

**81st ANNUAL REPORT
2007 - 2008**



FULLY CBS NET WORKED BANK



LAKSHMI VILAS BANK



CORPORATE VISION

To be a sound and dynamic banking entity providing financial services of excellence with pan Indian presence

CORPORATE MISSION

To develop a range of quality financial services and products to create value for customers, shareholders and the society; to motivate people to achieve excellence in performance leading to sustained profitable growth and build a vibrant organization



BOARD OF DIRECTORS



Shri. V.S. REDDY
Managing Director
(From 24.10.2007)



Shri. M.P. SHYAM



Shri. K. BALAJI



Shri. E. SREEDHAR



Shri. N. SAIPRASAD



Shri. G. SUDHAKARA GUPTA



Shri. K. RAVINDRAKUMAR



Shri. R. MOHAN
(From 21.08.2007)



Shri. S.L. SIVASHANMUGAM
(From 28.02.2008)



Shri. KUSUMA R MUNIRAJU
(From 25.06.2008)

EXECUTIVES

Sarvashree

CHIEF FINANCIAL OFFICER

R.Sridharan

CHIEF OPERATING OFFICER

Naganna Prabhakaran

CHIEF TECHNOLOGY OFFICER

B.Murali Nair,

GENERAL MANAGERS

S.R.Narayanamurthy

S.Ravishankar

DEPUTY GENERAL MANAGERS

S.Venkateswaran, Company Secretary

J.V.S.Chetty

V.Sekar

L.Sadanandam

R.V.Raman

S.Suresh Babu

A.K.Ramakrishnan

S.Elangovan

B.Ranjan Babu

S.Kannan

T.B.Sathyarayanan

M.Sethuraman

RM.Kumarappan

N.Durairajan

ASSISTANT GENERAL MANAGERS

K.Vishnumohan

K.Srinivasan

B.Seshi Reddy

K.H.Gangadhar

K.Jagadeesh

S.Prabhakaran

M.M.Thangavel

R.Kamalasekaran

S.Ramanathan

AUDITOR

M/s. Sundaram & Srinivasan,

Chartered Accountants,

Chennai.

REGD. & ADMN. OFFICE

Salem Road, Kathapara, Karur-639 006, Tamilnadu

Phone: 04324-220051 to 220060 (10 lines)

Website: www.lvbank.com

E.Mail: secretarial@lvbank.in

Registrar and Share Transfer Agent

M/s.Integrated Enterprises (I) Limited

II, Floor, "Kences Towers",

No.1, Ramakrishna Street,

North Usman Road, T.Nagar,

Chennai - 600 017.

Phone: 044-28140801/2/3 Fax: 28142479

Email: lvb@iepindia.com

CONTENTS

Page No.

Report of Directors	8
Report of Auditors	13
Balance Sheet	14
Profit & Loss A/c	15
Schedules	16
Cash Flow Statement	39
Auditor's Certificate	39
Balance Sheet Abstract	40
Statement of Progress	46
Branch Network	47
Divisional Office	48
Overseas Correspondent / Agency Banks	49



BRANCH OPENING



PERAMBALUR



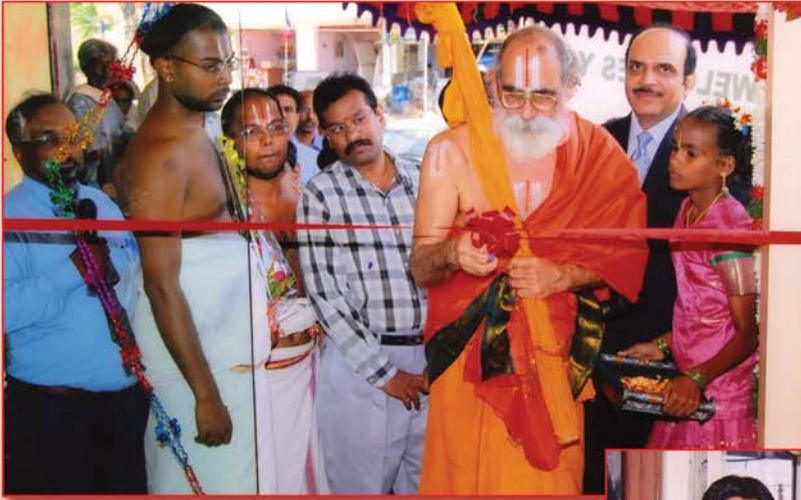
KARANODAI



KHARGAR



ROHINI



SRIPERUMPUDUR



PANIPET



AYOTHIYAPATINAM



TIRUVALLUR



RANCHI



BHUBANESHWAR



KHAMMAM



ADILABAD



ANANTAPUR



KALYAN



BHILWARA



BRANCH SHIFTING



NAMAKKAL



TIRUPUR



Technology Centre Inauguration at Chennai



CHITRADURGA





DIRECTORS 81st ANNUAL REPORT

1. TO THE MEMBERS

Your Directors have great pleasure in presenting to you the 81st Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2008.

2. FINANCIAL PERFORMANCE

The financial performance highlights for the financial year 2007-2008 are as under:-

	(Rs. in crores) For the year ended	
	31 st March 2008	31 st March 2007
Deposits	5618.49	5019.87
Gross Advances	3858.79	3612.70
Investments	1693.68	1309.30
Total Income	588.54	474.99
Operating profit	90.17	73.58
Provisions and contingencies	64.90	56.00
Net Profit	25.27	17.58
Profit brought forward	0.43	0.37
Balance transferred from IFR	-	40.74
Amount available for appropriation	25.71	*58.69
Transfer to:		
Statutory Reserve	7.00	53.24
Capital Reserve	8.55	0.77
Investment Fluctuation Reserves	--	--
Other Reserve	1.30	0.25
Proposed Dividend	7.32	3.42
Corporate Dividend Tax	1.24	0.58
Balance of Profit carried forward	0.29	0.43

(* includes an amount of Rs. 40.74 held under Investment Fluctuation Reserve transferred)

The Bank's total business climbed to Rs. 9477.27 crores from Rs. 8632.57 crores as on 31.03.2008 registering a growth rate of 10%.

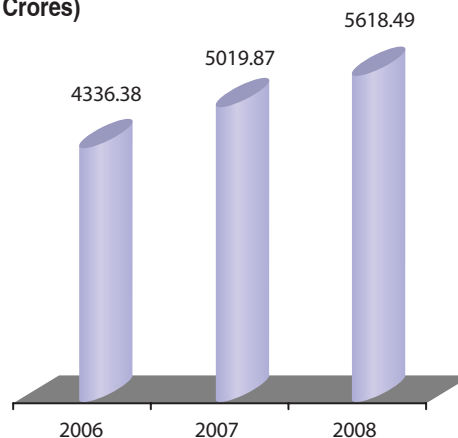
Appropriations from the net profit have been effected as per the table given above.

3. DEPOSITS AND ADVANCES

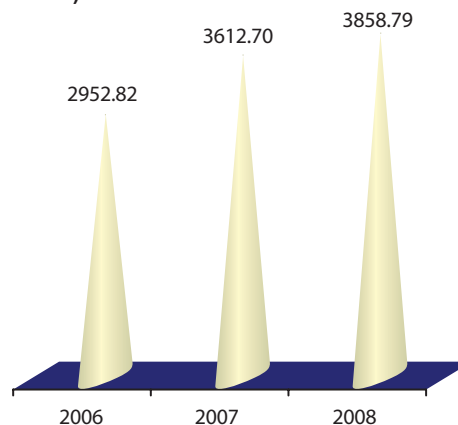
The total deposits during the year has grown from Rs. 5019.87 crores in 2006-07 to Rs. 5618.49 crores registering a growth of 12%. The total credit expanded from Rs. 3612.70 crores of the previous year to Rs. 3858.79 crores during the fiscal, an increase of 7%. The priority sector credit is increased from Rs. 1375.07 crores to Rs. 1488.19 Crores and the Agri advances is Rs. 637.50 Crores as on 31.03.2008.

During the year under review the bank has strengthened its credit approvals and monitoring process which enabled the bank to keep under check the incidence of slippage of borrowal accounts into NPA category.

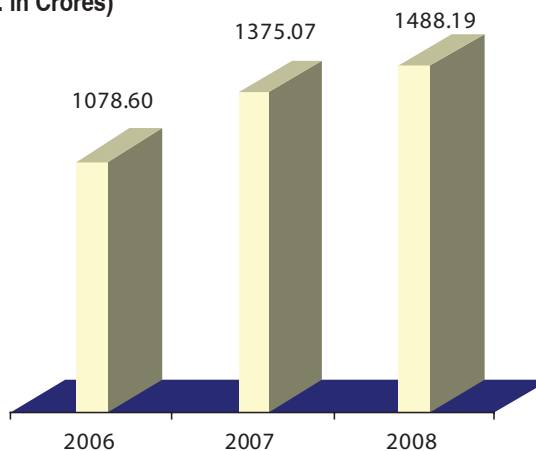
**Deposits
(Rs. in Crores)**



**Advances
(Rs. in Crores)**



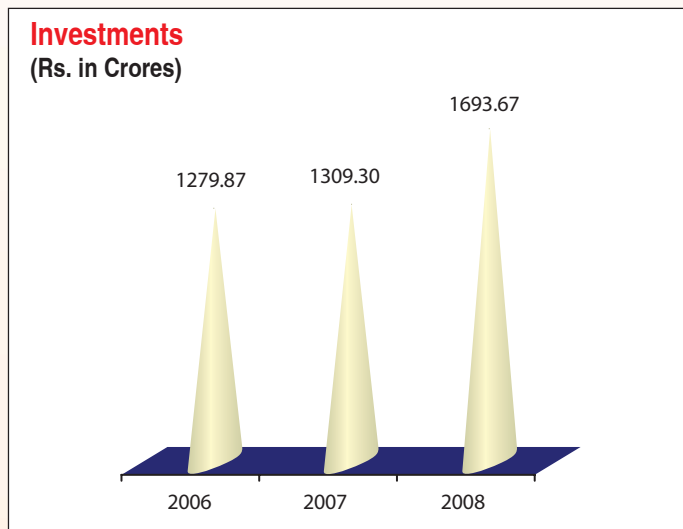
**Priority Sector Advances
(Rs. in Crores)**





4. INVESTMENTS

The total investments of the Bank stood at Rs. 1693.67 crores as against Rs. 1309.30 crores as at 31.03.2007. The average income on investments was 8.11%.

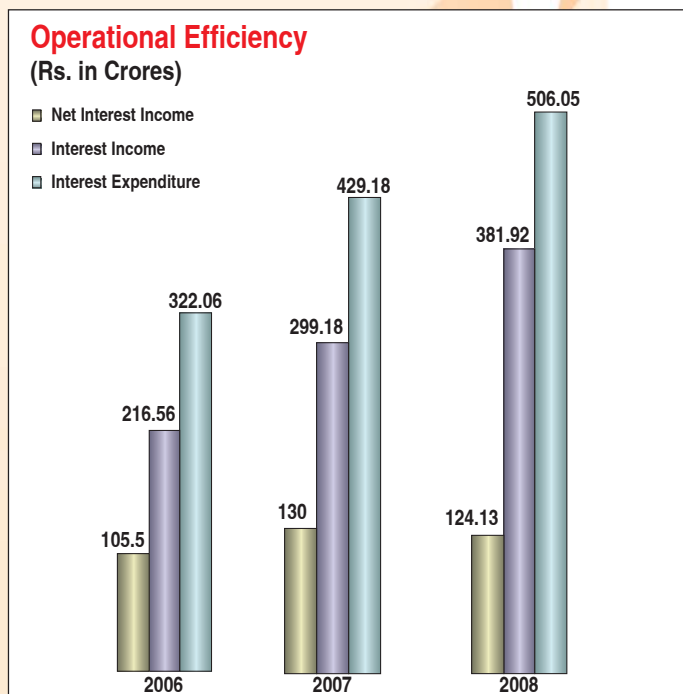


5. EPS/BOOK VALUE

The Earnings Per Share and the Book Value of the share stood at Rs. 5.18 and Rs. 85.63 respectively as at 31.03.08.

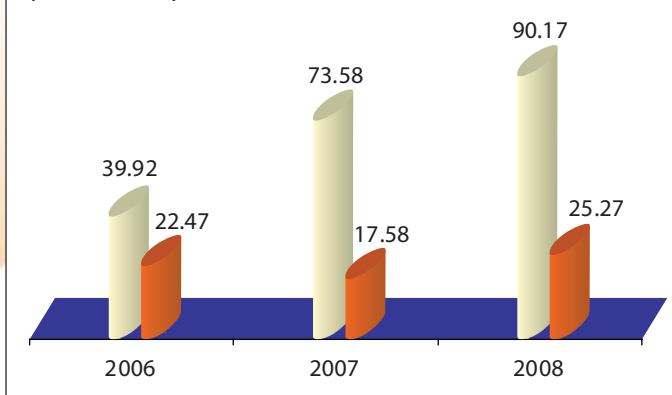
6. PROFIT

The operating profit for the year is Rs. 90.17 Crores as against Rs. 73.58 crores for the year 2006-2007 registering a growth of 22.54%. The net profit for the year after provisions and taxes amounts to Rs. 25.27 crores as against Rs. 17.58 Crores recorded in 2006-07 registering a growth of 43.75%.



Operating / Net Profit

(Rs. in Crores)



7. DIVIDEND

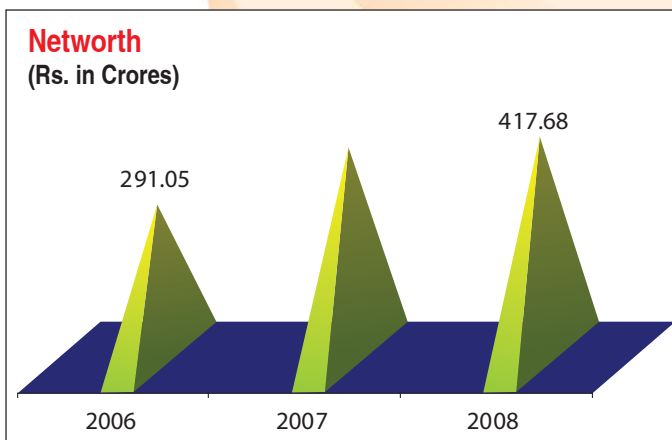
The Bank's dividend policy is based on the need to balance the twin objectives of rewarding the shareholders with cash dividends and of retaining capital to maintain a healthy capital adequacy ratio to support for future growth. Based on this policy the directors are pleased to recommend a dividend of 15 % for the year ended March 31, 2008 as against 7% for the year ended March 31, 2007.

This dividend is subject to dividend distribution tax to be paid by the bank but will be tax free in the hands of the members.

8. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

The net owned funds of the bank have increased from Rs. 396.08 Crores to Rs. 417.68 Crores by registering a growth rate of 6%.

The Capital Adequacy Ratio (CAR) as on 31st March 2008 is 12.73 %. The bank has been consistently maintaining Capital Adequacy Ratio well above the regulatory minimum of 9.00% stipulated by the Reserve Bank of India.



9. NON PERFORMING ASSETS

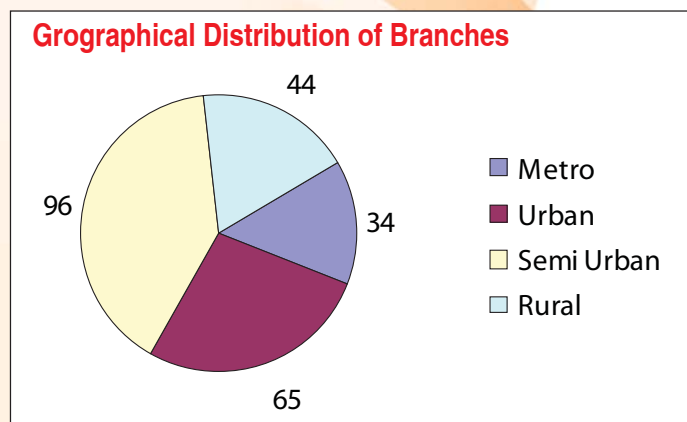
During the year 2007-2008, the Bank has taken concrete steps to reduce the Non Performing Assets, by focusing on the recovery plans and activities at all levels of the organization.



The gross NPA increased to Rs. 137.98 Crores from the levels of Rs. 131.18 crores in the previous year. However, in percentage terms, the gross NPA stood at 3.51% as against 3.57 % in the previous year. The net NPA has slightly gone up to Rs. 59.52 Crores in 2007-2008 compared to Rs. 56.94 Crores in the previous year. However, the percentage of net NPAs fell to 1.55 % from 1.58 % of the previous year.

10. EXPANSION PROGRAMME

The Bank is successful in spreading its coverage across the country. Bank had obtained license for opening of 15 branches during the year 2007-08 and opened Perambalur, Tiruvallore and Sri Perumpudur and the remaining 12 branches viz: Ayothiyapatnam (Salem), Karanodai (Chennai), Anantapur, Adilabad and Khammam in Andhra Pradesh, Khargar and Kalyan in Maharashtra, Bhilwara in Rajasthan, Panipat in Haryana, Rohini (Delhi), Ranchi (Jharkhand), and Bhubaneswar in Orissa were opened on 30th May 2008.



As on 31.05.2008 the Bank has 251 branches including 5 satellite branches besides 5 extension counters.

Bank is aiming at opening 25 more branches so as to touch a total branch network of 276 by March 2009.

The bank has tied up with CASHTREE network of ATM's (ATM sharing consortium) to facilitate its ATM card holders to use / access around 4370 ATM's across the country apart from its own 54 ATM's.

11. RATINGS

The Tier II Bonds issued by the Bank are accorded "A" rating by the credit rating agency of the country CARE and A- (Ind) by Fitch Rating.

12. LISTING AGREEMENT WITH STOCK EXCHANGE

The shares of the Bank are listed on the National Stock Exchange of India Ltd., Mumbai. The tier II bonds issued by the Bank are also listed on the National Stock Exchange of India Ltd., Mumbai under WDM segment. The bank confirms that it has remitted the listing fees to the stock exchange up to the year 2008-2009.

13. FOREX BUSINESS

During the financial year the Bank's total foreign exchange business turnover reached Rs. 2468.30 Crores as against Rs. 2262.27 crores during the previous year, with a growth rate of 9.1 %. Advances to the export sector increased from Rs. 156.93 crores to Rs. 163.68 crores.

14. PARA BANKING ACTIVITIES

LIFE INSURANCE BUSINESS

Bank has entered into a Memorandum of understanding with M/s AVIVA Life Insurance Company Ltd to market their life insurance policies through our branches. During the financial year 2007-2008, Bank has received 1910 numbers of fresh proposals with a total first year premium collection of Rs. 443.47 Lacs. Further the bank also renewed 17,936 numbers of policies during the year with a premium collection of Rs. 831.34 Lacs.

GENERAL INSURANCE BUSINESS

Bank has entered into a MOU with M/s.Bajaj Allianz General Insurance Company Ltd to market their General Insurance products through the branches. During the financial year 2007-2008, Bank has received 8661 numbers of proposals with a total first year premium collection of Rs.184.47 Lacs.

MUTUAL FUNDS

The bank has entered into an MOU with 10 numbers of companies to sell /market their mutual fund products through our branches of Bank.

INTERNATIONAL FUNDS TRANSFER

We have tied-up with M/s. Weizmann Forex Ltd for extending Western Union Money transfer facility to the clients / public. At present 160 branches are catering this service through our CBS platform.

15. SEGMENT REPORTING

The overall operations of the Bank have been classified into two categories viz., Treasury Operations and Other Banking Operations. Both business and earnings continued to display growth.

TREASURY OPERATIONS

During the year ended 31.03.2008, the Bank has earned a total revenue of Rs. 137.31 Crores through treasury operations with a net result of Rs. 19.33 Crores (previous year profit of Rs. 12.46 Crores)

Other Banking Operations

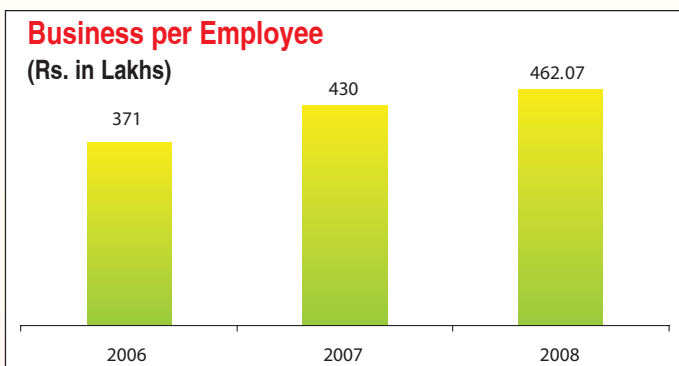
During the year ended 31.03.2008, the Bank has earned a total revenue of Rs. 451.23 Crores through other banking operations with a net result of Rs. 185.40 Crores as against the previous year profit of Rs. 109.89 crores.

INSPECTION AND AUDIT

With a view to ensuring strict compliance to various internal control guidelines of the Bank and regulatory authorities including RBI, the Branches, Divisional Offices and departments of administrative office are subjected to Concurrent, Annual, Revenue, System Audit etc. The Bank has since adopted a policy on Risk Based internal Audit as a part of overall Risk based supervision for implementation.

16. HUMAN RESOURCES DEVELOPMENT

Development of the Human Resources has always been amongst the top priorities of your bank. The Bank has followed the performance based promotions and continuous skill upgradation of the employees. This helps in enhancing job satisfaction and commitment levels amongst the employees.



During the year the bank has conducted 48 training programmes at the bank's Staff Training College. 888 employees participated in these seminars and workshops. The training programmes are being conducted with the help of internal and external faculty. Apart from this, 114 officers were sent for external training programme to different institutes like SIBSTC, BTC, CAB, NIBM and IDBRT.

As on 31st March 2008, the total number of employees of the Bank stood at 2078 as against 1926 as on 31st March 2007. The employee productivity measured in terms of Business per employee, increased to Rs. 462.07 lacs from Rs. 430 lacs in the previous year. During the year the Bank recruited 350 personnel and promoted as many as 102 personnel at various levels. The Industrial relation in the Bank has remained cordial and harmonious throughout the year.

17. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank has sponsored a medical centre at Vengamedu, Karur under the aegis of Karur Rotary Club, since 1994 for catering to the medical requirements of needy people. Further, the Bank has supported liberally for the cause of Educational / Charitable Institutions.

18. CORPORATE GOVERNANCE

The Bank has adopted the best practices of Corporate Governance to protect the interests of the shareholders, depositors and customers as required under Clause 49 of the Listing Agreement with the Stock Exchange. The certificate received from M/s. Sundaram and Srinivasan, the statutory auditors of the Bank in respect of the Corporate Governance is annexed to the report.

19. BOARD OF DIRECTORS

Mr.V.S.Reddy, was appointed as Managing Director of the bank with effect from 24.10.2007 for a period of two years as per the approval of the Reserve Bank of India.

Mr.D.L.Suresh Babu has resigned from the Board on 28.02.2008 in compliance of Section 10 A (2-A) (i) of the Banking Regulation Act, 1949. The directors place on record their appreciation of the valuable services rendered by Mr.D.L.Suresh Babu during his tenure.

Mr.K.B.Krishnan has resigned from the Board on 26.05.2008 in compliance of Section 10 A (2-A) (i) of the Banking Regulation Act, 1949. The directors place on record their appreciation of the valuable services rendered by Mr.K.B.Krishnan during his tenure.

Mr.S.L.Sivashanmugam, practicing Chartered Accountant was appointed as an Additional Director on the Board with effect from 28.02.2008 pursuant to the provisions of Section 260 of the Companies Act, 1956.

Mr.Kusuma R Muniraju, practicing Advocate was appointed as an Additional Director on the Board with effect from 25.06.2008 pursuant to the provisions of Section 260 of the Companies Act, 1956.

Mr.E.Sreedhar, Director, will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.K.Ravindra Kumar, Director, will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. G.Sudhakar Gupta, Director, will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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

The Board of Directors hereby state that in the preparation of the annual accounts for the year ended March 31, 2008 :

- 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 judgment and estimates were made wherever required so as to present a true and fair view of the state of affairs of the Bank as on March 31, 2008 and the profit of the Bank for the year ended on that date;
- proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act 1956 for safeguarding the assets of the Bank and for preventing and detecting the fraud and other irregularities;
- accounts have been prepared on a 'going concern' basis.

21. STATUTORY DISCLOSURES

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 endeavoured to enlarge its export financing.
3. The information required under Section 217 (2A) of the Companies Act, 1956 and the rules made there under, are given in schedule 17 and forms part of this report.
4. The report on the Corporate Governance is annexed herewith and forms part of this report.

22. INFORMATION TECHNOLOGY AND TECHNOLOGY UPGRADATION

CORE BANKING SYSTEM

The bank has completed the Core Banking Solutions implementation in all the branches of the Bank. This is a landmark event in the operations



of the Bank. This enables the bank to have the entire database of the bank at one place instead of the different locations earlier. It is useful to monitor the performance of all business units on a regular basis. The inter branch reconciliation are system driven with the implementation of CBS.

OTHER TECHNOLOGY SUPPORTED PRODUCTS.

With the upgradation of technology, transfer of funds between the branches will happen instantly and also quick remittance through the RTGS / NEFT facility of RBI.

The bank also came out with new schemes like Lakshmi Freedom Deposit (Sweep-in / Sweep-out), Lakshmi floating rate deposit (flexible interest rate), Lakshmi Multi City cheque for SB a/c's, Current Accounts (anywhere banking).

The bank also implemented "E-CIRCULAR" messaging solution through which circulars of all the departments are accessible.

The bank also implemented the corporate messaging system and the office communicator between the branches with the Divisional Offices or Administrative Office.

The bank is in the process of implementing Mobile banking and Internet banking.

Our bank is globally identified by Microsoft as a light house customer for deploying the Unified Messaging Project. They are in the process of releasing the Bank's Messaging project profile as a case study in their global web site and the same will be published worldwide.

23. CORPORATE GOAL

Your Bank has planned to achieve business size of Rs. 15125 crores, comprising deposits of Rs. 9000 crores and advances of Rs. 6125 crores with an operating profit of Rs. 164 crores for the year ending 31.03.2009. The Bank will achieve this goal through better customer services and operational efficiency.

24. VISION & MISSION

Every organization communicates its purpose of existence and operations through its Vision and Mission statements. The difference between a vision statement and mission statement is that while vision statement focusses on organization's future, and long term goals, mission statement focuses on its present state and near term objectives.

Our bank's vision statement and mission statement are spelt out below:-

VISION : To be a sound and dynamic banking entity providing financial services of excellence with Pan India presence.

MISSION : To develop a range of quality financial services and products to create value for customer, shareholders and the society, to motivate people to achieve excellence in performance leading to sustained profitable growth and build a vibrant organization.

25. AUDITORS

The statutory auditors M/s. Sundaram and Srinivasan, Chartered Accountants, Chennai will retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. Based on the professional expertise and the quality of the audit carried out by them, the board has recommended their re-appointment for another year.

Further your Directors propose to appoint M/s. Abarna and Ananthan, Chartered Accounts, Bangalore as the Statutory Auditor along with M/s. Sundaram and Srinivasan, Chennai as per the regulatory guidelines of RBI.

The statutory audit of the Bank was carried out by M/s. Sundaram and Srinivasan, Chennai whose report is attached to the Annual Report.

26. ACKNOWLEDGEMENT

The Board of Directors gratefully acknowledges the committed support received from the shareholders, customers, business associates and other stakeholders 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.

The Board of Directors would like to place on record its appreciation for the dedicated service rendered by the employees of the Bank at all the levels.

For and on behalf of the Board of Directors

Place : KARUR
Date : 25.06.2008

V.S. REDDY
MANAGING DIRECTOR

N. SAIPRASAD
K. RAVINDRAKUMAR
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 31st March 2008, the annexed Profit and Loss Account and also the Cash Flow Statement of the bank for the year ended on that date in which are incorporated the returns of 20 Branches, 8 Divisional Offices, Credit Card Cell, Investment Cell and International Division audited by us and 214 Branches and 6 Service 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, in Form A&B respectively of Third Schedule to the Banking Regulation Act, 1949.
- 4) On the basis of our audit and having regard to the report on the accounts of branches/offices audited by Branch Auditors, which has been considered by us, we report that.
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
 - (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - (c) 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.
 - (d) The Bank's Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and audited returns from the branches of the Bank.
 - (e) In our opinion, the Balance Sheet, Profit and Loss Account and the cash flow Statement 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 so far as they apply to banks.
 - (f) 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 31st March 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the accounting policies followed by the bank together with the notes thereon and subject to Note No. 1 (a) & (b) of Schedule 17B 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, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, give a true and fair view.
 - (i) In the case of said Balance Sheet of the State of Affairs of the Bank as at 31st March 2008;
 - (ii) In the case of Profit and Loss Account Profit of the Bank for the year ended on that date: and
 - (iii) In the case of Cash Flow Statement of the cash flow of the bank for the year then endedand are in conformity with the Accounting Principles generally accepted in India.

For **M/s. Sundaram & Srinivasan**
Chartered Accountants

C.Naresh
Partner
Membership No. 28684

Place : KARUR
Date : 26th May 2008

**BALANCE SHEET AS ON 31-MARCH-2008****(Rs. In 000 s)**

	SCHEDULE	AS AT 31/03/2008	AS AT 31/03/2007
I. CAPITAL & LIABILITIES			
a. Capital	1	487722	478051
b. Reserves & Surplus	2	3689054	3482836
c. Deposits	3	56184882	50198723
d. Borrowings	4	527885	797499
e. Other Liabilities & Provisions	5	4316498	3310705
TOTAL...		65206041	58267814
II. ASSETS			
a. Cash & Balances with Reserve Bank of India	6	3853458	2863047
b. Balances with Banks and Money at Call & Short Notice	7	2295571	3551558
c. Investments	8	16936777	13093024
d. Advances	9	38587875	36127030
e. Fixed Assets	10	399405	355042
f. Other Assets	11	3132955	2278113
TOTAL...		65206041	58267814
Contingent Liabilities	12	8853848	7052362
Bills for collection		1505630	1338004
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. SUNDARAM & SRINIVASAN**
Chartered Accountants**(C. NARESH)**
Partner
M.No.28684**V.S. REDDY**
Managing Director**R. SRIDHARAN**
CHIEF FINANCIAL OFFICER**NAGANNA PRABHAKARAN**
CHIEF OPERATING OFFICER**DIRECTORS**K.B. Krishnan
M.P. Shyam
E. Sreedhar
N. Saiprasad
K. Ravindrakumar
R. Mohan
S.L. SivashanmugamKarur
26th May 2008

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008****(Rs. In 000 s)**

	SCHEDULE	YEAR ENDED 31/03/2008	YEAR ENDED 31/03/2007
I. INCOME			
a. Interest Earned	13	5060576	4182614
b. Other Income	14	824775	567244
TOTAL...		5885351	4749858
II. EXPENDITURE			
a. Interest Expended	15	3819250	2991798
b. Operating Expenses	16	1164427	1022229
c. Provisions & Contingencies		648983	559988
TOTAL...		5632660	4574015
III. NET PROFIT FOR THE YEAR		252691	175843
Profit brought forward		4374	3714
Transfer from IFR		-	407415
TOTAL...		257065	586972
IV. APPROPRIATIONS			
a. Transfer to Statutory Reserve		70000	532415
b. Transfer to Capital Reserve		85511	7726
c. Transfer to Other Reserves		13000	2500
d. Proposed Dividend		73158	34153
e. Tax on Proposed Dividend		12433	5804
f. Balance carried over to Balance Sheet		2963	4374
TOTAL...		257065	586972
Previous year figures are regrouped wherever necessary			
Earnings Per Share - Basic (Rs.) [Refer B Note on account Sl.No.7]		5.18	3.60

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

As Per Our Report of Date Annexed

For **M/s. SUNDARAM & SRINIVASAN**
Chartered Accountants**(C. NARESH)**
Partner
M.No.28684**V.S. REDDY**
Managing Director**R. SRIDHARAN**
CHIEF FINANCIAL OFFICER**NAGANNA PRABHAKARAN**
CHIEF OPERATING OFFICER**DIRECTORS**K.B. Krishnan
M.P. Shyam
E. Sreedhar
N. Saiprasad
K. Ravindrakumar
R. Mohan
S.L. SivashanmugamKarur
26th May 2008



(Rs. In 000 s)

	AS AT 31/03/2008	AS AT 31/03/2007
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL (15,00,00,000 equity shares of Rs.10/- each)	<u>1500000</u>	<u>1000000</u>
ISSUED CAPITAL (4,91,88,111 equity shares of Rs.10/- each)	<u>491881</u>	<u>491881</u>
Subscribed, Called-up and Paid Up Capital (4,8772,189 equity shares of Rs.10/- each) (48772189 (previous year 47805074) Equity Shares of Rs.10 each, which includes 12640078 shares (previous year 12640078 shares) issued as bonus shares) (Allotment of 398556 shares (previous year 398556 shares) of Rs.10 each kept pending following order from various courts. 17366 shares (previous year Nil shares) were forfeited during the year)	<u>487722</u>	<u>478051</u>
	<u>487722</u>	<u>478051</u>
SCHEDULE 2 - RESERVES & SURPLUS		
I. STATUTORY RESERVE		
Opening Balance	2086546	1554131
Additions during the year		
Transfer from current year's Profit	70000	125000
Transfer from Investment Fluctuation Reserve	0	407415
	<u>2156546</u>	<u>2086546</u>
II. CAPITAL RESERVE		
Opening Balance	186073	178347
Additions during the year	85511	7726
	<u>271584</u>	<u>186073</u>
III. SHARE PREMIUM		
Opening Balance	1137297	505537
Additions during the year	39032	631760
	<u>1176329</u>	<u>1137297</u>
IV. REVENUE & OTHER RESERVES		
A. INVESTMENT FLUCTUATION RESERVE		
Opening Balance	0	407415
Addition during the year	0	0
Deduction during the year	0	407415
	<u>0</u>	<u>0</u>
B. OTHER RESERVES		
Opening Balance	68546	66046
Additions during the year	13086	2500
	<u>81632</u>	<u>68546</u>
Deductions during the year	0	0
	<u>81632</u>	<u>68546</u>
V. BALANCE IN PROFIT & LOSS ACCOUNT	<u>2963</u>	<u>4374</u>
	<u>3689054</u>	<u>3482836</u>



(Rs. In 000 s)

	AS AT 31/03/2008		AS AT 31/03/2007	
SCHEDULE 3 - DEPOSITS				
A. I. DEMAND DEPOSITS				
1. From Banks	69446		48889	
2. From Others	<u>5522498</u>	<u>5591944</u>	<u>5020290</u>	5069179
II. SAVINGS BANK DEPOSITS				
		6585131		5996548
III. TERM DEPOSITS				
1. From Banks	1194600		4082700	
2. From Others	<u>42813207</u>	<u>44007807</u>	<u>35050296</u>	<u>39132996</u>
		<u>56184882</u>		<u>50198723</u>
B. (I). DEPOSITS OF BRANCHES IN INDIA				
(II).DEPOSITS OF BRANCHES OUTSIDE INDIA		56184882		50198723
		<u>NIL</u>		<u>NIL</u>
		<u>56184882</u>		<u>50198723</u>
SCHEDULE 4 - BORROWINGS				
I. BORROWINGS IN INDIA				
1. Reserve Bank of India	0		0	
2. Other Banks	0		0	
3. Other Institutions & Agencies	<u>527416</u>	<u>527416</u>	797499	<u>797499</u>
II. BORROWINGS OUTSIDE INDIA				
		469		0
		<u>527885</u>		<u>797499</u>
SECURED BORROWINGS INCLUDED IN I & II ABOVE				
		<u>0</u>		<u>0</u>
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I. Bills payable		979936		558822
II. Inter-office adjustments (net)		0		0
III. Interest accrued		696091		411996
IV. Unsecured Sub-ordinated Debts		1100000		1308000
V. (I) Others - (including Provisions)		1305971		887387
(ii) Contingent Provisions against Standard Assets		<u>234500</u>		<u>144500</u>
		<u>4316498</u>		<u>3310705</u>
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA				
Cash in Hand (including foreign Currency Notes)		592295		430973
Balances with Reserve Bank of India				
I) in current account		3261163		2432074
II) in other accounts		0		0
		<u>3853458</u>		<u>2863047</u>



(Rs. In 000 s)

	AS AT 31/03/2008	AS AT 31/03/2007
SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE		
I. IN INDIA		
(i) Balance with Banks		
a. in current accounts	405938	310921
b. in other deposit accounts	1700100	2629000
	<u>2106038</u>	<u>2939921</u>
(ii) Money at call and short notice		
a. with banks	0	500000
b. with other institutions	0	0
	<u>2106038</u>	<u>3439921</u>
II. OUTSIDE INDIA		
(i) Balance with Banks		
a. in current accounts	42760	111637
b. in other accounts	146773	0
	<u>189533</u>	<u>111637</u>
	<u>2295571</u>	<u>3551558</u>
SCHEDULE 8 - INVESTMENTS		
I. INVESTMENTS IN INDIA		
I. Government Securities [incl. treasury bills & zero coupon bonds]	15540890	11873998
II. Other approved securities	136502	158902
III. Shares	94192	42207
IV. Debentures & Bonds	399173	329869
V. Subsidiaries and Joint Ventures	0	0
VI. Others [including Commercial Paper, Mutual Funds, NSC, Units, etc.]	766020	688048
	<u>16936777</u>	<u>13093024</u>
GROSS INVESTMENTS IN INDIA	17440401	13536528
LESS: DEPRECIATION	503624	443504
NET INVESTMENTS IN INDIA	<u>16936777</u>	<u>13093024</u>
II. INVESTMENTS OUTSIDE INDIA		
	NIL	NIL
	<u>16936777</u>	<u>13093024</u>
SCHEDULE 9 - ADVANCES		
A. I. Bills purchased & discounted	3079878	1818966
II. Cash credits, overdrafts & loans repayable on demand	22429930	20090808
III. Term loans	13078067	14217256
	<u>38587875</u>	<u>36127030</u>



(Rs. In 000 s)

	AS AT 31/03/2008	AS AT 31/03/2007
B. PARTICULARS OF ADVANCES		
I. Secured by tangible assets [incl. advances against Book Debts]	34406804	33425284
II. Covered by Bank / Govt. Guarantees	951835	411849
III. Unsecured	3229236	2289897
	<u>38587875</u>	<u>36127030</u>
C. SECTORAL CLASSIFICATION OF ADVANCES		
I. Priority Sector	15158966	13750699
II. Public Sector	629605	963873
III. Banks	0	30357
IV. Others	22799304	21382101
	<u>38587875</u>	<u>36127030</u>
SCHEDULE 10 - FIXED ASSETS		
I. PREMISES		
At Cost	213188	238728
Additions during the year	19188	450
	<u>232376</u>	<u>239178</u>
Deductions during the year	0	25990
	<u>232376</u>	<u>213188</u>
Depreciation to date	81197	74750
	151179	138438
II. OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)		
At Cost	736150	599221
Additions during the year	113694	138282
	<u>849844</u>	<u>737503</u>
Deductions during the year	2749	1353
	<u>847095</u>	<u>736150</u>
Depreciation to date	598869	519546
	248226	216604
III. ASSETS ON LEASE		
At Cost	0	130975
Additions during the year	0	0
	0	130975
Deductions during the year	0	21398
	0	109577
Depreciation to date	0	109577
	0	0
Lease adjustment account	0	0
	<u>399405</u>	<u>355042</u>



Rs. In 000 s)

	AS AT 31/03/2008	AS AT 31/03/2007
SCHEDULE 11 - OTHER ASSETS		
I. Inter-Office Adjustments (net)	806085	193599
II. Interest Accrued	398954	280306
III. Tax Paid in Advance and Tax Deducted at Source	1364096	1062777
IV. Deferred Tax Asset (NET)	171964	430564
V. Stationery & Stamps	6196	6201
VI. Non Banking Assets acquired in satisfaction of claims	55586	66077
VII. Others	330074	238589
	<u>3132955</u>	<u>2278113</u>
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	1219819	1767893
II. Liability for partly paid Investments	0	0
III. Liability on account of outstanding forward exchange contracts	4123452	2666375
IV. Guarantees given on behalf of constituents in India	1327131	1146274
outside India	0	34
V. Acceptances, Endorsements & Other Obligations	2183446	1471786
VI. Other items for which the Bank is contingently liable	0	0
	<u>8853848</u>	<u>7052362</u>
SCHEDULE 13 - INTEREST EARNED		
I. Interest / discount on advances / bills	3789847	3121274
II. Income on Investments	1030984	891469
III. Interest on balance with Reserve Bank of India & other inter-bank Funds	136541	161632
IV. Others	103204	8239
	<u>5060576</u>	<u>4182614</u>
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	283973	356982
II. Profit on sale of Investments	267320	66496
Less: Loss on sale of Investments	54008	78997
III Profit on sale of land, Buildings & Other Assets	54750	4069
Less: Loss on sale of land, Buildings & Other Assets	0	0
IV. Profit on Exchange Transactions	61658	55535
Less: Loss on Exchange Transactions	0	0
V. Income earned by way of Dividends from Companies in India.	55716	33717
VI. Lease Rentals	0	0
VII. Miscellaneous Income	155366	129442
	<u>824775</u>	<u>567244</u>

**(Rs. In 000 s)**

	AS AT 31/03/2008	AS AT 31/03/2007
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	3631992	2843468
II. Interest on Reserve Bank of India/ Inter-Bank Borrowings	55511	32963
III. Others	131747	115367
TOTAL ...	<u>3819250</u>	<u>2991798</u>
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provision for Employees	630432	562002
II. Rent, Taxes & Lighting	97828	82946
III. Printing & Stationery	15109	14700
IV. Advertisement & Publicity	11758	12600
V. Depreciation on Bank's Property	85770	74517
VI. Director's fees, allowances	4327	1795
VII. Auditors' fees & Expenses (incl. Branch Auditors)	2817	2436
VIII. Law Charges	4659	5032
IX. Postage, Telegrams, Telephones, etc.	49656	25399
X. Repairs & Maintenance	6581	6420
XI. Insurance	49559	43759
XII. Other Expenditure	205931	190623
TOTAL ...	<u>1164427</u>	<u>1022229</u>

**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:

- (a) 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.
- (b) Income and Expenditure in foreign currency are translated at the exchange rates prevailing on the date of the respective transaction.
- (c) Outstanding foreign exchange forward contracts are revalued at the rates applicable on the closing date as advised by FEDAI. The resultant profit/loss is taken into profit and Loss Account.
- (d) Contingent liabilities on guarantees, letters of credit, acceptances and endorsements are reported at the rates prevailing on the Balance Sheet date.

3. Investments

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

4. Advances

4.1 In accordance with the prudential norms issued by RBI:

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

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

5. Fixed Assets

- (a) Fixed Assets have been accounted for at their historical cost.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) For premises, in which land cost and construction cost could not be ascertained separately, depreciation is provided for on the total cost.
- (f) None of the fixed assets have been revalued during the year.

6. Staff Benefits

Annual contribution to the approved Employees' Gratuity Fund, approved Pension Fund and provision for Leave Encashment including Sick leave Benefits 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

- (a) Income and expenditure are accounted for on accrual basis.
- (b) The following items of income are recognized on realization basis, owing to the significant uncertainty in collection thereof:
 - (i) Interest on non-performing advances, including overdue bills and dividend income on investments.
 - (ii) Interest on non-performing investments.
 - (iii) Interest on tax refund received from Income Tax Department
- (c) 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 -

1. Taxation.
2. Advances and other assets.
3. Shortfall in the value of investments
4. Staff Retirement benefits including revision in wages.
5. Other usual and necessary provisions.

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.

11. Segment Information:

The reportable business segments have been classified in accordance with the guidelines issued by Reserve Bank of India. The directly attributable income and assets are considered under respective segments and the other income expenses, other assets & liabilities are apportioned on appropriate basis.

B. NOTES ON ACCOUNTS

1. (a) The initial matching of entries under inter branch reconciliation has been done up to 31.03.2008. The unreconciled entries up to 30th April 2007 have been eliminated and the matching process through the system is in progress for the period subsequent to 1st May 2007. There were no net debit entries outstanding for more than 6 months as of 31.03.2008.
- (b) 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.
2. "Payment to and Provision for Employees" includes remuneration paid to Chairman and Chief Executive Officer of the Bank as detailed below:

	Mr.R.M.Nayak (01.04.2007 to 19.06.2007) (in Rs.)	Mr.V.S.Reddy (24.10.07 to 31.03.2008) (in Rs.)
Consolidated Pay	5,26,666.66	10,51,612.90
Employers' contribution to Provident Fund	19,750.00	22,500.00
Leave encashment	4,40,000.00	NIL
Gratuity	NIL	NIL
Monetary value of perquisites #	7461.00	10,462.00
Leave Fare Concession	1,10,500.00	NIL
Medical & Entertainment expenditure	11,382.00	NIL
Total	11,15,759.66	10,84,574.90

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

3. The provisions for taxation for the year includes Income tax computed u/s 115JB of the Income Tax Act and corresponding MAT Tax Credit has been recognized to that extent. The favourable decisions of judicial/appellate authorities have been considered in arriving at taxable income and tax thereon.
- (b) The disputed Income Tax demand outstanding as on 31.03.2008 amounts to Rs.118.62 crores and is included under Item I of Schedule 12 (Contingent Liabilities). Of the above, Rs. 88.20 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	2007-08	2006-07
i) CRAR (%)	12.73%	12.43%
ii) CRAR - Tier I capital (%)	10.53%	9.93%
iii) CRAR - Tier II Capital (%)	2.20%	2.50%
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	110.00	130.80

4.2.1 In respect of securities held under HTM category premium of Rs.9.24 crores (previous year Rs.10.92 crores) has been amortized during the year and debited under interest received on Government Securities.

4.2.2 Investments

(Rs. In crore)

Items	2007-08	2006-07
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	1744.04	1353.65
(b) Outside India,	NIL	NIL
(ii) Provisions for Depreciation		
(a) In India	50.36	44.35
(b) Outside India,	NIL	NIL
(iii) Net Value of Investments		
(a) In India	1693.68	1309.30
(b) Outside India.	NIL	NIL
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	44.35	36.99
Add: Provisions made during the year	6.01	7.36
(ii) Less: Write-off/write-back of excess provisions during the year	--	--
(iii) Closing balance	50.36	44.35

4.2.2 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 2008
Securities sold under repos	10.03 (2.20)	126.00 (112.02)	7.34 (14.47)	31.50 --
Securities purchased under reverse repos	1.00 (10.50)	78.75 (126.00)	6.40 (6.40)	0.00 (-)



4.2.3. 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	10.96	7.00	0.00	0.00	0.00
(ii)	FIs	25.36	3.83	1.83	1.83	1.83
(iii)	Banks	11.90	11.44	0.75	0.75	0.75
(iv)	Private Corporate	13.70	12.99	12.49	12.49	12.49
(v)	Subsidiaries/ Joint Ventures	0.00	0.00	0.00	0.00	0.00
(vi)	Others @	83.25	0.00	0.00	0.00	0.00
(vii)	Provision held towards depreciation	19.05	--	--	--	--
	Total	164.22	35.26	15.07	15.07	15.07

@ 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 2007	--
Reductions during the above period	1.83
Closing balance	8.72
Total provisions held	8.63

4.3 Derivatives

4.3.1 Forward Rate Agreement/Interest Rate Swap

Items	2007-08	2006-07
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. in Crore)

S.No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) a) b) c)	NIL
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2008 (instrument-wise) a) b) c)	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise) a) b) c)	NIL
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise) a) b) c)	NIL

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) a) For hedging b) For trading	NIL NIL NIL	NIL NIL NIL
(ii)	Marked to Market Positions [1] a) Asset (+) b) Liability (-)	NIL NIL NIL	NIL NIL NIL
(iii)	Credit Exposure [2]	NIL	NIL
(iv)	Likely impact of one percentage change in interest rate (100*PV01) a) on hedging derivatives b) on trading derivatives	NIL NIL NIL	NIL NIL NIL
(v)	Maximum and Minimum of 100*PV01 observed during the year a) on hedging b) on trading		



4.4 Asset Quality

4.4.1 Non-Performing Asset

(Rs. in Crore)

Items	2007-08	2006-07
(i) Net NPAs to Net Advances (%)	1.55%	1.58%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	131.18	124.77
(b) Additions during the year	46.32	79.50
(c) Reductions during the year	39.52	73.09
(d) Closing balance	137.98	131.18
(iii) Movement of Net NPAs		
(a) Opening balance	56.95	55.59
(b) Additions during the year	37.28	31.58
(c) Reductions during the year	34.71	30.22
(d) Closing balance	59.52	56.95
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	66.47	60.93
(b) Provisions made during the year	18.28	47.39
(c) Write-off/ write-back of excess provisions	12.45	41.85
(d) Closing balance	72.30	66.47

4.4.2 Details of Loan Assets subjected to Restructuring

(Rs. in crore)

Item	2007-08	2006-07
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation; of which under CDR (Number of accounts)	59.38 NIL	5.71 NIL
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation; of which under CDR (Number of accounts)	59.15 NIL	3.52 NIL
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation; of which under CDR (Number of accounts)	0.23 NIL	2.19 NIL
(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:

Item	2007-08	2006-07
(v) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation: Of which under CDR	NIL NIL	2.28
(vi) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation: Of which under CDR	NIL NIL	2.28



4.4.4 Details of financial assets sold to Securitisation / Reconstruction

Company for Asset Reconstruction

(Rs. in crore)

Item	2007-08	2006-07
(i) No. of accounts	NIL	23
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	NIL	2.88
(iii) Aggregate consideration	NIL	5.00
(iv) Additional consideration realized in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate loss over net book value.	NIL	NIL

4.4.5 Details of non-performing financial assets purchased / sold

Particulars	2007-08	2006-07
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding	NIL	NIL
2. (a) Of these, number of accounts restructured during the year	NIL	NIL
(b) Aggregate outstanding	NIL	NIL

Details of non-performing financial assets sold:

Particulars	2007-08	2006-07
1. No. of accounts sold	NIL	23
2. Aggregate outstanding	NIL	2.88
3. Aggregate consideration received	NIL	5.00

4.4.6 Provisions on Standard Asset

(Rs. in Crore)

Item	2007-08	2006-07
Provisions towards Standard Assets	23.45	14.45

4.5. Business Ratios

Items	2007-08	2006-07
(i) Interest Income as a percentage to Working Funds	8.17	7.98
(ii) Non-interest income as a percentage to Working Funds	1.33	0.85
(iii) Operating Profit as a percentage to Working Funds	1.45	1.37
(iv) Return on Assets (%)	0.41	0.33
(v) Business (Deposits plus advances) per employee (Rs. in Crs)	4.53	4.30
(vi) Profit per employee (Rs.in lakhs)	1.22	0.91



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	409.79 (519.61)	282.26 (299.65)	567.79 (950.26)	522.87 (303.34)	1143.31 (341.59)	1267.70 (1395.47)	350.96 (257.47)	1073.80 (952.48)	5618.48 (5019.87)
Advances	202.47 (282.71)	151.76 (189.32)	519.12 (475.60)	305.58 (260.17)	320.97 (392.05)	1920.10 (1448.92)	235.60 (193.07)	203.19 (370.86)	3858.79 (3612.7)
Investments	-31.50 (12.83)	0.00 (34.33)	0.50 (3.00)	15.32 (34.83)	78.16 (27.04)	96.72 (113.02)	243.51 (263.50)	1290.97 (820.75)	1693.68 (1309.3)
Borrowings	0.00 (0.00)	0.00 (0.00)	0.36 (0.36)	0.42 (0.36)	50.78 (75.74)	0.56 (2.41)	0.67 (0.87)	(0.00) (0.00)	52.79 (79.74)
Foreign Currency assets	5.69 (7.91)	0.23 (1.02)	0.56 (0.23)	4.82 (0.00)	(0.00) (0.00)	(0.00) (0.00)	(0.00) (1.41)	- -	11.3 (10.57)
Foreign Currency liabilities	10.92 (14.91)	1.22 (1.23)	3.39 (0.87)	2.21 (2.41)	6.47 (4.97)	6.68 (8.93)	(0.45) (0.54)	- -	31.34 (33.86)

4.7 Lending to Sensitive Sector

4.7.1 Exposure to Real Estate Sector

(Rs. in crore)

Category	2007-08	2006-07
a) Direct exposure		
(i) Residential Mortgages –	297.57	73.62
(ii) Commercial Real Estate –	37.75	49.22
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	0.041	
b. Commercial Real Estate.	0.00	
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	169.5	135.53
Total advance to real estate sector	504.86	258.37



4.7.2 Exposure to Capital Market

(Rs. in crore)

Items	2007-08	2006-07
(i) Direct Investments in equity shares, convertible in bonds/convertible debentures and units of equity oriented mutual funds corpus of which is not exclusively invested in corporated debt.	5.17 0.00 25.64	1.76 0.00 20.64
(ii) Advances against shares/bonds/debentures or other securities are on clean basis to individuals for investments in shares (including IPOs/ESOPS), convertible bonds, convertible debentures and units of equity oriented mutual funds	3.84	3.59
(iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	10.90	
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	NIL	NIL
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	72.03	67.00
(vi) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	NIL	NIL
(vii) Bridge loans to companies against expected equity flows/issues;	NIL	NIL
(viii) Under writing commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(ix) Financing to stockbrokers for margin trading.;	NIL	NIL
(x) All exposures to Venture Capital Funds(both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings(both direct and indirect)	NIL	NIL
Total Exposure to Capital Market	117.58	92.99

4.7.3 Risk Category wise Country Exposure

(Rs. in crore)

Risk Category	Exposure (net) as at 31.3.2008	Provision held as at 31.3.2008	Exposure (net) as at 31.3.2007	Provision held as at 31.3.2007
Insignificant	89.47	NIL	53.57	NIL
Low	34.16	NIL	31.03	NIL
Moderate	17.98	NIL	7.95	NIL
High	0.45	NIL	0.13	NIL
Very High		NIL		NIL
Restricted		NIL		NIL
Off-credit		NIL		NIL
Total	142.06	NIL	92.68	NIL



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

A. For the period 1.4.07 to 30.09.07 (Based on the capital funds of Rs.430.12 cr as on 31.03.2007)

NIL

B. For the period 1.10.07 to 31.03.08 (Based on Capital Funds of Rs.430.12 cr as on 31.03.2007)

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 31.03.2008
1	Sri Saravana Spinning Mills Pvt Ltd.,	64.51	74.16	Oct'07 to Mar '08.	49.31	Sanctioned in the Board Meeting held on 28.02.2008	49.31

4.8 Miscellaneous

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

(Rs. in crore)

	2007-08	2006-07
Provision for Income Tax inclusive of DTA and Fringe Benefit Tax	27.85	-5.45

4.8.2 Disclosure of Penalties imposed by RBI

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

4.9. Disclosure in terms of Accounting standard

Employee benefits (AS 15)

Payments to and provision for employees include provision made during the year towards pension, gratuity and leave encashment etc in accordance with Revised Accounting standard As-15.

Retirement benefits to employees

Payments to provision for employees includes a sum of Rs 19.81 Crore being the employees benefits up to 31st March 2007 as per the Revised Accounting standard (AS 15) on "Employee Benefits" issued by the Institute of Chartered Accountants of India. Pursuant to the adoption, the transitional obligations pertaining to employee benefits of Rs 3.96 Crores has been charged to Profit & Loss account of the current year ended 31.03.2008. The balance un recognized liability of Rs 15.85 Cr has been carried forward to be charged off in the next four years.

The summarized position of Post-employment benefits and long term employee benefits recognized in the profit and loss account and balance Sheet as required in accordance with the Accounting standard -15 (revised) are as under:

I) Principal Actuarial Assumptions at the Balance Sheet Date

(Expressed as weighted Averages)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Discount Rate	8.00%	8.00%	8.00%
Salary Escalation Rate	4.50%	4.50%	4.50%
Attrition Rate	2.50%	2.50%	2.50%
Expected Rate of return on Plan Assets	8.50%	8.50%	0.00%



II) Change in the Present value of obligations:

(Rs in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Present Value of obligations as at the beginning of the year	2462	1725	1681
Interest Cost	189	130	132
Current Service Cost	115	108	0
Past service cost (non-vested benefits)	0	0	69
Past service cost (vested benefits)	0	0	0
Benefits Paid	(198)	(203)	(64)
Actuarial loss/(gain) on obligation (balancing figure)	121	142	(68)
Present Value of obligations as at the year end	2689	1902	1750

III) Change in Fair Value of Plan Asset

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment
(Unfunded)			
Present Value of Plan Assets at the beginning of the year	2394	1239	0
Expected return on Plan Assets	215	115	0
Employer's Contribution	471	420	64
Benefits Paid	(198)	(203)	(64)
Actuarial loss/(gain) on obligation (balancing figure)	(179)	(104)	0
Fair Value of Plan Asset at the end of the year	2703	1467	0

IV) Actual Return on Plan Assets

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Expected return on plan assets	215	115	-
Actuarial gain(loss) on plan assets	(179)	(104)	-
Actual return on plan assets	36	11	-



V) Actuarial Gain / Loss recognized

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Actuarial gain(loss) for the Period - Obligation	(121)	(142)	68
Actuarial gain(loss) for the Period - Plan Assets	(179)	(104)	-
Total (gain)/loss for the period	300	245	(68)
Actuarial gain(loss) recognised in the period	300	245	(68)
Unrecognised actuarial (gain)/loss at the end of the year	0	0	0

VI) Amount recognized in Balance Sheet

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Present value of the Obligation	2,689	1,902	1,750
Fair value of plan assets	2,703	1,467	-
Difference	(14)	435	1,750
Unregognised Transitional liability	(67)	(101)	0
Unregognised past service cost	0	0	0
Liability recognised in the Balance Sheet	0	334	1,750

VII) Expenses Recognized in Profit & Loss Account

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Current Service Cost	115	108	-
Interest Cost	189	130	132
Expected return on Plan assets	(215)	(115)	-
Net actuarial(gain)/loss recognised in the year	300	245	(68)
Transitional Liability recognised in the year	17	25	-
Past service cost (non-vested benefits)	-	-	69
Past service cost (vested benefits)	-	-	-
Expenses Recognized in Profit & Loss Account	406	394	133



VIII) Movements in the Liability Recognised in the balance Sheet

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Opening net Liability	0	360	1,681
Expense as Above	0	394	133
Contribution paid	0	(420)	(64)
Closing Net Liability	0	334	1,750

IX) Amount for the Current Period

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Present value of Obligation	2,689	1,902	1,750
Plan Assets	2,703	1,467	-
Surplus/(Deficit)	14	(435)	(1,750)
Experience adjustments on Plan Liabilities	(121)	(142)	68
Experience adjustments on Plan Assets	(179)	(104)	0

X) Major categories of Plan Assets

(as % of Total Plan Assets)

Particulars	Gratuity (Funded)	Pension (Funded)
Government of India Securities	0.06%	0.00%
State Government Securities	0.00%	0.00%
High Quality Corporate Bonds	0.00%	0.00%
Equity Share of listed companies	0.00%	0.00%
Property	0.00%	0.00%
Special Deposit Scheme	16.61%	0.00%
Funds managed by Insurer	0.00%	96.60%
Others	83.33%	3.40%
Total	100.00%	100.00%



XI) Enterprises Best Estimate

Particulars	Gratuity (Funded)	Pension (Funded)
Enterprises Best Estimate of Contribution during next year	600	500

XII) Other Long Term Employee benefit (Un-Funded)

	Sick leave
Liability as on 01-04-2007	-
Liability as on 31-03-2008	991.82
Transitional Liability	991.82
Amount debited to Profit & Loss Account	

Defined Contribution Plan

Provident Fund

Eligible employees (employees not opted for pension plan) receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Bank make monthly contributions to the Lakshmi Vilas Bank Employees' provident Fund equal to a specified percentage of the covered employee's salary. The bank has no other obligation than the monthly contribution.

The Bank recognized Rs 3.14 Crore (Previous year Rs 3.15 crore) for provident fund contribution in the Profit & Loss account.

Defined benefit plan

1) Gratuity

The Bank provides for gratuity, a defined retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 or as per the provisions of The Lakshmi Vilas Bank Ltd (Employee's) Gratuity Fund Rules/ Award. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the Balance sheet date, Based upon which, the company contributes all the ascertained liabilities to the The Lakshmi Vilas Bank Ltd(Employee's) Gratuity Fund ("the TRUST"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

2) Superannuation / Pension

The Bank provides for monthly pension, a defined retirement plan(the "Pension Plan") covering eligible employees. The Pension Plan provides a monthly pension after retirement of the employees till death and to the family after death of the pensioner. The monthly pension is based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as of the Balance Sheet date, based upon which, the company contributes all the ascertained liabilities to the The Lakshmi Vilas Bank Ltd(Employee's) Pension Fund (the "Trust"). Trustees administer contributions made to the trust and contributions are invested in specific investments as Permitted by Law.



5. Accounting Standard 17 - Segment Reporting (As complied by the management)

Part A: Business segments

(Rs. in crore)

Business Segments	Treasury	Whole sale Banking	Retail Banking	Others	Total
Revenue	137.31	133.62	316.64	0.97	588.54
Result (net of provisions)	19.33	87.14	97.57	0.69	204.72
Unallocated expenses					114.55
Operating profit					90.17
Provisions & Contingencies					64.90
Income taxes					-
Extraordinary profit/ loss					-
Net profit					25.27
Other Information :					
Segment assets	1732.61	1318.23	2546.68	-	5597.52
Unallocated assets					923.08
Total assets					6520.60
Segment liabilities	110.25	903.03	4715.46	-	5728.74
Unallocated liabilities					374.18
Total liabilities					6102.92

Pursuant to the guidelines issued by RBI on Accounting Standard 17(Segment Reporting) - Enhancement of disclosures dated 18.04.2007 with effect from 31.03.2008, the additional segments of corporate banking and retail banking have been included for the year 31.03.2008. These figures for previous year are not reclassified and therefore not comparable.

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.

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

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

[Rs. In lacs]

	2007-08	2006-2007
Net profit after Tax (Rs. in 000)	252691	175843
No. of shares	48772189	48789555
Earnings per share - Basic & diluted (Rs.)	5.18	3.60

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:

[Rs. In Crore]

Components	Deferred Tax Assets	Deferred Tax Liability
Leave Encashment	1.95 (3.08)	--
Depreciation on Fixed Assets	--	2.64 (3.66)
Provision for Wage Arrears	-- (2.95)	--
Carried forward Loss	24.34 (40.69)	--
Depreciation on investments	17.20	17.81 (-)
Others	11.36 (-)	
Net Deferred Tax Asset/Liability	17.20 (43.06)	

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 31st March 2008 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	31.03.2008	31.3.2007
Provisions for Standard assets	9.00	4.15
Bad and Doubtful Debts	18.28	47.39
Taxation (Net of Deferred Tax)/FBT/Int.Tax	27.85	-5.45
Investment Depreciation	6.01	7.36
Transitional Termination Benefits under revised AS15.	3.96	-
Provision for leave encashment	1.35	1.55
Provision for other Assets	0.25	1.00
MAT Tax Credit entitlement	-4.81	
Floating Provision	3.00	
Total	64.89	56.00



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

(Rs.in Crores)

Particulars	Opening as on 01.04.2007	Provision made during the year	Provisions reversed/ adjusted	Closing as on 31.03.2008
Provision for Standard Assets	14.45	9.00	-	23.45
Prov.for Bad and doubtful debts	66.47	18.28	12.45	72.30
Investments	44.35	6.01	-	50.36
Income Tax	6.94	27.35	30.67	3.62
Floating Provision	-	3.00	-	3.00
Interest Tax	0.10	-	-	0.10
Fringe Benefit Tax	0.70	0.50	-	1.20
Wage arrears	-	3.00	-	3.00
Others				
Prov.for Bonus	0.09	0.45	0.36	0.18
Pro.for pension	3.60	3.35	3.60	3.35
Pro.for Dividend (incl.Div.Tax)	4.00	8.56	4.00	8.56
Pro.for Loss assets (excl.adv)	1.62	0.25	-	1.87
Pro.for Gratuity	NIL	4.05	4.05	NIL
Pro.for Leave encashment	9.01	2.91	0.66	11.26
Provision for Sick Leave	NIL	1.98	NIL	1.98

13. The Bank earned a profit of Rs. 8.55 Crores on sale of securities under HTM category in the year 2007-08. 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	6
(b)	No. of complaints received during the year	95
(c)	No. of complaints redressed during the year	71
(d)	No. of complaints pending at the end of the year	30

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	11
(c)	No. of Awards implemented during the year	12
(d)	No. of unimplemented Awards at the end of the year	0

Movement Floating provisions

(Rs. in crores)

Particulars	2007-08	2006-07
Floating Provisions at the beginning of the year	-	2.52
Floating Provisions made during the year	3.00	--
Floating Provisions utilization during the year	-	2.52
Floating Provisions at the end of the year	3.00	--

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008**

(Rs. in thousands)

	31.03.2008	31.03.2007
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit & Loss Account	252690	175843
ADJUSTMENTS FOR:		
Provisions & Contingencies	648983	559988
Depreciation	85770	74517
Loss on sale of assets	290	(4069)
Income Tax / T D S paid	(209885)	(86741)
Net cash flow before changes in Working Capital	777848	719538
CHANGES IN WORKING CAPITAL :		
LIABILITIES : Increase/Decrease in		
Deposits	5986159	6834923
Refinances	(269614)	744501
Other Liabilities	102941	(326883)
	5819486	7252541
ASSETS : Increase/Decrease in		
Investments	3843753	367962
Advances	2460845	6654256
Leased-out Assets	0	0
Other Assets	644958	228574
	(6949556)	(7250792)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(132881)	(138732)
Sale of Fixed Assets	2459	37900
	(130422)	(100832)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue including share premium net of forfeited shares	48789	914465
Tier II Bonds	208000	300000
Dividends paid	(39721)	(54315)
	217068	1160150
Cash flow for the year	(265576)	1780605
Cash & Cash equivalents at the beginning of the year	6414605	4634000
Cash & Cash equivalents at the end of the year	6149029	6414605

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, 2008. 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, 2008 and the Profit & Loss Account for the year ended March 31, 2008 dealt with in our report dated 26.05.2008 to the members of The Lakshmi Vilas Bank Limited.

For **SUNDARAM & SRINIVASAN**
CHARTERED ACCOUNTANTS

V.S.REDDY
MANAGING DIRECTOR

C.NARESH
PARTNER
MEMBERSHIP NO. 28684

KARUR - 639 006.
26.05.2008



Auditors' Certificate on Corporate Governance

To
The Members of
The Lakshmi Vilas Bank Limited
Karur.

We have examined the compliance of conditions of Corporate Governance by The Lakshmi Vilas Bank Limited for the year ended 31st March, 2008 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 and 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.Sundaram & Srinivasan**
Chartered Accountants

C.Naresh
Partner
Membership No. 28684
Place: Karur
Date : 26.05.2008

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

A REGISTRATION DETAILS	
Registration	1377
State	18
Balance Sheet Date	31.03.2008
B CAPITAL RAISED DURING THE YEAR	
Public Issue	NIL
Bonus Issue	NIL
Rights Issue	9671
Private Placement	NIL
C POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	
Total Liabilities	652060.41
Total Assets	652060.41
SOURCES OF FUNDS	
Paid up capital	487722
Reserves and Surplus	3689054
Secured Loans	NIL
Unsecured Loans	527885
D APPLICATION OF FUNDS	
Net Fixed Assets	399405
Investment	16936777
Net Current Assets	4965486
Miscellaneous Expenses	NIL
Accumulated Lossess	NIL
PERFORMANCE OF THE COMPANY	
Total Income	5885351
Total Expenditure	5632660
Profit Before Tax	4780.91
Profit After Tax	2526.91
Earnings per share (Rs.)	5.18
Dividend Rate	15%
GENERAL NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY (AS PER MONETARY TERMS)	
Items Code	N.A
Product Description	Banking Company

**Annexure A****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****a) Industry Structure and Developments**

Indian Banking industry comprises of Public Sector 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.

After a robust growth of 9.6% in previous year the growth in the Indian Economy has moderated to 8.7% in 2007-08.

During the year 2007-08, there was a large accretion of US\$ 110.50 billion to foreign exchange reserves to reach a level of US\$ 309.70 billion by end- March 2008.

India received a record Foreign Direct Investment (FDI) worth USD 24.57 billion in 2007-08, a 56.5 percent increase over the previous year, which makes it the largest recipient of FDI in Asia after China and Hong Kong.

Banking Industry Developments

The Indian Banking Industry has witnessed a significant transformation in recent years like financial sector reforms, prudential norms, risk management etc. The main focus of each and every bank was customer service and enhanced market share.

During the year 2007-08, the aggregate deposits of the Scheduled Commercial Banks increased by 22.20% (Rs.5,80,208 crores) as compared with 23.8% (Rs.5,02,885 crores) in the previous year.

b) Opportunities and Threats

The Bank is continued to reap the benefit of its centrally connected branch network and the state of the art technology of delivering competitive products to its urban and rural customers. The Bank recognizes the importance of diversified credit portfolio, credit risk management and environmental influences and continues to put proper emphasis on the same. The Bank seeks to exploit opportunity to grow steadily and safely through its market driven products and its network of branches, ATM's and IT enabled services like internet banking and mobile banking.

The biggest challenge faced by the Banking industry is the competition, strict prudential norms and volatile trend in the interest rates. Your bank continues to have a dynamic approach to meet these challenges and take steps to build a competitive edge and a share in the market place.

c) Business Segmentation

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

Deposits	Rs.in Crs.	%	Advances	Rs.in Crs	%
Demand Deposits	559.19	9.95	Bills purchased & discounted.	307.98	7.98
Savings Deposits	658.51	11.72	Cash Credits, Overdrafts & Demand Loans.	2242.99	58.12
Term Deposits	4400.78	78.33	Term Loans	1307.81	33.90
Total	5618.48	100.00	Total	3858.78	100.00

d) Outlook

With the forecast of recovery in industrial and agricultural sector, the GDP growth rate is expected to be around 7 % to 8%. This will provide immense opportunities for growth for banking business during the year 2008-2009. With modern infrastructure and latest technology and skilled human resources available at the Bank, your bank is well placed for overall growth and well positioned to derive the full benefits of the growing economy.

e) Risk and Concerns

Due to the high volume and complex nature of business activities the bank has adopted various risk management policies for managing market risk, credit risk and operational risk.

The Bank has constituted an Integrated Risk Management Committee of the Board to monitor and control the various aspects of risk management initiatives in the Bank. The policies which are framed by the Board help to meet the dynamic challenges in the external and internal environments in which the Bank operates and also to comply with the regulatory requirements. The present level of capital adequacy ratio places the bank in a comfortable position to meet the Basel II norms.

Internal Controls

Due to high volume and complex operational activities, the Bank is having a separate Audit and Inspection Department . All the branches of the Bank, departments at A.O, investment cell, international division, currency chest and service branches are under regular inspection. The reports of the Audit and Inspection department are placed at regular intervals to the Audit Committee of the Board. The Audit Committee reviews the report and it will also advise to take corrective and preventive steps to be taken to rectify the lapses pointed out in the report.

Audit Committee of the Board has been constituted in line with the RBI guidelines and also to meet the requirements of Clause 49 of the Listing Agreement entered with the National Stock Exchange of India Ltd. The Audit Committee reviews the adequacy of the audit and compliance function, including the policies, procedures and other regulatory requirements.

Human Resources Development / Industrial Relations

The important factor for the development of any organization is the Human Resources which it possess. Based on this principle the bank runs a full fledged Staff Training College training at various levels in the organisation. Development of Human resources involves continuous training both on the job and through organizing training programmes conducted by internal and external faculty. Apart from this, officers are selected to attend the training programmes conducted by NIBM, BTC etc. Bank has recruited 350 personnel at all levels during the year.

The Industrial Relations remains cordial and harmonious throughout the year.

Financial Performance Vs Operational Performance:

The bank continued to emphasis on "Operating Profit Approach". The performance of the Bank is based on the following key financial parameters.

Deposits increased by 12%

Advances increased by 7%

Total Income Increased by 23.9 %

Net Interest income increased by 4.24%

Operating Profit increased by 22.54%

Net Profit increased by 43.74%

Number of branches increased to 239 from 236

Number of staffs: 2078

**Annexure B****BOARD OF DIRECTORS AND COMMITTEES**

The composition of the Board of Directors, headed by Managing Director is governed by the provisions of the Companies Act, 1956, Banking Regulation Act, 1949 and Listing Agreement entered with National Stock Exchange, Mumbai. The Board consists of 10 Directors as on 31.03.2008. The Board consists of eminent persons with considerable professional expertise and experience in Banking, Law, Accountancy, Engineering, Small Scale Industry, Agriculture, Networking and Business including Exports. Details of name of the Managing Director 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 was 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 name 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 interalia 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 complaints from four shareholders and the same was redressed. Details of name 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 Managing Director 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. The other directors were paid Rs. 10,000/- as sitting fees for Board / Committee of Board meetings which is within the limits prescribed under the Companies Act 1956.

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

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.

Management Committee

Pursuant to the Directions of the Reserve Bank of India, the Bank has constituted a Management Committee of the Board which is vested with full powers for sanction / ratification of all kinds of loans and advances normally falling within the purview of the lending policies framed by the Board from time to time and full powers for approving compromise proposals in respect of loans and advances normally falling within the purview of the compromise policy framed by the bank from time to time.

Nomination Committee

Pursuant to the Directions of the Reserve Bank of India, the Bank has constituted a Nomination Committee of the Board for conducting due diligence process to determine the suitable and other fit and proper criteria before inducting any individual to the Board.

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 (24 meetings)	Audit Committee (ACB) (8 meetings)	Share Transfer & Investors' Grievance Committee (4 meetings)	Integrated Risk Management Committee (IRMC) (4 meetings)	Infrastructure Development Committee (IDC) (8 meetings)	Fraud Monitoring Committee (FMC) (2 meetings)	Customer Service Committee (CSC) (2 meetings)	Annual General Meeting	No. of Other Directorships held	Other Companies Name in which he is the Directors	Other Companies in which he is the Chairman of any Committee
Mr.V.S.Reddy, Managing Director (No of shares: 500)	Chairman - MCB NCB	Majority - Banking	Executive - Director/Non Independent	11	NA	NA	1	5	1	1	NO	Nil	Nil	Nil
Mr.D.L.Suresh Babu (No of shares: 1125)	Chairman - Audit Committee	Majority - Chartered Accountancy	Independent/ Non-executive	22	8	NA	4	NA	2	NA	YES	1	M/s.Alpha Financial Consultancy Services (P) Ltd.	Nil
Mr.K.B.Krishnan (No of shares: 22221)		Majority-SSI	Independent / Non-executive	23	NA	NA	3	7	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: 96488)	Chairman - Share Transfer & Investor Grievances Committee	Minority-Business	Non Independent / Non-executive	22	6	4	3	6	NA	NA	YES	7	M/s.Advaith Marketing (P) Ltd., M/s.Cauvery Motors (P) Ltd M/s.Advaith Motors (P) Ltd M/s.Ananya Software Systems (P) Ltd. M/s.Mysore Vegetable Oil Ltd M/s.Advaith Automotion (P) Ltd,	Nil
Mr.K.Balaji (No of shares: 26701)		Majority-SSI	Independent / Non-executive	23	7	NA	NA	NA	NA	NA	YES	Nil	Nil	Nil
Mr.E.Sreedhar (No of shares: 2750)		Majority-Systems & Technology	Independent / Non-executive	21	8	NA	NA	8	NA	NA	YES	1	M/s.Shell Networks (P) Ltd	Nil
Mr.N.Saiprasad (No of shares:46159)		Minority-Business	Non Independent / Non-executive	23	7	4	4	8	2	2	YES	Nil	Nil	Nil
Mr.G.Sudhakara Gupta (No of shares:470)		Minority-Consultancy	Non Independent / Non-executive	24	8	4	NA	8	2	2	YES	4	M/s.Holzwerk Interior (P) Ltd. M/s.XS International Sale (P) Ltd. M/s. Magenta Ceramic Systems (P) Ltd, M/s. Navigator Estates Pvt Ltd	Nil
Mr.K.Ravindrakumar (No of shares: 12251)		Minority-Business	Non Independent / Non-executive	24	NA	4	NA	NA	NA	2	YES	Nil	Nil	Nil
Mr.R.Mohan (No of shares:2336)		Majority-Agriculture & SSI	Independent / Non-executive	16	4	NA	2	NA	2	NA	YES	Nil	Nil	Nil
Mr.S.L.Sivashanmugam (No of shares:4124)		Majority-Accountancy	Independent / Non-executive	3	NA	NA	NA	NA	NA	NA	NO	Nil	Nil	Nil

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Name of the Committee Members (Sarvashree)	Category of Director	Meeting details			Whether attended last AGM (Y/N)
		Held during the tenure of director/invitee	Attended	% of total	
D.L.Suresh Babu	Chairman - NED / Independent	8	8	100%	YES
M.P.Shyam	NED / Non Independent	8	6	75%	YES
N.Saiprasad	NED / Non-Independent	8	7	88%	YES
K.Balaji	NED / Independent	8	7	88%	YES
E.Sreedhar	NED / Independent	8	8	100%	YES
G.Sudhakara Gupta	NED / Non-Independent	8	8	100%	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, Kathapara, Karur - 639 006	04324 - 220051-60	04324 - 223607	investorgrievances@lvbank.in
Name of Board Committee and Chairman's name	Share Transfer & Investors' Grievances Committee Mr.M.P.Shaym, Director Lakshmi Vilas Bank Limited Regd. & Admn. Office, Salem Road, Kathapara, Karur - 639 006	04324 - 220051-60	04324 - 223607	shyamshetty@yahoo.com
The Registrar and Share Transfer Agent	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	lvb@iepindia.com

**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.

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

Financial Calendar 2007-2008**81st Annual General Meeting**

Date & Time : 14th August 2008, 10.00 A.M.

Venue : Registered Office, Salem Road, Kathapara,
Karur - 639006, Tamilnadu.

Information of last three Annual General Meetings held

The 78th, 79th and 80th AGM were held on 29th September, 2005, 14th August, 2006 and 26th September 2007 respectively.

Special Resolution passed during the last three AGMs.

78th AGM - 29/09/2005 - 10.30 a.m. - A.O. Karur.

Special Resolution passed:-

- i) to increase the Authorized Capital to Rs.100.00 crores,
- ii) to amend the Articles of Association accordingly and
- iii) 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."

79th 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.

80th AGM - 26/09/2007 - 10.00 a.m - A.O.Karur.

Special Resolution passed:

to increase the Authorized Capital from Rs. 100 Crores to Rs.150.00 Crores,

to amend the existing Article 3 of Articles of Association of the Bank with respect to increasing of Authorized Capital.

to amend the existing Article 2 with insertion of sub clause (f) that a "Chairman" appointed by the board under Article 14 is either as an "Executive Chairman or as a Non-executive Chairman".

to amend the existing Article 10 (e) that the "Executive or Non Executive Chairman", if any of the Board shall preside as "Chairman" at every general meeting of the company, if there is no such "Executive or Non Executive Chairman".

to amend the existing Article 14, the Board of Directors of the bank shall elect or appoint a whole time Chairman and Chief Executive Officer of its Board.

to amend the existing Article 15, that every whole time Chairman and Chief Executive Officer or alternatively Non-Executive Chairman or Managing Director / CEO of the bank shall hold office for such period, not exceeding five years, as decided by the Board of Directors.

to amend the existing Article 16 with the words that the Executive or Non-Executive Chairman or Managing Director / CEO shall not be required to hold any qualification shares.

to amend the existing Article 23 (b) for the word "Chairman" with the words "Executive or Non Executive Chairman or Managing Director".

to amend the existing Article 26 for the word "Chairman" with the words other than "Executive or Non Executive Chairman".

to amend the existing Article 26 (a) for the words other than "Whole Time Chairman" with the words other than "Executive or Non Executive Chairman or Managing Director / CEO".

to amend the existing Article 28 (b), 28 (C) and 30 for the words "Chairman" with the words "Executive or Non Executive Chairman or Managing Director / CEO".

Pursuant to the provisions of the Section 31 of the Companies Act, 1956, the Articles of the Association is amended with Article 17 (d) that the Nomination Committee or such other Committee of the Board or the Board shall undertake a process of due diligence to determine the suitability of the person for appointment / re-appointment as a Director based upon qualification, expertise, track record, integrity and other fit and proper criteria.

Pursuant to the provisions of the Section 31 of the Companies Act, 1956, the Articles of the Association is amended with Article 5 (B) that in case of physical shares, the Bank will obtain acknowledgement from RBI before effecting transfer of shares when the transfer makes the shareholding of individual / group equivalent to 5% or more of the total paid up capital of the Bank. In case of demat shares as the Bank will come to know only post facto by way of downloads from the depositories at frequent intervals, the onus of obtaining prior permission acknowledgment from RBI rests with the applicant / acquirer before such acquisition and he / they shall duly report to the Bank for conducting "Fit and Proper Criteria" to determine the desirability of such applicant / acquirer or group of acquirers to hold equity shares of the Bank by a process of due diligence as per RBI guidelines.

Annual General Meeting (Next Year) August, 2009**Board Meetings**

Results for the quarter ending June 2008 - Last week of July 2008

Results for the quarter ending September 2008 - Last week of October 2008

Results for the quarter ending December 2008 - Last week of January 2009

Results for the quarter ending March 2009 - Last week of June, 2009

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 Bank www.lvbank.com. The Annual Report contains a declaration signed by CEO.

Disclosure

Directors Shri.E.Sreedhar, Shri.K.Ravindrakumar and Shri.G.Sudhakara Gupta 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	30.06.2008 in Rs. Amount as on	Last date for claim
2000-01	27.07.2001	951335	26.07.2008
2001-02	14.08.2002	1049660	13.08.2009
2002-03	07.08.2003	1316180	06.08.2010
2003-04	29.07.2004	1616520	28.07.2011
2004-05	29.09.2005	Dividend not declared	NA
2005-06	29.07.2006	1180068	28.07.2013
2006-07	26.09.2007	980351	25.09.2014

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, 5th floor, Plot No.C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051.

Bank confirms that the Annual Listing Fee has been paid to the 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. The information required were also filed on the special website www.sebidifar.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.in was designated exclusively for redressal of investors' complaints.

Dematerialization

Bank has 44220 shareholders as on 31.03.2008. Of this 21773 folios representing 3,89,54,278 (79.86%) shares are in Demat Form.

Bank Code (NSE) : LAKSHVILAS
ISIN NO.

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

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 2007	83.70	72.00	1136235
May	81.95	77.25	1354237
June	84.40	76.50	1461328
July	98.90	77.10	3042166
August	102.75	83.00	2464825
September	123.50	89.90	5694098
October	122.75	87.20	2202717
November	147.80	100.00	3910903
December	155.90	126.35	2450942
January 2008	198.00	107.00	3272511
February	139.85	112.25	722233
March	118.00	82.25	2072142

Distribution of Shareholding in break up as on 31.03.2008 is given below.

CATEGORY	SHARES	%
UPTO 500	5009018	10.27
501 TO 1000	4061015	8.326
1001 TO 2000	5132367	10.523
2001 TO 3000	2803749	5.749
3001 TO 4000	1512308	3.101
4001 TO 5000	1230564	2.523
5001 TO 10000	3131845	6.421
10001 & ABOVE	25891323	53.086
TOTAL	48772189	100.000

Nomination Facility

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

Bank Account Details of Physical Shareholders

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.

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 & Investor's Grievances Committee and the certificates are dispatched to the transferees with in a maximum period of 4 weeks from the date of receipt of the transfer documents by M/s. Integrated enterprises (India) Limited, provided if 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@ieplindia.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, etc.

DECLARATION BY MANAGING DIRECTOR & 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 31.03.2008.

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

Year	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Paid-up Capital	1150.86	1150.88	1150.88	1150.88	1150.89	1150.89	1150.89	1953.46	4780.51	4877.22
Reserve Fund & Other Reserves	8972.08	11023.06	13126.82	15290.57	18057.72	21513.39	21847.83	27151.90	34828.36	36890.54
Deposits	159100.77	196340.65	227764.40	247692.23	277050.16	329581.91	349592.51	433638.00	501987.23	561848.82
Advances	90943.14	115004.68	148023.33	156525.19	176369.82	203870.40	231771.14	295281.97	361270.30	385878.75
Investments	59208.59	76756.97	78203.92	90420.57	103657.52	133816.81	118086.14	127986.68	130930.24	169367.77
Net Profit	1432.83	2635.61	2674.48	3022.11	3416.33	4104.85	334.44	2247.02	1758.43	2526.91
Number of Branches	204	205	209	211	215	224	225	227	236	239
Staff Position	1957	1930	1936	1933	1983	1946	1928	1873	1926	2078
Earning Per Share	12.45	22.90	23.24	26.25	29.68	35.67	2.91	11.50	3.60	5.18
Book Value	87.96	105.78	124.06	142.86	166.90	196.93	199.83	149.00	81.18	85.63
Market Price	36.10	38.12	44.42	46.17	65.98	98.72	138.20	105.16	77.70	97.95
Dividend Per Share (Rs.)	3.70	4.50	4.50	5.00	5.00	5.00	Nil	2.50	0.70	1.50

**Statewise Branch Network****ANDHRAPRADESH**

Adilabad
Adoni
Ananthapur
Chittoor
Eluru
Guntur
Hyderabad-Habsiguda
Hyderabad-Kothapetta
Hyderabad-Kukatpally
Hyderabad-Main
Hyderabad-Malkajigiri *
Hyderabad-Secunderabad
Kakinada
Karim Nagar
Khammam *
Nandiyal
Nellore *
Ongole
Proddatur
Rajamundry
Suryapet
Tanuku
Tirupathi
Vijayawada
Vijayawada-II *
Vishakapatnam-Gajuwaka
Vishakapatnam-Gopalpatnam
Vishakapatnam-Town
Warangal

GUJARAT

Ahmedabad
Anand
Gandhidham
Gandhinagar
Jamnagar
Rajkot
Surat
Vadodara

HARYANA

Gurgaon
Panipat *

JHARKHAND

Ranchi *

KARNATAKA

Bangalore-Cantonment
Bangalore-City Market *
Bangalore-Jalahalli*
Bangalore-Jayanagar
Bangalore-Koramangala*
Bangalore-Main
Bangalore-Ulsoor
Bellary
Chitradurga
Davangere
Hospet
Hubli
Mandya
Mysore
Raichur
Ranebennur
Shimoga

KERALA

Calicut
Ernakulam(Cochin)
Palakad

Thiruvananthapuram *
Thrissur

MADHYAPRADESH

Indore

MAHARASHTRA

Mumbai-Andheri *
Mumbai-Borivli *
Mumbai-Fort
Mumbai-Ghatkopar (E) *
Mumbai-Kalyan *
Mumbai-Kharghar *
Mumbai-Matunga *
Mumbai-Vashi
Nagpur
Pune *

NEW DELHI

New Delhi-Karol Bagh
New Delhi-Rohini *
New Delhi-Janpath

ORISSA

Bhubaneshwar *

PONDICHERY

Ambagarathur
Karaikal
Pondicherry

RAJASTHAN

Bhilwara *

TAMILNADU

Alathur
Ambilikkai
Ambur
Anbil
Arakandanallur
Arantangi
Ariyalur
Arni
Attur
Avalpoondurai
Balasamudram
Bhuvanagiri
C. Pudukatti
Chennai-Adyar *
Chennai Anna Nagar *
Chennai-Cathedral Road
Chennai-G.N.Street
Chennai-Karanodai
Chennai-Kodambakkam
Chennai-Main
Chennai-Mount Road *
Chennai-Mylapore
Chennai-Nungambakkam
Chennai-Purasawalkam *
Chennai-Royapuram
Chennai-Selaiyur
Chennai-T.Nagar *
Chennai-Triplicane
Chennai-Valasarawalkam *
Chennai-Velacherry
Chennai-West Tambaram
Chinna Salem
Chinnadharapuram
Chittode
Coimbatore-Eachanari
Coimbatore-Ganapathy
Coimbatore-Gandhipuram

Coimbatore-Kovaipudur *
Coimbatore-Kovundampalayam *
Coimbatore-Main *
Coimbatore-R S Puram *
Coimbatore-Ramanathapuram
Coimbatore-Uppilipalayam
Cuddalore
Cumbam
Dharmapuri
Dindigul
Erode
Gobichettipalayam
Gopalapatti
Hosur
Idayakottai
Iyyampalayam
Jalakandapuram
Kadambuliur
Kallakurichi *
Kancheepuram
Kandii
Kangyam
Kanjampatti
Karaikudi
Karur-Kathapara
Karur-Main *
Karur-Vengamedu *
Karur-West *
Kattugudalur
Kattuputhur
Kovilpatti *
Krishnagiri
Kulithalai *
Kumbakonam
Kurumbapatti
Lakkapuram
Lalgudi
Madukkur North
Madurai-Main
Madurai-Thalakkulam
Mahadanapuram
Manamedu
Mannargudi
Marandahalli
Mathur
Mayiladuthurai
Melur
Mettupalayam
Mettur Dam
Moolangudi
Muthugapatti
Muthupet
Muthur
Nagapattinam
Nagercoil
Namakkal
Nathakadiyur
Nerinjipettai
Neyveli
Oddanchatram *
Olapalayam
Palani
Pallipalayam
Panrutti
Papanad
Papanasam
Pattukkottai
Pennagaram
Perambalur *

Peravurani
Periyakulam
Podakudy
Pollachi
Pugalur *
R. Pudupatti
Rajapalayam
Rajendram
Rasipuram
Salem-Ayothiyapatnam
Salem-C.K.Street *
Salem-Gugai
Salem-Kondalampatti
Salem-Shevapet
Salem-Swarnapuri *
Salem-Town
Sankarapuram
Sankari
Sattur
Seevalaperi
Sentharpatti
Sivakasi
Sriperumbudur *
Sundarapandiyam
Suriyampalayam
Tanjore *
Tenkasi *
Theni *
Thirukkattupalli
Thiruvaiyaru
Thiruvallur *
Thiruvavur
Thittagudi
Thokkavadi *
Thottiyam
Tindivanam
Tiruchengode *
Tirukadiyur
Tirukoilur
Tirunelveli Town
Tirupur *
Tiruthurai
Tiruvannamalai
Trichy-Main
Trichy-Srirangam *
Trichy-Thillainagar *
Turaiyur
Tuticorin
Udumalpet
Ulipuram
Unjalur
Vadugapalayam
Vellakoil
Velliyanai
Vellore(Na)
Velur(Namakkal) *
Vettavalam
Vilangudi *
Villupuram
Virudunagar *
Vridhachalam
Yethapur

UTTARAPRADESH

Noida

WEST BENGAL

Kolkata

* Atm facility available



INTERNATIONAL DIVISION / DOMESTIC TREASURY

25 31, Aban House, 4th Floor, Sri Saibaba Marg, Kalaghoda
Fort Mumbai 400 023, Maharashtra, Greater Mumbai District.
Phone Off: 22822811, 22825310, 66311932, 22839928 (DGM)
Mobile: 98204 52642 (DGM-ID); 98202-84023 (DGM-IVN.CELL)
E-mail: intdiv@lvbank.in.; icell@lvbank.in.

Our Swift code - LAVBINBB

DIVISIONAL OFFICE

CHENNAI

189, 1st Floor, Aarthi Chambers,
Anna Salai, Chennai 600 006 Tamilnadu
Phone Off: 42085253, 28547198, 28525256 (DGM)
Std: 044 Telex: 041-5016 Fax: 28547529
Mobile: 98400-99118
E-mail: chennaido@lvbank.in

MUMBAI

Sterling Centre, 2nd Floor, Andheri-Kurla Road,
Chakala, Andheri (East), Mumbai 400 093
Maharashtra
Phone Off: 28270236, 28270237, 28270235 (DGM)
STD: 022 Mobile: 98204-46446
Telex: 118-5322 Fax: 022-28270234
Tel.ad:ELVEEBEE
E-mail: mumbaido@lvbank.in

HYDERABAD

Flat No. 2A, Samrat Complex, IInd Floor,
Saifabad, Hyderabad 500 004 Andhra Pradesh
Phone Off: 23241904 (DGM), 23212024, 23211782
Std: 040 Mobile: 98480 23865
Tel. Fax: 040-23212024 Tel.Ad: HILLELVEBE
E-mail: hyderabaddo@lvbank.in

BANGALORE

568, 38th Cross, 11th Main, 1st Floor, 5th Block,
Jayanagar, Bangalore 560 041 Karnataka
Phone Off: 26633902 (AGM), 22445249, 22447654 STD: 080
Mobile: 98456-60683
Tel. Fax: 080-22445249
E-mail: bangaloredo@lvbank.in

COIMBATORE

LVB Platinum Jubilee Building,
68, Oppanakara Street, IInd Floor,
Coimbatore 641 001 Tamil Nadu
Phone Off: 2304997, 2304843, 2383150 (AGM), 2301447
STD: 0422 Mobile: 94426-36776
Tel. Fax: 0422-2304997
E-mail: coimbatoredo@lvbank.in

KARUR

48/54, South Madavilagam Street,
Karur 639 001,
Tamil Nadu
Phone Off: 262531(DGM), 261684, 260703
STD: 04324, Mobile: 94425-66619
Tel. Fax: 04324-262531
E-mail: karurdo@lvbank.in

MADURAI

97, Palace Road, P.B.No.177, II Floor,
Madurai 625 001, Tamil Nadu,
Phone Off: 2336572, 2338213 (DM), STD: 0452
Mobile: 94426-20053
Tel. Fax: 0445-220 Tel.Fax: 0452-2338213
E-mail: maduraido@lvbank.in

SALEM

49-A, I-Floor, Advaita Aashram Road,
Salem 636 004 Tamil Nadu
Phone Off: 2336753, 2336751, 2336752 (AGM),
STD: 0427, Mobile: 94426-38400
Tel. Fax: 0427-2336751
E-mail: salemdo@lvbank.in



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.
18. Svenska Handels Banken, Stockholm, Sweden.

Asia Pacific:

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

Gulf:

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



CASA Campaign at Palakkad



Customer Meet at Ongole



LVB Executive Quarters



LAKSHMI VILAS BANK

REGD. & ADMN. OFFICE

Salem Road, Kathapurai, Karur-639 006, Tamilnadu

Phone: 04324-220051 to 220060 (10 lines)

Website: www.lvbank.com

E.Mail: secretarial@lvbank.in