



LAKSHMI VILAS BANK

**Nourishing Growth.
Nurturing Profitability.**



84th Annual Report
2010 - 2011

BOARD OF DIRECTORS



Shri. P.R. SOMASUNDARAM
MANAGING DIRECTOR & CEO



Shri. N. SAIPRASAD



Shri. K. RAVINDRAKUMAR



Shri. KUSUMA R MUNIRAJU



Shri. D.L.N.RAO



Shri. B.K.MANJUNATH



Shri. K.R.PRADEEP



Shri. S.G.PRABHAKHARAN



Shri. S. DATTATHREYAN

**BOARD OF DIRECTORS****Sarvashree**

S. Narayan - Non-Executive Chairman (Till 27.01.2011)

K.S.R. Anjaneyulu - Managing Director & CEO (Till 02.08.2010)

P.R. Somasundaram - Managing Director & CEO (From 02.08.2010)

K. Balaji (Till 19.07.2011)

N. Saiprasad

K. Ravindrakumar

Kusuma R Muniraju

D.L.N. Rao

B.K. Manjunath

K.R. Pradeep

S.G. Prabhakaran

S. Dattathreyan

EXECUTIVE DIRECTORS

K.S.R. Anjaneyulu

V. Prakash

Rajat Baldhi

CHIEF FINANCIAL OFFICER

M. Palaniappan

CHIEF TECHNOLOGY OFFICER

B. Murali Nair

GENERAL MANAGERS

S.R. Narayanamurthy

S. Ravishankar

T.N. Sundaram

V. Sudarsan

Niranjan K Rao

J.V.S. Chetty

S. Suresh Babu

Raghu Nagarajan

COMPANY SECRETARY

S. Venkateswaran

REGD. & ADMN. OFFICE

Salem Road, Kathapara, Karur-639 006, Tamilnadu

Phone: 04324-220051 to 220060 (10 lines)

Website: www.lvbank.com

E.Mail: secretarial@lvbank.in

CONTENTS	Page No.
Notice to the Members	2
Report of Directors	6
Report of Auditors	11
Balance Sheet	12
Profit & Loss A/c	13
Schedules	14
Cash Flow Statement	35
Auditors' Certificate	36
Balance Sheet Abstract	37
Statement of Progress	47

AUDITORS

M/s. Sagar & Associates,
Chartered Accountants,
Hyderabad.

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



NOTICE TO THE MEMBERS

Notice is hereby given that the 84th Annual General Meeting of Shareholders of The Lakshmi Vilas Bank Ltd will be held on Wednesday, 14th September, 2011 at 10.00 a.m at Regd. & Admn. Office, Salem Main Road, Kathapara, Karur-639 006 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended 31st March 2011 and the Report of the Directors and the Auditors' thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr.B.K.Manjunath who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.N.Saiprasad who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr.K.R.Pradeep who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors.

To consider 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 be and is hereby re-appointed statutory Auditors of the Bank to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting, subject to approval of RBI, on such remuneration and reimbursement of out-of-pocket expenses, if any, as may be fixed by the Board of Directors on the recommendation of the Audit Committee of the Board."

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 of the Bank be and is hereby authorised to appoint, in consultation with Statutory Auditors, the Branch Auditors who are qualified to act as Auditors, including Statutory Auditors pursuant to

the provisions of Section 226 of the Companies Act, 1956 for the purpose of audit of the Branches of the Bank and to decide the Branch Offices to be audited by such Branch Auditors and to fix their remuneration and reimbursement of out of pocket expenses incurred, if any in connection with the Audit, based on the recommendation of the Audit Committee of the Board."

8. 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 is 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 31.03.2012 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 is hereby authorized to arrange for audit of such branches which are not exempted."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution, 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 statutory modification(s) or re-enactment thereof, for the time being in force), 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 (RBI), the Stock Exchanges, the Government of India (GOI) or any other relevant authority from time to time, to the extent applicable, and subject to such approvals, consents, permissions, and sanctions as may 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 1,50,00,000 Equity Shares of ₹.10/- each or hybrid instruments / securities resulting in, upto 1,50,00,000 Equity shares of ₹.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 international market(s), either in the form of Qualified Institutional Placement (QIPs) to Qualified Institutional Buyers (QIBs) and / or Equity Shares through Depository Receipts, including in the form of Global Depository Receipts (GDRs) and /or American Depository Receipts (ADRs) 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 and/or venture capital funds, and/or Indian and/ or multi-lateral financial institutions or otherwise, and irrespective of whether or not such investors are members of the Bank, through prospectus and/or letter of offer or circular and /or on public and/or private , such issue and allotment to be made at such time(s) in one or more tranches, at such price or prices, in such manner, on such terms and conditions as the Board, may in its absolute discretion, decide at the time of issue of the aforesaid Securities.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to determine the Mode of Issue viz QIPs, Public Offerings, Private Placements, GDRs, ADRs etc under the respective guidelines and fix the quantum of Issue, terms of the Issue(s), including the class of Investors, to whom the Securities are to be allotted, number of Securities to be allotted in one or more tranches, issue price, face value, premium amount on issue/conversion of Securities etc in respect of each Mode of Issue within the overall limit of 1,50,00,000 Equity Shares of ₹.10/- each, subject to the applicable guidelines for each Mode of Issue.

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 and/ 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 as 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.

BY ORDER OF THE BOARD

Place : Mumbai

S.VENKATESWARAN

Date : 20.07.2011

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 9 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 01.00 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 **06.09.2011 to 14.09.2011 (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 **14.09.2011** 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 **05.09.2011**, 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@iepindia.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. Unclaimed Dividends / Refunds (Rights Issue) :

- a) All the shareholders and Beneficial Owners who have not so far encashed / claimed the dividends for the last 7 years i.e. from 2003-2004 to 2009-2010 and also the Rights Issue Refund amount for the year 2005, 2006 & 2009, have to submit the dividend warrant/s or refund order/s if any available with them for revalidation to the

Registrar & Share Transfer Agent, M/s.Integrated Enterprises(India) Ltd., II Floor, "Kences Towers" No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai-600017. However, the dividend for the year 2004-2005 was not declared.

- b) In terms of the Section 205C of the Companies (Amendment) Act, 1999 the dividends / refunds which are unclaimed for a period of seven years have to be transferred to "Investor Education and Protection Fund" maintained with Central Government and the shareholders / Beneficial Owners cannot make any claim for the dividends once the unclaimed dividends are transferred to such Fund.
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.
13. Green Initiatives in Corporate Governance - Shareholders are requested to update the e-mail id with your DP who is holding shares in electronic form. In case holding shares in physical form kindly write a letter to our Registrar & Transfer Agent M/s.Integrated Enterprises (India) Ltd., Chennai enable us to send the notice, Audited Financial Statements, Directors' Report, Auditors' Report etc., electronically in future.

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.B.K.Manjunath, B.Com., FCA is a practicing Chartered Accountant with 22 years of standing and specialized in the areas of Audit, Accountancy, Taxation and Finance. He is occupying the position of Director representing majority sector as per Section 10A (2) (a) of the Banking Regulation Act, 1949. He holds 61130 Equity Shares of the Bank.

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

Item No.4

Mr.N.Saiprasad, M.Sc., M.B.A., specialized in textile business for more than a decade; widely travelled in India and abroad; participant in several National & International trade fairs and Textile shows; partner in many firms dealing in exports / wholesale trade in textiles. He has served as a Director of your Bank during the year 1990 to 1998. He holds 106938 Equity Shares of the Bank.

None of the Directors except Mr.N.Saiprasad is concerned or interested in this resolution.

**Item No.5**

Mr.K.R.Pradeep, B.B.M., FCA, is a practicing Chartered Accountant with 27 years of standing and specialized in the areas of Direct Taxes, Consultant, advisor to various group of Industries and Multinational Companies in India. He holds 1927166 Equity Shares of the Bank.

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

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.**Item No.7**

In terms of the Section 228 of the Companies Act, 1956, the Branch Offices of the Bank have to be audited either by Statutory Auditors or other qualified Auditors. Bank intends to entrust the Audit of Branch Offices either to the Statutory Auditors or to other qualified Auditors in consultation with Statutory Auditors on such remuneration and on such terms and conditions as the Board deems fit based on the recommendations of the Audit Committee of the Board.

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

Item No.8

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 Board of Directors to seek exemption of such of the branches which are not necessary

for external audit since such branches are covered under the Bank's inspection mechanism.

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

Item No.9

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.9 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.9 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.

BY ORDER OF THE BOARD

S.VENKATESWARAN

Company Secretary

Place : Mumbai

Date : 20.07.2011



DIRECTORS' 84th ANNUAL REPORT

TO THE MEMBERS

The Directors of your Bank have great pleasure in presenting this 84th Annual Report on the business and operations of your Bank together with the Audited Accounts for the year ended 31st March, 2011 (FY 2010-11).

1. FINANCIAL PERFORMANCE

The highlights of the financial performance of your Bank for the year ended 31st March, 2011 are as under:

	(₹ in crores) For the year ended	
	31 st March 2011	31 st March 2010
Total Deposits	11149.51	9075.38
Total Advances	8094.42	6277.50
Investments	3518.85	2983.22
Total Income	1201.85	1012.88
Operating profit	273.86	166.21
Provisions and contingencies	172.72	135.54
Net Profit	101.14	30.67

Your bank registered appreciable growth in business volumes that compares very favourably with the industry average. The Bank attained total business of ₹. 19,243.96 crores in FY 2010-11, a growth of 25.35% over ₹. 15,352.88 crores in FY 2009-10.

Deposits grew 23%, from ₹. 9075.38 crores as at 31st March 2010 to ₹. 11149.51 crores as at 31st March 2011, and total advances expanded by 29%, from ₹. 6277.50 crores to ₹. 8094.42 crores in FY 2010-11. Of this, lending to priority sector rose from ₹. 2142.44 crores in the previous year to ₹. 2635.22 crores as on 31st March 2011. Agricultural advances increased to ₹. 1199.35 crores from ₹. 980.26 crores and advances to weaker section recorded a significant growth from ₹. 569.27 crores to ₹. 735.02 crores.

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

2. INVESTMENTS

As at the end of the year under review, the total investments of the Bank stood at ₹. 3518.85 crores as against ₹. 2983.22 crores at 31st March 2010.

Your Bank's Treasury continues to focus on sound Asset-Liability Management and on servicing clients with appropriate treasury products, and was managed well in a systematic way in a challenging year when interest rates kept moving up and liquidity conditions were tight for some part of the year.

3. PROFIT

The Bank has posted a healthy operating profit of ₹. 273.86 crores in FY 2010-11 against ₹. 166.21 crores in the previous year FY 2009-10, an increase of 65%. The net profit for the year, after provisions and taxes, crossed ₹. 100 Crores for the first time in the history of the bank, ending at ₹. 101.14 crores as against ₹. 30.67 crores recorded in the previous year - a growth of 240%.

4. APPROPRIATIONS

Particulars	(₹ in crores) For the year ended	
	31 st March 2011	31 st March 2010
Profit brought forward	0.16	0.28
Amount available for appropriation	101.30	30.96
Transfer to:		
Statutory Reserve	26.00	10.00
Capital Reserve	1.27	0.66
Other Reserve	40.25	12.32
Transfer to Special Reserve u/s 36 (1) (viii) of the IT Act, 1961	5.00	1.00
Proposed Dividend	24.38	5.85
Corporate Dividend Tax	4.15	0.97
Balance of Profit carried forward	0.25	0.16

In FY 2010-11, transfer to Reserves from profits amounted to ₹. 72.52 crores as against ₹. 23.98 crores in FY 2009-10.

5. DIVIDEND

Your Board of Directors are pleased to recommend a dividend of ₹. 2.50 (25%) per share for the year ended 31st March, 2011 as against ₹. 0.60 (6%) per share for previous year ended 31st March, 2010.

6. EPS / BOOK VALUE

Earnings Per Share stood at ₹.10.37 for the year ended 31st March, 2011 as compared to ₹. 4.95 as on 31st March, 2010.

Book Value of the share, after reckoning payment of dividend, has increased to ₹. 83.23 as on 31st March, 2011 as compared to ₹. 75.79 as on 31st March, 2010.

7. NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

Net Owned Funds (NOF) of the Bank increased from ₹. 738.99 crores as at the end of FY 2009-10 to ₹. 811.70 crores as at the end of FY 2010-11, reflecting a growth of 9.83%. During the year, your Bank revalued its fixed assets portfolio of owned properties and transferred an amount of ₹. 80.73 crore to Revaluation Reserve.

As on 31st March, 2011 your Bank's Capital Adequacy Ratio (CAR) stood at 13.19% (Basel-II), well above the regulatory minimum of 9.00%. Without considering the Revaluation Reserve, the CAR would be 12.70%.

The Tier-I and Tier-II components of Capital Adequacy Ratio were comfortable at 10.78% and 2.41% respectively.

8. NON PERFORMING ASSETS (NPA's)

Your bank addressed the challenge of NPAs through structural and process changes led by the Board. Combining strong recovery efforts with tightening of credit processes and monitoring, Gross and Net NPAs were reduced



significantly. Gross NPA to Gross Advance as on 31st March 2011 stands at 1.93% and net NPA at 0.90% corresponding to 5.12% and 4.11% respectively as at 31st March 2010.

The Provision Coverage Ratio stood at 77.17% against the stipulated level of 70% as on 31st March 2011.

In FY 2010-11, provisions against NPAs was ₹. 56.64 Crores as against ₹.119.27 Crores in the previous year. The Board is constantly monitoring the performance of your Bank on the NPA front through frequent reviews aided by technology solutions for identifying NPAs in the system. Credit origination and monitoring skills are being added significantly to strengthen the ongoing efforts to build a strong credit portfolio so that NPAs remain under control and the bank continues to grow consistently and profitably as a significant player.

9. BRANCH AND ATM NETWORK

As mentioned in our previous report, during FY 2010-11, the Bank opened 3 branches, Surat in Gujarat (a second Branch), Punjagutta in Andhra Pradesh and Raipur in Chhattisgarh. The Bank now has 274 branches including one satellite office and 9 Extension counters spread across 15 states and one Union Territory. Your bank has also increased the number of own ATMs for better service to its Retail customers, increasing it from 175 to 274 as on date. More investments are in progress to expand the network of branches and ATMs in FY 2011-12. Besides, for better administration and operational efficiencies, 8 Regional offices have now replaced 4 Zonal offices, of which 6 have already started operations.

10. IMPROVING CUSTOMER SERVICE THROUGH TECHNOLOGY

Your Bank has a robust technology platform extending services that address customer needs across segments. Your Board is now focused on strengthening sales orientation at the branch level and through specific vertical streams to be able to market the capabilities more effectively. The strategy is to be amongst the top banks in the emerging technology products. In FY 2010-11, the emphasis has been on developing alternate channels as a powerful service delivery platform, focused on enhancing customer service. ATM and Mobile banking have become very important tools for your Bank for customer retention as well as acquisition. A string of technology-aided products and services were launched in FY 2010-11, namely:

- Interbank Mobile Payment Services.
- Funds transfer and Ticket Booking through mobile.
- Funds transfer facility in ATMs.
- Fee payment through ATM.
- Secured Intra / Inter Bank Funds transfer with multi factor authentication, in Internet Banking.
- Revamped website with more interactive functionalities / facilities.

Your Board is pleased to note that your Bank is the first Private Sector Bank in South India to launch "Interbank Mobile Payment Services" (IMPS) in association with National Payment Corporation of India (NPCI) and was the tenth bank pan India Bank to launch this facility. Your Bank is also ahead in

commencing the Cheque Truncation System (CTS) at Chennai, an initiative by NPCI.

Investments continue by way of network expansion - opening of branches and more ATMs. FY 2011-2012 could see the number growing to 500 ATMs. Your Bank is also focused on improving customer service at all points of contact, including making the ATM experience delightful for customers through innovation and new ideas. There are also initiatives on safe banking underway to benefit customers who are fast shifting to electronic channels. Through tie ups, our Customers now have the benefit of using over 70,000 ATMs across the country including those of other banks.

Bank has successfully implemented Enterprises Storage solution at its primary and DR site for high availability of critical applications. To ensure Business Continuity and Disaster Recovery regular DR Drills are being conducted.

Your bank's website has been given a new contemporary look to facilitate more features & services to the customers by introducing features like map based search, make an appointment with the bank etc. Technology will be used as an integral tool in the business strategy as we scale up our operations.

11. INTERNATIONAL BUSINESS

During the year, the Bank achieved Foreign Exchange Business turnover of ₹. 4900.58 crores as against ₹. 3462.43 crores during the previous year registering a growth of 41.53%. Lending to export sector however, decreased from ₹. 274.28 crores to ₹. 215.43 crores, FY 2011-12 will see a refreshed approach to service clients on the export front and to substantially increase the Foreign Exchange volumes through better reach of Treasury functions. Your Bank does not have any overseas operations.

12. WEALTH MANAGEMENT / PARABANKING ACTIVITIES

- **Life Insurance:** Bank has entered into a tie-up with LIC of India to solicit Life Insurance policies for our customers. All the products of LIC are available through our branches. Bancassurance tie up has been successfully embedded through training and we see this as a big step in improving fee income.
- **General Insurance:** Bank has tie-up with M/s.Bajaj Allianz General Insurance Company to market the General Insurance products.
- **Mutual Funds & PMS:** The Bank is presently having tie-up with Ten leading Asset Management Companies for promoting various Mutual Fund Schemes. In addition we are promoting Port Folio Management Services (PMS) through UTI Asset Management.
- **Money Transfer through Branch Channels:** In addition to foreign inward remittances arrangement with M/s.Weizmann Forex Ltd. for extending Western Union Money Transfer facility, Bank has tied-up with M/s.UAE Exchange & Financial Services Ltd., for offering Global Money Transfer services through Xpress Money and Moneygram.
- **Money Transfer through Direct Remittances:** Your Bank has tied up with Times Money - Remit 2 India & Al-ahalia for Inward remittance from Abroad which enables the NRIs to remit the amount directly to their account / other residents.



- **PAN Card Services:** Bank has tied-up with M/s.UTI Infrastructure & Technology Services Ltd., (UTIITSL) as PAN Service Agent (PSA) of collecting the PAN application across the country through Branches.
- **Depository Participant Services:** Your Bank has registered as a Depository Participant with NSDL and with necessary regulatory clearances, this product is part of the suite that is offered to our customers. As responsible equity culture spreads, this business will offer a good platform for more value added products.
- **ASBA:** As Bankers to the issue, the Bank can now receive subscriptions under ASBA mode thus enabling the investors to earn interest till allotment of securities.
- **Financial Inclusion :** Your bank has been actively participating in the Financial Inclusion campaign, extending basic banking services to the unorganized sectors of the economy, through Business Facilitator and Business correspondent model. During FY 2011-12, as a part of the policy initiatives of Reserve Bank of India, Business Correspondents have been engaged to implement financial inclusion in 18 allotted villages with population of over 2000 in Tamilnadu, based on this experience, this service will be extended to the 50 allotted villages. In addition, your Bank has opened over 28,000 No Frills Accounts to gradually improve banking penetration through its branches.

Wealth Management opportunities, in the towns your branch traditionally has presence, are significant and these new products are intended to improve the overall customer service and provide exposure to these products.

Even as more and more new products are being made available to the customers, responsible service continues to be imbedded in the Bank's tradition, and your Bank has an effective customer grievance redressal framework as well. Your Bank is committed to treating customers fairly as part of the BCSBI code and the policies and processes are designed to strict adherence, under Board's monitoring.

It will also be a matter of pride to note that your Bank was adjudged the second fastest growing Bank in the small Bank category in the BT-PWC survey in FY 2010-11.

13. RISK

Risk and Return are two sides of the same coin in the activities of any bank. Risk Management is critical in the way modern business is operated because of dynamic business environment to which businesses are exposed. It is not only a requirement under several voluntary codes and statutes, but also makes business sense to identify the probability of not achieving strategic and business goals. Risk management has to be embedded in business processes to ensure that it is being practised and made part of the culture of the organization. With this in mind, the bank has established systems and policies ensuring an ongoing assessment of relevant risk types on an individual basis and in the aggregate as well.

The Board of Directors effectively monitor the risk management. A Board Level Committee oversees the implementation of Credit risk, Market risk and

Operational risk policy prescriptions. The Asset Liability Management Committee (ALCO) looks into the management of Liquidity and Market risks and ensure adherence to prudential limits. At the organizational level, an Integrated Risk Management Department functions at Head Office to identify, measure, monitor and reduce risk; optimize returns and assess the required capital level. Bank has automated the process of Capital Calculation and introduced Base Rate as per RBI Guidelines during this financial year. Bank has a robust credit risk assessment system to ascribe borrower risk grades. This facilitates data collection and analysis for moving towards Advanced Approaches. Bank has in place well defined framework for managing Market Risk. Basic Indicator Approach has been adopted for computation of capital charge for Operational Risk.

The Bank has migrated to Basel II- New Capital Adequacy Framework (NCAF) - from March 2009 and is preparing ICAAP document to assess its inherent risks and capital requirements. Bank uses Stress Testing and Scenario Analysis in various risks as required under Pillar II for enhancing risk assessment and to provide the bank a better understanding of the likely impact even in extreme circumstances. Technology is extensively used in measuring and discussing market risk using statistical tools, including stress testing.

14. INTERNAL CONTROL SYSTEMS

The Bank has put in place well articulated internal control measures in tune with the complexity of business operations, organization's size and supervisory compliance standards. The following Audit & Inspections are carried out:

- Regular Comprehensive transaction based inspection by trained internal inspector of branches.
- Risk Based internal Audit to measure the risk in branches and work out the mitigating techniques.
- Pre-disbursement credit audit.
- Concurrent Audit by Empanelled Chartered Accountant Firms.
- Information System Audit by Specialized and trained inspectors.
- Statutory Audit of branches and Controlling offices by Chartered Accountant Firms in terms of the guidelines of the Reserve Bank of India.

The Audit Committee of the Executives review the inspection of branches carried out by the internal inspectors. The Audit Committee of the Board (ACB) is supervising the entire audit functions of the Bank and the compliance thereof. Budgets are agreed on various parameters including Revenue and Costs, and progress measured for appropriate mid-term corrective measures at the Board Level.

15. HUMAN RESOURCE

As on 31st March, 2011, the total number of employees of the Bank stood at 2626. The employee productivity measured in terms of Business per employee, increased to ₹.7.19 crores from ₹. 5.60 crores in the previous year. Following the 9th Bipartite settlement, significant arrears of salary was paid to employees. Gratuity too has been raised to the substantially revised statutory limit. Bank also offered the Defined Benefit Pension Option as per the All India Settlement signed by the Indian Banks Association on behalf of several banks including your own, with the All India Staff and Officers Unions / Federation, to 1386