



## The Lakshmi Vilas Bank Limited

Regd. & Admn. Office, Salem Road, Kathapara, Karur - 639 006.

Phone : 04324-220051 (10 lines) / Fax : 04324-223607

Website : www.lvbank.com / E-Mail: secretarial@lvbank.in

### NOTICE TO THE MEMBERS

Notice is hereby given that the 83<sup>rd</sup> Annual General Meeting of The Lakshmi Vilas Bank Ltd will be held at Regd. & Admn. Office, Salem Road, Kathapara, Karur – 639 006 on Wednesday, 4<sup>th</sup> August, 2010 at 10.00 a.m. to transact the following business:

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2010 and the Balance Sheet as at 31st March, 2010 and the Report of the Directors and the Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr.K.Ravindrakumar who retires by rotation under Article 19 of the Articles of Association of the Bank and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr.Kusuma R.Muniraju who retires by rotation under Article 19 of the Articles of Association of the Bank and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr.D.L.N.Rao who retires by rotation under Article 19 of the Articles of Association of the Bank and being eligible, offers himself for re-appointment.
6. To appoint auditors and if thought fit to pass with or without modification the following resolution as an **ORDINARY RESOLUTION**.

Resolved that M/s. Sagar & Associates, Chartered Accountants, Hyderabad in respect of whom the Bank has received a special notice pursuant to Section 225(1) of the Companies Act, 1956 be and are hereby appointed as Auditors of the Bank (subject to approval of the RBI) to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration and out of pocket expenses, to be fixed by the Board of Directors.

#### **SPECIAL BUSINESS**

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

Resolved that the Board of Directors be and are hereby authorized to apply to the Central Government under the Companies (Branch Audit Exemption) Rules, 1961 for exemption from audit of the accounts for the year ending 31.3.2011 of such branch offices of the Bank and in the event of such exemption being not granted in respect of any such branch offices, then the Board of Directors be and are hereby authorized to arrange for audit of such branches as are not exempted.

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

Resolved that Mr.S.Dattathreyan, who was appointed as an Additional Director of the Bank with effect from 08.03.2010 pursuant to the provisions of Article 17(b) of the Bank and Section 260 of the Companies Act, 1956 and holds office upto the date of the 83<sup>rd</sup> Annual General Meeting and in respect of whom the Bank has received a notice in writing under section 257 of the Companies Act, 1956 proposing his candidature for the office of director in terms of Article 17(c) of the Articles of Association of the Bank, be and is hereby appointed as a director of the bank, liable to retire by rotation.

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

Resolved that the appointment of Mr.K.S.R.Anjaneyulu as the Managing Director of the Bank be and is hereby confirmed and ratified for an interim period with effect from 25<sup>th</sup> January, 2010 till the new Managing Director & Chief Executive Officer (CEO) takes over charge of the Bank, as approved by the Reserve Bank of India.

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

Resolved further that the tenure of appointment of Mr.K.S.R.Anjaneyulu as Managing Director as well as Director of the Bank shall come to an end on the date from new Managing Director & CEO taking charge.

10. To consider and if thought fit, to pass the following resolution, with or without modifications, as a **SPECIAL RESOLUTION**.

RESOLVED THAT pursuant to the provisions of section 81(1A) and other applicable provisions, if any, of the companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force, subject to the provisions of Securities Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 and other Rules, Regulations, Guidelines, provisions of Memorandum and Articles of Association of the bank and further subject to such approval, permissions and sanctions as may be necessary from SEBI, the Stock Exchanges, Reserve Bank of India, Govt. of India and other appropriate authorities as may be required and subject to such terms and conditions



that may be prescribed or imposed by such authorities while granting such approval which may be agreed or accepted by the Board of Directors (hereinafter referred to as "the Board" which expression shall include compensation committee or any other committee of the Board duly authorized by the Board in this regard) at its sole discretion, the consent of the members of the Bank be and is hereby accorded to create, issue, grant / allot upto 50 lacs equity stock options to the eligible present and future employees including Directors of the Bank and in one or more tranches through Employees Stock Option Scheme (ESOS) of the Bank which entitles the option holders to subscribe to 1 (one) equity share of the Bank of Rs.10/- each and in aggregate 50,00,000 equity shares of the face value of Rs.10/- at such price, in such manner, during such period and on such terms and conditions and in the manner as may be determined by the Board.

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

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

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

RESOLVED FURTHER THAT in case Bank's equity share capital or its valuation is affected due to any corporate actions like issue of bonus / rights shares, any split or consolidation of face value of equity shares or any event of merger / consolidation, capitalization or other reorganization of the Bank, tender offer of equity shares or sale of undertaking, the Board makes such adjustment with respect to stock options and take other action as it deems necessary or appropriate to reflect such corporate action including but without limitation the substitution of new stock options or adjustment of outstanding stock options, the acceleration of exercise period or the removal of restriction or outstanding stock options which shall however be subject to necessary approval.

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

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions the Board be and is hereby authorized to do all such deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without

requiring the Board to secure any further consent or approval of the members of the Bank in this regard.

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

RESOLVED FURTHER THAT the Bank do make an application to the National Securities Depositories Limited and / or Central Depositories Services (India) Limited for admission of the above said Equity Shares to be allotted under ESOS.

RESOLVED FURTHER THAT the number of options that may be granted to any Non-Executive Director of the Board (including any independent director) in any financial year under the Scheme shall not exceed 50,000 and in aggregate shall not exceed 10% of total options granted under the Scheme.

11. To consider and if thought fit, to pass, the following Resolution, with or without modifications, as a **SPECIAL RESOLUTION**.

RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (the Act) (including any amendment thereto or re-enactment thereof), and in accordance with the provisions of Memorandum & Articles of Association of the Bank, the Listing Agreement entered into with the Stock Exchanges (Stock Exchanges), the provisions of Securities and Exchange Board of India (SEBI), Foreign Exchange Management Act, (FEMA), and any other statutory guidelines/ regulations, if any, prescribed by the SEBI, Reserve Bank of India, the Stock Exchanges, the Government of India or any other relevant authority from time to time, to the extent applicable, and subject to such approvals, consents, permissions, and sanctions as might be required and subject to such conditions and modifications as may be prescribed while granting such approvals, consents, permissions and sanctions and which may be agreed to by the Board of Directors of the Bank (herein after referred to as "Board" which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), the consent of the Bank be and is hereby accorded to the Board to create, issue, offer and allot, upto 3,93,41,025 Equity Shares of Rs.10/- each or hybrid instruments / securities resulting in, upto 3,93,41,025 Equity Shares of Rs.10/- each (including the provisions for reservation on firm and /or competitive basis, of such part of issue and for such categories of persons as may be permitted) in the course of one or more public or private offerings in domestic and/ or one or more international market(s), (including Qualified Institutional Placement under SEBI Guidelines) and / or Equity Shares through Depository Receipts, including in the form of Global Depository Receipts (GDRs) and /or American Depository Receipts (ADRs) to overseas investors and/ or to eligible investors (whether residents and/ or non-residents and/ or strategic investors and/ or institutions/banks and/ or incorporated bodies and/ or individuals and/ or trustees and/ or stabilization agents and/ or mutual funds, venture capital funds, and/ or Indian and/ or multi-lateral financial



institutions or otherwise, and irrespective of whether or not such investors are members or not of the Bank), through prospectus and/or letter of offer or circular and /or on public and/or private /preferential basis, such issue and allotment to be made at such time(s) in one or more tranches, at such price or prices, at a discount, equal to or at a premium to market price or prices, in such manner and where necessary, in consultation with the Book Running Lead Managers and / or Merchant Bankers or other Advisors or otherwise, on such terms and conditions as the Board, may in its absolute discretion, decide at the time of issue of Securities.

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

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

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

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

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

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

12. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **ORDINARY RESOLUTION**.

Resolved further that the consent of the members of the Bank be and is hereby accorded for appointment of Mr.P.R.Somasundaram as the Managing Director and Chief

Executive Officer ( "MD&CEO" ) of the Bank as approved by Reserve Bank of India under Section 35 B of the Banking Regulation Act, 1949, for a period of 3 years from the date of assumption of office on the terms and conditions as set out in the explanatory statement annexed to this notice, who will be a Director of the Bank not liable to retire by rotation.

Resolved further that the terms of service pertaining to the MD & CEO duly approved by Reserve Bank of India in terms of the provisions of the Section 35 B of the Banking Regulation Act, 1949, be treated as distinct and separate from those applicable to the officers and executives of the Bank.

Resolved further that the consent of the Bank be and is hereby accorded to the Board of directors to revise the remuneration and perquisites payable to Mr.P.R.Somasundaram as MD & CEO of the Bank from time to time subject to any approval, if any, as may be required from the Reserve Bank of India in terms of the provisions of the Section 35 B of the Banking Regulation Act, 1949.

13. To consider and if thought fit, to pass with or without modification, the following as an **ORDINARY RESOLUTION**.

Resolved that in supersession of the resolution passed at the Annual General Meeting held on 7th August 2003, the consent of the Bank, be and is hereby accorded u/s 293(1) (d) and other applicable provisions of the Companies Act, 1956, to the Board of Directors of the Bank for borrowing, from time to time, sum or sums of money for the purpose of the business of the Bank, notwithstanding that the monies to be borrowed which together with the monies already borrowed may exceed, the aggregate for the time being of the paid-up capital and its free reserves, that is to say, reserves not set apart for specific purpose, provided however, the aggregate amount of monies which may be borrowed shall not at any time exceed the limit of "Rupees One Thousand Five Hundred Crores".

Place : Chennai

Date : 10.07.2010

BY ORDER OF THE BOARD

**S.VENKATESWARAN**  
Company Secretary

**Notes:**

1. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, pertaining to the special business contained in Item No. 7 to 13 above is annexed herewith.
2. The Additional information pursuant to clause 49 of the listing Agreement entered into with the Stock Exchange in respect of the Directors seeking re-election vide Item No.3, 4 & 5 are detailed in the Explanatory Statement.
3. All documents referred to in Notice are open for inspection at the Registered Office of the Bank on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
4. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY



TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE BANK. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE BANK NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

5. The Register of members and the Share Transfer Books of the Bank will remain closed from 27.07.2010 to 04.08.2010 (both days inclusive).
6. Dividend, if declared, will be paid to those members holding physical shares whose names stand on the Register of Members of the Bank as on 04.08.2010 and in case of dematerialized shareholders, to those Beneficial owners whose names stand on the records of the Depositories as at the close of working hours on 26.07.2010, subject to the provisions of Section 206 A of the Companies Act, 1956.
7. In compliance of SEBI direction to all listed companies to maintain all works relating to share registry – both physical and electronic at single point i.e. either in house or by SEBI Registered “Registrar & Transfer Agent (RTA)”, Bank had appointed M /s Integrated Enterprises (India) Limited, Chennai-600 017 as Share Transfer Agent for both physical and demat segments with effect from 30.01.2003.

**Address of Share Transfer Agent:**

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

8. Members are requested to notify any change in their address immediately to Share Transfer Agent and in case their shares are held in demat form; this information should be sent to the concerned Depository Participant.
9. With a view to provide protection against fraudulent encashment of dividend warrants, members holding shares in physical form are requested to provide, if not already provided earlier, their bank account numbers, name and address of the bank and branch, to Share Transfer Agent, M/s Integrated Enterprises (India) Limited, Chennai-600 017 to incorporate the said details on the dividend warrants. Members will appreciate that the bank will not be responsible for any loss arising out of fraudulent encashment of the dividend warrants.
10. Pursuant to section 205A of the Companies Act, 1956, out of dividend remaining Unclaimed for more than seven years shall be transferred to Investor Education and Protection Fund and no claims shall lie against the fund or the Bank in respect of dividend which were unclaimed and unpaid for a period of seven years by the shareholders Viz., 2002-2003 to 2008-2009. However, the dividend for the year 2004-05 was not declared.

**Dividend declared in the year 2003 for the financial year 2002-2003 and remaining unclaimed will be transferred to Investor Education and Protection Fund by August 2010.**

Shareholders and Beneficial owners who have not so far claimed the dividend warrants issued from 2003 to 2009 and also the Rights issue refund amount for the year 2005, 2006 & 2009, are hereby advised to submit the dividend

warrants/refund orders to the Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, Chennai-600 017, for receiving the proceeds. Shareholders who have lost the dividend warrants/refund order are advised to execute the indemnity bond and send to the Registrar.

11. None of the items listed in the Agenda require Postal Ballot.
12. Investors are required to provide a copy of their PAN card for effecting share transfers, transmission & transposition in their favour.

**Additional information pursuant to Clause 49 of the listing agreement with National Stock Exchange Limited, Mumbai in respect of the Director seeking re-election.**

**Item No. 3**

Mr.K.Ravindrakumar, M.Com is a Partner in a leading Jewellery firm based at Karur with more than 25 years of experience as jeweler. He has led a youth team sponsored by The Rotary Foundation to USA. He has widely traveled in India and abroad. He is classified as a Non-Independent, Non-Executive Director in compliance of Clause 49 of the listing agreement. He holds 34339 Equity Shares of the Bank.

None of the Directors except Mr.K.Ravindrakumar is concerned or interested in this resolution.

**Item No. 4**

Mr.Kusuma R Muniraju B.Sc., L.L.B., DCT, is an advocate with 37 years of standing and specialized in the areas of legal issues of the reality sector. He is occupying the position of Director representing majority sector as per Section 10A (2) (a) of the Banking Regulation Act 1949 and has been classified as Independent, Non-Executive Director in compliance of Clause 49 of the listing agreement. He holds 185188 Equity Shares of the Bank.

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

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

**Item No.5**

Mr.D.L.N.Rao is a senior advocate with 37 years of standing and practicing Civil Law, Constitutional Law, Mining Law & Taxation in the High Court of Karnataka. He is occupying the position of Director representing majority sector as per Section 10A (2) (a) of the Banking Regulation Act 1949 and has been classified as Independent, Non-Executive Director in compliance of Clause 49 of the listing agreement. He holds 200 Equity Shares of the Bank.

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

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

**Item No. 6**

The retiring auditors, namely, M/s Sundaram & Srinivasan, Chartered Accountants and M/s Abarna & Ananthan, Chartered Accountants have not opted for reappointment and that a special notice in terms of provisions Section 190 of the Companies Act, 1956 read with Section 225 of the Act has also been received for





the appointment of new Auditors M/s Sagar & Associates, Chartered Accountants, Hyderabad, in place of the retiring auditors.

None of the directors is concerned or interested in this resolution.

#### Item No.7

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

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

This resolution is proposed to enable the Directors to seek exemption of such audit for such of the branches.

None of the Directors is interested in this resolution.

#### Item No.8

Mr.S.Dattathreyan, has 25 years experience in FMGC Business was appointed as an additional director with effect from 08.03.2010 pursuant to Section 260 of the Companies Act, 1956 and Article 17(b). In terms of Section 260 of the Companies Act 1956, and article 17(c) of the articles of association of the Bank, he vacates his office at this meeting. In terms of Section 257 of the Companies Act 1956, the bank has received a notice from

a member, proposing the candidature of Mr.S.Dattathreyan for the office of director of the bank, along with prescribed deposit. He holds 82436 Equity Shares of the Bank.

He had served as a Director of your Bank during the year 1992 to 1994.

None of the Directors except Mr.S.Dattathreyan is concerned or interested in this resolution.

#### Item No. 9

Terms of remuneration payable to Shri. K.S.R.Anjaneyulu, Managing Director & Chief Executive Officer of the Bank.

The Board of Directors of the Bank in the meeting held on 23.01.2010 took on record the letter No. DBOD No.12959/08.44.001/2009-10 dated 22.01.2010. received from DBOD, RBI, Mumbai on the appointment of Managing Director of the Bank..

After due deliberation, Shri. K.S.R.Anjaneyulu was co-opted as additional director of the Bank and in the same Board Meeting he has been appointed as Managing Director, for an interim period from 25<sup>th</sup> January, 2010 till new MD & CEO take over charge.

The abstract of the terms of appointment together with memorandum of concern or interest of the directors, had been sent to shareholders on 13.02.2010 as required under section 302 of the Companies Act, 1956.

### Terms of Appointment

	Particulars	
1	Salary Basic	Rs.2,25,000/- p.m.
2	Dearness Allowance	Not applicable
3	House Rent Allowance	Not applicable
4	Conveyance Allowance	Not applicable
5	Entertainment Allowance	Rs.30,000/- p.a., 25% against self declaration and 75% against vouchers.
6	Other allowances	Nil
	<b>Perquisites</b>	
1	Residential Accommodation	Quarters with furniture at Karur.
2	Use of bank's car * For Official Purposes * For private purposed on compensating the bank with suitable amount * Reimbursement of Drivers Salary	Bank's Chauffer driven car with fuel at Bank's cost for official purpose.
3	Provident Fund Gratuity Pension	10% of Rs.2,25,000/- on contributory basis. Not applicable. Not applicable.
4	Traveling, Halting and Lodging Expenses.	As applicable to Scale VII Executives of the Bank.
5	Hospitalization Charges / Expenses	Actuals for self and dependent family members on admission.
6	Other benefits, if any (please specify) 1) Communicative modes 2) Insurance 3) Bonus & Sitting Fees 4) News Papers 5) Membership of Club	Free use for official purpose. Rs.15.00 lacs – for travel by air/train/road. Not Eligible. Cost of 2 News Papers will be reimbursed. One Service Club & Bankers' Club.



7	Leave : 1) Casual Leave 2) Ordinary Leave (PL) 3) Enhancement of Leave 4) Sick Leave	12 days per year with a provision to carry forward the unavailed CL. One month for each completed 11 months of service. Only accumulated PL as on the date of demitting Office. One month for each year of service.
8	Leave Fare Concession	Not applicable.

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

Item No. 10

**TO CONSIDER & APPROVE THE PROPOSAL FOR ESOS TO EMPLOYEES / DIRECTORS OF THE BANK.**

The Bank recognizes that in an increasingly competitive environment, rewarding its performing employees is critically imperative to continued success. The Stock Options are recognized as an effective tool to attract, reward, retain and motivate the employees. They create a sense of ownership among employees, provide an opportunity to employees to share in the growth of the Bank, create long term wealth in the hands of the employees and also provide performance linked rewards to the employees. In this regard the management of the Bank is keen to offer stock options to eligible employees and Directors.

Accordingly the Bank has formulated an ESOS called LVB ESOS – 2010 and the compensation committee shall administer the scheme.

**The salient features of the ESOS are as under:**

**(A). Total number of options to be granted**

- The total number of options may be granted under this scheme shall not to exceed 50 lakhs options convertible in to 50 lakhs equity shares of Rs.10 each.
- One option entitles the holder of the options to apply for one equity share of the Bank.

**(B). Identification of classes of employees entitled to participate in the ESOS**

- Persons as are in permanent employment in the covenanted cadres of the Bank and its holding and subsidiary companies including all Directors, as may be decided by the "Board" (which term shall be deemed to include any committee including Nomination and Compensation Committee of the Board). This will include persons under recruitment.
- Employees/ Directors holding 10% of the outstanding share capital of the Bank's Equity Share Capital at any time after the commencement of this scheme will not be eligible for grant of options.

**(C). Requirements of vesting, period of vesting, and maximum period of vesting.**

- There shall be a minimum period of one year between the grant of options and vesting of options.
- The vesting period may extend up to 3 years from the date of grant.

- The vesting shall happen in one or more tranches, subject to the terms and conditions of the grant.

**(D). Exercise Price or Pricing Formula**

The options may be granted at an exercise price as follows.

Exercise price per option = Discount up to a maximum of 50% to the Market price, where the Market price shall be the closing market price one day prior to the date of any Grant, on the stock exchange where highest trading volume is registered.

The quantum of Discount shall be decided by the Compensation Committee for each of the Grant of options.

**(E). Exercise Period and the Process of Exercise**

- Exercise period will commence from the vesting date and extend up to the expiry period of the options decided by the Board (which term shall be deemed to include any committee including Nomination and Compensation Committee of the Board). The Exercise Period may extend up to 5 years from the date of vest of options. The Board will decide on the expiry period of options for employees leaving the Bank after grant of options in his/ her favour.
- The options will be exercisable by employees by written application to the designated officer of the Bank to exercise the options, in such manner and on execution of such documents, as may be prescribed by the Board (which term shall be deemed to include any committee including Nomination and Compensation Committee of the Board).
- The options will lapse if not exercised within the specified exercise period.

**(F). Appraisal Process for determining the eligibility of employees to the ESOS.**

- The company has a formal performance appraisal system established wherein the performance of the employees is assessed each year on the basis of various functional and managerial parameters. The appraisal process is revised at regular intervals as per emerging global standards.
- Employees and Directors would be granted stock options based on performance linked parameters such as value creation, leadership, work performance, technical knowledge, period of service, designation and such other parameters as may be decided by the Board



(which term shall be deemed to include any committee including Nomination and Compensation Committee of the Board) from time to time.

- c) The Board (which term shall be deemed to include any committee including Nomination and Compensation Committee of the Board) may at its discretion extend the benefits of the LVB ESOS – 2010 to a new entrant or any existing employee on such other basis as it deems fit.

**(G). Maximum number of options to be issued per employee and in aggregate**

- (a) The maximum number of options to be granted to each employee will depend upon the rank and designation of the employee as on the date of grant of options. However under the scheme no employee shall be entitled to get more than one percent of the total outstanding shares of the Bank at the time of granting of ESOS.
- (b) The aggregate number of options to be granted under this scheme shall not exceed 50 lakhs.
- (c) The Board (which term shall be deemed to include any committee including Nomination and Compensation Committee of the Board) shall decide on the number of options to be granted to each employee within this limit.
- (d) As per the Clause 49 of the Listing Agreement, the resolution for introduction of ESOS should specify the limits for the maximum number of stock options that can be granted to Non Executive Directors, including independent Directors, in any financial year and in aggregate. Accordingly, it is proposed to fix the following limits for Non Executive Directors.
  - Up to 50,000 options per annum.
  - Aggregate options not to exceed 10% of total options granted under the scheme.

**(H). Accounting Methods**

The Bank shall conform to the accounting policies specified in Clause 13.1 of the SEBI guidelines 1999 and/ or such other guidelines as may be applicable from time to time.

**(I). Transferability of employee stock options**

The stock options granted to an employee will not be transferrable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

**(J). Method of valuation of these options**

The Bank shall use the intrinsic value method for valuation of the options.

Since the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that would have been recognized if the fair value of the stock options had been used, will be disclosed in the Directors' Report

and the impact of this difference on profits and on EPS of the company will also be disclosed in the Directors' report.

Clause 6 of the ESOS Guidelines requires that any ESOS for offering stock options to the employees of the company must be approved by the shareholders by way of a special resolution. Furthermore, as the scheme will entail further to be offered to persons other than existing shareholders of the company, consent of the members is required by way of a special resolution pursuant to the provisions of section 81(1A) of the Companies Act, 1956.

Accordingly the resolution set as Item No.10 is being placed for the approval of shareholders pursuant to the provisions of sections 81(1A) of the Companies Act, 1956 and clause 6 of the ESOS Guidelines and all other applicable provisions of law for the time being in force.

The Board of Directors recommends the Resolution as set out in item No.10 for the approval of the members.

All the Directors of the company are concerned or interested in the resolution, to the extent of the options/ shares that may be offered to them under the scheme.

**Item No. 11**

The Bank intends to raise long term funds for its expanding business requirements by issue of securities in the domestic/ international markets.

The proposed resolution at item No.11 seeks the enabling authorization to the Board of Directors of the Bank, to raise additional long term funds through the issue of Equity Shares in the domestic and/or international markets in one or more tranches, in such form, on such terms, in such manner, at such price and at such time as may be considered appropriate by the Board, to the various categories of investors. In the best interest of the Bank, the above enabling resolution is being proposed to be passed to give adequate flexibility and discretion to the Board to finalize the terms of the issues.

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

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

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

**Item No. 12**

Terms of remuneration payable to Mr.P.R.Somasundaram, Managing Director & Chief Executive Officer of the Bank.

The Board of Directors of the Bank in the meeting held on 10.07.2010 has appointed him as the Managing Director & Chief Executive Officer of the Bank for a period of Three Years from the date of assumption of the office and also fixed his remuneration as approved by Reserve Bank of India in terms of Section 35B of the Banking Regulation Act, 1949 vide letter DBOD No.78/08.44.001/2010-11 dated 02.07.2010.



## Terms of Appointment

Particulars	
1. Salary	Rs.40 lacs per annum.
2. Dearness allowance	----
3. House rent allowance	Not applicable
4. Conveyance allowance	Not applicable
5. Entertainment charges	Reimbursement of actual.
6. Other allowance i) Stock Option ii) Performance Bonus	Bank may have to approach separately for approval for grant of ESOPs: Bank may approach RBI for specific approval of payment of any bonus.
<b>Perquisites:</b>	
1. Accommodation	Free furnished residential accommodation with water, gas & Electricity.
2. Use of bank's car i) For official purposes	Bank's Car with chauffeur with fuel at Bank's cost.
3. Provident Fund/Gratuity /Pension.	<b>Provident Fund:</b> 12% of basis pay. <b>Gratuity:</b> 1 month's salary and pay for every completed year of service. <b>Pension:</b> Contribution to any appropriate pension policy of any IRDA approved Insurer, up to Rs.5.00 lacs per annum.
4. Travelling & Halting Allowances	As applicable to CMDs of Public sector Banks.
5. Medical benefits	Actual for self and dependent members.
6. Other benefits	i) <b>Communicative Mode:</b> Free Use ii) <b>Insurance Coverage:</b> Rs.25.00 lacs for Travel by Air/Train/Road. Rs.50.00 lacs for Life Insurance. iii) <b>Membership to clubs:</b> Subscription to Two Service clubs. iv) Child's education for one child. v) Guest House at Mumbai for transition and business entertainment.
<b>Leave:</b>	
Casual Leave	12 days p.a. with a provision to Carry forward the unavailed Casual Leave.
Ordinary Leave	One month for each completed 11 months of service and accumulation of PL upto 240 days on the date of demitting office. <b>Encashment of leave</b> - Only the accumulated PL as on the date of demitting office.
Sick Leave	One month for each year of service subject to a maximum of 18 months.
Leave Fare Concession	Once in a year to any place in India for self and family - Single return fare by the highest available class including incidentals.

None of the Directors of the Bank is concerned or interested except Shri.P.R.Somasundaram as it relates to him.

## Item No.13

At present the Bank is empowered to borrow monies for the Bank's business upto Rs.500 Crores (Rupees Five Hundred crores). Considering the existing refinance facilities from IDBI, SIDBI, NABARD, NHB and also refinance from Reserve Bank of India for export credits and for borrowings from State Bank of India through TT Discounting / clearing House, OD limit and from other banks in respect of agency arrangements apart from privately placed bonds for Tier II capital of the Bank and

mobilization of overseas funds at softer interest rates in the liberalized exchange control regime, the Board consider it desirable to enhance the borrowing powers of the Bank from the present limit of Rs.500 crores to Rs.1500 crores (Rupees One Thousand Five Hundred Crores). This requires an ordinary resolution u/s 293(1)(d) of the Companies Act, 1956.

None of the Directors of the Bank is concerned or interested in this resolution.

Place: Chennai

Date : 10.07.2010

BY ORDER OF THE BOARD

**S.VENKATESWARAN**  
Company Secretary