



LAKSHMI VILAS BANK



A ROBUST PLATFORM FOR NEW AGE BANKING



83rd Annual Report

2009 - 2010

BOARD OF DIRECTORS



Shri. S.NARAYAN
Chairman



Shri. K.S.R. ANJANEYULU
Managing Director
(From 25.01.2010)



Shri. K. BALAJI



Shri. N. SAIPRASAD



Shri. K. RAVINDRAKUMAR



Shri. KUSUMA R MUNIRAJU



Shri. D.L.N.RAO



Shri. B.K.MANJUNATH



Shri. K.R.PRADEEP



Shri. S.G.PRABHAKHARAN



Shri. S. DATTATHREYAN
(From 08.03.2010)



BOARD OF DIRECTORS

Sarvashree

- S. Narayan - Non-Executive Chairman
- V.S. Reddy - Managing Director (Till 25.01.2010)
- K.S.R. Anjaneyulu - Managing Director (From 25.01.2010)
- M.P. Shyam (Till 08.03.2010)
- K. Balaji
- N. Saiprasad
- K. Ravindrakumar
- Kusuma R Muniraju
- D.L.N. Rao
- B.K. Manjunath
- K.R. Pradeep
- S.G. Prabhakaran
- S. Dattathreyan (From 08.03.2010)

EXECUTIVE DIRECTORS

- V. Prakash
- Rajat Baldhi

CHIEF FINANCIAL OFFICER

- R. Sridharan

CHIEF OPERATING OFFICER

- Naganna Prabhakaran

CHIEF TECHNOLOGY OFFICER

- B. Murali Nair

GENERAL MANAGERS

- S.R. Narayanamurthy
- S. Ravishankar
- V. Sudarsan
- T.N. Sundaram
- K.V. Ramesh
- Niranjan K Rao
- J.V.S. Chetty
- S. Suresh Babu
- M. Palaniappan

DEPUTY GENERAL MANAGERS

- S. Venkateswaran, Company Secretary
- R.V. Raman
- A.K. Ramakrishnan
- S. Elangovan
- B. Ranjan Babu
- S. Kannan
- T.B. Sathiyarayanan
- M. Sethuraman
- RM. Kumarappan
- N. Durairajan
- Anand Bhaskar Prasade
- Sathyanaanda Prabhu
- C.A. Ganeshan
- T. Ponnusamy
- Bhattiprolu Nikunja Vihari
- S. Viswanathan
- B. Seshi Reddy
- K.H. Gangadhar
- S. Ramanathan
- R. Kamalasekaran
- S. Prabakaran
- D. Ragnunath Jawahar

AUDITORS

- M/s. Sundaram & Srinivasan,
Chartered Accountants,
Chennai.
- M/s. Abarna & Ananthan,
Chartered Accountants,
Bangalore

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REGD. & ADMN. OFFICE

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Tamilnadu
Phone: 04324-220051 to 220060 (10 lines)
Website: www.lvbank.com
E.Mail: secretarial@lvbank.in

Registrar and Share Transfer Agent

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

**DIRECTORS' 83rd ANNUAL REPORT****TO THE MEMBERS**

Your Directors have great pleasure in presenting the Eighty Third Annual Report on the business and operations of your bank together with the Audited Accounts for the year ended 31st March, 2010.

1. FINANCIAL PERFORMANCE

The highlights of the financial performance of your Bank for the year ended 31st March, 2010 are as under:

	(Rs. in crores) For the year ended	
	31 st March 2010	31 st March 2009
Total Deposits	9075.38	7360.90
Total Advances	6277.50	5236.21
Investments	2983.22	1863.06
Total Income	1012.88	764.60
Operating profit	166.21	108.85
Provisions and contingencies	135.54	58.55
Net Profit	30.67	50.30

Your bank registered appreciable growth in business volumes that compare favourably with the industry averages. The Bank attained total business turnover of Rs.15352.88 Crores from Rs.12597.11 Crores as on 31.03.2010, registering a growth rate of 22%.

The total deposits grew from Rs.7360.90 Crores in 2008-2009 to Rs.9075.38 Crores recording a growth of 23%. The total credit expanded from Rs.5236.21 Crores of the previous year to Rs.6277.50 Crores during the fiscal, an increase of 20 %. The priority sector credit increased from Rs.1763.18 Crores to Rs.2142.44 Crores and Agri advances reached a level of Rs.980.26 Crores from Rs.798.78 Crores in the previous year. The lendings under other targeted segments showed good progress.

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

2. INVESTMENTS

During the year under review, the total investments of the Bank stood at Rs.2983.22 Crores as against Rs.1863.06 Crores as at 31.03.2009. Your Bank followed prudent investment policy and employed risk mitigation techniques to insulate the investment portfolio from the negative impact of volatile interest rates.

With clear focus on operational efficiency, treasury operations were closely monitored. During the year-ended 31.03.2010, the Integrated Treasury yield total Revenue of Rs.196.08 Crores as against Rs.156.80 Crores in the previous year.

3. PROFIT

During the year, the Bank has posted an operating profit of Rs.166.21 Crores against Rs.108.85 Crores recorded in 2008-09 registering an increase of 53%. Despite posting a record operating Profit, the Bank has returned Moderate Net profit of Rs.30.67 Crores due to higher quantum of Provision towards Non-Performing Assets.

4. APPROPRIATIONS

Particulars	(Rs. in crores) For the year ended	
	31 st March 2010	31 st March 2009
Profit brought forward	0.28	0.29
Amount available for appropriation	30.96	50.59
Transfer to:		
Statutory Reserve	10.00	15.25
Capital Reserve	0.66	18.79
Other Reserve	12.32	1.00
Transfer to Special Reserve u/s 36 (1) (viii) of the IT Act, 1961	1.00	1.00
Proposed Dividend	5.85	12.20
Corporate Dividend Tax	0.97	2.07
Balance of Profit carried forward	0.16	0.28

As appropriated above Rs.23.98 Crores have been transferred to Reserves to strengthen the Net worth of the Bank.

5. DIVIDEND

Your Directors have recommended a dividend of 6 % for the year 2009-10 on the enhanced equity capital. The total amount of dividend proposed to be distributed is Rs.6.82 Crores (including dividend distribution tax).

6. EPS/BOOK VALUE

The Earnings Per Share and the Book Value of the share stood at Rs.4.95 and Rs.75.79 respectively as at 31.03.2010.

7. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

Your Bank has raised Rs.100.00 Crores by way of Unsecured, Redeemable, Non-convertible Subordinated bonds – Series VI allotted on 25.11.2009 and rated "BWR A" & "BBB+" by the rating agencies "Brickwork" and "FITCH" respectively.

During the financial year 2009-10, your Bank came out with the rights issue of equity shares to strengthen Tier I capital which evoked very good response from the shareholder in keeping with their deep patronage. The directors of the Bank thank the shareholders for the strong support.

Consequent to Rights Issue of Rs.263.14 Crores and transfer of Rs.23.98 Crores as given in appropriation account to Reserves, the paid-up capital and Reserves & Surplus of your Bank has increased from Rs.453.71 Crores to Rs.738.99 Crores.

As on 31st March 2010 your Bank's Capital Adequacy Ratio (CAR) stood at 14.21%, well above the regulatory minimum of 9.00 % stipulated by RBI. The Tier-I and Tier- II components of Capital Adequacy Ratio were 11.52 % and 2.69% respectively.

8. NON PERFORMING ASSETS

Global financial crisis had its own effect on Indian Economy through various transmission channels. The Indian Banking sector was not completely insulated from the effects of the slowdown of the Indian Economy as evident from the financial parameters.

As a result, the NPAs of bank increased in the sectors of lending such as Real Estate, Pharma and Textile and the gross and net NPA ratio stands at 5.12% and 4.11% for the year ended 2009-10 in comparison with 2.71% and 1.24% respectively in the previous year. Bank is fully secured by Primary/Collateral Security against Majority of the NPAs.

Concerted efforts are initiated on the recovery front for bringing about marked Reduction in the level of NPA.



9. BRANCH NETWORK

During the year, the Bank has opened 20 branches, such as Doddavaram, Vinukonda, Krishnapatnam, Bhimavaram, Asifabad, Miryalguda and Cuddapah in Andhra Pradesh, Navsari in Gujarat, Faridabad in Haryana, Devanahalli and Vishveshvarapuram in Karnataka, Thane in Maharashtra, Krishnanagar in New Delhi, Kaveripattinam, Palacode, Uttamarkoil, Bargur, Perungalathur and Ramapuram in Tamilnadu, Ghaziabad in Uttar Pradesh as on 31st March 2010. During the current year, Bank has opened 3 Branches viz., Second branch in Surat Town in Gujarat, Punjagutta in Andhra Pradesh and Raipur in Chhattisgarh. The Bank has 274 branches including one satellite office and 8 Extension counters spread across 15 states and one Union Territory.

10. TECHNOLOGY INITIATIVES

Your Bank continues to be a frontrunner in technology implementation with the following customer centric products / services.

1. VISA International Debit Card
2. Utility Bill Payment through Internet Banking
3. Online purchase through Internet Banking, M-Commerce & E-Commerce
4. Mobile Payments
5. SMS Banking
6. Internet Banking – Corporate / Retail
7. RTGS / NEFT / Online RTGS
8. Specialized products in savings / Current accounts
9. An interactive website

11. INFORMATION TECHNOLOGY

Your Bank has been awarded with “the Best innovative implementation of technology” award by Hitachi for innovative storage and virtualization architecture and “Sustained leadership in quality banking through most innovative adoption of technology” by Oracle Financial Services (formerly iFlex)

All the Branches / Offices are under CBS network with DR setup to all critical applications and the entire network has been migrated to MPLS to save the operational cost and improving network efficiency.

Your Bank has opened “Centralized clearing” centers at various locations. This has helped in speedy clearing and faster turnaround time.

Bank’s own ATM network has reached 175 from 104 a year ago. Bank has tied up with ATM shared networks like VISA, NFS, Cash Tree and BANCS, which enables customers to access more than 58000 ATMs across the country.

The Bank has created an intranet portal “Mynet” to facilitate communication and collaboration among staff members and to share the information about the organization, with special emphasis on knowledge management.

Both Domestic / International Treasury has now been integrated improving the overall efficiency of the Treasury.

Your Bank has embarked on a crucial project of implementation of Enterprise storage solution, which will ensure high availability of critical applications like core banking, Internet Banking etc. Business continuity & Disaster Recovery measures are in place.

12. INTERNATIONAL BUSINESS

During the year, the Bank achieved foreign exchange business turnover of Rs.3462.43 Crores as against Rs.2956.45 Crores during the previous year registering a growth of 17.11 %. Lending to export sector increased from Rs.274.28 Crores to Rs.198.83 Crores.

13. PARA BANKING / CROSS SALES

Bank had a bancassurance pact with M/s.Aviva Life Insurance for distribution of Life insurance products through our branches and on Mutual agreement, the tie-up was cancelled. Alternatively Bank has tied up with Life Insurance Corporation of India for distribution of life insurance products.

Bank has tie-up with M/s.Bajaj Allianz General Insurance Company to market the General Insurance products.

The Bank is presently having a tie-up with ten leading asset management companies to distribute their schemes through the selected branches.

Bank has tied-up with M/s. Weizmann Forex Ltd for extending Western Union Money Transfer facility to the clients / public.

14. RISKS AND CONCERNS

Taking a comprehensive and holistic view of the complexities and contours of the business profile of the Bank and the relative regulatory prescriptions, Bank has initiated pro-active steps for bringing about further improvement in risk management across the Organization.

Bank has an Integrated Risk Management Committees at the Board and at the Top Management levels for supervising various risk management initiatives in the Bank. The Integrated Risk Management Policy formulated by the Bank enshrines policy framework for management of various types of business and operational risks for meeting the dynamic challenges in the external and internal environments in which the Bank operates and for meeting the regulatory compliances in this regard.

15. INTERNAL CONTROL SYSTEMS

The Bank has put in place well articulated internal control measures in tune with the complexity of business operation, organization size and supervisory compliance standards. The system of regular inspection, credit inspection, concurrent audit, etc., form the integral part of the internal control mechanism. As per RBI guidelines, the Bank has introduced Risk Based Internal Audit System in 200 Branches. Computerized operations have been subject to Systems / IS Audit. The Audit Committee of the Board is supervising the internal audit and compliance function.

16. HUMAN RESOURCES

As on 31st March 2010, the total number of employees of the Bank stood at 2655. The employee productivity measured in terms of Business per employee, increased to Rs.5.60 crores from Rs.5.10 crores in the previous year. Focusing on training its employees on a continuous basis, training programs are being conducted by the Bank continuously, with internal and external faculty. Industrial relationship in the Bank has remained cordial.

17. SOCIETAL INITIATIVES

Bank is running a medical centre at Vengamedu, Karur since 1994 catering to the medical requirements of needy people under the aegis of Karur Rotary Club.

Your bank has provided class rooms for Vasavi Aided Primary school at Karur and has participated in fulfilling the needs of other aided primary schools as well. Your bank has extended assistance to poor students to continue their education and has also participated in the ‘Green Karur’ initiative of Isha Foundation at Karur.

18. CORPORATE GOVERNANCE

The basic philosophy of Corporate Governance of the Bank has continued to be based on high standard of ethical values with a view to enhancing and protecting 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.

19. BOARD OF DIRECTORS

Mr.K.S.R.Anjaneyulu, was appointed as Managing Director of the Bank with effect from 25.03.2010 for a interim period till new MD & CEO takes over charge, in the place of Mr.V.S.Reddy as per the approval of the RBI.

Shri.M.P.Shyam, has resigned from the Board. Your directors place on record their appreciation for the valuable services rendered by the director during his service.

Shri.S.Dattathreyan, was appointed as Additional Director on 08.03.2010.

Shri.K.Ravindrakumar, Shri.Kusuma R.Muniraju, Shri.D.L.N.Rao directors retiring by rotation at the ensuing Annual General Meeting are eligible and offer themselves for re-appointment.

20. DIRECTORS' RESPONSIBILITY STATEMENT

All the Directors on the Board of your Bank confirm that in the preparation of the annual accounts for the year ended March 31, 2010.

- 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, 2010.
- 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.

21. STATUTORY DISCLOSURE

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

3. 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.

22. CORPORATE GOAL

We are looking at continuing the growth momentum as a bank with a splendid history, well positioned in one of the fastest growing economies in the world. We intend to bring in new products and services in keeping with our risk appetite and focus on customer relationships as the engine for growth.

23. AUDITORS

The Statutory audit of the Bank was carried out by M/s.Sundaram and Srinivasan, Chartered Accountants, Chennai and M/s.Abarna and Ananthan, Chartered Accountants, Bangalore whose report is annexed and forms part of this report. The Statutory Central and Branch Auditors have audited all the branches and other offices of the Bank.

Explanation is offered below on the auditors' qualification on Note 1(a) & (b) Schedule 18 to the audited annual accounts. Unadjusted items in Inter-Branch accounts adjusted till date has not materially affected the published accounts. Reconciliation of entries and elimination and adjustments are being carried out in terms of RBI directive.

The Statutory Auditors M/s. Sundaram and Srinivasan, Chartered Accountants, Chennai and M/s.Abarna and Ananthan, Chartered Accountants, Bangalore will retire at the conclusion of this Annual General Meeting and not opted for re-appointment.

24. ACKNOWLEDGEMENT

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

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

For and on behalf of the Board of Directors

S. NARAYAN
Chairman

Place : Bangalore
Date : 24th June 2010



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

- 1) We have audited the attached Balance Sheet of THE LAKSHMI VILAS BANK LIMITED, KARUR as at 31st March 2010, the annexed Profit and Loss Account and also the Cash Flow Statement of the bank for the year ended on that date in which are incorporated the returns of 30 Branches, 4 Zonal Offices, Central Processing Cell, Integrated Treasury, Data Center audited by us and 240 Branches and 6 Service Branches audited by Branch auditors appointed u/s. 228(4) of the Companies Act, 1956. There are no unaudited branches or other offices. These financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) The Balance Sheet and the Profit & Loss account have been drawn up in accordance with the provisions of Section 29 of Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956, in Form A&B respectively of Third Schedule to the Banking Regulation Act, 1949.
- 4) On the basis of our audit and having regard to the report as the accounts of branches/offices audited by Branch Auditors, which has been considered by us, we report that
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
 - (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- (c) In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- (d) The Bank's Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and audited returns from the branches of the Bank.
- (e) In our opinion, the Balance Sheet Profit and Loss Account and the cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956 so far as they apply to banks.
- (f) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the accounting policies followed by the bank together with the notes thereon and subject to Note No. 1 (a) &(b) of Schedule 18 to the accounts regarding the effect of adjustments arising from reconciliation of inter-branch transactions and tallying of balances in the accounts as per General Ledger with those of subsidiary ledgers, the quantum of which is not ascertained, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, give a true and fair view.
 - (i) In the case of said Balance Sheet of the State of Affairs of the Bank as at 31st March 2010;
 - (ii) In the case of Profit & Loss Account Profit of the bank for the year ended on that date; and
 - (iii) In the case of Cash Flow Statement of the cash flow of the bank for the year then endedand are in conformity with the Accounting Principles generally accepted in India.

For **M/s. SUNDARAM & SRINIVASAN**
Chartered Accountants

For **M/s. ABARNA & ANANTHAN**
Chartered Accountants

C. NARESH
Partner
Membership No. 28684

C.S. GOPALAKRISHNA
Partner
Membership No. 14706

Place : KARUR
Date : 31st May 2010

BALANCE SHEET AS ON 31-MARCH-2010
(Rs. In 000's)

	SCHEDULE	AS AT 31/03/2010	AS AT 31/03/2009
I. CAPITAL & LIABILITIES			
a. Capital	1	975088	487762
b. Reserves & Surplus	2	6414886	4049397
c. Deposits	3	90753777	73609030
d. Borrowings	4	3339349	1426043
e. Other Liabilities & Provisions	5	3379605	3504164
TOTAL...		104862705	83076396
II. ASSETS			
a. Cash & Balances with Reserve Bank of India	6	7508270	5919652
b. Balances with Banks and Money at Call & Short Notice	7	829639	2894479
c. Investments	8	29832223	18630562
d. Advances	9	62774952	52362138
e. Fixed Assets	10	656707	539798
f. Other Assets	11	3260914	2729767
TOTAL...		104862705	83076396
Contingent Liabilities	12	23602606	16821842
Bills for collection		1908987	2319538
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. SUNDARAM & SRINIVASAN**
Chartered Accountants

(C. NARESH)
Partner
M.No.28684

For **M/s. ABARNA & ANANTHAN**
Chartered Accountants

(C.S. GOPALAKRISHNA)
Partner
M.No.14706

Karur
31st May 2010

S. NARAYAN
Non-Executive Chairman

K.S.R. ANJANEYULU
Managing Director

R. SRIDHARAN
Chief Financial Officer

NAGANNA PRABHAKARAN
Chief Operating Officer

DIRECTORS

K. BALAJI
N. SAIPRASAD
K. RAVINDRAKUMAR
KUSUMA R MUNIRAJU
D.L.N. RAO
B.K . MANJUNATH
K.R. PRADEEP
S.G. PRABHAKHARAN
S. DATTATHREYAN

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010
(Rs. In 000's)

	SCHEDULE	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
I. INCOME			
a. Interest Earned	13	9093240	6576111
b. Other Income	14	1035570	1069893
	TOTAL...	10128810	7646004
II. EXPENDITURE			
a. Interest Expended	15	6601938	5040718
b. Operating Expenses	16	1864779	1516869
c. Provisions & Contingencies		1355413	585464
	TOTAL...	9822130	7143051
III. NET PROFIT FOR THE YEAR			
Profit brought forward		306680	502953
		2884	2963
	TOTAL...	309564	505916
IV. APPROPRIATIONS			
a. Transfer to Statutory Reserve		100000	152500
b. Transfer to Capital Reserve		6632	187855
c. Transfer to Other Reserves		123147	10000
d. Transfer to Special Reserve u/s 36(1) (viii) of the IT Act, 1961		10000	10000
e. Proposed Dividend		58505	121950
f. Tax on Proposed Dividend		9717	20727
g. Balance carried over to Balance Sheet		1563	2884
	TOTAL...	309564	505916
Previous year figures are regrouped wherever necessary			
Earnings Per Share - Basic (Rs.) [Refer 18 Note on account Sl.No.6]		4.95	10.31

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. SUNDARAM & SRINIVASAN**
Chartered Accountants

(C. NARESH)
Partner
M.No.28684

For **M/s. ABARNA & ANANTHAN**
Chartered Accountants

(C.S. GOPALAKRISHNA)
Partner
M.No.14706

Karur
31st May 2010

S. NARAYAN
Non-Executive Chairman

K.S.R. ANJANEYULU
Managing Director

R. SRIDHARAN
Chief Financial Officer

NAGANNA PRABHAKARAN
Chief Operating Officer

DIRECTORS

K. BALAJI
N. SAIPRASAD
K. RAVINDRAKUMAR
KUSUMA R MUNIRAJU
D.L.N. RAO
B.K. MANJUNATH
K.R. PRADEEP
S.G. PRABHAKHARAN
S. DATTATHREYAN

	AS AT 31/03/2010		AS AT 31/03/2009	
SCHEDULE 1 - CAPITAL				
AUTHORISED CAPITAL				
(15,00,00,000 equity shares of Rs.10/- each)		1500000		1500000
ISSUED CAPITAL				
(9,83,52,564 equity shares of Rs.10/- each) (Previous year 4,91,88,111)		983525		491881
Subscribed, Called-up and Paid Up Capital				
(9,75,08,796 equity shares of Rs.10/- each)		975088		487762
i) 9,75,08,796 Paid-up Capital (Previous Year 4,87,76,176)				
ii) 1,26,41,136 Bonus Shares allotted (Previous Year 1,26,40,356)				
iii) 4,87,29,320 Rights shares allotted during the year 2009-10				
iv) Shares kept in abeyance 8,20,110 (Previous Year 3,88,277) - released bonus Shares 780 & Rights Shares 2520 during the year 2009-10				
v) Shares Forfeited and lapsed 23,658 so far (Previous Year 23658 shares)		975088		487762
SCHEDULE 2 - RESERVES & SURPLUS				
I. STATUTORY RESERVE				
Opening Balance		2309046		2156546
Additions during the year				
Transfer from current year's Profit		100000	2409046	152500
II. CAPITAL RESERVE				
Opening Balance		459439		271584
Additions during the year		6632	466071	187855
III. SHARE PREMIUM				
Opening Balance		1176410		1176329
Additions during the year		2144185		81
		3320595		1176410
Deductions during the year		17154	3303441	0
IV. REVENUE & OTHER RESERVES				
Opening Balance		80118		70132
Additions during the year		123147		10000
		203265		80132
Deductions during the year		0	203265	14
V. Special Reserve u/s 36(1)(viii) of IT Act, 1961				
Opening Balance		21500		11500
Additions during the year		10000	31500	10000
VI. BALANCE IN PROFIT & LOSS ACCOUNT				
			1563	2884
		6414886		4049397
SCHEDULE 3 - DEPOSITS				
A. I. DEMAND DEPOSITS				
1. From Banks		41383		98587
2. From Others		6243887	6285270	4822182
II. SAVINGS BANK DEPOSITS				
			10250374	7432158
III. TERM DEPOSITS				
1. From Banks		2622500		2837298
2. From Others		71595633	74218133	58418805
			90753777	73609030
B. (I). DEPOSITS OF BRANCHES IN INDIA				
(II). DEPOSITS OF BRANCHES OUTSIDE INDIA				
			90753777	73609030
			NIL	NIL
			90753777	73609030
SCHEDULE 4 - BORROWINGS				
I. BORROWINGS IN INDIA				
1. Reserve Bank of India		0		0
2. Other Banks*		514000		565000
3. Other Institutions & Agencies*		2825349	3339349	860867
II. BORROWINGS OUTSIDE INDIA				
			0	176
			3339349	1425867
			0	0
			0	0

* Includes unsecured Tier II bonds of Rs.170.00 Crs (Previous year Rs.110.00 Crs)

	AS AT 31/03/2010	AS AT 31/03/2009
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	791908	981323
II. Inter-office adjustments (net)	0	0
III. Interest accrued	874174	889429
IV. (i) Others - (including Provisions)	1471523	1391412
(ii) Contingent Provisions against Standard Assets	242000	242000
	<u>3379605</u>	<u>3504164</u>
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in Hand (including foreign Currency Notes)	837462	977051
Balances with Reserve Bank of India		
i) in current account	6670808	4942601
ii) in other accounts	0	0
	<u>7508270</u>	<u>5919652</u>
SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE		
I. IN INDIA		
[i] Balance with Banks		
a. in current accounts	112965	293627
b. in other deposit accounts	1500	2316500
	<u>114465</u>	<u>2610127</u>
[ii] Money at call and short notice		
a. with banks	500000	0
b. with other institutions	0	0
	<u>614465</u>	<u>2610127</u>
II. OUTSIDE INDIA		
[i] Balance with Banks		
a. in current accounts	194979	131927
b. in other accounts	20195	152425
	<u>215174</u>	<u>284352</u>
	<u>829639</u>	<u>2894479</u>
SCHEDULE 8 - INVESTMENTS		
I. INVESTMENTS IN INDIA		
I. Government Securities [incl. treasury bills & zero coupon bonds]	25799668	16742322
II. Other approved securities	75396	95482
III. Shares	130076	92838
IV. Debentures & Bonds	573839	589430
V. Subsidiaries and Joint Ventures	0	0
VI. Others [including Commercial Paper, Mutual Funds, NSC, Units, etc.]	3253244	1110490
TOTAL	<u>29832223</u>	<u>18630562</u>
GROSS INVESTMENTS IN INDIA	30098056	18897116
LESS : DEPRECIATION	265833	266554
NET INVESTMENTS IN INDIA	<u>29832223</u>	<u>18630562</u>
II. INVESTMENTS OUTSIDE INDIA		
TOTAL	<u>NIL</u>	<u>NIL</u>
	<u>29832223</u>	<u>18630562</u>

	AS AT 31/03/2010	AS AT 31/03/2009
SCHEDULE 9 - ADVANCES		
A. I. Bills purchased & discounted	4076029	4250291
II. Cash credits, overdrafts & loans repayable on demand	31976965	27543269
III. Term loans	26721958	20568578
	<u>62774952</u>	<u>52362138</u>
B. PARTICULARS OF ADVANCES		
I. Secured by tangible assets [incl. advances against Book Debts]	56599022	46955505
II. Covered by Bank / Govt. Guarantees	772836	753267
III. Unsecured	5403094	4653366
	<u>62774952</u>	<u>52362138</u>
C. SECTORAL CLASSIFICATION OF ADVANCES		
I. Priority Sector	21424355	16299840
II. Public Sector	130633	217210
III. Banks	2600	2621
IV. Others	41217364	35842467
	<u>62774952</u>	<u>52362138</u>
SCHEDULE 10 - FIXED ASSETS		
I. PREMISES		
At Cost	234264	232376
Additions during the year	10545	2250
	<u>244809</u>	<u>234626</u>
Deductions during the year	600	362
	<u>244209</u>	<u>234264</u>
Depreciation to date	95116	87923
	<u>149093</u>	<u>146341</u>
II. OTHER FIXED ASSETS (INCLUDING FURNITURE & FIXTURES)		
At Cost	1112758	847095
Additions during the year	282623	268776
	<u>1395381</u>	<u>1115871</u>
Deductions during the year	2635	3113
	<u>1392746</u>	<u>1112758</u>
Depreciation to date	885132	719301
	<u>507614</u>	<u>393457</u>
	<u>656707</u>	<u>539798</u>
SCHEDULE 11 - OTHER ASSETS		
I. Inter-Office Adjustments (net)	105767	217032
II. Interest Accrued	439985	419376
III. Tax Paid in Advance and Tax Deducted at Source	2277870	1684334
IV. Deferred Tax Asset (NET)	105564	111064
V. Stationery & Stamps	14647	9717
VI. Non Banking Assets acquired in satisfaction of claims	51523	52127
VII. Others	265558	236117
	<u>3260914</u>	<u>2729767</u>

	AS AT 31/03/2010	AS AT 31/03/2009
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	1784185	1351860
II. Liability for partly paid Investments	0	0
III. Liability on account of outstanding forward exchange contracts	10139313	5882576
IV. Guarantees given on behalf of constituents		
in India	3252062	2715674
outside India	1940	1402
V. Acceptances, Endorsements & Other Obligations	8425106	6870330
VI. Other items for which the Bank is contingently liable	0	0
	23602606	16821842
SCHEDULE 13 - INTEREST EARNED		
I. Interest / discount on advances / bills	7186011	5179197
II. Income on Investments	1828140	1261402
III. Interest on balance with Reserve Bank of India & other inter-bank Funds	62634	85653
IV. Others	16455	49859
	9093240	6576111
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	545608	425688
II. Profit on sale of Investments	152470	328721
Less: Loss on sale of Investments	30048	25067
III. Profit on sale of land, Buildings & Other Assets	2448	28270
Less: Loss on sale of land, Buildings & Other Assets	1608	2061
IV. Profit on Exchange Transactions	90790	88096
Less: Loss on Exchange Transactions	0	0
V. Income earned by way of Dividends from Companies in India	10234	2976
VI. Miscellaneous Income	265676	223270
	1035570	1069893
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	6438555	4815467
II. Interest on Reserve Bank of India / Inter-Bank Borrowings	137864	161827
III. Others	25519	63424
TOTAL ...	6601938	5040718
	Year ended 31/03/2010	Year ended 31/03/2009
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provision for Employees	924678	784477
II. Rent, Taxes & Lighting	169722	131522
III. Printing & Stationery	17603	15095
IV. Advertisement & Publicity	17837	17429
V. Depreciation on Bank's Property	173024	127158
VI. Director's fees, allowances	6705	5690
VII. Auditors' fees & Expenses (incl. Branch Auditors)	3458	3147
VIII. Law Charges	4715	4423
IX. Postage, Telegrams, Telephones, etc.,	63723	43264
X. Repairs & Maintenance	9603	6311
XI. Insurance	79849	59253
XII. Other Expenditure	393862	319100
TOTAL ...	1864779	1516869

**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.

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 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 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) Operating Software, which is an integral part of hardware, is capitalized and depreciation is provided for at the rate of 33.33% on straight-line method.

(e) For premises, in which land cost and construction cost could not be ascertained separately, depreciation is provided for on the total cost.

(f) None of the fixed assets have been revalued during the year.

6. EMPLOYEE BENEFITS:

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

(b) The effect of transitional liability till 31.03.2007 as required by Revised AS 15 has been recognised as an expense on straight line basis over a period of five years.

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 received from Income Tax Department

9. NET PROFIT:

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

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

10. ACCOUNTING STANDARDS

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

11. SEGMENT INFORMATION:

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

(Rs. in crores)

NOTES ON ACCOUNTS

1. (a) The reconciliation of inter branch transactions and tallying of balances in the accounts as per general ledger with those of subsidiary ledgers in progress. The impact of the above, if any, on the financial results for the year ended 31st March 2010, in the opinion of the management, is not material.
- (b) In a few branches, tallying of the balances in the accounts as per General Ledger with those of subsidiary ledgers/registers/schedules is in progress. The effect of this on the profit of the Bank is not ascertainable.
2. (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 31.03.2010 amounts to Rs.175.71 crores (previous years Rs.132.20 crores) and is included under Item I of Schedule 12 (Contingent Liabilities) out of the above Rs.109.21 crores (Previous year Rs.109.21 crores) has been paid or adjusted by the Income Tax department. No provision is considered necessary in respect of the disputed liabilities in view of favourable decisions by various appellate authorities on similar issues.

3. DISCLOSURE REQUIREMENTS**3.1 Capital** (Rs. in Crore)

Items	2009-10	2008-09
i) CRAR (%)		
(Basel I)	14.21	10.09
(Basel II)	14.82	10.29
ii) CRAR - Tier I capital (%)		
(Basel I)	11.52	8.63
(Basel II)	12.01	8.81
iii) CRAR - Tier II Capital (%)		
(Basel I)	2.69	1.46
(Basel II)	2.81	1.48
iv) Percentage of the shareholding of the Government of India.	NIL	NIL
v) Amount of Subordinate debt raised as Tier-II capital (Rs. in crore)	170.00	110.00

3.2.4. Non-SLR Investment Portfolio**i) Issuer composition of Non SLR investments**

(Rs. In crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	24.05	6.83	--	--	--
(ii)	FIs	21.54	10.00	--	--	--
(iii)	Banks	129.64	28.19	--	--	--
(iv)	Private Corporate	89.87	11.59	11.59	11.59	11.59
(v)	Subsidiaries/ Joint Ventures	--	--	--	--	--
(vi)	Others	143.92*	--	--	--	--
(vii)	Total	409.02	56.61	11.59	11.59	11.59
	Less: Provision held towards depreciation	13.29	XXX	XXX	XXX	XXX
	Total #	395.73	56.61	11.59	11.59	11.59

* Others includes RIDF investments of Rs.77.00 crores and Mutual Fund of Rs.66.92 crores.

Raised during the year	Nature	Amount	Reckoned for the purpose of CRAR computation (as per RBI guidelines)
2003-04	Lower Tier II	10	2
2004-05	Lower Tier II	19	--
2005-06	Lower Tier II	41	30
2009-10	Lower Tier II	100	100

3.2.1. In respect of securities held under HTM category premium of Rs.3.39 crores (previous year Rs.11.71 crores) has been amortized during the year and debited under interest received on Government Securities.

3.2.2 Investments

(Rs. In crore)

Particulars	2009-10	2008-09
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	3009.81	1889.71
(b) Outside India	NIL	NIL
(ii) Provisions for Depreciation		
(a) In India	26.59	26.66
(b) Outside India	NIL	NIL
(iii) Net Value of Investments		
(a) In India	2983.22	1863.05
(b) Outside India.	NIL	NIL
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	26.66	50.36
(ii) Add: Provisions made during the year	4.61	7.71
(iii) Less: Write-off/ write-back of excess provisions during the year	4.68	31.41
(iv) Closing balance	26.59	26.66

3.2.3 Repo Transactions

(Rs. In crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31 2010
Securities sold under repos	24.99 (5.25)	94.50 (149.40)	22.22 (32.25)	---
Securities purchased under reverse repos	5.25 (5.25)	157.50 (162.75)	19.64 (10.41)	42.00 (0.00)

**ii) Non-performing Non-SLR investments**

(Rs. In crore)

Items	2009-10
(i) Net NPIs to Net Investment (%)	--
(ii) Movement of NPIs (Gross)	
Opening balance	7.82
Additions during the year	--
Reductions during the year	--
Closing balance	7.82
(iii) Movement of Net NPIs	--
Opening balance	--
Additions during the year	--
Reductions during the year	--
Closing balance	--
(iv) Movement of provision for NPIs	
Opening balance	6.88
Additions during the year	--
Reductions during the year	0.06
Closing balance	6.82

3.3 Derivatives**3.3.1 Forward Rate Agreement/ Interest Rate Swap**

	Particulars	2009-10	2008-09
i)	The notional principal of swap agreements	NIL	NIL
ii)	Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	NIL	NIL
iii)	Collateral required by the bank upon entering into swaps	NIL	NIL
iv)	Concentration of credit risk arising from the swaps	NIL	NIL
v)	The fair value of the swap book	NIL	NIL

3.3.2 Exchange Traded Interest Rate Derivatives:

(Rs. in Crore)

S.No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	NIL
	a)	
	b)	
	c)	
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2010 (instrument-wise)	NIL
	a)	
	b)	
	c)	
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL
	a)	
	b)	
	c)	
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	NIL
	a)	
	b)	
	c)	

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

(Rs. in Crore)

Sl.No	Particulars	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)		
	a) on hedging derivatives	NA	NA
	b) on trading derivatives	NA	NA
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	NA	NA
	b) on trading	NA	NA

3.3.4 Shifting of securities:

For the year ended 31-03-2010, Bank has shifted securities amounting to Rs.291.50 crores (Face Value) (Previous year Rs.NIL crores Face Value) from HTM to AFS category and no loss has arose on account of such transfer. Bank has shifted securities amounting to Rs.92.93 crores (Face Value)(Previous year Rs.205.00 crores Face Value) from AFS to HTM category and loss which arose on such transfer amounted to Rs.4.68 crores which has been provided during the year.

3.3.5 SLR Securities

(Rs. in Crore)

Particulars	As at 31.03.2010		As at 31.03.2009	
	Book Value	Market Value	Book Value	Market Value
Government Securities SLR (CG,SG, TB)	2593.25	2503.88	1677.33	1662.28
Approved securities - SLR	7.54	7.71	9.55	9.93

3.3.6 Un-reconciled Nostro entries taken to General Reserve

During the year ended 31.03.2010, in terms of RBI circular DBOD No. BP.BC.133/21.04.018/2008-09 Dated 11th May 2009, Bank has credited Rs.6.47 lakhs to the Profit & Loss account in respect of outstanding credit entries of individual value of less than USD 2500 or equivalent in Nostro account originated upto March 31, 2002. The same has been appropriated to Revenue Reserve and will not be available for declaration of dividend.

3.4 Asset Quality**3.4.1 Non-Performing Asset**

(Rs. in Crore)

Particulars	2009-10	2008-09
(i) Net NPAs to Net Advances (%)	4.11%	1.24%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	144.05	137.98
(b) Additions during the year	389.30	36.49
(c) Reductions during the year	208.18	30.42
(d) Closing balance	325.17	144.05
(iii) Movement of Net NPAs		
(a) Opening balance	64.85	59.52
(b) Additions during the year	327.98	29.54
(c) Reductions during the year	135.05	24.21
(d) Closing balance	257.78	64.85
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	73.95	72.30
(b) Provisions made during the year	119.27	1.84
(c) Write-off/ write-back of excess provisions	132.49	0.19
(d) Closing balance	60.73	73.95

The provision coverage ratio of the Bank as on 31.03.2010 is 49.67%



3.4.2 Particulars of Accounts Restructured

In accordance with the option given by the Reserve Bank of India, the Bank has made provision at 5% of the total dues to the Bank in respect of diminution in the fair value of restructured advances where the total dues to the Bank is less than rupees one crore. The auditors have relied on the data provided by the management in regard to the compliance of Reserve Bank of India circulars on full implementation of the restructuring packages in respect of the said restructured advances.

(Rs. in crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	2	1	80
	Amount Outstanding	8.13	4.36	121.35
	Sacrifice (Diminution in the fair value)	1.67	0.02	3.82
Sub standard advances restructured	No. of Borrowers	NIL	NIL	2
	Amount Outstanding	NIL	NIL	18.95
	Sacrifice (Diminution in the fair value)	NIL	NIL	NIL
Doubtful advances restructured	No. of Borrowers	NIL	NIL	NIL
	Amount Outstanding	NIL	NIL	NIL
	Sacrifice (Diminution in the fair value)	NIL	NIL	NIL
TOTAL	No. of Borrowers	2	1	82
	Amount Outstanding	8.13	4.36	140.30
	Sacrifice (Diminution in the fair value)	1.67	0.02	3.82

3.4.3. Details of Loan assets subjected to restructuring (Information in respect of restructured accounts of farmers in distress) as compiled by management during the year

(Rs. in crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers			
	Amount Outstanding	NIL	NIL	NIL
	Sacrifice (Diminution in the value)			
Sub standard advances restructured	No. of Borrowers			
	Amount Outstanding	NIL	NIL	NIL
	Sacrifice (Diminution in the value)			
Doubtful advances restructured	No. of Borrowers			
	Amount Outstanding	NIL	NIL	NIL
	Sacrifice (Diminution in the value)			
TOTAL	No. of Borrowers			
	Amount Outstanding	NIL	NIL	NIL
	Sacrifice (Diminution in the value)			

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

(Rs. in crore)

Particulars	2009-10	2008-09
(i) No. of accounts	1	NIL
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	NIL	NIL
(iii) Aggregate consideration	6.35	NIL
(iv) Additional consideration realized in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate loss over net book value.	NIL	NIL

3.4.5. Details of non-performing financial assets purchased / sold

A.Details of non-performing financial assets purchased:

(Rs. in Crores)

Particulars	2009-10	2008-09
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:

(Rs. in Crores)

Particulars	2009-10	2008-09
1. No. of accounts sold	NIL	NIL
2. Aggregate outstanding	NIL	NIL
3. Aggregate consideration received	NIL	NIL

3.4.6 Provisions on Standard Asset

(Rs. in Crore)

Particulars	2009-10	2008-09
Provisions towards Standard Assets	24.20	24.20

3.5. Business Ratios

Particulars	2009-10	2008-09
(i) Interest Income as a percentage to Working Funds	9.66	9.29
(ii) Non-interest income as a percentage to Working Funds	1.10	1.51
(iii) Operating Profit as a percentage to Working Funds	1.77	1.54
(iv) Return on Assets (%)	0.33	0.71
(v) Business (Deposits plus advances) per employee (Rs. in Crs)	5.60	5.10
(vi) Profit per employee (Rs.in lakhs)	1.13	2.07

**3.6 Asset Liability Management****Maturity pattern of certain items of assets and liabilities**

(Rs. in crore)

Items	1Day	2 to 7 days	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & upto 6 months	Over 6 months & up to 1 years	Over 1 year & up to 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	72.89 (54.37)	98.54 (196.39)	127.16 (142.93)	216.92 (213.83)	1050.82 (695.41)	925.13 (671.26)	1540.36 (1216.05)	3133.68 (2720.70)	341.81 (283.08)	1568.07 (1166.88)	9075.38 (7360.90)
Advances	30.37 (63.36)	38.65 (75.53)	117.71 (78.29)	146.87 (198.31)	530.17 (558.74)	748.14 (565.92)	672.56 (624.36)	2682.42 (2350.85)	487.08 (451.42)	823.53 (269.43)	6277.50 (5236.21)
Investments	54.79 (47.55)	106.92 (53.76)	59.89 (0.00)	19.44 (34.20)	31.20 (72.04)	0.15 (28.96)	24.88 (21.41)	120.78 (154.20)	236.03 (166.86)	2329.14 (1284.08)	2983.22 (1863.06)
Borrowings	0.00 (0.00)	0.00 (0.00)	0.00 (40.00)	0.00 (0.00)	50.00 (1.05)	1.70 (3.85)	37.69 (7.98)	114.54 (59.72)	-- (0.00)	130.00 (30.00)	333.93 (142.60)
Foreign Currency assets	5.18 (1.62)	0.00 (0.00)	0.00 (0.00)	0.17 (0.37)	12.46 (10.40)	10.98 (8.93)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (1.65)	28.79 (22.97)
Foreign Currency liabilities	29.37 (21.66)	0.01 (0.00)	0.56 (0.48)	0.27 (0.33)	1.84 (7.49)	1.99 (5.79)	2.85 (10.27)	7.36 (2.42)	0.00 (0.00)	0.87 (0.48)	45.12 (48.92)

The above data has been compiled on the basis of the guidelines of RBI which have been relied upon by Auditors

3.7 Exposures**3.7.1 Exposure to Real Estate Sector**

(Rs. in crore)

Category	2009-10	2008-09
a) Direct exposure		
(i) Residential Mortgages –	156.13	421.21
(ii) Commercial Real Estate –	224.41	73.22
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	0.00	0.00
b. Commercial Real Estate.	0.00	0.00
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	51.33	69.41
Total exposure to real estate sector	431.87	563.84

3.7.2 Exposure to Capital Market

(Rs. in crore)

Particulars	2009-10	2008-09
(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.	28.17	33.00
(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.	4.47	4.42
(iii) Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	26.88	13.13

3.7.2 Exposure to Capital Market (Cont.)

(Rs. in crore)

Particulars	2009-10	2008-09
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	NIL	NIL
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	86.01	70.00
(vi) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	NIL	NIL
(vii) Bridge loans to companies against expected equity flows/issues;	NIL	NIL
(viii) 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) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings(both direct and indirect)	NIL	NIL
Total Exposure to Capital Market	145.53	120.55

The exposure to capital market of Rs.145.53 crore is within the limit of Rs.176.20 crore (i.e. 40% of Bank's Net Worth Rs.440.48 crore as on 31.03.2009). The direct exposure to capital market is Rs.28.17 crore and is within 20% of bank's Net Worth amounting to Rs. 88.10 crore (i.e. 20% of Banks Net Worth Rs.440.48 crores) as on 31.03.2009.

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

(Rs. in crore)

Risk Category	Exposure (net) as at 31.3.2010	Provision held as at 31.3.2010	Exposure (net) as at 31.3.2009	Provision held as at 31.3.2009
Insignificant	96.32	NIL	84.17	NIL
Low	97.89	NIL	62.77	NIL
Moderate	5.57	NIL	6.83	NIL
High	2.12	NIL	0.88	NIL
Very High	0.00	NIL	0.00	NIL
Restricted	0.00	NIL	0.00	NIL
Off-credit	0.00	NIL	0.00	NIL
Total	201.90	NIL	154.65	NIL

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 01.04.09 to 24.11.2009 (Based on the capital funds of Rs.507.54 as on 31.03.09) - NIL
- B. SBL exceeded by the Bank for the period from 25.11.2009 to 30.12.2009 (Based on the capital funds of Rs.601.14 crores as on 25.11.09)

(Rs. In Crores)

Sl. No.	Name of the borrower	Exposure ceiling (15% of the Capital funds)	Limit sanctioned	Period during which limit exceeded	Amount outstanding during the period limit exceeded	Board sanction details	Position as on 30.12.09
1.	M/s Sri Saravana Spinning Mills Pvt. Ltd.	90.17	93.41	25.11.09 to 30.12.09	78.98	Sanctioned in the MCB meeting held on 18.12.09	78.98

- C. SBL exceeded by the Bank for the period from 31.12.2009 to 31.03.2010 (Based on the capital funds of Rs.856.80 crores as on 31.03.2010) - NIL

3.7.5. Amount of advances for which, intangible securities has been taken (As compiled by Management)

(Rs. In crores)

The total amount of Advances for which intangible Securities such as charge over the rights, licenses, Authority, etc. has been taken.	71.29
Estimated value of such intangible collaterals	191.47

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

Letter of comfort issued in earlier years and outstanding as on 01.04.09 NIL

ADD: Letter of comfort issued during the year NIL

LESS: Letter of comfort expired during the year NIL

Letter of comforts outstanding as on 31.03.2010 NIL

3.8 Miscellaneous**3.8.1 Amount of Provisions made for Income-tax during the year:**

(Rs. in crore)

	2009-10	2008-09
Provision for Income Tax and Fringe Benefit Tax	4.64	25.11
Provision for Deferred Tax	0.55	6.09

3.8.2 Disclosure of Penalties imposed by RBI

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

3.9. Disclosure in terms of Accounting Standard**Employee benefits (AS 15R)**

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 effect of transitional liability till 31.03.07 as required by the accounting standard has been recognized as an expense on straight line basis over a period of five years pursuant to limited revision of standard on 17.10.07. Accordingly an amount of Rs.3.96 crores has been charged to Profit & loss Account for the year ended 31.03.10 being 1/5th of the transitional liability. An amount of Rs.7.92 crores is being carried forward to be charged to profit and loss account in the next two years.
- b) Impact of salary revision, on retirement benefits, will be accounted on finalization of revised salary of employees.
- c) The summarized position of Post employment benefits and long term employee benefits recognized in the profit and loss account and balance sheet as required in accordance with the **Accounting Standard-15 (Revised)** are as under.

I) Principal Actuarial Assumptions at the Balance Sheet Date

(Expressed as weighted Averages)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Discount Rate	8.00%	8.00%	8.00%
Salary Escalation Rate	4.67%	4.67%	4.67%
Attrition Rate	4.00%	4.00%	4.00%
Expected Rate of return on Plan Assets	8.67%	8.67%	0.00%

**II) Change in the Present value of obligations:**

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Present Value of obligations as at the beginning of the year	2896	2176	2047
Interest Cost	211	144	150
Current Service Cost	148	330	104
Past service cost (non-vested benefits)	0	0	0
Past service cost (vested benefits)	0	0	0
Benefits Paid	(175)	(507)	(89)
Actuarial loss/(gain) on obligation (balancing figure)	93	339	2
Present Value of obligations as at the year end	3173	2482	2214

III) Change in Fair Value of Plan Asset

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Fair Value of Plan Assets at the beginning of the year	2681	1528	0
Expected return on Plan Assets	234	133	0
Employer's Contribution	166	490	89
Benefits Paid	(175)	(507)	(89)
Actuarial loss/(gain) on plan assets (balancing figure)	23	35	0
Fair Value of Plan Asset at the end of the year	2929	1679	0

IV) Actual Return on Plan Assets

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Expected return on plan assets	234	133	0
Actuarial gain/(loss) on plan assets	23	35	0
Actual return on plan assets	257	168	0

V) Actuarial Gain / Loss recognized

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Actuarial gain/(loss) for the Period - Obligation	(93)	(339)	(2)
Actuarial gain/(loss) for the Period - Plan Assets	23	35	0
Total (gain)/loss for the period	70	304	2
Actuarial gain/(loss) recognised in the period	70	304	2
Unrecognised actuarial (gain)/loss at the end of the year	0	0	0

VI) Amount recognized in Balance Sheet

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Present value of the Obligation	3173	2482	2214
Fair value of plan assets	2929	1679	0
Difference	244	803	2214
Unrecognised Transitional liability	(33)	(51)	(312)
Unrecognised past service cost (non vested benefits)	0	0	0
Liability recognised in the Balance Sheet	211	752	1902

VII) Expenses Recognized in Profit & Loss Account

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Current Service Cost	148	330	104
Interest Cost	211	144	150
Expected return on Plan assets	(234)	(133)	0
Net actuarial(gain)/loss recognised in the year	70	304	2
Transitional Liability recognised in the year	17	25	156
Past service cost (non-vested benefits)	0	0	0
Past service cost (vested benefits)	0	0	0
Expenses Recognized in Profit & Loss Account	212	670	412

VIII) Movements in the Liability Recognised in the balance Sheet

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Opening net Liability	165	572	1579
Opening amount determined under para 55 of AS15R	0	0	0
Expense as Above	212	670	412
Contribution paid	(166)	(490)	(89)
Closing Net Liability	211	752	1902

IX) Amount for the Current Period

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Present value of Obligation	3173	2482	2214
Plan Assets	2929	1679	0
Surplus/(Deficit)	(244)	(803)	(2214)
Experience adjustments on Plan Liabilities - (loss)/gain	(156)	(389)	(46)
Experience adjustments on Plan Assets - (loss)/gain	(23)	(35)	0



X) Major categories of Plan Assets

(As % of Total Plan Assets)

Particulars	Gratuity (Funded)	Pension (Funded)
Government of India Securities	18.28%	13.72%
State Government Securities	17.08%	14.86%
High Quality Corporate Bonds	46.73%	38.22%
Equity Share of listed companies	0.00%	0.00%
Property	0.00%	0.00%
Special Deposit Scheme	15.65%	--
Balance with Bank Account	--	0.06%
Balance held at LIF India's Running account	--	17.75%
Others (Amount receivable from)	2.26%	15.39%
Total	100.00%	100.00%

XI) Enterprises Best Estimate

(Rs. in lacs)

Particulars	Gratuity (Funded)	Pension (Funded)	Leave Encashment (Unfunded)
Enterprises Best Estimate of Contribution during next year	300	600	600

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

(Rs. in lacs)

Sick leave	
Liability as on 01-04-2009	1105.43
Liability as on 31-03-2010	1349.00
Transitional Liability debited to Profit & Loss Account (cumulative)	595.08
Amount debited to Profit & Loss Account	243.57

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

(Rs. in crore)

Particulars	Quarter Ended 31/03/2010	Quarter Ended 31/03/2009	Year Ended 31/03/2010	Year Ended 31/03/2009
1. Segment Revenue				
a. Treasury operations	55.59	37.80	196.08	156.80
b. Corporate/wholesale banking operations	121.21	111.96	487.38	328.62
c. Retail banking operations	90.25	74.59	326.23	270.67
d. Other banking operations	1.96	1.67	3.19	8.51
Total	269.01	226.02	1012.88	764.60
2. Segment Result (Profit / loss before Tax)				
a. Treasury operations	-11.45	-16.64	-60.07	-24.67
b. Corporate/wholesale banking operations	-51.08	24.67	36.80	48.33
c. Retail banking operations	22.08	13.61	74.43	65.49
d. Other banking operations	-5.97	-1.96	-19.94	-7.65
Total	-46.42	19.68	31.22	81.50
Profit - Before Tax	-46.42	19.68	31.22	81.50
Less : Tax expenses	-25.65	-0.30	0.55	31.20
Net Profit	-20.77	19.98	30.67	50.30
3. Segment Assets				
a. Treasury operations	3027.89	1905.29	3027.89	1905.29
b. Corporate/wholesale banking operations	3851.74	3685.42	3851.74	3685.42
c. Retail banking operations	2993.85	2363.38	2993.85	2363.38
d. Other banking operations	612.79	353.55	612.79	353.55
Total	10486.27	8307.64	10486.27	8307.64
4. Segment Liabilities				
a. Treasury operations	9.15	4.38	9.15	4.38
b. Corporate/wholesale banking operations	3592.85	2785.09	3592.85	2785.09
c. Retail banking operations	5909.27	4887.52	5909.27	4887.52
d. Other banking operations	236.00	176.93	236.00	176.93
Total	9747.27	7853.92	9747.27	7853.92
CAPITAL AND RESERVES	739.00	453.72	739.00	453.72
TOTAL	10486.27	8307.64	10486.27	8307.64

Part B: Geographic segments

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

**5. Accounting Standard 18 - Related Party disclosures**

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

Particulars	Managing Director (Rs.)		Chairman (Rs.)
	V.S.Reddy	K.S.R.Anjaneyulu	S.Narayan
	01.04.2009 to 25.01.2010	26.01.2010 to 31.03.2010	01.04.2009 to 31.03.2010
Consolidated Pay	1961290.32	493548.38	600000.00
Employers' contribution to Provident Fund	75000.00	49355.00	
Leave encashment			
Gratuity			
Gas Electricity	26980.00		
Drivers Salary, petrol & Office expense			360250.00
Monetary value of perquisites #			
Leave Fare Concession			
Medical & Entertainment expenditure	10656.00	5788.00	
Total	2073926.32	548691.38	960250.00

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

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

EPS calculation in accordance with the AS-20 issued by the ICAI is as under:
[Rs. In lacs]

	2009-10	2008-09
Net profit after Tax	3066.80	5029.53
Weighted Average No. of Equity shares	61996027	48776176
Earnings per share - Basic & diluted (Rs.)	4.95	10.31

Note: There are no potential dilutive equity shares.

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 Deferred Tax are as under:

[Rs. In Crore]

Components	Deferred Tax Assets	Deferred Tax Liability
Leave Encashment	3.75 (3.26)	-
Depreciation on Fixed Assets	--	3.44 (3.52)
Carried forward Loss	3.13 --	--
Depreciation on investments	-	9.23 (2.45)
Others	16.35 (13.83)	-
Net Deferred Tax Asset/Liability	10.56 (11.11)	-

Figures in brackets pertain to previous year.

- i) 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.

- ii) During the year, an amount of Rs. 0.55 crore (net) has been debited [Previous year Rs. 6.09 crore debited] to the Profit and Loss account by way of adjustment to Provision for deferred tax.

8. Intangible Assets AS 26:

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

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 2010 requiring recognition in terms of the said standard.

Additional Disclosures

10. Break up of 'Provisions & Contingencies' shown under the head in Profit & Loss Account

(Rs.in Crore)

Particulars	31.03.2010	31.3.2009
Provisions for Standard assets	-	0.75
Bad and Doubtful Debts	119.27	1.84
Taxation (Net of Deferred Tax)/ FBT/ Int. Tax	5.19	31.20
Investment Depreciation	4.61	7.71
Transitional Termination Benefits under revised AS15.	3.96	3.96
Provision for Sick Leave	2.44	1.14
Provision for leave encashment	2.57	3.62
Provision for other Assets	1.00	0.25
MAT Tax Credit entitlement	(4.64)	-
Floating Provision	-	5.62
Provision for Economic sacrifice	1.14	2.46
Total	135.54	58.55

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

(Rs.in Crore)

Particulars	Opening as on 01.04.2009	Provision made during the year	Provisions reversed/adjusted	Closing as on 31.03.2010
Prov. for Standard Assets	24.20	-	-	24.20
Prov. for Bad and Doubtful debts	73.95	119.27	132.49	60.73
Investments	26.66	4.61	4.68	26.59
Income Tax	28.03	4.64	--	32.67
Floating Provision	7.00	--	--	7.00
Interest Tax	0.10	0.38	-	0.48
Fringe Benefit Tax	1.90	-	--	1.90
Prov. for Dividend (incl. Div.Tax)	14.27	6.82	14.27	6.82
Prov. for Loss assets (excl.adv)	2.12	1.00	--	3.12
Prov. for Leave encashment (including Transitional Liability)	15.79	4.12	0.89	19.02
Prov. for Sick Leave (including Transitional Liability)	5.10	4.42	--	9.52
Provision for interest sacrifice	4.36	1.27	0.12	5.51
Others				
Prov. for Bonus.	0.45	0.44	0.41	0.48
Prov. for pension. (including Transitional Liability)	5.72	6.70	4.90	7.52
Prov. for Gratuity. (including Transitional Liability)	2.47	2.12	2.48	2.11
Wage arrears	12.20	4.23	--	16.43

12. The Bank earned a profit of Rs.0.66 Crores on sale of securities under HTM category in the year 2009-10. As per the guidelines of the Reserve Bank of India, this profit has been transferred to Capital Reserve.

13. Movement Floating provisions

(Rs. in crores)

Particulars	2009-10	2008-09
Floating Provisions at the beginning of the year	7.00	3.00
Floating Provisions made during the year	--	5.62
Floating Provisions utilization during the year	---	1.62
Floating Provisions at the end of the year	7.00	7.00

Note: In terms of RBI circular DBOD.BP.BC. 48/21.04.048/2008-09 dated 22.09.2008, the bank has utilized a sum of Rs.NIL (previous year Rs.1.62 crore) from Floating provision for NPAs and credited the same to Profit & Loss Account on account of unapplied interest, penal interest and miscellaneous charges etc. in respect of Agriculture Debt Waiver & Debt Relief Accounts.

14. Disclosure of Complaints; (As compiled by management)**A. Customer Complaints:**

(a)	No. of complaints pending at the Beginning of the year	19
(b)	No. of complaints received during the year	135
(c)	No. of complaints redressed during the year	146
(d)	No. of complaints pending at the end of the year	8

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

15. Concentration of Deposits, Advances, Exposures and NPAs. (As compiled by Management)**15.1.1. Concentration of Deposits** (Rs. in crores)

Total Deposits of twenty largest deposits	1745.03
Percentage of deposits of twenty largest deposits to total deposits of the Bank	19.23

15.1.2 Concentration of Advances*

(Rs. in crores)

Total advances to twenty largest borrowers	1663.20
Percentage of Advances to twenty largest borrowers to total Advances of the Bank	21.75

*Advances are computed as per definition of credit exposure including derivatives furnished in Master Circular on Exposure Norms DBOD.NO.Dir.BC.15/13.03.00/2009-10 dated July1, 2009.

15.1.3. Concentration of Exposures**

(Rs. in crores)

Total Exposures of twenty largest borrowers/customers	1663.20
Percentage of Exposures of twenty largest borrowers/customers to total Exposure of the Bank on borrowers/customers	21.30

**Exposures are computed based on credit and investment exposure as prescribed in Master Circular on Exposure Norms DBOD.NO.Dir.BC. 15/13.03.00/2009-10 dated July 1, 2009.

15.2.1: Concentration of NPAs: (As compiled by Management)

(Rs. in crores)

Total Exposure to top four NPA accounts	180.67
---	--------

15.2.2: Sector -wise NPAs (As compiled by Management)

Sl. No.	Sector	Percentage of NPA as to Total Advances in that sector
1	Agriculture & allied activities	1.73%
2	Industry (Micro & small, Medium and Large)	14.13%
3	Services	0.03%
4	Personal Loans	3.61%



15.2.3. Movement of NPAs (As compiled by Management)

Particulars	Amount in Rs. Crores
Gross NPAs* as on 1st April of particular year (opening Balance)	144.05
Additions (Fresh NPAs) during the year	389.30
Sub - total (A)	533.35
Less:-	
(i) Upgradations	12.53
(ii) Recoveries (excluding recoveries made from upgraded accounts)	65.57
(iii) Write-offs	130.08
Sub-total (B)	208.18
Gross NPAs as on 31st March of following year (closing balance) (A-B)	325.17

*Gross NPAs as per item 2 of Annex to DBOD Circular DBOD.BP.BC.No. 46/21.04.048/2009-10 dated September 24, 2009.

15.2.4. Overseas Assets, NPAs and Revenue (As compiled by Management)

Particulars	Amount in Rs. Crores
Total Assets	NIL
Total NPAs	NIL
Total Revenue	NIL

15.2.5. Off-balance Sheet SPVs sponsored (Which are required to be consolidated as per accounting norms) (As compiled by Management)

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

16. Bancassurance Business:

Fees, remuneration received from bancassurance business:

For the year ended 31.03.2010, the bank received income of Rs.1.92 Crore from Bancassurance business.

17. Agriculture Debt Relief Scheme

In terms of Reserve Bank of India guidelines, the Bank has implemented the Agricultural Debt Waiver and Debt Relief Scheme 2008 :

- (i) a final claim of Rs.17.59 crores under the Scheme has been preferred with Reserve Bank of India. The same has been certified by the Statutory Central Auditors. An amount of Rs.11.42 crores (i.e.) 65% of the total claim amount has been reimbursed by RBI till date.
- (ii) further an amount of Rs. 3.59 crores is eligible for Relief under the said scheme and the Bank has submitted a preliminary claim for Rs 2.72 crores. The claims relating to Debt Relief are subject to verification by the Statutory Central Auditors. The bank has made a provision for loss in Present Value terms in accordance with RBI Scheme amounting to Rs.0.14 crores.

18. Share Capital & Issue Expenses netted against Share Premium Account

The share issue expenses of Rs.1.71 crores was netted against the Share Premium Account of Rs.214.41 crores collected during rights issue during the year.

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



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**

- c) 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

- d) 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

- a)
- 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 31.03.2010

Quantitative Disclosures

- b) The amount of Tier 1 capital as on 31.03.2010

Rs. in Crs

Paid up Equity Share Capital	97.51
Innovative instruments	0.00
Amounts deducted from Tier I capital (DTA), fixed assets, including goodwill and investments.	-14.81
Reserves	634.99
Total Tier 1 Capital	717.69

- c) The total amount of Tier II capital (net of deductions from Tier II capital).

Rs. in Crs

General Provisions (including floating provisions)	35.74
Tier II Bonds (Eligible for Tier II capital at different rates and different maturities)	132.00
Total Tier II Capital	167.74

- d) 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**
- e) Subordinated debt eligible for inclusion in Lower Tier II capital
- Total amount outstanding - Rs.170.00 Crs
 - Of which amount raised during the current year - Rs.100.00 Crs
 - Amount eligible to be reckoned as capital funds - Rs.132.00 Crs
- f) Other deductions from capital, if any (DTA and fixed assets software) - Rs.-14.81 Crs
- g) Total eligible capital (Tier I & Tier II) : **Rs.885.43 Crs**

Table DF- 3
Capital Adequacy

Qualitative Disclosures

- Bank maintained Capital to Risk Weighted Assets Ratio (CRAR) at 14.82%
- Tier 1 CRAR of 12.01% is above the minimum requirement of 6% as per RBI guidelines.
- Bank's CRAR as per Basel II (14.82%) is higher than Basel I (14.21%).
- Total CRAR above the minimum requirement of 9 % including Pillar 2 requirements
- Bank maintained capital in terms of Revised Framework above the prudential floor viz. higher of
 - Minimum capital required as per the Revised Framework;
 - 90 % of the minimum capital required to be maintained as per the Basel I framework
- Tier II capital is within the stipulation of 50% of Tier I capital

Quantitative Disclosures

- a) Capital requirements for credit risk:
- Portfolio subject to standardized approach **Rs. 466.47 Cr**
 - Securitisation exposures **NIL**
- b) Capital requirements for market risk:
- Standardised duration approach:
 - Interest rate risk **Rs.26.63 Cr**
 - Foreign exchange risk (including gold) **Rs.1.11 Cr**
 - Equity risk **Rs.13.06 Cr**
- c) Capital requirements for operational risk:
- Basic indicator approach **Rs.30.41 Cr**
- 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**

- The Bank had put in place Credit Risk Management Policy and Lending Policy where all the credit aspects have been included. The policies stipulate borrower/credit standards, standards for loan collateral/guarantor acceptance, portfolio management, risk based pricing of loans & advances,



loan review mechanism, credit audit, risk concentrations, risk monitoring and evaluation, provisioning and regulatory / legal compliance.

- Bank has adopted the Income Recognition and Asset Classification norms of the regulator.
- The Bank identifies the risks to which it is exposed and applies rating models to measure, monitor and control these risks. Bank considers rating of a borrowal account as an important tool to measure the credit risk associated with any borrower and accordingly a two dimensional credit rating system was adopted.
- While the Board / Integrated Risk Management Committee of the Board devises the policy, fixes various credit risk exposures and approves strategies, the Integrated Risk Management Committee of Executives implements them through the Integrated Risk Management Department
- The Bank studies the concentration risk by (a) fixing exposure limits for single and group borrowers (b) rating grade limits and (c) industry wise exposure limits
- Credit risks and compliance to risk limits were monitored on bank wide basis.
- Bank has Board approved policy framework on Stress Testing to measure vulnerability of profit and capital under stress conditions.

Quantitative Disclosures

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

Credit Risk Exposures	Rs.in.cr
Fund Based *	9537.39
Non Based	1167.91
Total Fund & Non Based	10705.30

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

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

- Overseas - NIL
- Domestic

Rs. in Crs

	FUND BASED	NON FUND BASED
TOTAL ADVANCES	9537.39	1167.91

- d) Residual contractual maturity breakdown of assets

Rs. in Crs

OUTFLOWS	Cash	Balance With RBI	Balance With Other Banks	Investments	Call Money Placements	Advances	Fixed Assets	Other Assets
Overdue to Day 1	83.75	163.34	29.10	54.79	0.00	30.37	0.00	13.55
2-7 Days	0.00	47.98	0.00	64.92	50.00	38.65	0.00	1.34
8-14 Days	0.00	7.46	0.00	59.89	0.00	117.71	0.00	1.56
15-28 Days	0.00	12.24	0.00	19.44	0.00	146.87	0.00	3.11
29 Days to 3 Months	0.00	53.23	0.15	31.20	0.00	530.17	0.00	13.80
3-6 Months	0.00	47.23	0.00	0.15	0.00	748.14	0.00	40.03
6 Months-1 Year	0.00	86.26	0.00	24.87	0.00	672.56	0.00	126.45
1-3 Years	0.00	178.20	1.69	140.54	0.00	2682.42	0.00	340.77
3-5 Years	0.00	18.96	0.00	236.03	0.00	487.08	0.00	0.00
Over 5 Years	0.00	94.18	0.00	2328.14	0.00	823.53	65.67	3.95
Total	83.75	709.08	30.95	2959.98	50.00	6277.50	65.67	544.56

- c) Industry type distribution Fund based exposures

Rs. in Crs

Industry	Amount	% to gross credit
Spinning Mills	1.03	0.02
Iron & Steel (Manufacturing & Trading)	242.58	3.82
Other Metal & Metal products	94.72	1.49
All Engineering	85.98	1.35
Electricity	42.01	0.66
Jute Textiles	4.50	0.07
Other Textiles	168.27	2.65
Sugar	23.96	0.38
Food Processing	82.92	1.31
Vegetable Oil & Vanaspati	31.54	0.50
Paper & Paper Products	58.94	0.93
Rubber & Rubber Products	4.80	0.08
Cement	57.27	0.90
Leather and Leather Products	20.68	0.33
Gems and Jewellery	85.57	1.35
Construction	71.38	1.12
Petroleum	3.91	0.06
Automobiles	27.86	0.44
Computer Software	0.93	0.01

Industries having exposure more than 5% of gross credit of the bank.

Rs in Cr

Industry	Amount	% to gross credit
Cotton Textiles	421.86	6.64
Chemical, Dyes, Paints, etc.	452.70	7.13
Infrastructure	383.09	6.03
Other Industries	525.02	8.27



e) Amount of NPAs (Gross)		Rs.in.cr
Substandard		167.93
Doubtful 1		98.99
Doubtful 2		50.42
Doubtful 3		2.96
Loss		4.88
Total		325.18

- f) Net NPAs Rs.257.79 cr
- g) NPA Ratios
- Gross NPAs to gross advances 5.12%
 - Net NPAs to net advances 4.11%

h) Movement of NPAs (Gross)		Rs.in.cr
Opening balance		144.05
Additions		389.30
Reductions		208.17
Closing balance		325.18

i) Movement of provisions for NPAs		Rs.in.cr
Opening balance		73.95
Provisions made during the period		119.26
Write-off		132.49
Write-back of excess provisions		0.00
Closing balance		60.72

- j) Amount of non-performing investments - **Rs. 7.82 Cr**
- k) Amount of provisions held for non-performing investments - Rs.6.82 Crs
- l) Movement of provisions for depreciation on investments

Rs. in Cr	
Opening balance	26.66
Provisions made during the period	4.61
Write-off	4.68
Write-back of excess provisions	Nil
Closing balance	26.59

Table DF- 5

Credit Risk: Disclosures for portfolios subject to the standardized approach

Qualitative Disclosures

- a) For portfolios under the standardized approach:
- The Board has approved four Rating Agencies identified by Reserve Bank of India namely (i) CRISIL (ii) ICRA (iii) CARE (iv) FITCH to facilitate the borrower customers to solicit the ratings for all types of exposures i.e. fund based, non-fund based, short and long term.
 - No agency has been added/deleted by the bank during the year.

Quantitative Disclosures

- a) 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:

Rs. in Cr

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	2173.40	1243.67	2196.84	2196.84	669.29	941.43	5039.53	4381.94
Investments	1961.24	0.00	0.20	0.20	Nil	Nil	1961.44	0.20
Other Assets*	1115.03	23.05	110.52	110.52	Nil	Nil	1225.55	133.57
Loans & Advances Deducted	1310.87	0.00	Nil	Nil	Nil	Nil	1310.87	0.00
Total Fund Based	6560.54	1266.72	2307.56	2307.56	669.29	941.43	9537.39	4515.71
Non Fund Based inc. Contingent credit	182.35	82.08	802.01	500.48	183.55	84.72	1167.91	667.28
Total Credit Risk Exposures	6742.89	1348.80	3109.57	2808.04	852.84	1026.15	10705.30	5182.99

* 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

Qualitative Disclosures

- a) The Bank has put in place Credit Risk Mitigation & Collateral Management Policy with the primary objective of (i) Mitigation of credit risks and enhancing awareness on identification of appropriate collateral taking into account the spirit of Basel II / RBI guidelines and (ii) Optimizing the benefit of credit risk mitigation in computation of capital charge as per approaches laid down in Basel II / RBI guidelines.

The Bank generally relies on Risk Mitigation techniques like Loan Participation, Ceiling on exposures, Escrow mechanism, forward cover, higher margins, loan covenants, collateral and insurance cover.

Valuation methodologies are detailed in the Credit Risk Management Policy.

Bank accepts guarantees from individuals with considerable network and the corporates. Only guarantees issued by entities with a lower risk weight than the counterparty shall be accepted to get the protection for the counter party exposure.

Concentration risk in credit risk mitigation - All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit / ceiling have been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank.

Quantitative Disclosures

- b) 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.

Rs. in Cr

Collateral Type	Exposure	Financial Collateral Amount	Net Exposure
Deposits	5781.90	588.96	5192.94
Gold	830.20	721.91	108.29
Securities	0.00	0.00	0.00
KVP / NSC	0.00	0.00	0.00
Life Insurance Policies	2.96	0.00	2.96
Debt Securities	0.00	0.00	0.00
Mutual Funds	0.00	0.00	0.00



- c) 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: Disclosures for standardized approach

Qualitative Disclosures

The Bank has not undertaken any securitization activity.

Quantitative Disclosures

NIL

Table DF- 8

Market risk in trading book

Qualitative Disclosures

- a) Market Risk in trading book is assessed as per the Standardized duration method. The capital charge for HFT and AFS is computed as per Reserve Bank of India prudential guidelines.

Quantitative Disclosures

- | | |
|----------------------------------|---------------------|
| a) The capital requirements for: | |
| • Interest rate risk | Rs. 26.63 Cr |
| • Equity position risk; and | Rs. 13.06 Cr |
| • Foreign exchange risk | Rs. 1.11 Cr |

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 200 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 2008-09, 2007-08, 2006-07 is considered for computing the capital charge. The required capital is **Rs. 30.41 Cr.**

Table DF- 10

Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures

- a) Embedded Option Risk (Foreclosure of deposits) is studied and factored in the interest rate sensitivity analysis. Based on the interest rate sensitivity, interest rate risk in the Banking Book is studied on a Monthly basis. Earnings at Risk (EAR) are computed based on the Traditional Gap Analysis on a static position. Market Value of Equity (MVE) is computed adopting the Duration Gap Analysis.

Quantitative Disclosures

- b) 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 Nil is at 1.90% 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 **Rs. 2.87 cr.**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010

(Rs. in 000')

	31.03.2010	31.03.2009
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit as per Profit & Loss Account	306680	502953
ADJUSTMENTS FOR:		
Provisions & Contingencies	1355413	585464
Depreciation	173024	127158
Loss on sale of assets	1608	782
Income Tax / T D S paid	(543971)	(295530)
Net cash flow before changes in Working Capital	1292754	920827
CHANGES IN WORKING CAPITAL :		
LIABILITIES : Increase/Decrease in		
Deposits	17144747	17424148
Refinances	1313305	(201842)
Other Liabilities	(1428784)	(369085)
	17029268	16853221
ASSETS : Increase/Decrease in		
Investments	11201661	1693785
Advances	10412814	13870414
Leased-out Assets	0	0
Other Assets	(12824)	(795418)
	(21601651)	(14768781)
CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(293168)	(271026)
Sale of Fixed Assets	1628	2693
	(291540)	(268333)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share issue including share premium net of forfeited shares	2614357	107
Tier II Bonds	600000	0
Dividends paid	(119410)	(71939)
	3094947	(71832)
Cash flow for the year	(476222)	2665102
Cash & Cash equivalents at the beginning of the year	8814131	6149029
Cash & Cash equivalents at the end of the year	8337909	8814131

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 31,2010. 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, 2010 and the Profit & Loss Account for the year ended March 31, 2010 dealt with in our report dated 31.05.2010 to the members of The Lakshmi Vilas Bank Limited.

For **SUNDARAM & SRINIVASAN**
CHARTERED ACCOUNTANTS

C.NARESH
PARTNER
MEMBERSHIP NO. 28684

Place: Karur
Date : 31st May, 2010

Auditors' Certificate on Corporate Governance

To,
The Members of
The Lakshmi Vilas Bank Limited
Karur.

We have examined the compliance of conditions of Corporate Governance by The Lakshmi Vilas Bank Limited for the year ended 31st March, 2010 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 **M/s.Sundaram & Srinivasan**
Chartered Accountants

C.Naresh
Partner
Membership No. 28684
Place: Karur
Date : 31st May, 2010

For **M/s. ABARNA & ANANTHAN**
Chartered Accountants

C.S. GOPALAKRISHNA
Partner
Membership No. 14706

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

A REGISTRATION DETAILS	
Registration	1377
State	18
Balance Sheet Date	31.03.2010
B CAPITAL RAISED DURING THE YEAR	
Public Issue	NIL
Bonus Issue	NIL
Rights Issue	2631383
Private Placement	NIL
C POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	
Total Liabilities	104862705
Total Assets	104862705
SOURCES OF FUNDS	
Paid up capital	975088
Reserves and Surplus	6414886
Secured Loans	NIL
Unsecured Loans	3339349
D APPLICATION OF FUNDS	
Net Fixed Assets	656707
Investment	29832223
Net Current Assets	8219218
Miscellaneous Expenses	NIL
Accumulated Losses	NIL
PERFORMANCE OF THE COMPANY	
Total Income	10128810
Total Expenditure	9822130
Profit Before Tax	312180
Profit After Tax	306680
Earning per share (Rs.)	4.95
Dividend Rate	6%
GENERAL NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY (AS PER MONETARY TERMS)	
Items Code	N.A
Product Description	Banking Company



Annexure A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview of the Economy 2010-11

The global economy continues to recover amidst ongoing policy support and improving financial market conditions. The recovery process is led by EMEs, especially those in Asia, as growth remains weak in advanced economies. The global economy continues to face several challenges such as high levels of unemployment, which are close to 10 per cent in the US and the Euro area.

India's growth-inflation dynamics are in contrast to the overall global scenario. The economy is recovering rapidly from the growth slowdown but inflationary pressures, which were triggered by supply side factors, are now developing into a wider inflationary process. As the domestic balance of risks shifts from growth slowdown to inflation, our policy stance recognizes and responds to this transition. India's rapid turnaround after the crisis induced slowdown evidences the resilience of our economy and our financial sector. However, this does not divert the country from the need to bring back into focus the twin challenges of macroeconomic stability and financial sector development.

On balance, under the assumption of a normal monsoon and sustenance of good performance of the industrial and services sectors on the back of rising domestic and external demand, for policy purposes the baseline projection of real GDP growth for 2010-11 is placed at 8.0 per cent with an upside bias, keeping in view domestic demand-supply balance and the global trend in commodity prices, the baseline projection for WPI inflation for March 2011 is placed at 5.5 per cent.

Outlook and Projections of the Banking Industry 2010-11

Against this backdrop of global economy, the stance of monetary policy of the Reserve Bank is intended to adopt corrections in lines of the following

- CRR, SLR, Benchmark Repo and Reverse Repo rates hike.
- Bank credit growth expectations increased to 20% in fiscal 2011, compared to 17% in fiscal 2010
- Bank deposit growth expectations increased to 18%, marginally higher than 17% reported in fiscal 2010
- Switch over to the system of Base Rate from July 1, 2010. Guidelines on the Base Rate system were issued on April 9, 2010. It is expected that the Base Rate system will facilitate better pricing of loans, enhance transparency in lending rates and improve the assessment of transmission of monetary policy.
- To mandate banks not to insist on collateral security in case of loans up to Rs.10 lakh as against the present limit of Rs.5 lakh extended to all units of the micro and small enterprises (MSEs) sector.
- With a view to increasing banking penetration and promoting financial inclusion, domestic commercial banks, both in the public and private sectors, were advised to take some specific actions, to put in place a Board-approved Financial Inclusion Plan (FIP) in order to roll them out over the next three years.
- Keeping in view the significant developments in payment systems and the Reserve Bank's responsibility with regard to regulation and supervision of payment systems, the 'Vision Document' for the period 2009-12 was released. The scope of the 'Vision Document' has been enhanced to ensure that all the payment and settlement systems operating in the country are safe, secure, sound, efficient, accessible and authorised.

Outlook of the bank in 2010-11:

Our bank's Business Plan for the fiscal 2010-11 had been re-aligned to get into the higher growth orbit, to capture the key position and to stay front in the competitive environment by encashing the technological environment. We intend to bring in new products and services in keeping with our risk appetite and focus on customer relationships as the engine for growth.

Branch Expansion 2010-11:

In accomplishment of the branch expansion programme under medium range plan to improve better visibility and the brand image, the Board had finalized branch locations to be opened in the next financial year.

- 37 centres as per the Branch expansion plan submitted to RBI for authorization.
- 6 branches under Tier 3 to Tier 6 population category without having the need to take permission from RBI in each case, subject to reporting.

Opportunities and Threats:

While the indicative projections of growth and inflation for 2010-11 may appear reassuring, the following major downside risks to growth and upside risks to inflation are recognized:

- (i) There is still uncertainty about the pace and shape of global recovery. As the world discovered during the recent crisis, the global economy is heavily inter-linked through the business cycle. A downturn in global sentiment will affect not only our external sector but also our domestic investment.
- (ii) Oil prices have been range-bound in the recent period. However, if the global recovery turns out to be stronger than expected, oil prices may increase sharply, driven both by prospects of demand recovery and the return of the investment motive, which will affect all commodities. This could stoke inflationary pressures even as growth remains below potential, which may adversely create an impact on the inter-related Banking industry.
- (iii) So far, capital inflows have been absorbed by the current account deficit. However, sharp increase in capital inflows, above the absorptive capacity of the economy, may complicate exchange rate and monetary management, which poses challenge to Banking companies.
- (iv) As growth accelerates and the output gap closes, excess liquidity, if allowed to persist, may exacerbate inflation expectations, leading to heavy fluctuations in interest rates.
- (v) However Bank is committed to creating equal financial opportunities along with enabling financial inclusion. The bank provides term lending and direct lending, a two-pronged solution to provide easy access to suitable financial products and services to Un-Banked / Under-Banked, low income communities across urban and rural India.
- (vi) The bank is in the process of establishing a dedicated business vertical that address the sustainable ventures such as CASA, Retail Credit / Whole Sale Credit, Insurance, Mutual funds, Investment and other wealth Management avenues.
- (vii) As India becomes the most favored emerging market for foreign investments, the economic, political and regulatory climate for private equity investors has become encouraging. We are making conscious efforts of promoting Depository Participant (DP) and will be offering soon.

Business Segmentation

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

Deposits	Rs.in Crs.	%	Advances	Rs.in Crs.	%
Demand Deposits	628.53	6.93	Bills purchased & discounted	407.60	6.49
Savings Deposits	1025.04	11.29	Cash Credits, Overdrafts & Demand Loans	3197.70	50.94
Term Deposits	7421.81	81.78	Term Loans	2672.20	42.57
Total	9075.38	100.00	Total	6277.50	100.00

Risk and Concerns

The twin challenges in the coming days would be macroeconomic stability and financial sector development. The Reserve Bank of India expects WPI based inflation to come down from 9.9 percent in March 2010 to about 5.5 percent in March 2011. Factors which loom large on the inflation front are rise in net capital inflow and resultant growth in money supply, rising international commodity prices, especially those of oil and metals and expected resurgence in domestic demand. Given the budgeted net central government borrowing in 2010-11 and inflation control as top most monetary policy priority of the RBI, there could be curtailment of domestic liquidity in the next fiscal. The challenge before the banking industry is to manage liquidity and ensure adequate credit flow to the core sectors of the economy like agriculture, micro, small and medium enterprises (MSMEs), infrastructure and export oriented units at affordable costs.

Internal Controls

The Bank has a well equipped Audit & Inspection Department with the Audit Committee of the Board as its apex body, to look after the internal control and the adherence to the laid down policies and procedures.

All the branches and Departments have been brought under Risk based Internal Audit. Prioritization and periodicity of audit is decided on the

basis of the independent risk assessment made by Audit & Inspection Department.

The Audit function oversees the functioning, compliance with the related statutes, book maintenance, accuracy and timeliness in filing of returns apart from focusing on the identified risk areas. Concurrent audit is conducted at the key branches to prevent frauds and to rectify the defects within a short period of their occurrences.

System Audit is conducted at all branches and Departments at periodical intervals to ensure the adherence to physical, environmental, logical access and operational controls.

Financial Performance vs. Operational Performance

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

- Deposits increased by 23%
- Advances increased by 20%
- CASA deposits increased by 35%
- Total Income increased by 33%
- Net Interest Income increased by 62%
- Operating profit 53%
- Number of branches increased to 274 from 251
- Staff strength: 2655

Human Resources Development / Industrial Relations

The Bank has assessed manpower requirement in alignment to the Business Plan. Further the Bank has taken initiative for competency based recruitment, need based Training and Development, Talent Management, Performance Management and Peer recognition practices. Talent acquisition and Talent Transformation are followed to meet existing and future requirement.

The Industrial Relations remains cordial and harmonious throughout the year.



Annexure B

BOARD OF DIRECTORS AND COMMITTEES

The composition of the Board of Directors, headed by Non-Executive Chairman is governed by the provisions of the Companies Act, 1956, Banking Regulation Act, 1949 and Listing Agreement entered with National Stock Exchange, Mumbai. The Board consists of 11 Directors as on 31.03.2010. The Board consists of eminent persons with considerable professional expertise and experience in Banking, Law, Accountancy, Engineering, Small Scale Industry, Rural Development, Consultancy 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 follow:

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 name of members and chairman, meetings and attendance during the year under review, are provided in annexure C. The terms of reference of Audit are in accordance with RBI guidelines and clause 49 of listing agreement inter alia includes the following:

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

Share Transfer and Investors' Grievances committee

The Share Transfer and Investors' Grievances Committee approves and monitors share transfers, transmission, issue of duplicate shares, physical shares on remat requests, fixing book closure / record date etc., The Committee monitors the redressal of complaints of investors like Complaints on Share transfer, non-receipt of dividend declared, non-receipt of annual report & other related matters.

Details of name of the Chairman & members of the Committee, Compliance officer, meetings and attendance during the year are provided in annexure C.

Infrastructure Development committee

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

Risk Management Committee

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

Remuneration Committee

No committee has been formed as the remuneration of whole time Director and sitting fees payable to other directors is decided only by the Board of Directors. The remuneration of Managing Director was approved by RBI on the recommendations of the Board, details of which is given in the Schedule 18 (under 5 Accounting Standards 18 – Related Party Disclosure) of the Annual accounts. The other directors were paid Rs. 15,000/- as sitting fees for Board/Committee of Board meetings which is within the limits prescribed under the Companies Act 1956.

Fraud Monitoring Committee

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

Customer Service Committee

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

Management Committee

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

Nomination Committee

Pursuant to the Directions of the Reserve Bank of India, the Bank has constituted a Nomination Committee of the Board for conducting due diligence process to determine the 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 to promote subsidiary companies to carryout varied financial services in a focused manner.

Disclosure

There was no penalty or strictures passed on the bank by any regulatory authority for non-compliance of any laws except SEBI vide its letter no. ID8/BM/RC/BCHRL/183044/2009 dated November 13, 2009 advised the Bank to be careful in future on certain disclosures.



Annexure C

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

Name of the Director & No. of Shares held by them	Chairman of the Board / Committee	Representation as per Banking Regulation Act	Category as per Listing Agreement	Board (16 meetings)	Audit Committee (ACB) (8 meetings)	Share Transfer & Investors' Grievance Committee (4 meetings)	Management of the Board (MCB)(18 meetings)	Integrated Risk Management Committee (IRMC) (4 meetings)	Infrastructure Development Committee (IDC) (5 meetings)	Customer Service Committee (CSC) (2 meetings)	Annual General Meeting	No. of Other Directorships held	Other Companies Name in which he is the Directors	Other Companies in which he is the Chairman of any Committee
S.Narayan Non-Executive Chairman (No of shares: Nil)	Board	Majority - Strategic Planning & Rural Development	Independent / Non-executive	14	NA	NA	NA	NA	NA	NA	YES	10	M/s Apollo Tyres Ltd., M/s.Dabur India Ltd., M/s.Seshasayee Paper & Board Ltd., M/s. Teesta Urja Ltd., M/s.Godrej Properties Ltd., M/s.Fem Care Pharma Limited., M/s.Aviva Life Insurance Company India Ltd M/s.AIP Power Private Ltd. M/s.Artemis Medicare Services Private Ltd. M/s.Castlewood Trading Private Ltd.	Nil
Mr. V.S.Reddy, Managing Director (No. of Shares: 1130) (till 25.01.2010)	MCB, NCB, IRMC, IDC, CSC, Gratuity, PF, Pension, Steering, FMC	Majority -Banking	Executive - Director/Non Independent	13	NA	NA	14	3	4	2	YES		Nil	
Mr.K.S.R.Anjaneyulu, Managing Director (No of shares: Nil) (From 25.01.2010)	MCB, NCB, IRMC, IDC, CSC, Gratuity, PF, Pension, Steering, FMC	Majority - Banking	Executive - Director/Non Independent	3	NA	NA	4	1	1	NA	NO		Nil	Nil
Mr.M.P.Shyam (No. of shares 192976) (till 08.03.2010)	ST&IGC	Minority -Business	Non Independent / Non-executive	13	NA	4	16	2	4	NA	YES		NA	
Mr.K.Balaji (No of shares: 63132)		Majority-SSI	Independent / Non-executive	14	8	NA	NA	NA	NA	2	YES		Nil	Nil
Mr.N.Saiprasad (No of shares:106938)		Minority-Business	Non Independent / Non-executive	16	NA	4	17	4	4	NA	YES		Nil	Nil
Mr.G.Sudhakara Gupta (No of shares 1062) (Till 15.06.2009)		Minority - Consultancy	Non Independent / Non-executive	3	NA	1	NA	NA	1	NA	NA		NA	Nil
Mr.K.Ravindrakumar (No of shares: 34339)		Minority-Business	Non Independent / Non-executive	16	8	4	17	4	5	2	YES		Nil	Nil
Shri.R.Mohan (No of shares 332) (Till 23.06.2009)		Majority - Agriculture & SSI	Independent / Non-executive	4	1	NA	3	1	NA	NA	NO		NA	Nil
Mr.Kusuma R Muniraju (No of Shares : 185158)		Majority -Law	Independent / Non-executive	14	7	NA	16	NA	NA	NA	YES		Nil	Nil
Mr.D.L.N.Rao (No of shares: 200)		Majority - Law	Independent / Non-executive	11	3	3	NA	NA	NA	2	YES		Nil	Nil
Mr.B.K.Manjunath (No of shares: 1130)	ACB	Majority - Accountancy	Independent / Non-executive	16	8	NA	11	4	2	NA	YES	2	M/s.South Star Distilleries And Breweries (P) Ltd., M/s.Bhramaputra Power Private Ltd.,	Nil
Mr.K.R.Pradeep (No of Shares : 1927166)	ST & IGC & BSAC	Minority - Consultancy	Non Independent / Non-executive	16	7	1	16	3	NA	NA	YES	5	M/s.Pranava Electronics (P) Ltd., M/s.Kare Electronics And Developments (P) Ltd., M/s.Kare Power Resources (P) Ltd., M/s.Vision E1-Tech and Services (P) Ltd. M/s.Celestial Techsoft and Services (P) Ltd.	Nil
Mr.S.G.Prabhakaran (From 23.06.2009) (No. of Shares : 2002)		Minority -Business	Non Independent / Non-executive	11	NA	NA	7	2	4	NA	YES	3	M/s.Royalsoft Services Ltd. M/s.XS Real Properties Private Ltd. M/s.Ariston Capital Asset Holdings Private Ltd.	Nil
Mr.S.Dattathreyan (No. of Shares: 82436)		Minority -Business	Independent / Non-executive	2	NA	NA	1	1	1	NA	NO	1	M/s.Vaibhav Policoat (P) Ltd.	Nil

The Bank pays sitting fees at the rate of Rs.15,000/- from 15.05.2009 and previously paid Rs.10000/- for each meeting of the Board and Sub-committees attended by them.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Name of the Committee Members (Sarvashree)	Category of Director	Meeting details			Whether attended last AGM (Y/N)
		Held during the tenure of director/invitee	Attended	% of total	
B.K. Manjunath	Chairman NED/Independent	8	8	100%	YES
K.Balaji	NED / Independent	8	8	100%	YES
K.Ravindrakumar	NED / Non-Independent	8	8	100%	YES
R. Mohan	NED / Independent	1	1	100%	NA
Kusuma R. Muniraju	NED / Independent	8	7	87.5%	YES
D.L.N. Rao	NED / Independent	3	3	100%	YES
K.R. Pradeep	NED / Non-Independent	8	7	87.5%	YES

INFORMATION ABOUT SHARE TRANSFER WORK TO A DELEGATED AUTHORITY

Description of delegated authority	Full Address of delegated authority	Telephone Numbers	Fax Numbers	E-Mail IDs
Name and designation of officer of the Company	S.Venkateswaran Company Secretary / Compliance Officer Lakshmi Vilas Bank Ltd., Regd. & Admn. Office, Salem Road, Kathaparai, 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 Ltd., Regd. & Admn. Office, Salem Road, Kathaparai, Karur - 639 006	080 - 22218206	04324 - 223607	krpradeep@krpradeep.com
The Registrar and Share Transfer Agent	M/s.Integrated Enterprises (India) Ltd., II Floor, "Kences Towers" No.1, Ramakrishna St, North Usman Road, T.Nagar, Chennai - 600 017	044 - 28140801 28140802 28140803	044 - 28142479 28143378	lvb@ieindia.com



Annexure D

GENERAL SHAREHOLDERS' INFORMATION

Means of Communication

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

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

Financial Calendar 2009-2010 :**83rd Annual General Meeting**

Date & Time : 4th August, 2010 at 10.00 a.m.

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

Information of last three Annual General Meetings held

The 80th, 81st and 82nd AGM were held on 26th September 2007, 14th August, 2008 and 28th August, 2009 respectively.

Special Resolution passed during the last three AGMs.

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

Special Resolution passed:

to increase the Authorized Capital from Rs. 100 Crores to Rs.150.00 Crores, to amend the existing Article 3 of Articles of Association of the Bank with respect to increasing of Authorized Capital.

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

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

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

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

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

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

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

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

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

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

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

81st AGM – 14/08/2008 – 10.00 a.m. – A.O. Karur.

Special Resolution passed :

Subject to the applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable laws, rules, guidelines (including any statutory modification or re-enactment thereof for the time being in force) and subject to all applicable approvals and permissions and sanctions and subject to such conditions as any be prescribed by the concerned authorities while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the bank, consent of the bank be accorded for acquiring shares of the company by permitted foreign investors including FII's FDI's and NRI's by purchase or acquisition on the recognized stock exchanges, subject to the condition that the individual holding of the above investors shall not exceed 5% of the paid up capital and the total holding of all the Foreign Investors together shall not exceed 26% of the paid up equity share capital of the Bank or such other maximum limit as may be prescribed from time to time.

the Board be and is hereby authorized to do all such acts, matters, deeds and things necessary or desirable in connection with or incidental to giving effect to the object of the above resolution.

Pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act 1956 (including any amendment thereto or re-enactment thereof), Banking Regulation Act, 1949, Foreign Exchange Management Act, 1999, SEBI (Disclosure and Investor Protection) Guidelines, 2000 (the Guidelines), applicable listing agreements and in accordance with the provisions of the Memorandum and Articles of Association of the Bank, the Board of Directors of the Bank, or a Committee of Directors (Committee) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution be and is hereby authorized, to offer, issue and allot, by way of Qualified Institutions Placement (QIP), to Qualified Institutional Buyers (QIB's) in terms of Chapter XIII-A of the Guidelines, whether or not such investors are existing Members of the Bank, through one or more tranches, such number of equity shares of face value of Rs.10 each as may be decided by the Board at the appropriate time at such price or prices including premium on each share, as the Board or the Committee of the Board may determine in accordance with the Guidelines and where necessary in consultation with the Lead Mangers and such that aggregate amount to be raised from the issue and allotment of such equity shares shall not exceed Rs.250.00 Crores.

the QIP issue shall be completed within 12 months from the date of this resolution.

the allotment to each Qualified Institutional Buyer (QIB) in the proposed QIP issue will not exceed 5% of the post issue paid up capital of the Bank.

the relevant date for determination of the floor price of the Equity Shares to be issued by way of a QIP issue shall be as per the guidelines in force at the time of issue. However the offer price shall be determined at a price atleast 2.5 to 3 times of the book value of the equity share.



the equity shares to be offered and allotted under the QIP shall be in dematerialized form.

the Equity shares so issued shall rank pari passu with the existing Equity Shares of the bank in all respects including dividend.

for the purpose of giving effect, to any offer, issue or allotment of Equity shares, the Board or a Committee 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, deems necessary or desirable for such purpose, including without limitation, signing of any agreement, the determination of the terms thereof, for entering into arrangements, for managing, underwriting, marketing, listing and trading, to issue placement documents, and to sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Bank to settle all questions, difficulties or doubts that may arise in regard to such offer(s) or issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.

All the Directors were present in the last AGM.

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

82nd AGM - 28/08/2009 – 10.00 a.m. – A.O. Karur

No Special Resolution was passed.

Annual General Meeting (Next Year) September, 2011

Board Meetings

Results for the quarter ending June 2010 – On or before 14th August, 2010

Results for the quarter ending September 2010 – On or before 14th November, 2010

Results for the quarter ending December 2010 – On or before 14th February, 2011

Results for the quarter ending March 2011 – On or before 30th May, 2011

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

Directors Shri.K.Ravindrakumar, Shri.Kusuma R.Muniraju and Shri.D.L.N.Rao are retiring by rotation and being eligible, offer themselves for reappointment. Pursuant to the Listing Agreement pertaining to Corporate Governance a brief resume about the retiring directors seeking re-election is furnished in the Notice to the Shareholders.

CEO/CFO Certification

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

Unclaimed Dividend:

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

Financial Year	Date of Declaration	Amount as on 31.03.2010 in Rs.	Last date for claim
2002-03	07.08.2003	12,98,504.50	06.08.2010
2003-04	29.07.2004	15,98,547.40	28.07.2011
2004-05	29.09.2005	Dividend not declared	NA
2005-06	14.08.2006	11,30,096.85	28.07.2013
2006-07	26.09.2007	8,34,002.05	25.09.2014
2007-08	14.08.2008	16,48,544.90	13.08.2015
2008-09	28.08.2009	26,53,792.50	27.08.2016

Compliance with clause 32 of the Listing Agreement

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

The National Stock Exchange of India Limited
Exchange Plaza, 5th floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.

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

Compliance with Clause 47 (f) of the Listing Agreement

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

Dematerialization

Bank has 55701 shareholders as on 31.03.2010. Of this 32163 folios representing 8,51,92,442 (87.37%) shares are in Demat Form.

Bank Code (NSE) : LAKSHVILAS

ISIN NO. : INE694C01018

(Fully paid shares of Rs.10/- each)

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		No of shares Traded
	High	Low	
April 2009	84.40	62.30	1243234
May	94.00	69.00	4174166
June	96.40	74.25	4340543
July	88.00	72.25	1830504
August	93.00	84.60	2329409
September	124.80	84.50	12081536
October	91.50	76.80	2926874
November	86.00	70.00	1723123
December	94.20	72.05	5263850
January 2010	95.80	79.10	10729672
February	86.80	72.60	2998344
March	83.50	72.00	3930252

Distribution of Shareholding in break up as on 31.03.2010 is given below.

CATEGORY	NUMBERS	%	SHARES	% to capital
UPTO 500	3791	68.17	5919499	6.07
501 TO 1000	7284	13.08	5393393	5.53
1001 TO 2000	5041	9.05	7224076	7.41
2001 TO 3000	1837	3.30	4468915	4.58
3001 TO 4000	1056	1.90	3719216	3.81
4001 TO 5000	656	1.18	2956159	3.03
5001 TO 10000	1074	1.93	7514336	7.71
10001 & ABOVE	782	1.40	60313202	61.85
TOTAL	55701	100.00	97508796	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 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 4 weeks from the date of receipt of the transfer documents by M/s. Integrated enterprises (India) Limited, provided if the share documents are valid in all respects.

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

Shareholders’ Correspondence should be addressed to :

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

Compliance status of Clause 49 of Listing Agreement

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

The Bank at present has not adopted the Non-Mandatory requirement in regard to Remuneration Committee, Sending of half yearly performance to the shareholders to their residence, Mechanism for evaluating non-executive Board Members, Whistle Blower Policy, etc.

DECLARATION BY CHAIRMAN & CEO

The Board of Directors and the Senior Management Personnel of the Bank have affirmed confirming to the code of conduct of the Bank for the year ended 31.03.2010.

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 March, 2010.

Name	Age	Designation	Gross Income Rs.	Qualification	Experience	Employment date	Previous employment
K.S.R ANJANEYULU	56	Managing Director & CEO (ED till 25-01-2010)	12,99,193.54	M.Com, CAIIB EGMP	33	08.10.2009	Regional CEO / Zonal Head ING Vysya Bank
V.S.REDDY	61	Advisor (MD & CEO till 25-01-2010)	23,61,290.32	M.A(Eco), CAIIB	37	24.10.2007	General Manager, Canara Bank

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

Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Paid-up Capital	1150.88	1150.88	1150.89	1150.89	1150.89	1953.46	4780.51	4877.22	4877.62	9750.87
Reserves & Surplus	13126.82	15290.57	18057.72	21513.39	21847.83	27151.90	34828.36	36890.54	40493.97	64148.86
Deposits	227764.40	247692.23	277050.16	329581.91	349592.51	433638.00	501987.23	561848.82	736090.00	907537.77
Advances	148023.33	156525.19	176369.82	203870.40	231771.14	295281.97	361270.30	385878.75	524583.00	627749.52
Investments	78203.92	90420.57	103657.52	133816.81	118086.14	127986.68	130930.24	169367.77	186306.00	298322.23
Net Profit	2674.48	3022.11	3416.33	4104.85	334.44	2247.02	1758.43	2526.91	5030.00	3066.80
Number of Branches	209	211	215	224	225	227	236	239	251	271
Staff Position	1936	1933	1983	1946	1928	1873	1926	2078	2433	2655
Earning Per Share	23.24	26.25	29.68	35.67	2.91	11.50	3.60	5.18	10.31	4.95
Book Value	124.06	142.86	166.90	196.93	199.83	149.00	81.18	85.63	93.02	75.79
Market Price	44.42	46.17	65.98	98.72	138.20	105.16	77.70	97.95	63.50	79.21
Dividend Per Share (Rs.)	4.50	5.00	5.00	5.00	Nil	2.50	0.70	1.50	2.50	0.60

Statewise Branch List

ANDHRA PRADESH					
1	Adilabad *	67 Mysore			
2	Adoni	68 Raichur *			
3	Ananthapur *	69 Ranebennur			
4	Asifabad *	70 Shimoga *			
5	Bhimavaram *	71 Visveshwarapuram			
6	Chittoor	KERALA			
7	Eluru	72 Calicut *	130 Chinnasalem		
8	Doddavaram *	73 Ernakulam (Cochin)	131 Chinnadharapuram		
9	Guntur *	74 Palakkad	132 Chittode		
10	Hyderabad-Hubsiguda	75 Thrissur	133 Coimbatore -Eachanari *		
11	Hyderabad-Kothapeta *	76 Triruvananthapuram *	134 Coimbatore -Ganapathy *		
12	Hyderabad-Kukatpalli *	MADHYAPRADESH		135 Coimbatore -Gandhipuram *	
13	Hyderabad-Main	77 Indore	136 Coimbatore -Kovaiipudur *		
14	Hyderabad-Malkajigiri *	MAHARASHTRA		137 Coimbatore -Kovundampalayam*	
15	Hyderabad-Secunderabad	78 Mumbai -Andheri *	138 Coimbatore -Main *	139 Coimbatore -R.S.Puram *	
16	Kadapa	79 Mumbai -Borivali *	140 Coimbatore -Ramanadhapuram *	141 Coimbatore - Uppilipalayam	
17	Kakinada *	80 Mumbai -Fort	142 Cuddalore	143 Cumbam *	
18	Karimnagar	81 Mumbai -Ghatkopar *	144 Dharmapuri *	145 Dindigul *	
19	Khammam *	82 Mumbai -Kalyan *	146 Erode *	147 Gobichettipalayam *	
20	Krishnapatnam	83 Mumbai -Kharghar *	148 Gopalapatti	149 Hosur *	
21	Miryalguda *	84 Mumbai -Matunga *	150 Idayakottai	151 Iyyampalayam	
22	Nandiyal *	85 Mumbai -Vashi *	152 Jalakandapuram *	153 Kadambuliyyur *	
23	Nellore *	86 Nagpur	154 Kallakurichi *	155 Kancheepuram	
24	Ongole	87 Pune *	156 Kandili	157 Kangayam *	
25	Punjagutta *	88 Thane *	158 Kanjampatti	159 Karaikudi *	
25	Proddattur *	NEW DELHI		160 Karur -Kathaparai *	
26	Rajamundri	89 Krishnanagar *	90 New Delhi -Karol Bagh *	161 Karur -Main *	
27	Suryapet *	90 New Delhi -Karol Bagh *	91 New Delhi -Rohini *	162 Karur -Vengamedu *	
28	Tanuku *	91 New Delhi -Rohini *	92 New Delhi -Janpath	163 Karur - West *	
29	Tirupathi *	ORISSA		164 Kattugudalur	
30	Vijayawada *	93 Bhubaneshwar *	PONDICHERRY		
31	Vijayawada II *	RAJASTHAN		94 Ambagarathur	
32	Visakapatnam-Gajuwaka *	97 Bhilwara *	98 Alathur	95 Karaikal *	
33	Vinukonda *	TAMILNADU		96 Pondicherry	
34	Visakapatnam-Gopalpatnam *	98 Alathur	99 Ambilikkai *	97 Pondicherry	
35	Visakapatnam-Main	99 Ambilikkai *	100 Ambur *	RAJASTHAN	
36	Warangal *	100 Ambur *	101 Anbil (S.O)	97 Bhilwara *	98 Alathur
CHHATTISGARH			102 Arakandanallur	TAMILNADU	
37	Raipur *	102 Arakandanallur	103 Arantangi	98 Alathur	99 Ambilikkai *
GUJARAT			104 Ariyalur *	99 Ambilikkai *	100 Ambur *
38	Ahmedabad *	103 Arantangi	105 Arni *	100 Ambur *	101 Anbil (S.O)
39	Anand	104 Ariyalur *	106 Attur *	101 Anbil (S.O)	102 Arakandanallur
40	Gandhidham	105 Arni *	107 Avalpoondurai	102 Arakandanallur	103 Arantangi
41	Gandhinagar	106 Attur *	108 Balasamudram	103 Arantangi	104 Ariyalur *
42	Jamnagar	107 Avalpoondurai	109 Bargur *	104 Ariyalur *	105 Arni *
43	Navsari *	108 Balasamudram	110 Bhuvanagiri *	105 Arni *	106 Attur *
44	Rajkot	109 Bargur *	111 C. Pudukatti	106 Attur *	107 Avalpoondurai
45	Surat	110 Bhuvanagiri *	112 Chennai -Adyar *	107 Avalpoondurai	108 Balasamudram
46	Surat II *	111 C. Pudukatti	113 Chennai -Annanagar *	108 Balasamudram	109 Bargur *
47	Vadadora *	112 Chennai -Adyar *	114 Chennai -Cathedral Road *	109 Bargur *	110 Bhuvanagiri *
HARYANA			115 Chennai -G.N. Street	110 Bhuvanagiri *	111 C. Pudukatti
48	Faridabad *	113 Chennai -Annanagar *	116 Chennai -Karanodai *	111 C. Pudukatti	112 Chennai -Adyar *
49	Gurgaon	114 Chennai -Cathedral Road *	117 Chennai -Kodambakkam	112 Chennai -Adyar *	113 Chennai -Annanagar *
50	Panipat *	115 Chennai -G.N. Street	118 Chennai -Main *	113 Chennai -Annanagar *	114 Chennai -Cathedral Road *
JHARKHAND			119 Chennai -Mount Road *	114 Chennai -Cathedral Road *	115 Chennai -G.N. Street
51	Ranchi *	116 Chennai -Karanodai *	120 Chennai -Mylapore *	115 Chennai -G.N. Street	116 Chennai -Karanodai *
KARNATAKA			121 Chennai -Nungambakkam	116 Chennai -Karanodai *	117 Chennai -Kodambakkam
53	Bangalore -Cantonment	117 Chennai -Kodambakkam	122 Chennai -Purasawalkam *	117 Chennai -Kodambakkam	118 Chennai -Main *
54	Bangalore -Citymarket *	118 Chennai -Main *	123 Chennai -Royapuram	118 Chennai -Main *	119 Chennai -Mount Road *
55	Bangalore -Jalahalli *	119 Chennai -Mount Road *	124 Chennai -Selaiyur *	119 Chennai -Mount Road *	120 Chennai -Mylapore *
56	Bangalore -Jayanagar *	120 Chennai -Mylapore *	125 Chennai -T.Nagar	120 Chennai -Mylapore *	121 Chennai -Nungambakkam
57	Bangalore -Koramangala *	121 Chennai -Nungambakkam	126 Chennai -Triplicane	121 Chennai -Nungambakkam	122 Chennai -Purasawalkam *
58	Bangalore -Main	122 Chennai -Purasawalkam *	127 Chennai -Valasarawalkam *	122 Chennai -Purasawalkam *	123 Chennai -Royapuram
59	Bangalore -Ulsoor	123 Chennai -Royapuram	128 Chennai -Velachery *	123 Chennai -Royapuram	124 Chennai -Selaiyur *
60	Bellary	124 Chennai -Selaiyur *	129 Chennai -West Tambaram	124 Chennai -Selaiyur *	125 Chennai -T.Nagar
61	Chitradurga *	125 Chennai -T.Nagar	UTTAR PRADESH		126 Chennai -Triplicane
62	Davangere *	126 Chennai -Triplicane	272 Ghaziabad *	126 Chennai -Triplicane	127 Chennai -Valasarawalkam *
63	Devanahalli *	127 Chennai -Valasarawalkam *	273 Noida	127 Chennai -Valasarawalkam *	128 Chennai -Velachery *
64	Hospet *	128 Chennai -Velachery *	WEST BENGAL		129 Chennai -West Tambaram
65	Hubli	129 Chennai -West Tambaram	274 Kolkata	129 Chennai -West Tambaram	
66	Mandya				

* On-site / Off-site ATMs available

CORPORATE VISION

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



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CORPORATE MISSION

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