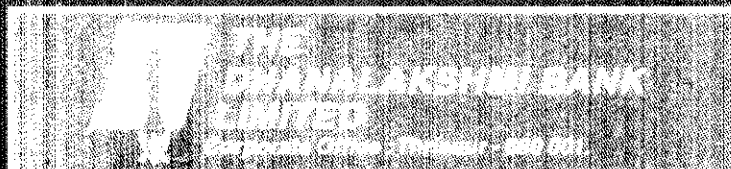


Annual Report 1999-2000

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R e l a t i o n s h i p s f o r e v e r

Board of Directors	1
Senior Executives	2
Report of the Directors	3
Auditors' Report	9
Balance Sheet	10
Profit & Loss Account	11
Schedules	12
Cash flow Statement	23
Balance Sheet Abstract	25
Annexure to the Directors' Report	26
Branch List	27

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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



T. M. Venkataraman
Chairman



R. Kalyanaraman



D. Lakshminarayanan



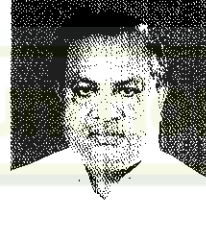
S. Sivaramakrishnan



P.S. Mani



A.V. Ramaswamy



A.V. Jose



M.K. Kesavan



Dr. P. Rajamohan Rao



N. Gopalakrishnan



P.K. Ananthanarayanan



James Pothen (RBI)



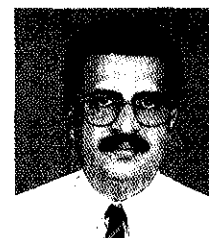
P.N. Saseendranath (RBI)



S. Padmanabhan
(Chennai Zone)



A.N. Ramachandran
(Kochi Zone)



Thomas Mathew
(Coimbatore Zone)

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

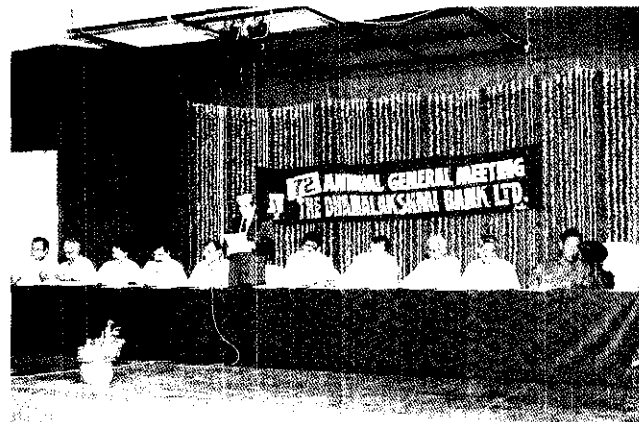
The Directors have pleasure in presenting to you the Seventy Third Annual Report of the Bank for the year ended 31.03.2000.

ENVIRONMENTAL SCENARIO

The Pre-budget economic survey 1999-2000 has posited that the economy will grow by 5.9 per cent this year, last year's growth rate being 6.8 per cent. On the positive side, the manufacturing sector has improved and exports also have shown strong recovery, leading to a comfortable balance of payments. Though measures to contain inflation were reasonably successful till recently, sudden upward trend in the inflation rate, of late, has been causing concern. The overall picture for this year would emerge only after the monsoon sets throughout the country. Till then uncertainty prevails on the movement of interest rates, though it has come down considerably during last few months. We however feel that the economy will ultimately register a higher growth rate.

PERFORMANCE OF THE BANK

	March 1999	March 2000
	(Rs. in crores)	
Aggregate Deposits	1138.61	1295.97
Inter-Bank Deposits	97.33	104.69
Advances	605.23	776.31
Investments	427.23	563.70
Operating Profit	13.31	30.12
Net Profit	3.87	11.28
Business per employee (Rs. in lacs)	131.17	153.66
Profit per employee (Rs. in lacs)	0.28	0.82



Chairman addressing 72nd Annual General Meeting.

APPROPRIATIONS OF NET PROFIT

(000's omitted)

Net Profit	...	112840	
Balance carried over from the previous year	...	32	
			112872
Appropriations			
Statutory Reserve	...	34819	
Capital Reserve	...	1790	
General Reserve	...	39731	76340
Balance	...	36532	

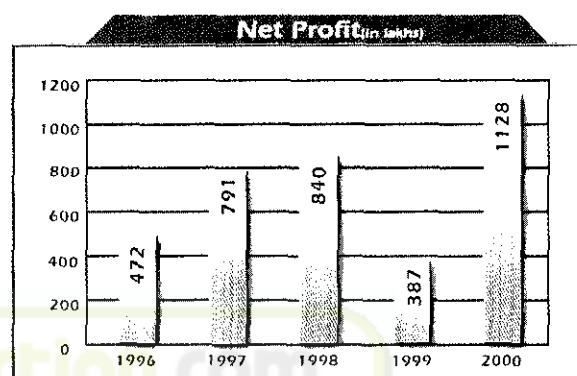
Of the balance, Rs. 3.65 crores is set apart for dividend and tax thereon. The Board recommends 20% dividend, tax free in the hands of shareholders.

CAPITAL & RESERVES

Capital together with Reserves increased to Rs. 73.88 crores from Rs. 66.45 crores.

The Capital Adequacy Ratio stood at 10.02%, above the stipulated minimum of 9%.

The scheme for restructuring the Capital approved by the shareholders at the previous Annual General Meeting is pending confirmation by the Hon'ble High Court, Kerala.

**DEPOSITS**

Aggregate Deposits moved up to Rs. 1295.97 crores from Rs. 1138.61 crores registering a growth of 13.82%. The Bank continued with its policy of shunning high-cost deposits and relying more on cost-easy deposits. While Savings deposits registered appreciable increase quantum-wise, the percentage of Current deposits to aggregate deposits spurted smartly to 10.13 from 7.43. The liquidity continues to be comfortable even with a substantial increase in assets, with no need to go for high-cost deposits.

With systematic monitoring branch-wise, the Bank could succeed in reducing the cost of deposits from 10.35 per cent to 9.49 per cent.



Contribution to Kargil Fund being handed over to Sri Alkesh Kumar Sharma, District Collector, Thrissur.

CREDIT

Our advances rose to Rs. 766.31 crores from Rs. 605.23 crores of last year, the increase being 28.27 per cent. The credit appraisal system has been fine-tuned and an effective monitoring system has been put in place to ensure the quality of assets. Some of our credit products namely Dhanam Ready Money Loan, Dhanam Easy Loan, Dhanam Medi Schemes and Dhanam Demat Loans are being well received. We have recently entered into an arrangement with Stock Holding Corporation of India for marketing our Demat Loans.

Our thrust on recovery has started yielding results. The total recoveries during the year amounted to Rs. 18.50 crores as against Rs. 14.48 crores during last year. The net NPA percentage has shown a positive change from 12.33 to 11.08 as at the end of March 2000.

PRIORITY SECTOR

The Bank achieved above forty per cent of net bank credit as priority sector advances as on last Friday of 1999-2000 including investments made with authorised institutions. With a view of giving added thrust to increase our Agricultural lendings, Agricultural Field Officers have been appointed. The Dhanam Kissan Cards launched during the year, have started gaining popularity. Intensified efforts are on to increase our share in other segments of priority sector. Also some of our branches have displayed keen interest in Self Help Group activities by mobilising village meetings, helping promotion of Farmers' Clubs and providing financial linkage to bankable projects. We propose to increase such participation to branches whose hinterland and service-areas offer scope for the activity.

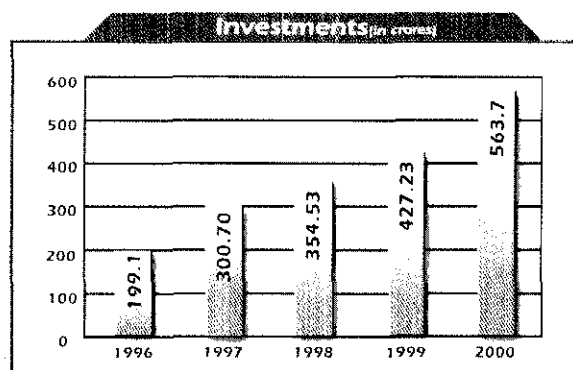
INVESTMENTS

During the year, domestic treasury has been activated and this had resulted in impressive turnover in securities transactions, contributing profit of Rs. 10.62 crores as against Rs. 2.56 crores during last year. Investments increased from Rs. 427.23 crores of last year to Rs. 563.70 crores. The entire investment portfolio now is marked to market.

FOREX BUSINESS

Income from Forex operations rose to Rs. 2.47 crores from Rs. 1.52 crores. With a view to broad basing Forex operations and to facilitate dealings in a more competitive environment, the International Banking Division was shifted from Kochi to Mumbai effective from 3rd April 2000. The Bank has designated nine branches under category 'B' of which seven have become operational with adequate infrastructure and specialised manpower.

Non-Resident deposits rose from Rs. 114.32 crores to Rs. 160.61 crores. To provide swift and personalised services to our NRI clients and to facilitate Rupee drawing



arrangements, we have entered into an agency arrangement with Redha AL Ansari Exchange Est., a reputed exchange house in Dubai. More such arrangements are in the offing.

BRANCH NETWORK

We opened one branch at Palai during the year taking the number of branches to 150. Branches proposed to be opened this year are Koramangala (Bangalore), Kalpetta and Kasargod.

Also, we have nineteen Extension Counters in operation.



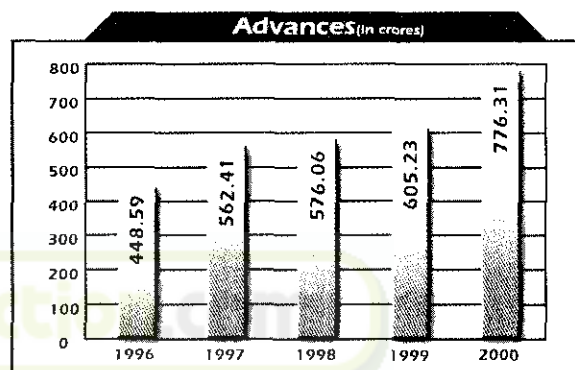
150th Branch at Palai (Fully Computerised) being inaugurated by former Finance Minister Shri K.M. Mani

AUTOMATION AND TECHNOLOGICAL UPGRADATION

With 17 more branches added to the list during the year, fifty six branches stand fully automated and three branches provided with Back Office support, all of them connected to Corporate Office. As of now, seventy three per cent of our business is through computerised branches. Plans have been charted to increase the number of computerised branches to 100 by the end of March 2001, thereby aiming for coverage of 85% of business.

Thanks to the contingency plans put in place in good time, the much feared nemesis of 'Y2 K' was totally staved off.

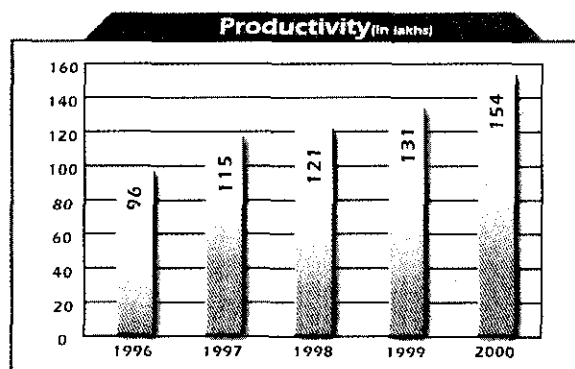
We propose to consolidate the gains of IT for providing value added customer services, such as ATM, Tele banking etc.



HUMAN RESOURCES DEVELOPMENT

Total number of staff as on 31.3.2000 was 1368 comprising 411 Officers, 726 Clerks and 231 Sub-Staff.

Towards improving the skills and bringing about positive attitudinal change, our Training College imparted training to 522 employees during the year covering areas including Forex, Credit, NPA Management, Priority Sector and Human Resources Management. Also, 106 personnel were deployed for external training.



Cordial industrial relations prevailed throughout. Towards increasing the motivational level of the employees many staff welfare measures were introduced during the year. These include award of ensigned wrist-watches to employees who have completed twenty five years of satisfactory service and payment of retirement benefits on the very day of super-annuation of an employee.

MATURITY PROFILE

	(Rs. in Crores.)			
	Deposits	Borrowings	Advances	Investments
1 - 14 days	157.69	5.00	37.14	—
15-28 days	45.02	—	26.84	—
29 days upto 3 months	293.13	1.26	49.01	—
Over 3 months upto 6 months	140.78	1.69	59.34	20.93
Over 6 months upto 1 year	137.16	25.86	67.36	7.20
Over 1 year upto 3 years	590.77	3.70	367.10	130.03
Over 3 years upto 5 years	21.69	0.13	50.22	162.01
Over 5 years	14.43	—	119.30	243.53
Total	1400.67	37.64	776.31	563.70

Compiled from the unaudited statement received from branches covering seventy five per cent of the business.

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 20% tax free as against 10% paid for 1998-99.

AUDITORS

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



Farmers meet and Inauguration of Farmers Club at Varantherapilly branch