



83rd ANNUAL REPORT 2006-2007



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Board of Directors ನಿರ್ದೇಶಕರ ಮಂಡಳಿ

Chairman & Chief Executive Officer ಅಧ್ಯಕ್ಷರು ಮತ್ತು ಮುಖ್ಯ ಕಾರ್ಯ ನಿರ್ವಾಹಕ ಅಧಿಕಾರಿ



Sri Ananthakrishna ಶ್ರೀ ಅನಂತಕೃಷ್ಣ



Sri D. Surendra Kumar ಶ್ರೀ ಡಿ. ಸುರೇಂದ್ರ ಕುಮಾರ್



Sri I. Jagdish Rao ಶ್ರೀ ಐ. ಜಗದೀಶ್ ರಾವ್



Sri Jairam G. Kimmane ಶ್ರೀ ಜೈರಾಮ್ ಜಿ. ಕಿಮ್ಮನೆ



Sri M. Bheema Bhat ಶ್ರೀ ಎಮ್. ಭೀಮ ಭಟ್



Sri S.R. Hegde ಶ್ರೀ ಎಸ್.ಆರ್. ಹೆಗಡೆ



Sri R.V. Shastri ಶ್ರೀ ಆರ್.ವಿ. ಶಾಸ್ತ್ರಿ



Sri U.R. Bhat ಶ್ರೀ ಯು.ಆರ್. ಭಟ್



Sri T.S. Vishwanath Î∄q.GÓ... ËÍ̮ݥ...

CHIEF GENERAL MANAGER

Sri P. Jayarama Bhat

GENERAL MANAGERS

Sri M. Gopalkrishna Bhat Sri N.S. Chakkera Sri K.H. Shivaswamy Aithal

DEPUTY GENERAL MANAGERS

Sri M.V.C.S. Karanth Sri N. Upendra Prabhu Sri P. Jairama Hande Sri P.R. Srinivasa Holla Sri B. Prasanna Kumar Sri V.M. Samaga Sri B. Ashok Hegde Sri B. Vittal Rao Sri K.G. Ramesh Rao

ASST. GENERAL MANAGERS

Sri V.N. Manohar Sri I. Santhosh Kumar Sri M.S. Mahabaleshwara Dr. Meera Laetitia B. Aranha Sri Gajanan T. Hedge Sri Jagdish Moleyar Sri S. Anandarama Adiga Sri M.V. Mohan Sri Raghurama Sri M. Raghavendra Bhat Sri S. Ramachandra Bhat Sri Subhaschandra Puranik Sri U. Mahabaleshwara Maiya

COMPANY SECRETARY

Sri Y.V. Balachandra

LEGAL ADVISER Sri M.V. Shanker Bhat

AUDITORS M/s. Rao & Swami, Bangalore

M/s. Kamath & Rau, Mangalore

REGISTRAR & SHARE TRANSFER AGENT

M/s. Alpha Systems Pvt. Ltd., Bangalore Regd. & Head Office: Mahaveera Circle, Mangalore ಮುಖ್ಯ ಮಹಾ ಪ್ರಬಂಧಕರು Î la ². g¿áÃÝÊl »b...

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Î h Ë.G®... Ê H®ãa ÖĂU Î h I. Ó H ñãa Đ... PHÊ IÞĂ... Î h GÊ H...GÓ... Ê HÖYŸÇa (IĂU ∨Ý> Ë tà ĂÝ Çaq Î ¿ Þ ¹. AĂY®D Î h WIHY®IPUq. ÖWU/20 Î h WIHY®IPUq. ÖWU/20 Î h GÓ... B®H TĂYÊ H AWWU Î h GÔ... B®H TĂYÊ H AWWU Î h GÊ H...Ë. Êãa ÖÖP... Î h AŬZAĂYÊ H Î h GÊ H... ĂYÊ E AT TÎ » IÞ... Î h GÔ... ĂYÊ H AU TI » IÞ... Î h GÔ... ÂYÊ H AU TI » IÞ... Î h GÔ... ÂYÊ H AU TI » IÞ... Î h GÔ... ÂYÊ H AU TI » IÞ... Î h GÔ... ÂYÊ H AU TI » IÞ... Î h 2018 YO... AU TI ± IAY ~ P... Î h 2018 YO... AU TI ± IAY ~ P...

ಕಂಪೆನಿ ಕಾರ್ಯದರ್ಶಿ Î là Ê¢Ë. víÆalí 🗍

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ÎÅaGí.Ë. ÍŬPKÃ....≫Kp...

ಲೆಕ್ಕ ಪರಿಶೋಧಕರು

Ê& ÂYÊ…Gí∨…ÓYÌËá, gáWÙĐÃŮ Ê& PYÊŮñ…Gí∨…ÂYÊ…, ÊŮíWÙĐÃŮ

ನೋಂದಣಾಧಿಕಾರಿ ಮತ್ತು ಶೇರು ವರ್ಗಾವಣಾ ಪ್ರತಿನಿಧಿ

Êå: AÇÝ- 000Êtl.1)±æÊàp...ÈEápæv.., ್ತáWÜbbĂl ನೋಂದಾಯಿತ ಮತ್ತುಪ್ರಧಾನ ಕಚೇರಿ: ಮಹಾವೀರ ವೃತ್ಯ ಮಂಗಳೂರು

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DIRECTORS' 83rd ANNUAL REPORT

Your Directors have pleasure in presenting the Eighty Third Annual Report, the Audited Balance Sheet as at and the Profit & Loss Account for the year ended, 31st March 2007, along with Auditors' Report.

PERFORMANCE HIGHLIGHTS

Performance highlights for the financial year in the key financial areas are as under: -

		(Rs. in crore)
Particulars	As on / for the year ended 31.03.2007	As on / for the year ended 31.03.2006
Deposits	14037.44	13243.16
Advances	9552.68	7791.57
Investments	5048.16	5548.58
Total Income	1430.52	1184.84
Operating Profit	356.58	328.29
Net Profit	177.03	176.03

Your Bank witnessed satisfactory growth in all the key business variables during the year. The total business turnover of the Bank touched Rs. 23590.12 Crore, an increase of 12.15% over the preceding year. The total assets of the Bank increased from Rs 14953.27 Crore to Rs. 16222.52 Crore recording a growth of 8.49%. The net interest income rose from Rs.365.97 Crore to Rs. 419.86 Crore thereby registering a growth of 14.73% due to good growth in advances. The operating profit increased from Rs.328.29 Crore to Rs.356.58 Crore showing a growth of 8.62%. However there is a marginal increase in Net profit which is mainly on account of higher provisioning for Depreciation on investments.

The total deposits of the Bank grew from Rs.13243.16 Crore as on 31.03.2006 to Rs. 14037.44 Crore as on 31.03.2007, registering a growth of 6%. During the year low cost deposits of the Bank namely Savings and Current Account deposits has shown an impressive growth of 18.65% over the previous year.

The total advances grew from Rs. 7791.57 Crore as on 31.03.2006 to Rs. 9552.68 Crore as on 31.03.2007, an increase of 22.60%. While agricultural advances increased from Rs. 737.33 Crore to Rs. 791.39 Crore, the priority sector advances increased from Rs.2772.20 Crore to Rs. 3058.90 Crore. The lendings under various

ನಿರ್ದೇಶಕರ ಮಂಡಳಿಯ 83ನೇ ವಾರ್ಷಿಕ ವರದಿ

ý ÝÁí Q®U 83® à ÊÝÑÌ PU ÊÁÍÞ, 31® à ÊÞa…ì 2007P& ÊliáPÝੲáWÆí √UBÌ PU ÊÐU ``U±ÄÍÆà→ÓÆòr BÔÖÆOæ±br Êliñl=ÇÝ»I®DUñŪTæá®l°ÇÆ⊞ÄÍÆà≪PÃUÊÁÞÁāí©Wæ, ÝÁí Q®U ÍæÃII``YÁÁLÊliáí©√Æá⁻Êl¾``àì ÍÞÃUÖŇì ÓUñÝÃæ

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14037.44	13243.16
9552.68	7791.57
5048.16	5548.58
1430.52	1184.84
356.58	328.29
177.03	176.03
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. YÁI Q®Ü Joár sàÊL ¿áá 31.03.2006ĀĒÉ Ü ĀLĀ.13243.16 Pāāaq Àáí ¨Ü 31.03.2007PAĀLĀ. 14037.44 Pāāaq WaHÄ ¨ Ü, Í à. 6ĀÜ 』 赵臣L Wæá®L° ¨ÝSÈÔ¨æ ±DŨAÑ ÊLDŨ ¨ ĒÉ ĒL° ĒæÜÜ sàÊL WŪÝ ¨Ü E ÚÑŸ¿á TÝñæÊLĨñL¤ aÝȤ TÝñ&DŨU sàÊL WŨÜ ĒāñLĒL, PŪæʿLÊDŨ QK ñŰLà. 18.65ÃUWĒL®ÝÖD ÖæÜLPU w¨æ

Joár Êbláí WOV/Êbl 31.03.2006ĂU 10 C 10 ĂLĂ.7791.57 PaāàqÀáí 10 31.03.2007Pbl ĂLĂ.9552.68 PaāàqWa HĂ 10 fà. 22.60ĂU ÖasUDĒPbl ÓY-Ő a PBN Êbláí WOVĒbl ĂLĂ.737.33 PaāàqÀáí 10 ĂLĂ.791.39 PaāàqWa HĂ 10, B 10 YĂŬ WO Ü Êbláí WOV/Ēbl ĂLĂ. 2772.20 PaāàqÀái 10 ĂLĂ.3058.90 PaāàqWa HĂ a ÓYÊD i POLA à àg ®a a ®J á ā vQÇÝ U Êbláí WOV/DD F PAĂĒÝ 10 JUÉD-Wa ÞX a

31 Êliþa..ì 2007Pik Ýlí Q®Ü Joár Ölä wPjejáá Álä.5048.16

socio-economic schemes have shown satisfactory progress.

The total investments of the Bank as on 31st March 2007 stood at Rs. 5048.16 Crore as against Rs.5548.58 Crore as on 31st March 2006 showing a reduction of 9.02%. The average modified duration of the investment portfolio, AFS category, stood at 3.73 years.

PROFIT

Your Bank posted an operating profit of Rs. 356.58 Crore for the year as against Rs.328.29 Crore for the fiscal 2006. The net profit of the Bank increased from Rs.176.03 Crore to Rs. 177.03 Crore.

APPROPRIATIONS

The net profit of Rs. 177.03 Crore which along with a sum of Rs. 0.06 Crore brought forward from the previous year aggregated Rs. 177.09 Crore is appropriated as under. The corresponding figure for the previous year was Rs.296.04 Crore (including Rs.120.00 Crore transferred from Investment Fluctuation Reserve).

Appropriation	Rs. in crore
Transfer to Statutory Reserve	107.00
Transfer to Capital Reserve	1.38
Transfer to Revenue & General Reserve	19.00
Transfer to Proposed Dividend	
(including tax there on)	49.69
Balance carried to Balance Sheet	0.02
Total	177.09

DIVIDEND

Keeping in mind the overall performance of the Bank and the positive outlook for the future, the Directors are pleased to recommend a dividend of 35%. The total amount of dividend proposed to be distributed is Rs. 42.47 Crore, which is 16.74% higher than the amount distributed for the year ended 31.03.2006 (Rs. 36.38 Crore). The dividend payout ratio for the year stands higher at 23.99% as compared to 20.67% during the year 2005-06.

EARNING PER SHARE / BOOK VALUE

The earning per share (weighted average) and the book value of the share stood at Rs.14.60 and Rs.102.08 respectively as on March 31, 2007.

Pæiàq¿ÞX`[®], C`[®] 31 ÊlÞa…ì 2006Álí[™]® Álba.5548.58 Pæiàq¿áÑr[™]®, Íæi9.02 CÚPæjÞX[™]æi ÖbbwPæË»ÝWÜÜÓAÁÝÓA ÊlÞ±10 wnílÞÝÇÝÊl→(G.G´…GÓ…)3.73 Êlb01 [™]ElÉīf£[™]æ

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í ýó¢ýñ n Þý©or [–] —Wæ	107.00
Ÿí∨ĒÝÙŒáàÓĒ₩æ	1.38
B ^{∵Y} ¿áÊÜñܤÓYÊ⊫Þ®ÛPÝ©or [–] —Wæ	19.00
E `` à Ĩ ñlÇÝ»Ýí Í lËñlÄlDWæ(ñæ\W@) à A``li ñ }	49.69
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ఒట్న	177.09

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□ÊB¾_ÝĂIQ®ÜÓDĚÝì ſXà | ÓÝ«ĐªÊBÑĐ= ÝĂIQ®ÜÝWX&®Ü«ĐÝÑĐU "ĐÑPāà®WUĐĐ® WÊB®Ü È ÂÔPā ſ√Đ, □ÊB¾⁻⁻⁻àì ſĐÃĐ ±ĐE ſĐŪ 35 ÇÝ»ÝÍ Í UĚ ÑĂÔĐ Ê Đ r ĐE ÂÔPā ſ√Đ, □ÊB¾⁻⁻⁻àì ſĐÃĐ ±ĐE ſĐÚ 5 ÇÝ»ÝÍ Í UË ÑĂÔĐ ề Đ r ĐE ÂĐ VĐE ả ÖÑì ÔĐ ÑÝÃæ ±ĐÝ Ě ÑU ÇÝ»ÝÍ Í UË ÑĂD @ á Joár Ê ã ÑĐÃĐ. 42.47 Pā àq ¿ ÞX⁻⁻⁻Đ, C⁻⁻⁻Đ 31.03.2006 Ê ĐÝì í ÑĐ & Ĕ ÑĂD⁻⁻⁻U (ÃĐ. 36.38 Pā àq) ÇÝ»ÝÍ Í ĐN ÑŪ Í à. 16.74 A—PÊÝX⁻⁻⁻æ ±ĐÝ Ĕ ÑU ÇÝ»ÝÍ Í Ū Ö ã à ĎĂ Ě ®U ±Ă Ê Þ | Ê Đ ±ĐĐ ĐU Ê ĐU PE Í à. 23.99 à ĐĐ G ÑĂ PĐ HÀ⁻⁻⁻Đ? C⁻⁻Đ 2005&06 Ê ĐN "Ê É Í à. 20.67 Ă ÑN RĐE

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NET OWNED FUNDS AND CAPITAL ADEQUACY RATIO

The net owned funds of your Bank increased from Rs.1111.13 Crore to Rs.1238.63 Crore, registering a growth of 11.47%. The capital adequacy ratio decreased from 11.78% as on 31st March 2006 to 11.03% as on 31st March 2007 after taking into account the market risk on investment as per Reserve Bank of India guidelines. The Bank has been consistently maintaining Capital Adequacy Ratio well above the norm of 9% stipulated by the Reserve Bank of India.

FOREX BUSINESS

During the year, the Bank achieved foreign exchange business turnover of Rs. 6101.16 Crore as against Rs. 4638.59 Crore for the previous year, registering a growth of 31.53%. The advances to export sector increased from Rs.894.81 Crore to Rs. 1095.31 Crore.

NON-PERFORMING ASSETS

Your Bank has been focusing on containing the nonperforming assets, through better credit monitoring as well as intensified drive for the recovery of the impaired assets. Asset Recovery branches and steps under SARFAESI Act 2002 for speedy take over and disposal of the assets of defaulting borrowers resulted in reduction of Gross NPA from 5.13% as on 31.03.2006 to 3.95% as on 31.03.2007. The Net NPA stood at 1.22% as on 31.03.2007.

CREDIT RATING

The credit rating agency, ICRA Ltd. (ICRA), one of the leading credit rating agencies of the country has accorded 'A1+' rating to the Bank's Certificate of Deposit Programme. The rating symbol, 'A1+' indicates highest degree of safety for timely payment of principal and interest.

DISTRIBUTION NETWORK

During the year under report, the Bank has opened 13 branches, one each at Guwahati, Kolkata-Rash Behari Avenue, Bhopal, Bangalore-HSR Layout, Mogappair (Chennai), Bilaspur, Allahabad, Sajipa-Muda, Panipat, Kanpur, Siliguri, Agra and Jodhpur; upgraded Mumbai-Borivli-Don Bosco High School Extension counter and Kolhapur-SIBER Extension counter into full-fledged branches; opened 31 new ATM outlets at various

ನಿವ್ಷಳ ಸ್ವಂತ ನಿಧಿ/ ಬಂಡವಾಳ ಪರ್ಯಾಪತಾ ಅನುಪಾತ

EBW, YW Q@U EDUU ÓW NU — Lisá AKB. 1111.13 Paraq Aáí U Akb. 1238.63 Paraq Wa HA'' B', ±DEÍ KU 11.47 JUEU-Wa á®B'''YSEO''a »YADEa á ÁÓE... YW Q@UEDEWU ''ÚU @U'U NAOBAWPa Eata/E | ÊD-ÂBPIDBA+Ý á ÁÓD »ÝÊDra á ±KWU ®a á®U á á YW Q@U Ýí v EÝUU ±U: Þì ±KY A®B±Ý NEB 31 ÊD-a... 2006AU ''B C''U Ía. 11.78Aí'''U 31 ÊD-a... 2007Pkía. 11.03PkCÚ©''a »YADEa á AÓDE... JYÁ PB -WP ±UNÔ''U ±DEÍ KU 90N NU Obo@U Ýí v EÝUU ±U: Þì ±KY A®B±Ý NEPB'' ÊBW ÝÁ PB - á a an EÝX PU ĐU EatXí NU Obo@U ÊBO'''DEF PY©ÄÔ, - ĂU NADEYX ±Ý EÔParí v B Ýí © ABNB'a

ವಿದೇಶಿ ವಿನಿಮಯ ವ್ಯವಹಾರ

±的時间 ÊĀ(P) ÊDDÍ "ĒÉ Ë aî Ë Ê Ê; á'Ü Joár ÊÆDÝĀĒB ĀĒ. 6101.16 PāāàqWæ HÄ "B", C "B'×í "Ŭ ÊDÝì í ñ Pæ ĀĒ.4638.59 Pāàq; áÑ rñ # ñ Pā¥PUA¼ÊB"; áá Ía. 31.53 ĀDBr "ÝSÇÝX"æ 〔; Þì ñŪ ÊBáí WU/ĒBā ĀĒā. 894.81 PāàqÀáí "Ū ĀĒ.1095.31 PāàqWÆÓDňWāíw"æ

ಅನುತ್ಪಾದಕ ಆಸ್ತಿಗಳು

A®tin^{ý?} PŮĒtiái WU/WUPt" (NPAs) nÖÜY (©Wanākuta - Ētik, YA PE Enitēti Ētiai WU/U - WY Ētinit= "tiy`) Æ A®tin's' PÜ Ētiai WU/WUU Ētūtaçý£; a`Ēt £a`Ēti a'¥æ®æP#Væi (w``æ Bô¤ Ētūtaçý£ (ÝT¥VUU Ētinit=±t£>>ta`EaPAU PYÀa``æ2002ĂUA®t; a`Otô`=`YĂUOYÆWYĂĂU Bô¤Ētinit=Oænt#WUUNUANUOYI—a®UĒtinit=ĔÇæÊYA 'TĒnýí (TĒYX 31.03.2006Ăti ''t C``LU oar A®tin's' PUBÔ=Ētior (æ 5.13Åí``Uí a`.95Pt 31.03.2007Ăti ''ti nite=''ti; 31.03.2007Ăti ''ti ĒtīvU A®tin's' PUBÔ; a`Êtior (æ 1.22ĂDEPte (f``æ

ವಿಶ್ರಾಸಾರ್ಹತೆ ಮೌಲ್ಯಮಾಪನ

I.Ô.BĂ...G. ÓŮÓ臉 ∵àĺÜÜÊÜá(a⑮云云áÈĂÜÉÜSàÈᅛ E ¨Ă ÊÞ®ÜÜ∨Ü⁻ | ì ÀáÓÜÊÜÓDÓDÚDÉEJí ¨ÝX¨Ü, D ÓŬÓ臉, ŸÁQ®U SàÊŀ ±Ê₽ | ±ħŴŪŲ;áĨĎÌPÝ;áî ÓĂŀWÝX A1+Ê₱®ÜÜ√U ¯àw¨æ D A1+ÊÜċÇŸÁPÊÜAñÜÅ®ħÜĹĹa~;á¨ÝX¨Ü, AÓÆá ÊÜñܤ Ÿwự;á Ó₽ŸÈPÜÊÜÄñÜűŸÊŒ;á ÓŨĂŨŀħ₩æĹÅĐŪ ÓŬPàñÊÝXĂÜñÜæ

ಕಾರ್ಯಜಾಲ ಹಂಚಿಕೆ

 locations and opened a Service Branch at Delhi. With this, as on March 31, 2007, the Bank has altogether 410 branches, 106 ATM outlets, 7 Extension Counters, 8 Regional Offices, 1 International Division, 1 Data Centre, 4 Service Branches, 2 Currency Chests, spread over 19 States and 2 Union territories. Further, during the year 2006-07, the Bank has shifted its 16 existing branches to new premises for the convenience of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Scenario

The macroeconomic performance of Indian economy is showing a strong acceleration in the growth. The Real GDP growth, for 2006-07 was placed at 9.2% as against 9.00% in the previous year. While the industry grew by 10.2%, as against 8.0% in the previous year, the agricultural and allied sectors estimated to have registered a growth of 2.7% in 2006-07.

The average annual inflation as measured by variations in the wholesale price index (WPI) on year-on-year basis, increased from 4.1% at the end of March 2006 to a moderate level of 5.7% on March 31, 2007. During the year the inflation has reached a high level of 6.7% in January 2007.

The foreign exchange market has witnessed generally orderly conditions during 2006-07 with the exchange rate exhibiting two-way movements. During the year 2006-07, the rupee appreciated by 2.3% against the US dollar and 2.7% against the Japanese yen, but depreciated by 6.8% against the euro and by 9.0% against the pound sterling. The foreign exchange reserve rose to US \$ 199.2 billion, an increase of US \$ 47.6 billion during the year.

Banking Scenario

During the year 2006-07, the aggregate deposits of the scheduled commercial Banks increased by 23.0% (Rs.4, 85,210 Crore) as against 18.1% (Rs.3, 23,913 Crore) during the previous year. Demand deposit growth slowed to 16.0% from 27.5% in 2005-06 but time deposit grew by 24.5% compared to 16.4% growth in 2005-06. The increase in time deposit is mainly due to favourable interest rate differentials compared to postal savings, extension of tax incentive on long term Bank deposits, aggressive attitudes of Banks to mobilize deposits,

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»YÄLEà¿á BìPhæáá Ó/EPC3/BìPU Ó/Y«Pæá "Ù/EH-WæáÈÉ ÝÈĐƯÉÝ UÊ awæà®te¿á®tê ÓÝ-ÔÃťánH a 2006&07®a Ó/YÈ®TEÉ ®cg Ó/E&E alà¿á EñPTÉ®×í UÊ ÉDU UÍ a. 9Åí UÍ a. 9.2Pte A ½Ê 4@ dvæãí w ñ b. PaWYÄPY ÁŬ WÉ bi í a. 10.2à HD bir A ¼Ê 4@ dvæãí w ñ b. PaWYÄPY ÁŬ WÉ bi í a. 10.2à HD bir A ¼Ê 4@ dvæãí w ñ b. C te×í U ÊDU í a 8.00à ÑirñH 2006&07®a ÓYÈ®TE (PŇ ÊtinH=PEŇ B«ÝÄndúand, ù/EH-Wæá®te í a. 2.7à Đťr Aí ÚCÝX a

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2006&07 BìPÜ ÊDÙ "ÈÉA®ÜÓBƏDÑÜÊÝ~gÅ ÝÁ PÜWÜÜ Joár saêl- ¿áá Ía 23.0ÃĐBr (ÃB. 4,85,210 Pābaq) A¼ÊB®WABA (W "B C"B×í"Ü ÊDÙ Ía. 18.1 (ÃB. 3,23,913 PABaq) ÃÑ MBB ÓYÊLsaêl- WÜÜ A¼ÊB® gáết ÊaWÜ 2005&06ÂÊÉÉÜ Ía. 27.5Ä ("Ü "«Ý ÓÆÐár Ía. 16.0P& ínÃa PYÈPÜsaêl- ¿áá 2005&06ÂÊÉÜ Ía. 16.4Ä ("ÜÍa. 24.5ÂÜÊBORDEHÄPAPU wnB. PYÈPÜsaêl- ¿á ÊaWABANĐÛ P& PYÂU ÊÝ ÜB, A í az CÇÝTæ á EÚNÝ ¿ÁP& ÖÆAÈÔ "Ět BPDDI PÜÊDNDÔ Ý WI ÂWÛÜ, ©àZì PÝÈPÜ 'ÁP... saêl- WÜÜ ÊaaÇa ±abănÝÖDPĂEÝ Ü ňaWa ÓWÈPa saêl-OU al: á" Ét AnBINEBÊYX ÍE AO Ü , YA PBWÜU ÓY «Bª TÝÓK ÖÝWBA ÓYÊD g PÜÊBE ; AWÛUPU ±ã WÜÊT ÓU Ý Æ »ÊÝ Ü®WÜB surplus funds available with cash-rich private and public companies and higher growth in non resident deposits.

The acceleration in real activity propelled a sizeable expansion in monetary and Banking aggregates in 2006-07 for the fourth year in succession. The Bank non-food credit increased by 28.0% on top of 31.8% in the previous year. The incremental non-food credit-deposit ratio edged down to 84.6% during 2006-07 from 109.3 percent in the previous year. Commercial Banks' investments in Government paper, approved securities, bonds / debentures / shares of public sector undertakings and the private corporate sector and commercial paper increased during the year compared to the previous year.

Opportunities Ahead

Your Bank has excelled in providing 'State of the Art' Banking technology to the ever changing needs of the Customers, thereby opening up new opportunities to the Bank. Your Bank has conceptualized 'any time/Anywhere Banking' by adopting Core Banking way back in the year 2000, 'Anytime Money' by introducing automated teller machines in the brand name "Moneyplant" along with VISA international debit card, 24x7 Banking by launching "MoneyClick" Internet Banking. 395 Branch/Offices of your Bank have been inter-connected, covering about 98% of the Bank's total business. Your Bank has made value additions to the above service channels by introducing services like 'Multi Branch Banking, Multicity cheques, Flexi term deposits, Debit card with credit line, Payment of Utility Bills, Railway Ticket Booking' thro' Money Click etc. Being at the fore-front, your Bank is extending Demat services under the aegis of CDSL and has also forayed into distribution of Mutual Fund products of M/s. Franklin Templeton Asset Management (India) Pvt Ltd.

Your Bank, by virtue of becoming a member of ATM networks like 'VISA', 'NFS', 'Cash Tree' besides continuing the bilateral arrangement with Corporation Bank, has enabled access to nearly 1 million ATMs and 25 million POS across the globe for its card holders. Bank is also facilitating inward remittance facility through Western Union Money Transfer which has enabled vast section of population to receive hassle free remittance from abroad.

The Bank is planning to enable 'MoneyClick' as a

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ĒŮ¾ŢÝÁŕP... ñ190 WÝЮ191ÃŬ [–]ÃŬ ñ1ÃŬ Ÿ`ŬÇÝW81ÊŬ **a**wP&VŰWa L®HJÊ**a** YÂ QW& Ë a®UAÊ PÝ Í WUPBONTÔ Pã việ sử a", ÞÊ B`a Ó LÊ Û ; á'' LÊ É / ; ÞÊ Û " à Ó QU Ù LÊ É , Ý ÁT Q Í W...' A® Û Ê Ü PVE® pa á® Û° 2000®a CÓLE; á ÉÉ "PæjaÃ... , Ý Ár Qí W...' ní nih Ý PEPU° niplé AÙIÊWÔPÆI (VII ÓÝPÝÃWÆIÚÔ "æ"; ÞÊII "à PÖJ" "ĚÉÖUJ" C"IPII" "Êij¯±Ýij́p...' A®ijÊüÊijÊijĎÝÃij®ÝÊźÁãí©W¿¿G.g.Gí. hÝÆÊijÞij° ÓN ñÊÝX ÊŮN٤ËàÓÝ CíoÃ...®ÝÐŮŮÇ... væ p... PÝv..ì ®æí ©Wďa ËÓHĂÓUŇݤ'ÊU QP...' G®UÊUÊUÊUÊUÔYÃU®ÝÊU ÚÉL24 x 7 ... ÝAÍ QÍ WUBU° $C(O\tilde{A}...^{B}p)...$, ÝÂíQíW... ÊÜ \tilde{a} ÆPÜ ± \tilde{E} ËÌÔ \tilde{n} Ü. -ÊÜ 3 , ÝÅíQ 8 Ü 395ÍÝTWŮŮ / PĚLAÄWŮŮ, NŮ NŮ NŮ NŮ NŮ PĚČU (``ĎĚL Jí ``ĎĚK``Ű Ölde pe já Ægri Hili, ví kí Q®Ü Joár ÉlêÉlÖ Ý ÃÜ Ü Í be. 98 à ÍÐ Bir ±Ý Æ® Bi° $C\hat{E}WUB = \hat{E}U \times OBNE \hat{E} \hat{E} \hat{a} \hat{a} \hat{E} | \hat{E}B\hat{e} \hat{A}\hat{E} + \hat{I} \hat{I} \hat{U} \hat{O} \hat{a} \hat{E} \hat{a} \hat{a}^{\otimes} \hat{B}^{\circ}$ ËÓBĂÓŮŇݤŸÖŮÍÝTÝ _ÝÁÍQÍW.., ŸÖŮ®WÃŮ Ůa@.WŨŮ, ±DÔÓÝÊĽ sàêu WÛU, ÊUá (WÜ/Ü®Ça á va p...PÝv..) WŨU, ¿ááq Èq 1 Ç..WŨÜ \pm ÝÊNE, "ÊNE QP...' ÊNE AFPÜ ÃNC NA gPND... ŸáQNY W... ÊNA (\tilde{n} Ý''Ü AñÝA≪٬PŮñŬÄñŮÓàÊæá®Ů°¯à∨Ů£¤`æñŮ ñ٬Ý№Ů ÜÖæÔÆÈɯí ñŬ ĒŮ¾, ÝÁÍ PŮ Ô.W.GÓ...GÇ...®Ü BÍŲ;á`ŪĖÉ WÊŪÞÁp... ÓàĒæ;á®Ů° ¯à∨li£¤`aÊliñli¤Êá> ´Ýli 0l®…pá±lÇ..p&…AÓpp…ÊliÞli®àh…Êá:í p… (Cíwźá) ±meÊnap… ÈËápay…®ÜÊblãÅablÊbC… ´Ü∨…WÜDPB° ËNÄÓÐÊĒÇiáā ÝÁr PÖ±Ý''ݱÖ | ÊÞw''æ

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payment gateway for shopping that covers vast areas of businesses like Hotel booking, Ticket booking, purchase of goods etc. Your Bank is planning to introduce mobile top-up thro' ATMs and Internet Banking, besides launching value additions like SMS Alerts to Non-MoneyClick customers, Utility bill payment & Air ticket booking thro' ATMs etc. Your Bank is also planning to tie up for online trading in shares. Your Bank is planning to increase the number of own ATMs to 150 by 31.03.2008.

Your Bank has corporate agency arrangement for distribution of both Life and General Insurance products with Met Life India Insurance Co. Ltd. and Bajaj Allianz General Insurance Co. Ltd. respectively. This arrangement has contributed substantially to enhance the other income of the Bank. The Bank has made arrangements to join a joint venture company for General Insurance with other Public Sector Banks/Corporate Bodies.

SEGMENT REPORTING

The Bank has identified two business segments viz., Treasury and Other Banking Operations.

Treasury Operations:

Treasury Operations mainly comprise of surplus Statutory Liquidity Ratio (SLR) and non-SLR investments. During the year-ended March 31, 2007, the Bank has earned total revenue of Rs.198.67 Crore from Treasury (Previous year Rs.219.80 Crore), with a net result of Rs. (-) 43.22 crore (Previous year Rs.11.50 Crore).

Other Banking Operations:

Other Banking Operations mainly consist of Advance portfolio of the Bank and SLR securities to the extent of SLR requirements. During the year-ended March 31, 2007, the Bank has earned total revenue of Rs. 1231.85 Crore from Other Banking Operations (Previous year Rs.965.01 Crore), with a net result of Rs. 342.94 Crore (Previous year Rs.284.12 Crore).

Risks and Concerns

Risk is the integral part of the Banking business and your Bank aims to achieve an appropriate trade off between risk and return and thereby maximize shareholder value. Of the various types of risk the Banks are exposed to, the more important are credit risk, market risk (which ý VI FU, "ÊU OP...' ÊU A ÆPU S A ° 2 á 1 Ç... ±Ý ÊU 2 á 1 ෆ DU Ó à ÊY ÊU ÖY 'YI Ă ₱U 'n Ă & â È 'U', C 'U Ö Ă à p Ç... PÝ A Ô U E P a P p... PÝ A Ô U E P a S A ° ÊU á 1 ñ Y 'U E 'V E P à n DVU E E Ó U D Ó à Ê & á ®U `a v U ÊU n YWU ñ U a 'ÊU Y YI PU G.q.Gí. ÊU n U C A ... ® p... ý Ví Q í W... ÊU A ÆPU 'E A , Q ... pÝ ±... A ±...' Ó à Ê & á ®U A ÆE a "® Y ®. & ÊU - Q P...' WY Ö PI A WY X GÓ... G í.GÓ... h YWU U Ó a Ê & á ®U A ÆE a "® Y ®. & ÊU - Q P...' WY Ö PI A WY X GÓ... G í.GÓ... h YWU U Ó a Ê & á ®U A ÆE a "® Y ®. & ÊU - Q P...' WY Ö PI A WY X GÓ... G í.GÓ... h YWU Ú Ó a Ê & á ®U A ÆE a "® Y ®. & ÊU - Q P...' WY Ö PI A WY X GÓ... G í.GÓ... h YWU U Ó B Ê & á ®U A ÆE a "® Y ®. & ÊU - Q P...' WY Ö PI A WY X GÓ... G í.GÓ... h YWU U Ó B Ê & á ®U A ÆE a "® Y ®. & ÊU - Q P...' WY Ö PI A WY X GÓ... G í.GÓ... h YWU U Q P a p... Y á O N W... ÊU a í n Y '' U Ê U ê A ÆU PU ' C ... ± Ý ÊU, E Ê Þ ® WU U Q P a p... Y á ON W... ÊU a í n Y '' U Ê Û ê A ÆU PU ' C ... ± Ý ÊU , E D B WU U Q P a p... Y á ON W... ÊU a í n Y '' U Ê Û ê A ÆU PU ' C ... ± Ý ÂU ¼ Ó VE a Á ā à g ® a Ö Y Q P Ã í W '' U ® & a É E ± YIÁU ¼ Ó VE a _ YI F PU Á Á ā à i Ô '' a 31.3.2008 ÂU J Ù W a 'Ê ÊU Â YI PU ÓÙ Í n Ù G.q.G í. Pa í '' WU U OÙ T E a ® U 150 P Œ Ó AÓ VE a Á à à g ® a ♡ Ý Q P à í '' WU Ú OÙ T E : a ® U 150 P Œ Ó AÓ VE a Á à à g ® a ♡ Ý Q P à í '' WU U

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ವರದಿ ಮಾಡಲಿಕ್ಕಿರುವ ಭಾಗಗಳು

 $ShÝ^{\otimes}a\hat{E}^{ll}n\hat{H}=Cn\tilde{A}^{ll}, \forall \hat{A}^{ll} Q_{ll} W...\hat{E}^{llk} \hat{E}^{ll} OaW \hat{U}^{ll} G^{\otimes}\hat{H}\hat{E}^{ll} G\tilde{A}^{ll} W \hat{U} \hat{U} \\ \hat{E}^{llk}\hat{E}^{ll} D^{ll} \tilde{A}^{ll} \tilde{A}^{ll} P^{ll} H Q \hat{a} \gg \hat{E}\hat{O}^{ll} \hat{a} \\ \hat{A}^{ll} \hat{U} \hat{A}^{ll} \hat{A}^$

ಖಜಾನೆ ವಹಿವಾಟುಗಳು

$$\begin{split} ShÝ@a Êlk ÊYoáWÜli ÊliáSlÊÝX Öæli£lÄ ±lÄ : <math>i$$
ánů "LÊbů A®li±ÝnU(SLR) Êlini=±lÄ : iánů "LÊbů A®li±Ýn®í "UÖæAbý"U ÖlawPWÜlf"JÙWæí wAlinii a ±lÔlinüÊlea.i 31, 2007 Êlbýi í niPte ýlí PliShÝ®lÊlk ÊÝq í "U oár Ala. 198.67 Pælaq B "Ý; iáWŰÔ "B (×í "U Êlbů Ala. 219.80 Pælaq) "Êlùů "LÊnÝí Í ÚAla. (&) 43.22 PælaqWŨÝX Êa (×í "U Êlbů Ala. 11.50 Pælaq).

ಇತರ ಬ್ಯಾಂಕಿಂಗ್ ವಹಿವಾಟುಗಳು

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ಸಂಭಾವ್ಯ ಅಪಾಯಗಳು ಮತ್ತು ಕಳೆಕಳಿಗಳು

ÓŮ »ÝÊŮ A±Ý¿áWŮŮ "ÝĂ QÍ W... ÊNÊ ÔVĂŮ U A Í ÑŴŮ ÑŮ »ÝWÊ à BX : æ ⁻ Êŀ¾, ÝĂ PŮ, ÓŮ »ÝÊŮ A±Ý¿áWŮٱRAOÝÊŮPŸÄ ⁻ ÊŮ ÖVDæ ÊŮāÆPŮ ÓŮ »ÝÊŮ A±Ý¿áWŮŮ ÓŸ«Ñħæ CÃŮÊŮ ÊNÊ ÔVÂWÚ í : 'Ŭ ËÊŮáSWæÙŮUÊŮ ÊŮāÆPŮ Í àÃŮ : YĂIĂŮ ×ñÝÓDæ á®Ů° WRĐŮ ÊŮor : ÎÊ(PÝ¿ááPæÙUÆá GaiAUÊkô : æ "YÁ PUWUÙ G : ĐRÓĐEÁĐÊÙ includes liquidity risk and price risk) and operational risk. Effective risk management is critical to the Bank's success. Under the supervision of the Board of Directors, your Bank has already formed committees, for identification, measurement, monitoring and management of risks, to mitigate their adverse impact on its financials. Your Bank has finalized its "Road Map for BASEL II implementation" and has initiated necessary steps to streamline systems, strategies for a smooth transition to BASEL II framework within the time period stipulated by the Regulator.

Internal Control Systems

The Board of Directors of the Bank have already put in place well articulated internal control measures commensurate with the size of the Bank and complexity of operations. The Audit committee of the Board of Directors is supervising the internal audit and compliance functions. The system of regular inspection, credit inspection, short inspection and concurrent audit of select branches form part of the internal control mechanism. Besides, the Bank has been ensuring stock audit and credit audit of large borrowal accounts by professional audit firms to further strengthen the credit administration. The Bank has already introduced Risk-Based Internal Audit system, as mandated by the Reserve Bank of India and all the branches have been subjected to such audit. Adequate measures have been taken to work under the computerized environment. The computerized offices are additionally subject to EDP/IS audit to mitigate the associated risks. Concurrent audit of Data Centre (Including Disaster Recovery Site) by a competent external IS Audit firm, has been put in place during the year.

Human Resource Development

Development of human resources is an important factor for the development of any industry. Banking is not an exception to that. It involves various aspects like continuous training, rewards by way of promotions, appreciations etc. During the year 2006-07, 1424 Officers, 517 clerks and 68 Sub-staff were given training under various aspects to update / improve the knowledge. Staff Training College of the Bank has got state of the art infrastructure facilities and expert faculty members to impart training to the staff members. Bank is also a member of Southern India Bank's Training College ±ÊBAS ÓŬ »ÝÊÐ A±Ý¿ AWUÐ ÊBAÍ WUÐ ÊÐĀÐPÞÆ("ÊGN ÊÐN Þ "Çæ ÓŬ »ÝÊÐ A±Ý¿ AWUÐ BU JÙWÆI (VŪ RĀ) ÊÐRÐ PÝ¿ AÌ "ÊŪ ÖDDWæ ÓŬ ŸÍ — Ô'Ð ÊÐN ÚYXÊæ D ÓŬ »ÝÊÐ A±Ý¿ AWUÐ ±K OÝÊÐPÝÄ "ÊŪ ÖDŒ áá "VÁI PÐWUÐ A¼ÊЮ Wæ A EA AÊUÐEÝXÊæ "ÝÁI PÐ G'ÐAÓÐEĀÐEU ÓŬ »ÝÊÐ A±Ý¿ AWUÐÐ WAĀÐEÓÐA, AÙÆ áÆA, "WÝÊÐ ÓÐEA ÊÐNÐ A±Ý¿ AWUÐÐ WAĀÐEÓÐA, AÙÆ áÆA, "WÝÊÐ ÓÐEA ÊÐNÐ "»ÝA ÁÓÐEA "ÊÐM "YÁI PÐ "aì ÍÐAÐ ÊÐI (VŪ ¿ á ÉÐAELAÝADÆ áEU ÓÐEA EÐ VÁRÐ E Í PÝWÐEÐI ÞÐ ±KAÓŒ á ÊÐAE EVÁAAN E Í PÝWÐEÐI "ÐÐ ±KAÓŒ á ÊÐAE VÝAAN E Í PÝWÐEÐI "ÐÐ ±KAÓŒ á ÉÐAE VÝAAN E Í PÝWÐEÐI "ÐÐ EÐI ÓÐEA ELEPÐA E ÚNOÝÊÐ E Í PÝWÐEÐI "ÐÐ EÐI ÓÐAV A MAÐE ÁÐE PÝÁAN "ÐD BEÐYÃU DÔ'ÐBÆ áÐÐ EÐI ÖDDÐYX A MAÐE ÁÐEÐ ÖÐADÐÐBOÐEÐEÐBEÐNÐ PEIDEN "EÐ ÖDDÐYX A MAÐE ÁÐEÐ ÖÐADÐÐBOÐEÐEÐBEÐND PEIDEN "EÐ ÖDDÐYX A MAÐE ÁÐEÐ ÖÐADÐÐBOÐEÐEÐBEÐND PEIDEN "EÐ ÖDDÐYX A MAÐE ÁÐEÐ ÖÐADÐDÐAÐEÐEÐBEÐND PEIDEN "EÐ ÖDDÐY A AVÐÐE ÁÐED ÖÐADÐDÐA A Í EÊÐ WUÐÐE "EÐ ÖDDÐY A AVÐÐE ÁÐED ÖÐADÐDÐA A Í EÊÐ WUÐ BEÐU JÙWæ "ÝAI PÐ ÓU ±Ð I I PÝ¿ áI ±ÊÐNÐAÐÚE" æ

ಆಂತರಿಕ ನಿಯಂತ್ರಣ ವ್ಯವಸ್ಥೆಗಳು

, YÁí Q®Ü WÝÑŮ ÊŮÑ٤ ÊNÊЮÝÃŬ NĚ®Ü ⁻ÊŨ ÖЮÝ ÓŮQà | ì ñæ á ÓÐAUÐAÐAÐA ÁÐUR Ý Ú BÍNÄPU 🤁 áÍNÍ ÉÐAÐAÐUÐUÐU ÁÍQ®U i **àì Í þí**ÃÜ Ê bí √Ŭ∠ áÊ ĨÃB DWÝWÇ**a** P¢Væí í w∵ÝÃæ ⁻ `` àì Í þÍÃŬ ÊÜÍ VŰ já ÇRELÄ Í Æjà «PÝ Ó É á£ jáá , ÝÅí Q®ÜB í NÄPܱÄ Ë à ûĎæ ÊÜNܤ ±ÝÆ®Ý PÝ; áì WÙÜ ÊæàÈlaÝÃЮæ®V⁄ØÜ£¤`æ ¯; áËánŰ ±ÄËàûЮæÊŮáí WÜ/ܱÄËàûЮæQÃٱÄËàûЮæÊŰñŮ®¿áº ÍÝTWÙŰ »ÝWĪĒÝX a Êláí WĪ/ŴŨŪ PÝ¿áì Ēli Öldæ á®ä° ÊláñiÐár ŸÆ±ŴÓŮÊŮ E ¨**bí** ⁱðí ``Ů _ Ýlí PŮ ŸöÖħ… ÊŮaí WŮ/Ů TÝñ**&/ÙĚ**É ""ÝÓÝ®H CPH \pm HÁ Í \tilde{E} à « PhE Ê H \tilde{H} H μ "Ê Há Í WH/UCPH \pm HÁ Í \tilde{E} à « PhWWPH° ÊE±ĂUCRU±XÍæà«®ÝÓŬÓNUU®ÃE⁻í…UÊUáí…UÊXÔPæí∨U ŸÍ©ÃŮÊŮŮ, ÊŮáÍWŮ/Ů ÊŮ ÖЮæáÈÉ ÖÞD®ŮŸÆ ŸÍ©æ »ÝÃNĚà; á ÄÓNÊ…ì "ÝÂí P… GÇÝÉ ÊÝ~q "ÝÂí PŮWŰWæ "àw""Ü ÓĽA A \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} á \hat{P}_{a} BÍ ÑÄPÜÇRܱÄ Í æà «ÞÝ ÊNÊĎ¢ á®Ů'nÝÄWæÚÓÜÇÝX``Ŭ; _ ÝÅí Q®Ü GCÝÉ ÍÝTHVŮË AÍÑÖÜ ±KÄÍÆãà«®HA&JÙWÝWË£€£æ WÜ QàPËħÜ \pm **i**ÁÓ**í**ÁŮ **iÉ**ÉPÝ \neq áì $\hat{}$ EŮ ×Ó $\hat{}$ Eá AWⁱh**Í**ÉÝ ÚÊŮá[®] $\hat{}$ EÚÁP $_{a}$ á[®] $\hat{}$ ¹ \neq ááP $_{b}$ ±ÎÊÎÞ|`´ÎÊÉ ñ&Væ'ÜPæïÙÛÇÝX``æ WÜ|QàPIñÜ PlaakÄWÛUÖ``ĬĥÝ¥ÍÜ ±10Áá / Ê1Þ×£ ÃUUDÝ ±1ÄÍæãà«1PMæJÙ1EWÓNEqr'18, CÊ1 níhô Ýí – ÓŮ »ÝÊN A±Ý¿ áWÙŮ ÖľhæàqWæ ÓľOľPÝÄ ¿ÞXÊæ £WW&AAU ```bY¥ Í (Paí ``U`(˱b...±b®A..aan@UsYO); ÓaA``U næ ÊÞ×£ ÃULOÝ ÓDWÝËA ±KÁ Ízā a «Pizza AÖD , ÝÖD ÃULOÝ ±Äĺæà«ÞÝÓVÓAáí U±Äĺæà—ÓÆVUÊU±DÁá¿á®U°±DUÁi ÊÐÖ ©í ¨P¢VæŬÇÝX¨æ

ಮಾನವ ಸಂಪನ್ಮೂಲಗಳ ಅಭಿವೃದ್ಧಿ

¿ÞÊði á Jí 10 Óð Óð á A4Ê¢ Wa A 1ÃU ÊÞ®ÆU Óð ±Þ®A A4梩 œ±DEðaS A í WEÝXÃÐ öð æ váí Qí W... Áð WEÐA C 10 ÖæĀNHÆE FÁÐI NÁNEÝ 10 NÁU þa£, ±D æa® Ez á Êða ÆPU±HAÐYAU ±Ð Ú ÓæÊða í ný 18ÊWUÞÐ C 18 JÙWæi (wÁðnð æ 2006&07AU Bangalore, which has expertise in imparting training. The Officers are also being deputed to various trainings at Bankers Training College, Mumbai, National Institute of Bank Management, Pune, College of Agriculture Banking, Pune, Institute for Development and Research in Banking Technology, Hyderabad etc., wherever specialized training is found necessary.

As in the past, the Bank has maintained a cordial and healthy industrial relationship with the employees. Your Bank is in the process of implementing the Employees Stock Option Scheme as approved by the shareholders at the last Annual General Meeting. The number of people employed by the Bank stood at 4456 as on 31st March 2007. The business per employee (excluding inter-Bank deposits) has improved from Rs.4.78 Crore as on 31st March 2006 to Rs. 5.24 Crore as on 31st March 2007.

Operational Performance

Your Directors are happy to report that the overall financial performance of the Bank during the year 2006-07 has been satisfactory. The total income of the Bank was Rs. 1430.52 Crore and total expenditure (excluding provisions and contingencies) was Rs 1073.94 Crore for the year-ended 31.03.2007.

Corporate Goal

In the light of robust outlook for industrial growth, your Bank has envisaged to achieve a total business turnover of Rs.28500 Crore, comprising of a deposit target of Rs.17000 Crore and advance target of Rs.11500 Crore for the year ending March 31, 2008. The Bank is confident of achieving the same through better customer services and operational efficiency. Besides, the Bank has plans to increase its total number of business units to 580, by increasing the total number of branches to 430 and own ATM network to 150 by March 2008.

BOARD OF DIRECTORS

During the year under report, Sri U V Bhat and Sri. I Ramamohan Rao retired as Directors of the Bank at the Annual General Meeting held on 06.07.2006. Dr. N Seshagiri resigned from the office of Director w.e.f. 27.11.2006. The Board places on record its appreciation of the active involvement and useful services rendered by the above Directors.

 ÓŸÈ®ĒE 1424 A-PÝÄWÜÜ, 517 WEÊÞÓÃU ÊÜNÜ=68 ÓÐÝ¿ áPÜ

 ÓŸÍ®ŪE 1424 A-PÝÄWÜÜ, 517 WEÊÞÓÃU ÊÜNË=86 ØDÝ¿ áPÜ

 ӟͮWŰWæË É«ÜA Í WWÜĒE ÑĒܾ-YM®ÜÊÜNË=Pē Í ÆĒĒPÜ PÝÆ''Ü

 AWMEPENDU ñæ±Ä±Å±Å | ì WæÚÓÜÊÜ qr®ĒE AÑU ࣠āvÇÝX æ

 ýÁI Q®Ü ÔŸÍ® ñÃU ࣠Pàí''ÊU AñUNEE ÊUA Æ×ÆÑU

 ÓPÆ NÜÜÆ í ©ÅUÊ A «æàÄÄBPæÖÆÍ©''Ê'ÊUA № Æ×ÆÑU

 ÓPÆ A «æàÄÄBPæÖÆÍ©''Ê'ÊUA «ÝŁPÜ

 ©ÆUI ñæÖÆí©ÄUÊU A «ÝŁPU ÊWU ©ſ''Ü YÁI Q®U ÔYÍ©WÚWæ

 ñÃU ࣠āvUE= æ £WÜBÄ®Ü ÓU'Ê'L CÍW¿ Þ ÝÁI PLÖ ÓÝſ'...

 pæ í W... PÝÇài ®U ÓU ÔM ÊPÜ °ÊU¾ ÔŸÍ®WŰWæ Æ×ÊÝWÜE= æ

 A-PÝÄWŰWæE Í ÆÐÜ ñÃU ࣠¿ A WHU PŮ vÝWI AÊÃPÊ ÊUáí "EU

 ýÁI PÃ. ÔPE Í W... PÝÇàgá, ±Dæá ®ÝÐÐÝC... C ÔpāÁp... B ´...

 ýÁI P... ÊÞŪh..ÊáI p..., PÝÇàh... B ´... AXPÆÃUÇ... ýÁI QÍW...,

 ŐŸÍ QU ÂPE Í W... PĚÇãA£ × ÀWËÉ «ÜDI ÔNÚWæPUU× ÓÇÝWUÉE* æ

D ×í ©®Ůňæ ýÁí Q®Ů ®èPIÁ Ká áí ©Wæ Öbh Lá ÉŮ PU Ê Láň Lá ÓeÖÝ Ů ¿ááň Ů Ýí «ÊLÊLÊ LÊ Về ýÁÍ PE E ÚÔPāí √Đ Ÿí © a ×í Ū ÊÝÑ ì PÙ Ê ĐÝÓ Vీ và ả É Lá A BUÝÁ KĐ A®ĐÊ đà ©Ô Ůňæ Ê Đ¾ ÝÁI PĐ ÔŸ í ©WUU "ÓÝI P...' BÁ ák á Á ā à g®æ á®b PÝ ¿á ì WhWā UÓLE á Ó hÝJ WĐ E a 31 Ê Þa..ì 2007 PE ÝÁI Q®U oár ®èPIÁ KUÓU T L 4456. ýÁI Q®UÔŸ í ©WUU hÚÇÝ Ê LÉ ĚÝoá (A í ní K.... ÝÁI PĐ sa Ê Ū-WUU Ö đhÝX 31 Ê Þa..ì 2007 PE VÁ OĐE Oár Á Lá.5.24 Pia à qWæ HÄ a 31 Ê Þa..ì 2006 PE C Đ ÁLá.4.78 Piá à Qæ HÄ a 31 Ê Þa..ì 2006 PE C Đ ÁLá.4.78

ವಹಿವಾಟುಗಳ ನಿರ್ವಹಣೆ

2006&2007® a ÓÝÈ®ÜÊĐŨ PRÓŨ ÝÍ -Ô'Ü ľÁI Q®Ü J PÝTà B Ì PÜ ĒŨ ÖDWÜLI REPRIEÝXÊ & G®LÊLI BY ÊLAB ÊU VÆ á ®ÝÊLI ÖÑÌ ÓLI RABÊ 31 ÊLA.Ì , 2007PR JÁI Q®U Joár B'Ý ¿áÊLI ÄLI.1430.52 PÆ aqWÜÝX'LI ÊLI REPORU EdaôVE á ÖÆ ÄLIÝX) ÁLI.1073.94 PÆ aqWŨÝXÊ &

ಸಾಂಸ್ಥಿಕ ಗುರಿ

$$\label{eq:source} \begin{split} & \sqrt{160} \, (0.16 \times 10^{-1} \text{At all \mathbb{B}°}) \, (2008) \, \text{Bell}(2008)

ನಿರ್ದೇಶಕರ ಮಂಡಳಿ

±ĐƠN ĐẾà ĐÌ TẾ, ĨA ¿á:Ë:»þ... ÊĐN ĐĨA I. ÃÝ ÊĐÊ ĐẠ CHU ÃÝ Ê... A ÊĐA ©®Ý (PUO6.07.2006Ã) TH gÃX TUÊÝ ÑÌ PUOÊD CƠ ĐAU CU đải the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state During the year, Sri T S Vishwanath, Senior Partner, M/s. Vishwanath, Singh & Associates, Chartered Accountants, New Delhi was appointed as an additional director of the Bank w.e.f. 05.01.2007. The Board welcomes Sri. T S Vishwanath and seeks his guidance.

CORPORATE GOVERNANCE

Your Bank is committed to best practices of Corporate Governance to protect the interest of all the stakeholders of the Bank, namely, shareholders, depositors and customers and aims to maintain transparency at all levels. A detailed report on Corporate Governance practices is given in the Annexure to this Report.

DIRECTORS' RESPONSIBILITY REPORT

As per Section 217(2AA) of Companies (Amendment) Act, 2000, your Directors report that:

- i. The Accounts for the year 2006-07 were prepared by following the Accounting Standards in so far as they apply to Banks.
- ii. Accounting policies adopted and applied consistently by the Bank are in tune with the RBI guidelines issued from time to time. Reasonable prudent judgments and estimates have been made in the accounts, so as to give a true and fair view of the state of affairs of the Bank and of the profit of the Bank for the financial year ended 31-03-2007.
- iii. The Bank had taken proper and sufficient care for maintaining adequate records in accordance with the provisions of the Companies Act 1956 in so far as they apply to Banks.
- iv. The annual accounts for the year ended 31-03-2007 have been prepared on a "Going Concern" basis.

STATUTORY DISCLOSURE

Considering the nature of the Bank, 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 for its operations.

The information required under section 217(2A) of the

27.11.2006Ă (U A®UA áÓBÉU ñæ ñƯ () - '' àì Í PĂU ÖB '' Wæ vý. G®... [àĐKĂ AÊĂU ĂŸi டÊa `awĂUñŸĂa ÊábÆU vU - '' àì Í PĂUMUU OU; á ÓDG YX nữ ÊUNH AÊUĂA ÊÞWU '' Ú V ®ÊƯ '' `' àì Í PĂU ÊU vU; áÊĂU Í ÝZ ®Aà (©Wæ 'Y S ÈÔĂUñŸĂa ±DU nŨ Ê ÊU vU; áÊĂU Í ÝZ ®Aà (©Wæ 'Y S ÈÔĂUñŸĂa ±DU nŨ Ê EU vU; áÊĂU Í ÝZ ®Aà (©Wæ 'Y S ÈÔĂUñŸĂa ±DU nŨ Ê EU vU; áÊĂU Í ÝZ ®Aà (©Wæ 'Y S ÈÔĂUñŸĂa ±DU nŨ Ê EU vU; áÊĂU Í ÝZ ®Aà (©Wæ 'Y S ÈÔĂUñYĂa ±DU nŨ Ê EU vU; áÊĂU Í ÝZ ®A (©Wæ 'Y S ÈÔĂUñYĂa ±DU nŨ Ê EU vU; áÊĂU Í ÝZ ®A (©Wæ 'Y S ÈÔĂUñYĂa ±DU nŨ Ê EU vU; áÊĂU Í ÝZ ®A () A®U; áWā ÙUÊU ñæ ®ÊŬ vD E EU vU; áÊĂU Í ÝZ ®A () A®U; áWā ÙUÊU ñæ ®ÊŬ vD E E Í Û®Ý¥..., Ôſ W...ÊU nH AÓÆ àÔÁ áà p.Ô a Y O ' v... À Pè í páp.Ô D OU ôg á ×Ä; á ±YÆa 'YĂĂÝ' U Î là q.GÓ... E Í Û®Ý¥... AÊĂPU° y Áſ Q®U Öæ UÊU - ' àì Î PĂUÊU (vU; áá Ĩ là.q.GÓ... E Í Ů®Ý¥... AÊĂPU° ÓYÌ WÙ CÚ nݤ AÊĂÊÊ WU '' Ú V ®ÊPUPæàĂŪnU æ

ಸಾಂಸ್ಥಿಕ ಪ್ರಶಾಸನ

EBM_ YÁTPB A RAHREB ÓYÍ ÔPU ±Ũ ÝÓPP& Ÿ' DĚYX''B, RPB XEPU YÁTQ®UÓDĚD ±ÝÆá' ÝÄÄUA Í "Äæf æÄU'ÝÄÄU sæÊU- 'YÄÄUÊBRU¤ WÝKÖ PLÄU × RÝÓDE: á®B° PÝ: ááPæã Í w''B', ÊÜ ÖLD æ á OEU ÓÄU VEAE±ÝÃU ÚD PhæPY±Ý∨BÊUWBÄ Öæĭ ©ÄBRB æ ÓÝÍ ÔPU ±Ũ ÝÍ PPRÓB ÝÍ -Ô''UË ÊLÂLÊY''UÊLÂLE: á®B°D ÊÝÑì PUÊLÂUE: á A®BÝÍ «U'LÉE av ÚÇÝX''æ

ನಿರ್ದೇಶಕರ ಜವಾಬ್ದಾರಿ ಬಗ್ಗೆ ವರದಿ

- PŮ ±ā (£`'ٱŴ) PÝÀá`'a2000, Ë»ÝŴŮ217 (2 GG) ±ÌPÝÃŮ ⁻ÊŮ¾ ⁻''àì Í ÞĨĂŮ D PÙĐŮ √Ũ ñaÊĨĂ(₽ ÊIÞ√ŮñÝÃæ
- i) 2006&07 ÇEU ±biWUBU YII PUWUW& A®UA AOUÊU ÇEU bi OU × ñæ á®UA®UOÃO ñU ÞÄOQYX a
- iii) 1956ÄÜPÜ ±æ PYÀá œá騆 ýÁ PÜWÜWæA®ÙÀáÓÜÊÜE±Ü Ÿí «WÜÜ ±ĎYÃÜ ÇêQ±bħŴÜÜ VÆá, ýÁ PŮ ¿ááPŮ ÊÜňܤ AWħÊÝ ʿŪGaÄPWÜÜÜħWæ ÜPæí w œ
- iv) 31.3.2007ĀŬ∵Ü ĒŬaPÝijáWæĩí∨Ü ĒÝÑì PÜ ÇæLEMİNܮܰ "±LE ĒñÜDĬÓLĒD=¨Ä¿jáſñæïŲ;ÞÄÓLÇÝX∵æ

ಶಾಸನಬದ್ಧ ಪ್ರಕಟಣೆ

PŮ ±ā PÝÀá∵a1956ÃÈÉË≫Ý₩Ů217 (2G) PŮ ±ā (ÔŸí© ËÊÃŬ)

Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed

ACKNOWLEDGEMENTS

Your Directors would like to place on record their sincere gratitude to the Reserve Bank of India, other government and regulatory authorities, financial institutions, correspondent Banks for their continued guidance and support. Your Directors also place on record their gratitude to the Bank's shareholders, depositors and customers for their continued support, patronage and goodwill. Your Directors expresses their deep sense of appreciation to the employees, who have continued to display outstanding professionalism and commitment in your Bank's quest for sustained growth and profitability and look forward to their continued contribution in scaling greater heights.

For and on behalf of the Board of Directors

 \dot{a} Êli 1975Âna í ©Wa ÊÝbÓlæðrí na AWhhêý'' U Êli>×£WÜli?i'a A®hÝí «U'lêť \dot{a} VÇÝX''a

ಕೃತಜ್ಞತೆ

»YÃLÊa¿á ÄÓLÊ…ì ŢYÁLQ®Ų CŘIĂUÓLĂPYÄ ~¿áſŘŮ ±YÀ-PYĂU Ų BìPU ÓLTÓDAUU ÓLÓL®YXŢYÁLPUWUU ~ÁLTŘAUÉLEWU …U D®UÉLIRU ŢÆYYEPYX ~ÊU¼~…aì (PIAU ŘIEU¥ÖLHEÉDPU PEHOLIRUUPU …YSÈOLEáCOFOURYĂæ

- ¨æì Í ₱ÃÜÊÜí∨Ü¿á±ÃĨÊÝX ÊÜñ٤A±ЮæÁãí©Wæ

Place: Mangalore Date: 19.05.2007 Ananthakrishna Chairman ÓŊUÚ : Êŀŀí WÜUÉAÃŀ ©®Ýí PÜ: 19 Êóà, 2007

ಅನಂತಕೃಷ್ಣ
A«PA

STATEMENT SHOWING THE INFORMATION REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

SI.N	o Name (Shriyuths)	Designation	Remuneration Rs.	Nature of employment	Other terms & Conditions	Nature of duties	Qualification & experience	Date of commencement of employment	Age (years)	Last employment held
i) Er	nployed throug	h out the yea	ar and were ir	n receipt of re	emuneration r	not less than Rs	. 24,00,000/- p	per annum.		
	Sri Ananthakrishna	Chairman & Chief Executive Officer	2879420	Contractual	Whole Time Employee	Chairman & Chief Executive Officer	M.Sc.35 years in Banking Sector	13 July 2000	60	Junior Programmer in HAL, B'lore

ii) Employeed for a part of the year and were in receipt of remuneration for any part of the year in the aggregate not less than Rs. 2,00,000/- per month.

----- Nil -----

BALANCE SHEET AS ON 31ST MARCH, 2007

			(000's omitted)
	Schedule No.	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
CAPITAL AND LIABILITIES			
Capital	1	121, 35, 33	121,27,01
Reserves and Surplus	2	1117, 27, 44	989,86,05
Deposits	3	14037, 43, 54	13243,16,04
Borrowings	4	420, 73, 83	182,69,42
Other Liabilities and Provisions	5	525, 71, 48	416,28,77
Total		16222, 51, 62	14953,27,29
ASSETS			
Cash and balances with Reserve Bank of India	6	826, 82, 37	535,38,86
Balances with Banks and Money at Call & Short Notice	7	334, 69, 11	679,22,45
Investments	8	5048, 16, 44	5548,58,07
Advances	9	9552, 67, 99	7791,56,78
Fixed Assets	10	106, 82, 16	104,31,43
Other Assets	11	353, 33, 55	294,19,70
Total		16222, 51, 62	14953,27,29
Contingent Liabilities	12	3427, 90, 00	2412,69,78
Bills for Collection		672, 88, 49	463,08,86
Notes on Account	17		
Accounting Policies	18		

Sd/-

N. Upendra Prabhu Deputy General Manager

	Sd/- K.H. Shivaswamy Aithal General Manager	<i>Sd/-</i> N.S. Chakkera General Manager	Sd/- G.K. Bhat General Manager	-/Sd P. Jayaram Chief General	
<i>Sd/-</i> Ananthakrishna Chairman & Chief Executive Off	I. Jagdish F	lao M. Br	Sd/- G. Kimmane neema Bhat Directors	Sd/- S.R. Hegde R.V. Shastri Directors	Sd/- U.R. Bhat T.S. Vishwanath Directors
		Refer our re	eport of even date		

For RAO & SWAMI Chartered Accountants Sd/-

nts Chartered Accountants Sd/-R SRINIVAS S. KAMATH

Place : Mangalore Date : 19th May, 2007 H. ANIL KUMAR (M No. 022329) (Partner)

Sd/-SRINIVAS S. KAMATH (M No. 201716) (Partner)

For KAMATH & RAU

			(000's omitted)
	Schedule No.	For the year ended 31.03.2007 Rs.	For the year ended 31.03.2006 Rs.
I. INCOME			
Interest Earned	13	1256, 25, 04	1018,03,73
Other Income	14	174, 27, 27	166,80,15
Total		1430, 52, 31	1184,83,88
II. EXPENDITURE			
Interest Expended	15	836, 39, 05	652,06,63
Operating Expenses	16	237, 54, 52	204,48,11
Provisions and Contingencies		179, 55, 30	152,25,75
Total		1253, 48, 87	1008,80,49
III. PROFIT			
Net profit for the year		177, 03, 44	176,03,39
Transferred from Investment Fluctuation Reserve		0	120,00,00
Profit brought forward		5, 87	95
Total		177, 09, 31	296,04,34
IV. APPROPRIATIONS		407 00 00	100.00.00
Transfer to Statutory Reserve Transfer to Capital Reserve		107, 00, 00	106,00,00 1,25,46
Transfer to Revenue Reserve		1, 38, 21 19, 00, 00	145,75,00
Transfer to Other Funds		0	1,50,00
Transfer to Proposed dividend		42, 47, 03	36,37,81
Transfer to Tax on proposed dividend		7, 21, 78	5,10,20
Balance carried over to Balance Sheet		2, 29	5,87
Total		177, 09, 31	296,04,34
Number of Shares outstanding during			
the year (weighted average)		12, 12, 62, 417	12,12,53,663
Earning per share (Rs per share of Rs10/- each - see note No: 5 of schedule 17)			
Basic & Diluted	Rs.	14, 60	14.52
Notes on Account	17		
Accounting Policies	18		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Sd/-N. Upendra Prabhu Deputy General Manager

К.І	Sd/- H. Shivaswamy Aithal General Manager	Sd/- N.S. Chakkera General Manager	Sd/- G.K. Bhat General Manager	-/- P. Jayaram Chief General	a Bhat
<i>Sd/-</i> Ananthakrishna Chairman & Chief Executive Office	Sd/- D. Surendra Kum I. Jagdish Rao er Directors	nar Jairam (M. Bhe	Sd/- G. Kimmane eema Bhat rectors	Sd/- S.R. Hegde R.V. Shastri Directors	Sd/- U.R. Bhat T.S. Vishwanath Directors
		Refer our rep	port of even date		
	For	RAO & SWAMI	For KAMATH 8	k RAU	

For RAO & SWAMI Chartered Accountants Sd/-

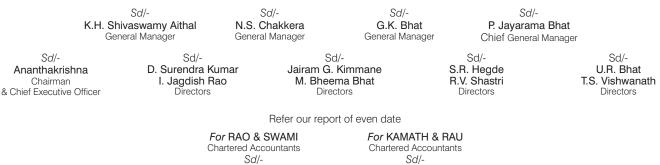
H. ANIL KUMAR (M No. 022329) (Partner) Chartered Accountants Sd/-

Place: Mangalore Date: 19th May, 2007 SRINIVAS S. KAMATH (M No. 201716) (Partner)

			(-	00's omitted
		March 31, 2007	5	March 31, 200
	Rs.	Rs.	Rs.	R
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax and extra ordinary items		273,03,76		269,22,8
Adjustments for :				
Depreciation on Fixed Assets including				
Lease Adjustment charges	16,60,81		18,21,44	
Provisions and Contingencies	83,78,00		59,20,00	
Amortisation of premium on Held to Maturity Investments	10,72,20		9,63,05	
Rights Issue Expenses	0	111,11,01	0	87,04,4
Operating profit before working capital changes Adjustment for :		384,14,77		356,27,3
i) Advances & Other Assets	-1655,24,92		-1448,51,20	
ii) Investments	450,94,62		-1013,12,25	
iii) Deposits,Borrowings & Other Liabilities	948,40,91		2091,29,18	
in Deposits, Dorrowings & Other Elabilities	0+0,+0,01	-255,89,39		-370,34,2
Cash generated from operations		128,25,38		-14,06,9
Direct taxes paid		121,24,31		90,29,1
Net cash flow from operating activities (A)		7,01,07		-104,36,0
B.CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		-19,85,91		-26,71,3
Sale of fixed assets		51,35		53,6
Net cash used in investing activities (B)		-19,34,56		-26,17,7
Total (A+B)		-12,33,49		-130,53,7
C.CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		15,08		3,6
Proceeds from long term borrowings		0		0,0
Dividend paid (Including Tax on Dividend)		-40,91,42		-27,36,4
Net Cash generated from Financing Activities (C)		-40,76,34		-27,32,8
Net increase in Cash & Cash equivalents (A+B+C)		-53,09,83		-157,86,5
Cash & cash equivalents as at (opening)		1214,61,31		1372,47,8
Cash & cash equivalents as at (closing)		1161,51,48		1214,61,3

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007

N. Upendra Prabhu Deputy General Manager



Place: Mangalore Date : 19th May, 2007 H. ANIL KUMAR (M No. 022329) (Partner)

Sd/-SRINIVAS S. KAMATH (M No. 201716) (Partner)

SCHEDULE ANNEXED TO THE BALANCE SHEET

		(000's omitted)
	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
SCHEDULE - 1 CAPITAL		
AUTHORISED CAPITAL		
15,00,00,000 Equity shares of Rs. 10/- each	150,00,00	150,00,00
ISSUED CAPITAL		
12,13,96,376 Equity shares of Rs. 10/- each	121,39,64	121,39,64
SUBSCRIBED CAPITAL		
12,13,60,098 Equity shares of Rs. 10/- each	121,36,01	121,27,69
(Previous year 12,12,76,898 equity shares of Rs.10/- each)	101.01.05	
CALLED UP / PAID-UP CAPITAL	121,34,35	121,26,03
12,13,43,548 Equity shares of Rs.10/- each		
(Previous year 12,12,60,348 equity shares of Rs.10/- each)		
Add Forfeited Shares	98	98
TOTAL	121,35,33	121,27,01
SCHEDULE - 2 RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	563,00,00	457,00,00
Additions during the year	107,00,00	106,00,00
	670,00,00	563,00,00
Deductions during the year	0	0
TOTAL	670,00,00	563,00,00
II. Capital Reserve		
Opening balance	1,25,46	0
Additions during the year (pursuant to sale of	1,38,21	1,25,46
securities held under HTM category)		
	2,63,67	1,25,46
Deductions during the year		0
TOTAL	2,63,67	1,25,46
III. Share Premium	450 54 70	
Opening balance	159, 54,72	159,53,10
Additions during the year	7,80	1,87
	159,62,52	159,54,97
Deductions during the year	1,04	25
TOTAL	159,61,48	159,54,72
IV. Revenue and other Reserves		
a) Revenue Reserve	000.00.00	
Opening balance	266,00,00	120,25,00
Additions during the year	<u> 19,00,00</u> 285,00,00	<u> 145,75,00</u> 266,00,00
Deductions during the year	205,00,00	200,00,00
TOTAL	285,00,00	266,00,00
b) Investment Fluctuation Reserve		200,00,00
Opening balance	0	120,00,00
Additions during the year	0	1∠0,00,00 ∩
	0	120,00,00
Transferred to Profit & Loss Account	0	120,00,00
	<u> </u>	0
V. Balance in Profit & Loss Account	2,29	5,87
TOTAL (I, II, III, IV and V)	1117,27,44	989,86,05
$i \lor i \land i \land ii, iii, iv allo \lor j$		303,00,03

		(000's omitted)
	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
SCHEDULE - 3 DEPOSITS		
A. I. Demand Deposits	0.07.00	0.55.07
 From Banks From others 	2,67,38	3,55,07
2. FIOITIOLITEIS	1078,01,51	892,91,59
	1080,68,89	896,46,66
II. Savings Bank Deposits	2199,81,10	1868,43,73
III. Term Deposits		
1. From Banks	244,41,71	244,71,50
2. From others	10512,51,84	10233,54,15
	10756,93,55	10478,25,65
TOTAL (I, II and III)	14037,43,54	13243,16,04
B. 1. Deposits of branches in India	14037,43,54	13243,16,04
2. Deposits of branches outside India	0	0
TOTAL	14037,43,54	13243,16,04
SCHEDULE - 4 BORROWINGS I. Borrowings in India		
Borrowings in India Reserve Bank of India	115,00,00	0
2. Other Banks	0	0
3. Other Institutions and Agencies	205,75,73	16,84,08
TOTAL	320,75,73	16,84,08
II. Borrowings outside India	99,98,10	165,85,34
TOTAL (I and II)	420,73,83	182,69,42
Secured borrowings included in I & II above Rs.	Nil	Nil
SCHEDULE - 5 OTHER LIABILITIES & PROVISIONS		
I. Bills Payable	186,43,32	5,40,89
II. Inter Office adjustments(Net)	2,12,26	136,90,87
III. Interest accrued	11,38,40	11,97,09
IV. Deferred Tax Liability (Net)V. Others (including Provisions)*	97,82,77 227,94,73	87,30,77 174,69,15
TOTAL		
 Includes Contingent provision of Rs.5371.33 lakh for Standard Advances (Previous Year Rs. 2835.33 lakh). 	525,71,48	416,28,77
SCHEDULE - 6 CASH & BALANCES WITH THE R.B.I.		
I. Cash in hand	87,92,70	79,77,26
(including foreign currency notes)	07,32,70	13,11,20
II. Balances with Reserve Bank of India		
1. In Current Account	738,89,67	455,61,60
2. In Other Accounts	0	0
TOTAL (I and II)	826,82,37	535,38,86
		······································

		(000's omitted)
	As on	As on
	31.03.2007 Rs.	31.03.2006 Rs.
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE I. IN INDIA		
i. Balances with Banks		
a) In Current Accounts	37,81,75	36,36,36
b) In Other Deposit Accounts	167,48,53	355,24,69
	205,30,28	391,61,05
ii. Money at Call & Short Noticea) With Banks	100,00,00	50,00,00
b) With other institutions	0	224,87,85
TOTAL	305,30,28	666,48,90
i. In Current Accounts	29,38,83	12,73,55
ii. In Other Deposit Accounts	0	0
iii. Money at Call & Short Notice	0	0
TOTAL (i, ii and iii)	29,38,83	12,73,55
Grand Total (I & II)	334,69,11	679,22,45
SCHEDULE - 8 INVESTMENTS		
I. Investments in India (Gross at cost)	5118,94,33	5580,61,15
Less: Provision for depreciation	70,77,89	32,03,08
TOTAL	5048,16,44	5548,58,07
Break-up:		
1. Government Securities	3967,08,03	4056,14,84
 Other Approved Securities Shares 	22,18,11 89,39,89	35,36,49 60,61,78
4. Debentures and Bonds	942,52,47	1372,84,67
5. Subsidiaries and Joint Ventures	0	0
6. Others	26,97,94	23,60,29
TOTAL	5048,16,44	5548,58,07
II. Investments outside India	0	0
TOTAL (I+II)	5048,16,44	5548,58,07

		(000's omitted)
	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
SCHEDULE - 9 ADVANCES		
A) 1. Bills Purchased & discounted2. Cash Credits, Overdrafts and	541,19,54	447,19,28
Loans repayable on demand	4849,03,25	4116,48,85
3. Term Loans	4162,45,20	3227,88,65
TOTAL	9552,67,99	7791,56,78
 B) 1. Secured by Tangible Assets * 2. Secured by Bank / Government Guarantees 3. Unsecured 	7409,68,64 1433,26,46 709,72,89	5686,03,70 1193,68,28 911,84,80
TOTAL * Includes Advances against Book Debts 	9552,67,99	7791,56,78
 C) I. Advances in India 1. Priority Sectors 2. Public Sectors 3. Banks 4. Others TOTAL 	3058,89,57 408,24,89 5,36,16 6080,17,37	2772,19,99 492,75,15 5,95,98 4520,65,66
IOTAL	9552,67,99	7791,56,78
 II. Advances outside India 1. Due from Banks 2. Due from others a) Bills Purchased & Discounted b) Syndicated Loans c) Others 	0 0 0 0 0	0 0 0 0
TOTAL	0	0
GRAND TOTAL (C. I and II)	9552,67,99	7791,56,78

SCHEDULE - 10 FIXED ASSETS	As on 31.03.2007 Rs.	As on
		01 00 0000
	Re	31.03.2006 Rs.
	110.	113.
I. Premises		
At cost as on 31st March of preceding year	74,34,42	62,22,38
Additions during the year	2,46,00	12,29,33
	76,80,42	74,51,71
Deductions during the year	2,40	17,29
	76,78,02	74,34,42
Depreciation to-date	15,29,04	12,94,91
TOTAL	61,48,98	61,39,51
II. Other Fixed Assets (including Furniture & Fixtures)		
At cost as on 31st March of the preceding year	124,00,94	112,54,70
Additions during the year	17,40,29	14,42,02
	141,41,23	126,96,72
Deductions during the year	3,86,19	2,95,78
	137,55,04	124,00,94
Depreciation to-date	93,25,85	82,13,01
TOTAL	44,29,19	41,87,93
III. Leased Fixed Assets		
Cost as on 31st March of the preceding year	21,16,78	21,43,59
Additions during the year	0	0
	21,16,78	21,43,59
Deductions during the year	0	26,81
	21,16,78	21,16,78
Depreciation to-date	8,38,04	8,38,04
	12,78,74	12,78,74
Less Accumulated Lease Adjustment	11,60,52	11,60,52
	1,18,22	1,18,22
Less Other Adjustments	14,23	14,23
TOTAL	1,03,99	1,03,99
TOTAL (I, II & III)	106,82,16	104,31,43
SCHEDULE - 11 OTHER ASSETS		
I. Inter-Office adjustments(net)	0	0
II. Interest accrued	125,36,13	119,93,54
III. Tax paid in advance / tax deducted at source	146,57,88	100,75,36
IV. Stationery and Stamps	2,08,58	1,73,95
V. Non-Banking Assets acquired in satisfaction of claims	36,54	32,70
VI. Others	78,94,42	71,44,15
TOTAL	353,33,55	294,19,70

		(000's omitted)
	As on	As on
	31.03.2007	31.03.2006
	Rs.	Rs.
SCHEDULE - 12 CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	9,65,30	9,20,94
II. Liabilities for partly paid investments	0	0
III. Liability on account of outstanding Forward Exchange Contracts	1871,83,05	1284,06,02
IV. Guarantees given on behalf of constituents		
a) In India	653,78,55	445,24,76
b) Outside India	0	0
V. Acceptances, Endorsements & other Obligations	508,27,09	416,48,34
VI. Other items for which the bank is contingently liable	384,36,01	257,69,72
TOTAL	3427,90,00	2412,69,78

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR	ENDED 31st MARCH	2007 (000's omitted)
	Year ended	Year ended
	31.03.2007	31.03.2006
	Rs.	Rs.
SCHEDULE - 13 INTEREST EARNED		
I. Interest / discount on advances / bills	813,52,39	614,69,98
II. Income on Investments	412,69,44	372,25,38
III. Interest on balances with R.B.I / other Inter-Bank funds	25,15,78	31,05,52
IV. Others	4,87,43	2,85
TOTAL	1256,25,04	1018,03,73
SCHEDULE - 14 OTHER INCOME		
I. Commission, Exchange & Brokerage	84,50,19	62,78,76
II. Profit on sale of Investments (net)	63,94,95	87,50,98
III. Profit on Revaluation of Investments (net)	-10,72,20	-9,63,05
IV. Profit on sale of Land, Buildings & Other Assets (net)	-23,02	-13,71
V. Profit on Exchange Transactions (net)	18,27,64	14,65,11
VI. Income earned by way of dividends etc., from Subsidiaries / Companies and / or Joint Ventures abroad / in India	0	0
VII. Lease Income	1,32,84	74,83
VIII. Miscellaneous income	17,16,87	10,87,23
TOTAL	174,27,27	166,80,15
SCHEDULE - 15 INTEREST EXPENDED		
1. Interest on deposits	819,55,78	638,34,38
2. Interest on Reserve Bank of India / Inter-Bank Borrowings	7,95,02	12,12,64
3. Others	8,88,25	1,59,61
TOTAL	836,39,05	652,06,63

			(000's omitted)
		Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
SCHE	EDULE - 16 OPERATING EXPENSES		
I.	Payments to and provisions for employees	129,08,78	116,13,66
١١.	Rent, Taxes and Lighting	26,56,58	18,51,57
III.	Printing and Stationery	3,02,02	2,69,07
IV.	Advertisement and Publicity	2,78,49	3,15,77
V.	Depreciation on Bank's property	16,62,23	17,79,58
VI.	Directors' fees, allowances and expenses	22,04	26,96
VII.	Auditors' fees and expenses (including branch auditors)	56,72	53,14
VIII.	Law charges	88,67	98,66
IX.	Postage, telegrams, telephones etc.	4,04,04	99,57
Х.	Repairs and Maintenance	9,50,30	7,93,47
XI.	Insurance	15,13,02	12,64,60
XII.	Other expenditure	29,11,63	22,82,06
	TOTAL	237,54,52	204,48,11

SCHEDULE 17

NOTES ON ACCOUNTS FORMING PART OF THE BALANCE SHEET AS ON, AND PROFIT AND LOSS ACCOUNT AND CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007.

1. Reconciliation of Branch Adjustments and Balancing of Subsidiary Ledgers.

- a) Reconciliation of branch adjustments accounts has been completed upto 31-03-2007 and steps are being taken to give effect to consequential adjustments of pending items.
- b) Balancing of Subsidiary Ledgers pending in two branches is in progress.

2. Prior period items (Accounting Standard 5): -

There are no significant prior period items, which are required to be disclosed as per RBI guidelines,

3. Segment reporting (Accounting Standard 17).

The bank has identified two business segments, viz. Treasury and Banking Operations. Treasury Operations mainly comprise of surplus SLR & Non SLR investments and Other Banking Operations comprise of all other activities. Interest and other costs have been allocated on reasonable basis. (Rs. in crore)

Business Segments	Treasury		Other Banking Operations		То	tal
Particulars	31.03.2007	31.03.2006	31.03.2007	31.03.2006	31.03.2007	31.03.2006
Revenue	198.67	219.80	1231.85	965.04	1430.52	1184.84
Result	-43.22	11.50	342.94	284.12	299.72	295.62
Unallocated expenses					26.92	26.53
Profit before tax					272.80	269.09
Income tax					95.77	93.06
Extraordinary profit/loss					0.00	0.00
Net profit					177.03	176.03
Other information						
Segment Assets	1561.65	2616.02	14485.63	12194.97	16047.28	14810.99
Unallocated Assets					175.24	142.28
Total Assets					16222.52	14953.27
Segments Liabilities	1491.94	2546.32	14385.08	12102.48	15877.02	14648.80
Unallocated Liabilities					345.50	304.47
Total Liabilities					16222.52	14953.27

4. Related Party Disclosure (Accounting Standard 18):

There is no related party transaction other than remuneration of Rs. 2879420/- paid to Sri Ananthakrishna, Chairman and Chief Executive Officer (Previous year Rs. 1905153/-).

5. a) Earnings per Share (Accounting Standard 20):

	31.03.2007	31.03.2006
i) Earnings per share Basic/ Diluted Rs.	14.60	14.52
ii) Net Profit as per Profit and Loss Account Rs. In lakh	17703.44	17603.39
iii) No of Equity Shares (weighted Avg.)	121262417	121253663

The Net profit for the year has been used as the numerator and the weighted average number of equity shares as denominator in calculating the earning per share.

b) 32000 equity shares(previous year 115200 equity shares) allotment where of is in abeyance being sub judice.

6. Deferred Tax Assets and Liabilities - Accounting Standard 22: -

The Bank has accounted for income tax in compliance with Accounting Standard 22 - "Accounting for Taxes on Income" issued by the ICAI. Accordingly, deferred tax assets and liabilities are recognised. The major components of deferred tax are as under: -

Timing Differences:	(Rs. in lak
Particulars	As on 31.03.2007 As on 31.03.20
A. Deferred Tax Liabilities	
1. Depreciation on fixed assets	486.38 496.
2. Depreciation on investments	5917.05 5054.
3. Accrued Interest on Investments	4213.51 3969.
Total	10616.94 9520.
B. Deferred Tax Assets	I
1. Privilege Leave Encashment	688.30 631.
2. Others	145.87158.
Total	834.17 789.
Net deferred tax liabilities (A) - (B)	9782.77 8730.

7. Fixed Assets possessed by the bank are treated as "Corporate Assets" and are not "Cash Generating Units" as defined by AS 28 issued by the Institute of Chartered Accountants of India (ICAI). In the opinion of the management, there is no impairment of the fixed assets of the Bank.

8. Disclosure in terms of Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets:

a) Movement of provisions for liabilities*

Particulars	Legal cases /contingencies
Balance as at 1st April 2006	2.91
Provided during the year	0.00
Amounts used during the year	0.00
Reversed during the year	0.45
Balance as at 31st March 2007	2.46
Timing of outflow/uncertainties	Outflow on settlement / crystallization

(Rs. in crore)

* excluding provisions for others.

b) Contingent Liabilities -Refer Schedule 12

Such liabilities at SI. No. (I),(II),(III),(IV),(V) & (VI) are dependent upon, the outcome of Court / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, respectively. Reimbursement is expected except in item no (I).

9. ADDITIONAL DISCLOSURE:

In terms of RBI guidelines, the following additional disclosures have been made:

a) Capital Adequacy:

The Bank has complied with Capital Adequacy Norms prescribed by the Reserve Bank of India. Capital Adequacy ratio as on 31.03.2007 works out to 11.03%. (Previous year 11.78%)

	31.03.2007	31.03.2006
i) Capital Adequacy Ratio Tier - I	10.46	11.38%
ii)Capital Adequacy Ratio Tier - II	0.57	0.40%
iii) Amount of subordinated debt raised as Tier II capital	Nil	Nil

b) Investments

		(Rs in lakh)
Items	31.03.2007	31.03.2006
 (1) Value of Investments (i) Gross Value of Investments (a) In India (b) Outside India 	511894.33 Nil	558061.15 Nil
(ii) Provisions for Depreciation(a) India(b) Outside India	7077.89 Nil	3203.08 Nil
(iii) Net Value of Investments(a) In India(b) Outside India	504816.44 Nil	554858.07 Nil
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	3203.08	2140.28
(ii) Add: Provisions made during the year	3874.81	1062.80
(iii) Less : Write-off/write-back of excess provisions		
during the year	0.00	0.00
(iv) Closing balance	7077.89	3203.08

c) Repo transactions :

The particulars of Repo transactions are as under :

				(Rs. in lakh)
Outstanding during the Year			As on	
Particulars	Min	Max	Daily Average	31.03.2007
Securities sold under repos	1500.00	25000.00	841.10	21473.51
Securities purchased under reverse repos	800.00	36500.00	3970.68	0.00

d) Issuer composition of Non-SLR Investments

	(Rs. in crore				s. in crore)	
SI. No.	Issuer	Amount	Extent of Private placements	Extent of 'below investment grade' securities	Extent of 'un-rated' securities	Extent of 'un-listed' securities
01	PSUs	149.82	10.00	2.58	0.00	0.00
02	Financial Institutions	384.64	100.00	0.00	10.00	10.00
03	Banks	198.25	32.10	0.00	1.00	12.02
04	Private Corporates	344.37	107.96	0.00	3.82	30.09
05	Subsidiaries / joint ventures	0.00	0.00	0.00	0.00	0.00
06	Others	26.98	0.00	0.00	0.00	0.00
07	Less Provision held towards deprecation/NPA	-70.78	XXX	XXX	XXX	XXX
	TOTAL	1033.28	250.06	2.58	14.82	52.11

e) Non Performing Non-SLR investments

e) Non Fenoming Non-SLN investments		(Rs. in lakh)
Particulars	2006-07	2005-06
Opening Balance	427.71	535.00
Additions during the year	0.00	2.41
Deductions during the above period	119.74	109.70
Closing Balance	307.97	427.71
Total Provision Held	307.97	427.71

f) Forward Rate Agreement / Interest Rate Swaps / Exchange Traded Interest Rate Derivatives: The bank has not undertaken any forward rate agreement, interest rate swaps and Exchange Traded Interest Rate Derivatives during the year.

g) Disclosure on Risk Exposures in Derivatives

(i) Qualitative Disclosure:

The Bank has been undertaking foreign exchange forward contracts for covering customer transactions and also for trading and accounting the same in accordance with FEDAI guidelines. The Bank also undertakes other derivative transactions to hedge the Bank books and customer transactions on covered basis only. To mitigate the risk involved in derivative transaction the Bank has decided the following:

- 1. Customer transactions are to be undertaken only after due sanction limit and execution of ISDA Agreement.
- 2. MIS on derivative deals to be submitted to Head Office on daily basis.
- 3. Mid-Office to monitor the transactions with regards to its cover, delivery, maturity mismatch to ensure that bank maintains square or near square position.
- 4. Concurrent Auditors to review the transactions on daily basis.
- 5. Decision to undertake transactions for Asset Liability Management to be taken by ALCO.

As on 31.03.2007 there were no derivative transactions outstanding other than Foreign Currency Forward Contracts and Foreign Currency Options.

(ii) Quantitative Disclosure:

			(Rs. in lakh)
SI. No.	Particulars	Currency Derivatives	Interest Derivatives
1.	Derivatives (Notional Principal Amount) a) Hedging b) Trading	60178.82 108795.44	0.00 0.00
2.	Marked to Market Positions Assets (+) Liabilities (-)	1351.899 -982.1672	0.00 0.00
3.	Credit Exposure	3041.60	0.00
4.	Likely impact of 1% change in interest Rates (100*PV01) a) on hedging derivatives b) on trading derivatives	0.00 0.00	0.00 0.00
5.	Maximum and Minimum of 100* PV01 observed during the year a) on hedging b) on trading	0.00 0.00	0.00 0.00

h) Non-Performing Asset

h) Non-Performing Asset (Rs. in lakt		
	2006-07	2005-06
i) Net NPAs to Net Advances (%)ii) Movement of NPAs (Gross)	1.22	1.18
a) Opening Balance	41513.21	50177.95
b) Additions during the year	13045.46	5800.97
	54558.67	55978.92
c) Reductions during the year	15824.58	14465.71
d) Closing Balance	38734.09	41513.21
iii) Movement of Net NPAs		
a) Opening Balance	9151.19	14329.54
b) Additions during the year	8451.31	3787.94
	17602.50	18117.48
c) Reductions during the year	5998.39	8966.29
d) Closing Balance	11604.11	9151.19
iv) Movement of provisions for NPAs		
(including Floating Provision)		
a) Opening balance	30489.65	33362.58
b) Add: Provisions made during the year	2000.00	3400.00
c) Less: Write off / write back of excess provisions	6775.35	6272.93
d) Closing balance	25714.30	30489.65
v) Movement of Floating Provisions		
a) Opening Balance	1300.00	1800.00
b) the quantum of floating provisions made during the year		0.00
c) Purpose and Amount of draw down made during the year	0.00	500.00
d) Closing balance	1300.00	1300.00
i) Loans and advances subjected to restructuring etc.,	during the year:	

Details of Loan assets subjected to Restructuring		(Rs. in crore)
Items	31.03.2007	31.03.2006
 Total amount of loan assets subjected to restructuring, rescheduling, renegotiation; of which under CDR 	81.36 5.33	75.47 5.13
 (ii) Total amount of Standard assets subjected to restructuring, rescheduling, renegotiation; of which under CDR 	81.35 5.33	74.22 5.13

(Rs. in lakh)

iii) Total amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation; of which under CDR	0.01	0.60
 iv) Total amount of Doubtful assets subjected to restructuring, Rescheduling, renegotiation; of which under CDR Note: {(i) = (ii)+(iii)+(iv)} 	0.00 0.00	0.65 0.00

j) Details of Assets sold to Securitisation company / Re-c	(Rs. in lakh)	
SI.No. Particulars	2006-07	2005-06
1. No of Accounts	Nil	23
2. Aggregate Value (net of Provisions) of accounts sold to SC/RC	0.00	483.55
3. Aggregate consideration	0.00	970.00
4. Additional consideration realised in respect of accounts		
transferred in earlier years	0.00	0.00
5. Aggregate Gain / Loss over net book value	0.00	486.45
k) Provisions on Standard Asset		(Rs. in lakh)

		(1101 111 101 11)
Item	31.03.2007	31.03.2006
Provisions towards Standard Assets	5371.33	2835.33

I) Significant performance indicators

	31.03.2007	31.03.2006
i) Interest Income to working funds	8.15%	7.63%
ii) Non-interest income to working funds	1.13%	1.25%
iii) Operating profits to working funds	2.31%	2.46%
iv) Return on Assets	1.15%	1.28%
v) Business (Deposits Plus Advances)		
per employee Rs. in Lakh	523.86	478.29
vi) Profit per employee Rs. in Lakh	3.97	4.05

m) Asset liability management

Maturity Pattern of certain item of asset and liabilities

	1-14 Days	15-28 Days	29 Days - 3 Months	Over 3 Months to 6 Months	Over 6 Months to 12 Months	Year to	Over 3 Years to 5 Years	Over 5 Years	Total
Loans & Advances	56804.08	19022.72	84739.63	157514.26	113971.12	224772.19	184527.32	113916.67	955267.99
Investments	3484.49	5755.26	5098.93	1097.24	7077.94	83422.04	47299.42	351581.12	504816.44
Deposits	83053.80	28028.98	161346.29	205621.44	207456.07	596473.62	100023.90	21739.44	1403743.54
Borrowings	21750.55	0.00	0.00	0.00	10161.64	10161.64	0.00	0.00	42073.83
Foreign Currency Assets	25320.20	4467.24	49899.42	21946.86	13102.89	0.00	0.00	0.00	114736.61
Foreign Currency Liabilities	23437.86	744.26	52763.82	18296.93	17552.15	3686.33	575.76	0.00	117057.11

n) Lending to sensitive sector:

i) Exposu	ire to R	eal Estate	e Sector
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i) Exposure to Real Estate Sector		(Rs. in crore)
	31.03.2007	31.03.2006
 a) Direct exposure (i) Residential Mortgages - Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented 	680.21	457.86
Of which Loans upto Rs 15.00 lakhs	473.78	367.29
 (ii) Commercial Real Estates - Lendings secured by mortgages on commercial real estates 	972.54	667.94
 (iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures - a) Residential, b) Commercial Real Estate 	7.55 0.00	9.47 0.00
 b) Indirect Exposure Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) 	459.62	439.90

ii) Exposure to Capital Market

ii) Exposure to Capital Market		(Rs in crore)
Items	31.03.2007	31.03.2006
i) Investments made in equity shares	89.42	58.64
ii) Investments in bonds / convertible debentures	0.00	0.00
iii) Investments in units of equity oriented mutual funds	11.73	11.48
 iv) Advances against shares to individuals for investment in equity shares (including IPOs / ESOPS), bonds and debentures, units of equity oriented mutual funds* 	0.50	10.31
 v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers 	51.32	42.70
Total Exposures to capital market (i+ii+iii+iv+v)	152.97	123.13
 vi) Of (v) above, the total finance extended to stockbrokers for margin trading 	Nil	Nil

* Excluding loans for personal purpose to individuals against collateral of shares.

o) Exposure to Country Risk	
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(Rs	in	lakh)
110.		iui(ii)

Risk Category	Exposure (net) as at 31.03.2007	Provision held as at 31.03.2007	Exposure (net) as at 31.03.2006	Provision held as at 31.03.2006
Insignificant	7229.83	-	6886.87	-
Low	7526.44	-	5213.63	-
Moderate	293.09	-	171.97	-
High	36.26	-	7.50	-
Very High	21.53	-	31.03	-
Restricted	6.38	-	3.80	-
Off-Credit	Nil	-	Nil	-
Total	15113.53	-	12314.80	-

The net funded exposure of the bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no country risk provision is required as per extant RBI guidelines.

p) Details of Single / Group Borrower limit exceeded by the Bank

During the year ended 31-03-2007 the Bank has not exceeded the exposure ceiling fixed by RBI to Individual / Group borrowers of 15% / 40% of capital funds.

q) Penalties imposed by RBI: During the year no penalty has been imposed by RBI on the Bank.

r) Provisions and contingencies comprise of:

r) Provisions and contingencies comprise of:		
	31.03.2007	31.03.2006
i) Provision made towards NPAs / Sacrifice for restructured Standard Advance / Provision for Standard Assets as per RBI guidelines	4503.00	4705.00
ii) Provision towards Income tax	8447.00	5520.00
iii) Provision towards deferred tax	1052.00	3715.00
iv) Provision for Wealth tax	4.30	0.75
v) Provision for Fringe Benefit Tax	74.00	70.00
vi) Provision for depreciation on investments	3875.00	1065.00
vii) Provision for others	0.00	150.00
Total	17955.30	15225.75

s) Customer Complaints :

33
124
127
30

t) Awards passed by the Banking Ombudsman

(a) No of unimplemented awards at the beginning of the year(31.3.06)	Nil	
(b) No of awards passed by the Banking Ombudsman during the year	Nil	
(c) No of awards implemented during the year	Nil	
(d) No of unimplemented awards at the end of the year (31.03.07)	Nil	

u) Amount loan to SC/ST borrowers

		(Rs. in lakh)
Particulars	Balance as on 31.3.07	Recoveries during the year
Priority sector- Loans to SC/ST borrowers	3053.03	647.61

10. (a) Tax demands under appeal:

		(Rs. in lakh)
	31.03.2007	31.03.2006
Income Tax	7800.37	6263.39
Interest Tax	15.33	15.33
Wealth Tax	1.45	1.45

The above demands have been paid under protest. No provision is considered necessary in respect of these demands, as the Bank has been advised that there are good chances of success in appeals/ considering favourable appellate orders on identical issues for earlier assessments.

- (b) Provision for income tax is arrived at after due consideration of decision of appellate authorities and advice of counsels.
- 11. Premises include buildings in possession and occupation of the Bank pending execution of title deeds and / or Co-operative Societies yet to be formed amounting to Rs.22.03 lakh (Previous year Rs.22.03 lakh)
- 12. Previous year's figures have been regrouped/rearranged/given in brackets wherever necessary and feasible to conform to the current year classifications.

SCHEDULE - 18

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL:

The accompanying financial statements have been prepared on historical cost basis in conformity with the prevalent statutory provisions and standard accounting practices except wherever otherwise stated.

2. REVENUE RECOGNITION:

Income and expenditure are accounted for on accrual basis except receipt of commission, exchange, rent on safe deposit lockers all of which are accounted on cash basis. In respect of Non Performing Assets, the bank has not recognised interest. Recoveries are first appropriated towards the principal and the balance towards interest. In case of matured Term Deposits, interest is provided as and when such deposits are renewed.

3. INVESTMENTS:

Investments have been presently classified under the heads "Held to Maturity" and "Available for Sale" and have been valued in accordance with the RBI guidelines. The value net of depreciation, has been shown in the Balance Sheet. The excess of acquisition cost over the face value of securities under "Held to Maturity" is amortised over the remaining period to Maturity. Provision for non-performing investments has been made as per RBI guidelines.

4. ADVANCES:

All outstanding advances are reviewed and classified under 4 categories namely

- a) Standard Assets
- b) Sub-Standard Assets
- c) Doubtful Assets and
- d) Loss Assets

Provision for Non-performing and Standard Advances has been made on the basis of asset classification and provisioning requirement under the prudential norms laid down by the Reserve Bank of India. Advances shown in the Balance Sheet are net of provisions (including Floating Provision) for Non Performing Advances and unrealised interest.

5. FIXED ASSETS

Premises and other fixed assets have been shown at cost as reduced by depreciation written off to date. Software is capitalised along with computer and included under Other Fixed Assets.

6. DEPRECIATION

Depreciation on fixed assets has been provided on written down value method as per the rates and in the manner specified under Schedule XIV of the Companies Act 1956, except in respect of computers (including software) where depreciation is provided at a flat rate of 33.33 % as per RBI guidelines. Depreciation on assets purchased during the year has been computed upto the end of the year including for the entire month in which the asset was capitalised, and on assets sold/scrapped, upto the end of the month in which it is sold/scrapped. Depreciation of leased assets has been calculated so as to spread the depreciable amount over the primary lease period as per RBI guidelines.

7. FOREIGN CURRENCY TRANSACTIONS:

- a) Foreign currency transactions of FCNR/EEFC/RFC accounts are re-valued at the year end closing spot rates as published by Foreign Exchange Dealers Association of India (FEDAI).
- b) Transactions other than FCNR/EEFC/RFC accounts: -

Foreign currency balances both under Assets and Liabilities and outstanding Forward Exchange Contracts and Swaps are evaluated at the year-end rates published by FEDAI. The resultant profit/loss is shown as Income/Loss.

The Gain or Loss on a trading forward exchange contract is computed by multiplying between forward rate available on the reporting date for the remaining maturity of the contract and the contracted forward amount is recognised as profit or loss for the period.

Revenue items are translated at the exchange rates ruling on the dates of transactions.

Contingent liabilities on account of acceptances, endorsements and other obligations including guarantees and letters of credit issued in foreign currencies are valued at the year end closing spot rates published by FEDAI.

8. STAFF BENEFITS:

Provision for payment of Gratuity and Pension are made on actuarial basis and paid to the concerned funds and leave encashment benefit payable at a future date to the employees has been accounted on accrual basis as per actuarial valuation.

9. INCOME TAX:

The provision for tax for the year comprises of current tax liability and deferred tax assets and liabilities which recognises, subject to the consideration of prudence, timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

10. SEGMENT REPORTING:

- (i) The Bank has recognised the Business Segments as the Primary Reporting Segments and Geographical Segments as Secondary Segments in accordance with the RBI guidelines in compliance with the Accounting Standard 17.
- (ii) The Business Segments have been divided into (a) Banking Operations and (b) Treasury Operations.
- (iii) The Geographical Segments consist only of the Domestic Segment, as the Bank does not have any foreign branches.

11.NET PROFIT

The net profit disclosed in the Profit & Loss Account is after making necessary provisions for taxes, NPA, Standard Advances, Investments and reversing of the unrealised income accounted on Non-Performing Assets as per RBI guidelines.



AUDITORS' REPORT TO THE MEMBERS OF THE KARNATAKA BANK LIMITED

We have audited the attached Balance Sheet of The Karnataka Bank Ltd., as on 31st March, 2007 and also the Profit & Loss Account and the Cash Flow Statement annexed thereto for the year ended on that date in which are incorporated the returns of 2 branches and 1 Regional Office audited by us, 408 branches, 7 Regional Offices, 1 International Division, 4 Service Branches, 2 Currency chests, 2 Asset Recovery Branches, 1 Data Centre and 1 Customer Care Centre audited by branch auditors. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Balance Sheet and the Profit and Loss Account have been drawn-up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with section 211 of the Companies Act, 1956.

The Reports on the accounts of the branches audited by the branch auditors have been dealt with in preparing our report in the manner considered necessary by us.

We report that-

- 1. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
- 2. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- 3. In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- 4. The Bank's Balance Sheet ,the Profit and Loss Account and the Cash Flow Statement dealt with by

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this report are in agreement with the books of account and the returns.

- 5. On the basis of the written representation received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause(g) of Subsection(1) of Section 274 of the Companies Act 1956.
- 6. In our opinion and to the best of our information and explanations given to us, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in Sub section (3C) of Section 211, of the Companies Act,1956.
- 7. In our opinion and to the best of our information and as per the explanations given to us, the said accounts read together with the notes and Accounting Policies given thereon, give the information required by the Companies Act 1956, in the manner so required for Banking Companies, and on such basis, give a true and fair view:
 - i) In the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March 2007,
 - ii) In the case of the Profit & Loss Account, of the profit of the Bank for the year ended on that date and
 - iii)In the case of the Cash Flow Statement, of the cash flows for the period then ended.

- 5. "aì 「伊孫卽WÜí "ÜŸí ◎Ã₿ÊÜÈ UñÜ-Ä協士ЮaÊ₿ñ№- "aì 「伊孫也 Ê₿í √Ü¿áá "ÝSÈÔ "Ü "ÝSÇ₩ÜÜB «ÝÃÜ ÜÊ₫ãÃ₩æ¿ ÞÊ₿ "a - "aì 「伊孫也 Pů±≅ PÝÀá "æ 1956 Ë »ÝWÜ274, E±Ë »ÝWÜ1, P№[í (i)¿á ±PYÃU - "aì 「伊孫ÝX ®aÊÜPŴāÙŒá 31 ÊÞa..ì 2007ÃU "ÜA®ĎŨ ÃÝXÃÜÊ₿©ÆÉ
- 6. ◎LÊBAA4±ÝÅ¿á ÊBIÑBHAÑBĂNÊBÊLÊÜBÊÜPAÖÝWBA ◎LÊBWačà√Æör ËÊBADAŬÛN ñaçÝ » PODŮ NOT æÊBINBHBÔ¤ÖÆOÆOÆLBµ ÊBINBH®WÜ B ±KA aVE®Ý ĀLDZÜDÝ ±KµrWŪB, YÁſQÍW... PŮ ±æWæ A®U¿áÊÝWBÊD ñæ PŮ ±æ PÝÀá∵æ 1956ÃŬ Ë»ÝWU 211ÃŬ E±LË»ÝWU(30) ¨LÊLEÇAUÔÃBÊÜÇBEČ√BÊU¯à£¿á ±PÝÃŬ ÁLBÓÖCÝX∵æ
- 7. ®IÊB¾ A¼±Ý½ á ÊBÑB¤ AÑBÑIÊB £ÙBÊWPæ ÖÝWBā ®IÊBWæ "à∨ÆOr ËÊIÃKDAVUU ÊæAÃWæ ÊæàÇæ ÖæUÃBÊU ÇRÆBÅNUB, AÊBWUU ÊæàÆ | q±B~WUB ÖÝWBā ±BÊBáS ÇRB ±BÅ PÝ¿áì "à£Àáí "æï√WBāw"B, PB±æï PÝÁá² 1956ÃU A®U¿á, "ÝÁQí W...PB±æïWUB J "KKÓU åPÝ" IÊIÞ×£WUBBU" "KKÓBÑIÊæ

D B«ÝÃÜ ÜÊáàÇæ

- 1. BÔ¤ÖãOæbpzźáź Ślát Q®LÊIÞa..ì 31, 2007 ÃIÊLÊİĎÝÃIÊPB°,
- QÝ≫&®DU ñữ tế ảá B ©®U U ∵ũ Ê Đả PÝ tả ả kả r vũ Ê ĐN ∵ũ QÝ≫Ê Pử Ê Đảnằ¤
- 3. ®W0'Ü ±KakE®Ý ¯Ãkā±KDÝ ±kqr¿áÈÉ ®ÉÜā©Ô'Ü AÊL AíñŮ'ÉÉ B'Ü ®W0'Ü ±KakE®æá®®° g ÖÝWkā ñt≥₽ÃŬ ÄࣿáÈɱkE1í10ÜñkÊæ

For RAO & SWAMI Chartered Accountants

Sd/-H. ANIL KUMAR (M No. 022329) (Partner) For KAMATH & RAU Chartered Accountants

Sd/-SRINIVAS S. KAMATH (M No. 201716) (Partner) ÃÝÊ...ÊŮ∩Ů=ÓŸĬĔá ǮD±Äĺãà≪ĐÃU±ÃŒÝX Ók/& Ga...A⁻Ç...PŮÊ№Ã... (ÓŮ ĎDÓŮ Tả: 022329) (±ŸÆá∵ŸÂÃŬ) PÝÊŮň...ÊŮň٤ÃÝÊ... Çæ9±ÄÍæãà«ĐÃU±ÃÆÝX Ó‰/& ÎÅa¯ÊÝÓ...GÓ... PÝÊŮň... (ÓŮ ĎĐÓŮ Tắ: 201716) (±ÝÆá∵ÝÃĨÃŮ)

Place: Mangalore Date: 19th May, 2007 Ó¢UÜ : Ê¢í WÙ¢ā â ©®Ýí PŮ: 19 Ê¢à, 2007

CORPORATE GOVERNANCE

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance- Organisation for Economic Co-operation and Development (OCED).

Securities and Exchange Board of India(SEBI) had constituted a committee on Corporate Governance under the Chairmanship of Sri Kumaramangalam Birla in the year 1999. In its report the Committee observed that "strong Corporate Governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high quality accounting practices. It is the muscle that moves a viable and accessible financial reporting structure".

As per the recommendations of the Committee, SEBI had specified the norms of Corporate Governance and introduced Clause 49 in the Listing agreement in the year 2000. These norms were further revised by SEBI in the year 2005 to be made effective from 1.1.2006.

Basic philosophy of Corporate Governance in the Bank is the application of best management practices that provide stability and growth to the enterprise, Transparency, accountability, disclosures and value creation. Your Bank believes that good governance practices ultimately secures the goal of turning the Bank a value driven organization.

The basic objective of Corporate Governance in the Bank is the enhancement of shareholders value, keeping in view the interests of all stakeholders. Your Bank has always believed in providing banking services with due compliance with regulatory requirements and adhering to the highest standards of Corporate Governance. Your Bank's philosophy of Corporate Governance has been aptly described in its Mission statement which reads as under:

"To be a technology savvy, customer centric progressive Bank with a national presence, driven by highest standards of Corporate Governance and guided by sound ethical values".

In pursuit of achievement of its Mission, the Bank is committed to the best practices in the realm of Corporate Governance to protect the interest of its shareholders, depositors, customers and others and aims to maintain transparency at all levels. A detailed report on Corporate Governance as implemented in the Bank is furnished hereunder:

1. Board of Directors:

a) Composition of the Board:

The Board of Directors of the Bank consists of 9 Directors including the Chairman who is the Chief Executive Officer. The constitution of the Board conforms to the provisions of Section 10 B of the Banking Regulation Act, 1949 and the Corporate Governance requirements. The Board consists of eminent personalities drawn from specialized fields like banking, finance, accountancy, law, Agriculture and other areas as specified in the said Act. Except Chairman and CEO, all other Directors on the Board are independent and non-executive Directors.

Board Meetings:

During the financial year ended March 31, 2007 the Board met 13 times on the following dates;

SI. No.	Date of the meeting	SI. No.	Date of the meeting
1	28.04.2006	8	28.10.2006
2	25.05.2006	9	25.11.2006
3	24.06.2006	10	05.01.2007
4	06.07.2006	11	27.01.2007
5	29.07.2006		
6	26.08.2006	12	17.02.2007
7	23.09.2006	13	26.03.2007

Name of the Director (Sarvashri)	No of meetings Attended	Whether attended the last AGM	Directorship in other public Limited Companies	Committee positions in other Public Limited Companies
Ananthakrishna	13	Yes	NIL	NIL
I Ramamohan Rao*	4	Yes	NIL	NIL
U V Bhat*	4	Yes	NIL	NIL
D Surendra Kumar	11	Yes	NIL	NIL
I Jagdish Rao	12	Yes	NIL	NIL
Jairam G Kimmane	10	Yes	NIL	NIL
M Bheema Bhat	13	Yes	NIL	NIL
S R Hegde	13	Yes	NIL	NIL
Dr. N. Seshagiri**	7	Yes	NIL	NIL
R V Shastri	12	Yes	1	1
U R Bhat	13	Yes	1	NIL
T S Vishwanath***	2	NA	2	1

Details of the attendance of Directors at the Board meetings during the year under report and at the last Annual General meeting and Directorships/committee positions held in other companies are as under:

*Shri I Ramamohan Rao and Shri U V Bhat retired at the 82nd Annual General Meeting held on 6.7.2006.

** Dr. N Seshagiri ceased to be the Director of the Bank w ef 27.11.2006 due to his resignation.

*** Shri TS Vishwanath has been appointed as an Additional Director by the Board of Directors u/s 260 of the Companies Act 1956 w ef 5.1.2007.

None of the Directors of the Board serve as Members of more than 10 Committees nor they act as Chairman of more than 5 Committees across all companies.

Remuneration of Directors:

Shri Ananthakrishna, is the Chairman and CEO of the Bank and the details of remuneration paid to him during the year 2006-07 were as under:

Break up of remuneration	Amount Paid (Rs. in lakh)
Basic Salary	21.33
Dearness Allowance	4.26
House Rent Allowance	3.20
Total	28.79

Contribution to the Provident Fund at 10% of basic pay and other benefits like use of Car, telephone at residence, reimbursement of medical expenses etc. were provided in accordance with the terms of appointment approved by the RBI and the shareholders.

Other Directors do not receive any remuneration except the sitting fees for attending Board /Committee meetings @ Rs. 7000 and Rs 4000 for each meeting respectively details of which are furnished hereunder:

Name of the Director (Sarvashri)	Sitting fees paid during 2006-07(Rs.)
l Ramamohan Rao	20000
U V Bhat	56000
D Surendra Kumar	137000
l Jagdish Rao	185000
Jairam G Kimmane	70000
M Bheema Bhat	127000
S R Hegde	157000
Dr. N Seshagiri	44000
R V Shastri	113000
U R Bhat	94000
T S Vishwanath	14000

COMMITTEES OF THE BOARD:

In compliance with regulatory requirements and for operational needs, the Board had constituted several committees the details of which are given below;

1. Executive Committee of the Board of Directors(EC):

In order to facilitate the Board to concentrate on policy matters and strategic planning, etc., an Executive Committee of Board of Directors had been constituted headed by the Chairman and Chief Executive Officer. The Committee continued its functions during this year also and met 18 times during the year. Details of the attendance at the meeting are as under;

Meetings record

Name of the Director (Sarvashri)	No. of meetings attended
Ananthakrishna	18
UVBhat*	7
D Surendra Kumar	13
l Jagdish Rao	17
SRHegde*	11

* Shri U V Bhat ceased to be the member of the Committee w e f 6.7.2006 and Shri S R Hegde has been inducted to the Committee w e f 6.7.2006.

2. Audit Committee of the Board of Directors(ACB):

The Bank had constituted an Audit Committee of the Board (ACB) in 1995 as per the directions of the Reserve Bank of India to look into the matters specified by RBI. The functioning of the ACB was modified to fall in line with the requirements of the Listing Agreement and the Companies Act, 1956. The terms of reference of the ACB include the following:

- a) Overseeing the Bank's financial reporting process ensuring correct, sufficient and credible disclosure of financial information;
- b) Recommending appointment and removal of external auditors and fixing their fees;
- c) Reviewing with Management the annual financial statements with special focus on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements;
- d) Reviewing the adequacy of internal audit function, and
- e) Reviewing the Bank's financial and risk management policies.

The ACB is functioning under the Chairmanship of Shri M Bheema Bhat, Chartered Accountant Director. As on March 31, 2007 the members of ACB consisted of Sarvashri D Surendra Kumar, S R Hegde and R V Shastri. All the members of ACB are financially literate. The Statutory Central Auditors and the Head of the Inspection & Audit Department were also invited to attend the meetings of the committee. During the year under review six meetings of ACB were held on 24.5.2006, 24.6.2006, 29.7.2006, 28.10.2006, 27.1.2007 and 26.3.2007.

Meetings record of ACB.

No. of meetings attended
6
2
3
6
6

*Shri UV Bhat was a member of ACB upto 6.7.2006 and Shri D Surendra Kumar is a member of ACB from 6.7.2006.

3) Shareholders/Investors Grievance Committee:

A sub committee of the Board constituted during the year 2002 to specifically look into the grievances of shareholders/investors continued its functioning during the year ended March 31, 2007 also. Members of the Committee as on March 31, 2007 are Sarvashri I Jagdish Rao, R V Shastri and U R Bhat. Shri I Ramamohan Rao was a member of the Committee upto 6.7.2006. The Committee met once in the year under report.

Name & designation of the Compliance Officer:

Y V Balachandra - Company Secretary.

A total of 315 complaints have been received from the Investors/Shareholders during the year ended March 31, 2007 and all of them have been redressed satisfactorily. As required under the Listing Agreement a separate Email ID investor.grievance@ktkbank.com has been created exclusively for the purpose of registering complaints by the investors.

4) Fraud Monitoring Committee:

As per the directions of the Reserve Bank of India, the Board has constituted a special Committee on 17.2.2004 exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of Rs.1 crore and above. The terms of reference of the Committee were as under:

- a. Identify the systems lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same.
- b. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI.
- c. Monitor progress of CBI/Police investigation, and recovery position.
- d. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- e. Review the efficacy of the remedial action taken to prevent recurrence of frauds such as strengthening of internal controls.
- f. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

The Committee is functioning under the Chairmanship of Shri Ananthakrishna. The other members of the Committee as on March 31, 2007 were Sarvashri D Surendra Kumar, I Jagdish Rao, M Bheema Bhat and Jairam G Kimmane. Shri U V Bhat was the member of the Committee upto 6.7.2006. The Committee met twice during the year under report.

5. Integrated Risk Management Committee (IRMC):

As required by the Reserve Bank of India a Board level sub Committee called Integrated Risk Management Committee (IRMC) was constituted on 24.12.2004 to devise the policy and strategy for integrated risk management containing various risk exposures of the Bank including credit risk and market risk. As on March 31, 2007 committee consisted of Shri Ananthakrishna, Chairman and CEO, I Jagdish Rao, Shri M Bheema Bhat and R V Shastri as other members. The Chief General Manager and the General Managers of the Bank are also the members of the IRMC.

The functions of the Committee include the review of risk profile of the Bank, evaluation of the overall risks faced by the Bank, develop policies and strategies for integrating risk management containing the credit, market and operational risk exposures etc and to ensure a smooth transition to the new Capital Adequacy Framework. IRMC met 4 times during the year.

6. Nomination Committee:

Reserve Bank of India vide Circular DBOD.No. BC.104/08.139.001/2003-04 dated June 25, 2004 required that

- i) Banks in private sector should undertake a process of due diligence to determine the suitability of the persons for appointment /continuing to hold appointment as a director on the Board.
- ii) The process of due diligence should be undertaken by the banks in private sector at the time of appointment / renewal of appointment.
- iii) The Boards of the Banks in private sector should constitute Nomination Committee to scrutinize the declarations.
- iv) Based on the information provided in the signed declarations, Nomination Committee should decide on the acceptance and may make references, where considered necessary to the appropriate authority.
- v) Banks should obtain annually a declaration that information already provided has not undergone change and where there is any change, requisite details are furnished by the Directors.
- vi) Board of the bank must ensure in public interest that nominated /elected directors execute the deeds of covenants as recommended by the above Committee.

Accordingly a Nomination Committee headed by the Chairman of the Bank was constituted on 29.7.2004. The Committee has been re-constituted on 6.7.2006 by inducting S R Hegde in the place of Shri U V Bhat. Other members of the Committee are Sarvashri D Surendra Kumar and I Jagdish Rao. During the year, three meetings of the committee were held on 13.5.2006, 5.7.2006 and on 5.1.2007.

7. Customer Service Committee:

With a view to strengthen the corporate governance structure and also mount innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of clientele at all times the Reserve Bank of India has suggested Banks to constitute a Customer Service Committee of the Board in compliance with the recommendations of Committee on Procedures and Performance Audit on Public Service (CPPAPS). Accordingly Customer Service Committee headed by Chairman and CEO of the Bank was constituted on 25.9.2004. The above committee continued its functioning during this year also. The other members of the Committee were Shri U V Bhat (upto 6.7.2006), I Jagdish Rao (from 6.7.2006) and Shri Jairam G Kimmane. The role of the Committee is to address the formulation of a comprehensive deposit policy, product approval process, and annual survey of depositor satisfaction and tri-annual audit of such services and to review the performance of the Ad hoc committee periodically. The Committee met twice on 26.08.2006 and 17.2.2007.

8. Computer Committee:

This Committee Headed by the Chairman overseas the implementation of Information Technology (IT) in the Bank and other IT related issues. The members of the Committee were Dr. N Seshagiri (Upto 27.11.2006) and Shri U R Bhat. The Committee met once on 7.4.2006 during the year.

9. ESOP Committee:

A Committee of Directors consisting majority of independent Directors has been constituted to administer the Employees Stock Option Scheme in the Bank. The Committee is headed by the Chairman of the Bank and Shri I Jagdish Rao and Shri U R Bhat are the other members of the Committee. The Committee met once on 27.1.2007 during the year.

COMMITTEES OF EXECUTIVES:

Apart from the Board Committees, the Bank has also constituted several committees of executives like Asset and Liability Management Committee (ALCO), Investment Management Committee (IMC), Credit Management Committee (CMC), Credit Policy Committee (CPC), Operational Risk Management Committee (ORMC)etc. The Committees meet regularly to take decisions on respective matters.

GENERAL MEETINGS:

Venue and the date of the last three annual general meetings were as under:

Year	Venue	Date	Day	Time
2006	Registered Office of the Bank, Mangalore	6.7.2006	Thursday	4 PM
2005	Registered Office of the Bank, Mangalore.	15.7.2005	Friday	4.30 PM
2004	Registered Office of the Bank, Mangalore.	29.7.2004	Thursday	4 PM

Whether Special Resolutions:

(a)	Were put through postal ballot last year	No
	Details of voting pattern	N.A.
	Persons who conducted the postal ballot exercise	N.A.
b)	Are proposed to be conducted through postal ballot	No

DISCLOSURES:

There were no materially significant transactions entered into by the Bank with its Directors, Management, or relatives conflicting with the interest of the Bank at large during the year ended March 31, 2007. Further it is declared that all the Directors and Senior Management Personnel have affirmed the compliance to the code of conduct laid down by the Bank.

STATUTORY COMPLIANCE, PENALTIES AND STRICTURES:

The Bank has complied with the requirements of the RBI/Stock Exchanges/ SEBI and other statutory authorities on all matters concerning the banking and the capital market. There were no penalties or strictures imposed on the Bank by the above authorities on any of the matters.

MEANS OF COMMUNICATION:

The quarterly /half yearly/ annual results are published in the leading national English dailies like Business Standard, Business Line, Financial Express, Economic Times etc and local newspapers like Udayavani, Sumyukta Karnataka, etc. The results were also put on our web site www.ktkbankltd.com.In view of the above, no separate communication to the shareholders about the half yearly results has been made.

SHAREHOLDERS` INFORMATION:

A. Annual General Meeting:

- Date : June 30, 2007
- Day : Saturday
- Time : 11.30 A.M
- Venue : Regd. & Head Office. The Karnataka Bank Ltd. Mahaveera Circle, Kankanady, Mangalore-575002.

B. Book closure:

26.06.2007 to 30.6.2007 (both days inclusive)

C. Financial Calendar :

1st April to 31st March

- a) Quarter ending June, 30 2007 : July, 2007
- b) Quarter ending Sept. 30, 2007 : October, 2007
- c) Quarter ending Dec. 31, 2007 : January, 2008
- d) Quarter ending March 31, 2008 : May/June, 2008

D. Dividend:

The Board of Directors` has recommended a dividend of 35% for the year ended March 31, 2007 and the same will be paid to the shareholders/beneficial holders of shares as on 25.6.2007 as per the Register of members /Register of beneficial owners respectively.

Dividend Payment Date: Between 2.7.2007 to 25.7.2007.

Unclaimed Dividend:

As per the provisions of section 205A of the Companies Act, 1956, the unclaimed dividend for the financial year ended March 1998-1999 has been transferred to the Investors` Education and Protection Fund established by the Central Government. The following table gives the unclaimed dividend from the year 1999-2000 (position as on 31.3.2007) and the last date for transfer to Investors Education and Protection Fund.

Year	Unclaimed dividend (Rs.)	Date of declaration	Due date for transfer
1999-2000	930996	31.08.2000	30.09.2007
2000-2001	1003683	02.08.2001	01.09.2008
2001-2002	1307601	22.08.2002	21.09.2009
2002-2003	1259098	31.07.2003	30.08.2010
2003-2004	2551652	29.07.2004	28.08.2011
2004-2005	2512220	15.07.2005	14.08.2012
2005-2006	5659497	06.07.2006	05.08.2013

E. Listing of shares:

The shares of the Bank are listed on the following Stock Exchanges.

Name of the Stock Exchange	Address
National Stock Exchange of India Ltd.	Regd. Office: Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai - 400 051
Bombay Stock Exchange Ltd.	Regd. Office: Floor 25, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001

The Bank has paid the annual listing fees for the year 2006-2007 to the above Stock Exchanges.

Stock Code:

Trading symbol on the NSE : KTKBANK Scrip code on BSE : 532652 ISIN at NSDL/CDSL : INE614B01018

Share transfer procedure

The shares of the Bank being traded in dematerialised form are transferable through the depository system. The share transfers in physical form are processed by the Share Transfer Agent- M/s Alpha Systems (p) Ltd and approved by the Chairman at least once in a fortnight. There are no share transfer requests pending for transfer as on March 31, 2007.

Stock Market Data

The shares of the Bank are traded on the Stock Exchanges only in dematerialized form as per the directives of Securities and Exchange Board of India (SEBI). The shares are regularly traded on National Stock Exchange (NSE) and Bombay Stock Exchange Ltd. The monthly high & low prices along with the volumes traded from 1.4.2006 to 31.3.2007 on the above Stock Exchanges are given below together with bench mark indices.

Month	High (Rs.)	ligh (Rs.) Low (Rs.)		NSE Nifty	
			traded	High	Low
Apr 2006	108.65	96.50	11230113	3573.50	3345.50
May 2006	107.80	83.10	25648880	3754.25	3081.35
June 2006	95.45	77.75	9085759	3128.20	2632.80
July 2006	95.40	80.25	4969731	3197.10	2932.75
Aug 2006	112.20	94.70	8311523	3430.35	3147.80
Sep 2006	122.15	107.65	9794679	3588.40	3366.15
Oct 2006	125.75	116.10	8122859	3769.10	3515.35
Nov 2006	129.40	111.30	10265035	3968.90	3767.05
Dec 2006	157.90	107.30	39164265	4015.95	3716.90
Jan 2007	173.10	144.25	20955379	4147.70	3850.30
Feb 2007	188.35	173.85	19324200	4224.25	3745.30
Mar 2007	176.10	164.15	7036368	3875.90	3576.50

Trading statistics on NSE

Trading Statistics on BSE

Month	High (Rs.)	Low (Rs.)	No of shares	BSE	Sensex
			traded	High	Low
Apr 2006	108.35	96.45	3063157	12042.56	11237.23
May 2006	107.40	83.70	5544630	12612.38	10481.77
June 2006	95.70	77.90	2272634	10609.25	8929.44
July 2006	95.25	80.30	1125202	10930.09	10007.34
Aug 2006	113.00	94.80	3062234	11723.92	10751.56
Sep 2006	122.05	107.80	2611874	12454.42	11550.69
Oct 2006	125.30	116.05	2230544	13024.26	12204.01

Nov 2006	129.40	109.55	2604289	13773.59	13033.04
Dec 2006	157.90	107.90	10981233	13972.03	12995.02
Jan 2007	173.05	143.95	4240958	14282.72	13362.16
Feb 2007	188.15	173.85	3613315	14652.09	12938.09
Mar 2007	175.75	164.10	1666972	13308.03	12415.04

Shareholding pattern

Share holding pattern of the Bank as on 31.3.2007 was as under:

Category code	Category of shareholders	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares As a percentage of (A+B)
(A)	Shareholding of Promoters and Promoters Group.	0	0	0	0
(B)	Public shareholding				
(1)	Institutions				
(a)	Mutual Funds / UTI	9	3318446	3318446	2.74
(b)	Financial Institutions / Banks	9	518584	518584	0.43
(C)	Central Government / State Governments	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0
(e)	Insurance Companies	3	1386231	1386231	1.14
(f)	Foreign Institutional Investors	39	36968417	36968417	30.47
(g)	Foreign Venture Capital Investors	0	0	0	0
(h)	Any Other	0	0	0	0
	Sub-Total (B)(1)	60	42191678	42191678	34.78
(2)	Non-institutions				
(a)	Bodies Corporate	983	15675120	15223309	12.91
(b)	Individuals - Shareholders holding nominal share capital upto Rs. 1 lakh	67226	43932427	24563463	36.21
	ii. Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh	673	19544323	16265423	16.10
	Sub-Total (B)(2)	68882	79151870	56052195	65.22
	Total Public shareholding (B) = (B)(1) + (B)(2)	68942	121343548	98243873	100.00
	TOTAL (A)+(B)	68942	121343548	98243873	100.00

Name of the Director (Sarvashri)	No. of shares held
Ananthakrishna	6721
D Surendra Kumar	13053
I Jagdish Rao	1921
Jairam G Kimmane	56250
M Bheema Bhat	4481
SRHegde	150
RVShastri	150
U R Bhat	3000
TSVishwanath	200

Shareholdings of Directors as on March 31, 2007

Distribution of Shareholding as on 31.3.2007.

SI. No.	Shares category	No. of share holders	%tage to total	No. of Shares held	%tage to total
1.	1-500	46864	67.98	8362784	6.89
2.	501-1000	10188	14.78	7580587	6.25
3.	1001-2000	6055	8.78	8776618	7.23
4.	2001-3000	2235	3.24	5615990	4.63
5.	3001-4000	933	1.35	3254332	2.68
6.	4001-5000	670	0.97	3071654	2.53
7.	5001-10000	1175	1.70	8347944	6.88
8.	10001 and above	822	1.19	76333639	62.91
	Total	68942	100.00	121343548	100.00

Dematerialisation of shares:

As per the Directives of SEBI, the equity shares of the Bank are compulsorily traded in dematerialized form by all categories of investors with effect from 26.2.2001. The Bank has entered into tripartite agreement with the Depositories and M/s Alpha Systems (p) Ltd. Bangalore for dematerialisation of shares. The ISIN allotted for the shares of the Bank is INE614B01018. As on 31.3.2007, 80.96% of the equity shares of the Bank are in demat form.

Registrar & share Transfer Agent:

The Bank has appointed M/s Alpha Systems (p) Ltd as common Share Transfer Agent for both physical and electronic shares and therefore in future all correspondence relating to share transfer, dividend, change of address for shares held in physical form and dematerialisation of shares etc are to be addressed to the Registrar and Share Transfer Agent at the following address:

Alpha Systems (p) Ltd

30, Ramana Residency 4th Cross, Sampige Road Malleshwaram, BANGALORE- 560 003 Tel: (080) 23460815-818. Fax: (080) 23460819 Email: alfint@vsnl.com

Non-mandatory requirements

The Bank at present has not adopted the non-mandatory requirements in regard to remuneration Committee, sending of half-yearly performance to the shareholders to their residence, evaluation of non-executive Board Members and Whistle Blower Policy.

For and on behalf of Board of Directors ANANTHAKRISHNA Chairman

Place: Mangalore Date: 19th May, 2007

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X The Karnataka Bank Ltd.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of The Karnataka Bank Limited

We have reviewed the records of The Karnataka Bank Ltd., concerning the compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Bank with the Stock Exchanges in India for the financial year ended 31st March 2007.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

We have conducted our review on the basis of the relevant records and documents maintained by the Bank and furnished to us for our review and the information and explanations given to us by the Bank.

Based on such a review, in our opinion, the Bank has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the said Listing Agreements.

We further state that, such compliance is neither an assurance as to the future viability of the Bank, nor as to the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Place: Mangalore Date: 19th May, 2007

Facts at a Glance

1. No. of Deposit Account	its	2903477	4. E
2. No. of Advances Acco	unts	219940	
3. Advances to Priority Second	ector	(Rs. in lakh)	
Types of Advances	Number of Accounts at the end of the year	Balance outstanding at the end of the year	E E
a) Agriculture	52219	59295.59	5. 9
b) Small Scale Industries of which Export Credit to SSI Units	6549 1950	115920.91 34887.95	
c) Setting up of the Industrial Estates	4	5935.99	As of t
d) Small Business Finance	5398	3896.81	Rec
e) Professional & Self Employed	4429	2766.27	dur yea
f) Transport Operators	5456	13404.78	6. 5
g) Education	2378	3715.53	0. 0
h) Retail Trade	13755	14148.87	
i) Housing Loans	11870	79542.43	
j) Consumption Loans	1627	781.65	
k) Self Help Group	1018	452.46	
I) Food Processing	63	6028.28	(
Total	104766	305889.57	
Export Finance excluding export credit to			
small scale industrial units	915	71603.36	

For Rao & Swami	For Kamath & Rau
Chartered Accountants	Chartered Accountants
sd/-	sd/-
H Anil Kumar	Srinivas S Kamath
(M No. 022329)	(M No. 201716)
(Partner)	(Partner)
(i artifici)	(Faither)

(Partner) Branches Rural Semi Urban Metro-Total Urban politan No. of 94 90 125 101 410 Branches at the end of the year Staff Officers Clerks Sub-Staff Total at the end 1594 2068 794 4456 the year 74 32 cruited 198 304 ring the ar Staff Training At Work At Bankers' Training shops & College Seminars Bank's own training college (RBI) & other Officers Clerks Sub Staff Training Colleges (Officers) 709 517 68 260 455

Progress over a Decade

	(Amount in lakh of Ruper					(h of Rupees)		
Year	Capital & Reserves Rs.	Deposits Rs.	Advances Rs.	Gross Earnings Rs.	Net Profit Rs.	Dividend Paid %	No. of Branches	No. of Employees
1997-1998	22796.45	340834.61	181829.41	47777.60	5815.72	45	324	3925
1998-1999	26170.98	438210.58	204663.49	53967.29	4244.86	45	338	3929
1999-2000	31186.81	517417.07	245143.06	65028.73	4070.97	45	347	4075
2000-2001	34987.89	607549.80	282822.35	74337.32	4540.86	45	354	4084
2001-2002	44198.43	700148.31	341754.53	98425.93	9112.90	60	357	4144
2002-2003	58340.32	829172.07	389970.08	105069.80	11011.75	22	360	4320
2003-2004	69815.23	940693.68	466791.50	111873.34	13316.75	40	370	4300
2004-2005	97804.06	1083705.81	628744.06	106108.19	14714.64	20	381	4393
2005-2006	111113.06	1324316.04	779156.78	118483.88	17603.39	30	395	4346
2006-2007	123862.77	1403743.54	955267.99	143052.31	17703.44	35	410	4456





Sri T. N. Chaturvedi, Hon'ble Governor of Karnataka, inaugurating the Bank's 400th Branch at H.S.R. Layout, Bangalore.



Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister(Former Governor, Reserve Bank of India) delivering the Bank's Founders' Day Lecture at Head Office on 18 - 02 - 2007

CORPORATE MISSION

"To be a technology savvy, customer centric progressive bank with a national presence, driven by the highest standards of corporate governance and guided by sound ethical values".



Regd. & Head Office: Mahaveera Circle, Kankanady, Mangalore - 575 002 Ph: 0824-2228222 E-mail: info@ktkbank.com Web: www.karnatakabank.com