



83rd ANNUAL REPORT

2006-2007

INTERNET BANKING



MULTICITY CHEQUE



MONEYPLANT DEBIT CARD



DEMAT ACCOUNT



RAILWAY TICKETS ONLINE



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. Kimmene
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
ಶ್ರೀ ತಿ.ಎಸ್. ವಿಷ್ವನಾಥ್

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

Place: Mangalore
Date : 19.05.2007

Ananthakrishna
Chairman

ಶ್ರೀಮತಿ 1975ರ ಕಂಪನಿ ಕಾಯಿದೆಯಡಿ ಮತ್ತು 1975ರ ಕಂಪನಿ ಕಾಯಿದೆಯಡಿ (ಕಂಪನಿಗಳ ಕಾರ್ಯದರ್ಶಿಗಳ ವಿವರ) ನಿಯಮಗಳನ್ನು ಅನ್ವಯಿಸಿ

ಕೃತಜ್ಞತೆ

>ಯಾವುದೇ ರೀತಿಯಲ್ಲಿಯೂ ನಿಮ್ಮ ಕೃತಜ್ಞತೆಗಳನ್ನು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ ಮತ್ತು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ. ನಿಮ್ಮ ಕೃತಜ್ಞತೆಗಳನ್ನು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ ಮತ್ತು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ.

ನಿಮ್ಮ ಕೃತಜ್ಞತೆಗಳನ್ನು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ ಮತ್ತು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ. ನಿಮ್ಮ ಕೃತಜ್ಞತೆಗಳನ್ನು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ ಮತ್ತು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ.

ನಿಮ್ಮ ಕೃತಜ್ಞತೆಗಳನ್ನು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ ಮತ್ತು ಸಂಪೂರ್ಣವಾಗಿ ಪರಿಗಣಿಸಿ.

ಸ್ಥಾನ : ಮಂಗಳೂರು
ತಾರೀಖು : 19 ಮೇ, 2007

ಅನಂತಕೃಷ್ಣ
A<<P>>

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										
Sl.No	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) Employed through out the year and were in receipt of remuneration not less than Rs. 24,00,000/- 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) Employed 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		<u>16222, 51, 62</u>	<u>14953,27,29</u>
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		<u>16222, 51, 62</u>	<u>14953,27,29</u>
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

Sd/-
N.S. Chakkera
General Manager

Sd/-
G.K. Bhat
General Manager

Sd/-
P. Jayarama Bhat
Chief General Manager

Sd/-
Ananthakrishna
Chairman
& Chief Executive Officer

Sd/-
D. Surendra Kumar
I. Jagdish Rao
Directors

Sd/-
Jairam G. Kimmane
M. Bheema Bhat
Directors

Sd/-
S.R. Hegde
R.V. Shastri
Directors

Sd/-
U.R. Bhat
T.S. Vishwanath
Directors

Refer our report of even date

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)

Place: Mangalore
Date : 19th May, 2007

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

(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			
Transfer to Statutory Reserve		107, 00, 00	106,00,00
Transfer to Capital Reserve		1, 38, 21	1,25,46
Transfer to Revenue Reserve		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		

Sd/-
N. Upendra Prabhu
Deputy General Manager

Sd/-
K.H. Shivaswamy Aithal
General Manager

Sd/-
N.S. Chakkera
General Manager

Sd/-
G.K. Bhat
General Manager

Sd/-
P. Jayarama Bhat
Chief General Manager

Sd/-
Ananthakrishna
Chairman
& Chief Executive Officer

Sd/-
D. Surendra Kumar
I. Jagdish Rao
Directors

Sd/-
Jairam G. Kimmane
M. Bheema Bhat
Directors

Sd/-
S.R. Hegde
R.V. Shastri
Directors

Sd/-
U.R. Bhat
T.S. Vishwanath
Directors

Refer our report of even date

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)

Place: Mangalore
Date : 19th May, 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007

(OO's omitted)

	Rs.	March 31, 2007 Rs.	Rs.	March 31, 2006 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax and extra ordinary items		273,03,76		269,22,85
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	87,04,49
Operating profit before working capital changes		384,14,77		356,27,34
Adjustment for :				
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	
		-255,89,39		-370,34,27
Cash generated from operations		128,25,38		-14,06,93
Direct taxes paid		121,24,31		90,29,10
Net cash flow from operating activities (A)		7,01,07		-104,36,03
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		-19,85,91		-26,71,35
Sale of fixed assets		51,35		53,64
Net cash used in investing activities (B)		-19,34,56		-26,17,71
Total (A+B)		-12,33,49		-130,53,74
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital (net of expenses)		15,08		3,62
Proceeds from long term borrowings		0		0
Dividend paid (Including Tax on Dividend)		-40,91,42		-27,36,44
Net Cash generated from Financing Activities (C)		-40,76,34		-27,32,82
Net increase in Cash & Cash equivalents (A+B+C)		-53,09,83		-157,86,56
Cash & cash equivalents as at (opening)		1214,61,31		1372,47,87
Cash & cash equivalents as at (closing)		1161,51,48		1214,61,31

Sd/-
N. Upendra Prabhu
Deputy General Manager

Sd/-
K.H. Shivaswamy Aithal
General Manager

Sd/-
N.S. Chakkera
General Manager

Sd/-
G.K. Bhat
General Manager

Sd/-
P. Jayarama Bhat
Chief General Manager

Sd/-
Ananthakrishna
Chairman
& Chief Executive Officer

Sd/-
D. Surendra Kumar
I. Jagdish Rao
Directors

Sd/-
Jairam G. Kimmame
M. Bheema Bhat
Directors

Sd/-
S.R. Hegde
R.V. Shastri
Directors

Sd/-
U.R. Bhat
T.S. Vishwanath
Directors

Refer our report of even date

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)

Place: Mangalore
Date : 19th May, 2007

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 (Previous year 12,12,76,898 equity shares of Rs.10/- each)	121,36,01	121,27,69
CALLED UP / PAID-UP CAPITAL		
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	121,34,35	121,26,03
	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 securities held under HTM category)	1,38,21	1,25,46
	2,63,67	1,25,46
Deductions during the year	0	0
TOTAL	2,63,67	1,25,46
III. Share Premium		
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		
Opening balance	266,00,00	120,25,00
Additions during the year	19,00,00	145,75,00
	285,00,00	266,00,00
Deductions during the year	0	0
TOTAL	285,00,00	266,00,00
b) Investment Fluctuation Reserve		
Opening balance	0	120,00,00
Additions during the year	0	0
	0	120,00,00
Transferred to Profit & Loss Account	0	120,00,00
TOTAL	0	0
V. Balance in Profit & Loss Account		
	2,29	5,87
TOTAL (I, II, III, IV and V)	1117,27,44	989,86,05

(000's omitted)

	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
SCHEDULE - 3 DEPOSITS		
A. I. Demand Deposits		
1. From Banks	2,67,38	3,55,07
2. From others	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		
1. 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)	97,82,77	87,30,77
V. Others (including Provisions)*	227,94,73	174,69,15
TOTAL	525,71,48	416,28,77
* Includes Contingent provision of Rs.5371.33 lakh for Standard Advances (Previous Year Rs. 2835.33 lakh).		
SCHEDULE - 6 CASH & BALANCES WITH THE R.B.I.		
I. Cash in hand (including foreign currency notes)	87,92,70	79,77,26
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 31.03.2007 Rs.	As on 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 Notice		
a) With Banks	100,00,00	50,00,00
b) With other institutions	0	224,87,85
TOTAL	305,30,28	666,48,90
II. OUTSIDE INDIA		
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)		
Less: Provision for depreciation	5118,94,33	5580,61,15
	70,77,89	32,03,08
TOTAL	5048,16,44	5548,58,07
Break-up:		
1. Government Securities	3967,08,03	4056,14,84
2. Other Approved Securities	22,18,11	35,36,49
3. Shares	89,39,89	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 & discounted	541,19,54	447,19,28
2. Cash Credits, Overdrafts and Loans repayable on demand	4849,03,25	4116,48,85
3. Term Loans	4162,45,20	3227,88,65
TOTAL	<u>9552,67,99</u>	<u>7791,56,78</u>
B) 1. Secured by Tangible Assets *	7409,68,64	5686,03,70
2. Secured by Bank / Government Guarantees	1433,26,46	1193,68,28
3. Unsecured	709,72,89	911,84,80
TOTAL	<u>9552,67,99</u>	<u>7791,56,78</u>
* Includes Advances against Book Debts		
C) I. Advances in India		
1. Priority Sectors	3058,89,57	2772,19,99
2. Public Sectors	408,24,89	492,75,15
3. Banks	5,36,16	5,95,98
4. Others	6080,17,37	4520,65,66
TOTAL	<u>9552,67,99</u>	<u>7791,56,78</u>
II. Advances outside India		
1. Due from Banks	0	0
2. Due from others	0	0
a) Bills Purchased & Discounted	0	0
b) Syndicated Loans	0	0
c) Others	0	0
TOTAL	<u>0</u>	<u>0</u>
GRAND TOTAL (C. I and II)	<u>9552,67,99</u>	<u>7791,56,78</u>

(000's omitted)

	As on 31.03.2007 Rs.	As on 31.03.2006 Rs.
SCHEDULE - 10 FIXED ASSETS		
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
	<u>76,80,42</u>	<u>74,51,71</u>
Deductions during the year	2,40	17,29
	<u>76,78,02</u>	<u>74,34,42</u>
Depreciation to-date	15,29,04	12,94,91
TOTAL	<u>61,48,98</u>	<u>61,39,51</u>
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
	<u>141,41,23</u>	<u>126,96,72</u>
Deductions during the year	3,86,19	2,95,78
	<u>137,55,04</u>	<u>124,00,94</u>
Depreciation to-date	93,25,85	82,13,01
TOTAL	<u>44,29,19</u>	<u>41,87,93</u>
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
	<u>21,16,78</u>	<u>21,43,59</u>
Deductions during the year	0	26,81
	<u>21,16,78</u>	<u>21,16,78</u>
Depreciation to-date	8,38,04	8,38,04
	<u>12,78,74</u>	<u>12,78,74</u>
Less Accumulated Lease Adjustment	11,60,52	11,60,52
	<u>1,18,22</u>	<u>1,18,22</u>
Less Other Adjustments	14,23	14,23
TOTAL	<u>1,03,99</u>	<u>1,03,99</u>
TOTAL (I, II & III)	<u>106,82,16</u>	<u>104,31,43</u>
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	<u>353,33,55</u>	<u>294,19,70</u>

(000's omitted)

	As on 31.03.2007 Rs.	As on 31.03.2006 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 31.03.2007 Rs.	Year ended 31.03.2006 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.
SCHEDULE - 16 OPERATING EXPENSES		
I. Payments to and provisions for employees	129,08,78	116,13,66
II. 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
X. 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 Particulars	Treasury		Other Banking Operations		Total	
	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					<u>16222.52</u>	<u>14953.27</u>
Segments Liabilities	1491.94	2546.32	14385.08	12102.48	15877.02	14648.80
Unallocated Liabilities					345.50	304.47
Total Liabilities					<u>16222.52</u>	<u>14953.27</u>

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 lakh)

Particulars	As on 31.03.2007	As on 31.03.2006
A. Deferred Tax Liabilities		
1. Depreciation on fixed assets	486.38	496.64
2. Depreciation on investments	5917.05	5054.05
3. Accrued Interest on Investments	4213.51	3969.72
Total	10616.94	9520.41
B. Deferred Tax Assets		
1. Privilege Leave Encashment	688.30	631.13
2. Others	145.87	158.51
Total	834.17	789.64
Net deferred tax liabilities (A) - (B)	9782.77	8730.77

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*

(Rs. in crore)

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

* excluding provisions for others.

b) Contingent Liabilities -Refer Schedule 12

Such liabilities at Sl. 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	511894.33	558061.15
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) India	7077.89	3203.08
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	504816.44	554858.07
(b) Outside India	Nil	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)

Particulars	Outstanding during the Year			As on
	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)

Sl. 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

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

h) Non-Performing Asset

(Rs. in lakh)

	2006-07	2005-06
i) Net NPAs to Net Advances (%)	1.22	1.18
ii) Movement of NPAs (Gross)		
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	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
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;		
of which under CDR	81.36	75.47
	5.33	5.13
(ii) Total amount of Standard assets subjected to restructuring, rescheduling, renegotiation;		
of which under CDR	81.35	74.22
	5.33	5.13

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	0.00 0.00	0.65 0.00
Note: {(i) = (ii) + (iii) + (iv)}		

j) Details of Assets sold to Securitisation company / Re-construction Company (Rs. in lakh)

Sl.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)

Item	31.03.2007	31.03.2006
Provisions towards Standard Assets	5371.33	2835.33

l) 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 (Rs. in lakh)

	1-14 Days	15-28 Days	29 Days - 3 Months	Over 3 Months to 6 Months	Over 6 Months to 12 Months	Over 1 Year to 3 years	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) 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 Of which Loans upto Rs 15.00 lakhs	680.21 473.78	457.86 367.29
(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,	7.55	9.47
b) Commercial Real Estate	0.00	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

(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

(Rs. in lakh)

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:

(Rs. in lakh)

	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 :

(a) No of Complaints pending at the beginning of the year (31.03.06)	33
(b) No of complaints received during the year	124
(c) No of complaints redressed during the year	127
(d) No of complaints pending at the end of year (31.3.07)	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.

Sd/-
N. Uendra Prabhu
Deputy General Manager

Sd/-
K.H. Shivaswamy Aithal
General Manager

Sd/-
N.S. Chakkera
General Manager

Sd/-
G.K. Bhat
General Manager

Sd/-
P. Jayarama Bhat
Chief General Manager

Sd/-
Ananthakrishna
Chairman
& Chief Executive Officer

Sd/-
D. Surendra Kumar
I. Jagdish Rao
Directors

Sd/-
Jairam G. Kimmane
M. Bheema Bhat
Directors

Sd/-
S.R. Hegde
R.V. Shastri
Directors

Sd/-
U.R. Bhat
T.S. Vishwanath
Directors

Refer our report of even date

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)

Place: Mangalore
Date : 19th May, 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;

Sl. No.	Date of the meeting	Sl. 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	12	17.02.2007
6	26.08.2006	13	26.03.2007
7	23.09.2006		

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:

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

*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 e f 27.11.2006 due to his resignation.

*** Shri T S Vishwanath has been appointed as an Additional Director by the Board of Directors u/s 260 of the Companies Act 1956 w e f 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.)
I Ramamohan Rao	20000
U V Bhat	56000
D Surendra Kumar	137000
I 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
U V Bhat*	7
D Surendra Kumar	13
I Jagdish Rao	17
S R Hegde*	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:

- Overseeing the Bank `s financial reporting process ensuring correct, sufficient and credible disclosure of financial information;
- Recommending appointment and removal of external auditors and fixing their fees;
- 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;
- Reviewing the adequacy of internal audit function, and
- 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.

Name of the Director (Sarvashri)	No. of meetings attended
M Bheema Bhat	6
U V Bhat*	2
D Surendra Kumar *	3
S R Hegde	6
R V Shastri	6

*Shri U V 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@kktbank.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:

- Identify the systems lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same.
- Identify the reasons for delay in detection, if any, reporting to top management of the Bank and RBI.
- Monitor progress of CBI/Police investigation, and recovery position.
- 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.
- Review the efficacy of the remedial action taken to prevent recurrence of frauds such as strengthening of internal controls.
- 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 Ananthkrishna. 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 Kimmene. 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 oversees 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 UR 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

- Quarter ending June, 30 2007 : July, 2007
- Quarter ending Sept. 30, 2007 : October, 2007
- Quarter ending Dec. 31, 2007 : January, 2008
- 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.

Trading statistics on NSE

Month	High (Rs.)	Low (Rs.)	No. of shares traded	NSE Nifty	
				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 BSE

Month	High (Rs.)	Low (Rs.)	No of shares traded	BSE Sensex	
				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

Shareholdings of Directors as on March 31, 2007

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
S R Hegde	150
RV Shastri	150
U R Bhat	3000
T S Vishwanath	200

Distribution of Shareholding as on 31. 3. 2007.

Sl. 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
Mallechwaram, 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

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.

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)

Place: Mangalore
Date: 19th May, 2007

Facts at a Glance

1. No. of Deposit Accounts	2903477	
2. No. of Advances Accounts	219940	
3. Advances to Priority Sector	(Rs. in lakh)	
Types of Advances	Number of Accounts at the end of the year	Balance outstanding at the end of the year
a) Agriculture	52219	59295.59
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
d) Small Business Finance	5398	3896.81
e) Professional & Self Employed	4429	2766.27
f) Transport Operators	5456	13404.78
g) Education	2378	3715.53
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
l) Food Processing	63	6028.28
Total	104766	305889.57
Export Finance excluding export credit to small scale industrial units	915	71603.36

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

Progress over a Decade

(Amount in lakh 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