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81st ANNUAL REPORT
2007 - 2008

FULLY CBS NET WORKED BANK

LAKSHMI VILAS BANK

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CORPORATE VISION

"To be a sound and dynamic banking entity providing financial services of excellence with pan Indian presence"

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"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 organization"

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BOARD OF DIRECTORS

Sarvashree

V.S.Reddy - Managing Director (From 24.10.2007)
D.L.Suresh Babu (Till 28.02.2008)
K.B.Krishnan (Till 26.05.2008)
M.P.Shyam
K.Balaji
E.Sreedhar
N.Saiprasad
G.Sudhakara Gupta
K.Ravindrakumar
R.Mohan
S.L.Sivashanmugam (From 28.02.2008)
Kusuma R Muniraju (From 25.06.2008)

CHIEF FINANCIAL OFFICER
R.Sridharan

CHIEF OPERATING OFFICER
Naganna Prabhakaran

CHIEF TECHNOLOGY OFFICER
B.Murali Nair,

GENERAL MANAGERS
S.R.Narayanamurthy
S.Ravishankar

DEPUTY GENERAL MANAGERS
S.Venkateswaran, Company Secretary
J.V.S.Chetty
V.Sekar
L.Sadanandam
R.V.Raman
S.Suresh Babu
A.K.Ramakrishnan
S.Elangovan
B.Ranjan Babu
S.Kannan
T.B.Sathyanarayanan
M.Sethuraman
RM.Kumarappan
N.Durairajan

ASSISTANT GENERAL MANAGERS
K.Vishnumohan
K.Srinivasan
B.Seshi Reddy
K.H.Gangadhar
K.Jagadeesh
S.Prabhakaran
M.M.Thangavel
R.Kamalasekaran
S.Ramanathan

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AUDITOR
M/s. Sundaram & Srinivasan,
Chartered Accountants,
Chennai.

REGD. & ADMN. OFFICE
Salem Road, Kathaparai, Karur-639 006, 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@iepindia.com

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NOTICE TO THE MEMBERS

Notice is hereby given that the 81st Annual General Meeting of The Lakshmi Vilas Bank Ltd will be held at registered office of the Bank on Thursday the 14th August 2008 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Report of the Board of Directors and the Audited Profit and Loss Account for the year ended 31st March 2008 and the Balance Sheet at that date and the Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr.E.Sreedhar 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 place of Mr.K.Ravindra Kumar 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 place of Mr.G.Sudhakara Gupta 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 auditor and if thought fit to pass with or without modification/s the following resolution as an ORDINARY RESOLUTION.

   Resolved that M/s.Abarna & Ananthan, Chartered Accountants,Bangalore in respect of whom the Bank has received a special notice pursuant to Section 225 (1) of the Companies Act, 1956 and M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, the retiring auditors be and are hereby appointed as Auditors of the Bank 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, if any, 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 31.3.2009 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.L.Sivashanmugam, who was appointed as an Additional Director of the Bank by the Board of Directors under Article 17(b) and who ceases to hold office under Section 260 of the Companies Act, 1956, and in terms of Article 17(c) of the Articles of Association of the Bank and in respect of whom the bank has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the bank, who will be liable to retire by rotation."

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

   "Resolved that Mr. Kusuma R Muniraju , who was appointed as an Additional Director of the Bank by the Board of Directors under Article 17(b) and who ceases to hold office under Section 260 of the Companies Act, 1956, and in terms of Article 17(c) of the Articles of Association of the Bank and in respect of whom the bank has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the bank, who will be liable to retire by rotation."

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

    Resolved that consent be and is hereby accorded for appointment of Mr.V.S.Reddy as the Managing Director of the Bank as approved by Reserve Bank of India under Section 35 B of the Banking Regulation Act, 1949, and other applicable provisions of the Companies Act, 1956, who will be a Director of the Bank not liable to retire by rotation.

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

    Also resolved further that the terms of service 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.

    And resolved that the consent of the bank be and is hereby accorded to the Board of directors to revise the remuneration and perquisites payable to Mr.V.S.Reddy as Managing Director of the Bank from time to time as approved by Reserve Bank of India in terms of the provisions of the Section 35 B of the Banking Regulation Act, 1949".

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

    RESOLVED THAT 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 may 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.

    RESOLVED FURTHER THAT 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.

12. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution.

    "RESOLVED THAT 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 Managers and such that aggregate amount to be raised from the issue and allotment of such equity shares shall not exceed Rs. 250 Crores.

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

RESOLVED FURTHER THAT 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.

RESOLVED FURTHER THAT the relevant date for determination of the floor price of the Equity Shares to be issued by way of a QIP issue shall be 14.07.2008

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

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

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Equity shares, the Board or a Committee be and is bereby 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".

Place : Karur
Date : 25.06.2008

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 12 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. 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.
4. The Register of members and the Share Transfer Books of the Bank will remain closed from 5 th August 2008 to 14th August 2008 (both days inclusive).
5. 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 14th August 2008 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 4th August 2008 , subject to the provisions of Section 206 A of the Companies Act, 1956.
6. 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 has 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@iepindia.com

7. 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.
8. 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.
9. 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 Protection Fund and no claims shall lie against the fund or the company in respect of dividend which were unclaimed and unpaid for a period of seven years by the shareholders Viz., 2000-2001 to 2006-2007. However, the dividend for the year 2004-05 was not declared.

   Dividend declared in the year 2001 for the financial year 2000-2001 and remaining unclaimed will be transferred to Investor Education Protection Fund after conclusion of this Annual General Meeting.

   Hence, Share holders and Beneficial owners who have not so far claimed the dividend warrants issued from 2001 to 2007 are hereby advised to submit the dividend warrants to the Share Transfer Agent M/s Integrated Enterprises (India) Limited, Chennai 600 017, for receiving the proceeds. If the warrant is lost, shareholders may execute undertaking letter in the format, which has been already sent to the concerned shareholders.
10. None of the items listed in the Agenda require Postal Ballot.

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.E.Sreedhar, B.Sc., PGDCA., MBA, specialized in Systems and Technology and Total Hardware Solution. Promoter Director of a leading company specialized in the field of networking on turnkey basis. He is occupying the position of Director representing majority sector as per Section 10A (2) (a) of the Banking Regulation Act 1949 and as an Independent, Non-Executive Director in compliance of Clause 49 of the listing agreement.

Item No. 4

Mr.K.Ravindrakumar, M.Com., is a Partner in a leading Jewellery firm based at Karur with more than 25 years of experience as jeweller. He has lead a youth team sponsored by The Rotary Foundation to USA. He has widely traveled in India and abroad. He is occupying the position of Director representing minority sector as per Section 10A (2) (a) of the Banking Regulation Act 1949 and as a Non-Independent, Non-Executive Director in compliance of Clause 49 of the listing agreement.

Item No. 5

Mr.G.Sudhakara Gupta is a B.Com., graduate having decades of experience at different levels in private sector and quasi-government undertaking. He has served as President of multi-crore construction company with specialized skills in marketing and construction. He is occupying the position of Director representing minority sector as per Section 10A (2) (a) of the Banking Regulation Act 1949 and as a Non-Independent, Non-Executive Director in compliance of Clause 49 of the listing agreement.

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

Item No. 6

M/s. Sundaram and Srinivasan, Chartered Accountants, Chennai are the current statutory auditor of our Bank. They were appointed as statutory auditors along with M/s. N.B.S & Co., Chartered Accountants, Mumbai at the 80th AGM of your bank. Subsequently M/s. N.B.S. & Co., has informed the bank that they are not in a position to continue as Statutory Auditor.

Bank has received a special notice under Section 225(1) of Companies Act 1956, from M/s.Abarna & Ananthan, Chartered Accountants, Bangalore for the appointment as Statutory Auditor of your bank along with M/s. Sundaram and Srinivasan.

The bank has sought for an approval from the Reserve Bank of India under the Banking Regulation Act.

The resolution is proposed for the recommendation of the appointment of M/s. Abarna & Ananthan,Chartered Accountants, Bangalore as the Statutory Auditor of the bank. The remuneration and out of pocket expenses payable if any to M/s. Sundaram and Srinivasan and M/s. Abarna & Ananthan will be fixed by the Board of Directors of the Bank.

None of the Directors is interested in the above 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 of the branches as are not to be audited.

None of the Directors is interested in this resolution.

Item No.8

Mr. S.L.Sivashanmugam, B.A, FCA, Partner in M/s. Nathan and Ram, Chartered Accountants, Chennai was appointed as an Additional Director with effect from 28th February, 2008 pursuant to Section 260 of the Companies Act, 1956 and Article 17(b), representing accountancy in majority sector as per Banking (Regulation) Act, 1949 and as an Independent, non-executive director in compliance of clause 49 of listing agreement. He is having nearly two decades of experience in the areas of Direct Taxation, Internal Audit and Statutory Audit. 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 from a member, notice of his intention to propose Mr.S.L.Sivashanmugam, for the office of director of the bank, along with prescribed deposit.

He has served as a Director of your Bank during the year 1992 to 2000.

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

Item No. 9

Mr. Kusuama R Muniraju B.Sc., L.L.b., DCT, Practicing Lawyer representing Law, was appointed as an Additional Director with effect from 25.06.2008 pursuant to Section 260 of the Companies Act, 1956 and Article 17(b), representing Law in majority sector as per Banking (Regulation) Act, 1949 and as an Independent, non-executive director in compliance of clause 49 of listing agreement. 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 from a member, notice of his intention to propose Mr. Kusuma R Muniraju for the office of director of the bank, along with prescribed deposit.

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. 10

Terms of remuneration payable to Mr.V.S.Reddy , Managing Director of the Bank

The Board of Directors of the Bank in the meeting held on 26.09.2007 had appointed Mr.V.S.Reddy as the Managing Director of the Bank for two years with effect from 24.10.2007 and also fixed his remuneration as approved by Reserve Bank of India vide their letter no. DBOD No. 3085 / 08.94.004 / 2007-08 dated 20.09.2007 in terms of Section 35-B of the Banking Regulation Act,1949.

The abstract of the terms of appointment together with memorandum of concern or interest of the directors is given below as required under section 302 of the Companies Act,1956 had been sent to shareholders on 26.09.2007.

None of the Directors of the Bank is concerned or interested except Mr.V.S.Reddy, as it relates to him.

Terms of Appointment

1.	Salary	:	Rs.2,00,000/- per month.
2.	Dearness Allowance	:	Not applicable
3.	House Rent Allowance	:	Not applicable
4.	Conveyance Allowance	:	Not applicable
5.	Entertainment Allowance	:	Rs.10,000/- per annum, 25% against self declaration and 75% against vouchers.
6.	Other allowance	:	Not applicable
1.	Free furnished house	:	Free furnished residential accommodation with water, gas and electricity.
			Monetary equivalent(estimates)
			i) Market value of rent — Rs.4,000/-
			ii) Value of water, gas & electricity — Rs.1,000/-
			Total : Rs.5,000/-
2.	Free use of bank's car for		
	(i) Official Purpose	:	Bank's driver with car with petrol at bank's cost
	(ii) For private purpose on Compensating the bank With suitable amount		
3.	Provident Fund	:	10% of Rs.75,000/- on contributory basis.
4.	Pension	:	Not applicable.

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5.	Gratuity	:	One month's salary / pay for every completed year of service.
6.	Travelling and Halting Allowance	:	As applicable to CMD of Public Sector Banks.
7.	Medical Benefits	:	Actual for self and dependant family members.
8.	Other benefits if any		
	(i) Telephone	:	Free use of bank's telephone
	(ii) Bonus and sitting fees	:	Not eligible
	(iii) Insurance Cover	:	Rs.25.00 lacs for travel by air / train / road.
	iv) Leave		
	a) Casual Leave	:	12 days per year with provision to carry forward the unavailed casual leave.
	b) Privilege Leave	:	One month for each completed 11 months of service and accumulation of PL upto 240 days. Encashment of accumulated leave as on the date of demitting Office.
	c) Sick Leave	:	One month for each year of service subject to maximum of 18 months
	d) Leave Fare Concession	:	Once in year to any place in India Single return fare by the highest available class.

None of the Directors of the Bank is concerned or interested except Mr. V.S.Reddy as it relates to him.

Item No. 11

To acquire shares of the permitted foreign investors under Foreign Exchange Management Act, 1999.

In terms of the press note 2 (2004 series) dated 5th March 2004 issued by the Government of India, Ministry of Commerce and Industry, the aggregate of foreign investments in a private bank from all sources are subject to a ceiling of 74% of the bank's paid up capital.

The Bank in its Articles of Association stipulated that notwithstanding anything contained in any other Articles of Association of the Bank to the contrary, no single person / group shall acquire equity shares of the Bank which would take his / its holding to a level of 5% or more of the total paid-up capital of the Bank (or such other percentage as may be prescribed by the RBI from time to time) without the prior approval of the Reserve Bank of India.

The Board of Directors of the bank at their meeting held on 25.06.2008 inter alia, approved, Foreign investments by permitted foreign investors, including FII's, FDI's and NRI's upto 26% of the paid up capital of the bank subject to individual limit of 5% .

Your Directors recommend this resolution for the approval of the members.

None of the Directors is interested in this resolution.

Item No. 12

Consideration of issue of shares by way of Q.I. Placements under Section 81 (1A) of the Companies Act, 1956.

The main object of the QIP issue is to augument the capital and also to meet the BASEL II requirement. The increase in capital will provide additional support and drive that the Bank requires to ensure accelerated growth in the future.

Hence, your bank proposes to issue further equity of shares by way of a QIP in terms of Chapter XIII A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. The total amount to be raised, including share premium is not to exceed Rs.250.00 Crores .

The exact price , proportion and timing of the issue of securities will be decided by the Board. Hence the proposal seeks to confer upon the Board the absolute discretion to determine the terms of issue in consultation with the Lead Managers and / or other Advisors.

As per Chapter XIII-A of the SEBI Guildelines, the issue of equity / shares on QIP basis can be made at a price which is not less than the higher of the following:

1) The average of the weekly high and low of the closing prices of the related shares quoted on the National Stock Exchange of India Ltd, Mumbai during the six months preceding the "relevant date" or

2) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the "relevant date".

In accordance with SEBI Guidelines, special resolution is required for QIP issue. The special resolution has a validity period of 12 months before which allotments under the authority of said resolution should be completed.

Your Directors recommend this resolution for the approval of the members.

None of the Directors is interested in this resolution.

Place : Karur
Date : 25.06.2008

BY ORDER OF THE BOARD
S. VENKATESWARAN
Company Secretary

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DIRECTORS' 81st ANNUAL REPORT

1. TO THE MEMBERS

Your Directors have great pleasure in presenting to you the 81st Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2008.

2. FINANCIAL PERFORMANCE

The financial performance highlights for the financial year 2007-2008 are as under:-

	(Rs. in crores) For the year ended	
	31st March 2008	31st March 2007
Deposits	**5618.49**	5019.87
Gross Advances	**3858.79**	3612.70
Investments	**1693.68**	1309.30
Total Income	**588.54**	474.99
Operating profit	**90.17**	73.58
Provisions and contingencies	**64.90**	56.00
Net Profit	**25.27**	17.58
Profit brought forward	**0.43**	0.37
Balance transferred from IFR	**-**	40.74
Amount available for appropriation	**25.71**	*58.69
Transfer to:		
Statutory Reserve	**7.00**	53.24
Capital Reserve	**8.55**	0.77
Investment Fluctuation Reserves	**--**	--
Other Reserve	**1.30**	0.25
Proposed Dividend	**7.32**	3.42
Corporate Dividend Tax	**1.24**	0.58
Balance of Profit carried forward	**0.29**	0.43

(* includes an amount of Rs. 40.74 held under Investment Fluctuation Reserve transferred)

The Bank's total business climbed to Rs. 9477.27 crores from Rs. 8632.57 crores as on 31.03.2008 registering a growth rate of 10%.

Appropriations from the net profit have been effected as per the table given above.

3. DEPOSITS AND ADVANCES

The total deposits during the year has grown from Rs. 5019.87 crores in 2006-07 to Rs. 5618.49 crores registering a growth of 12%. The total credit expanded from Rs. 3612.70 crores of the previous year to Rs. 3858.79 crores during the fiscal, an increase of 7%. The priority sector credit is increased from Rs. 1375.07 crores to Rs. 1488.19 Crores and the Agri advances is Rs. 637.50 Crores as on 31.03.2008.

During the year under review the bank has strengthened its credit approvals and monitoring process which enabled the bank to keep under check the incidence of slippage of borrowal accounts into NPA category.

4. INVESTMENTS

The total investments of the Bank stood at Rs. 1693.67 crores as against Rs. 1309.30 crores as at 31.03.2007. The average income on investments was 8.11%.

5. EPS/BOOK VALUE

The Earnings Per Share and the Book Value of the share stood at Rs. 5.18 and Rs. 85.63 respectively as at 31.03.08.

6. PROFIT

The operating profit for the year is Rs. 90.17 Crores as against Rs. 73.58 crores for the year 2006-2007 registering a growth of 22.54%. The net profit for the year after provisions and taxes amounts to Rs. 25.27 crores as against Rs. 17.58 Crores recorded in 2006-07 registering a growth of 43.75%.

7. DIVIDEND

The Bank's dividend policy is based on the need to balance the twin objectives of rewarding the shareholders with cash dividends and of retaining capital to maintain a healthy capital adequacy ratio to support for future growth. Based on this policy the directors are pleased to recommend a dividend of 15 % for the year ended March 31, 2008 as against 7% for the year ended March 31, 2007.

This dividend is subject to dividend distribution tax to be paid by the bank but will be tax free in the hands of the members.

8. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

The net owned funds of the bank have increased from Rs. 396.08 Crores to Rs. 417.68 Crores by registering a growth rate of 6%.

The Capital Adequacy Ratio (CAR) as on 31st March 2008 is 12.73 %. The bank has been consistently maintaining Capital Adequacy Ratio well above the regulatory minimum of 9.00% stipulated by the Reserve Bank of India.

9. NON PERFORMING ASSETS

During the year 2007-2008, the Bank has taken concrete steps to reduce the Non Performing Assets, by focusing on the recovery plans and activities at all levels of the organization.

The gross NPA increased to Rs. 137.98 Crores from the levels of Rs. 131.18 crores in the previous year. However, in percentage terms, the gross NPA stood at 3.51% as against 3.57 % in the previous year. The net NPA has slightly gone up to Rs. 59.52 Crores in 2007-2008 compared to Rs. 56.94 Crores in the previous year. However, the percentage of net NPAs fell to 1.55 % from 1.58 % of the previous year.

10. EXPANSION PROGRAMME

The Bank is successful in spreading its coverage across the country.

Bank had obtained license for opening of 15 branches during the year 2007-08 and opened Perambalur, Tiruvallore and Sri Perumpudur and the remaining 12 branches viz: Ayothiyapatinam (Salem), Karanodai (Chennai), Anantapur, Adilabad and Khammam in Andhra Pradesh, Khargar and Kalyan in Maharashtra, Bhilwara in Rajasthan, Panipat in Haryana, Rohini (Delhi), Ranchi (Jharkhand), and Bhubaneswar in Orissa were opened on 30th May 2008.

As on 31.05.2008 the Bank has 251 branches including 5 satellite branches besides 5 extension counters.

Bank is aiming at opening 25 more branches so as to touch a total branch network of 276 by March 2009.

The bank has tied up with CASHTREE network of ATM's (ATM sharing consortium) to facilitate its ATM card holders to use / access around 4370 ATM's across the country apart from its own 54 ATM's.

11. RATINGS

The Tier II Bonds issued by the Bank are accorded "A" rating by the credit rating agency of the country CARE and A- (Ind) by Fitch Rating.

12. LISTING AGREEMENT WITH STOCK EXCHANGE

The shares of the Bank are listed on the National Stock Exchange of India Ltd., Mumbai. The tier II bonds issued by the Bank are also listed on the National Stock Exchange of India Ltd., Mumbai under WDM segment. The bank confirms that it has remitted the listing fees to the stock exchange up to the year 2008-2009.

13. FOREX BUSINESS

During the financial year the Bank's total foreign exchange business turnover reached Rs. 2468.30 Crores as against Rs. 2262.27 crores during the previous year, with a growth rate of 9.1 %. Advances to the export sector increased from Rs. 156.93 crores to Rs. 163.68 crores.

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14. PARA BANKING ACTIVITIES

LIFE INSURANCE BUSINESS

Bank has entered into a Memorandum of understanding with M/s AVIVA Life Insurance Company Ltd to market their life insurance policies through our branches. During the financial year 2007-2008, Bank has received 1910 numbers of fresh proposals with a total first year premium collection of Rs. 443.47 Lacs. Further the bank also renewed 17,936 numbers of policies during the year with a premium collection of Rs. 831.34 Lacs.

GENERAL INSURANCE BUSINESS

Bank has entered into a MOU with M/s.Bajaj Allianz General Insurance Company Ltd to market their General Insurance products through the branches. During the financial year 2007-2008, Bank has received 8661 numbers of proposals with a total first year premium collection of Rs.184.47 Lacs.

MUTUAL FUNDS

The bank has entered into an MOU with 10 numbers of companies to sell / market their mutual fund products through our branches of Bank.

INTERNATIONAL FUNDS TRANSFER

We have tied-up with M/s. Weizmann Forex Ltd for extending Western Union Money transfer facility to the clients / public. At present 160 branches are catering this service through our CBS platform.

15. SEGMENT REPORTING

The overall operations of the Bank have been classified into two categories viz., Treasury Operations and Other Banking Operations. Both business and earnings continued to display growth.

TREASURY OPERATIONS

During the year ended 31.03.2008, the Bank has earned a total revenue of Rs. 137.31 Crores through treasury operations with a net result of Rs. 19.33 Crores (previous year profit of Rs. 12.46 Crores)

Other Banking Operations

During the year ended 31.03.2008, the Bank has earned a total revenue of Rs. 451.23 Crores through other banking operations with a net result of Rs. 185.40 Crores as against the previous year profit of Rs. 109.89 crores.

INSPECTION AND AUDIT

With a view to ensuring strict compliance to various internal control guidelines of the Bank and regulatory authorities including RBI, the Branches, Divisional Offices and departments of administrative office are subjected to Concurrent, Annual, Revenue, System Audit etc., The Bank has since adopted a policy on Risk Based internal Audit as a part of overall Risk based supervision for implementation.

16. HUMAN RESOURCES DEVELOPMENT

Development of the Human Resources has always been amongst the top priorities of your bank. The Bank has followed the performance based promotions and continuous skill upgradation of the employees. This helps in enhancing job satisfaction and commitment levels amongst the employees.

During the year the bank has conducted 48 training programmes at the bank's Staff Training College. 888 employees participated in these seminars and workshops. The training programmes are being conducted with the help of internal and external faculty. Apart from this, 114 officers were sent for external training programme to different institutes like SIBSTC, BTC, CAB, NIBM and IDBRT.

As on 31st March 2008, the total number of employees of the Bank stood at 2078 as against 1926 as on 31st March 2007. The employee productivity measured in terms of Business per employee, increased to Rs. 462.07 lacs from Rs. 430 lacs in the previous year. During the year the Bank recruited 350 personnel and promoted as many as 102 personnel at various levels. The Industrial relation in the Bank has remained cordial and harmonious throughout the year.

17. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank has sponsored a medical centre at Vengamedu, Karur under the aegis of Karur Rotary Club, since 1994 for catering to the medical requirements of needy people. Further, the Bank has supported liberally for the cause of Educational / Charitable Institutions.

18. CORPORATE GOVERNANCE

The Bank has adopted the best practices of Corporate Governance to protect the interests of the share holders, depositors and customers as required under Clause 49 of the Listing Agreement with the Stock Exchange. The certificate received from M/s. Sundaram and Srinivasan, the statutory auditors of the Bank in respect of the Corporate Governance is annexed to the report.

19. BOARD OF DIRECTORS

Mr.V.S.Reddy, was appointed as Managing Director of the bank with effect from 24.10.2007 for a period of two years as per the approval of the Reserve Bank of India.

Mr.D.L.Suresh Babu has resigned from the Board on 28.02.2008 in compliance of Section 10 A (2-A) (i) of the Banking Regulation Act, 1949. The directors place on record their appreciation of the valuable services rendered by Mr.D.L.Suresh Babu during his tenure.

Mr.K.B.Krishnan has resigned from the Board on 26.05.2008 in compliance of Section 10 A (2-A) (i) of the Banking Regulation Act, 1949. The directors place on record their appreciation of the valuable services rendered by Mr.K.B.Krishnan during his tenure.

Mr.S.L.Sivashanmugam, practicing Chartered Accountant was appointed as an Additional Director on the Board with effect from 28.02.2008 pursuant to the provisions of Section 260 of the Companies Act, 1956.

Mr.Kusuma R Muniraju, practicing Advocate was appointed as an Additional Director on the Board with effect from 25.06.2008 pursuant to the provisions of Section 260 of the Companies Act, 1956.

Mr.E.Sreedhar, Director , will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.K.Ravindra Kumar, Director , will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. G.Sudhakara Gupta, Director , will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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

The Board of Directors herby state that in the preparation of the annual accounts for the year ended March 31, 2008 :

- 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 on March 31, 2008 and the profit of the Bank for the year ended on that date
- proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions Companies Act 1956 for safeguarding the assets of the Bank and for preventing and detecting the fraud and other irregularities.
- accounts have been prepared on a 'going concern' basis.

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21. STATUTORY DISCLOSURES

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 endeavoured to enlarge its export financing.
3. The information required under Section 217 (2A) of the Companies Act, 1956 and the rules made there under, are given in schedule 17 and forms part of this report.
4. The report on the Corporate Governance is annexed herewith and forms part of this report.

22. INFORMATION TECHNOLOGY AND TECHNOLOGY UPGRADATION

CORE BANKING SYSTEM

The bank has completed the Core Banking Solutions implementation in all the branches of the Bank. This is a landmark event in the operations of the Bank. This enables the bank to have the entire database of the bank at one place instead of the different locations earlier. It is useful to monitor the performance of all business units on a regular basis. The inter branch reconciliation are system driven with the implementation of CBS.

OTHER TECHNOLOGY SUPPORTED PRODUCTS.

With the up gradation of technology, transfer of funds between the branches will happen instantly and also quick remittance through the RTGS / NEFT facility of RBI.

The bank also came out with new schemes like Lakshmi Freedom Deposit (Sweep-in / Sweep-out), Lakshmi floating rate deposit (flexible interest rate), Lakshmi Multi City cheque for SB a/c's, Current Accounts (any where banking).

The bank also implemented "E-CIRCULAR" messaging solution through which circulars of all the departments are accessible.

The bank also implemented the corporate messaging system and the office communicator between the branches with the Divisional Offices or Administrative Office.

The bank is in the process of implementing Mobile banking and Internet banking.

Our bank is globally identified by Microsoft as a light house customer for deploying the Unified Messaging Project. They are in the process of releasing the Bank's Messaging project profile as a case study in their global web site and the same will be published worldwide.

23. CORPORATE GOAL

Your Bank has planned to achieve business size of Rs. 15125 crores, comprising deposits of Rs. 9000 crores and advances of Rs. 6125 crores with an operating profit of Rs. 164 crores for the year ending 31.03.2009. The Bank will achieve this goal through better customer services and operational efficiency.

24. VISION & MISSION

Every organization communicates its purpose of existence and operations through its Vision and Mission statements. The difference between a vision statement and mission statement is that while vision statement focusses on organization's future, and long term goals, mission statement focuses on its present state and near term objectives.

Our bank's vision statement and mission statement are spelt out below:-

VISION : To be a sound and dynamic banking entity providing financial services of excellence with Pan India presence.

MISSION : To develop a range of quality financial services and products to create value for customer, shareholders and the society, to motivate people to achieve excellence in performance leading to sustained profitable growth and build a vibrant organization.

25. AUDITORS

The statutory auditors M/s. Sundaram and Srinivasan, Chartered Accountants, Chennai will retire at the conclusion of this Annual General Meeting and are eligible for re - appointment. Based on the professional expertise and the quality of the audit carried out by them, the board has recommended their re-appointment for another year.

Further your Directors propose to appoint M/s. Abama and Ananthan, Chartered Accounts, Bangalore as the Statutory Auditor along with M/s. Sundaram and Srinivasan, Chennai as per the regulatory guidelines of RBI.

The statutory audit of the Bank was carried out by M/s. Sundaram and Srinivasan, Chennai whose report is attached to the Annual Report.

26. ACKNOWLEDGEMENT

The Board of Directors gratefully acknowledges the committed support received from the share holders, customers, business associates 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.

The Board of Directors would like to place on record its appreciation for the dedicated service rendered by the employees of the Bank at all the levels.

For and on behalf of the Board of Directors

Place : KARUR
Date : 25.06.2008

V.S. REDDY
MANAGING DIRECTOR

N. SAIPRASAD
K. RAVINDRAKUMAR
DIRECTORS

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