



LAKSHMI VILAS BANK

86th ANNUAL REPORT 2012 - 2013



BOARD OF DIRECTORS



Shri RAGHURAJ GUJJAR
Non Executive Chairman



Shri K.S.R.ANJANEYULU
Managing Director & CEO



Shri N. SAIPRASAD



Shri KUSUMA R MUNIRAJU



Shri D.L.N. RAO



Shri B.K. MANJUNATH



Shri K.R. PRADEEP



Shri S.G. PRABHAKHARAN



Shri S. DATTATHREYAN



Shri R. SHARAN



Shri A. SATISH KUMAR



Shri R.RAVIKUMAR
RBI Nominee



Shri ASHOK NARAIN
RBI Nominee



NOTICE TO THE MEMBERS

Notice is hereby given that the 86th Annual General Meeting of The Lakshmi Vilas Bank Ltd will be held at Regd. & Admn. Office, Salem Road, Kathapara, Karur-639 006 on 06.08.2013 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2013 and the Profit and Loss Account for the year ended 31st March 2013 and the Report of the Directors' and the Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. Kusuma R Muniraju who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. D.L.N. Rao who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. N. Saiprasad who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors and if thought fit to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

"Resolved that M/s. Sagar & Associates, Chartered Accountants, Hyderabad be and is hereby re-appointed as Statutory Auditors of the Bank to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting, subject to approval of RBI on such remuneration and reimbursement of out-of-pocket expenses, if any, as may be fixed by the Board of Directors on the recommendation of the Audit Committee of the Board."

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.

"Resolved that the Board of Directors of the Bank be and is hereby authorised to appoint, in consultation with Statutory Auditors, the Branch Auditors who are qualified to act as Auditors, including Statutory Auditors pursuant to the provisions of Section 228 of the Companies Act, 1956 for the purpose of audit of the Branches of the Bank and to decide the Branch Offices to be audited by such Branch Auditors and to fix their remuneration and reimbursement of out of pocket expenses incurred, if any in connection with the Audit, based on the recommendation of the Audit Committee of the Board."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.

"Resolved that the Board of Directors be and is hereby authorized to apply to the Central Government under the Companies (Branch Audit Exemption) Rules, 1961 for exemption from audit of the accounts for the year ending 31.03.2014 of such branch offices of the Bank and in the event of such exemption being not granted in respect of any such branch offices, then the Board of Directors be and is hereby authorized to arrange for audit of such branches as are not exempted."

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

"Resolved that the appointment of Mr. K.S.R. Anjaneyulu as the Managing Director & CEO of the Bank be and is hereby confirmed and ratified for a temporary period with effect from 10.01.2013 till regular Managing Director & CEO assumes charge of the Bank, as approved by the Reserve Bank of India.

Resolved further that the consent of the members be and is hereby accorded for payment of remuneration to Mr. K.S.R. Anjaneyulu as Managing Director & CEO of the Bank as per the terms and conditions as approved by the Reserve Bank of India in terms of the provisions of Section 35-B of the Banking Regulation Act, 1949 and which are set out in the explanatory statement attached to the notice convening this Annual General Meeting.



Resolved further that the tenure of appointment of Mr. K.S.R Anjaneyulu as Managing Director & CEO and as Director of the Bank shall come to an end on the date, the regular Managing Director & CEO assumes charge”.

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as **ORDINARY RESOLUTION**.

“Resolved that consent be and is hereby accorded for appointment of Shri.Raghuraj Gujjar as the Non-Executive Chairman of the Bank as approved by Reserve Bank of India under Section 10-B of the Banking Regulation Act, 1949, and other applicable provisions of the Companies Act, 1956, who will be a Director of the Bank not liable to retire by rotation.

Resolved further that consent be and is hereby accorded for payment of remuneration to Shri.Raghuraj Gujjar as Non-Executive Chairman of the Bank as per the terms and conditions which are set out in the explanatory statement attached to the notice convening this Annual General Meeting, and as approved by Reserve Bank of India in terms of the provisions of the Section 10-B of the Banking Regulations Act, 1949.

And resolved that the consent of the bank be and is hereby accorded to the Board of directors to revise the remuneration and perquisites payable to Shri.Raghuraj Gujjar as Non-Executive Chairman of the Bank from time to time as approved by Reserve Bank of India in terms of the provisions of the Section 10-B of the Banking Regulation Act, 1949”.

11. To consider and if thought fit, to pass with or without modification(s), the following resolution, as a **SPECIAL RESOLUTION**.

“RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the Act) (including any statutory modification(s) or re-enactment thereof, for the time being in force), and in accordance with the provisions of Memorandum & Articles of Association of the Bank, the Listing Agreement entered into with the Stock Exchanges (Stock Exchanges), the provisions of Securities and Exchange Board of India (SEBI), Foreign Exchange Management Act (FEMA), and any other statutory guidelines/regulations, if any, prescribed by the SEBI, Reserve Bank of India (RBI), the Stock Exchanges, the Government of India (GOI) or any other relevant authority from time to time, to the extent applicable, and subject to such approvals, consents, permissions, and sanctions as may be required and subject to such conditions and modifications as may be prescribed while granting such approvals, consents, permissions and sanctions and which may be agreed to by the Board of Directors of the Bank (herein after referred to as “Board” which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), the consent of the Bank be and is hereby accorded to the Board to create, issue, offer and allot, upto 2,50,00,000 Equity Shares of ₹ 10/- each or hybrid instruments / securities resulting in, upto 2,50,00,000 Equity shares of ₹ 10/- each (including the provisions for reservation on firm and /or competitive basis, of such part of issue and for such categories of persons as may be permitted) in the course of one or more public or private offerings in domestic and/ or international market(s), either in the form of Qualified Institutional Placement (QIPs) to Qualified Institutional Buyers (QIBs) and / or Equity Shares through Depository Receipts, including in the form of Global Depository Receipts (GDRs) and / or American Depository Receipts (ADRs) to eligible investors (whether residents and / or non-residents and/or strategic investors and/or institutions/banks and/or incorporated bodies and/or individuals and/or trustees and/ or stabilization agents and/or mutual funds and/or venture capital funds, and / or Indian and / or multi-lateral financial institutions or otherwise, and irrespective of whether or not such investors are members of the Bank, through prospectus and / or letter of offer or circular and / or on public and/or private, such issue and allotment to be made at such time(s) in one or more tranches, at such price or prices, in such manner, on such terms and conditions as the Board, may in its absolute discretion, decide at the time of issue of the aforesaid Securities.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to determine the Mode of Issue viz QIPs, Public Offerings, Private Placements, GDRs, ADRs etc under the respective guidelines and fix the quantum of Issue, terms of the Issue(s), including the class of Investors, to whom the Securities are to be allotted, number of Securities to be allotted in one or more tranches, issue price, face value, premium amount on issue/conversion of Securities etc in respect of each Mode of Issue within the overall limit of 2,50,00,000 Equity Shares of ₹ 10/- each, subject to the applicable guidelines for each Mode of Issue.



RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the Securities may have all or any terms or conditions or combination of terms in accordance with applicable regulations, prevalent market practices etc.

RESOLVED FURTHER THAT the Bank and/or any agency or body or persons authorised by the Board, may issue Equity Shares and/or Depository Receipts representing the underlying Equity Shares in the Capital of the Bank or such other Securities in negotiable, registered or bearer form (as may be permissible) with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations (including listing on one or more stock exchanges in and/ or outside India).

RESOLVED FURTHER THAT the relevant date for the determination of applicable price for the issue Equity Shares and / or Depository Receipts shall be as per the applicable guidelines of Securities and Exchange Board of India.

RESOLVED FURTHER THAT the Board be and is hereby authorised to create, issue offer and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities referred to above and as may be necessary in accordance with the terms of the offer, subject to the provisions of Memorandum and Articles of Association of the Bank and shall rank pari passu inter se with the then existing equity shares of the Bank in all respects including as to dividend.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolutions, the Board be and is hereby authorised on behalf of the Bank, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable, and with power on behalf of the Bank to settle all questions, difficulties or doubts that may arise in this regard in its absolute discretion and deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any one or more Executives of the Bank."

BY ORDER OF THE BOARD

Place : Mumbai
Date : 10.07.2013

N. RAMANATHAN
Company Secretary

Notes:

1. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, pertaining to the special business contained in Item No.7 to 11 above is annexed herewith.
2. The Additional information pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchange in respect of the Directors seeking re-election vide Item No.3, 4 & 5 are detailed in the Explanatory Statement.
3. All documents referred to in the Notice are open for inspection at the Registered Office of the Bank on all working days between 11.00 a.m. to 01.00 p.m. upto the date of the Annual General Meeting.
4. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE BANK. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE BANK NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
5. The Register of Members and the Share Transfer Books of the Bank will remain closed from **31.07.2013 to 06.08.2013 (both days inclusive)**.
6. Dividend, if declared, will be paid to those members holding physical shares whose names stand on the Register of Members of the Bank as on **06.08.2013** and in case of dematerialized shareholders, to those Beneficial owners whose names stand on the records of the Depositories as at the close of working hours on **30.07.2013**, subject to the provisions of Section 206 A of the Companies Act, 1956.
7. In compliance of SEBI direction to all listed companies to maintain all works relating to share registry - both physical and electronic at single point i.e. either in house or by SEBI Registered "Registrar & Transfer Agent (RTA)", Bank had appointed M /s Integrated Enterprises (India) Limited, Chennai-600 017 as Share Transfer Agent for both physical and demat segments with effect from 30.01.2003.

Address of Share Transfer Agent :

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: corpserve@integratedindia.in



8. Members are requested to notify any change in their address immediately to Share Transfer Agent and in case their shares are held in demat form, this information should be sent to the concerned Depository Participant.
9. With a view to provide protection against fraudulent encashment of dividend warrants, members holding shares in physical form are requested to provide, if not already provided earlier, their bank account numbers, name and address of the bank and branch, to Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, Chennai-600 017 to incorporate the said details on the dividend warrants. Members will appreciate that the bank will not be responsible for any loss arising out of fraudulent encashment of the dividend warrants.
10. **Unclaimed Dividends / Refunds (Rights Issue)**
 - a) Shareholders and Beneficial owners who have not so far encashed/claimed the dividends for the last 7 years i.e. from 2005-06 to 2011-2012 and also Rights Issue Refund amount for the year 2006 & 2009 have to submit the dividend warrant(s) or refund order(s) if any available with them for revalidation to the Registrar & 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. Shareholders who have lost the dividend warrants/refund order are advised to execute the indemnity bond and send to the Registrar.
 - b) In terms of Section 205C of the Companies (Amendment) Act, 1999 the dividend / refunds which are unclaimed for a period of seven years have to be transferred to "Investor Education and Protection Fund" maintained with Central Government and the Shareholders/ Beneficial Owners cannot make any claim for the dividends once the unclaimed dividend(s)/ refund(s) are transferred to such fund.
11. None of the items listed in the Agenda require Postal Ballot.
12. Investors are required to provide a copy of their PAN card for effecting share transfers, transmission & transposition in their favour.
13. Green Initiatives in Corporate Governance - Shareholders who have not registered their email address so far are requested to register their email address (for demat holders - with their respective DPs and for holders in physical form - with our Registrar & Transfer Agent M/s. Integrated Enterprises (India) Ltd., Chennai) so that you can receive the Annual Report and other communication from the bank electronically.

Additional information pursuant to Clause 49 of the Listing Agreement with National Stock Exchange Limited, Mumbai & Bombay Stock Exchange Ltd, Mumbai in respect of the Directors' seeking re-election.

Item No. 3

Mr. Kusuma R Muniraju, B.Sc., LLB, DCT is a senior advocate with more than three decades of standing and specialized in the areas of legal issues of the reality sector. He represents Majority Sector as per Section 10A (2) (a) of Banking Regulation Act, 1949. He is classified as Independent, Non- Executive Director in compliance of Clause 49 of Listing Agreement. He holds 218138 Equity Shares of the bank.

He has served as a Director of your Bank during the period 1990 to 1998.

None of the Directors except Mr. Kusuma R Muniraju is concerned or interested in this resolution.

Item No. 4

Mr. D.L.N. Rao, B.Sc, LLB, PG Diploma in Social Science is a senior advocate with more than three decades of standing and practicing Civil Law, Constitutional Law, and Mining Law & Taxation in the High Court of Karnataka. He represents Majority Sector as per Section 10A (2) (a) of Banking Regulation Act, 1949. He is classified as an Independent, Non- Executive Director in compliance of Clause 49 of Listing Agreement. He holds 5188 Equity Shares of the Bank.

None of the Directors except Mr. D.L.N Rao is concerned or interested in this resolution.

Item No. 5

Mr. N. Saiprasad, M.Sc, MBA specialized in textile business for more than a decade; widely travelled in India and abroad; participant in several National & International trade fairs and Textile shows; a partner in firms dealing in exports/ wholesale trade in textiles. He represents Minority Sector as per Section 10A (2) (a) of Banking Regulation Act, 1949. He is classified as Non- Independent, Non- Executive Director in compliance of Clause 49 of Listing Agreement. He holds 107538 Equity Shares of the Bank.

He has served as a Director of your Bank during the period 1990 to 1998.

None of the Directors except Mr. N. Saiprasad is concerned or interested in this resolution.



Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No. 7

In terms of the Section 228 of the Companies Act, 1956, the Branch Offices of the Bank have to be audited either by Statutory Auditors or other qualified Auditors. Bank intends to entrust the Audit of Branch Offices either to the Statutory Auditors or to other qualified Auditors in consultation with Statutory Auditors on such remuneration and on such terms and conditions as the Board deems fit based on the recommendations of the Audit Committee of the Board.

None of the Directors is interested in this resolution.

Item No. 8

The passing of this resolution is necessary in order to meet the requirement of Section 228(1) of the Companies Act, 1956, under which the accounts of every branch office is required to be audited either by Bank's auditors or by a person qualified to act as Auditors.

The Bank has made satisfactory arrangement for their inspection by responsible and competent officers of the bank.

This resolution is proposed to enable the Directors to seek exemption of such of the branches as are not to be audited.

None of the Directors is interested in this resolution.

Item No. 9

Terms of remuneration payable to Mr. K.S.R. Anjaneyulu, Managing Director & CEO of the Bank.

The Board of Directors of the Bank through circular note dated 10.01.2013 took on record the letter No. Ref/DBOD.9682/08.44.001/2012-13 dated 07.01.2013 received from DBOD, RBI, Mumbai on the appointment of Managing Director & CEO of the Bank and co - opted Mr. K.S.R. Anjaneyulu as Additional Director of the Bank and also appointed him as Managing Director & CEO of the Bank for a temporary period from 10.01.2013 till regular Managing Director & CEO assumes charge.

Abstract of the terms and conditions of appointment together with memorandum of concern or interest of the directors, had been sent to shareholders on 23.01.2013 as required under section 302 of the Companies Act, 1956.

Abstract of Terms & Conditions of Appointment

Sl.No.	Particulars	Amount in ₹
	Remuneration	
1	Salary	₹ 36,00,000/- p.a.
2	Dearness Allowance	Nil
3	House Rent allowance	₹ 7,20,000/- p.a.
4	Conveyance Allowance	Nil
5	Entertainment Allowance	Not exceeding ₹ 3,00,000/- p.a. on self-declaration.
6	Other Allowances : Fixed Allowance	₹ 12,00,000/- p.a.
	Perquisites	
1	Free furnished house / Pension /Gratuity, etc.	Nil
2	PF	10% of pay on contribution basis.
3	Free use of Car on Company's business	Bank's car with driver and fuel at bank's cost for official purpose.
4	Travelling and Halting Allowance	Travel by business class and stay at business hotel. Halting allowance as applicable to VII executives of the Bank.
5	Medical benefits	Mediclaime upto ₹ 10.00 lakhs
6	Other benefits	Communicative Models: Free use for Official purpose.



Sl.No.	Particulars	Amount in ₹
		Insurance: ₹ 15.00 lakhs for travel by air/train/road.
		Membership of club : Corporate Membership
7	Leave -	Casual Leave/Privilege leave: 30 days p.a.
		Leave Encashment: Accumulated PL as on date of demitting Office (Not exceeding 240 days)
		Leave Fare Concession: Not applicable

Memorandum of interest: None of the directors of the bank is interested or concerned except Mr. K.S.R. Anjaneyulu as it relates to him.

Item No. 10

The Board of Directors of the Bank in the meeting held on 26.04.2013 had appointed Mr. Raghuraj Gujjar, as Non-Executive Chairman of the Bank for one year and also fixed his remuneration as approved by the Reserve Bank of India vide their letter No.Ref.DBOD.10135/08.44.001/2012-13 dated 14.01.2013 in terms of Section 10-B of the Banking Regulation Act. None of the directors except Mr. Raghuraj Gujjar is concerned or interested in this resolution.

The Abstract of the terms and conditions of the appointment is appended below.

Abstract of Terms & Conditions of Appointment

Sl.No.	Items	Remuneration
1.	Salary/Pay	Honorarium of ₹ 1 per annum
	Other Allowances (DA, House Rent, Conveyance, entertainment, etc)	Not Applicable
	Perquisite	
1	Free Furnished House	Not Applicable
2	Free use of bank's car for official purpose	Bank's car with chauffer, fuel at Bank's cost.
3	Provident Fund/ Gratuity/ Pension	Not Applicable
4	Travelling & Halting Allowance	Travel - A single return fare by Train in AC I Class or business class / I class by Air
		Stay - In business class hotel.
		Halting Allowance - As applicable to Whole Time Director
5	Medical benefits	Not Applicable
6	Other benefits	Communicative Mode: Free use
		Insurance: ₹ 25,00,000 for travel by air/train/road.
		Sitting Fees - He will be paid sitting fees for attending board meetings and other committee meetings of the Board as applicable to other non- executive directors of the bank.
		Bonus - Not applicable
		Club membership - Any two business club.
7	Leave	Not applicable

Item No. 11

The Bank intends to raise long term funds for its expanding business requirements by issue of securities in the domestic/ international markets. The proposed resolution at Item No.11 seeks the enabling authorization to the Board of Directors of the Bank, to raise additional long term funds through the issue of Equity Shares in the domestic and/or international

**LAKSHMI VILAS BANK**

markets in one or more tranches, in such form, on such terms, in such manner, at such price and at such time as may be considered appropriate by the Board, to the various categories of investors. In the best interest of the Bank, the above enabling resolution is being proposed to be passed to give adequate flexibility and discretion to the Board to finalize the terms of the issues.

As per the provisions of Section 81(1A) of the Companies Act, 1956 the above proposal requires the approval of members by way of Special Resolution.

The Board of Directors accordingly recommends the resolution set out at Item No.11 of the accompanying notice for the approval of members.

The directors of the bank may be deemed to be concerned or interested in the Resolution to the extent of securities that may be subscribed to by the companies/institutions of which they are directors or members.

BY ORDER OF THE BOARD

Place : Mumbai
Date : 10.07.2013

N. RAMANATHAN
Company Secretary

**LAKSHMI VILAS BANK****DIRECTORS' 86th ANNUAL REPORT****TO
THE MEMBERS**

The Directors of your Bank have great pleasure in presenting this 86th Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2013 (FY 2012-2013).

1. FINANCIAL PERFORMANCE

The highlights of the financial performance of your Bank for the year ended 31st March, 2013 are as under:

	(₹ in crores) For the year ended	
	31st March 2013	31 st March 2012
Deposits	15,618.98	14,114.14
Advances (Net)	11,702.80	10,188.68
Investments (Net)	4,324.55	4,395.12
Total Income	1,957.61	1,677.18
Operating profit	251.15	235.44
Provisions and contingencies	159.57	128.42
Net Profit	91.57	107.02

Your bank registered growth in business volumes that compares favourably with the industry average. The Bank attained total business of ₹ 27321.78 Crores in FY 2012-2013 a growth of 12.42 % over Rs. 24302.82 Crores in FY 2011-2012.

Deposits grew 10.66 %, from ₹ 14,114.14 Crores as at 31st March 2012 to ₹ 15,618.98 Crores as at 31st March 2013, and total advances expanded by 14.86%, from ₹ 10,188.68 Crores to ₹ 11,702.80 Crores in FY 2012-2013. Of this, lending to priority sector rose from ₹ 3,453.59 Crores in the previous year to ₹ 4,565.54 Crores as on 31st March 2013. Agricultural advances increased to ₹ 2,286.35 Crores from ₹ 2,051.60 Crores and advances to weaker section recorded a significant growth from ₹ 1,021.01 Crores to ₹ 1,582.68 Crores.

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

As at the end of the year under review, the total investments of the Bank stood at ₹ 4,347.93 Crores as against ₹ 4,410.51 Crores as on 31st March 2012.

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

2. PROFIT

The Bank has posted an operating profit of ₹ 251.15 Crores in FY 2012-2013 as against ₹ 235.44 Crores in the FY 2011-2012 thereby registering a growth of 6.67%. The net profit for the year, after provisions and taxes, amounts to ₹ 91.57 Crores as against ₹ 107.02 Crores recorded in 2011-2012, which is mainly on account of higher provisions towards income tax and restructured advances. With the anticipated improved earnings in the corporate sector, the Bank is hopeful of recouping the provisions made, to a considerable extent in the current financial year.



3. APPROPRIATIONS

Particulars	(₹ in Crores) For the year ended	
	31.03.2013	31.03.2012
Profit brought forward	0.09	0.25
Amount available for appropriation	91.66	107.37
Transfer to:		
Statutory Reserve	29.00	28.00
Capital Reserve	3.44	0.85
Other Reserve	16.40	32.25
Transfer to Special Reserve U/s 36(1) (viii) of the IT Act, 1961.	8.50	6.50
Proposed Dividend	29.26	34.14
Corporate Dividend Tax	4.97	5.54
Balance of Profit carried forward	0.09	0.09

4. DIVIDEND

Your Board of Directors are pleased to recommend a dividend of ₹ 3.00 (30%) per share for the year ended 31st March, 2013 as against ₹ 3.50 (35%) per share for previous year ended 31st March, 2012. The total out go in the form of dividend, including taxes, will be ₹ 34.23 Crores.

5. EPS / BOOK VALUE

Earnings per Share stood at ₹ 9.39 for the year ended 31st March, 2013 as compared to ₹ 10.97 as on 31st March, 2012.

Book Value of the share, after reckoning payment of dividend, grew to ₹ 92.88 on 31st March, 2013 as compared to ₹ 88.43 as on 31st March, 2012.

6. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

Net Owned Funds (NOF) of the Bank increased from ₹ 879.14 Crores as at the end of FY 2011-2012 to ₹ 936.55 Crores as at the end of FY 2012-2013, reflecting a growth of 6.53%.

The Capital Adequacy Ratio (CAR) as on 31st March 2013 is 12.32%. The bank has been consistently maintaining Capital Adequacy Ratio well above the regulatory minimum of 9% stipulated by the Reserve Bank of India.

The Tier-I and Tier-II components of Capital Adequacy Ratio were comfortable at 9.15% and 3.17% respectively.

7. NON PERFORMING ASSETS (NPA's)

Your bank continues to address the NPA problem through a combination of process improvement, technology solutions for early alerts and strict credit delivery. During FY 2012-13, macro-economic conditions affected some of our clients with resultant stress on NPAs, but the bank is supporting customers where the issues are temporary and not structural, and is confident that the level of NPAs will come down significantly no sooner the market conditions revive. There have been no concentration issues either and stress has been fairly dispersed. Some of our exposure in infrastructure, textiles and real estate sectors got affected during the year under review. Consequently, our bank gross & net NPA increased to 3.87% and 2.43% as on 31st March 2013 as against 2.98 % & 1.74% as on 31st March 2012, notwithstanding the strong recovery efforts that yielded ₹ 247.97 crores during the year.



The bank has already initiated remedial measures to improve the performance during the FY 2013-14 to arrest slippage and improve recovery, and is confident that the planned changes initiated by the board will ensure a successful future with a much stronger portfolio at the end of FY 2014.

8. BRANCH AND ATM NETWORK

The bank has a network of 291 branches, 1 satellite branch and 8 extension counters, spread over 15 states and the union territory of Pondicherry. The Bank's focus is on customer delight, by maintaining high standards of customer service. LVB has a strong and wide base in the State of Tamil Nadu, one of the progressive States in the country. LVB has been focusing on retail banking, corporate banking and bancassurance, by rendering high-tech services.

The Bank has an ATM network of 651 as on 31.03.2013 (183 Onsite & 468 offsite), in vital / major locations for better service to our customers; customers can access over 83000+ ATMs across the country. Bank continues to invest in expanding the network of ATMs.

9. FINANCIAL INCLUSION

The bank has implemented the Financial Inclusion Plan in 131 villages allotted by SLBC in Tamilnadu. The bank has opened 46484 Basic Savings Bank Deposit Accounts (BSBDA) to improve its penetration in rural areas.

10. INTERNATIONAL BUSINESS

It has been a challenging year for India as the country faced with sluggish global demand on account of recession across the globe. During the year, the bank has achieved a foreign exchange turnover of ₹ 4,239.03 Crores as against the previous year turnover of ₹ 4,358.73 Crores. Lending to Export sector has increased from ₹ 175.44 Crores to ₹ 214.01 Crores. However, going forward, the financial year 2013-14 will see our focused attention to improve our foreign exchange business with more vigour and sustained efforts by our branches.

11. LISTING AGREEMENT WITH STOCK EXCHANGE

The Equity Shares of the bank are listed with the National Stock Exchange of India Ltd, Mumbai and Bombay Stock Exchange, Mumbai which is enhancing the liquidity of our equity shares.

12. ALIGNING TECHNOLOGY WITH BUSINESS OBJECTIVE

Your bank has introduced the following Technology products, Delivery Channels and Services.

1. Increased the ATM network from 541 to 651 during this financial year.
2. Implemented Cheque Truncation System across (Image Based Clearing) Southern Grid, which facilitates speedy clearance of cheques.
3. Implemented various in-house tools and applications for better operational efficiency.

Your bank has implemented the following major projects during this financial year:

1. As per the RBI guidelines, the bank is implementing the in-house developed Automated Data Flow (ADF) project in a phased manner, by which the periodical reports/details submitted to the regulators from the system directly without the manual intervention.
2. Human Resource Management System (HRMS) project is implemented in the bank, which will ensure more transparency and better operational efficiency in the Bank.
3. To ensure effective monitoring and follow up of our Loan Assets, we have implemented Automated NPA movement in our Core Banking.
4. Bank has enabled online payment of TNEB bill through Internet Banking.
5. Bank has introduced three in one account for online Trading facility (OLT) with IDBI CAPITAL MARKETS.
6. Bank has enabled payment of Income Tax (e-tax) through Internet Banking.
7. Bank has implemented issuance of Electronic Bank Realization Certificate (EBRC) to the exporter customers.



13. WEALTH MANAGEMENT / PARABANKING ACTIVITIES

- i. **Life Insurance:** Bank has entered into a tie up with the Life Insurance Corporation of India for soliciting Life Insurance policies for our customers. All the products of LIC are available through our branches. It opens up a reliable and trustworthy investment avenue, making LVB a one stop shop for all financial requirements.
- ii. **General Insurance:** Bank has tie-up with M/s. Bajaj Allianz General Insurance Company to market the General Insurance products.
- iii. **Mutual Funds & PMS:** The Bank is presently having tie-up with thirteen leading Asset Management Companies for promoting various Mutual Fund schemes. In addition, we are promoting Port Folio Management Services (PMS) through UTI, Reliance and Sundaram Asset Management Company.
- iv. **Money Transfer through Branch Channels:** Foreign inward remittances arrangement with M/s. Weizmann Forex Ltd. for extending Western Union Money Transfer facility, in addition, tied-up with M/s. UAE Exchange & Financial Services Ltd., for offering Global Money Transfer services through Xpress Money and Moneygram.
- v. **Money Transfer through Direct Remittances:** Tied up with Times of Money - Remit 2 India & Al-ahalia for Inward remittance from Abroad which enables the NRIs to directly remit the amount to their account / residents.
- vi. **Investment & Infrastructure Bonds:** Bank empanelled with M/s Bajaj Capital Ltd. for promoting Investment & Infrastructure Bonds.
- vii. **PAN Card Services:** Bank has tied up with M/s. UTI Infrastructure & Technology Services Ltd., (UTIITSL) as PAN Service Agent (PSA) for collecting the PAN Application across the country through Branches.
- viii. **Depository Participant Services:** Registered as Depository Participant with NSDL and with necessary clearances, this product is offered to our customers.
- ix. **Online Trading Services:** Bank has tied up with M/s. IDBI Capital Market Services Ltd. for offering Online Trading Services (OLT) to the customers.
- x. **New Pension System (NPS):** Bank has registered with PFRDA and NSDL-CRA as Point of Presence (PoP) for offering NPS services for all Indian citizens except Government Employees already covered by NPS.
- xi. **ASBA:** As Bankers to the issue, the Bank can now receive applications under ASBA mode thus enabling the investors to earn interest till allotment of securities.

14. RISK

Risk and Return are two side of the same coin in the activities of any bank. Risk Management is critical in the way modern business is operational because of dynamic business environment to which business are exposed. It is not only a requirement under several voluntary codes and statutes but also make business sense to identify the probability of not achieving strategic and business goals. Risk Management has to be embedded in business processes to ensure that it is being practiced and made part of the culture of the organization. With this in mind, the bank has established systems and policies ensuring an ongoing assessment of relevant risk types on an individual basis and in the aggregate as well. With a view to mitigate credit risk in the portfolio, more importance is being given to retail credit and taking proactive steps to identify the credit relationship likely to result in stressed accounts through close monitoring.

The Board of Directors effectively monitor the risk management. A Board Level Committee oversees the implementation of Credit risk, Market Risk and Operational Risk policy prescriptions. The Asset Liability Management Committee (ALCO) looks into the management of Liquidity and Market risks and ensure adherence to prudential limits. At Executive Level also a committee consisting of Top Executives reviews periodically Liquidity Risk, Credit Risk & Market risk to take stock of the current situation. At the organization level an Integrated Risk Management Department headed by Dy. General Manager Functions at Head office to identify measure, monitor and mitigate risk; optimize returns and assess the required capital level. Bank has already automated the process of capital calculation and Base rate as per RBI Guidelines. Bank has a robust credit risk assessment system to ascribe borrower risk grades. This facilitates data collection and analysis for moving towards Advanced Approaches. Bank has in place a well defined frame work for managing market risk. Basic Indicator Approach has been adopted for computation of capital charge for Operational Risk.



The Bank has since, migrated to Basel II - New Capital Adequacy Framework (NCAP) - from March 2009 and is preparing ICAAP document to assess its inherent risk and capital requirements. Bank uses Stress Testing and scenario analysis in various risks as required under Pillar II for enhancing risk assessment and to provide the bank a better understanding of the likely impact even in extreme circumstances. Technology is extensively used in measuring and discussing market risk using statistical tools including stress testing.

15. INTERNAL CONTROL

Bank has a separate Audit and Inspection Department which subjects all the Branches including Integrated Treasury, Currency Chest, Service Branches and every department of the Administrative Office to regular inspection. Key branches including Integrated Treasury at Mumbai are under concurrent audit which covers 66% of the Bank's business. All computerized branches are subjected to IS Audit regularly.

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

16. HUMAN RESOURCES

Staff strength of the Bank as on 31.03.2013 increased to 3149 as against 3054 as on 31.03.2012. During the year 2012-13, 3 Executives, 45 Officers, 38 Clerks and 651 Sales personnel were recruited besides absorption of 192 Part Time Sweepers. Promotion to higher scale and cadre effected and 243 staff got promoted. Business per employee had gone up from ₹ 7.99 Crores as on 31.03.2012 to ₹ 8.73 Crores as on 31.03.2013.

The Bank's focus on training included nomination of resources to reputed external training institutions such as RBI, CAB, SIBTC, IDBRT, NIBM, CAFRAL & FEDAI. In house e-learning modules are under development.

Industrial Relation was cordial during the year.

17. SOCIAL INITIATIVES

- Donated to Branch library Karur East towards purchase of computer under “**Namakku Namae Thittam**”.
- Donated to Sri Sarada Ashram, Ulundurpet towards purchase of new water tanker lorry for providing water to the people of Ulundurpet.
- Donated Reverse Osmosis (RO) treatment plant to Sri Periyakandi Amman temple, Avalpoondurai to provide hygiene drinking water to the devotees.
- Donated two computers to Arulmigu Dhandayuthapani Swamy Temple, Palani.
- Donated two computers to Siddhartha Muthiyor Illam.
- Donated Reverse Osmosis (RO) treatment plants to Elementary School at Thindal, Government Primary School, Corporation Middle School and Corporation Primary School at Erode through Inner wheel club of Erode to provide hygiene drinking water to the students and staffs.
- Donation to Karnataka Arya Vysya Charitable Trust for providing scholarships to the deserving poor meritorious students for their higher studies.
- Donated to Dr.S.R.Chandrasekhar Institute of speech and hearing towards, Bangalore construction of a multipurpose hall to accommodate more number of patients.
- Donated to Sakthi Tamil School for Mentally Challenged, Karur towards construction of hostel.

18. LISTING WITH BSE

Your banks' Equity Shares was listed with Bombay Stock Exchange, Mumbai wef 24.09.2012 in addition to National Stock Exchange, Mumbai which enhances the Liquidity to the investors, and also provides additional forum to purchase or sell the equity shares and further enhances the visibility for investors all around the world.



19. CORPORATE GOVERNANCE

Corporate Governance of the Bank continues to rest on the fundamental pillar of high ethical values, designed to enhance and protect the interest of all the stakeholders. The Bank has complied with the code of corporate governance as enumerated in Clause 49 of the Listing Agreement. All the Directors on the Board have executed deed of covenant and undertaking individually in line with the recommendations of Dr. Ganguly Committee Report.

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis is presented in Annexure-A, Report on Board Committees is furnished in Annexure-B. Composition of the Board of Directors together with the attendance of Directors at various meetings of the Board, its Committees and Annual General Meeting and the number of directorships held by them along with the details of Audit Committee and Share Transfer & Investors' Grievances Committee are furnished in Annexure-C. General Shareholders' information is furnished in Annexure-D.

20. CHANGES IN THE BOARD OF DIRECTORS

Shri P.R. Somasundaram resigned from the Bank from the position of MD & CEO on 21.11.2012. Shri K.S.R. Anjaneyulu was appointed as Additional Director and temporary MD & CEO on 10.01.2013 till the regular MD & CEO takes charge. Mr. R. Ravikumar and Mr. Ashok Narain were appointed as Additional Directors for a period of two years by the Reserve Bank of India vide their letter DBOD.PSBD.No.7928/16.05.04/2012-13 dated 03.12.2012 in accordance with Section 36AB(1) of the Banking Regulation Act, 1949.

Mr. K.Ravindrakumar, Director, resigned from the Board w.e.f 26.04.2013 after having served on the Board for more than 7 years. Mr. Raghuraj Gujjar was appointed as Additional Director and Non- Executive Chairman of the Board with effect from 26.04.2013 pursuant to the provisions of Section 260 of the Companies Act, 1956 and in pursuance of approval of RBI vide Ref.DBOD.10135/08.44.001/2012-13 dated 14.01.2013.

Mr. Kusuma R Muniraju, Mr. D.L.N. Rao and Mr. N. Saiprasad are the directors retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

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

The Board of Directors of your Bank confirms that in the preparation of the annual accounts for the year ended March 31, 2013:

- 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 at the end of the financial year and the profit of the Bank for the year ended on March 31, 2013.
- Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India; and
- Accounts have been prepared on a 'going concern' basis.

22. EMPLOYEES STOCK OPTION SCHEME

In the year 2010, the shareholders of the Bank have approved the issue of shares through Stock Option Scheme. Statutory disclosures regarding ESOS as per Clause 12 of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 has been furnished in Annexure forming part of this report. No further option was granted during the year 2012-13.

23. STATUTORY DISCLOSURE

1. The provisions of Section 217(1) (e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to your Bank. The Bank has, however, used Information Technology extensively in its operations.
2. The Bank continued to encourage the country's exports and will endeavor to enlarge its export financing.



3. The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under, is annexed elsewhere in this report.
4. The report on the Corporate Governance is annexed and forms part of this report.

24. OUTLOOK

- During 2013-14, economic activity is expected to show only modest improvement over last year, with a pick-up likely only in the second half of the year. Conditional upon a normal monsoon, agricultural growth could return to trend levels. The outlook for industrial activity remains subdued, with the pipeline of new investment drying up and existing projects stalled by bottlenecks and implementation gaps. With global growth unlikely to improve significantly from 2012, growth in services and exports may remain sluggish. Accordingly, the baseline GDP growth for 2013-14 is projected at 5.7 per cent.
- By March 2013, WPI inflation at 6.0 per cent turned out to be lower than the Reserve Bank's indicative projection of 6.8 per cent, mainly due to a sharp deceleration in non-food manufactured products, inflation occurred in the second half of the year. The global inflation outlook for the current year appears more benign compared to last year on expectations of some softening of crude oil and food prices. Accordingly, imported inflation is likely to be lower provided the exchange rate remains broadly stable. Indicators of corporate performance, industrial outlook and PMIs are pointing to a declining pricing power. On the other hand, food inflation is likely to be a source of upside pressure because of persisting supply imbalances. Also, the timing and magnitude of administered price revisions, particularly of electricity and coal, will impact the evolution of the trajectory of inflation in 2013-14.
- Keeping in view the domestic demand-supply balance, the outlook for global commodity prices and the forecast of a normal monsoon, WPI inflation is expected to be range-bound around 5.5 per cent during 2013-14, with some edging down in the first half on account of past policy actions, although there could be some increase in the second half, largely reflecting base effects.
- It is critical to consolidate and build upon the recent gains in containing inflation. Accordingly, the Reserve Bank is expected to endeavour to condition the evolution of inflation to a level of 5.0 per cent by March 2014, using all instruments at its command.
- It is important to re-emphasise that although the most recent episode of high and persistent inflation played out over the past three years, during the 2000s as a whole, inflation averaged around 5.4 and 5.8 per cent, in terms of WPI and CPI, respectively, down from its earlier trend rate of about 7.5 per cent. Given this record and the empirical evidence on the threshold level of inflation that is conducive for sustained growth, the objective is to contain headline WPI inflation at around 5.0 per cent in the short-term, and 3.0 per cent over the medium-term, consistent with India's broader integration into the global economy.
- Given the macro economic outlook, your bank is taking adequate measures in terms of expanding management bandwidth and safety measures in identifying new credit relationship, Credit Monitoring and Credit Management besides continuing unflagging focus on recovering stressed accounts.

25. AUDITORS

The Statutory audit of the Bank was carried out by M/s.Sagar & Associates, Chartered Accountants, Hyderabad whose report is annexed and forms part of this report. The Statutory Central and Branch Auditors have audited all the branches and other offices of the Bank.

26. ACKNOWLEDGMENT

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

Your Directors would also like to express their sincere appreciation of the contribution made by the Management and Staff for their support and look forward to a more evolved relationship as steps are taken to re-orient the bank for the future.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 10.07.2013

(RAGHURAJ GUJJAR)
Chairman of the Meeting



DIRECTORS REPORT DISCLOSURES

Statement as at March 31, 2013, pursuant to clause 12 (Disclosure in the Directors' Report) of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

A. Summary of Status of ESOPs Granted:

The position of the existing schemes is summarized as under -

Sl. No.	Particulars	ESOS 2010
1	Details of the Meeting	Authorised by the shareholders of the company in the Annual General Meeting dated 4th August 2010
2	Approved	50,00,000 shares
3	The Pricing Formula	Discount of 50% to the closing market price on the day preceeding the date of grant
4	Options Granted	16,85,238
5	Options Vested and Exercisable	1,76,666
6	Options Exercised	0
7	Options Cancelled	12,75,238
8	Options Lapsed	0
9	Total Number of Options in force	4,10,000
10	Variation in terms of ESOP	Not applicable
11	Total number of shares arising as a result of exercise of options	0
12	Money realised by exercise of options (₹ In Lakhs)	0

B. Employee-wise details of options granted during the financial year 2012-13 to:

(i)	Senior managerial personnel	The Bank has not granted options during the current financial year
(ii)	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	The Bank has not granted options during the current financial year
(iii)	Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	The Bank has not granted options during the current financial year

C. Weighted average Fair Value of Options granted during the year whose:

(a)	Exercise price equals market price	The Bank has not granted options during the current financial year
(b)	Exercise price is greater than market price	
(c)	Exercise price is less than market price	

**Weighted average Exercise price of options granted during the year whose**

(a) Exercise price equals market price	The Bank has not granted options during the current financial year
(b) Exercise price is greater than market price	
(c) Exercise price is less than market price (Rs.)	

D. The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2012-13 is ₹ 2,06,77,433. If the stock-based compensation cost was calculated as per the fair value method, the total cost to be recognised in the financial statements for the year 2012-13 would be ₹ 2,75,76,916.10. The effect of adopting the fair value method on the net income and earnings per share is presented below:

Pro Forma Adjusted Net Income and Earning Per Share	
Particulars	₹
Net Income as reported	915,745,225.00
Add: Intrinsic Value Compensation Cost	(20,677,433.00)
Less: Fair Value Compensation Cost	(27,576,916.10)
Adjusted Pro Forma Net Income	922,644,708.10
Earning Per Share: Basic	
As Reported	9.39
Adjusted Pro Forma	9.46
Earning Per Share: Diluted	
As Reported	9.39
Adjusted Pro Forma	9.46

E. Method and Assumptions used to estimate the fair value of options granted during the year:

The Bank has not granted options during the current financial year

**LAKSHMI VILAS BANK**

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

REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying financial statements of THE LAKSHMI VILAS BANK LIMITED, KARUR as at 31st March, 2013, which comprise the Balance Sheet as at March 31, 2013, and Profit and Loss Account and Cash Flow Statement for the year then ended and a summary of significant Accounting Policies and other explanatory information. Incorporated in these financial statements are the returns of 16 Branches, 8 Regional Offices, Technology Centre, RTGS Cell, DP Cell, Centralised Processing Cell and Integrated Treasury, audited by us, 275 Branches and 6 Service Branches audited by other branch auditors. The branches audited by us and those audited by other auditors have been selected by Bank in accordance with the guidelines issued by the Reserve Bank of India.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. Management of the Bank is responsible for the preparation of these financial statements that give true and fair view of the financial position and financial performance of the Bank in accordance with Banking Regulation Act, 1949 and complying with Reserve Bank of India Guidelines issued from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. The financial information as at and for the year ended 31st March, 2013 of 275 Branches and 6 Service Branches has been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports of such other auditors.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

7. *Without qualifying our opinion, we draw attention to Note No.3.10 of the Schedule 18 to the financial statements, regarding deferment of pension liability and gratuity liability of the Bank, pursuant to the exemption granted by the Reserve Bank of India to the Lakshmi Vilas Bank from application of the provisions of Accounting Standard (AS) 15, Employees Benefits vide circular no. DBOD.BP.BC/80/21.04.018/2010-11, dated 09.02.2011 on "Re-opening of Pension Option to the employees and Enhancement in Gratuity Limits - Prudential Regulatory Treatment." Accordingly, out of the unamortized amount of Rs.55.85 crore as on 01/04/2012, the Bank has amortized Rs.15.56 crore for Pension and Rs.3.06 crore for Gratuity being proportionate amount for the year ended March 31, 2013 and balance amount to be amortized in future period for Pension is Rs.31.12 crore and for Gratuity is Rs.6.13 crore.*

**LAKSHMI VILAS BANK**

8. In our opinion as shown by the books of the Bank, and to the best of our information and according to the explanations given to us, we report that:
- i) the Balance Sheet read with the significant accounting policies and notes thereon, is a full and fair balance sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of state of affairs of the Bank as at 31st March, 2013, in conformity with accounting principles generally accepted in India;
 - ii) the Profit and Loss Account, read with the significant accounting policies and notes thereon, shows a true balance of profit, in conformity with accounting principles generally accepted in India, for the year covered by accounts; and
 - iii) the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms 'A' & 'B', respectively, of the third Schedule to the Banking Regulation Act, 1949.
10. Subject to the limitations of the audit indicated in paragraphs 1 to 6 above and as required by the Banking Regulation Act 1949 and subject also to the limitations of disclosure required therein, we report that;
- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
 - b) The transactions of the Bank which have come to our notice have been within the powers of the Bank.
 - c) The returns received from the Offices and Branches of the Bank, as supplemented with the information furnished by the Management, have been found adequate for the purposes of our audit.
11. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the applicable Accounting Standards.

For **SAGAR & ASSOCIATES**
Chartered Accountants
FR No. 003510S

(D. MANOHAR)
Partner

Membership No. 029644

Place : Karur
Date : 27th May 2013

AUDITORS' CERTIFICATE ON ESOS

This is to certify that M/s.The Lakshmi Vilas Bank Ltd, Karur has implemented the Employees Stock Option Scheme 2010 (ESOS-2010) in accordance with resolution passed by the Shareholders on 04th August, 2010 and as per the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999.

For **SAGAR & ASSOCIATES**
Chartered Accountants
FR No. 003510S

(D. MANOHAR)
Partner

Membership No. 029644

Place : Karur
Date : 27.05.2013

**LAKSHMI VILAS BANK****BALANCE SHEET as on 31st March 2013**

(₹ 000's)

	Schedule	As at 31-03-2013	As at 31-03-2012
I. CAPITAL & LIABILITIES			
a. Capital	1	97,54,07	97,52,58
b. Reserves & Surplus	2	916,80,38	860,83,93
c. Deposits	3	15618,97,79	14114,14,00
d. Borrowings	4	480,00,00	580,00,00
e. Other Liabilities & Provisions	5	553,35,79	510,36,12
TOTAL		17666,68,03	16162,86,63
II. ASSETS			
a. Cash & Balances with Reserve Bank of India	6	728,15,07	810,01,65
b. Balances with Banks and Money at Call & Short Notice	7	143,79,91	36,72,76
c. Investments	8	4324,54,68	4395,11,80
d. Advances	9	11702,79,56	10188,67,97
e. Fixed Assets	10	189,82,02	189,20,83
f. Other Assets	11	577,56,79	543,11,62
TOTAL		17666,68,03	16162,86,63
Contingent Liabilities	12	2846,75,67	3762,97,86
Bills for collection		376,60,40	331,69,66
Significant Accounting Policies	17		
Notes on Accounts	18		

Schedules 1 to 12 and 17 to 18 form part of this Balance Sheet.

As per our Report of Date annexed

For **M/s. SAGAR & ASSOCIATES**
Chartered Accountants
FRN. 003510S

(D. MANOHAR)
Partner
M. No. 029644

Karur
27th May 2013

RAGHURAJ GUJJAR
Non Executive Chairman

K.S.R. ANJANEYULU
Managing Director & CEO

M. PALANIAPPAN
Chief Financial Officer

N. SAIPRASAD
KUSUMA R MUNIRAJU
D.L.N. RAO
B.K. MANJUNATH
K.R. PRADEEP
S.G. PRABHAKHARAN
S. DATTATHREYAN
R. SHARAN
A. SATISHKUMAR
R. RAVIKUMAR
ASHOK NARAIN
Directors

**LAKSHMI VILAS BANK****PROFIT AND LOSS ACCOUNT** for the year ended 31st March 2013

(₹ 000's)

	Schedule	Year ended 31-03-2013	Year ended 31-03-2012
I. INCOME			
a. Interest Earned	13	1760,54,81	1519,25,63
b. Other Income	14	197,06,63	157,92,55
TOTAL		1957,61,44	1677,18,18
II. EXPENDITURE			
a. Interest Expended	15	1368,54,98	1148,03,26
b. Operating Expenses	16	337,91,77	293,71,08
c. Provisions & Contingencies		159,57,24	128,41,62
TOTAL		1866,03,99	1570,15,96
III. NET PROFIT FOR THE YEAR		91,57,45	107,02,22
a. Excess Dividend Provided - Reversed		0	9,42
b. Profit brought forward		8,84	24,90
TOTAL		91,66,29	107,36,54
IV. APPROPRIATIONS			
a. Transfer to Statutory Reserve		29,00,00	28,00,00
b. Transfer to Capital Reserve		3,43,93	84,95
c. Transfer to Other Reserves		16,40,00	32,25,00
d. Transfer to Special Reserve u/s 36(1)(viii) of the IT Act, 1961		8,50,00	6,50,00
e. Proposed Dividend		29,26,22	34,13,93
f. Tax on Proposed Dividend		4,97,31	5,53,82
g. Balance carried over to Balance Sheet		8,83	8,84
TOTAL		91,66,29	107,36,54
Previous year figures are regrouped wherever necessary			
Earnings Per Share - Basic (₹)		9.39	10.97

Schedules 13 to 16 and 17 to 18 form part of this Profit & Loss Account.

As per our Report of Date annexed

For **M/s. SAGAR & ASSOCIATES**
Chartered Accountants
FRN. 003510S

(D. MANOHAR)
Partner
M. No. 029644

Karur
27th May 2013

RAGHURAJ GUJJAR
Non Executive Chairman

K.S.R. ANJANEYULU
Managing Director & CEO

M. PALANIAPPAN
Chief Financial Officer

N. SAIPRASAD
KUSUMA R MUNIRAJU
D.L.N. RAO
B.K. MANJUNATH
K.R. PRADEEP
S.G. PRABHAKHARAN
S. DATTATHREYAN
R. SHARAN
A. SATISHKUMAR
R. RAVIKUMAR
ASHOK NARAIN
Directors



(₹ 000's)

	As at 31-03-2013	As at 31-03-2012
SCHEDULE 1 - CAPITAL		
AUTHORISED CAPITAL		
(15,00,00,000 equity shares of ₹ 10/- each)	150,00,00	150,00,00
ISSUED CAPITAL		
(9,83,52,564 equity shares of ₹ 10/- each)	98,35,25	98,35,25
Subscribed, Called-up and Paid Up Capital	97,54,07	97,52,58
(9,75,40,690 equity shares of Rs. 10/- each)		
i) 9,75,40,690 Paid-up Capital (Previous year 9,75,25,840 shares)		
ii) 1,26,42,131 Bonus Shares allotted (Previous year 1,26,41,186 shares)		
iii) Shares kept in abeyance 7,88,216 (Previous Year 8,03,066 shares)		
iv) Shares Forfeited and lapsed 23,658 (Previous Year 23,658 shares)		
TOTAL	97,54,07	97,52,58
SCHEDULE 2 - RESERVES & SURPLUS		
I. STATUTORY RESERVE		
Opening Balance	294,90,46	266,90,46
Additions during the year		
Transfer from current year's Profit	29,00,00	28,00,00
	323,90,46	294,90,46
II. CAPITAL RESERVE		
Opening Balance	48,72,82	47,87,87
Additions during the year	3,43,93	84,95
	52,16,75	48,72,82
III. SHARE PREMIUM		
Opening Balance	330,47,74	330,41,88
Additions during the year	0	0
	330,47,74	330,41,88
Deductions during the year	0	0
	330,47,74	330,41,88
IV. REVENUE & OTHER RESERVES		
Opening Balance	92,82,65	60,57,65
Additions during the year	16,40,00	32,25,00
	109,22,65	92,82,65
Deductions during the year	0	0
	109,22,65	92,82,65
V. Special Reserve u/s 36(1)(viii) of IT Act, 1961		
Opening Balance	14,65,00	8,15,00
Additions during the year	8,50,00	6,50,00
	23,15,00	14,65,00
VI. REVALUATION RESERVE		
Opening Balance	81,50,52	81,50,52
Additions during the year	0	0
	81,50,52	81,50,52
Deductions during the year	3,71,57	2,28,24
	77,78,95	79,22,28
VII. BALANCE IN PROFIT & LOSS ACCOUNT		
TOTAL	8,83	8,84
	916,80,38	860,83,93



(₹ 000's)

	As at 31-03-2013		As at 31-03-2012	
SCHEDULE 3 - DEPOSITS				
A. I. DEMAND DEPOSITS				
1. From Banks	83,28		1,31,18	
2. From Others	737,66,59	738,49,87	720,81,44	722,12,62
II. SAVINGS BANK DEPOSITS		1524,07,44		1382,66,62
III. TERM DEPOSITS				
1. From Banks	326,61,53		417,00,00	
2. From Others	13029,78,95	13356,40,48	11592,34,76	12009,34,76
		15618,97,79		14114,14,00
B. (I) DEPOSITS OF BRANCHES IN INDIA		15618,97,79		14114,14,00
(II) DEPOSITS OF BRANCHES OUTSIDE INDIA		NIL		NIL
TOTAL		15618,97,79		14114,14,00
SCHEDULE 4 - BORROWINGS				
I. BORROWINGS IN INDIA				
1. Reserve Bank of India	0		0	
2. Other Banks	0		0	
3. Other Institutions & Agencies*	480,00,00	480,00,00	580,00,00	580,00,00
II. BORROWINGS OUTSIDE INDIA		0		0
* Includes unsecured Tier II bonds of Rs.380.00 Crs (Previous year Rs.380.00 Crs)		480,00,00		580,00,00
SECURED BORROWINGS INCLUDED IN I & II ABOVE		0		0
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I. Bills payable		62,15,92		68,63,35
II. Inter-office adjustments (net)		0		23,22,50
III. Interest accrued		170,02,21		153,15,45
IV. (i) Others - (including Provisions)		265,22,41		205,89,23
(ii) Contingent Provisions against Standard Assets		38,84,00		36,99,00
(iii) Deferred Tax Liabilities		17,11,25		22,46,59
TOTAL		553,35,79		510,36,12
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA				
Cash in Hand (including foreign Currency Notes)		184,60,10		179,64,82
Balances with Reserve Bank of India				
I) in current account		543,54,97		630,36,83
II) in other accounts		0		0
TOTAL		728,15,07		810,01,65



(₹ 000's)

	As at 31-03-2013	As at 31-03-2012
SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE		
I. IN INDIA		
(i) Balance with Banks		
a. in current accounts	26,57,15	20,15,31
b. in other deposit accounts	100,25,24	24,10
	<u>126,82,39</u>	<u>20,39,41</u>
(ii) Money at call and short notice		
a. with banks	0	0
b. with other institutions	0	0
	<u>126,82,39</u>	<u>20,39,41</u>
II. OUTSIDE INDIA		
(i) Balance with Banks		
a. in current accounts	16,97,52	16,33,35
b. in other accounts	0	0
	<u>16,97,52</u>	<u>16,33,35</u>
TOTAL	<u>143,79,91</u>	<u>36,72,76</u>
SCHEDULE 8 - INVESTMENTS		
I. INVESTMENTS IN INDIA		
I. Government Securities (incl. treasury bills & zero coupon bonds)	3801,32,98	3553,54,62
II. Other approved securities	0	4,91,92
III. Shares	27,14,87	21,93,78
IV. Debentures & Bonds	133,13,44	163,07,98
V. Subsidiaries and Joint Ventures	0	0
VI Others (including Commercial Paper, Mutual Funds, NSC, Security Receipt, Units, etc.)	362,93,39	651,63,50
	<u>4324,54,68</u>	<u>4395,11,80</u>
GROSS INVESTMENTS IN INDIA	4347,93,23	4410,50,79
LESS: DEPRECIATION	23,38,55	15,38,99
NET INVESTMENTS IN INDIA	<u>4324,54,68</u>	<u>4395,11,80</u>
II. INVESTMENTS OUTSIDE INDIA	NIL	NIL
TOTAL	<u>4324,54,68</u>	<u>4395,11,80</u>



(₹ 000's)

	As at 31-03-2013	As at 31-03-2012
SCHEDULE 9 - ADVANCES		
A. I. Bills purchased & discounted	470,11,36	329,76,35
II. Cash credits, overdrafts & loans repayable on demand	7753,31,80	5865,92,40
III. Term loans	3479,36,40	3992,99,22
	11702,79,56	10188,67,97
B. PARTICULARS OF ADVANCES		
I. Secured by tangible assets (incl. advances against Book Debts)	10712,76,50	8838,25,08
II. Covered by Bank / Govt. Guarantees	44,11,33	63,03,19
III. Unsecured	945,91,73	1287,39,70
	11702,79,56	10188,67,97
C. SECTORAL CLASSIFICATION OF ADVANCES		
I. Priority Sector	4450,96,25	3497,69,11
II. Public Sector	153734	0
III. Banks	11,79	14,09,71
IV. Others	7236,34,18	6676,89,15
TOTAL	11702,79,56	10188,67,97
SCHEDULE 10 - FIXED ASSETS		
I. PREMISES		
At Revaluation Value	138,67,31	136,68,54
Additions during the year	0	1,98,77
	138,67,31	138,67,31
Deductions during the year	0	0
	138,67,31	138,67,31
Depreciation to date	15,90,25	13,46,61
	122,77,06	125,20,70
II. OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)		
At Cost	193,35,75	161,45,95
Additions during the year	27,75,14	33,69,62
	221,10,89	195,15,57
Deductions during the year	1,35,05	1,79,82
	219,75,84	193,35,75
Depreciation to date	152,70,88	129,35,62
TOTAL	189,82,02	189,20,83



(₹ 000's)

	As at 31-03-2013	As at 31-03-2012
SCHEDULE 11 - OTHER ASSETS		
I. Inter-Office Adjustments (net)	10,26,20	0
II. Interest Accrued	88,90,31	84,28,47
III. Tax Paid in Advance and Tax Deducted at Source (Net)	147,42,80	252,56,62
IV. Deferred Tax Asset	43,92,41	37,05,23
V. Stationery & Stamps	1,91,12	1,72,56
VI. Non Banking Assets acquired in satisfaction of claims	4,58,25	4,68,25
VII. Others	280,55,70	162,80,49
TOTAL	<u>577,56,79</u>	<u>543,11,62</u>
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	153,74,90	212,09,00
II. Liability for partly paid Investments	0	0
III. Liability on account of outstanding forward exchange contracts	1185,74,33	2136,15,09
IV. Guarantees given on behalf of constituents		
in India	495,63,95	488,66,76
outside India	81,88,96	78,93,72
V. Acceptances, Endorsements & Other Obligations	929,73,53	847,13,29
VI. Other items for which the Bank is contingently liable	0	0
TOTAL	<u>2846,75,67</u>	<u>3762,97,86</u>
	Year ended 31-03-2013	Year ended 31-03-2012
SCHEDULE 13 - INTEREST EARNED		
I. Interest / discount on advances / bills	1393,45,44	1186,55,48
II. Income on Investments	340,78,20	324,17,19
III. Interest on balance with Reserve Bank of India & other inter-bank Funds	78,48	3,83,19
IV. Others	25,52,69	4,69,77
TOTAL	<u>1760,54,81</u>	<u>1519,25,63</u>



(₹ 000's)

	Year ended 31-03-2013	Year ended 31-03-2012
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	79,75,02	66,90,92
II. Profit on sale of Investments	31,10,10	19,51,47
Less: Loss on sale of Investments	5,91,51	15,11,08
III. Profit on sale of land, Buildings & Other Assets	12,65	11,85
Less: Loss on sale of land, Buildings & Other Assets	10,42	17,24
IV. Profit on Exchange Transactions	10,65,55	12,27,54
Less: Loss on Exchange Transactions	0	0
V. Income earned by way of Dividends from Companies in India.	38,13	11,42
VI. Miscellaneous Income	81,07,11	74,27,67
TOTAL	197,06,63	157,92,55
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	1299,13,31	1060,58,70
II. Interest on Reserve Bank of India / Inter-Bank Borrowings	69,41,67	87,44,56
TOTAL	1368,54,98	1148,03,26
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provision for Employees	157,61,95	141,24,83
II. Rent, Taxes & Lighting	38,30,35	31,83,92
III. Printing & Stationery	3,29,09	2,89,26
IV. Advertisement & Publicity	4,30,57	5,62,05
V. Depreciation on Bank's Property	25,44,48	23,56,61
VI. Director's fees, allowances	59,40	58,05
VII. Auditors' fees & Expenses (incl. Branch Auditors)	80,71	77,30
VIII. Law Charges	1,01,20	1,43,38
IX. Postage, Telegrams, Telephones, etc.,	7,44,67	5,79,33
X. Repairs & Maintenance	2,19,04	1,79,20
XI. Insurance	14,76,37	11,72,62
XII. Other Expenditure	82,13,94	66,44,53
TOTAL	337,91,77	293,71,08

**SCHEDULE 17****SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF ACCOUNTING:**

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. TRANSACTIONS INVOLVING FOREIGN EXCHANGE:

- (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) Forward Exchange Contracts:
In accordance with the guidelines of FEDAI and the provisions of AS-11, outstanding forward exchange contracts in each currency are revalued at the Balance Sheet date at the corresponding forward rates for the residual maturity of the contract. The difference between revalued amount and the contracted amount is recognized as profit or loss, as the case may be.
- (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.

- (i) Brokerage / commission etc, paid in connection with the acquisition of investments is charged to revenue and not included in cost.
- (ii) Broken period interest paid / received on debt instruments is treated as interest expended / income.

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, ECGC claims settled, part recovery towards NPA accounts receipts held under sundries, and provision made for sacrifice of interest / diminution in the value of restructured advances measured in present value terms as per RBI guidelines.**5. FIXED ASSETS AND DEPRECIATION:**

- (a) Fixed assets (Premises portfolio) have been accounted for at their revalued cost. Fixed assets other than premises portfolio 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% as per the guidelines issued by the Reserve Bank of India.
- (d) In view of fast changing technology and obsolescence, iPad communication device is depreciated in full.
- (e) 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.
- (f) For premises, in which land cost and construction cost could not be ascertained separately, depreciation is provided for on the total cost.

**6. EMPLOYEE BENEFITS:**

- (a) Annual contributions to the approved Employees' Gratuity Fund, Approved Pension Fund and Provision for Leave Encashment benefits have been made on actuarial basis. Contribution to Provident Fund is accounted for on actual basis.
- (b) Consequent to reopening of pension option to Employees and enhancement in Gratuity limits, the additional liability have been amortised over a period of 5 years and 1/5th of the additional liability have been charged to the current year Profit & loss account vide RBI circular DBOD. No. BPBC.15896/21.04.018/2010-11 dated 08.04.2011.
- (c) The Employee Stock Option Scheme provides for grant of equity stock options to top executives of the bank that vest in a graded manner. The Bank follows the intrinsic value method to account for its employee compensation costs arising from grant of such options. The excess of fair market price over the exercise price shall be accounted as employee compensation cost over the respective period of vesting. The fair market price is the latest closing price of the shares on the stock exchanges in which shares of the bank are largely traded immediately prior to the date of meeting of the compensation committee in which the options are granted.

7. PROVISION FOR TAXATION:

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. REVENUE RECOGNITION:

- (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 from Income Tax Department based on assessment orders received.

9. NET PROFIT:

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

- a) Taxation.
- b) Advances and other assets.
- c) Shortfall in the value of investments.
- d) Staff Retirement benefits.
- e) 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 considered on appropriate basis.

**12. EARNING PER SHARE:**

Basic and Diluted earnings per equity share are reported in accordance with the Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India. Basic earnings per equity share are computed by dividing net profit by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period.

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

As per the Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by The Institute of Chartered Accountants of India, the Bank recognises provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realised.

SCHEDULE 18**NOTES ON ACCOUNTS**

1. The reconciliation of inter branch transactions and tallying of balances is ensured on an ongoing basis. Reconciliation of accounts with other Banks, in few branches, is in progress. The impact of the above, if any, on the financial results for the year ended 31st March 2013, in the opinion of the management, is not material.
2. (a) Provision for income tax for the year is arrived at after due consideration of the various favourable judicial decisions on disputed issues.
 (b) The disputed Income Tax demand outstanding as on 31.03.2013 amounts to ₹ 138.10 Crores (previous year ₹ 202.26 Crores) and is included under Item I of Schedule 12 (Contingent Liabilities). No provision is considered necessary in respect of the disputed liabilities in view of favourable decisions by various appellate authorities on similar issues.
 (c) In the current year, ₹ 25.53 Crores being the interest on Income Tax refund is accounted based on assessment orders received.

3. DISCLOSURE REQUIREMENTS**3.1 Capital**

(₹ in crores)

Items	2012-13	2011-12
i) CRAR (%)		
(Basel I)	10.43	12.08
(Basel II)	12.32	13.10
ii) CRAR - Tier I Capital (%)		
(Basel I)	7.75	8.17
(Basel II)	9.15	8.86
iii) CRAR - Tier II Capital (%)		
(Basel I)	2.68	3.91
(Basel II)	3.17	4.24
iv) Percentage of the shareholding of the Government of India in Nationalised Banks	NA	NA
v) Amount raised by issue of IPDI	NA	NA
vi) Amount raised by issue of Tier-II Instruments during the year	NIL	250.00



(₹ in crores)

Raised during the year	Nature	Amount	Reckoned for the purpose of CRAR computation (as per RBI guidelines)
2006-07	Lower Tier II	30.00	18.00
2009-10	Lower Tier II	100.00	40.00
2011-12	Lower Tier II	250.00	170.90

3.2.1 In respect of securities held under HTM category premium of ₹ 3.81 Crores (previous year ₹ 4.50 Crores) has been amortized during the year and debited under interest received on Government Securities.

3.2.2 Investments

(₹ In crores)

Particulars	2012-13	2011-12
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	4347.93	4410.51
(b) Outside India	NIL	NIL
(ii) Provisions for Depreciation		
(a) In India	23.39	15.39
(b) Outside India	NIL	NIL
(iii) Net Value of Investments		
(a) In India	4324.54	4395.12
(b) Outside India.	NIL	NIL
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	15.39	25.20
(ii) Add: Provisions made during the year	9.24	9.00
(iii) Less: Write-off / write-back of excess provisions during the year	1.24	18.81
(iv) Closing balance	23.39	15.39

3.2.3 Repo Transactions (In face value terms)

(₹ In crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding As on March 31, 2013
Securities sold under repo				
I. Government Securities	10.00 (25.00)	225.00 (300.00)	41.78 (51.71)	150.00 Nil
II. Corporate debt Securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo				
I. Government Securities	10.00 (5.00)	150.00 (175.00)	0.96 (4.10)	Nil Nil
II. Corporate debt Securities	Nil	Nil	Nil	Nil

(Figures in bracket indicates in previous year)



3.2.4. Non-SLR Investment Portfolio

i) Issuer composition of Non SLR investments :

(₹ In crores)

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)
1	PSUs	11.40	11.33	-	-	-
2	FIs	16.00	16.00	-	-	-
3	Banks	238.25	31.99	-	-	-
4	Private Corporate	126.74	87.90	13.80	13.80	13.80
5	Subsidiaries/ Joint Ventures	0.00	0.00	-	-	-
6	Others**	154.21	90.00	-	-	-
7	Less: Provision held towards depreciation	(23.39)	-	-	-	-
	Total	523.21	237.23	13.80	13.80	13.80

** Others include RIDF investments of ₹ 62.10 Crores, Mutual Fund of ₹ 2.11 crores and ARCs security receipts of ₹ 90.00 Crores.

ii) Non-performing Non-SLR investments :

(₹ In crores)

Particulars	2012-13
(i) Net NPIs to Net Investment (%)	-
(ii) Movement of NPIs (Gross)	
Opening balance	7.82
Additions during the year since 1st April 2012	-
Reductions during the above period	-
Closing balance	7.82
(iii) Movement of Net NPIs	-
Opening balance	-
Additions during the year since 1st April 2012	-
Reductions during the above period	-
Closing balance	-
(iv) Movement of provision for NPIs	
Opening balance	6.18
Additions during the year since 1st April 2012	-
Reductions during the above period	-
Closing balance	6.18*

* An amount of ₹ 1.64 crores received towards part settlement is parked under sundries account.



3.2.5 Sale and transfers to / from HTM category

During the year, the value of sales and transfers of securities to / from HTM category has not exceeded 5 percent of the book value of investments held in HTM category at the beginning of the year.

3.3 Derivatives :

3.3.1 Forward Rate Agreement/ Interest Rate Swap

(₹ in crores)

Particulars	2012-13	2011-12
i) The notional principle of swap agreements	NIL	NIL
ii) Losses which would be incurred if counter parties failed to fulfill 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

3.3.2 Exchange Traded Interest Rate Derivatives :

(₹ in crores)

S.No.	Particulars	2012-13
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	NA
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2013 (instrument-wise)	NA
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NA

3.3.3 Disclosures on risk exposure in derivatives

Qualitative Disclosure

The Bank does not have exposure in derivatives. Therefore the qualitative disclosure on risk exposure in derivatives is "Not Applicable".

Quantitative Disclosures

(₹ in crores)

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



3.3.4 Shifting of securities:

For the year ended 31.03.2013, Bank has shifted securities amounting to ₹ 190.58 Crores (face value) (previous year NIL) from HTM to AFS category and no loss arose on such transfer. Further, Bank has shifted securities amounting to ₹ 169.64 Crores (Face Value) (Previous year ₹ 440.00 Crores) from AFS to HTM category and loss which arose on such transfer amounted to ₹ 1.24 Crores has been provided during the year (previous year ₹ 18.81 Crores).

3.3.5 SLR Securities

(₹ in crores)

Particulars	As at 31.03.2013		As at 31.03.2012	
	Book Value	Market Value	Book Value	Market Value
Government Securities SLR (CG,SG, TB)	3801.33*	3771.18*	3557.58	3393.51
Approved securities - SLR	0.00	0.00	5.00	4.92

* Net of securities pledged under REPO (₹157.50 Crores).

3.4 Asset Quality

3.4.1 Non-Performing Asset

(₹ in crores)

Particulars	2012-13	2011-12
(i) Net NPAs to Net Advances (%)	2.43%	1.74%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	307.73	157.79
(b) Additions during the year	400.15	282.97
(c) Reductions during the year	247.97	133.03
(d) Closing balance	459.91	307.73
(iii) Movement of Net NPAs		
(a) Opening balance	177.09	72.88
(b) Additions during the year	277.53	229.12
(c) Reductions during the year	170.81	124.91
(d) Closing balance	283.81	177.09
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	67.71	34.28
(b) Provisions made during the year	76.14	70.37
(c) Write-off / write-back of excess provisions	43.55	36.94
(d) Closing balance	100.30	67.71

The provision coverage ratio of the Bank as on 31.03.2013 is 54.48%.



3.4.2. Particulars of Accounts restructured Disclosure of Restructured Accounts

(₹ in Crore)

Sl. No.	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
1.	No. of borrowers	4	0	0	0	4	1	0	0	0	1	41	9	31	0	81	
	Amount outstanding	14.58	0.00	0.00	0.00	14.58	4.80	0.00	0.00	0.00	4.80	256.40	49.33	5.90	0.00	311.63	
	Provision thereon (including Standard asset / NPA provision)	2.33	0.00	0.00	0.00	2.33	0.30	0.00	0.00	0.00	0.30	4.10	1.93	0.16	0.00	6.19	
2.	No. of borrowers	2	1	0	0	3	0	0	0	0	0	15	0	1	0	16	
	Amount outstanding	86.61	94.90	0.00	0.00	181.51	0.00	0.00	0.00	0.00	0.00	288.61	0.00	0.09	0.00	288.70	
	Provision thereon (including Standard asset / NPA provision)	11.12	9.21	0.00	0.00	20.33	0.00	0.00	0.00	0.00	0.00	11.47	0.00	0.02	0.00	11.49	
3.	No. of borrowers	0	0	0	0	0	0	0	0	0	0	3	0	0	0	3	
	Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.02	
	Provision thereon (including Standard asset / NPA provision)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4.	No. of borrowers	0	0	0	0	0	0	0	0	0	0	9	1	3	0	13	
	Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.38	0.01	2.68	0.00	7.07	
	Provision thereon (including Standard asset / NPA provision)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.05	



(₹ in Crore)

Disclosure of Restructured Accounts (Contd.)

Sl. No.	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
4.	weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY																
5.	No. of borrowers	0	1	0	0	1	0	0	0	0	0	0	0	0	2	8	
	Amount outstanding	0.00	3.01	0.00	0.00	3.01	0.00	0.00	0.00	0.00	0.00	0.00	29.57	41.44	3.88	74.89	
	Provision thereon (including Standard asset / NPA provision)	0.00	0.55	0.00	0.00	0.55	0.00	0.00	0.00	0.00	0.00	0.00	3.28	15.74	0.00	19.02	
6.	Write-offs of restructured accounts during the FY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
7.	Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	No. of borrowers	6	2	0	0	8	1	0	0	0	1	48	1	32	2	92	
	Amount outstanding	99.26	97.91	0.00	0.00	197.17	3.76	0.00	0.00	0.00	3.76	449.18	26.56	42.85	3.88	522.47	
	Provision thereon (including Standard asset / NPA provision)	11.92	10.20	0.00	0.00	22.12	0.11	0.00	0.00	0.00	0.11	12.37	2.73	16.33	0.00	53.66	

* Excluding the figures at standard restructured advances which do not attract higher provisions or risk weight (if applicable).

**3.4.3 Details of financial assets sold to Securitization / Reconstruction Company for Asset Reconstruction**

(₹ in crores)

Particulars	2012-13	2011-12
(i) No. of accounts*	14	1
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	16.32	7.74
(iii) Aggregate consideration	19.52	8.45
(iv) Additional consideration realized in respect of accounts transferred in earlier years	0.00	0.00
(v) Aggregate profit/(loss) over net book value.	3.20	0.71

* NPA accounts only

3.4.4. Details of non-performing financial assets purchased / sold**A. Details of non-performing financial assets purchased:**

(₹ in crores)

Particulars	2012-13	2011-12
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

B. Details of non-performing financial assets sold:

(₹ in crores)

Particulars	2012-13	2011-12
1. No. of accounts sold	14	1
2. Aggregate outstanding	22.73	9.10
3. Aggregate consideration received	19.52	8.45

3.4.5 Provisions on Standard Assets

(₹ in crores)

Particulars	2012-13	2011-12
Provisions towards Standard Assets	38.84	36.99

3.5. Business Ratios

Particulars	2012-13	2011-12
(i) Interest Income as a percentage to Working Funds	10.41	10.28
(ii) Non-interest income as a percentage to Working Funds	1.16	1.07
(iii) Operating Profit as a percentage to Working Funds	1.48	1.59
(iv) Return on Assets	0.54	0.73
(v) Business (Deposits plus advances) per employee (₹ in Crs)	8.63	7.87
(vi) Profit per employee (₹ in lakhs)	2.91	3.50

**3.7.2 Exposure to Capital Market**

(₹ in crores)

Particulars	2012-13	2011-12
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	32.84	22.72
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investments in shares (including IPOs/ESOPS), convertible bonds, convertible debentures and units of equity oriented mutual funds;	3.29	3.50
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.59	1.03
(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	5.28
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	81.47	44.89
(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) Underwriting 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)	NIL	NIL
Total Exposure to Capital Market	118.19	77.42

The exposure to capital market of ₹ 118.19 Crores is within the limit of ₹ 344.96 crore (i.e. 40% of Bank's Net Worth ₹ 862.40 Crores as on 31.03.2012). The direct exposure to capital market is ₹ 32.84 Crores and is within 20% of bank's Net Worth amounting to ₹ 172.48 crore (i.e. 20% of Banks Net worth ₹ 862.40 Crores as on 31.03.2012).

3.7.3 Risk Category wise Country Exposure (As compiled by Management)

(₹ in crores)

Risk Category	Exposure (net) as at 31.3.2013	Provision held as at 31.3.2013	Exposure (net) as at 31.3.2012	Provision held as at 31.3.2012
Insignificant	43.89	NIL	52.78	NIL
Low	69.04	NIL	36.83	NIL
Moderate	7.52	NIL	1.23	NIL
High	8.31	NIL	0.05	NIL
Very High	-	NIL	-	NIL
Restricted	-	NIL	-	NIL
Off-credit	-	NIL	-	NIL
Total	128.76	NIL	90.89	NIL

As the bank's exposure for the year in respect of risk category wise country exposure (Foreign exchange transactions) is less than 1% of total assets of the bank, no provision is considered necessary.



3.7.4 Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the bank. (As compiled by management)

- A. SBL exceeded by the Bank for the period 01.04.2012 to 31.03.2013 NIL
 B. GBL exceeded by the Bank for the period from 01.04.2012 to 31.03.2013 NIL

3.7.5. Unsecured Advances (Amount of advances for which, intangible securities has been taken) (₹ In crores)

Particulars	As on 31-3-2013	As on 31-3-2012
The total amount of Advances for which intangible Securities such as charge over the rights, licenses, Authority, etc. has been taken.	54.69	112.48
Estimated value of such intangible collaterals	141.08	150.69

3.7.6 Letter of Comforts issued by the bank (As compiled by management)

Particulars	(₹ In crores)
Letter of comfort issued in earlier years and outstanding as on 01.04.2012	82.33
Add : Letter of comfort issued during the FY 2012-13	456.58
Less : Letter of comfort expired during the FY 2012-13	420.59
Letter of comforts outstanding as on 31.03.2013	118.32

3.8 Miscellaneous

3.8.1 Amount of Provisions made for Income-tax during the year: (₹ In crores)

Particulars	2012-13	2011-12
Provision for Income Tax	58.43	30.53
Provision for Deferred Tax (net)	(12.23)	(11.53)

3.8.2 Disclosure of Penalties imposed by RBI

In 2012-13, RBI has imposed a penalty of ₹ 7000.00 on account of two counterfeit notes detected in the chest balance and non-utilization of note sorting machine during inspection of currency chest.

3.9. Disclosure in terms of Accounting Standards:

Accounting Standard 15 – Employee Benefits

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

- a) 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

Particulars	Gratuity	Pension	Privilege Leave
Discount Rate	8.25%	8.25%	8.25%
Expected return on assets	9.16%	9.00%	0.00%
Salary Escalation Rate	3.01%	3.01%	3.01%
Attrition Rate	4.00%	4.00%	4.00%

**II. Change in Defined Benefit Obligation**

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
DBO at beginning of the period	5571	17826	2597
Service Cost	264	812	23
Interest Cost	441	1370	208
Curtailment Cost / (Credit)	-	-	-
Settlement Cost / (Credit)	-	-	-
Plan Amendments	-	-	-
Acquisitions	-	-	-
Actuarial Losses / (Gains)	225	1486	96
Benefit Payments	(591)	(2869)	(212)
DBO at end of the period	5910	18626	2712

III. Change in Fair Value of Plan Asset

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Fair Value of Plan Assets at beginning of the period	5031	16930	-
Acquisition adjustment	-	-	-
Expected return on plan assets	447	1466	-
Actual Company contributions	460	1578	212
Actuarial Gain / (Loss)	182	186	-
Benefits payments	(591)	(2869)	(212)
Fair Value of Plan assets at the end of period	5528	17291	-

IV. Actual Return on Plan Assets

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Expected return on plan assets	447	1466	-
Actuarial gain/(loss) on plan assets	182	186	-
Actual return on plan assets	629	1652	-

V. Actuarial Gain / Loss recognized

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Actuarial gain/(loss) for the Period - Obligation	(225)	(1486)	(96)
Actuarial gain/(loss) for the Period - Plan Assets	182	186	-
Total (gain)/loss for the period	(44)	(1300)	(96)
Actuarial (gain)/loss recognized in the period	(44)	(1300)	(96)
Unrecognized actuarial (gain)/loss at the end of the year	-	-	-



VI. Net asset / liability recognized in Balance Sheet

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Present value of Defined Benefit Obligation	5910	18626	2712
Fair Value of Plan Assets	5528	17291	-
Funded status (Surplus/(Deficit))	(382)	(1335)	(2712)
Unrecognized Transition Liability	-	-	-
Unrecognized Past Service Costs	614	3111	-
Net Asset / (Liability) recognized in the Balance Sheet	232	1776	(2712)

VII. Disclosure of Employer Expenses

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Current Service cost (including risk premiums for fully insured benefits)	264	812	23
Interest Cost	441	1370	208
Expected Return on Plan Assets	(447)	(1466)	-
Curtailment Cost / (Credit)	-	-	-
Settlement Cost / (Credit)	-	-	-
Past Service Cost	306	1556	-
Transition Liability	-	-	-
Actuarial Losses / (Gains)	44	1300	96
Total employer expense recognized in P&L	608	3573	327

VIII. Reconciliation of Net Asset / Liability Recognized in the balance Sheet

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Net Asset / (Liability) at beginning of period	380	3771	(2597)
Employer Expense	608	3573	327
Employer Contributions	460	1578	212
Acquisitions / Business Combinations	-	-	-
Net Asset / (Liability) at end of period	232	1776	(2712)

IX. Experience History

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Defined Benefit Obligation at end of the period	5910	18626	2712
Plan Assets at end of the period	5528	17291	-
Funded Status	(382)	(1335)	(2712)
Experience adjustments on plan liabilities	223	1472	96
Experience adjustments on plan assets	182	186	-

**X. Major categories of Plan Assets**

Particulars	Gratuity	Pension
Government of India Securities	13.76%	10.85%
State Government Securities	42.13%	37.35%
High Quality Corporate Bonds	35.65%	37.49%
Equity Share of listed Companies	0.00%	0.00%
Property	0.00%	0.00%
Special Deposit Scheme	1.94%	0.00%
Balance with Bank Account	3.46%	1.25%
Balance held at LIC of India's Running Account	0.00%	1.95%
Funds managed by insurer	0.00%	8.83%
Amount receivable from Bank	0.00%	0.00%
Others (Interest Receivables)	3.06%	2.28%
Total	100.00%	100.00%

XI. Enterprises Best Estimate

(₹ in lacs)

Particulars	Gratuity	Pension	Privilege Leave
Enterprise's Best Estimate of Contribution during next year	600	2000	400

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

Sick leave: The bank had a provision of ₹ 15.92 Crores for sick leave upto 31.03.2012. The sick leave being non-encashable, the bank has written back the same to the provision account during the year, as it is no longer required.

3.10 Prudential regulatory treatment prescribed by RBI in respect of pension and Gratuity liability.

Reserve Bank of India issued guidelines vide their Circular No.DBOD.BPBC.80/21.04.018/2010-11 dated 09.02.2011 and letter DBOD.No.BPBC.15896/21.04.018/2010-11 dated 08.04.2011. Accordingly, the liability on account of employee benefits of ₹ 93.11 Crores (towards Pension ₹ 77.79 Crore and towards gratuity ₹ 15.32 Crore) is amortised over a period of 5 years from FY 2010-11. Accordingly, Bank has charged to Profit & Loss Account a sum of ₹ 18.62 Crores, (representing 1/5th of the total amount) during the FY 2012-13. Unamortised amount of ₹ 31.12 Crores in respect of pension liability and ₹ 6.13 Crores in respect of gratuity liability is carried forward to be charged to P&L account in future periods.

3.11 Employee Stock Option Scheme

The Compensation Committee of the Board of Directors has granted in aggregate 1685238 stock options, grant date being 21.07.2011 to top Executives of the Bank under the Lakshmi Vilas Bank Employees Stock Option Scheme 2010 -LVB ESOS 2010 at an exercise price of ₹ 61.25 per share. As on 31st March, 2013, the options in force are 410000. These options would vest over a period of 2 to 3 years and the Bank has provided ₹ 2.12 Crores being the proportionate compensation expenses for the period upto 31st March 2013.



4. Accounting Standard 17 – Segment Reporting

PART A : BUSINESS SEGMENTS

(₹ in crores)

Particulars	Quarter ended 31-3-2013 (Audited)	Quarter ended 31-12-2012 (Reviewed)	Quarter ended 31-3-2012 (Audited)	Year ended 31-3-2013 (Audited)	Year ended 31-3-2012 (Audited)
1. SEGMENT REVENUE :					
a. Treasury operations	94.14	92.77	87.71	366.35	328.69
b. Corporate/wholesale banking operations	186.20	179.62	177.74	690.08	703.81
c. Retail banking operations	224.63	215.04	195.39	873.04	637.11
d. Other banking operations	15.84	11.11	5.41	28.14	7.57
TOTAL	520.81	498.54	466.25	1957.61	1677.18
2. SEGMENT RESULTS (Profit/loss before Tax)					
a. Treasury operations	3.71	5.63	7.70	20.39	31.27
b. Corporate/wholesale Banking operations	4.66	16.51	9.26	38.82	45.94
c. Retail banking operations	10.47	18.18	8.71	53.42	44.66
d. Other banking operations	14.46	9.99	4.29	25.14	4.15
TOTAL	33.30	50.31	29.96	137.77	126.02
PROFIT BEFORE TAX	33.30	50.31	29.96	137.77	126.02
Less : Tax expenses	16.20	19.00	5.00	46.20	19.00
NET PROFIT	17.10	31.31	24.96	91.57	107.02
3. SEGMENT ASSETS :					
a. Treasury operations	4414.14	4554.64	4480.35	4414.14	4480.35
b. Corporate/wholesale banking operations	5512.07	4934.74	5223.10	5512.07	5223.10
c. Retail banking operations	6709.21	6450.19	5625.02	6709.21	5625.02
d. Other banking operations	1031.26	1121.06	834.40	1031.26	834.40
TOTAL	17666.68	17060.63	16162.87	17666.68	16162.87
4. SEGMENT LIABILITIES:					
a. Treasury operations	20.35	25.12	21.92	20.35	21.92
b. Corporate/wholesale banking operations	3570.94	2847.48	3695.52	3570.94	3695.52
c. Retail banking operations	12630.17	12649.90	11128.10	12630.17	11128.10
d. Other banking operations	430.88	505.22	358.96	430.88	358.96
TOTAL	16652.34	16027.72	15204.50	16652.34	15204.50
CAPITAL AND RESERVES	1014.34	1032.91	958.37	1014.34	958.37
TOTAL	17666.68	17060.63	16162.87	17666.68	16162.87

PART B – GEOGRAPHICAL SEGMENTS : Since the Bank is having domestic operations only, no reporting is made under international segment.



5. Accounting Standard 18 – Related Party Disclosures

Payment to and Provision for Employees” includes remuneration paid to Managing Director and CEO of the Bank as detailed below:

Particulars	Managing Director & CEO P.R. Somasundaram (from 01.04.12 to 21.11.2012)	Managing Director & CEO K.S.R Anjaneyulu (10.01.2013 to 31.03.2013)
Consolidated Pay	25,66,666.41	12,46,451.61
Employers’ contribution to Provident Fund	3,08,000.00	81,290.00
Drivers Salary, petrol & Office expenses	2,34,200.55	66,335.00
Others	*31,26,304.41	50,000.00
Total	62,35,171.37	14,44,076.61

* including transit house rent - Mumbai.

6. Accounting Standard 20 – Earnings per Share (EPS):

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

(₹ in lacs)

Particulars	2012-13	2011-12
Net profit after Tax	9157.45	10702.22
Weighted Average No. of Equity shares	97540690	97525840
Weighted Average No. of Diluted Equity shares	97525768	97427611
Earnings per share – Basic (₹)	9.39	10.97
Earnings per share – Diluted (₹)	9.39	10.98

7. 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 DTA / DTL are furnished as under:

(₹ in crores)

Components	Deferred Tax Assets		Deferred Tax Liabilities	
	2012-13	2011-12	2012-13	2011-12
Leave Encashment	7.03	5.97	0.00	0.00
Employee Benefits	0.00	0.00	0.30	6.34
Others	36.89	31.08	16.81	16.13
TOTAL	43.92	37.05	17.11	22.47
Net DTA	26.81	14.58		

Deferred tax assets are recognised for future tax consequences of temporary differences arising between the carrying values of assets and liabilities and their respective tax bases and operating carry forward losses. Deferred tax assets are recognized only after giving due consideration to prudence. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. The impact on deferred tax assets and liabilities on account of a change in the tax rates is also recognized in the income statement.

**8. Intangible Assets AS 26:**

The Bank has followed AS 26 – Intangible asset issued by ICAI and the guidelines issued by the RBI in this regard.

9. 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 2013 requiring recognition in terms of the said standard.

10. Additional Disclosures

10.1 Provisions and Contingencies: Break up of 'Provisions & Contingencies' shown under the head in Profit & Loss Account

(₹ in crores)

Particulars	2012-13	2011-12
Provision towards Standard Asset	1.85	6.26
Provision towards NPA	64.52	45.43
Provision made towards Income tax (net of deferred tax)	46.20	19.00
Provisions for depreciation in market value of Investments	9.24	9.00
Transitional Termination Benefits under revised AS15	0.00	3.96
Provision for Sick Leave	-15.92	1.42
Provision for leave encashment	3.27	4.17
Provision for Gratuity (Amortised)	3.06	3.06
Provision for Pension (Amortised)	15.56	15.56
Provision for Pension (Retirees)	0.00	12.03
Provision for other Assets	0.00	-0.11
Counter cyclical buffer provision for NPA	0.00	6.12
Provision for contingency	5.30	0.00
Provision for Restructured Advances (Economic sacrifice)	26.49	2.51
TOTAL	159.57	128.42

**10.2 Details of movement in provisions in accordance with Accounting Standard 29:**

(₹ in Crores)

Particulars	Opening as on 01.04.2012	Provision made during the year	Provision reversed / adjusted	Closing as on 31.03.2013
Prov. for Standard Assets	36.99	1.85	0.00	38.84
Prov. for Bad and Doubtful debts	67.71	64.52	31.93	100.30
Prov. for Income Tax (net of deferred tax)	78.70	58.61	0.00	137.31
Prov. for depreciation in market value of Investments	15.39	9.24	1.24	23.39
Prov. for Sick Leave (including Transitional Liability)	15.92	0.70	16.62	0.00
Prov. for Leave encashment (including Transitional Liability)	25.97	3.27	2.12	27.12
Prov. for Other assets	3.50	0.00	0.00	3.50
Prov. For Other Liabilities (NLD agents gratuity)	0.49	0.00	0.00	0.49
Counter cyclical buffer	43.92	0.00	0.00	43.92
Prov. for Interest Tax	0.10	0.00	0.00	0.10
Prov. for Fringe Benefit Tax	1.90	0.00	0.00	1.90
Prov. for Dividend (incl. Div. Tax)	39.68	34.24	39.68	34.24
Prov. for Restructured Advances & FITL	13.36	28.31	1.82	39.85
Others:				
Prov. For Bonus.	0.14	0.25	0.21	0.18
Prov. For pension. (including Transitional Liability)	10.52	15.89	10.52	15.89
Prov. For Gratuity. (including Transitional Liability)	4.60	4.30	4.60	4.30
Prov. For Wage arrears	0.70	0.00	0.70	0.00
Prov. for Contingency	0.00	5.30	0.00	5.30

10.3 Movement of Floating Provisions

(₹ in crores)

Particulars	2012-13	2011-12
(a) Opening balance in the floating provisions account	0.00	37.80
(b) Provisions made in the accounting year	0.00	0.00
(c) Amount of draw down made during the accounting year	0.00	37.80
(d) Closing balance in the floating provisions account	0.00	0.00



11. Disclosure of complaints (As compiled by Management)

A. Customer Complaints:

(a)	No. of complaints pending at the Beginning of the year	4
(b)	No. of complaints received during the year	161
(c)	No. of complaints redressed during the year	161
(d)	No. of complaints pending at the end of the year	4

B. Awards passed by the Banking Ombudsman:

(a)	No. of unimplemented Awards at the beginning of the year	0
(b)	No. of Awards Passed by the Banking Ombudsmen during the year	0
(c)	No. of Awards implemented during the year	0
(d)	No. of unimplemented Awards at the end of the year	0

12. Concentration of Deposits, Advances, Exposures and NPAs

12.1 Concentration of Deposits

(₹ in crores)

Total Deposits of twenty largest depositors	1753.38
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	11.23%

12.2 Concentration of Advances

(₹ in crores)

Total Advances to twenty largest borrowers	1757.39
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	13.12%

12.3 Concentration of Exposures

(₹ in crores)

Total Exposure to twenty largest borrowers/customers	1974.03
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	14.15%

12.4 Concentration of NPAs (As compiled by Management)

(₹ in crores)

Total Exposure to top four NPA accounts	172.64
---	--------

12.5 Sector-wise NPAs (As compiled by Management)

Sl.No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	0.67
2	Industry (Micro & small, Medium and Large)	4.50
3	Services	1.00
4	Personal Loans	0.75

**12.6 Movement of NPAs (As compiled by Management)**

Particulars	(₹ in crores)
Gross NPAs as on 1 st April of particular year (opening Balance)	307.73
Additions (Fresh NPAs) during the year	400.16
Sub – total (A)	707.89
Less:-	
(i) Up gradations	68.12
(ii) Recoveries (excluding recoveries made from upgraded accounts)	176.91
(iii) Write-offs	2.95
Sub-total (B)	247.98
Gross NPAs as on 31 st March of following year (closing balance) (A-B)	459.91

12.7 Overseas Assets, NPAs and Revenue

Particulars	(₹ in crores)
Total Assets	NIL
Total NPAs	NIL
Total Revenue	NIL

12.8 Off-balance Sheet SPVs sponsored

Name of the SPV sponsored	
Domestic	Overseas
NA	NA

13. Bancassurance Business:**Fees, remuneration received from Bancassurance business:**

For the year ended 31.03.2013, the bank received income of ₹ 3.14 Crores (Gross commission) from Bancassurance business.

14. Disclosure on Remuneration:**a. Qualitative disclosures:**

(a)	Information relating to the composition and mandate of the Remuneration Committee.	Compensation committee of the Board (CCB) Members as on 31.03.2013 is 3.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	Compensation Policy on the guidelines of Reserve Bank of India approved by Board on 03.03.2012.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with level of remuneration.	
(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting	
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	ESOS options granted on 21.07.2011 - Mr. P.R.Somasundaram (Ex. MD) - 975238 (options expired on his resignation), Mr. K.S.R. Anjaneyulu (MD & CEO) - 360000 options and Mr. M. Palaniappan (CFO) - 50000 options.

**b. Quantitative disclosures:**

	Particulars	2012-13	2011-12
(g)	Number of meeting held by the remuneration committee during the financial year and remuneration paid its members.	CCB having 3 Members meetings held - 2 and remuneration paid ₹ 1.05 Lacs	CCB having 5 Members meetings held - 5 and remuneration paid ₹ 4.50 Lacs
(h)	(i) Number of employees having received a variable remuneration award during the financial year.	1	1
	(ii) Number and total amount sign-on awards made during the financial year.	NIL	NIL
	(iii) Details of guaranteed bonus, if any, paid as joining / Sign on bonus.	NIL	Mr. Rajat (ED) ₹ 7 lacs.
	(iv) Details of severance pay, in addition to accrued benefits, if any.	NIL	Mr. V. Prakash (ED) ₹ 9.20 lacs (2 months' notice pay)
(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and shares -linked instruments and other forms.	NIL	NIL
	(ii) Total amount of deferred remuneration paid out in the financial year.		
(j)	Breakdown of amount remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Variable pay ₹1.50 lacs. No deferred and non-deferred remuneration.	Variable pay ₹3.00 lacs. No deferred and non-deferred remuneration.
(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments.	NIL	NIL
	(ii) Total amount of reductions during the financial year due to ex-post explicit adjustments.	NIL	NIL
	(iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	NIL	NIL

15. Disclosures relating to securitization: NA**16. Credit Default Swaps: NIL****17. Previous year's figures have been regrouped / reclassified wherever considered necessary to confirm to the current year's classification.**

For **M/s. SAGAR & ASSOCIATES**
Chartered Accountants
FRN. 003510S

(D. MANOHAR)
Partner
M. No. 029644

Karur
27th May 2013

RAGHURAJ GUJJAR
Non Executive Chairman

K.S.R. ANJANEYULU
Managing Director & CEO

M. PALANIAPPAN
Chief Financial Officer

N. SAIPRASAD
KUSUMA R MUNIRAJU
D.L.N. RAO
B.K. MANJUNATH
K.R. PRADEEP
S.G. PRABHAKHARAN
S. DATTATHREYAN
R. SHARAN
A. SATISHKUMAR
R. RAVIKUMAR
ASHOK NARAIN
Directors

**BASEL II – PILLAR 3 DISCLOSURES****Table DF- 1****Scope of application****Qualitative Disclosures**

- a) The name of the top bank in the group to which the Framework applies.

THE LAKSHMI VILAS BANK LTD

- b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (i) that are fully consolidated; (ii) that are pro-rata consolidated; (iii) that are given a deduction treatment; and (iv) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

No group affiliation**Quantitative Disclosures**

- a) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.

Not applicable

- b) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.

Not applicable**Table DF- 2****Capital Structure****Qualitative Disclosures**

Tier 1 capital includes Equity share capital, Reserves comprising of statutory reserves, capital and other revenue reserves, share premium and Balance in profit and loss account and excludes Deferred Tax Asset (DTA).

Tier 2 Capital consists of the general provisions, Tier II bonds - subordinated Debt (Discounted value) as on 31.03.2013.

Quantitative Disclosures

- a) The amount of Tier I capital as on 31.03.2013 : (₹ in. Lacs)

Paid-up share capital	9754.07
Innovative instruments	0.00
Amounts deducted from Tier I capital (DTA), fixed assets, including goodwill and investments	3813.11
Reserves	83176.42
Total Tier I Capital	89117.38

- b) The total amount of Tier II capital (net of deductions from Tier II capital) (₹ in. Lacs)

General Provisions (including floating provisions)	4421.40
Tier II Bonds (after discounting)	22890.00
Revaluation Reserves	3500.53
Total Tier II Capital	30811.93



c) Debt capital instruments eligible for inclusion in Upper Tier II capital	
Total amount outstanding	NIL
Of which amount raised during the current year	NIL
Amount eligible to be reckoned as capital funds	NIL
d) Subordinated debt eligible for inclusion in Lower Tier II capital	₹ 22890.00 Lacs
e) Other deductions from capital, if any (DTA and fixed assets software)	NIL
f) Total eligible capital (Tier I & Tier II) :	₹ 119929.31 Lacs

Table DF- 3
Capital Adequacy

Quantitative Disclosures

a) Capital requirements for credit risk:	
• Portfolio subject to standardized approach	₹ 75482.97 Lacs
• Securitisation exposures	Nil
b) Capital requirements for market risk:	
• Standardised duration approach:	
- Interest rate risk	₹ 4789.78 Lacs
- Foreign exchange risk (including gold)	₹ 140.35 Lacs
- Equity risk	₹ 575.16 Lacs
c) Capital requirements for operational risk:	
• Basic indicator approach	₹ 6653.36 Lacs
d) Total and Tier 1 Capital ratio:	Not applicable
• For the top consolidated group; and	
• For significant bank subsidiaries (stand alone or sub-consolidated depending on how the framework is applied).	

Table DF- 4
Credit Risk – General Disclosures

Quantitative Disclosures

a) Total gross credit risk exposures, Fund based and Non-fund based separately.

Credit Risk Exposures	(₹ In Lacs)
Fund Based *	1716480.02
Non Fund Based	150726.44
Total Fund & Non Fund Based	1867206.46

* It includes loans/advances, fixed assets, other assets, cash / bank balances, balance with RBI and investments.

b) Geographic distribution of exposures, Fund based and Non-fund based separately.

• Overseas	NIL
• Domestic	
	(₹ in.Lacs)

	FUND BASED	NON FUND BASED
TOTAL ADVANCES	1716480.02	150726.44



h) Movement of NPAs (Gross)	(₹ in Lacs)
Opening balance	48702.15
Additions	7429.33
Reductions	10140.70
Closing balance	45990.78
i) Movement of provisions for NPAs	(₹ in Lacs)
Opening balance	6771.26
Provisions made during the period	7614.30
Write-off	284.00
Write-back of excess provisions	4071.40
Closing balance	10030.16
j) Amount of Non-performing investments	₹ 782.50 Lacs
k) Amount of provisions held for non-performing investments	₹ 618.50 Lacs
l) Movement of provisions for depreciation on investments	(₹ in. Lacs)
Opening balance	1538.99
Provisions made during the period	923.57
Write-off/ Write-back of excess provisions	124.00
Closing balance	2338.56

Table DF- 5

Credit Risk: Disclosures for portfolios subject to the standardized approach

Quantitative Disclosures

For exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted:

Particulars	Below 100% Risk Weight		100% Risk Weight		More than 100% Risk Weight		Grand Total	
	BV**	RWA**	BV	RWA	BV	RWA	BV	RWA
Fund Based								
Loans & Advances	671473.67	170338.83	350700.18	290053.53	167051.33	235550.90	1189225.18	695943.26
Investments	350116.54	0.00	0.00	0.00	0.00	0.00	350116.54	0.00
Other Assets*	132452.80	3390.47	44685.50	44685.50	0.00	0.00	177138.30	48075.97
Loans & Advances Deducted (Taken for Mitigation purpose)	386242.36	0.00	60646.65	0.00	0.00	0.00	446889.01	0.00
Total Fund Based	1154043.01	173729.30	395385.68	334739.03	167051.33	235550.90	1716480.02	744019.23
Non Fund Based inc. Contingent credit	39913.44	26424.33	43442.78	43442.78	16584.69	24813.35	99940.91	94680.46
Total Credit Risk Exposures	1193956.44	200153.63	438828.46	378181.82	183636.03	260364.25	1816420.93	838699.69

* Other assets includes cash, balance with RBI, balance with other banks, fixed assets and others.

** BV : Book Value; RWA : Risk Weighted Assets.



Table DF- 6

Credit Risk Mitigation: Disclosures for Standardized Approach**Quantitative Disclosures**

- a) For each separately disclosed credit risk portfolio the total exposure (after, where applicable, on- or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts.

(₹ in Lacs)

Collateral Type	Exposure	Financial Collateral Amount	Net Exposure
Deposits	120687.62	120687.62	0.00
Gold	313090.58	266126.99	46963.59
Securities	0.00	0.00	0.00
KVP / NSC	0.00	0.00	0.00
Life Insurance Policies	0.00	0.00	0.00
Debt Securities	0.00	0.00	0.00
Mutual Funds	0.00	0.00	0.00

- b) For each separately disclosed portfolio the total exposure (after where applicable, on- or off balance sheet netting) that is covered by guarantees/credit derivatives (Whenever specifically permitted by RBI) : NIL

Table DF- 7

Securitisation Exposures: Disclosures for Standardized Approach**Quantitative Disclosures** : NIL

Table DF- 8

Market risk in Trading Book**Quantitative Disclosures**

The capital requirements for:

- Interest rate risk ₹ 4789.78 Lacs
- Equity position risk; and ₹ 575.16 Lacs
- Foreign exchange risk ₹ 140.35 Lacs



Table DF- 9

Operational Risk**Qualitative Disclosures**

The Bank has put in place important policies like Operational Risk Management, Information System Security, Know your Customer (KYC) and Anti Money Laundering (AML), Business Continuity and Disaster Recovery Management. The updated manuals on all important functional areas have been circulated to the branches. Risk Based Internal Audit is introduced in all branches in our Bank.

The Operational Risk Management Policy outlines the Organisation structure and covers the process of identification, assessment / measurement and control of various operational risks. Internal control mechanism is in place to control and minimize the operational risks.

Capital charge for operational risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous 3 years i.e 2011-12, 2010-11, 2009-10 is considered for computing the capital charge. The required capital is ₹ 6653.36 Lacs.

Table DF- 10

Interest Rate Risk in the Banking Book (IRRBB)**Quantitative Disclosures**

The increase (decline) in earnings and economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method of measuring IRRBB, broken down by currency (where the turnover is more than 5% of the total turnover).

- (i) **Earnings at Risk** – For a parallel shift of 200 bps, fall of NII is at ₹ 1622.77 Lacs (1.79% of Net worth).
- (ii) **Market Value of Equity (MVE)**- A '200 bps shock' is adopted as the standardized interest rate shock for arriving the MVE under the standardized stress scenario. The market values of above portfolios are calculated with respect to the 'shifted yield curves'. The MVE under the standardized shock is calculated as the difference between 'MV of assets under stress' and 'MV of liabilities under stress'.

Accordingly Change in MVE is estimated to fall by ₹ 4212.22 Lacs (4.65% of Net worth).

**LAKSHMI VILAS BANK****CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013**

(₹ in 000's)

	31.03.2013	31.03.2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit & Loss Account	915745	1070222
ADJUSTMENTS FOR:		
Provisions & Contingencies	1595725	1284162
Depreciation	254448	235661
Loss on sale of assets	(223)	539
Income Tax / T D S paid	(490000)	(770000)
Net cash flow before changes in Working Capital	2275695	1820584
CHANGES IN WORKING CAPITAL :		
LIABILITIES : Increase/Decrease in		
Deposits	15048380	29646291
Refinances	(1000000)	(1451070)
Other Liabilities	(354908)	(2755549)
	13693472	25439672
ASSETS : Increase/Decrease in		
Investments	(705711)	8762675
Advances	15141159	20942567
Leased-out Assets	0	0
Other Assets	671628	1158677
	(15107076)	(30863919)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(277514)	(356840)
Sale of Fixed Assets	2282	4789
	(275232)	(352051)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue including share premium net of forfeited shares	149	0
Tier II Bonds	0	2400000
Dividends paid	(334950)	(334801)
	(334801)	(242450)
Cash flow for the year	252058	(1798164)
Cash & Cash equivalents at the beginning of the year	8467440	10265604
Cash & Cash equivalents at the end of the year	8719498	8467440

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, 2013. 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, 2013 and the Profit & Loss Account for the year ended March 31, 2013 dealt with in our report dated 27.05.2013 to the members of The Lakshmi Vilas Bank Limited.

For **SAGAR & ASSOCIATES,**
Chartered Accountants
FRN: 003510S

(D.MANO HAR)

Partner
Membership No. : 029644

Place : Karur
Date : 27th May, 2013

**LAKSHMI VILAS BANK**

Auditor's Certificate on Corporate Governance

To,

The Members
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, 2013 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 Grievance 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 **SAGAR & ASSOCIATES,**
Chartered Accountants
FRN: 003510S

(D.MANOHAR)
Partner
Membership No. : 029644

Place : Karur
Date : 27th May, 2013

**LAKSHMI VILAS BANK**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER SCHEDULE VI, PART IV OF THE COMPANIES ACT, 1956**

(₹ in 000's)

A REGISTRATION DETAILS

Registration	1377
State	18
Balance Sheet Date	31.03.2013

B CAPITAL RAISED DURING THE YEAR

Public Issue	NIL
Bonus Issue	NIL
Rights Issue	NIL
Private Placement	NIL

C POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities	176666803
Total Assets	176666803

SOURCES OF FUNDS

Paid up capital	975407
Reserves and Surplus	9168038
Secured Loans	0
Deposits	156189779
Unsecured Loans	4800000
Other Liabilities & Provisions	5533579

D APPLICATION OF FUNDS

Net Fixed Assets	1898202
Advances	117027956
Investment	43245468
Other Assets	5775679
Miscellaneous Expenses	NIL
Accumulated Losses	NIL

PERFORMANCE OF THE COMPANY

Total Income	19576144
Total Expenditure	17064674
Profit Before Tax	1377745
Profit After Tax	915745
Earnings per share (Rs.)	9.39
Dividend Rate	30%

**GENERAL NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY
(AS PER MONETARY TERMS)**

Items Code	N.A.
Product Description	Banking Company

**Annexure A****MANAGEMENT DISCUSSIONS AND ANALYSIS****Industry Structure and Developments**

In India, reforms have continued with a view to building a robust and resilient financial system. More stringent capital and liquidity measures for commercial banks have been implemented and steps have been taken to build provision buffers. Basel III capital and liquidity standards for banks are in the process of being prescribed. New prudential compensation practices have been adopted. Various institutional mechanisms and tools for monitoring risks have been put in place. Efforts are being made to develop effective macro prudential supervision.

Apart from commercial banks, measures have been taken to strengthen urban co-operative banks (UCBs), non-banking financial companies (NBFCs) and micro-finance institutions (MFIs). Alongside reforms in various segments of financial system, the focus on financial inclusion continues. The Reserve Bank has also engaged with banks to improve customer service.

Opportunities and Threats

By far the biggest risk to the economy stems from the CAD (Current Account Deficit) which, last year, was historically the highest and well above the sustainable level of 2.5 per cent of GDP as estimated by the Reserve Bank. Admittedly, the fiscal deficit is programmed to decline, but even factoring that in, it is still high. Large fiscal deficits can potentially spill over into the CAD and undermine its sustainability even further. A large CAD, appreciably above the sustainable level year after year, will put pressure on servicing of external liabilities.

Even as the large CAD is a risk by itself, its financing exposes the economy to the risk of sudden stop and reversal of capital flows. Although the CAD could be financed last year because of easy liquidity conditions in the global system, the global liquidity situation could quickly alter for EDEs (Emerging and Developing Economies), including India, for two reasons. First, the outlook for AEs (Advanced Economies) remains uncertain, and even if there may be no event shocks, there could well be process shocks which could result in capital outflows from EDEs. Second, with quantitative easing (QE), AE central banks are in uncharted territory with considerable uncertainty about the trajectory of recovery and the calibration of QE. Should global liquidity conditions rapidly tighten, India could potentially face a problem of sudden stop and reversal of capital flows jeopardising our macro-financial stability.

Sustained revival of growth is not possible without a revival of investment. But investment sentiment remains inhibited owing to subdued business confidence and dented business profitability. Both borrowers and lenders have become risk averse. Borrowers have become risk averse because of governance concerns, delays in approvals and tighter credit conditions. For lenders, risk aversion stems from the erosion of asset quality, deteriorating cash flow situation of borrowers eroding their credit worthiness and heightened risk premiums.

Looking ahead, the effectiveness of monetary policy in bringing down inflation pressures and anchoring inflation expectations could be undermined by supply constraints in the economy, particularly in the food and infrastructure sectors. Food price pressures, upward revisions in the MSPs and rapid wage increases are leading to a wage-price spiral. Without policy efforts to unlock the tightening supply constraints and bring enduring improvements in productivity and competitiveness, growth could weaken even further and inflationary strains could re-emerge.

Business Segmentation

Deposits	₹ in Crs	%	Advances	₹ in Crs	%
Demand Deposits	738.50	4.73	Bills purchased & discounted	470.11	4.02
Savings Deposits	1524.07	9.76	Cash Credits, Overdrafts & loans repayable on demand	7753.32	66.25
Term Deposits	13356.41	85.51	Term Loans	3479.36	29.73
Total	15618.98	100.00	Total	11702.79	100.00



Outlook

Our bank's Business Plan for the fiscal 2013-14 had been re-aligned to get into the higher growth orbit, to capture the key position and to stay front in the competitive environment and advantages with the following strategies / objectives:

- Strengthening the branch network by opening 71 new branches, pan India.
- Strong Customer franchise across different business segments.
- Leveraging the technological platform to deliver more products / services on customer expectation and reduce expenditure.
- Maintain high standards for asset quality in the areas of Credit Marketing, processing and monitoring the portfolio.
- Strict adherence to prudential norms on credit management.
- Invest on talent pool and to improve training aimed at better sales orientation at the branch level.
- More familiarization and publicity activities through both print and electronic Media, besides outdoor activities and lead generation process.
- Periodical launching of market friendly schemes and services.
- Special Marketing campaign (CASA & Retail Term deposits mobilisation) at all branches.
- Image Building & Lead Generation activities.
- Focus for Enhancing Fee Based Income Mainly through LG / LC Business & Para Banking Activities.

Risk and Concern

The bank has adopted suitable risk management practices for managing market risk, credit risk and operational risk taking into consideration the volume and nature of business activities regulatory compliances and overseeing of Risk continue to underlying all growth initiatives.

The Integrated Risk Management Committee of the Board ensures that risk is appropriately managed in the Bank. The policies put in by the Bank 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 capital adequacy ratio placed the bank in a satisfactory level as per BASEL II norms.

The Bank is maintaining CRAR at 12.32%, well above the minimum level of 9% with Tier I at 9.15% and Tier II at 3.17%. The Bank will examine the need and timing of raising further capital (Tier I and / or Tier II) to meet Basel III requirements within the Policy framework with the approval of shareholders and regulators.

Internal Control

The bank has put in place well articulated internal control measures in tune with the complexity of business operations, organization's size and supervisory compliance standards. There is continuous review of the efficacy of the systems and the following audit & inspection are carried out:

- Regular comprehensive transaction based inspection by trained internal inspector of branches.
- Risk based Internal Audit to measure the risk in branches and work out the mitigating techniques.
- Pre-disbursement Credit Audit.
- Credit Audit (Post Disbursement).
- Revenue Audit and various snap audits to review specific areas of operation including compliance to inspection observations.
- Concurrent Audit by Empanelled Chartered Accountant Firms.
- Information System Audit by specialized and trained inspectors/external auditors.
- Statutory Audit of branches and Controlling offices by Chartered Accountant Firms in terms of guidance of the Reserve Bank of India.



- Management Audit of Controlling offices / Departments at Administrative Office (AO) by trained internal inspector of Branches.

The Inspection Committee of the Executives review the inspection of branches carried out by the internal inspectors. The Audit Committee of the Board (ACB) is supervising the entire audit function of the Bank and the compliance thereof, as per the guidelines laid in the Listing Agreement entered with NSE & BSE. Budgets are agreed on various parameters including Revenue and Costs, and progress measured for appropriate mid-term corrective measures at the Board Level.

Discussions on Financial parameters with respect to performance

The key financial parameters achieved in 2012-13 are given below:

- Deposits increased by 10.66%
- Advances increased by 14.86%
- Total Income increased by 16.72%
- Interest Income increased by 15.88%
- Operating profit stood at ₹ 251.15 Crores in 2012-13 against ₹ 235.44 Crores in 2011-12.
- Number of branches 291 and the number of ATMs 651 with addition of 111 ATM in the year to improve the customer base.
- Staff strength: 3149

The Net profit after Provisions and Tax for the year 2012-13 was ₹ 91.57 Cr.

Reserve Bank of India has accorded its approval to open 71 branches, of which the bank has opened 08 branches already and it is in the process of opening in other centers in FY 2013-14.

The Bank is targeting quality growth with consistency and continues to invest in branch network and technology.

Staff / Industrial Relations

The Bank has increased its manpower to 3149 at the end of the financial year 2012-13. Officers for Credit appraisal and specialized functions were recruited during the year to address the manpower requirement. 162 officers were promoted to higher scales. 81 Clerks were promoted to officer cadre and 79 clerks appointed to drive growth. To support HR initiatives, HRMS package is implemented during the year. By recruiting 651 Sales personnel as Sales Executive thrust is given for CASA mobilization.

Training on emerging trends with an eye on updating the knowledge level and newer forms of risk that are technology driven, credit skills enhancement, KYC and Treating Customers fairly are being emphasized by nominating the resources to reputed external training institution. The Industrial relations was cordial during the year.

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

The composition of the Board of Directors is governed by the provisions of the Companies Act, 1956, Banking Regulation Act, 1949 and Listing Agreement entered with National Stock Exchange of India Limited, Mumbai and Bombay Stock Exchange Limited, Mumbai. The Board consists of 13 Directors as on 31.03.2013 including two nominee Directors appointed by Reserve Bank of India. On 26.04.2013, an additional Director was co-opted by the Board and appointed as the Part-time Chairman. Further on 26.04.2013 a Director resigned from the Board, thus the present strength of the Board is 13 Directors. The Board consists of eminent persons with considerable professional expertise and experience in Banking, Law, Accountancy, Consultancy, Engineering, Finance, Small Scale Industry and Business including Exports. Details of name of 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 follows:

Audit Committee

Audit Committee of the Board is chaired by Shri. B.K. Manjunath, 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 the names of the 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 RBI guidelines and clause 49 of listing agreement and 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 in 2012-13.

Share Transfer and Investors' Grievances Committee

The Share Transfer and Investors' Grievances Committee approves and monitors share transfers, transmission, issue of duplicate shares, requests from shareholders for conversion of demat shares into physical shares, 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. Details of name of the Chairman & members of the Committee, Compliance Officer, meetings and attendance during the year are provided in Annexure C.

Integrated 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 are given in Schedule 18 (Accounting Standards 18 - Related Party Disclosure) of the Annual accounts.

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 ₹ 1 crore and more. The objective of this Committee is the effective detection of frauds and ensuring 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 and approval of capital and revenue expenditure, acquisition and hiring of premises, filing suits / appeals, investments, donations and any other matter referred to / delegated to the Committee by the Board.

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 suitability and other fit and proper criteria before inducting any individual to the Board.

Business Strategy Advisory Committee

Business Strategy Advisory Committee has been constituted by the Board to bring about paradigm shift in business process / operations / marketing technique and also to explore the avenues for carrying out varied financial services in a focused manner.

IT Strategy Committee

Pursuant to the Directions of the Reserve Bank of India, the Bank has constituted an IT Strategy Committee of the Board and the roles and responsibilities of this Committee includes oversight of the IT strategy and policy documents, measuring the contribution of IT to business and ensuring that the IT organizational structure complements the business model.

Compensation Committee

Constituted as per Regulation 5 of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 with majority of independent Directors for formulating the detailed terms and conditions of ESOS besides dealing with approving the recruitment of resources and reviewing the internal resources.

Infrastructure Development Committee

The committee approves purchase of computer software & hardware and also maintenance & services thereto.

Disclosure

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

**ATTENDANCE AT AUDIT COMMITTEE MEETINGS FOR FY 2012-13**

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	
B.K.Manjunath	Chairman - NED/Independent	8	8	100%	YES
N.Saiprasad	NED/Non-Independent	8	7	88%	YES
Kusuma R.Muniraju	NED/Independent	8	3	38%	YES
D.L.N.Rao	NED/Independent	6	4	67%	No
S.Dattathreyan	NED/Independent	6	5	83%	YES
S.G.Prabhakharan	NED/Non-Independent	6	6	100%	YES
R.Sharan	NED/Independent	2	2	100%	YES
A.Satishkumar	NED/Independent	2	2	100%	YES
R.Ravikumar - RBI Nominee	NED/Independent	1	1	100%	Not Applicable
Ashok Narain - RBI Nominee	NED/Independent	1	0	0%	Not Applicable

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	N. Ramanathan Company Secretary / Compliance Officer Lakshmi Vilas Bank Limited Regd. & Admn. Office, Salem Road, Kathapara, Karur - 639 006	04324 - 220051-60	04324 - 223607	secretarial@lvbank.in
Name of Board Committee and Chairman's Name	Share Transfer & Investors' Grievances Committee Mr. K.R. Pradeep, Director Lakshmi Vilas Bank Limited Regd. & Admn. Office, Salem Road, Kathapara, Karur - 639 006	080-22218206	04324 - 223607	krpradeep@krpradeep.com
The Registrar and Share Transfer Agents	M/s.Integrated Enterprises (India) Ltd., II Floor, "Kences Towers" No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600 017	044 - 28140801 28140802 28140803	044 - 28142479 28143378	corpserv@integratedindia.in

**Annexure D****GENERAL SHAREHOLDERS' INFORMATION****Means of Communication**

The Bank published its financial - quarterly and annual results in English language in "Business Line" newspaper and in vernacular language in "Dinamalar" newspaper for the first three quarters and in "Dinamani" newspaper for the fourth quarter. The results are displayed on the Bank's website at **www.lvbank.com**.

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

Financial Calendar 2012-2013:**86th Annual General Meeting**

Date & Time : 06th August, 2013 10.00 A.M.

Venue : Registered Office, Salem Road, Kathapara, Karur - 639 006, Tamilnadu.

Information of last three Annual General Meetings held

The 83rd, 84th and 85th AGM were held on 04th August 2010, 14th September 2011 and 14th September 2012 respectively. Special Resolution passed during the last three AGMs.

83rd AGM - 04-08-2010 - 10.00 a.m. - A.O. Karur**Special Resolution passed:**

Item No.10 - Pursuant to the provisions of section 81(1A) and other applicable provisions, if any, of the companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force, subject to the provisions of Securities Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 and other Rules, Regulations, Guidelines, provisions of Memorandum and Articles of Association of the bank and further subject to such approval, permissions and sanctions as may be necessary from SEBI, the Stock Exchanges, Reserve Bank of India, Govt. of India and other appropriate authorities as may be required and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting such approval which may be agreed or accepted by the Board of Directors (hereinafter referred to as "the Board" which expression shall include compensation committee or any other committee of the Board duly authorized by the Board in this regard) at its sole discretion, the consent of the members of the Bank be and is hereby accorded to create, issue, grant / allot upto 50 lacs equity stock options to the eligible present and future employees including Directors of the Bank and in one or more tranches through Employees Stock Option Scheme (ESOS) of the Bank which entitles the option holders to subscribe to 1 (one) equity share of the Bank of Rs.10/- each and in aggregate 50,00,000 equity shares of the face value of Rs.10/- at such price, in such manner, during such period and on such terms and conditions and in the manner as may be determined by the Board.

The Board is hereby authorized to formulate, evolve, decide upon and bring into the ESOS on such terms and conditions as contained in the relevant Explanatory Statement to this notice and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOS.

The new equity shares to be issued and allotted by the Bank under the aforesaid ESOS shall rank pari passu in all respects with the then existing shares of the Bank.

The Bank be and is hereby authorized to take necessary steps for listing of the securities allotted under ESOS on the stock exchanges where the securities of the Bank are listed as per the provisions of the listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rules and regulations.

In case Bank's equity share capital or its valuation is affected due to any corporate actions like issue of bonus / rights shares, any split or consolidation of face value of equity shares or any event of merger / consolidation, capitalization or other reorganization of the Bank, tender offer of equity shares or sale of undertaking, the Board makes such adjustment with respect to stock options and take other action as it deems necessary or appropriate to reflect such corporate



action including but without limitation the substitution of new stock options or adjustment of outstanding stock options, the acceleration of exercise period or the removal of restriction or outstanding stock options which shall however be subject to necessary approval.

The said options may be granted / equity shares may be allotted in accordance with the scheme framed in that behalf, to such eligible employees directly or through a Trust, which may be set up in any permissible manner, or to the Trust to be held on behalf of eligible employees.

For the purpose of giving effect to the above resolutions the Board be and is hereby authorized to do all such deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the Bank in this regard.

A compensation committee of majority of Independent Directors of the Bank as constituted by the Board be and is hereby authorized to administer the ESOS scheme(s), identify eligible employees and determine the number of options that may be offered to them pursuant to the scheme.

The Bank do make an application to the National Securities Depositories Limited and / or Central Depositories Services (India) Limited for admission of the above said Equity Shares to be allotted under ESOS. The number of options that may be granted to any Non-Executive Director of the Board (including any independent director) in any financial year under the Scheme shall not exceed 50,000 and in aggregate shall not exceed 10% of total options granted under the Scheme.

Item No.11 - Pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (the Act) (including any amendment thereto or re-enactment thereof), and in accordance with the provisions of Memorandum & Articles of Association of the Bank, the Listing Agreement entered into with the Stock Exchanges (Stock Exchanges), the provisions of Securities and Exchange Board of India(SEBI), Foreign Exchange Management Act,(FEMA), and any other statutory guidelines/regulations, if any, prescribed by the SEBI, Reserve Bank of India, the Stock Exchanges, the Government of India or any other relevant authority from time to time, to the extent applicable, and subject to such approvals, consents, permissions, and sanctions as might be required and subject to such conditions and modifications as may be prescribed while granting such approvals, consents, permissions and sanctions and which may be agreed to by the Board of Directors of the Bank (herein after referred to as "Board" which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), the consent of the Bank be and is hereby accorded to the Board to create, issue, offer and allot, upto 3,93,41,025 Equity Shares of Rs.10/- each or hybrid instruments / securities resulting in, upto 3,93,41,025 Equity Shares of Rs.10/- each (including the provisions for reservation on firm and /or competitive basis, of such part of issue and for such categories of persons as may be permitted) in the course of one or more public or private offerings in domestic and/ or one or more international market(s), (including Qualified Institutional Placement under SEBI Guidelines) and / or Equity Shares through Depository Receipts, including in the form of Global Depository Receipts (GDRs) and /or American Depository Receipts (ADRs) to overseas investors and/or to eligible investors (whether residents and/ or non-residents and/or strategic investors and/or institutions/banks and/ or incorporated bodies and/or individuals and/or trustees and/or stabilization agents and/or mutual funds, venture capital funds, and/or Indian and/ or multi-lateral financial institutions or otherwise, and irrespective of whether or not such investors are members or not of the Bank), through prospectus and/ or letter of offer or circular and / or on public and/or private /preferential basis, such issue and allotment to be made at such time(s) in one or more tranches, at such price or prices, at a discount, equal to or at a premium to market price or prices, in such manner and where necessary, in consultation with the Book Running Lead Managers and / or Merchant Bankers or other Advisors or otherwise, on such terms and conditions as the Board, may in its absolute discretion, decide at the time of issue of Securities.

Without prejudice to the generality of the above, the aforesaid issue of the Securities may have all or any terms or conditions or combination of terms in accordance with applicable regulations, prevalent market practices etc.

The Bank and/or any agency or body or persons authorized by the Board, may issue Equity Shares and/or Depository Receipts representing the underlying Equity Shares in the Capital of the Bank or such other Securities in negotiable, registered or bearer form (as may be permissible) with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations (including listing on one or more stock exchanges in or outside India).



The relevant date for the determination of applicable price for the issue Equity Shares and/or Depository Receipts shall be as per the applicable guidelines of Securities and Exchange Board of India. The Board be and is hereby authorized to create, issue offer and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities referred to above and as may be necessary in accordance with the terms of the offer, subject to the provisions of Memorandum and Articles of Association of the Bank and shall rank pari passu inter se with the then existing equity shares of the Bank in all respects including as to dividend. For the purpose of giving effect to the above Resolutions, the Board be and is hereby authorized on behalf of the Bank, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable, and with power on behalf of the Bank to settle all questions, difficulties or doubts that may arise in this regard in its absolute discretion and deem fit.

The Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any one or more Executives of the Bank.

All the Directors were present in the AGM.

No special resolutions were passed through postal ballot in the AGM.

84th AGM - 14-09-2011 - 10.00 a.m. - A.O.Karur.

Special Resolution passed:

Item No.9 - Pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the Act) (including any statutory modification(s) or re-enactment thereof, for the time being in force), and in accordance with the provisions of Memorandum & Articles of Association of the Bank, the Listing Agreement entered into with the Stock Exchanges (Stock Exchanges), the provisions of Securities and Exchange Board of India (SEBI), Foreign Exchange Management Act (FEMA), and any other statutory guidelines/regulations, if any, prescribed by the SEBI, Reserve Bank of India (RBI), the Stock Exchanges, the Government of India (GOI) or any other relevant authority from time to time, to the extent applicable, and subject to such approvals, consents, permissions, and sanctions as may be required and subject to such conditions and modifications as may be prescribed while granting such approvals, consents, permissions and sanctions and which may be agreed to by the Board of Directors of the Bank (herein after referred to as "Board" which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), the consent of the Bank be and is hereby accorded to the Board to create, issue, offer and allot, upto 1,50,00,000 Equity Shares of Rs.10/- each or hybrid instruments / securities resulting in, upto 1,50,00,000 Equity shares of ₹ 10/- each (including the provisions for reservation on firm and /or competitive basis, of such part of issue and for such categories of persons as may be permitted) in the course of one or more public or private offerings in domestic and/or international market(s), either in the form of Qualified Institutional Placement (QIPs) to Qualified Institutional Buyers (QIBs) and / or Equity Shares through Depository Receipts, including in the form of Global Depository Receipts (GDRs) and /or American Depository Receipts (ADRs) to eligible investors (whether residents and/or non-residents and/or strategic investors and/or institutions/banks and/or incorporated bodies and/or individuals and/or trustees and/ or stabilization agents and/or mutual funds and/or venture capital funds, and/or Indian and/ or multi-lateral financial institutions or otherwise, and irrespective of whether or not such investors are members of the Bank, through prospectus and/or letter of offer or circular and /or on public and/or private , such issue and allotment to be made at such time(s) in one or more tranches, at such price or prices, in such manner, on such terms and conditions as the Board, may in its absolute discretion, decide at the time of issue of the aforesaid Securities.

For the purpose of giving effect to the above, the Board be and is hereby authorized to determine the Mode of Issue viz QIPs, Public Offerings, Private Placements, GDRs, ADRs etc under the respective guidelines and fix the quantum of Issue, terms of the Issue(s), including the class of Investors, to whom the Securities are to be allotted, number of Securities to be allotted in one or more tranches, issue price, face value, premium amount on issue/conversion of Securities etc in respect of each Mode of Issue within the overall limit of 1,50,00,000 Equity Shares of Rs.10/- each, subject to the applicable guidelines for each Mode of Issue.

Without prejudice to the generality of the above, the aforesaid issue of the Securities may have all or any terms or conditions or combination of terms in accordance with applicable regulations, prevalent market practices etc. The Bank and/or any agency or body or persons authorized by the Board, may issue Equity Shares and/or Depository Receipts representing the underlying Equity Shares in the Capital of the Bank or such other Securities in negotiable, registered



or bearer form (as may be permissible) with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations (including listing on one or more stock exchanges in and/ or outside India).

The relevant date for the determination of applicable price for the issue Equity Shares and/or Depository Receipts shall be as per the applicable guidelines of Securities and Exchange Board of India.

The Board be and is hereby authorized to create, issue offer and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities referred to above and as may be necessary in accordance with the terms of the offer, subject to the provisions of Memorandum and Articles of Association of the Bank and shall rank pari passu inter se with the then existing equity shares of the Bank in all respects including as to dividend.

For the purpose of giving effect to the above Resolutions, the Board be and is hereby authorized on behalf of the Bank, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable, and with power on behalf of the Bank to settle all questions, difficulties or doubts that may arise in this regard in its absolute discretion and deem fit.

The Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any one or more Executives of the Bank.

All the Directors were present in the last AGM.

No special resolutions were passed through postal ballot in the last AGM.

85th AGM - 14-09-2012 - 10.00 a.m. - A.O.Karur.

No Special Resolution was passed.

Annual General Meeting (Next Year) September, 2014

Board Meetings

Results for the quarter ending June 2013 - On or before 14th August, 2013.

Results for the quarter ending September 2013 - On or before 14th November, 2013.

Results for the quarter ending December 2013 - On or before 14th February, 2014.

Results for the quarter ending March 2014 - On or before 30th May, 2014.

Code of Conduct

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

Disclosure

During the financial year reported, the bank did not enter into any materially significant transactions with its Directors, promoters or their relatives that would potentially conflict with and / or adversely affect the interest of the Bank at large.

The Non-Executive Directors were paid ₹ 15,000/- as sitting fees for each Board / Committee meetings which is within the limits prescribed under the Companies Act 1956.

During the FY 2013 (From 01.04.2012 to 31.03.2013), the Bank has paid ₹ 2.17 crores as lease rentals for a premises owned by a Non-Executive Director, which is as per the lease terms entered into during the FY 2011 and the premises was vacated by bank as on 31st March 2013.

Directors Shri. Kusuma R Muniraju, Shri. D.L.N. Rao and N.Saiprasad 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.



Director Shri. S.G. Prabhakaran is the Chairman of Shareholders/Investors Grievances Committee of M/s. RoyalSoft Services Limited. Director Shri.A. Satish Kumar is a member of the Audit Committees of M/s. Amrutanjan Health Care Ltd. & M/s. Royalsoft Services Ltd.

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 has at present adopted the following non-mandatory requirement:

Whistle Blower Policy: The Bank has laid down a Whistle Blower Policy, which is a mechanism for the employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the bank's code of conduct or ethics policy.

CEO/CFO Certification

CEO/CFO Certification under the Corporate Governance Guidelines prescribed by SEBI has been submitted to the Board by CEO and CFO.

Unclaimed Dividend:

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

Financial Year	Date of Declaration	Amount as on 31.03.2013 in ₹	Last date for claim
2005-06	14.08.2006	10,49,318.96	13.08.2013
2006-07	26.09.2007	7,94,568.08	25.09.2014
2007-08	14.08.2008	15,59,924.31	13.08.2015
2008-09	28.08.2009	23,66,992.20	27.08.2016
2009-10	04.08.2010	10,51,056.00	03.08.2017
2010-11	14.09.2011	37,88,635.00	13.09.2018
2011-12	14.09.2012	57,31,635.50	13.09.2019

Compliance with clause 32 of the Listing Agreement

Name and address of the Stock Exchanges 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

The Bombay Stock Exchange Limited
Floor 25, PJ Towers,
Dalal Street,
Mumbai - 400 001.

Bank confirms that the Annual Listing Fees have been paid to the National Stock Exchange & Bombay Stock Exchange.

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. investorsgrievances@lvbank.in was designated exclusively for redressal of investors' complaints.

Dematerialization

Bank has 61239 shareholders as on 31.03.2013, being fully paid shares of Rs.10/- each. Of this 40792 folios representing 8,79,74,204 (90.19%) shares are in Demat Form.

Bank's ISIN No: INE694C01018

Trading Code with Stock Exchanges: LAKSHVILAS

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 Services (India) Limited.

**Stock Market Data**

Month	Listed with NSE on 21.06.2000			Listed with BSE on 24.09.2012		
	High	Low	No. of Shares Traded	High	Low	No. of Shares Traded
April - 2012	87.35	77.50	1141789	Not Listed With BSE at this Period		
May	85.70	66.60	1095740			
June	82.50	73.55	1147312			
July	85.80	69.90	1316881			
August	77.10	70.20	1857922			
September	82.00	68.50	2626615			
October	84.90	76.00	2210339	88.00	76.40	378421
November	84.50	74.25	3078130	84.50	72.65	449001
December	110.90	79.60	37211407	111.00	79.60	10305415
January - 2013	128.30	102.20	26467867	128.35	102.55	8331127
February	105.70	90.00	7500474	105.40	89.95	2340359
March	92.45	78.00	3944972	92.25	77.80	3146991

Distribution of Shareholding in break up as on 31.03.2013 is given below.

CATEGORY	NUMBERS	%	SHARES	% TO CAPITAL
Upto 500	45437	74.20	6469880	6.63
501 - 1000	6855	11.19	5160921	5.29
1001 - 2000	4283	6.99	6199528	6.36
2001 - 3000	1593	2.60	3906382	4.00
3001 - 4000	886	1.45	3132253	3.21
4001 - 5000	545	0.89	2476308	2.54
5001 - 10000	937	1.53	6604497	6.77
Above 10000	703	1.15	63590921	65.19
Grand Total	61239	100.00	97540690	100.00

Nomination Facility

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

Bank Account Details

In order to avoid fraudulent encashment of dividend warrants, the members holding shares in physical form 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

**LAKSHMI VILAS BANK**

STA will not entertain any request for deletion / change of Bank details already printed on dividend warrants as per information received from both the depositories.

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

Share Transfer Process

Bank ensures physical shares are processed by the Registrar and Share Transfer Agent - M/s. Integrated Enterprises (India) Limited and approved by Share Transfer & Investor's Grievances Committee / Board and the certificates are dispatched to the transferees with in a maximum period of 15 days 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: corpserv@integratedindia.in

DECLARATION BY MD & 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 31.03.2013.

K.S.R. Anjaneyulu
 Managing Director & CEO

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2013.

Name	Age	Designation	Gross Income (₹.)	Qualification	Experience (Years)	Employment Date	Previous Employment
K. S. R Anjaneyulu	59	Executive Director	4523548.39	M.Com, CAIIB, EGMP	35	08.10.2009	Regional CEO/ Zonal Head, ING Vysya Bank

**A DECADE OF PROGRESS**

(Amount given in Lacs)

Year	2003-03	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Paid-up Capital	1150.89	1150.89	1953.46	4780.51	4877.22	4877.62	9750.87	9752.58	9752.58	9754.07
Reserve & Surplus	21513.39	21847.83	27151.90	34828.36	36890.54	40493.97	64148.86	79490.91	86083.93	91680.38
Deposits	329581.91	349592.51	433638.00	501987.23	561848.82	736090.00	907537.77	1114951.07	1411414.00	1561897.79
Advances	203870.40	231771.14	295281.97	361270.30	385878.75	524583.00	627749.52	809442.28	1018867.97	1170279.56
Investments	133816.81	118086.14	127986.68	130930.24	169367.77	186306.00	298322.23	351885.03	439511.80	432454.68
Net Profit	4104.85	334.44	2247.02	1758.43	2526.91	5030.00	3066.80	10113.68	10702.22	9157.45
Number of Branches	224	225	227	236	239	251	271	274	290	291
Staff Position	1946	1928	1873	1926	2078	2433	2655	2626	3054	3149
Earning Per Share (₹)	35.67	2.91	11.50	3.60	5.18	10.31	4.95	10.37	10.97	9.39
Book Value (₹)	196.93	199.83	149.00	81.18	85.63	93.02	75.79	83.23	90.14	92.88
Market Price (₹)	98.72	138.20	105.16	77.70	97.95	63.50	79.21	98.00	85.05	81.35
Dividend Per Share (₹)	5.00	Nil	2.50	0.70	1.50	2.50	0.60	2.50	3.50	3.00



Listing Ceremony with Bombay Stock Exchange Limited



85th Annual General Meeting



LAKSHMI VILAS BANK

Regd. & Admin. Office:

Salem Main Road, Kathaparai, Karur - 639 006, Tamilnadu.

Website: www.lvbank.com ; Toll Free No. 1800 - 425 - 2233