Industry, Agriculture, Information Technology, Consultancy and Business including Exports. Details of name of the Chairman and the Directors of the Board, number of meetings held and attendance during the year are provided in annexure C.

The Bank has not entered into any materially significant transaction which could have a potential conflict of interest with its promoters, directors, management or relatives etc., except the transactions entered into in the normal course of banking business.

### Committees of Directors

The Board has constituted Committees of Directors to deal with matters, which need special focus and timely monitoring of the activities falling within the terms of reference of the Committees. The Board Committees are as follow:

#### Audit Committee

Audit Committee of the Board is chaired by Shri. D.L. Suresh Babu, an Independent Director who is a Chartered Accountant by profession. Audit Committee provides direction and oversees the operation of total audit function in the Bank as per RBI guidelines. Details of names of members and chairman, meetings and attendance during the year under review are provided in annexure C. The terms of reference of Audit are in accordance with Provisions of Companies Act, 1956, Banking Regulation Act, 1949 and clause 49 of listing agreement inter alia includes the following:

- Overseeing the Bank's financial reporting process and ensuring correct, adequate and credible disclosure of financial information.
- Recommending appointment and removal of external auditors and fixing of their fees.
- Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements and
- Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements.

#### Share Transfer and Investors' Grievances committee

The Share Transfer and Investors' Grievances Committee approves and monitors share transfers, transmission, issue of duplicate shares, physical shares on remat requests, fixing book closure / record date etc., The Committee monitors the

redressal of complaints of investors like Complaints on Share transfer, non-receipt of dividend declared, non-receipt of annual report & other related matters. The Committee also reviews the compliance of provisions and requirements of Reserve Bank of India, SEBI, Stock Exchanges, Registrar of Companies, Depositories, and other statutory bodies.

During the year the Bank received "Nil" complaints from shareholders. Details of names of the Chairman & members of the Committee, Compliance officer, meetings and attendance during the year are provided in annexure C.

#### Infrastructure Development committee

The Committee approves purchase and leasing of premises for the use of the Bank's branches and for employees' residences and the purchase of computer hardware, software, peripherals and accessories etc.,

#### Risk Management Committee

The Integrated Risk Management Committee constituted as per RBI guidelines, formulates Bank's credit and Market risk policies and reviews the Assets and Liabilities of the Bank based on periodical structural liquidity and dynamic liquidity statements on outflows and inflows and also analyses the interest rate sensitivity of assets and liabilities.

#### Remuneration Committee

No committee has been formed as the remuneration of whole time Director and sitting fees payable to other directors is decided only by the Board of Directors. The remuneration of Chairman & CEO was approved by RBI on the recommendations of the Board, details of which is given in the Schedule 17 (under B.2 Notes on Accounts) of the Annual accounts and other directors are paid only sitting fees for Board/ Committee meetings attended by them.

#### Fraud Monitoring Committee

Pursuant to the directions of the Reserve Bank of India, the Bank has constituted a Fraud Monitoring Committee, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of Rs.1 crore and more. The objective of this Committee is the effective detection of frauds and ensuring of prompt reporting thereof to regulatory and enforcement agencies.

#### Customer Service Committee of the Board

Pursuant to the directions of the Reserve Bank of India, the Bank has constituted a Customer Service Committee exclusively dedicated to bring about improvement in the quality of customer service provided by the bank.

#### Disclosure

There was no penalty or strictures passed on the bank by any regulatory authority for non-compliance of any laws.



## ANNEXURE - C

Composition of the Board of Directors together with the attendance at meetings of the Board, its Committees and Annual General Meeting and directorship held

Name of the Director & No. of Shares held by them	Chairman of the Committee	Representation as per Banking Regulation Act	Category as per Listing Agreement	Board (21 meetings)	Audit Committee (ACB) (5 meetings)	Share Transfer & Investors' Grievance Committee (4 meetings)	Integrated Risk Management Committee (IRMC) (3 meetings)	Infrastructure Development Committee (IDC) (4 meetings)	Fraud Monitoring Committee (FMC) (3 meetings)	Customer Service Committee (CSC) (2 meetings)	Annual General Meeting	No. of Other Directorships held	Name of other Companies in which he is a Director	Other Companies in which he is the Chairman of any Committee
Mr.R.M.Nayak, Chairman & Chief Executive Officer (No of shares: Nil)	Chairman - IRMC, IDC, FMC, CSC	Majority - Banking	Executive - Director/ Non Independent	21	NA	NA	3	4	3	2	YES	Nil	Nil	Nil
Mr.D.L.Suresh Babu (Chairman - Audit Committee) (No of shares: 1125)	Chairman - Audit Committee	Majority - Chartered Accountancy	Independent / Non-executive	19	5	NA	2	NA	2	NA	YES	1	M/s Alpha Financial Consultancy Services (P) Ltd.	Nil
Mr.K.B.Krishnan (No of shares: 20997)		Majority - SSI	Independent / Non-executive	20	NA	NA	3	3	NA	NA	YES	2	M/s Fountain Chits (P) Ltd M/s Texcel Sales Kovai (P) Ltd	Nil
Mr.M.P.Shyam (No of shares: 96288)	Chairman - Share Transfer & Investor Grievances Committee	Minority - Business	Non Independent / Non-executive	17	3	3	2	4	NA	NA	YES	6	M/s Advait Marketing (P) Ltd., M/s Cauvery Motors (P) Ltd M/s Advait Motors (P) Ltd M/s Ananya Software Systems (P) Ltd. M/s Mysore Vegetable Oil Ltd M/s Advait Automotion (P) Ltd	Nil
Mr.R.Dhandapani (No of shares:19036)		Majority - Agri	Independent / Non-executive	21	5	NA	3	NA	3	NA	YES	Nil	Nil	Nil
Mr.K.Balaji (No of shares: 26071)		Majority - SSI	Independent / Non-executive	18	5	NA	NA	NA	NA	NA	YES	Nil	Nil	Nil
Mr.E.Sreedhar (No of shares: 2750)		Majority - Systems & Technology	Independent / Non-executive	21	5	NA	NA	4	NA	NA	YES	1	M/s Shell Networks (P) Ltd	Nil
Mr.N.Saiprasad (No of shares:40109)		Minority - Business	Non Independent / Non-executive	19	5	4	3	3	3	2	YES	Nil	Nil	Nil
Mr.G.Sudhakara Gupta (No of shares:470)		Minority - Consultancy	Non Independent / Non-executive	19	4	4	NA	4	3	1	YES	2	M/s Holzwerk Interior (P) Ltd. M/s XS Real International Sale (P) Ltd.	Nil
Mr.K.Ravindrakumar (No of shares: 11951)		Minority - Business	Non Independent / Non-executive	21	NA	4	NA	NA	NA	2	YES	Nil	Nil	Nil

## ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Name of the Committee Members (Sarvashree)	Meeting details		Whether attended last AGM (Y/N)
	Held during the tenure of director / invitee	Attended	
D.L.Suresh Babu	5	5	YES
M.P.Shyam	5	3	YES
R.Dhandapani	5	5	YES
N.Saiprasad	5	5	YES
K.Balaji	5	5	YES
E.Sreedhar	5	5	YES
G.Sudhakara Gupta	5	4	YES



## INFORMATION ABOUT SHARE TRANSFER WORK TO A DELEGATED AUTHORITY

Description of delegated authority	Full Address of delegated authority	Telephone Numbers	Fax Numbers	E-Mails ID
Name and designation of officer of the Company	S.Venkateswaran Company Secretary / Compliance Officer Lakshmi Vilas Bank Limited Regd. & Admn. Office, Salem Road, Kathapurai, Karur - 639 006	04324 - 220051-60	04324 - 220068 & 220069	<a href="mailto:secretarial@lvbank.com">secretarial@lvbank.com</a>
Name of Board Committee and Chairman's name	Share Transf & Investors' Grievances Committee Mr.M.P.Shaym, Director Lakshmi Vilas Bank Limited Regd. & Admn. Office, Salem Road, Kathapurai, Karur - 639 006	04324 - 220051-60	04324 - 220068 & 220069	<a href="mailto:shyamshetty@yahoo.com">shyamshetty@yahoo.com</a>
The Registrar and Share Transfer Agents	M/s.Integrated Enterprises (India) Ltd., II Floor, "Kences Towers" No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600 017	044 - 28140801 28140802 28140803	28142479 28143378	<a href="mailto:lvb@iepindia.com">lvb@iepindia.com</a>

## ANNEXURE - D

### General Shareholders' Information

#### Means of Communication

The Bank publishes its financial - quarterly and annual results in The Hindu Business Line (all editions- English) and Dinamalar (Vernacular). The results are displayed on the Bank's website at [www.lvbank.com](http://www.lvbank.com).

Management discussion and analysis forms part of the Annual Report which is posted to the shareholders of the Bank.

#### Financial Calendar 2007-2008 :

#### 80<sup>th</sup> Annual General Meeting

Date & Time: 26<sup>th</sup> September 2007, 10.00 A.M.

Venue : Registered Office, Salem Road, Kathapurai, Karur 639006, Tamilnadu.

#### Information of last three Annual General Meetings held

The 77<sup>th</sup>, 78<sup>th</sup> and 79<sup>th</sup> AGM were held on 29<sup>th</sup> July, 2004, 29<sup>th</sup> September, 2005 and 14<sup>th</sup> August, 2006 respectively.

#### Special Resolution passed during the last three AGMs.

77<sup>th</sup> AGM 29/07/2004 10.30 a.m. A.O. Karur.

Special Resolution passed to delist the equity shares from MSE.

78<sup>th</sup> AGM 29/09/2005 10.30 a.m. A.O. Karur.

#### Special Resolution passed:-

i) to amend the Articles of Association to increase the Authorized Capital to Rs.100.00 crores and

ii) to amend Article to include a new Article 31 that no suit or other proceedings shall be instituted in any court other than the courts in Karur which is the place of residence of the Bank for this purpose by reason of location of its Registered Office."

79<sup>th</sup> AGM 14/08/2006 10.30 a.m A.O. Karur.

special resolution passed : NIL.

No special resolution was put through postal ballot.

All the Directors were present on the last AGM.

Annual General Meeting (Next Year) August, 2008

#### Board Meetings

Results for the quarter ending June 2007 Last week of July 2007

Results for the quarter ending September 2007 Last week of October 2007

Results for the quarter ending December 2007 Last week of January 2008

Results for the quarter ending March 2008 Last week of June, 2008

#### Code of Conduct

The Board of Directors at its meeting held on 15.04.2005, approved the Code of Conduct for all the Directors and Senior Management Personnel. The said Code of Conduct has been placed on the website of the Company [www.lvbank.com](http://www.lvbank.com). The Annual Report contains a declaration signed by CEO.

#### Disclosure

Directors Shri.D.L.Sureshbabu, Shri.M.P.Shyam, and Shri.K.Balaji Directors are retiring by rotation and being eligible, offer themselves for reappointment. Pursuant to the Listing Agreement pertaining to Corporate Governance a brief resume about the retiring directors seeking re-election is furnished in the Notice to the Shareholders.

#### CEO/CFO Certification

CEO/CFO Certification under the Corporate Governance Guidelines prescribed by SEBI has been submitted to the Board by the CEO and CFO. The certificate on compliance is furnished separately.

#### Unclaimed Dividend:

Information in respect of unclaimed dividend and last date for making claim is given below:



Financial Year	Date of Declaration	Amount as on 31.03.2007 in Rs.	Last date for claim
1999-00	29.08.2000	8,98,628.00	28.08.2007
2000-01	27.07.2001	10,26,752.00	26.07.2008
2001-02	14.08.2002	11,13,342.00	13.08.2009
2002-03	07.08.2003	13,88,119.50	06.08.2010
2003-04	29.07.2004	17,09,674.80	28.07.2011
2004-05	29.09.2005	Dividend not declared	NA
2005-06	14.08.2006	13,69,812.00	13.08.2013

#### Compliance with clause 32 of the Listing Agreement

Name and address of the Stock Exchange where equity shares of Lakshmi Vilas Bank Limited is listed:

The National Stock Exchange of India Limited

Exchange Plaza, 5<sup>th</sup> floor, Plot No.C/1, G Block, Bandra Kurla Complex,

Bandra (E), Mumbai 400051.

Bank confirms that the Annual Listing Fee has been paid to National Stock Exchange.

#### Compliance with Clause 51 of the Listing Agreement

The un-audited and audited financial results were posted on the website of the Bank viz [www.lvbank.com](http://www.lvbank.com). The information required were also filed on the special website [www.sebidifir.nic](http://www.sebidifir.nic) within the prescribed time.

#### Compliance with Clause 47 (f) of the Listing Agreement

SEBI has advised the listed companies to designate an exclusive email ID for Redressal of Investor Complaints. Pursuant to amendment to the listing agreement under clause 47(f), a separate e-mail id [www.investorsgrievances@lvbank.com](mailto:www.investorsgrievances@lvbank.com) was designated exclusively for redressal of Investors' complaints.

#### Dematerialization

Bank has 48100 shareholders as on 31.03.2007. Of this 17806 folios representing 3,76,05,357 (77.07%) shares are in Demat Form.

Bank Code (NSE) : LAKSHVILAS

ISIN NO.

Fully paid shares of Rs.10/- each : INE694C01018

Partly paid shares of Rs.5/- each : IN9694C01024

The shares of the Bank are admitted under demat mode with both the depositories of the country i.e., National Securities Depository Limited and Central Depository Securities (India) Limited.

#### Stock Market Data

Month	NSE Listed on 21.06.2000		No of shares Traded
	High	Low	
April 2006	101.00	88.30	529783
May	108.00	85.00	2028295
June	132.80	75.10	1468361
July	123.00	97.00	3405381
August	121.20	105.05	1271523
September	127.00	105.00	1868451
October	145.00	123.55	2105880
November	175.00	75.20	3744879
December	102.00	77.50	3239110
January 2007	95.00	73.55	1612991
February	117.55	78.05	4914077
March	89.25	74.20	1602952

Distribution of Shareholding in break up as on 31.03.2007 is given below.

CATEGORY	NUMBERS	%	SHARES	%
UPTO 500	34286	71.28	5551944	11.38
501 TO 1000	6581	13.68	4626410	9.48
1001 TO 2000	4247	8.83	5984688	12.27
2001 TO 3000	1319	2.74	3164698	6.49
3001 TO 4000	504	1.05	1741067	3.57
4001 TO 5000	320	0.67	1425184	2.92
5001 TO 10000	519	1.08	3494008	7.16
10001 & ABOVE	324	0.67	22801556	46.73
TOTAL	48100	100.00	48789555	100.00

#### Nomination Facility

Shareholders may avail of the Nomination Facility under Section 109A of the Companies Act, 1956.

#### Bank Account Details

In order to avoid fraudulent encashment of dividend warrants, the members are requested to write their Bank Account details to the Office of our Registrar and Share Transfer Agent.

#### Shares held in Electronic form

All instructions regarding bank account details, which the shareholders wish to be incorporated in their dividend warrant will have to be submitted to their depository participants.

Instructions already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form and the Bank or STA will not entertain any request for deletion / change of Bank details already printed on dividend warrants as per information received from both the depositories.

All instructions regarding change of address, nomination, power of attorney etc., shall be given directly to their Depository participants and the bank or STA will not entertain any such requests directly. Shareholders having the holdings partly in demat form and partly in physical form, should follow the steps narrated above separately.

#### Share Transfer Process

Bank ensures physical shares are processed by the Registrar and Share Transfer Agent M/s. Integrated Enterprises (India) Limited and approved by Share Transfer & Investors' Grievances Committee and the certificates are dispatched to the transferees within a maximum period of 4 weeks from the date of receipt of the transfer documents by M/s. Integrated Enterprises (India) Limited, provided the share documents are valid in all respects.

Share transfers, dividend payments, demat requests and all other investor related activities are attended to and processed at the office of our Registrar and Share Transfer Agent.

Shareholders' Correspondence should be addressed to :

M/s Integrated Enterprises (India) Limited  
 II floor, "Kences Towers" No.1 Ramakrishna Street  
 North Usman Road, T.Nagar, Chennai 600 017  
 Ph: 044-28140801/2/3 Fax: 28142479/28143378  
 Email: lvb@ieindia.com

#### Compliance status of Clause 49 of Listing Agreement

The Bank has complied with all mandatory recommendations prescribed in Clause 49 of the Listing Agreement. A Certificate to this effect from the Bank's Statutory Auditors is annexed.

The Bank at present has not adopted the Non-Mandatory requirement in regard to Remuneration Committee, sending of half yearly performance to the Shareholders to their Residence.

#### DECLARATION BY CHAIRMAN & CEO

The Board of Directors and the Senior Management Personnel of the Bank have affirmed confirming to the code of conduct of the Bank for the year ended 31.03.2007



## STATEMENT OF PROGRESS (AMOUNT IN LAKHS OF RUPEES)

Year	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Paid-up Capital	1150.86	1150.86	1150.88	1150.88	1150.88	1150.89	1150.89	1150.89	1953.46	4780.51
Reserve Fund & Other Reserves	8361.20	8972.08	11023.06	13126.82	15290.57	18057.72	21513.39	21847.83	27151.90	34828.36
Deposits	141892.52	159100.77	196340.65	227764.40	247692.23	277050.16	329581.91	349592.51	433638.00	501987.23
Advances	75790.92	90943.14	115004.68	148023.33	156525.19	176369.82	203870.40	231771.14	295281.97	361270.30
Investments	49406.11	59208.59	76756.97	78203.92	90420.57	103657.52	133816.81	118086.14	127986.68	130930.24
Net Profit	2159.00	1432.83	2635.61	2674.48	3022.11	3416.33	4104.85	334.44	2247.02	1758.43
Number of Branches	200	204	205	209	211	215	224	225	227	236
Staff Position	1996	1957	1930	1936	1933	1983	1946	1928	1873	1926
Earning Per Share	18.76	12.45	22.90	23.24	26.25	29.68	35.67	2.91	11.50	3.60
Book Value	82.65	87.96	105.78	124.06	142.86	166.90	196.93	199.83	149.00	81.18
Market Price	48.35	36.10	38.12	44.42	46.17	65.98	98.72	138.20	105.16	77.70
Dividend Per Share (Rs.)	3.70	3.70	4.50	4.50	5.00	5.00	5.00	Nil	2.50	0.70



## BRANCH NETWORK

### ANDHRA PRADESH

Adoni  
Chittoor  
Eluru  
Gajuwaka  
Gopalapatnam  
Guntur  
Koti Hyderabad  
Hubsiguda  
Kothapeta  
Kukatpally  
Malkajgiri  
Secunderabad  
Kakinada  
Karimnagar  
Nandyal  
Nellore  
Ongole  
Prodattur  
Rajahmundry  
Suryapet  
Tanuku  
Tirupati  
Vijayawada  
Vijayawada-II  
Visakapatnam  
Warangal

### GUJARAT

Ahmedabad  
Anand  
Gandhinagar  
Gandhidham  
Jamnagar  
Rajkot  
Surat  
Vadadora

### HARYANA

Gurgaon

### KARNATAKA

Gandhinagar Bangalore  
Cantonment  
Citymarket  
Jayanagar  
Jalahalli  
Koramangala  
Ulsoor  
Bellary  
Chitradurga  
Davangere  
Hospet  
Hubli  
Mandya  
Mysore  
Raichur  
Ranebennur  
Shimoga

### KERALA

Calicut  
Cochin  
Palakkad  
Thrissur  
Thiruvananthapuram

### MAHARASHTRA

Nagpur  
Andheri Mumbai  
Borivilli  
Fort  
Ghatkopar (E)  
Matunga  
Vashi  
Pune

### MADHYA PRADESH

Indore

### NEW DELHI

Janpath  
Karol Bagh

### PONDICHERRY

Ambagarathur  
Karaikal  
Pondicherry

### TAMILNADU

Alathur  
Ambilikkai  
Ambur  
Anbil (S.O)  
Arakandanallur  
Arantangi  
Ariyalur  
Arni  
Attur  
Avalpoondurai  
Balasamudram  
Bhuvanagiri  
Chinnadharapuram  
Chittode  
Chinna Salem  
Oppanakara St. Coimbatore  
Personal Banking  
Ganapathy  
Gandhipuram  
Kovaiapur  
Ramanathapuram  
R.S.Puram  
Uppilipalayam  
Eachanari  
Cuddalore  
Cumbum  
Dharmapuri  
Dindigul  
Erode  
Gobichettipalayam  
Gopalpatti  
Hosur  
Idayakottai  
Iyyampalayam  
Jalakandapuram  
Kadambuliur(S.O)  
Kallakurichi  
Kancheepuram  
Kandili  
Kangayam  
Kanjampatti  
Karaikudi

Jawahar Bazaar Karur  
Karur West  
Vengamedu  
Kathapara  
Kattuputhur  
Kattugudalur (S.O)  
Kovilpatti  
Krishnagiri  
Kumbakonam  
Kurumbapatti  
Kulithalai  
Lakkapuram  
Lalgudi  
ThambuChetty St  
Adyar Chennai  
Anna Nagar  
Cathedral Road  
G.N.Street  
Kodambakkam  
Mount Road  
Mylapore  
Nungambakkam  
Purasawalkam  
Royapuram  
Selaiyur  
Triplicane  
T.Nagar  
Valasarawalkam  
Velacherry  
West Tambaram  
Madukkur  
Palace Road Madurai  
Thallakulam  
Mahadhanapuram  
Manamedu  
Mannargudi  
Marandahalli  
Mathur  
Mayiladuthurai  
Melur  
Mettupalayam  
Mettur Dam  
Moolangudi  
Muthugapatti  
Muthupet  
Muthur  
Nagapattinam  
Nagercoil  
Namakkal  
Nathakadaiyur  
Nerinjipettai  
Neyveli  
Oddanchatram  
Olapalayam  
Palani  
Pallipalayam  
Panruti  
Papanad  
Papanasam  
Pattukkottai  
Pennagaram  
Peravurani  
Periyakulam  
Podakudy  
Pollachi  
Pugalur

C.Pudupatti (S.O)  
R.Pudupatti  
Rajapalayam  
Rajendram  
Rasipuram  
Bazaar Street Salem  
C.K.Street  
Gugai  
Kondalampatti  
Shevapet  
Swarnapuri  
Sankarapuram  
Sankari  
Sattur  
Seevalaperi (S.O)  
Sendarapatti  
Sivakasi  
Sundarapandiyam  
Suriyampalayam  
Tanjore  
Tenkasi  
Theni  
Thiruvaiyaru  
Thittagudi  
Thottiyam  
Tindivanam  
Tiruchengode  
Tirukoilur  
Tirunelveli  
Tirupur  
Tiruvarur  
Big Bazaar St Trichy  
Srirangam  
Thillainagar  
Thirukadaiyur  
Thirukkattupalli  
Tiruthuraiipoondi  
Tiruvannamalai  
Turaiyur  
Tuticorin  
Thokkavadi  
Udumalpet  
Ulipuram  
Unjalur  
Vadugapalayam  
Vellakoil  
Velliyanai  
Vellore  
Velur (Namakkal)  
Vettavalam  
Vilangudi  
Villupuram  
Virudhunagar  
Virdhachalam  
Yethapur

### UTTAR PRADESH

Noida

### WEST BENGAL

Kolkatta



## INTERNATIONAL DIVISION / DOMESTIC TREASURY

25 31, Aban House, 4<sup>th</sup> Floor, Sri Saibaba Marg, Kalagodha  
Fort Mumbai 400 023, Maharashtra, Greater Mumbai District.  
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Mobile: 98204 52642 (DGM-ID); 98202-84023 (DGM-IVN.CELL)  
E-mail: intdiv@lvbank.com ; icell@lvbank.com

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Anna Salai, Chennai 600 006 Tamilnadu  
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Mobile: 98400-99118  
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#### COIMBATORE

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68, Oppanakara Street, IInd Floor,  
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Tel.Fax:0422-2304997  
E-Mail: coimbatore@lvbank.com

#### MUMBAI

Sterling Centre, 2<sup>nd</sup> Floor, Andheri-Kurla Road,  
Chakala, Andheri (East), Mumbai 400 093  
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STD: 022 Mobile: 98211-32824  
Telex: 118-5322 Fax: 022-28270234  
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E-Mail:mumbai@lvbank.com

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STD: 040 Mobile: 98480 23865  
Tel. Fax: 040-23212024 Tel. ad: HILLELVEBE  
E-Mail: hyderabad@lvbank.com

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Mobile: 94426-20053  
Telex : 0445-220 Tel. Fax: 0452-2338213  
E-Mail: madurai@lvbank.com

#### BANGALORE

568, 38<sup>th</sup> Cross, 11<sup>th</sup> Main, 1<sup>st</sup> Floor, 5<sup>th</sup> Block,  
Jayanagar, Bangalore 560 041 Karnataka  
Phone Off: 26633902 (AGM) 22445249, 22447654 STD: 080  
Mobile: 98456-60683  
Tel.Fax: 080-22445249  
E-Mail: bangalore@lvbank.com

#### SALEM

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STD: 0427 Mobile: 94426-38400  
Tel.Fax: 0427-2336751  
E-Mail: salem@lvbank.com



## LIST OF OVERSEAS CORRESPONDENT / AGENCY BANKS

### USA & Canada:

- 1.HSBC Bank USA, New York
- 2.American Express Bank, New York.
- 3.Toronto Dominion Bank, Toronto.

### Europe:

- 4.HSBC Bank PLC, London
- 5.Commerzbank AG Frankfurt
- 6.Citibank, Frankfurt
- 7.Dresdner Bank, Frankfurt
- 8.Deutsche Bank, Eschborn
- 9.Hypo Veriens Bank, Hamburg.
- 10.ABN Amro Bank, Amsterdam.
- 11.Intesa Sanpaolo Spa, Milan
- 12.Banca Nazionale Del Lavoro, Rome.
- 13.UBS AG, Zurich.
- 14.Natexis Banques Populaires, Paris
- 15.Fortis Bank, Brussels
- 16.Den Danske Bank, Copenhagen.
- 17.Zurcher Kantonal Bank, Switzerland.

### Asia Pacific:

- 18.National Australia Bank, Melbourne.
- 19.Standard Chartered Bank, Tokyo.
- 20.Hongkong and Shanghai Banking Corporation:  
Hong Kong, Singapore,  
Kuala Lumpur and Sydney.

### Gulf:

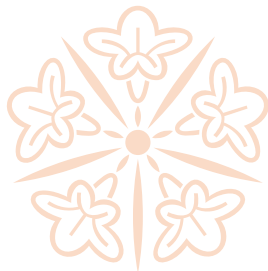
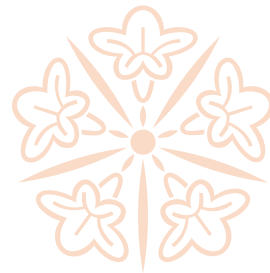
- 21.Saudi British Bank, Riyadh.
- 22.Habib Bank AG Zurich, Dubai.
- 23.Saudi Hollandi Bank, Riyadh.



## CUSTOMER CONVENIENCE - SHIFTING OF BRANCHES



KARUR WEST (TN)



GOPALAPATNAM (AP)



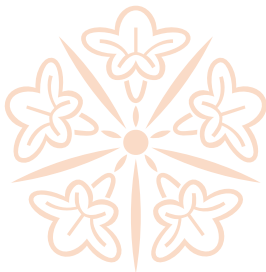
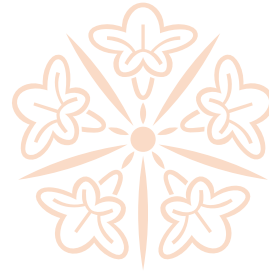
TENKASI (TN)



## CUSTOMER CONVENIENCE - SHIFTING OF BRANCHES



TRICHY MAIN (TN)



THILLAINAGAR (TN)



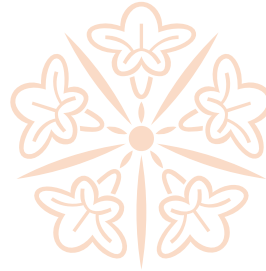
METTUPALAYAM (TN)



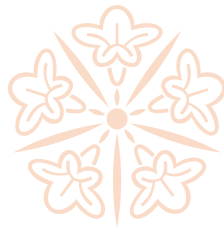
## EVENTS



TEAM OF EXECUTIVES ON THE EVE OF ANNUAL BUSINESS CONFERENCE



FAREWELL TO MR. R.M. NAYAK



ROLL OUT OF 100th CBS BRANCH (CANTONMENT, BANGALORE)



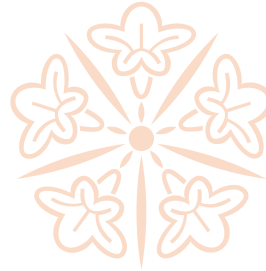
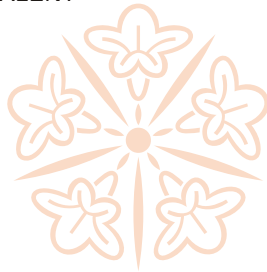
TIE-UP WITH WESTERN UNION MONEY TRANSFER



## ACTIVITIES



NURTURING TALENT



IN SERVICE OF HUMAN RIGHTS



OUR ASSISTANCE TO AGRICULTURE



BANK'S OWN QUARTERS FOR EXECUTIVES  
AT KARUR