

# Directors' Report

## To the Members,

The Board of Directors of your Bank take great pleasure in presenting the 104<sup>th</sup> Annual Report on the business and operations of the Bank together with the audited accounts for the financial year ended March 31, 2023.

## KEY PERFORMANCE INDICATORS

Your Bank delivered an impressive performance during the financial year 2022-23 deriving the benefits out of various initiatives taken during last few years. The high points of financial year 2022-23 are as below:

Particulars	March 31, 2023 (₹ in Crore)	March 31, 2022 (₹ in Crore)@
Deposits	76,637.59	68,486.01
Advances	64,168.09	56,876.10
Investments	19,411.72	17,755.08
Total Income	7,675.49	6,356.73
Total Expenditure	5,199.70	4,726.52
Operating Profit	2,475.79	1,630.21
Net NPA	468.15	1,260.79
<b>Net Profit</b>	<b>1,106.09</b>	<b>673.27</b>

@ Figures for the previous period have been re-grouped and re-classified in adherence to RBI circular on Presentation of financial statements and disclosures dated February 20, 2023 wherever necessary, to make them comparable with current period figures.

## TOTAL BUSINESS

Your Bank's total business increased by ₹ 15,443.57 Crore and stood at ₹ 1,40,805.68 Crore as on March 31, 2023, registering a growth of 12.32% on ₹ 1,25,362.11 Crore as on March 31, 2022.

## DEPOSITS

The Gross Deposits increased by ₹ 8,151.58 Crore and stood at ₹ 76,637.59 Crore as on March 31, 2023, registering a growth of 11.90% on ₹ 68,486.01 Crore as on March 31, 2022.

The Term Deposits increased by ₹ 6,606.30 Crore and stood at ₹ 51,188.66 Crore as on March 31, 2023, registering a growth of 14.82% on ₹ 44,582.36 Crore as on March 31, 2022.

Your Bank's CASA balances increased by ₹ 1,545.28 Crore and stood at ₹ 25,448.93 Crore as on March 31, 2023, registering a growth of 6.46% on ₹ 23,903.65 Crore as on March 31, 2022. The CASA balance as on March 31, 2023 is constituted by Savings Bank deposits of ₹ 17,994.85 Crore and Other Demand Deposits of

₹ 7,454.08 Crore. The CASA ratio of the Bank as on March 31, 2023 stood at 33.21%.

## ADVANCES

During the year, your Bank's credit portfolio increased by ₹ 7,291.99 Crore and stood at ₹ 64,168.09 Crore as on March 31, 2023, registering a growth of 12.82% on ₹ 56,876.10 Crore as on March 31, 2022. The credit portfolio grew by 16% year on year before considering technical write-offs made during the year. Growth in Advances is majorly contributed by Agriculture, Retail and Commercial during the period under review along with cautious growth of 6.47% in the Corporate book. The details of the Advances portfolios for financial year 2022-23 and financial year 2021-22 along with their comparative growth is furnished in the table below:

## CLASSIFICATION OF ADVANCES PORTFOLIO

Particulars	March 31, 2023 (₹ in Crore)	March 31, 2022 (₹ in Crore)	y-o-y Growth %
Agriculture	14,833.23	12,730.38	16.52
Retail (Personal Banking)	15,012.17	12,956.86	15.86
Commercial	20,980.02	18,656.41	12.46
Corporate	13,342.68	12,532.45	6.47
<b>Total Advances*</b>	<b>64,168.09</b>	<b>56,876.10</b>	<b>12.82</b>

\* Total advances grew by 16% (YOY) before considering technical write offs made during the year.

As on March 31, 2023, the Priority Sector Lending of your Bank stood at ₹ 26,959.64 Crore and constituted 46.30% of its Adjusted Net Bank Credit (ANBC) as against the statutory requirement of 40%

## AGRICULTURE ADVANCES

Your Bank's average Agriculture Advances, in terms of RBI guidelines, stood at ₹ 11,229.55 Crore as on March 31, 2023, which constituted 20.20% of Average ANBC, as against the regulatory stipulation of 18%. Average Advances to Micro Enterprises and Weaker Sections stood at 7.94% and 12.41% on Average ANBC respectively. Your Bank has continuously achieved and surpassed the statutory Agriculture target by its focused lending strategies to the Agriculture and its allied sectors.

## ASSET QUALITY

Your Bank has a dedicated Vertical (Credit Monitoring and Recovery) that takes care of recovery. High value NPA accounts are taken care

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by eight Asset Recovery Branches spread across India for effective recovery. Your bank has also engaged recovery agencies to assist the Asset recovery Branches to reach the end customers and for continuous follow-up.

The Gross NPAs of your Bank downsized by ₹ 1,972.89 Crore and dropped to ₹ 1,458.15 Crore as on March 31, 2023, from the level of ₹ 3,431.04 Crore as on March 31, 2022. Correspondingly, Net NPA of your Bank downsized by ₹ 792.64 Crore and dropped to ₹ 468.15 Crore as on March 31, 2023 from the level of ₹ 1,260.79 Crore as on March 31, 2022. In terms of percentage, your Bank's Gross Non-Performing Assets (Gross NPA) and Net Non-Performing Assets (Net NPA) downsized at 2.27% and 0.74% as against 6.03% and 2.31% of the previous year respectively. Further, your Bank's SMA30+ levels has been well contained and confined to 0.56% as against 0.82% of previous year. Your Bank has carried out focused recovery drive on a continuous basis which resulted in improved recovery performance during the past three years. The Provision Coverage Ratio stood at 92.14% and your Bank is continuously strengthening the ratio for the past five years. Your Bank will take all possible steps to curtail slippages and expedite recovery in existing SMA / NPAs.

Your bank has implemented several measures to minimize slippages and enhance recovery, including strengthening credit risk assessment processes, implementing proactive monitoring systems, offering timely restructuring options for stressed borrowers, collaborating with specialized recovery agencies, leveraging data analytics for early warning signals, and streamlining legal and recovery frameworks. These steps ensure proactive identification of potential defaults, prompt action for resolution, and efficient recovery processes, ultimately contributing to the reduction of slippages and improved recovery rates.

### INVESTMENTS

Your Bank's investment portfolio increased by ₹ 1,656.64 Crore and stood at ₹ 19,411.72 Crore as on March 31, 2023, registering a growth of 9.33% on ₹ 17,755.08 Crore as on March 31, 2022. The average investment for the financial year 2022-23 stood at ₹ 18,966.08 Crore. The investment portfolio's composition is consistent with the Investment Policy of the Bank and lays stress on liquidity and regulatory management besides providing gains.

Interest income earned on investments during the financial year 2022-23 was ₹ 1,099.13 Crore as against ₹ 924.79 Crore in financial year 2021-22. Profit made on sale of investments was at ₹ 17.27 Crore for the fiscal 2022-23. With a view to prevent large volatility, Modified Duration of overall portfolio including Held to Maturity

(HTM) was maintained at a lower level of 2.86 years. Liquidity position was maintained at comfortable levels throughout the financial year 2022-23.

### FOREIGN EXCHANGE TRANSACTIONS

During the financial year 2022-23, Bank's merchant turnover stood at ₹ 23,345 Crore as compared to the previous financial year's level of ₹ 21,623 Crore. Banks Export credit was ₹ 1,270.50 Crore for the financial year 2022-23 as against ₹ 1,352.85 Crore of the previous financial year due to reduced demand from cotton export borrowers. Total Income earned through foreign exchange transactions was ₹ 65.12 Crore for the financial year 2022-23 as against ₹ 66.02 Crore for the previous financial year due to subdued revaluation gains on account of shrink in forward premiums. Exchange Profit of ₹ 33.82 Crore and Commission & others of ₹ 31.30 Crore forms part of total Income earned through foreign exchange transactions.

### INCOME

Your Bank's Interest Income sizably increased by ₹ 928.88 Crore and reached ₹ 6,516.55 Crore for the financial year 2022-23, registering a growth of 16.62% on ₹ 5,587.67 Crore for the financial year 2021-22. Net Interest Income of your Bank increased by ₹ 633.44 Crore and reached to ₹ 3,348.81 Crore for financial year 2022-23, an increase of 23.33% on ₹ 2,715.37 Crore for the financial year 2021-22. The growth in Net Interest Income is in tandem with the topline growth in loan books of the Bank. Further, your Bank's Non-Interest Income increased by ₹ 389.88 Crore and reached ₹ 1,158.94 Crore for the financial year 2022-23, an increase of 51% on ₹ 769.06 Crore for the financial year 2021-22. The Yield on Advances and Investment stood at 8.93% and 5.80% respectively.

### EXPENDITURE

Your Bank's Interest expenditure increased to ₹ 3,167.74 Crore during the financial year 2022-23, an increase of ₹ 295.44 Crore (10.29%), over the previous year Interest Expenditure of ₹ 2,872.30 Crore. The Operating expenses also increased to ₹ 2,031.96 Crore during the financial year 2022-23 from ₹ 1,854.22 Crore of the previous financial year in line with the business growth. Your Bank regularly monitored both its operating and establishment expenses during the year and tight controls were exercised on the expenditures.

Your Bank's Cost of Deposits eased to 4.27% as against 4.31% of the previous financial year. The Net Interest Margin (NIM) improved by 46 bps and stood at 4.18% over the previous year position of 3.72%, Cost of Deposits decreased by 4 bps while yield on Advances

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has improved by 37 bps and Investment by 39 bps. Thus, cost of funds was lower by 3 bps whereas yield improved by 42 bps, aiding the spread improving by 48 bps to 3.50%.

### PROFIT

Your Bank's Operating Profit increased by ₹ 845.58 Crore and reached ₹ 2,475.79 Crore for the financial year 2022-23, registering a significant growth rate of 51.87% on ₹ 1,630.21 Crore for the financial year 2021-22.

The Net Profit of your Bank surpassed the historical milestone of ₹ 1,000 Crore and registered ₹ 1,106.09 Crore for the financial year 2022-23, a remarkable growth rate of 64.29% on ₹ 673.27 Crore for the financial year 2021-22.

### APPROPRIATIONS

The Net Profit of ₹ 1,106.09 Crore along with ₹ 2.39 Crore brought forward from the previous financial year, aggregating to ₹ 1,108.49 Crore, was appropriated as follows:

Appropriation – Transfer to Reserves	Amount (₹ in Crore)
Statutory Reserve	276.60
Capital Reserve	-
Investment Fluctuation Reserve	-
Investment Reserve	6.68
Special Reserve	55.00
General Reserve	607.00
<b>Balance carried to Balance Sheet (including Proposed Dividend of ₹ 160.41 Crore)</b>	<b>163.21</b>

### DIVIDEND

Your Bank has formulated the Dividend Distribution Policy as per the requirements of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI LODR") and guidelines issued by Reserve Bank India. The objective of the Policy is to ensure an equitable balance between rewarding the shareholders through dividend and retaining sufficient funds for future growth of the Bank subject to compliance with the dividend pay-out ratio matrix prescribed as per extant guidelines issued by Reserve Bank of India. The Dividend Distribution Policy is available on the Bank's website at <https://www.kvb.co.in/docs/dividend-distribution-policy.pdf>

Accordingly, considering the capital position of the Bank and the quantum of dividend pay-out permitted, Board of Directors of the

Bank are pleased to recommend a Dividend of ₹ 2/- per equity share of face value of ₹ 2/- each i.e., 100%, for the financial year 2022-23. Your Bank has notified closure of Register of Members and Share Transfer Books from Tuesday, August 08, 2023 to Wednesday, August 23, 2023 (both days inclusive) for determining the names of members eligible for dividend on Equity shares. The Dividend pay-out is in accordance with Bank's Dividend Distribution Policy and is subject to the approval of the shareholders at the ensuing 104<sup>th</sup> Annual General Meeting and also any regulatory/statutory authorities, if required.

In accordance with Accounting Standards 4 - Contingencies and Events occurring after the Balance Sheet date - notified by the MCA on March 30, 2016, the proposed dividend amounting to ₹ 160.41 Crore has not been shown as an appropriation from the Profit and Loss account as of March 31, 2023 and correspondingly not reported under Other Liabilities and Provisions as at March 31, 2023 (is reported under balance of profit).

### SHARE CAPITAL

The Authorised share capital of the Bank stood at ₹ 200 Crore divided into 100 Crore equity shares with a face value of ₹ 2/- each as on March 31, 2023. During the financial year under review, there has been no change in the Authorised share capital of the Bank.

During the financial year under review, Bank has allotted 20,41,791 Equity Shares of face value ₹ 2/- each to the employees who exercised their options under KVB ESOS 2011 Scheme and KVB ESOS 2018 Scheme during financial year 2022-23. Post allotment of the aforesaid equity shares, the Issued Share Capital increased from ₹ 160,13,55,212 to ₹ 160,54,38,794 comprising 80,27,19,397 equity shares with a face value ₹ 2/- each and the Paid-up Share Capital increased from ₹ 160,00,23,344 to ₹ 160,41,06,926 comprising 80,20,53,463 equity shares with a face value ₹ 2/- each. Other than the aforementioned, there is no change in capital structure of the Bank during the year under review.

The Bank's Net owned funds grew to ₹ 8,584.05 Crore as on March 31, 2023 from ₹ 7,596.20 Crore of the previous financial year. The Market Capitalisation of the Bank stood at ₹ 8,370.96 Crore as on March 31, 2023.

### EARNINGS PER SHARE/BOOK VALUE

Bank's Earnings Per Share (Basic) stood at ₹ 13.81 for the financial year 2022-23 as against ₹ 8.42 for the financial year 2021-22. The Book Value of shares was ₹ 105.03 per equity share of face value ₹ 2/- each (fully paid up) as on March 31, 2023 as against previous year position of ₹ 94.95.

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### DEBT INSTRUMENTS & CREDIT RATING

The Bank had issued Basel III Compliant Unsecured, Redeemable Non-Convertible Tier II Bonds to the value of ₹ 487 Crore with a coupon rate of 11.95% p.a. and a tenor of 123 months (maturing on June 12, 2029) in March 2019 through Private Placement, having a call option at 5<sup>th</sup> Coupon Payment date i.e., March 12, 2024 or on any Coupon Payment date thereafter. The fourth coupon interest has been duly paid to the Debenture holders on March 12, 2023. Bank has not issued any Debt instruments during the year under review.

Particulars	Rating Agency	Rating	Rating Action	Date of Revision
Basel III Tier II Bonds – Issue of ₹ 1,200 Crore where ₹ 487 Crore was utilised	ICRA	[ICRA] A+ (Stable)	Upgraded	November 30, 2022
	India Ratings & Research	IND A+/Stable	Affirmed	February 03, 2023
Certificate of Deposits Programme – ₹ 3,000 Crore	ICRA	[ICRA] A1 +	Reaffirmed	September 22, 2022
		[ICRA] A1 +	Reaffirmed	November 30, 2022
		[ICRA] A1 +	Reaffirmed	December 29, 2022
		[ICRA] A1 +	Reaffirmed	March 31, 2023
	CRISIL	CRISIL A1 +	Reaffirmed	April 22, 2022
		CRISIL A1 +	Reaffirmed	June 22, 2022
		CRISIL A1 +	Reaffirmed	August 29, 2022
		CRISIL A1 +	Reaffirmed	October 28, 2022
		CRISIL A1 +	Reaffirmed	January 06, 2023
		CRISIL A1 +	Reaffirmed	March 09, 2023

**As per ICRA ratings schedule:** ICRA A1+: Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

ICRA A+(Stable): Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

**As per CRISIL ratings schedule:** CRISIL A1+: Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

**As per India Ratings & Research schedule:** IND A+/Stable: Instruments with this rating are considered to have an adequate degree of safety with respect to the timely servicing of financial obligations. Such instruments carry a low credit risk.

### CAPITAL ADEQUACY

The Bank's Capital Adequacy Ratio stood at 18.56% as on March 31, 2023, as per BASEL III norms. This is well above the statutory limit of 11.50% (9% plus Capital Conservation Buffer of 2.50% is required to be maintained as of March 31, 2023) as prescribed by the Reserve Bank of India Guidelines.

### SUBSIDIARIES AND ASSOCIATES

Your Bank does not have any Subsidiaries or Associates/JVs to report during the year under review.

### MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to provisions of the Regulation 34(2) (e) of SEBI LODR, the Management Discussion and Analysis Report for the year is forming part of this Annual Report.

### NETWORK OF BRANCHES

Whilst geographical presence of your Bank has been widening throughout the country year on year, the digital presence is spreading without any boundaries, which will provide improved access and proximity to the bank's services. The Digital Banking

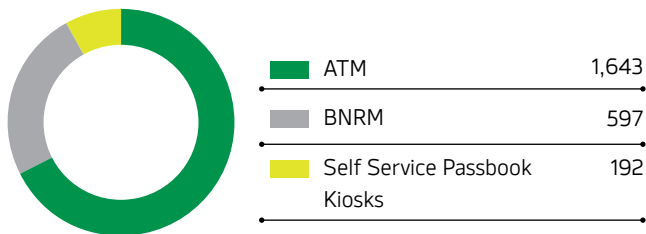
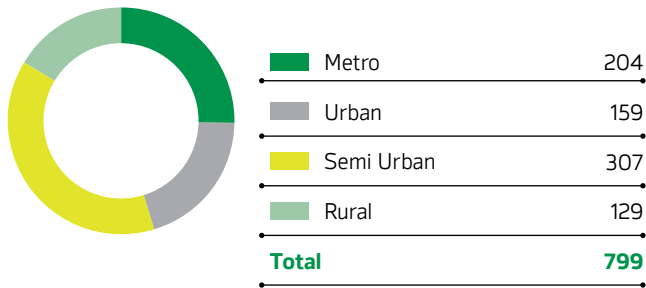
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Unit is yet another recent initiative of your Bank that will not only enhance customer experience but also environment friendly which is a core focus area of the bank's ESG initiatives.

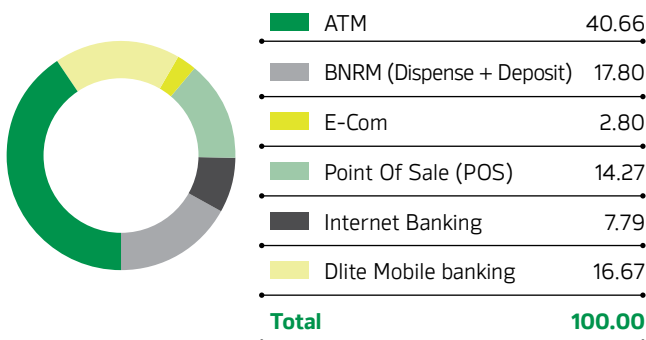
Your Bank has added Ten (10) Regular Branches, One (1) Retail Asset & Personal Banking Branch, Two (2) Asset Recovery Branches (ARBs) and Eleven (11) NEO Offices during the financial year 2022-23. Further, Consumer Banking Department was established during the year under review. The branch network including Corporate Business Units, Business Banking Units, Asset Recovery Branches, NEO and Precious Metal Division totals to 833 as on March 31, 2023, excluding three Extension Counters and five Satellite Offices.

During the year under review, your Bank has installed 88 new ATMs, 23 Bunch Note Recycler Machines (BNRM) and 14 Self Service Passbook Kiosks. As of March 31, 2023, 1,643 ATMs, 597 Bunch Note Recycler Machines (BNRM) and 192 Self-Service Passbook Kiosks are providing uninterrupted Banking services to customers.

### Classification of branches and alternate channel



### No. of Transactions through alternate channels FY 2022-23(%)



### CURRENCY CHEST

As on March 31, 2023, your Bank has eight Currency Chests across different locations in Tamil Nadu, Andhra Pradesh, Telangana and Karnataka to supply adequate cash to Branches & ATMs in its respective areas and the Clean Note Policy of RBI is being adhered to. Currency Chests also support the branches maintain cash within the retention limit for smooth operations. Your Bank also conducted soiled note exchange melas and distribution of coins through Currency Chest linked branches.

### FINANCIAL INCLUSION

Financial Inclusion ensures availability of basic banking services and products to all, thereby reaching the unreached, un-banked and under-banked areas. Bank has been actively pursuing the agenda of Financial Inclusion with key interventions in offering appropriate financial products, using technology and financial literacy. Bank is providing various Business Correspondents (BCs) services & implementing comprehensive Financial Inclusion Program through effective utilisation of BCs in Sub Service Area (SSA). SSA is a cluster of few villages and is linked to one base branch of the Bank.

Your Bank has reached the underprivileged segment of the society and extended its focused financial services through 147 Bank Mitras in rural villages, 3 Bank Mitras in urban locations including 39 Ultra Small Branches. The Bank Mitra use Micro ATM for providing the banking services to the customers.

Your Bank continues to provide basic financial products including Basic Savings Bank Deposit Account (BSBDA), Social security schemes of Insurance and Pension products and thereby support the Government in implementation of various social welfare schemes.

### Pradhan Mantri Jan Dhan Yojana (PMJDY):

Your Bank has opened 1,008 PMJDY accounts during the year under review. The balances outstanding in the PMJDY accounts as on March 31, 2023 was ₹ 19.57 Crore. The Bank has issued 1,008 Rupay Debit Cards under PMJDY accounts during the year. Micro ATM devices are provided to Bank Mitras for facilitating payments, which are enabled for accepting Rupay Card transactions/Aadhaar enabled Payment system (AePs)/Third Party deposit, Balance enquiry, Mini statement. Bank Mitras have done 5.39 Lakh transactions, amounting to ₹ 67.25 Crore during the year under report which includes of DBT/Old Age Pension/MGNREGS transactions.

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### Micro credit (SHGS Bank linkage):

Your Bank is providing credit facilities to Self-Help Groups (SHG) / Joint Liability Groups (JLG) to meet the credit needs of the poor. As on March 31, 2023, the Bank has 6,564 JLG loans with outstanding of ₹ 27.65 Crore.

### Financial literacy:

Financial Literacy campaigns are intended to provide basic banking knowledge to people across various corners of the Society. Your Bank has been in the forefront in creating awareness to the rural mass on the financial services and products through the Financial Literacy Campaigns. During the financial year 2022-23, your Bank has conducted 85 financial literacy campaigns in Rural, Semi Urban/Urban areas.

In line with Reserve Bank of India's emphasis on propagating financial literacy and cyber security measures, the Bank organized Financial Literacy Awareness campaign by way of street corner plays in 580 locations reaching out to 34,000 rural adult population across Tamilnadu under CSR Activity.

## TECHNOLOGY INITIATIVES

Your Bank is always inclined to plan and implement latest trends, technological advancements and innovations. Such long term projects are initially taken up as a study projects. Based on its technical feasibility, these study projects are converted to regular action plan projects to reap benefit to our customers. Presently, your bank is exploring adaption to, contactless / wearable payment solutions, digitalisation of back offices, virtual debit card.

## DIGITAL TRANSFORMATION PROJECT

### Web based online business loans:

Your bank has digitised its entire range of products in the Loan Portfolio viz. Retail, Commercial, and Agricultural Advances. Your Bank is making the best use of its technological infrastructure to manage operations from on-boarding of borrowers till disbursement of loans, resulting in better portfolio performance. Your Bank is the first to implement a complete end-to-end digitised loan sanction process flow and has been consistently redefining the Business Rule Engine with underwriting models on an ongoing basis. Bank is poised to grow its market share by leveraging the digital capabilities and has also digitised Credit, Risk and Monitoring activities for better internal control. During the year, your Bank has implemented the digital journeys for commercial & agricultural products. Your Bank has integrated its digital journeys with CERSAI portal for Registration of Security Interest (Land, Building).

### Retail loans on Mobile/Tablet:

During the year, the Retail Loan segment of your bank was strengthened further by including more loan products on the tablet-based application, as a part of its Digital Transformation. The Retail Lending Digital application is now equipped with Housing Loans, Personal Loans, Vehicle Loans, Education Loans, Loan against Sovereign Gold Bonds, OD against property and thus empowering the branches/business units to source quality applications from the market. This digital system will also enable your bank to fetch the bank statement via Account Aggregator Eco System for all Retail loans with ease. Also, your Bank has added the Pre-Approved Personal loan journey via Dlite Mobile Banking App. Customers spanning across all geographies are now offered various loan products with quicker turnaround time and best-in-class user experience on the digital platform.

### Co-Lending initiations:

Your Bank has commenced co-lending activities with Non-Banking Finance Companies in the Commercial Vehicle and Construction Equipment segments. In the Retail segment, your Bank has on-boarded and sanctioned consumer durable loans to 34.77 Lakh of customers during this fiscal year. Going forward, your Bank will continue to focus new business opportunities under this model for widening its horizons and regularly upgrading the existing digital lending system to adhere the compliance norms and by adding functionalities for business growth.

## INFORMATION SECURITY

The Board and Senior Management of your Bank have envisaged the Risk associated with the Cyber and Information Security in the modern world. They have established an Information Security Group headed by Chief Information Security Officer (CISO) who is specialised in Information and Cyber Security to protect the Bank's Information Assets.

Your Bank has approved Security Policies and procedures to protect the Information Assets in accordance with the determined risk profile of the assets. Your Bank understands the importance of Cyber Security and enhanced requirements in the connected world. Information Security function designs, develops, implements, maintains and monitors the Information Security Management System (ISMS), to handle the continuously evolving threat vectors.

Your Bank's Information & Cyber Security Framework is derived from ISO27001, Regulator Guidelines and Industrial Standards. The Policy and Procedure is designed not just to focus on CIA Triad viz Confidentiality, Integrity and Availability of Information; but also,



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on the other principles such as Authenticity, Non-Repudiation and Accountability in order to ensure the following:

- Safety and privacy of sensitive customer and Bank information.
- Prevent IT Assets and Information System from Unauthorized Access.
- Protect the Data / IT Systems from Phishing, Ransomware, and other Malware, Security threats across using Cloud and integrated systems in multiple locations over the Internet and zero-day attacks.
- Ensuring the Data / IT Systems availability to the authorised users.

Your Bank has established fully functional Security Operations Centre (SOC) to monitor and defend the cyber combat in 24 x 7 x 365 days to protect the Bank Information and also invested in Artificial Intelligent based monitor and defence solution against Dark web cyber combat to protect the Bank Information. Apart from technology tools and solution to safeguard the Bank's Information, Bank contributes equally to up skill the awareness of employees about new threats in the cyber security landscape.

Your Bank is maintaining the ISO/IEC 27001 Certification issued by M/s TUV SUD since 2018, which is the international standard that is recognised globally for managing risks to the Information Security.

### CALL CENTRE

The Call Centre of your Bank is a one stop Contact point of the bank which addresses queries / requests from customers, and works seamlessly round the clock.

### INBOUND CONTACT CENTRE:

**Phone Banking** – Customers contact the Phone Banking through various modes such as IVRS, Email & Chat to register their queries / requests related to banking services. Your Bank has a dedicated team assigned for the above channels to honour the customers' requirements in best in class service. **EFRM calling** - to verify the rightness of transactions of customers through outbound calls based on the data available from NPCI portal for fraud transaction monitoring. **Video-KYC** – This activity is performed in order to convert Dlite accounts which are opened under Low KYC to Full KYC. **Mobile number change verification** - verification calls for the changes in registered Mobile number requested through Dlite & Internet Banking. **Door-step banking services feedback calls** - Calls are made to the customers to obtain their feedback on the services rendered to them through door step banking.

### OUTBOUND CONTACT CENTRE:

At Outbound Contact Center an agent outcalls the customer on behalf of the Bank, for Sales / Service and collection activities. All the Tele Conversations are recorded for Quality and Monitoring Purposes. Activities undertaken are **Welcome Calling** for CASA and Newly Opened Loan accounts, **Tele Sales** to generate Revenue and to service our existing and potential customers. Your Bank has two types of Credit Cards viz., **Corporate and Retail Credit Cards** - For Customers who had availed Corporate Credit Card, the activities such as Welcome Calling, Statement Generation, Pre due, and Post due Collections calling are performed. **Tele Collections** - Calling is primarily done to remind Individual / Corporate customers of their Equated Monthly Instalments / Payments. Tele-collections for SMA 0 / 1 / 2 for CBD and SBG products are performed by Outbound Contact Centre. Reminder calling with Nominal intensity are practiced for ABG accounts. Based on the Unpaid Data spooled from the backend, two type of activities viz.,; a) **PREDUE** calling b) **POSTDUE** calling are performed. **PREDUE Calling** is initiated to remind customers of their due date and the EMI amount which is due to be paid. This calling helps the customer to ensure that the EMIs are serviced on time. **Post Due Date calling** is initiated to customers who have missed to pay their dues on the acceptable payment date. Payment Missed Data is spooled and segregated on the basis of (i) Severity of delinquency (ii) No of Days Past Due (iii) Track on repayment (iv) Relationship with bank & the available data base. **Centralised Collections** – Collections Data is analysed based on the risk pattern, and accounts are allocated to the field collections team. SMS / Email is initiated to Post due customers as reminder to pay their pending arrears. **ADHOC activities** – Apart from the above regular outbound activities, Adhoc calling request from different departments to outcall customers are also performed.

### CHANGE IN NATURE OF BUSINESS

There was no change in the nature of business of the Bank during the financial year under review.

### SYSTEM FOR INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

The Bank has strong and time-tested computerized solutions to serve its customers in respect of all banking requirements. Adequate infrastructure has been established in processing the day to day transactions. "Flexcube" is the CBS platform used in the Bank which is commonly used in several well-known banks in the Country. The CBS platform has well defined set-up to ensure

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internal financial controls viz maker-checker requirements with adequate credentials. Automation of interest & charges application and accounting transactions ensures necessary internal financial control. IT audit in respect of CBS is also being conducted as per the stipulated periodicity which ensures adherence to the regulatory and mandatory guidelines. Exclusive unswerving reporting software is used by Bank with appropriate systems and protocols which have periodical review. The same ensures reporting of Bank's business without any ambiguity. The Bank has standardised operating procedures in monitoring the account operations to have effective internal controls. Separate monitoring team has been identified to prevent and detect frauds and errors in the Bank. Compliance of regulatory/mandatory requirements are being taken care by an individual team which has its exclusive procedure in adhering to regulated and framed policies besides reporting of financial information in a disciplined manner. These systems enable the Bank to have established internal control over financial information reporting.

The Bank has Board approved policies in respect of various banking activities like lending, investment, borrowing etc. with well-defined hierarchy of officials vested with sanctioning powers. Inspection Department and Risk Management Department review various aspects of internal control, adherence to procedure and review credit assessment protocols periodically.

Internal Financial controls of the branches are verified by the Statutory Branch Auditors during their branch audit and covered in the report. Statutory Central Auditors of the Bank audit the internal controls over financial reporting of the Bank and submit a separate report containing the salient features of their observations to the Board of directors. Thus, the Bank ensures that the Internal Financial Controls placed are operating effectively.

### RISK MANAGEMENT

Risks are inherent in any business and banking is not an exception to this. Bank has adopted a multi-layered risk management process to identify, assess, monitor and manage risks through the effective use of processes and information technology.

Objective of risk management of the Bank is to balance between risk and return, and ensure that the Bank operates within the Board approved risk appetite statement. An independent risk management function ensures that the risk is managed through policies and processes approved by the Board of Directors encompassing independent identification, measurement and management of risks across the various businesses of the Bank. The risk management function in the Bank strives to proactively anticipate vulnerabilities at the transaction as well as at the portfolio level, through quantitative

or qualitative examination of the risks. The Bank continues to focus on refining and improving its risk measurement systems including automation of processes, not only to ensure compliance with regulatory requirements, but also to ensure optimal capital utilisation with a better risk-adjusted return. The Board reviews the risk profile of the Bank at periodic intervals and ensures that risk levels are within the defined risk appetite.

The independent risk management structure in the Bank is responsible for managing the credit risk, market risk, liquidity risk, operational risk, other Pillar II risks like reputational risk and strategic risk.

The Board is responsible for overseeing the overall risk management framework by approving various policies relating to the Risk functions and has delegated powers to Board Level Risk Management and Asset Liability Management Committee (RM & ALM) for monitoring the implementation of Risk Governance Framework, compliance to various policies & processes. The RM & ALM Committee ensures the same by closely monitoring & guiding the functions through Executive Level Credit Risk Management Committee, Market Risk Management Committee, Operational Risk Management Committee and Fraud Risk Management Committee, Asset Liability Management Committee, which regularly assess the functional efficiency of the Bank's risk management processes. Minutes of these Committee meetings are placed to the RM & ALM Committee of the Board for its perusal and further guidance.

Risk Management department maintains different policies covering inter alia credit, credit risk rating, market, liquidity, treasury, operational risk, risk culture, strategic risk management, Reputational risk and integrated risk management functions and other risk related policies.

Bank's risk management objectives broadly cover proper identification, assessment, measurement, monitoring, controlling, mitigation and reporting of the risks across various business segments of the Bank. The risk management strategy adopted by the Bank is based on a clear understanding of the risks and level of risk appetite, which is dependent on the willingness of the Bank to take risks in the normal and stressed course of business operations.

Bank is viewing risk management as a core competency and tries to ensure that the Bank takes only calculated risks, which it can understand, monitor, mitigate and control, thereby minimizing unexpected outcomes. All material risks of the Bank emerging in the course of its business are identified, assessed, monitored, managed and mitigated with the effective control measures in place.

Bank is well capitalized; CRAR stands at 18.56% as on March 31, 2023. Capital provides the required buffer to manage and meet any



## Directors' Report

unexpected risks / losses that materialize in spite of prudent and timely risk management actions. In view of foregoing, apparently there are no material risks which threaten the existence of the Bank.

### VIGIL MECHANISM/WHISTLE-BLOWER POLICY

In compliance with RBI Guidelines, provisions of the Companies Act, 2013, the SEBI LODR and SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended, your Bank has in place robust "Whistle-Blower Policy" since 2011. The Policy also incorporates the Protected Disclosure Scheme (PDS) for Private Sector Banks, instituted by the Reserve Bank of India. The Audit Committee of the Board reviews the complaints received through Vigilance Mechanisms on quarterly basis. The Bank's Whistle-Blower Policy is in synchronisation with all statutory and regulatory guidelines on Vigilance Mechanism. The details of the Whistle-Blower Policy is made available on the website of the Bank. <https://www.kvb.co.in/docs/whistle-blower-policy.pdf>

Bank is encouraging the staff to share all kinds of unlawful/unethical instances/practices followed by any employees to take appropriate action upon review. Further, bank is ensuring that the details shared are kept confidential and protection of staff who blow the whistle.

### DISCLOSURES PERTAINING TO THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The details related to Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 are furnished in the Corporate Governance Report that forms part of this Annual Report.

### RELATED PARTY TRANSACTIONS

All transactions entered into by your Bank with related parties are repetitive in nature in ordinary course of business and on an arm's length basis. Omnibus approval is obtained from the Audit Committee for transactions which are repetitive in nature and the same are reviewed on periodic basis. The Bank's policy on Related Party Transactions can be viewed at: <https://www.kvb.co.in/docs/related-party-transactions-policy.pdf>.

During the year, your Bank has not entered into any materially significant transactions with the related parties, which could lead to potential conflict of interest. Therefore, pursuant to Section 134(3)(h) of the Act Companies Act, 2013 with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no related party

transactions to be reported under Section 188(1) of the Companies Act, 2013 and Form AOC-2 is not applicable to the Bank.

### AUDIT COMMITTEE RELATED DISCLOSURE UNDER SUB-SECTION 8 OF SECTION 177 OF THE COMPANIES ACT, 2013

The Bank has constituted a Board level Audit Committee in line with the requirements of the Companies Act, 2013, SEBI LODR and Reserve Bank of India guidelines, as amended from time to time. Board has accepted all the recommendations of the Audit Committee. The details of the composition of the Audit Committee is disclosed in the Corporate Governance Report that forms part of this Annual Report.

### DISCLOSURE RELATED TO DETAILS OF DEPOSITS ACCEPTED UNDER RULE 8(5) (V) OF COMPANIES (ACCOUNTS) RULES, 2014

Being a Banking company, the disclosures required as per Rule 8(5) (V) of Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable.

### PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of the Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided or any investment made by a banking company in the ordinary course of business. Hence, the particulars of loan and guarantees as required under Section 134(3)(g) of the Companies Act, 2013 are not disclosed. The particulars of investments made by the Bank are disclosed in the Financial Statements as per the applicable provisions of the Banking Regulation Act, 1949.

### AUDITORS

#### Statutory Auditors

In terms of Section 139 of the Companies Act, 2013 read with Section 30(1A) of the Banking Regulation Act, 1949, it is proposed to re-appoint, M/s R G N Price & Co., Chartered Accountants (Registration No. FRN 002785S) and M/s Sundaram & Srinivasan, Chartered Accountants (Registration No. FRN 004207S) as Joint Statutory Central Auditors of the Bank, who are retiring at the conclusion of the ensuing 104<sup>th</sup> Annual General Meeting (AGM), subject to the approval of Reserve Bank of India and shareholders of the Bank. The Bank has received consent from the Auditors on

## Directors' Report

their reappointment and confirmation to the effect that they are not disqualified to be reappointed as the Auditors of the Bank in terms of the provisions of the Companies Act, 2013 and the rules made thereunder.

Accordingly, the Board of Directors have recommended to the shareholders, the reappointment of M/s R G N Price & Co., Chartered Accountants (Registration No. FRN 002785S) and M/s Sundaram & Srinivasan, Chartered Accountants (Registration No. FRN 004207S) as Joint Statutory Central Auditors of the Bank, to hold office from the conclusion of the ensuing 104<sup>th</sup> AGM till the conclusion of the next AGM. Fee payable to Statutory Auditors is proposed at ₹ 1,21,00,000 (Rupees One Crore Twenty One Lakh only) plus applicable taxes and out of pocket expenses with a cap of 10% of fees for the financial year 2023-24, subject to the approval of Reserve Bank of India and Shareholders of the Bank.

Members are requested to consider the re-appointment of M/s R G N Price & Co., Chartered Accountants (Registration No. FRN 002785S) and M/s Sundaram & Srinivasan, Chartered Accountants (Registration No. FRN 004207S) as Joint Statutory Central Auditors of the Bank.

Pursuant to the Regulation 33(1)(d) of the SEBI LODR, the Statutory Auditors have confirmed that they are subjected to the peer review process of the Institute of Chartered Accountants of India (ICAI) and that they hold a valid certificate issued by the Peer Review Board of ICAI.

### Independent Auditors' Report

The Joint Statutory Central Auditors of the Bank viz., M/s R G N Price & Co., Chartered Accountants (Registration No. FRN 002785S) together with M/s Sundaram & Srinivasan, Chartered Accountants (Registration No. FRN 004207S), have audited the accounts of the Bank for the financial year 2022-23 and their Report forms part of this Annual Report. Pursuant to Section 143(3) (i) of the Companies Act, 2013, the Statutory Auditors have also reported on the adequacy and operating effectiveness of the internal financial controls system over financial reporting, which has been enclosed as "Annexure A" to Independent Auditor's Report.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report for the financial year 2022-23.

During the period under review, no frauds were reported by the Auditors under sub-section (12) of Section 143 of the Companies Act, 2013.

### Secretarial Audit and secretarial compliance report

In line with Section 204 of the Companies Act, 2013 and Regulation 24A (1) of the SEBI LODR your Bank has appointed M/s S.A.E. & Associates LLP, Company Secretaries, Chennai to undertake the Secretarial Audit of the Bank for the financial year 2022-23. The Bank produced all necessary records to the Secretarial Auditors for

smooth conduct of their Audit. The Secretarial Audit Report for the financial year 2022-23 is annexed to this report as **Annexure – 1**.

There are no qualifications, reservations or adverse remarks made by the Secretarial Auditors in their report for the financial year 2022-23.

Pursuant to regulation 24A (2) of the SEBI LODR and SEBI circular No. CIR/CFD/CMD1/27/2019 dated February 09, 2019, the Bank has obtained Secretarial Compliance Report, from the Secretarial Auditors of the Bank on compliance of all applicable SEBI Regulations and circulars/guidelines issued thereunder and the copy of the same was submitted to Stock Exchange within the prescribed timelines.

### Implementation of Indian Accounting Standards (Ind AS)

As per RBI guidelines, Proforma IndAS statements have to be submitted on half-yearly basis and accordingly the same is submitted to RBI. During the current year, RBI has issued discussion paper on introduction of Expected Credit Loss Framework for provisioning by banks. Final guidelines are awaited. Further details are given in Schedule 18 – Notes to Account of the Balance Sheet.

### COMPLIANCE WITH SECRETARIAL STANDARDS

During the financial year 2022-23, your Bank is in compliance with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India.

### STATUTORY DISCLOSURES

Disclosures relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Rule (8)(3) of the Companies (Accounts) Rules, 2014 are detailed as under:

#### Conservation of Energy

Your Bank owns a 850 KW Wind Turbine Generator at Govindanagaram, Theni District in Tamil Nadu and the said Wind Turbine generated 13,69,932 units during the year under review. The Bank is utilising the power generated by Wind Turbine Generator for its Registered & Central Office at Karur and also premises of Divisional Office at Chennai.

#### Technology Absorption

Your Bank has implemented the following customer centric projects during the financial year 2022-23:

**WhatsApp Banking** – The Bank has enabled its customers, an additional service channel for catering to their non-financial services

## Directors' Report

such as Balance enquiry, mini statement, Term / Recurring deposit interest rate enquiry, cheque book request, debit card blocking, net banking block / unblock.

**Chat bot** - "Kaaruu" an interactive chat bot leveraging Artificial Intelligence and Machine Learning technologies has been hosted in our corporate web site to assist the customers with banking queries on 24 X 7 basis.

**IRCTC integration in Dlite app.**- Train ticket booking through direct account debit facility without involving payment gateway.

**Face ID login, e-Deposit loan through Dlite app.**- Customer can use face id to login in Dlite similar to fingerprint login. Further customer can avail deposit loan without visiting branches through Dlite app.

**Bharat Bill payment system integration in Dlite App.**- With BBPS implemented, customers have the convenience of payment by cataloguing various utility providers under one platform

**Government business (GST and CBDT) payment through branch and Internet Banking** - Payment of GST and CBDT enabled through internet banking facilitates customer to pay their taxes on time and to stay complied with Government norms.

**Implementation of e-Mandate for debit cards** - Customers can now provide e-Mandate / standing instruction on his/her Debit Card for regular/recurring payment transactions.

**Card tokenisation as per regulatory guidelines** - Tokenisation refers to replacement of actual card details with an alternate code called the "token", which shall be unique for a combination of card, token requestor and device. A tokenised card transaction is considered safer as the actual card details are not shared with the merchant (card not present transaction) during transaction processing.

### Foreign Exchange Earnings And Outgo

Your Bank continuously supports and encourages the country's export efforts through its export financing operations. The details on foreign exchange earnings and outgo are furnished in the Foreign Exchange Transactions section that forms part of this report.

### MATERIAL EVENTS THAT HAVE OCCURRED AFTER THE BALANCE SHEET DATE

There are no material events/changes and commitments, which affect the financial position of the Bank between the end of the financial year of the Bank and the date of the Directors' Report.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS

During the financial year 2022-23, no significant and material orders were passed by the Regulators or Courts or Tribunals against the Bank which impacts its going concern status and Bank's operations in future.

### MAINTENANCE OF COST RECORDS

Being Banking Company, your Bank is not required to maintain cost records as per sub-section (1) of Section 148 of the Companies Act, 2013

### ANNUAL RETURN

The Annual Return for the financial year ended March 31, 2023, as required under Section 92 (3) and Section 134(3)(a) of the Companies Act, 2013 is available on the Bank's website at <https://www.kvb.co.in/investor-corner/annual-general-meeting/annual-return/>.

### DETAILS OF APPLICATION MADE OR ANY PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 (31 OF 2016) DURING THE YEAR ALONG WITH THEIR STATUS AS AT THE END OF THE FINANCIAL YEAR

Bank has been filing cases in NCLT under IBC, 2016 as a part of its recovery mechanism and the status of the cases as at the end of the financial year 2022-23 is furnished as below:

S No	Particulars	No of cases	Book Balance ₹ in Crore	Status
01	Case filed by KVB against Corporate Debtors under IBC	2	401.24	Under Liquidation
02	Case filed against Individual Guarantors of Corporate Debtors	15	236.80	Filed and Pending

## Directors' Report

### DETAILS OF DIFFERENCE BETWEEN AMOUNT OF THE VALUATION DONE AT THE TIME OF ONE TIME SETTLEMENT AND THE VALUATION DONE WHILE TAKING LOAN FROM THE BANKS OR FINANCIAL INSTITUTIONS ALONG WITH THE REASONS THEREOF

Being Banking Company, the aforesaid provision is not applicable to your Bank.

### PARTICULARS OF EMPLOYEES

The information as required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 are annexed to this report as **Annexure – 2**.

### EMPLOYEE STOCK OPTION SCHEME

Your Bank has formulated and adopted Employee Stock Option Schemes to provide a platform to employees for participating in the ownership of the Bank and in its long-term growth. Bank uses stock options as a compensation tool to attract and retain critical talent and encourage employees to align individual performances with that of Banks' objectives. Currently, the Bank has the following Schemes in compliance with the provisions of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2014 ("SEBI SBEB & SE Regulations") erstwhile SEBI (Share Based Employee Benefits) Regulations, 2014.

- Karur Vysya Bank Employees Stock Option Scheme 2011 ("KVB-ESOS-2011")
- Karur Vysya Bank Employees Stock Option Scheme 2018 ("KVB-ESOS-2018")

During the period under review, your Bank has granted 4,42,161 options under KVB-ESOS-2018 to Key Managerial Personnel (Managing Director & CEO and President & COO) of the Bank and Senior Management towards their variable pay as a part of non-cash component. The said variable pay is in accordance with Bank's Compensation policy read with Reserve Bank of India circular DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 04, 2019. As a part of their non-cash component of variable pay for the financial year 2020-21 in terms of compensation structure, your Bank has allotted 24,635 Equity Shares to Shri B Ramesh Babu, MD & CEO and 18,539 Equity Shares to Shri J Natarajan, President & COO, under KVB ESOS 2018 during the year under review. Further Bank has allotted 19,98,617 Equity Shares of face value ₹ 2 each to the employees who

have exercised their options under KVB ESOS 2011 Scheme and KVB ESOS 2018 Scheme during the year under review.

Your Bank's Secretarial Auditors, M/s S.A.E. & Associates LLP, Company Secretaries, have certified that the Bank's above-mentioned Schemes have been implemented in accordance with the Resolutions passed by Shareholders for 2011 & 2018 Schemes and the SEBI SBEB & SE Regulations. Disclosures as required under the SEBI SBEB & SE Regulations are available on Bank's website at <https://www.kvb.co.in/investor-corner/other-disclosures/esos-disclosures/>.

### TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

As per Sections 124 and 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), the dividend remaining unclaimed for consecutive period of 7 years and its corresponding shares are liable to be transferred to the Investor Education and Protection Fund ("IEPF"). The said requirement does not apply to shares in respect of which there is a specific Order of Court, Tribunal or Statutory Authority, restraining transfer of the shares. Further details are provided in the Corporate Governance Report that forms part of this Annual Report.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Articles of Association of the Bank drafted in 1916, provided for setting aside of one percent of the annual profits to a "Charity Account", which would be used to support the needy for their health and education requirements. The Bank continues with that tradition even today after 106 years in the modern avatar of Corporate Social Responsibility. A Corporate Social Responsibility (CSR) Committee has been constituted in accordance with the provisions of Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

During the year under review, your bank had CSR budget of ₹ 11.58 Crore, against which the Bank spent ₹ 12.84 Crore. Further in line with the CSR policy of the Bank, spends have been spread across the core focus areas viz., health, sanitation, clean drinking water, education, skill development, women empowerment and environment protection, as defined in Schedule VII of the Companies Act, 2013.

The brief outline of the CSR policy of the Bank, CSR spends and other mandatory disclosures are annexed to this Report as **Annexure – 3**.

# Directors' Report

## BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING (BRSR)

ESG has been the forefront of your Bank's business activities. We strongly believe the significance of environmental, social and governance aspects on the Bank's performance and have been proactively taking initiatives in this regard. Due credit must be given to the Indian capital markets regulator, the Securities & Exchange Board of India (SEBI) for taking the lead in putting together the Business Responsibility & Sustainability Reporting (BRSR) framework. We believe it is the right step towards making ESG disclosures consistent and measurable across entities to facilitate better benchmarking.

In terms of Regulation 34(2)(f) of the SEBI LODR read with SEBI circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562, the filing of BRSR shall be mandatory for the top 1000 listed companies (by market capitalisation) and accordingly Bank would file BRSR for financial year 2022-23. It is to be noted that your Bank has published business responsibility and sustainability report from the financial year 2021-22 itself on voluntary basis in order to adapt to the regulatory requirements and build transparency among our stakeholders.

The Business Responsibility & Sustainability Reporting (BRSR) of the Bank for the financial year 2022-23 is annexed to this Report as **Annexure - 4**.

## BOARD MEETINGS

The composition of the Board of Directors is in compliance with all the relevant applicable statutory regulations. The Board meets at regular intervals to discuss and decide on Bank's business policy and strategy, apart from other items of business. During the year under review, Fifteen Board Meetings were conducted and the relevant periodicity for holding the meetings was complied. The schedule of the meetings of the Board is circulated in advance to the Members of the Board, for their consideration and approval. Details of the composition of Board, Meetings held and attendance of the Directors at such Meetings are provided in the Corporate Governance Report which forms part of Annual Report.

## BOARD EVALUATION

Pursuant to Section 134(3) (p) of the Companies Act, 2013, Regulation 17(10) of SEBI LODR and other applicable regulations, Board has carried out annual evaluation of its own performance (Board as a whole), Committees of the Board, all its Directors including Non-Executive Chairperson and MD & CEO. The manner of evaluation conducted during the financial year 2022-23 is furnished in the Corporate Governance Report that forms part of this Annual Report.

## BOARD OF DIRECTORS

The Board comprises of Nine Directors as on the date of this report, with rich experience and specialised knowledge in various areas of relevance to the Bank including Accountancy, Agriculture and Rural Economy, Banking, Economics, Finance, Law, MSME, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management, Business Management, Strategic Planning, Credit Recovery, Marketing, Credit, Cyber Security, Treasury Operations, Audit, Taxation, Governance, Supervision and Business Analytics.

### Appointment

**Dr Meena Hemchandra (DIN: 05337181)**, was co-opted as an Additional Director of the Bank under "Non-Executive Independent Director" category by the Board in its meeting held on May 26, 2022 and subsequently appointed as Non-Executive Independent (Part-time) Chairperson with effect from July 25, 2022 with the approval of Reserve Bank of India. The said appointment was approved by the shareholders at the 103<sup>rd</sup> AGM held on August 03, 2022, for a period of three (3) years with effect from May 26, 2022, not liable to retire by rotation.

**Shri Murali Ramaswami (DIN: 08659944)**, was co-opted as an Additional Director of the Bank under "Non-Executive Independent Director" category by the Board in its meeting held on June 14, 2022. The said appointment was approved by the shareholders at the 103<sup>rd</sup> AGM held on August 03, 2022 for a period of three (3) years with effect from June 14, 2022, not liable to retire by rotation .

**CA Chinnasamy Ganesan (DIN: 07615862)**, was co-opted as an Additional Director of the Bank under "Non-Executive Independent Director" category by the Board in its meeting held on April 25, 2023, subject to the approval of the Shareholders of the Bank. In terms of Regulation 17 (1C) of SEBI LODR, the listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors at the next general meeting or within a time period of three (3) months from the date of appointment, whichever is earlier. Accordingly, the said appointment was approved by the shareholders through postal ballot having Remote e-Voting process on June 30, 2023, for a period of three (3) years with effect from April 25, 2023, not liable to retire by rotation.

### Re-Appointment

**Shri K G Mohan (DIN: 08367265)** was re-appointed as an Additional Director of the Bank under Independent Category, for second term of three (3) years, w.e.f. October 12, 2022 in the Board Meeting held on September 22, 2022 subject to the approval of



## Directors' Report

shareholders of the Bank. In terms of Regulation 17 (1C) of SEBI LODR, the listed entity shall ensure that approval of shareholders for reappointment of a person on the Board of Directors at the next general meeting or within a time period of three (3) months from the date of appointment, whichever is earlier. Accordingly, the said reappointment was approved by the shareholders through postal ballot having Remote e-Voting process on December 30, 2022, for a period of three (3) years with effect from October 12, 2022, not liable to retire by rotation.

Previously, Shri K G Mohan was co-opted as an Additional Director under Independent Category on February 01, 2020 and elected as Non-Executive Independent Director for a period from February 01, 2020 to October 11, 2022 for the first term in the 101<sup>st</sup> AGM of the Bank held on September 23, 2020.

**Shri B Ramesh Babu (DIN: 06900325)** was re-appointed as the Managing Director & CEO of the Bank, for the second term of three (3) years, with effect from July 29, 2023, subject to the approval of Reserve Bank of India and Shareholders of the Bank. The said reappointment was approved by the shareholders through postal ballot having Remote e-Voting process on June 30, 2023.

The Reserve Bank of India vide its letter dated July 14, 2023 approved the reappointment of Shri B Ramesh Babu, Managing Director and CEO of the Bank for second term of three years with a revised fixed pay of ₹ 1.80 Crore per annum with effect from July 29, 2023. The Variable pay shall be based on the achievement of performance parameters of the respective financial years subject to the approval of RBI.

Previously, Shri B Ramesh Babu was appointed as Managing Director & CEO of the Bank for a period of (3) three years from July 29, 2020 to July 28, 2023 for the first term in the 101<sup>st</sup> AGM of the Bank held on September 23, 2020.

**Dr Harshavardhan R (DIN: 01675460)** was re-appointed as Non-Executive Independent Director of the Bank in the Board Meeting held on May 15, 2023, subject to the approval of shareholders of the Bank. The said reappointment was approved by the shareholders through postal ballot having Remote e-Voting process on June 30, 2023, for a period of Five (5) years with effect from July 30, 2023, not liable to retire by rotation.

Previously, Dr Harshavardhan R was co-opted as an Additional Director under Independent Category in the Board Meeting held on July 30, 2020 and elected as Non-Executive Independent Director for a period of three (3) years from July 30, 2020 to July 29, 2023 for the first term in the 101<sup>st</sup> AGM of the Bank held on September 23, 2020.

### Opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the Independent Directors appointed during the year:

In the opinion of the Board, the Independent Directors appointed during the year possess requisite qualifications, proficiency, expertise, track record, integrity, independence, vast and rich experience in the field of Banking. Independent Directors appointed during the year have qualified the online proficiency self-assessment test/have undertaken to comply with the requirements relating to passing of online proficiency self-assessment test for Independent Director's Databank, within the timelines prescribed.

### Retirement by rotation

**Shri R Ramkumar (DIN: 00275622)**, Non-Executive Non-Independent Director, retires by rotation at the ensuing 104<sup>th</sup> Annual General Meeting (AGM) and being eligible, offers himself for re-appointment in terms of Section 152 of the Companies Act, 2013. He hails from the promoter's family and was on the Board since June 25, 2018 and would be representing "Minority Sector-Business Management, Finance, Human Resources". Approval of the shareholders is being requested for reappointment of Shri R. Ramkumar as Non-Executive Non-Independent Director of the Bank, liable to retire by rotation.

The brief profile and details in terms of Regulation 36 (3) of SEBI LODR and the Secretarial Standard on General Meetings, in respect of the Director seeking re-appointment has been annexed to the Notice of the ensuing AGM and also in the Corporate Governance Report that forms part of this Annual Report.

### Retirement on completion of tenure

**Shri N S Srinath (DIN: 01493217)**, Non-Executive (Independent) Part-time Chairman of the Bank, demitted office consequent to completion of his three years tenure at the close of office hours on May 26, 2022.

**Dr V G Mohan Prasad (DIN: 00002802)**, Non-Executive Independent Director of the Bank, demitted office at the close of office hours on June 14, 2022 consequent to completion of his eight years tenure in terms of Section 10A(2A)(1) of the Banking Regulation Act, 1949.

**Shri M K Venkatesan (DIN: 00032235) and Shri A K Praburaj (DIN:07004825)**, Non-Executive Non-Independent Directors of the Bank, demitted office at the close of office hours on December 08, 2022 consequent to completion of their eight years tenure in terms of Section 10A(2A)(1) of the Banking Regulation Act, 1949.



## Directors' Report

**CAKL Vijayalakshmi (DIN:07116809)**, Non-Executive Independent Director of the Bank demitted office on March 21, 2023 consequent to completion of her eight years tenure in terms of Section 10A(2A)(1) of the Banking Regulation Act, 1949.

Board placed on record its sincere appreciation for the valuable services rendered and contribution made by them during their tenure as Directors of the Bank.

Apart from the above, there were no changes in the Board of Directors of the Bank.

### KEY MANAGERIAL PERSONNEL

There were no changes in the Key Managerial Personnels during the year under review.

### CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES FOR APPOINTMENT/ RE-APPOINTMENT OF DIRECTORS

Pursuant to provisions of Section 178(3) of the Companies Act, 2013 and relevant guidelines of RBI, the Nomination and Remuneration Committee (NRC) formulated the criteria for determining qualifications, positive attributes and independence of a Director to adhere the various provisions and guidelines as detailed below:

- 'Fit and Proper' criteria as per Dr. Ganguly Committee Norms which stipulates age, qualification, experience, track record, integrity, etc., and various circular instructions and guidelines issued by Reserve Bank of India from time to time.
- Norms laid down by the Banking Regulation Act, 1949 as amended from time to time which stipulates substantial interest, sectorial representation as per Section 10A(2) (a), restrictions as per Section 16 and 20 of the Banking Regulation Act, 1949, etc.,
- Disqualification/Conflict of Interest of Directors, and other norms as per the provisions of the Companies Act, 2013 and rules made thereunder from time to time.
- Criteria of Independence of a Director as per the provisions of the Companies Act, 2013 and rules made thereunder and other applicable provisions as amended from time to time.
- Applicable listing regulations as amended from time to time.
- Articles of Association of the Bank.
- Any other factors as the NRC may deem fit and in the best interest of the Bank and its stakeholders.

The terms and conditions of appointment of Independent Director are available on the website of the Bank at <https://www.kvb.co.in/docs/terms-and-conditions-of-appointment-of-independent-directors.pdf>. Your Bank's Nomination and Remuneration Committee (NRC) oversees matters of succession planning of its Directors, Senior Management and also Key Managerial Personnel & the Board of the Bank ensures that proper plans are put in place for orderly succession of appointment to the Board and to Senior Management of the Bank including KMPs.

### Policy on remuneration of directors

The remuneration of Directors is governed by the Compensation Policy of the Bank in terms of RBI circular no. DOR.Appt. BC.No.23/29.67.001/2019-20 dated November 04, 2019, which covers the aspects of remuneration payable to Board of Directors, Whole Time Directors/ Chief Executive Officers/Material Risk Takers, Key Managerial Personnels, Control Function Staff and all other employees. This Policy is in tune with the guidelines issued by the Reserve Bank of India, provisions of the Companies Act, 2013 and the SEBI LODR amended from time to time. Your Bank has adopted a board approved compensation policy on the basis of the aforesaid regulatory guidelines and the Policy is available on the Bank's website at <https://www.kvb.co.in/docs/investor-compensation-policy.pdf>.

### DECLARATION BY INDEPENDENT DIRECTORS

Your Bank has received necessary declarations from all the Independent Directors under Section 149(7) read with 149(6) of the Companies Act, 2013 and Regulation 25(8) read with Regulation 16(1)(b) of the SEBI LODR, that they meet the criteria of independence laid down thereunder. As required under Schedule IV of the Companies Act, 2013, Board has reviewed the declarations submitted by the Independent Directors and opined that, they fulfil all the conditions specified in the Companies Act, 2013 and SEBI LODR, and are independent of the management.

### FAMILIARISATION PROGRAMMES OF INDEPENDENT DIRECTORS

All Directors including Independent Directors are made familiar with their rights, roles and responsibilities in the Bank at the time of appointment and also on a recurrent basis. Details of familiarisation programmes attended by all Directors including Independent Directors are provided at <https://www.kvb.co.in/investor-corner/>, pursuant to regulation 46 of SEBI LODR. Other details on the same are also covered in Corporate Governance Report forming part of Annual Report.

# Directors' Report

## CORPORATE GOVERNANCE

The details on Corporate Governance standards followed by your Bank and the relevant disclosures as stipulated under SEBI LODR and the Companies Act, 2013 and the rules made thereunder are deliberated in Corporate Governance Report that forms part of this Annual Report. A certificate from M/s S.A.E. & Associates LLP, Company Secretaries, confirming compliance to the conditions of Corporate Governance as stipulated under SEBI LODR is annexed to Corporate Governance Report which forms part of this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that

are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit and loss of the Bank for that period;

- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- d) The Directors had prepared the annual accounts on a going concern basis;
- e) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively; and
- f) The Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively.

## AWARDS AND ACCOLADES

Your Bank received the following awards during financial year 2022-23, majority of the same for implementation of innovative technologies:

S. No	Name of the Award	Awarded by
01	Best MSME Friendly Bank (Private Sector), 2021 – Runner up	Chamber of Indian Micro Small & Medium Enterprises
02	Best Innovative Bank (Private Sector) – Runner up	Chamber of Indian Micro Small & Medium Enterprises
03	Tech Enable Ease of Banking	Quantic India
04	APAC BFSI Innovation	Banking Frontiers
05	Banking RPA Integrator of the Year	Synnex Group & India Banking Summit
06	Data Centre Company of the Year	Synnex Group & India Banking Summit
07	Tech Enabled Ease of Banking Award	KRYPTON BFSI LEADERSHIP AWARDS
08	Bank with Best Technology Orientation - Economic Times Ascent	Asia Pacific HRM Congress Awards, 2021
09	Digital Bank - India BFSI Awards 2022	Governance Now
10	Digital Transformation of Bank	Sri Adhikari Brothers Group
11	Intelligent Automation (AL, ML, RPA)	CIO Crown
12	Design Management (Infrastructure Management)	UBS Forums
13	Innovation - New Initiatives (Infrastructure Management)	UBS Forums
14	CIO of the Year	UBS Forums
15	Digitalisation from Application to Disbursement won in the Best in Future of Digital Infrastructure	IDC future enterprise Awards
16	The Best Technology Bank of the Year (Winner)	IBA Awards
17	The Best Fintech collaboration ( Runner-up)	IBA Awards
18	The Best AI ML adoption (Special Prize)	IBA Awards

## Directors' Report

S. No	Name of the Award	Awarded by
19	The Best Digital Financial Inclusion (Special Prize)	IBA Awards
20	Best Use of Technology	Synnex Group & India Banking Summit
21	Business Transformation Awards 2022 for competitive edge with workforce transformation	Mint & Techcircle
22	Best bank for promoting social schemes	Chamber of Indian Micro Small & Medium Enterprises
23	Best Government Scheme Implementing Bank - Runner up	Chamber of Indian Micro Small & Medium Enterprises
24	Best Innovative Bank - Runner up	Chamber of Indian Micro Small & Medium Enterprises
25	Best CSR Initiative & Business Responsibility Bank - Runner Up	Chamber of Indian Micro Small & Medium Enterprises
26	Best Bank in implementation of COVID Scheme - Runner up	Chamber of Indian Micro Small & Medium Enterprises
27	Best Digital Customer Experience initiative of the year	ASSOCHAM - Financial Conclave 2023 & Excellence Award
28	Product Quality Management	Dun & Bradstreet - ESG Leadership Summit 2023
29	Best Technology Enabler of the Year – Winner	ASSOCHAM
30	Best SME lending – Runner-up	ASSOCHAM
31	Emerging Bullion Bank for the year 2022	India Gold Conference (IGC Excellence Award 2022)

### ACKNOWLEDGEMENTS

The Board of Directors place on record their thankfulness to the Government of India, Reserve Bank of India, Securities Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), National Stock Exchange of India Limited and BSE Limited, Rating Agencies, Statutory Auditors, Secretarial Auditors, various State Governments & Union Territories and other regulatory authorities in India for their valuable guidance and strong support.

The Board expresses its sincere thanks to the Bank's valued shareholders, debenture holders esteemed customers, and all other stakeholders and well-wishers for their continued faith, confidence and patronage on us and look forward for their continuous support.

The Board also appreciates entire staff for their sincere and dedicated services rendered for overall performance of the Bank during the year and look forward to their continued cooperation in the realisation of the corporate goals of the Bank in the years ahead.

For and on behalf of the Board of Directors

Place: Karur

Date: July 17, 2023

**Dr Meena Hemchandra (DIN: 05337181)**

Non-executive Independent (Part-time) Chairperson

**B Ramesh Babu (DIN: 06900325)**

Managing Director & CEO

## Annexure I

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023

To  
The Members,  
**THE KARUR VYSYA BANK LIMITED**  
No.20, Erode Road, Vadivel Nagar,  
L.N.S., Karur - 639002.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by The Karur Vysya Bank Limited (hereinafter called **the Bank**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on March 31, 2023 complied with the statutory provisions listed hereunder and also that the Bank has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on March 31, 2023 according to the provisions of:

- (i) The Companies Act, 2013 ("**the Act**") and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment. The Bank does not have any Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) Securities And Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - d) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
  - e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act (*Not applicable as the Bank is not registered as a Registrar to an issue and as a Share transfer agent*);
  - g) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
  - h) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 as amended from time to time;
  - i) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 as amended from time to time; (*Not applicable to the Listed entity during the Review Period*).
- (vi) following other applicable laws:
  - a) The Banking Regulation Act, 1949 and Rules, Notifications and Circulars issued by Reserve Bank of India from time to time;
  - b) The Reserve Bank of India Act, 1934 to the extent applicable and Master Circulars, Notifications and Guidelines and other directions pertaining to commercial banking issued by Reserve Bank of India (RBI) from time to time;
  - c) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
  - d) Securities and Exchange Board of India (Bankers to the Issue) Regulations, 1994 as amended from time to time;

## Annexure I

- e) Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended from time to time (*Not applicable as the Listed Entity has not provided any services as Merchant Bankers during the Review Period*);

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India relating to Meetings of the Board of Directors (SS-1) and General Meetings (SS-2)
- (ii) The Listing Agreements entered into by the Bank with National Stock Exchange of India Ltd.

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

As per the representation of the Bank, due to a technical glitch on MCA V3 portal, the Bank was unable to file e-forms for events that occurred during the period from February 18, 2023 to March 31, 2023 within the statutory timelines. The technical glitch was rectified recently after continuous follow-up with MCA. As on the date of signing of this report, the Bank has filed necessary e-forms for the events that occurred during the aforementioned period with the required additional filing fees.

### We further report that

- (i) The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Woman Director. During the period under review
- a) Shri N S Srinath, Non-Executive Independent Director and Chairman completed his tenure at the close of office hours on May 26, 2022
- b) Dr. Meena Hemchandra was appointed as an additional director (Independent) with effect from May 26, 2022 and thereafter at the annual general meeting held on August 03, 2022 she was appointed as Non- Executive Independent Director for a period of 3 years with effect from May 26, 2022
- c) Shri V G Mohan Prasad, Non-Executive Independent Director completed his tenure at the close of office hours on June 14, 2022

- d) Shri Murali Ramaswami was appointed as an additional director (Independent) with effect from June 14, 2022 and thereafter at the annual general meeting held on August 03, 2022 he was appointed as Non- Executive Independent Director for a period of three (3) years with effect from June 14, 2022

- e) Dr. Meena Hemchandra was appointed as Non-Executive (Part time) Chairperson with effect from July 25, 2022 on obtention of approval from RBI and the same was taken on record by the shareholders at the annual general meeting held on August 03, 2022

- f) Shri R Ramkumar, Non-Executive Non-Independent Director retired by rotation at the annual general meeting held on August 03, 2022 and was re-appointed

- g) Shri K G Mohan was re-appointed as an additional director (Independent) for second term of 3 years with effect from October 12, 2022 at the Board meeting and his re-appointment was subsequently approved by the shareholders by way of postal ballot voting on December 30, 2022

- h) Shri M K Venkatesan, Non-Executive Non-Independent Director completed his tenure of 8 years at the close of office hours on December 08, 2022

- i) Shri A K Praburaj, Non-Executive Non-Independent Director completed his tenure of 8 years at the close of office hours on December 08, 2022

- j) Smt K L Vijayalakshmi, Non-Executive Independent Director completed her tenure at the close of office hours on March 21, 2023

The changes in the composition of the Board of Directors that took place during the period under review, as mentioned above, were carried out in compliance with the provisions of the Act.

- (ii) Adequate notice is given to all Directors to schedule the Board Meetings; notice, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before and at the meeting for meaningful participation at the meeting. Decisions of the Board/Committee meetings are in consensus and results are recorded in minutes with suggestions / directions, if any, made in respect of any agenda item.

## Annexure I

(iii) Based on the compliance system prevailing in the Bank, and after carrying out test checks of the relevant records and documents maintained by the Bank, we, further report that, there are adequate systems and processes commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

(iv) We further report that the Bank has responded to communication received from various statutory / regulatory authorities including initiating actions for corrective measures, wherever found/deemed necessary.

**We further report that** during the audit period:

(i) The Bank had allotted 20,41,791 equity shares under KVB ESOS 2011 and KVB ESOS 2018 on various dates which includes 24,635 equity shares to Shri B Ramesh Babu, MD & CEO and 18,539 equity shares to Shri J Natarajan, President & COO

(ii) The Nomination and Remuneration committee in its meeting held on September 21, 2022 had granted 57,218 options at an exercise price of ₹ 85.70/- under KVB ESOS 2018 Scheme to Shri J Natarajan, President and COO, as part of non-cash component of variable pay for the financial year 2021-22.

(iii) In terms of the RBI approval vide letter DOR.GOV. No.S5795/08.41.001/2022-23 dated December 13, 2022, the Nomination and Remuneration Committee of the Bank in

its Meeting held on December 29, 2022 has granted 59,075 options at an exercise price of ₹108.25 under KVB ESOS 2018 Scheme to Shri B Ramesh Babu, Managing Director & CEO of the Bank, as a part of non-cash component of variable pay for the financial year 2021-22.

(iv) The Bank has received renewal of authorisation from RBI for Import of gold/silver for the financial year 2023-24.

(v) The Bank has promptly paid the 4<sup>th</sup> annual debenture interest with respect to the 11.95% , 48,700 Unsecured, Non-Convertible, Redeemable Tier II Bonds of Face value ₹1 Lakh each on March 12, 2023

(vi) During the audit period, in one of the instances, RBI vide letter dated March 24, 2023 had issued a speaking order imposing penalty of ₹ 30 lakhs for failing to report 3 accounts as fraud to RBI. Intimation in this regard was submitted to Stock exchanges on 24<sup>th</sup> March 2023 and penalty was paid by the Bank on March 30, 2023.

For **S.A.E & Associates LLP**  
Company Secretaries

**Sri Vidhya Kumar, Partner**

FCS. No. 11114, C.P. NO. 20181  
UDIN: FO11114E000627873

Place: Chennai  
Date: July 17, 2023



## Annexure to Secretarial Audit Report

To  
The Members,  
**THE KARUR VYSYA BANK LIMITED**  
No.20, Erode Road, Vadivel Nagar,  
L.N.S., Karur - 639002.

Our Secretarial Audit Report of even date is to be read along with this letter.

1. It is the Management's Responsibility to maintain secretarial records, and to devise proper systems to ensure compliance with the provisions of all applicable laws, rules regulations and standards and to ensure that the systems are adequate and operate effectively. Our examination was limited to the verification of procedures on test basis.
2. Our responsibility as the Secretarial Auditor is to express an opinion on these secretarial records, systems, standards, and procedures based on our audit.
3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
4. We have not verified the correctness and appropriateness of financial records and books of accounts of the Bank.
5. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For **S.A.E & Associates LLP**  
Company Secretaries

Place: Chennai  
Date: July 17, 2023

**Sri Vidhya Kumar, Partner**  
FCS. No. 11114, C.P. NO. 20181

## Annexure II

Disclosure pursuant to sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

SI No	Requirements	Disclosure	
I	The ratio of the remuneration of each director to the median remuneration of the employees of the financial year 2022-23	Dr Meena Hemchandra, Non-Executive Independent (Part-time) Chairperson Shri N S Srinath*, Non-Executive Independent (Part-time) Chairman Shri B Ramesh Babu, MD & CEO Shri M V Srinivasamoorthi, Non-Executive Non-Independent Director Dr K S Ravichandran, Non-Executive Independent Director Shri R Ramkumar, Non-Executive Non-Independent Director Shri K G Mohan, Non-Executive Independent Director Dr Harshavardhan R, Non-Executive Independent Director Shri Murali Ramaswami, Non-Executive Independent Director Dr V G Mohan prasad*, Non-Executive Independent Director Shri M K Venkatesan*, Non-Executive Non-Independent Director Shri A K Praburaj*, Non-Executive Non-Independent Director CA K L Vijayalakshmi*, Non-Executive Independent Director	<b>1.25x</b> <b>0.17x</b> <b>19.71x</b> <b>0.95x</b> <b>0.95x</b> <b>0.95x</b> <b>0.95x</b> <b>0.95x</b> <b>0.75x</b> <b>0.19x</b> <b>0.65x</b> <b>0.65x</b> <b>0.92x</b>
		* Demitted office during the FY 2022-23, consequent to completion of their tenure.	
II	The percentage increase in remuneration of each director, CFO, CEO, CS in the financial year 2022-23	Shri B Ramesh Babu, MD & CEO Shri N S Srinath and Dr Meena Hemchandra Non-executive Part-time Chairperson(s) Shri J Natarajan, President & COO Shri R Ramshankar GM & CFO Shri Srinivasa Rao Maddirala, Company Secretary	<b>29.07%</b> <b>15.36%</b> <b>33.45%</b> <b>-38.07%</b> <b>43.60%</b>
III	The percentage increase in the median remuneration of employees in the financial year.		<b>9.66%</b>
IV	The number of permanent employees on the rolls of the Bank		<b>7402</b>
V	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	1. Average remuneration increase for Non-ManAGERIAL Person is <b>2.27%</b> in the financial year 2022-23 In comparison to previous year figure of 4.65% the decrease is due to significant increase in number of employees recruited for frontline activities 2. The Average percentage increase in the remuneration paid to Managerial Person is <b>18.39%</b> Increase in Remuneration is due to payment of variable pay to Managing Director & CEO and President & COO based on Bank's performance as a whole, individual performance level and also market benchmarks. Further there are no exceptional circumstances for increase in the Managerial Remuneration.	
VI	Affirmation that the remuneration is as per the remuneration policy of the Bank	The Bank has Board approved Compensation Policy, Which is in line with the RBI Guidelines. We Affirm that the remuneration paid to employees is as per the Compensation Policy of the Bank.	

## Annexure II

### VII. Details pursuant to Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:-

Four employees employed throughout the year were in receipt of remuneration ₹1.02 Cr per annum or more, and there are no employees employed for the part of financial year 2022-23 who are in receipt of remuneration of ₹ 8.50 Lakh per month or more. The information containing particulars of top ten employees pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 shall be made available to shareholders on a specific request to Company Secretary at [kvb\\_sig@kvbmail.com](mailto:kvb_sig@kvbmail.com).

In terms of Section 136 of the Companies Act, 2013 a copy of the financial statements, auditor's report and every other document required by law to be annexed or attached to the financial statements, which are to be laid before Annual General Meeting (AGM) are available for electronic inspection by the members up to date of the AGM. None of the employees hold (himself or along with his spouse and dependent children) more than two percent of the Equity Shares of the Bank.

#### NOTE:

- a) 'x' denotes the median remuneration of the employees in the Financial Year.
- b) Remuneration of MD & CEO and Non-Executive Independent (Part-time) Chairperson are as per the terms & conditions approved by the Reserve Bank of India and shareholders of the Bank.
- c) Remuneration paid to CFO in financial year 2021-22 includes payments made to Mr. Mocherla Durga Ramesh Murthy General Manager who was CFO of the bank from April 01, 2021 to February 09, 2022 and subsequently to Mr. Ramshankar R, Deputy General Manager who became CFO effective from February 10, 2022.
- d) There has been no increase in the Base Remuneration of MD & CEO and President & COO, however certain Perquisites value viz; ESOPs as part their variable pay of non-cash component's market value is considered in the calculation. The payment of upfront cash component of MD & CEO for the financial year 2021-22 and deferral cash component for the financial year 2020-21 pertaining to variable pay was also included in the calculation.
- e) Remuneration received includes salary paid, taxable reimbursements, Bank Contribution towards pension, PF, and NPS and other taxable perquisites for the financial year 2022-23.
- f) Shareholders of the Bank in the AGM held on August 03, 2022, have approved the payment of profit related compensation to all Non-Executive Directors [excluding Non-Executive (Part-Time) Chairperson], by way of fixed remuneration of 0.1% of the profit available for distribution subject to maximum of ₹ 10,00,000/- to each Directors per annum with effect from the financial year 2022-23, for a period of three (3) years. Profit related commission is paid during the financial year 2023-24 upon adoption of the financial results for the year 2022-23 and the amount is paid on pro-rata basis to the tenure in the Board with a maximum cap of ₹ 10,00,000/-. Dr Meena Hemchandra, Chairperson is entitled to Profit related commissions for the period as Non-Executive Independent Director.

## Annexure III

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

#### 1. Brief outline on CSR Policy of the Company

The CSR Mission statement of the Bank states - "To contribute to the social and economic development of the community and to establish itself as a responsible corporate citizen. KVB realizes that CSR of the Bank is not just compliance, but it is a strategic and wholesome approach towards the Planet, People and Profit. The Bank understands that well-meaning and well implemented CSR will bring about some relief to larger issues that are of social and environmental in nature". The Bank is well involved in programmes of larger ramifications whereby its projects on education, skill development, environmental sustainability and healthcare contribute substantially for the betterment of society and the community.

#### 2. Composition of CSR and ESG Committee

Sl. No.	Name of the Director (Sarvashri)	Designation/ Nature of Directorship	No. of meetings of CSR Committee held during the year	No. of meetings of CSR Committee attended during the year
1.	B Ramesh Babu, Chairman of the Committee	Managing Director & Chief Executive Officer	4	4
2.	M V Srinivasamoorthi	Non-Executive Non-Independent Director	4	4
3.	Dr K S Ravichandran	Non-Executive Independent Director	4	4
4.	A K Praburaj*	Non-Executive Non-Independent Director	2	2
5.	R Ramkumar®	Non-Executive Non-Independent Director	1	1

\*Member of the committee from August 30, 2022 to December 08, 2022

®Member of the committee till August 29, 2022

#### 3. Provide the web link where Composition of CSR and ESG Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the company

Composition of CSR and ESG Committee - <https://www.kvb.co.in/CSR-ESG/>

CSR Policy - [https://www.kvb.co.in/docs/csr\\_policy.pdf](https://www.kvb.co.in/docs/csr_policy.pdf)

CSR Projects approved by the Board - <https://www.kvb.co.in/docs/csr-annual-action-plan.pdf>

#### 4. Provide the details of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable.

Even though Bank is not mandated to conduct Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 as the average CSR obligation of ₹ 10 crore or more in the immediately preceding 3 financial years is not met in the current financial year, as a good practice and as per KVB CSR Policy, the following projects which were implemented in the previous financial year are taken up for Impact Assessment:

- i) Support of Medical Equipment to Sankara Eye Foundation
- ii) Donation of Ambulance to Tamilnadu Health System Project
- iii) Construction of School Block MHSS, Karur
- iv) Construction of School Block , Morning Star School

Impact assessment reports on the projects are available at <https://www.kvb.co.in/CSR-ESG/csr-impact-assessment/>

## Annexure III

5	(a)	Average net profit of the company as per section 135 (5)	:	₹ 5,79,16,05,948.66
	(b)	Two percent of average net profit of the company as per section 135(5)	:	₹ 11,58,32,118.97
	(c)	Surplus arising out of the CSR Projects or programmes or activities of the previous financial year		NIL
	(d)	Amount required to be set off for the financial year, if any	:	NIL
	(e)	Total CSR obligation for the financial year [(b)+(c)-(d)]		₹ 11,58,32,118.97

Note:

The budget exceeded in the year financial year 2021-22 ₹ 4,468/- has not been set off in the financial year 2022-23.

6	(a)	Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project).		12,75,33,505.88
	(b)	Amount spent in administrative overheads		NIL
	(c)	Amount spent on impact assessment, if applicable		8,73,642.00
	(d)	Total amount spent for the financial year [(a)+(b)+(c)]		12,84,07,147.88
	(e)	CSR amount spent or unspent for the Financial Year		

Total Amount Spent for the Financial Year (in ₹)	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135.		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135.		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
5,86,36,385.28	6,97,70,762.60	March 31, 2023	NA	NA	NA

(f) Excess amount for set-off, if any:

S. No	Particulars	Amount (in ₹)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	11,58,32,118.97
(ii)	Total amount spent for the Financial Year	12,84,07,147.88
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	1,25,75,028.91
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	NIL
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	1,25,75,028.91

Note:

(i)	The budget exceeded in the year financial year 2021-22	₹ 4,468.00
(ii)	The budget exceeded in the year financial year 2022-23	₹ 1,25,75,028.91
<b>Total amount available for set off (i) + (ii)</b>		<b>₹ 1,25,79,496.91</b>

## Annexure III

### 7. Details of Unspent CSR amount for the preceding three Financial Years.

Sl. No.	Preceding Financial Year.	Amount transferred to unspent CSR account under section 135 (6) (in ₹)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in ₹)	Amount spent in the financial year (in ₹.)	Amount transferred to any fund specified under schedule VII as per section 135 (6), if any		Amount Remaining to be spent in succeeding financial years (in ₹)	Deficiency, if any
					Amount (in ₹)	Date of Transfer		
1	2021-22	3,89,64,965.00	3,89,64,965.00	2,15,42,447.00	87,32,218.00#	28-Sep-22	86,90,300.00*	NIL
2	2020-21	6,36,61,729.00	66,78,585.00	30,68,000.00	7,37,295.00#	28-Sep-22	28,73,290.00*	NIL
3.	2019-20	-	-	-	-	-	-	-

#### Note:

# Unspent amount of CSR budget of the financial year 2021-22, ₹ **87,32,218.00** and Unutilised amount of On-going CSR projects of the financial year 2020-21 ₹ **7,37,295.00** is transferred to Clean Ganga Fund on September 28, 2022.

\*Unspent amount pertaining to On-going Projects.

### 8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

No

### 9. Specify the reason(s), if the company failed to spend two per cent of the average net profit as per section 135 (5):

The company have spent two per cent of the average net profit as per section 135 (5)

**B Ramesh Babu**

Managing Director & CEO  
Chairman of the CSR and ESG Committee