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and unswerving commitment

ANNUAL REPORT
98-99

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Company Secretary

RAVINDRAN K. WARRIER

Auditors

M/S. V.K.S. NARAYAN & CO.

M/S. MAHADEVAN & SIVARAJAN

Legal Advisors

R. SREEKRISHNAN

T. PADMANABHA MENON

A. GOURI SANKAR

B.S. KRISHNAN

Registrars

M/S. KARVY CONSULTANTS LTD.

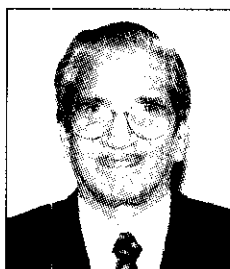
G-39, BHAVANA, PANAMPILLY NAGAR

COCHIN - 682 036

KERALA

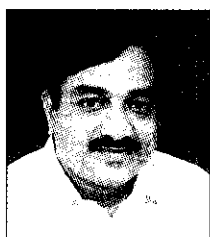


BOARD OF DIRECTORS



T. M. Venkataraman
Chairman

DIRECTORS



R. Kalyanaraman



D. Lakshminarayana



S. Sivaramakrishnan



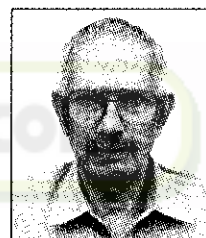
P.S. Mani



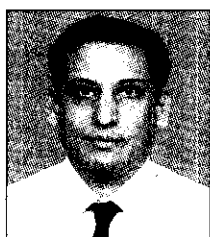
A.V. Ramaswamy



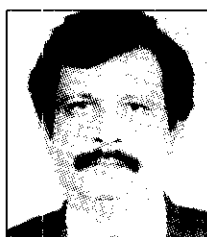
A.V. Jose



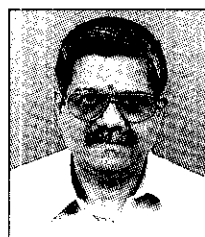
M.K. Kesavan



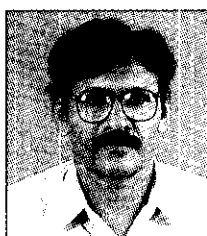
Dr. P. Rajamohan Rao



N. Gopalakrishnan



R.K. Ananthanarayanan

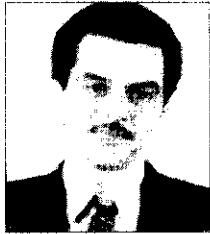


George John (RBI)

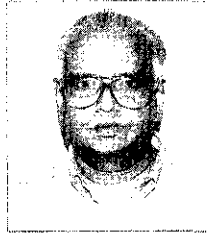


James Pothan (RBI)

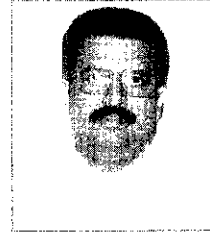
GENERAL MANAGERS



S. Padmanabhan
(Chennai Zone)



A.N. Ramachandran
(Kochi Zone)



Thomas Mathew
(Coimbatore Zone)

ASSISTANT GENERAL MANAGERS

K. Ravindran
Inspection & Vigilance

P. Govind Gopinath
Administration

K.P. Sathis Kumar
Accounts & Investment

M.P. Subramania Sarma
HRD

A. Ram Mohan
Recovery

H.L. Sitaraman
New Delhi Branch

B. Sasidharan
Operations

P.S. Revikumar
Credit

P.G. Jayakumar
Zonal Office, Thiruvananthapuram

P.T. Thomas
Zonal Office, Thrissur

A.K. Ramakrishnan
Fort Branch, Mumbai

R.S. Ramakrishnan
Shanmugham Road Branch, Ernakulam

Rajoo Krishnan
Forex

REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting to you the 72nd Annual Report, Balance-Sheet and Profit & Loss Account of the Bank for the year ended 31.03.1999.

ENVIRONMENTAL SCENARIO

The Indian economy has to be viewed against the backdrop of global recession, the East Asian crisis and stagnant Industrial growth. Despite this, preliminary estimates indicate nominal growth of 5.8% in GDP during 1998-99 as against the growth rate of 5% in previous year. This has been possible mainly because of the upstage recorded by the Agricultural sector. The Manufacturing sector is yet to show signs of revival. As a result, the aggregate credit demand continues to be sluggish even while interest rates have fallen considerably.

PERFORMANCE OF THE BANK

	March '98	March '99
	(Rs. in lacs)	
Aggregate Deposits	91624	113861
Inter-Bank Deposits	12405	9733
Advances*	54927	60523
Investments	35453	42723
Operating Profit	1892	1331
Net Profit	840	387
Business per employee	121	131

* Advances are exclusive of Interest held in Suspense and Provision made towards NPAs.

The dip in net profits was mainly due to sluggish credit off-take and squeeze on spreads. The continuing recession in the market has also affected the quality of the loan assets resulting in further strain on the profits.



Chairman addressing 71st Annual General Meeting.



APPROPRIATIONS OF NET PROFIT

(Rs. in lacs)

Net Profit	...	387
Balance carried over from the previous year	...	2
		<u>389</u>
Appropriations		
Statutory Reserve	...	116
General Reserve	...	110
		<u>226</u>
Balance	...	163

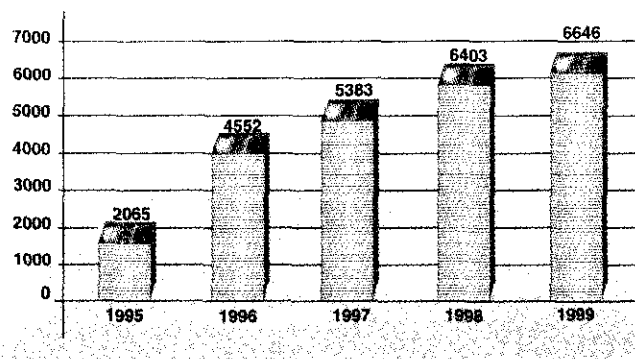
Of the balance, Rs.162.80 lakhs is set apart for dividend and tax thereon. The Board recommends 10% dividend, tax free in the hands of shareholders.

CAPITAL & RESERVES

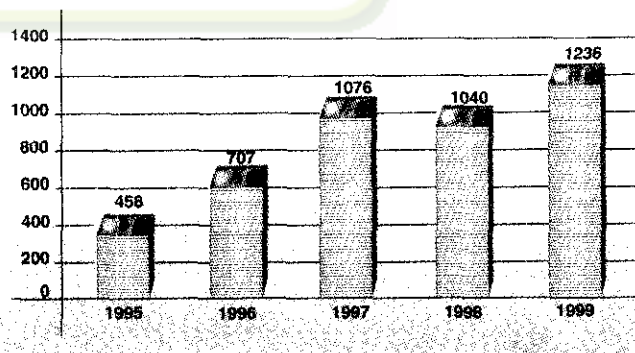
The Capital together with the Reserves increased to Rs. 66.46 Crores from Rs. 64.03 Crores. The Capital Adequacy Ratio stood at 10.06% well above the stipulated minimum of 8%.

The Equity shares continue to be traded at Kochi, Chennai and Mumbai Stock Exchanges.

The Chairman, in his address at the previous Annual General Body Meeting held on 23.09.1998, had mentioned that the possibilities of restructuring the capital are being explored. Reserve Bank of India, has now approved our proposed scheme for restructuring the capital and appropriate steps thereon are being initiated.

Networth (Amt. in lakhs)**DEPOSITS**

The Bank kept up with its avowed policy of shunning high-cost deposits and focussing on core deposits. Aggregate deposits moved up from Rs.916.24 Crores to Rs.1138.61 Crores, registering an increase of 24.27%. Conscious decision taken last year to reduce reliance on Inter Bank Deposits, saw this segment dipping from Rs.124.05 Crores to Rs.98.90 Crores. Intensive campaigns to step up Savings Bank and NRI deposits brought in reasonably good results.

Deposit (in Crores)

Several new deposit products such as 'Dhanam Plus' and 'Dhanam Double Plus' were launched. More new 'customer oriented' products are being introduced, with marketing efforts to broad base them among existing and prospective clients.

CREDIT

Our Gross advances stood at Rs.605.23 Crores at the end of the year as against Rs.549.26 crores in the previous year, registering an increase of 10.19%. Flow of funds to Commercial/Industrial Sector in the form of investment in shares/debentures/bonds went up from Rs.102.22 Crores to Rs.143.21 Crores. Series of steps have been taken to bring marked improvement in the advances level and an effective monitoring system has been put in place in order to contain the Non Performing Assets.

The Bank has also launched few segment-oriented products like 'Dhanam Easy Money', 'Dhanam Medicar' and 'Dhanam Ready Money'. Also, we have devised new credit products targeted towards the Medical Profession. These are being received well.

INVESTMENTS

Investments increased from Rs.354.53 to Rs.427.23 Crores. Income from sale of investments is at Rs.255.05 lakhs, compared to Rs.207.72 lakhs of previous year.

Investments in approved securities under current category constitute 89.92% as against 82.07% last year, the stipulated minimum being 70%.

PRIORITY SECTOR ADVANCE

The Bank achieved 40.43% of net Bank credit as Priority Sector Advances as on last Friday of 98-99, including investments made with authorized institutions.

FOREX BUSINESS

The Bank has made greater strides in Forex business. As on 31.3.99, 120 branches have been permitted to accept NRI deposits. The NRI segment registered appreciable increase to Rs.115 Cr., a growth of 40%. Exports and imports have started showing steady growth with a total turnover of Rs. 68.70 Cr. The Foreign Exchange earnings amount to Rs.41 lakhs.

Steps have been initiated to designate nine branches for direct dealing. We also propose to shift our International Banking Division from Kochi to Mumbai during this year, looking into the business potentials.



"Chairman offering employment to widow of Lt. Colonel. Viswanathan who made supreme sacrifice in protecting our Motherland in Kargil"



Reserve Bank of India has since given the approval for having rupee drawing arrangement with Redha Al Ansari Exchange Est, Dubai and MOU will be signed shortly.

BRANCH NETWORK

Branch Network improved from 147 to 149, with the addition of one branch each, at Anna Nagar (Chennai) and Kaloor (upgradation of Cochin Stock Exchange Extension Counter). The pending licence for Bangalore will be converted into a branch during this year. We are also holding licence for Calcutta, the opening of which will be decided in due course.

We have recently received RBI permission to open branches at Palai, Kasargode and Kalpetta, all in Kerala State. Steps are being initiated to open these branches soon.

HUMAN RESOURCES DEVELOPMENT

The total number of Staff as on 31.3.99 was 1370 comprising 413 Officers, 695 Clerks and 262 Sub staff.

Industrial amity prevailed throughout the year. Per-employee business, net of Inter-Bank Deposits, has improved from Rs.121 lakhs to Rs.131 lakhs. In fact, this remains as one of the key strengths of the Bank.

The Bank aims to fine-tune the work force to be in readiness for the challenging future and to maintain excellence in all spheres.

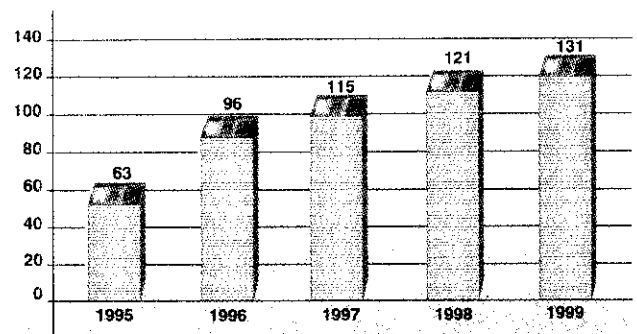
To achieve this goal, the Bank's Training College imparted training to 461 employees during the year. The programs included specialized ones on credit, NRI schemes and Forex. Forty-five officers attended external programs also.

We believe that success also lies in converting knowledge to value and contribute towards competitive advantage.

AUTOMATION AND TECHNOLOGICAL UPGRADATION:

Six more branches were computerized during the year, taking the number of fully computerized branches to 39. Total Bank Automation has been fully implemented in all the Metro branches. About 62% of the business is handled by computerized branches.

Productivity (in Lakhs)



Fully computerised Kaloor, Kochi Branch opened on 15-3-1999.



The Bank has initiated effective steps to solve the Y2K issue. To reach out to global vistas of business, the Bank has opened its web-site on the INTERNET. Also, E-Mail connectivity has been established to further speeden and improve customer services.

THE COMPANIES (Disclosure of Particulars in the Report of the Board of Directors) RULES, 1988.

a) Conservation of Energy

All efforts are being made to reduce energy consumption to the extent possible.

b) Technology Absorption

Being a banking company, the required technology absorption is being made considering the nature of activities.

c) Foreign Exchange Earnings and Outgo

Being an Authorised Dealer in Foreign Exchange, the Bank is taking all possible steps to augment net foreign exchange earnings.

DIVIDEND

We are recommending a dividend of 10% tax free.

AUDITORS

The Statutory Audit of the Bank was jointly conducted by
M/s.V.K.S.Narayan & Co and M/s.Mahadevan & Sivarajan.

QUALIFICATIONS IN AUDITORS' REPORT

Explanations are offered below on the comments made by the Statutory Auditors.

- i) *The outstanding unadjusted items in inter-branch accounts, Agency Bank Accounts, and Demand Draft Accounts do not materially affect the final accounts. Reconciliation of entries and elimination and adjustment have been done as per the relevant RBI directive. Every effort is being made to adjust the outstanding entries in these accounts.*
- ii) No provision is made for disputed demands of Income Tax and interest tax amounting to



New Deposit Scheme - Dhanam Plus - Inaugurated by Chairman



Rs.278 lakhs, in view of the judicial pronouncements and/or legal counsels' opinion.

- iii) The guidelines of FEDAI on conversion of foreign currency, forward exchange contracts etc. which have been approved by RBI are mandatory. Hence these guidelines have been followed in preference to Accounting Standard No.11 of the Institute of Chartered Accountants of India.
- iv) The guidelines of RBI on Accounting on leased assets are mandatory. Hence these guidelines have been followed in preference to guidance Note issued by the Institute of Chartered Accountants.
- v) The accounting policy mentioned against para 7 of Schedule 18 together, with para 8 and 9 of 'Notes to Accounts' are self explanatory.
- vi) In view of the above observations the Directors are of the opinion that there will be no material effects in the ratios including Capital to Risk Assets Ratio in Note No.7 and 15.

DIRECTORS

In the last Annual General Meeting, Sri.R.Kalyanaraman and Sri.A.V.Jose who were liable to retire by rotation, were re-elected. Dr.Raja Mohan Rao, an industrialist from Bangalore and Sri.P.K.Ananthanarayanan, businessman from Thrissur who were co-opted as Additional Directors on 4.05.98 and 20.8.98 respectively were also elected.

ACKNOWLEDGEMENTS

The Board of Directors convey their thanks to Reserve Bank of India for its valuable guidance and support.

The Board of Directors express their gratitude to IBA, NABARD, DFHI, NHB, IDBI, SIDBI, SEBI, EXIM BANK, ECGC, DICGCI, Stock Exchanges, the Media, Karvy Consultants Ltd., and various Government Agencies for their patronage and support.

Also, the Board place on record the contribution made by the dedicated employees at all levels and express their appreciation for their diligence and devotion to duty.

The Board also place on record their sincere thanks to the shareholders, customers and well-wishers for their continued support.

Thrissur
19th June, 1999

For and on behalf of the Board of Directors

Sd /-

T. M. VENKATARAMAN

Chairman

