

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 90th Annual Report of the bank along with the audited financial statements for the year ended 31st March 2009.

Economic Overview:

The global economy entered its critical phase during September 2008 following the growing distress among the international financial institutions, the collapse or bought out of the large financial institutions and the fall of the stock markets around the world. When the credit markets froze, the central banks across the globe resorted to conventional and unconventional measures to address the situation. The Indian Economy which was on a robust growth path for the five years till the fiscal 2007-08 with an average of 8.9%, experienced moderation. There was a downturn in industrial growth and the deceleration was noticeable in all categories viz: basic, capital and consumer goods. The services sector too witnessed the moderation along with agricultural sector.

The slowdown of the country's economy was due to the result of the low investment demand and decrease in exports owing to contraction of external demand. The domestic demand levels also declined. Both the Government and the RBI resorted to various measures to tide over the situation and the economy witnessed moderation in growth path. The current account deficit has widened. However in the context of the comfortable foreign exchange reserves and the external debt position, the balance of payments would remain sustainable. While there was a steep decline in the headline whole sale price index inflation, the consumer price index remained high due to the high cost of food prices. The GDP growth stood estimated around 7.1% during the fiscal 2008-09.

Indian economy is likely to remain relatively weak during the first half of the fiscal 2009-10 and thereafter it is expected to pick up strong growth momentum. The forecast is based on multiple factors viz: the expected growth in agriculture with the busy rabi season, impact of monetary easing, fiscal stimulus and other administrative measures including the accelerated implementation of infrastructure projects and other public expenditure programs, comfortable external payments situation, domestic savings position being looked at for financing investments, healthy bank balance sheets, strong domestic consumption levels etc.

Financial Review

Against the back drop of the slow economic growth the bank has performed reasonably well. The financial performance of your bank during the year 2009-10 is given below:

	Rs. (in cr.)
1. Deposits	15101.39
2. Gross Advances	10562.90
3. Total Income	1711.30
4. Operating Profit	418.02
5. Net Profit	235.84

Appropriations

Transfer to		
1.	Statutory Reserve	71.00
2.	General Reserve	49.00
3.	(a) Proposed Dividend	64.74
	(b) Dividend Tax	11.00
	(inclusive of surcharge and Education cess)	

Other highlights:

1. Net worth	1350.16
2. Book value per share (Rs.)	250.26
3. Earnings per share (Rs.)	43.71
4. Capital Adequacy Ratio (under Basel II)	14.92%

Award and Recognition:

Your bank has won the Banking Technology Excellence Award 2008 for best use of IT for customer service in Semi-urban and Rural areas given by the Institute for Development and Research in Banking Technology (IDRBT). The award was presented by Governor of RBI at Hyderabad on 18.05.2009 to the MD&CEO of the bank.

Deposits

Your bank's deposits increased by 20.33% to Rs.15101.39 cr at the end of March 2009 which include Rs. 1496.77 cr of Demand Deposits, Rs.1808.82 cr of Savings Deposits and Rs.11795.80 cr of Term Deposits.

Term Deposits increased by 26.32% in FY2008-09 from Rs.9337.90 cr as at the end of FY 2007-08. Savings Deposits was at Rs. 1808.82 cr as at the end of March 2009 against Rs.1672.83 cr as at the end of March 2008. Average deposits of the bank stood at Rs.13246.74 cr as against Rs. 10566.56 cr during the earlier fiscal recording a growth of 25.36%.

Your bank took many initiatives to increase the savings deposits by conducting Savings Deposit campaign.

Credit Portfolio

The total advances of the bank registered a growth of 10.39 % from Rs. 9568.84 cr in the previous fiscal to Rs. 10562.90 cr at the end of March 2009. The total priority sector advances constituted 40.10% of the net bank credit as on 31.03.2009.

The bank has entered into tie-up arrangements during the fiscal 2008-09 with the following external credit rating agencies for rating of our Corporate /SME borrowing accounts:

(1) ICRA Limited (2) ONICRA (3) SME Rating Agency of India (SMERA) and (4) The Credit Analysis & Research Limited (CARE).

Recovery

Despite the economic slowdown, your bank was able to control and contain the NPAs. This was made possible due to the continued thrust given to prevent assets slipping into NPA category by timely initiation of recovery measures. The year also witnessed migration of system based Asset Classification and income recognition to ensure transparency and data integrity which help the bank in identifying warning signal accounts and take steps to arrest accounts slipping to non-performing.

Gross NPAs of the bank has decreased from 2.03% in FY 07- 08 to 1.95% in FY 08-09 with the quantum having risen marginally from Rs.194.26 cr as on 31.03.2008 to Rs.205.86 cr in 31.03.2009. The net NPA was up to Rs.25.82 cr from Rs.17.29 cr and recorded a marginal increase from 0.18% in 2007-08 to 0.25% in the fiscal under report.

- 5 - While Advances have grown by 85% over the past three years, the

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Gross NPA has declined by 7%. Gross NPA has come down to 1.95% as on 31.3.2009 compared to 3.91% as on 31.3.2006. Net NPAs have come down from 0.81% as of 31.3.06 to 0.25% as on 31.3.2009. Average incremental NPA to incremental advances for the past three years has been on the negative side, indicating effective asset recovery / monitoring efforts.

Share Capital

As at the end of the fiscal, the paid up capital stood at Rs. 53.95 cr as against Rs. 53.94 cr as on 31st March 2008. The increase in paid up capital was on account of issue of 10,150 shares which were kept in abeyance consequent to the settlement of legal disputes.

Dividend

Your bank has been keeping a consistent dividend policy of balancing the twin objectives of appropriately rewarding the shareholders with cash dividends and retaining capital to maintain a healthy Capital Adequacy Ratio to support future growth.

The bank has a consistent track record of rewarding the shareholders with handsome dividends over the last many years and in line with this and taking into account the performance of the bank during the fiscal under report, your Directors are pleased to recommend a dividend of Rs. 12/- per equity share for the year 2008-09. This dividend shall be subject to tax on dividend payable by the bank. The dividend will absorb an amount of Rs. 64.74 cr excluding dividend tax of Rs. 11.00 cr.

Capital Adequacy

The net owned funds of the bank increased from Rs. 1190.00 cr to Rs. 1350.16 cr registering a growth of 13.46%. Your bank's capital adequacy ratio (CAR) stood at a healthy 14.92 % (under Basel II) and at 13.08% (under Basel I). The Capital Adequacy is well above the regulatory minimum of 9.0%.

Investments

During the fiscal 2008-09, yield on the 10-year Government security touched an intra-year low of 5.11 per cent on December 30, 2008, then increased in the wake of the large market borrowing programme of the Government, reaching 7.08 per cent on March 30, 2009. The yield has subsequently declined on account of substantial easing of liquidity.

The bank had shifted Government securities for book value of Rs.599.94 cr from AFS Category to HTM category during the year to mitigate the risk arising out of future interest rate shocks, after recognizing depreciation to the tune of Rs.37.86 cr arising out of such shifting. Net profit from sale of investments stood higher at Rs.93.58 cr as against Rs.30.68 cr for the previous fiscal.

The gross and net investments of the bank stood at Rs.4755.61 cr and Rs.4715.98 cr. as at the end of the fiscal 31st March 2009, as against Rs.3535.67 cr. and Rs.3526.33 cr. respectively as at the end of the previous fiscal. The bank's average yield on investment was 6.92%.

Forex Operations

Merchant turnover of the bank for the fiscal under report was at Rs.8323 cr. The gross income from forex operations was Rs.107.51 cr as against Rs.86.86 cr in 2007-08. Of the gross advances, export

credit amounted to Rs.559.98 cr.

Branch Network and Expansion

In pursuit of having a 'PAN INDIA' presence, your bank is embarking upon penetration into un-banked areas having business opportunities. 23 more branches were added during the fiscal under report and up-gradation of one Extension Counter into a full fledged branch taking the total number of branches to 312. The bank has 324 ATMs as on 31.03.2009.

Technology Initiatives

In every sphere of KVB's operations, technology continues to be a key enabler. It reinforces our prime position and sustains our competitive strength. While technology is generally viewed as a means to an end, for your bank, technology can provide enormous opportunities.

Your bank is one of the early adopters of latest solutions in Information technology and have kept pace with the times in leveraging IT for our business. During the year under report your bank embarked upon the following technology initiatives:

- 1) Funds transfer through ATMs
- 2) Institutional Fees payment through ATMs
- 3) Kingfisher airlines payment through ATMs
- 4) On-line shopping through CC Avenue
- 5) On-line Bill Payment through Billdesk
- 6) Straight Through Processing for RTGS transactions
- 7) Affiliate Membership for Cosmos, Tamilnad Mercantile Bank & City Union Bank
- 8) VISA VAP sharing for Cosmos Bank
- 9) Implementation of automated DR solution
- 10) Launching of Call Centre for ATM cell

Other initiatives/services:

In our endeavour to provide more value added services to the customers, your bank entered into a tie-up with M/s Religare Securities Limited for providing trading facility to the Demat customers.

The bank also entered into tie-up arrangement with LIC Mutual Fund for distributing their products. With the tie-up with LIC Mutual Fund, members are aware that the bank has tie-up arrangements with SBI Mutual Fund, Reliance Mutual Fund, Birla Sun Life Mutual Fund, Sundaram BNP Mutual Fund and Franklin Templeton Mutual Fund for distribution of mutual fund products of these funds.

Auditors

M/s J L Sengupta & Co (H.O.: Kolkatta), Chennai carried out the Statutory Central Audit of the bank. The Statutory Auditors retire at the conclusion of the 90th Annual General Meeting and are eligible for re-appointment. As recommended by the Audit Committee, the Board has proposed the appointment of M/s J L Sengupta & Co., Chartered Accountants as Statutory Auditors for the fiscal 2009-10. The share holders are requested to consider their appointment.

Statutory Disclosures

The provisions of Sec 217 (1) (e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to your bank. However the bank has used information technology extensively for its operations.

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The information required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employment) Rules, 1975 is annexed elsewhere in this report.

Employees Stock Option Scheme

The shareholders of the bank had approved the Employees Stock Option Scheme at the Annual General Meeting held on 24th July 2008. During the year under report the bank has implemented the KVB ESOS 2008 as per the Securities and Exchange Board of India (ESOS & ESOP Scheme) Guidelines 1999. Under the Scheme the total of 10,00,000 stock options were available for grant to the eligible employees and options up to a limit of 5,00,000 were made available as 1st tranche. Options were granted on 30th December 2008.

These Stock options would vest after one year. The vested options are exercisable over a period of one month from the date of vesting.

Statutory disclosures regarding ESOS under Clause 12 of the SEBI Guidelines are provided in Annexure I attached to this report.

Board of directors

The Board in the meeting held on 24th July 2008 appointed Shri A S Janarthanan as Non-Executive Chairman of the bank for a period of two years subject to the approval of RBI. The appointment is in line with the directive issued by Reserve Bank of India during May 2007 to all private sector banks to have a separate Non-executive (Part Time) Chairman of the Board and a Managing Director / CEO of the bank to look after the day to day management of the affairs of the bank. RBI vide its letter DBOD No.4250/08.41.001/2008-09 dated 11.09.2008 approved the appointment on the terms and conditions as specified in the letter from the date of taking charge. In terms of the said approval, Shri A S Janarthanan has taken charge as Non-Executive (Part Time) Chairman of the bank on 24.09.2008. A resolution has been placed before the shareholders for approval of the terms and conditions of his appointment and the Board commends the same.

Directors Sarvashri M K Venkatesan and K P Kumar retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

During the year under report, Dr. S Krishna Kumar was co-opted as an Additional Director of the bank in the meeting held on 27.09.2008 in terms of Sec 260 of the Companies Act, 1956 and Article 26 of the Articles of Association of the bank. He holds office up to the date of this Annual General Meeting. He is seeking election as a Director of the bank in the ensuing Annual General Meeting.

Place: Karur,
Date : 28th May, 2009.

Code of conduct

The code of conduct, as adopted by the Board of Directors, is applicable to the Directors and Senior Management Personnel of the bank. The code is available on the website of the bank and it is hereby confirmed that all those who are governed by the said Code have affirmed the code of conduct as on 31st March 2009.

Responsibility Statement

The Board of Directors hereby state that

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures
- (ii) we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the bank as on March 31, 2009 and of the profit and loss account for the year ended on that date
- (iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the bank and for preventing and detecting frauds and other irregularities; and
- (iv) We have prepared the annual accounts on a going concern basis.

Acknowledgements

The Board of Directors thanks Reserve Bank of India and other Government and Regulatory agencies for their valuable guidance and continued support provided to the bank throughout the year. The Board of Directors is also grateful to the valued customers, esteemed shareholders, stakeholders for their patronage and confidence reposed in the bank.

The Directors acknowledge with appreciation the co-operation and assistance extended by the National Stock Exchange of India Ltd., as also the partners in business interests viz: ECGC, Bajaj Allianz Insurance, IDBI etc.

The Board of Directors places on record their great appreciation of the commitment, sense of involvement and dedication exhibited by each staff member in the growth of the bank and look forward to their continued support and whole-hearted co-operation for realization of goals in the year ahead.

For and on behalf of the Board of Directors

Athi S. Janarthanan,
Chairman

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ANNEXURE - I FORMING PART OF DIRECTORS' REPORT

Statutory disclosures regarding ESOS under Clause 12 of Securities and Exchange Board of India. (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999

Particulars	ESOS 2008
Options Granted out of the first tranche of 5,00,000 stock options made available	496100
Pricing Formula	Rs.70/- per share/for option
Options Exercised	NIL
Total Number of shares arising as a result of exercise of options	Not applicable
Options lapsed	NIL
Variation of terms of options	NIL
Money realized by exercise of options	Not applicable
Total Number of Options in force	484900
Employee wise details of grant to senior Managerial personnel	
Shri P T Kuppuswamy, MD & CEO	1000
Sarvashri R Sukumar	500
R Sakthivelu	500
A Ananda Nadarajan	500
K Venkateswara Rao	500
S Ramalinam	500
A S Vasudevan	500
G S Anantha Kumar	500
R Jagadeesan	500
J Natarajan	500
R Venkataramana	500
A R Ramachandran	500
T Sivarama Prasad	500
Any other employee who received a grant in any one year of the options amounting 5% or more of the options granted during the year	NIL

Identified employees who are granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the company at the time of grant.	NIL
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The Bank follows the intrinsic method for valuing the stock options. The difference between Employee Compensation Cost computed based on such intrinsic value and employee Compensation cost that shall have been recognized if fair value of options had been used is explained below.

S.No.	Particulars	Amount(Rs.)
1	Intrinsic value	70480125
2	Cost as per Black Scholes model	69621942
3	Excess charged	858183

There is no adverse impact on Net Profit and Earning per Share.

a) Weighted average details

S.No.	Particulars	Amount(Rs.)
1	Exercise Price	Rs.70/-
2	Fair Value	Rs.213.58

b) The Bank has used Black Scholes Model to calculate a theoretical call price (ignoring the dividend paid during the life of the options) using five determinants of an options price: Stock Price, Strike Price, Volatility, time to expiration and short term (risk free) interest rate. Significant assumption made to estimate the fair value of options are as under:

S.No.	Particulars	
1	Risk free interest rate	4.5%
2	Expected life (excluding grant period of one year)	1 Year
3	Expected volatility	23.0%
4	Expected dividend	4.1%
5	Price of the underlying share at the time of grant of options	Rs.215.35

CORPORATE GOVERNANCE

1. BANK'S PHILOSOPHY OF CORPORATE GOVERNANCE:

KVB is committed to following good corporate governance practices in all its pursuits. The bank believes that there is a need to view corporate governance as more than just regulatory compliance. The bank is adopting and adhering to the best corporate governance practices and continuously benchmarking itself against each such practice. Your bank places emphasis on integrity, business ethics, adherence to the Code of conduct, accountability and transparency in all facets of its business operations and thereby strives to achieve its objectives and create value for its shareholders and other stakeholders.

2. BOARD OF DIRECTORS

Your bank's Board is constituted in compliance with Companies Act, 1956 and in tune with the Listing Agreement entered into with the National Stock Exchange, where the shares of the bank are listed. The Board consists of persons with considerable

professional expertise and experience in Banking, Accountancy, Agriculture, SSI, Finance, Law, Information Technology and other related sectors, thus satisfying the regulatory norms as envisaged under the Banking Regulation Act, 1949.

The Board has a strength of nine Directors as of March 31, 2009. Shri A S Janarthanan is the Non-Executive Chairman of the Board. Besides Shri P T Kuppaswamy, the Managing Director and CEO, there are six independent Directors. Two Directors are from Promoter families, including the Non-Executive Chairman.

The Board functions either as a full board or through various committees constituted to oversee specific functional areas.

No director is a member of more than 10 committees or Chairs more than 5 Committees across all companies in which he is a director. All the Directors have made necessary disclosures regarding the Committee positions occupied by them in other companies.

The details of the Directors as to their name, category, sectoral representation as also their attendance in the Board and Committee meetings during the fiscal 2008-09 are furnished below.

The details as to Audit Committee and the Customer Service and Shareholders/Investors Grievance Committee are given elsewhere in the report.

Sl No	Name	Category of Director	Sectoral Representation	No. of Meetings attended during the year 2008-2009						
				Board (27 Meetings held)	Advances (6 Meetings held) *	S&D (37 Meetings held) **	RMALM (2 Meetings held) ***	NPAM (2 Meetings held) ****	NC (3 Meetings held) *****	CC (3 Meetings held) *****
01	Shri A S Janarthanan	Chairman Promoter Family Non-Executive	Business & Finance	26	6	31	2	2	-	3
02	Shri P T Kuppaswamy	Managing Director & Chief Executive Officer	Banking	27	6	23	2	2	3	1
03	Shri G. Rajasekaran *	Promoter Family Non-Executive	Business & Finance	5	2	3	-	-	-	-
04	Shri K. Ramadurai	Independent Non-Executive	Accountancy	27	-	-	-	1	3	3
05	Shri M K Venkatesan	Promoter Family Non-Executive	SSI	27	6	32	2	2	-	2
06	Dr. V.G. Mohan Prasad	Independent Non-Executive	Agriculture	16	-	-	2	-	-	-
07	Shri K S Ramabadrans *	Independent Non-Executive	Law	5	-	-	-	-	-	-
08	Shri K P Kumar	Independent Non-Executive	Law	27	-	23	-	1	3	3
09	Shri T.R. Ramanathan	Independent Non-Executive	Agriculture & Rural Economy	27	6	-	-	-	3	-
10	Shri M G S Ramesh Babu	Independent Non-Executive	SSI	21	2	26	-	-	2	3
11	Dr S Krishna Kumar *	Independent Non- Executive	IT	11	-	-	-	-	-	-

* Advances - Advances Committee

** S & D - Staff & Development Committee

*** RMALM - Risk Management and Asset and Liability Management Committee

**** NPAM - NPA Management and Fraud Monitoring Committee

***** NC - Nomination Committee

***** CC - Compensation Committee

● Shri K.S. Ramabadrans and Shri G. Rajasekaran resigned with effect from 07.06.08 and 09.06.08 respectively.

● Dr. S. Krishna Kumar was co-opted as an Additional Director on 27.09.08

CORPORATE GOVERNANCE

II. Attendance at Last AGM

All the then Directors of the bank have attended the last Annual General Meeting held on 24.07.2008.

The details of directorship/membership or Chairmanship of the committees for each director of the bank in other Companies as on 31st March, 2009 is furnished hereunder:

Sl. No	Name of the Director	Directorships in other Companies	Memberships and/or Chairperson of committees in other companies
01	Shri A S Janarathanan	NIL	NIL
02	Shri P.T.Kuppuswamy	NIL	NIL
03	Shri K Ramadurai	NIL	NIL
04	Dr V G Mohan Prasad	VGM Health Care (P) Ltd.	NIL
05	Shri M K Venkatesan	NIL	NIL
06	Shri K P Kumar	NIL	NIL
07	Shri T R Ramanathan	Chairman Rams Programming Automatic Research Solutions (P) Ltd	NIL
08	Shri M G S Ramesh Babu	NIL	NIL
09	Dr S Krishna Kumar	NIL	NIL

3. AUDIT COMMITTEE OF THE BOARD:

The Audit Committee is constituted to function as per the RBI guidelines as also in tune with the provisions of Sec 292 A of the Companies Act, 1956. The terms of reference to the Committee include the following:

- to provide the direction and oversight to the total audit function of the bank
- to recommend appointment, reappointment, removal or replacement of statutory/concurrent auditors and fixing their remuneration

- to review the quarterly, half yearly and annual financial statements before submission to the Board and to oversee the financial reporting process to ensure transparency, effectiveness, sufficiency and credibility of the financial statements
- to review the adequacy of internal control systems and internal audit systems
- to review the findings of internal investigations, etc.,

ACB is functioning under the Chairmanship of Director Shri K Ramadurai, a Chartered Accountant.

The Committee met 5 times during the fiscal 2008-09. The names of the present members of the Audit Committee and their attendance at the Audit Committee Meetings during the Financial Year 2008-2009 are given below.

Sl. No.	Name	Designation	No.of Meetings Present (including as spl. Invitee)
01	Shri K Ramadurai	Chairman of the committee	5
02	Shri A S Janarathanan*	Chairman	-
03	Shri M K Venkatesan	Director	3
04	Shri K P Kumar	Director	5
05	Shri T R Ramanathan	Director	4
06	Shri M.G.S.Ramesh Babu**	Director	3

* Shri A. S. Janarathanan was as a member of committee since 03.03.2009

** Shri M. G. S Ramesh Babu was a member of the committee till 02.03.2009

CORPORATE GOVERNANCE

4. REMUNERATION TO DIRECTORS :

The Non-Executive Chairman is paid remuneration as approved by the Board of Directors and Reserve Bank of India. The Non-Executive Chairman was paid a remuneration of Rs.3,11,666.67 during the year under review. Besides the remuneration he was also paid sitting fees for attending Board and Committee Meetings.

The Managing Director and Chief Executive Officer was paid

Rs.33,12,096.95 as remuneration for the fiscal 2008-09 as per the terms of appointment approved by the Reserve Bank of India and also by the shareholders of the bank.

During the year the MD & CEO was granted one thousand stock options under the employee stock options scheme of the bank. The said stock options have not vested in him during the year.

Other Directors are paid sitting fees for attending each meeting of the Board of Directors and any Committee of the Board.

5. SHARES HELD BY THE NON-EXECUTIVE DIRECTORS IN THE BANK:

Details of shareholding of each of the non-executive directors of the bank as on 31st March, 2009 are furnished below:

Sl. No.	Name	No.of Shares	Sl. No.	Name	No.of Shares
1.	Shri A.S.Janarthanan	368116	5.	Dr. V.G.Mohan Prasad	23688
2.	Shri M.K.Venkatesan	109875	6.	Shri T.R.Ramanathan	24300
3.	Shri K.Ramadurai	1666	7.	Shri M G S Ramesh Babu	48222
4.	Shri K.P.Kumar	10000	8.	Dr. S Krishna Kumar	500

6. BOARD PROCEDURES:

All the major issues included in the agenda for discussion in the Board, are backed by comprehensive memorandum to enable the members of the Board to take informed decisions. Agenda papers are generally circulated well in advance to the members of the Board.

The day to day management of the bank is conducted by the Managing Director and Chief Executive Officer.

Frequency of the Board Meetings:

The Board met on 27 occasions on various dates as detailed herein during the fiscal 2008-09.

02.05.2008	29.05.2008	27.06.2008	18.08.2008	26.09.2008	29.10.2008	29.12.2008	29.01.2009	03.03.2009
03.05.2008	06.06.2008	24.07.2008	25.08.2008	27.09.2008	28.11.2008	30.12.2008	30.01.2009	25.03.2009
28.05.2008	26.06.2008	25.07.2008	26.08.2008	08.10.2008	29.11.2008	12.01.2009	02.03.2009	26.03.2009

7. SHAREHOLDERS:

Directors Sarvashri M. K. Venkatesan and K. P. Kumar retire by rotation and are seeking the approval of the shareholders for their reappointment. Shri Dr S Krishna Kumar was co-opted as an Additional Director in the Board at the Board meeting held on 27.09.2008 and he holds the office until the date of the ensuing Annual General Meeting. He has signified his candidature for seeking appointment as a director and his appointment is covered as an agenda item in the notice of the Annual General Meeting.

Pursuant to the Listing Agreement pertaining to Corporate Governance a brief resume including their expertise in specific functional areas, their directorships and the membership in committees of the Board/s of other companies are furnished hereunder:

Sl. No	Name of the Director Sarvashri	Appointment/ Reappointment	Brief Resume	Other Directorships
01	M. K. Venkatesan	Reappointment	<p>Mr M K Venkatesan graduated in Economics from the Madras University. He is from the promoter family.</p> <p>His Business interest is as under:</p> <p>(1)Partner in MAV Industries (SSI Unit), which is engaged in processing of agricultural commodities.</p> <p>(2)He is the proprietor in MKV Mandy.</p> <p>He was a member of the Bank's Board during the period from 22.02.1992 till 19.02.2000. He is presently a member of the Board since 26.11.2003 and represents 'SSI Sector'.</p> <p>He holds 109875 shares in the bank.</p>	NIL

CORPORATE GOVERNANCE

Sl. No	Name of the Director Sarvashri	Appointment/ Reappointment	Brief Resume	Other Directorships
02	K. P. Kumar	Reappointment	Shri K P Kumar graduated in Arts and Law from Osmania University. A practising advocate in the High Court of Karnataka, he is an advisor in M/s King & Partridge, Law Firm, Bangalore. He is on the Board of the Bank since 29.12.2003 and represents 'Law'. He holds 10000 shares in the bank	NIL
03	Dr S Krishna Kumar	Appointment	He is a graduate in Electronics Engineering from the Bangalore University and an M.Tech from IIT, New Delhi in Electronics and Communication Engineering. He has an M.S. from University of Southern California in Computer Science and a Doctorate in Electrical Engineering-Systems from the same University. He worked in Premier Institutions in US, before his return to India. He has submitted more than 50 Corporate technical reports and 18 papers and is authoring a Book in the field of Computer Science. He is currently working as a Professor in Computer Science and Engineering in PES Institute of Technology, Bangalore. He represents 'Information Technology' under the Majority sector. He holds 500 shares of the bank.	NIL

8. CUSTOMER SERVICE AND SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Shri A S Janarthanan, non-executive chairman, is the Chairman of the Customer Service and Shareholders/Investors Grievance Committee. The Committee has the following directors as its members:

Shri A S Janarthanan	Chairman
Shri P.T.Kuppuswamy	MD & CEO
Shri M.K.Venkatesan	Director
Shri K Ramadurai	Director
Shri V G Mohan Prasad	Director

The terms of reference of the Committee include:

- to consider share transfers /transmissions apart from the delegation of power to the Chairman of the bank to consider the share transfers.
- to look into the redressal of shareholders' complaints relating to share transfers and transmissions, non receipt of dividends and annual reports, etc.
- to look into the redressal of grievances of customers of the bank in connection with the services extended by the Branches/offices.

During the fiscal, the committee met once and all the members of the committee attended the meeting.

There were 149 complaints in all, pertaining to the transfer of shares, non-receipt of dividend warrants and Annual Reports, Bonus share certificate etc and all the complaints have been redressed.

9. COMMITTEES OF THE BOARD :

In compliance with regulatory requirements and for operational needs, the Board had constituted several Committees apart from Audit and Customer Service & Shareholders and Investors Grievance Committees.

The details as to the members of the Committees as on 31st March, 2009 are furnished hereunder.

ADVANCES COMMITTEE	STAFF & DEVELOPMENT COMMITTEE
Sarvashri	Sarvashri
(1)A S Janarthanan (2)P T Kuppuswamy (3)M K Venkatesan (4)T R Ramanathan (5)M G S Ramesh Babu	(1)A S Janarthanan (2)P T Kuppuswamy (3)M K Venkatesan (4)K P Kumar (5)M G S Ramesh Babu
RISK MANAGEMENT AND ASSET LIABILITY MANAGEMENT COMMITTEE	NPA MANAGEMENT AND FRAUD MONITORING COMMITTEE
Sarvashri	Sarvashri
(1)A S Janarthanan (2)P T Kuppuswamy (3)M K Venkatesan (4)V G Mohan Prasad	(1) A S Janarthanan (2) P T Kuppuswamy (3) M K Venkatesan (4) K.Ramadurai (5) K P Kumar
NOMINATION COMMITTEE	COMPENSATION COMMITTEE
Sarvashri	Sarvashri
(1)P T Kuppuswamy (2)K Ramadurai (3)K P Kumar (4)T R Ramanathan (5)M G S Ramesh Babu	(1)A S Janarthanan (2)K Ramadurai (3)K P Kumar (4)M K Venkatesan (5)M G S Ramesh Babu

CORPORATE GOVERNANCE

The Nomination Committee met on three occasions to scrutinize the declaration and undertakings furnished by the Directors seeking appointment/reappointment and decided their eligibility for appointment or reappointment as Directors of the bank based on qualification, expertise, track record, integrity and other fit and proper criteria.

A Committee of Directors consisting of majority of Independent Directors has been constituted to administer the Employees Stock Option Scheme in the bank. The Committee is headed by Shri K Ramadurai. The Committee met thrice during the year on 06.06.2008, 30.12.2008 and 25.03.2009.

10. ANNUAL GENERAL MEETINGS:

Information relating to last three Annual General Meetings together with the details as to special resolutions passed is furnished here below :

Name of the Meeting	Day, Date And Time of Meeting	Venue	Special Resolutions Transacted
87 th AGM	Thursday 27.07.2006 10.30 A.M.	Regd. & Central Office, Erode Road, Karur.	<ol style="list-style-type: none"> To increase the borrowing powers U/s 293(1)(d) of the Companies Act, 1956 up to a limit not exceeding 5 times the paid up capital and free reserves. To incorporate a new Article no: 26 (a) by amending Articles of Association of the Bank to bring in the decision of Nomination Committee as final. To offer Rights Equity shares to the shareholders in the ratio of 1:2 at a price of Rs 70/- per share (face value of Rs 10/- per share with a premium of Rs 60/- per share)
88 th AGM	Friday 20.07.2007 10.00 A.M.	Regd. & Central Office, Erode Road, Karur.	NIL
89 th AGM	Thursday 24.07.2008 10.15 A.M.	Regd. & Central Office, Erode Road, Karur	<ol style="list-style-type: none"> Amendments made to the Articles in the Articles of Association of the bank to provide for the post of Part-time Chairman of the Board of Directors and a separate Managing Director/Chief Executive Officer as directed by the Reserve Bank of India, as also consequential changes in various Articles in relation to the said posts. Amendment in the Articles of Association for increasing the Authorised Capital of the bank to Rs.200 cr. Issue of Employees Stock Option to the tune of 10,00,000 options to the employees of the bank.

No special resolution was passed through Postal Ballot during the year 2008-09 and the bank has not proposed to conduct any resolution through postal ballot in the ensuing AGM.

11. DISCLOSURE:

There were no transactions of a material nature undertaken by the bank with its promoters, directors or the management or their relatives that may have a potential conflict with the interests of the bank, other than normal course of business.

There are no instances of non-compliance by the bank, penalties and strictures imposed by the Stock Exchange, SEBI on any matter related to capital markets during the last three years.

The bank has complied with all mandatory recommendations prescribed in Clause 49 of the Listing Agreement. A certificate to this effect from the bank's Statutory Auditors M/s J L Sengupta & Co., Chartered Accountants, is annexed.

As regards the Non-mandatory requirements, the bank has formulated a "Whistle Blower" mechanism to report to the

management, concerns about unethical behavior, actual or suspected fraud or violation of the bank's code of conduct or ethics policy and it is hereby confirmed that no person has been denied access to the Audit Committee

12. MEANS OF COMMUNICATION:

1. The Board of the bank took on record the unaudited financial results subjected to a "Limited Review" by the Statutory Auditors for the first, second and third quarters within one month after the end of every quarter for which the accounts were related and audited financial statements for the fourth quarter. After adoption, the results were announced immediately to the National Stock Exchange where the shares of the bank are listed. The results were also announced to the Bombay Stock Exchange, where the shares of the bank are under 'permitted category'.

2. The unaudited as well as the audited financial results were showcased on the website of the bank viz: www.kvb.co.in. Pursuant to Clause 51 of the Listing Agreement the information required were also filed on the special website www.sebidifar.nic.in within the time specified by SEBI.

CORPORATE GOVERNANCE

3. The quarterly, half yearly and annual results are published mostly in leading newspapers such as: The Business Line, Business Standard and in Tamil vernacular newspapers 'Dinamalar/Dinamani' within the time frame stipulated under the Listing Agreement with the Stock Exchange.

13. GENERAL SHAREHOLDER INFORMATION:

Annual General Meeting

1. Date : 27th July 2009
2. Time and Venue : 10 A.M.
The Registered Office of the Bank,
Erode Road, Karur 639 002
3. Financial year : 01.04.2008 to 31.03.2009
4. Date of the Book Closure : 16.07.2009 to 27.07.2009
(Both days inclusive)
5. Dividend Payment Date : 27th July 2009
6. Listing on Stock Exchanges : The Equity shares of the Bank are listed on National Stock Exchange of India Limited. The shares are being traded as a permitted security in Bombay Stock Exchange.

7. Market Price Data : High and Low prices of equity shares of the bank during each month during the financial year are furnished hereunder.

Month		High (Rs)	Low (Rs)
April	2008	375.00	326.00
May	2008	385.00	345.00
June	2008	369.50	293.20
July	2008	345.00	273.00
August	2008	352.95	319.00
September	2008	360.00	277.00
October	2008	309.90	201.00
November	2008	242.00	195.55
December	2008	226.80	202.10
January	2009	236.95	202.00
February	2009	213.50	198.00
March	2009	205.50	184.00

Equity performance in comparison to NSE nifty during 01.04.2008 to 31.03.2009



CORPORATE GOVERNANCE

THE REGISTRAR AND SHARE TRANSFER AGENT

M/s SKDC Consultants Ltd., No.11, Street No.1, S.N.Layout, Tatabad, Coimbatore 641 012 (Ph No(s) 0422-6549995/2499803) are the Registrar and Transfer Agent for both the Physical as well as the Demat segment of equity shares of the bank.

The shareholders are requested to correspond only with the Registrar on any matter relating to both Physical and Demat segment of shares.

Distribution of shareholding as on 31.03.2009:

No. of Shares (Category)	No. of Shares				No. of Shareholders			
	Physical	Demat	Total	%	Physical	Demat	Total	%
Upto 250	605959	1321812	1927771	3.57	8884	19707	28591	69.06
251-500	665898	1259258	1925156	3.57	1810	3425	5235	12.64
501-1000	690415	1740615	2431030	4.51	934	2337	3271	7.90
1001-2000	854291	2075266	2929557	5.43	593	1445	2038	4.92
2001-3000	395133	1375550	1770683	3.28	159	556	715	1.73
3001-4000	333025	1109561	1442586	2.67	94	322	416	1.00
4001-5000	244472	803271	1047743	1.94	55	178	233	0.56
5001-10000	520741	2376267	2897008	5.37	76	340	416	1.00
10001 & above	2482988	35097097	37580085	69.66	83	402	485	1.17
Total	6792922	47158697	53951619	100	12688	28712	41400	100
% to Total	12.59	87.41	100		30.65	69.35	100	

DEMATERIALIZATION OF BANK'S SHARES

As per the directives of SEBI the equity shares of the bank are compulsorily traded in dematerialized form by all categories of investors effective from 26.03.2001. The bank has entered into tripartite agreements with the Depositories and M/s SKDC Consultants Limited, Coimbatore for dematerialization of shares. As on 31.03.2009, 87.41% of our paid up share capital has been dematerialised as detailed here below:

No. of shares dematerialised as on 31.03.2009: 47158697

Percentage to paid up capital : 87.41%

STOCK CODE : KARURVYSYA

ISIN NO. INE036D01010

The Bank has paid the listing fee for the financial year 2009-10 to the National Stock Exchange of India Ltd., Mumbai.

Persuant to clause 47c of Listing Agreement bank has created a separate e-mail ID for redressal of Investor Grievances. The said e-mail ID is kvb_sig@kvbmail.com.

LOCATION OF THE REGISTERED OFFICE:

The Registered and Central Office of the Bank is located at Karur, in the State of Tamil Nadu.

Address for Communication:

The Karur Vysya Bank Limited,
 Regd. and Central Office,
 Post Box No.21, Erode Road,
 Karur 639 002
 Tamil Nadu
 Phone: 04324-226520,225521-25
 Fax: 04324-225700
 E-Mail: kvbshares@kvbmail.com
 Website: www.kvb.co.in

STATEMENT PERSUANT TO SEC 217 (2A) OF THE COMPANIES ACT, 1956 & THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975

FORMING PART OF THE REPORT OF THE DIRECTORS

Name	Qualification	Age in Years	Designation Nature of Duties	Remuneration Received (Rs.)		Experience No. of years	Date of Commencement of employment	Last employment
Shri P. T. Kuppuswamy	B. Com., A.C.A., A.C.S.,	65	MD & CEO	Pay	27,50,000.00	39	09.07.2001	Canara Bank
				Banks Contribution to PF	3,30,000.00			
				Perquisites	2,32,096.95			
			Total	33,12,096.95				

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Indian Banking industry can be categorized into scheduled and non-scheduled banks. Scheduled banks constitute commercial banks and co-operative banks. There are about 67000 branches of the scheduled banks spread across India. The Public Sector banks have a predominant presence accounting for more than 78% of the total banking sector assets. The public sector banks together with the private sector banks, both old and new generation, have traversed a long way in meeting the needs of the economy. The banking system also includes the presence of foreign banks spread across major centers of the country.

The Indian banking sector has undergone many positive and significant transformations and developments since 1990s and these have brought about a sea change in the profile of the banking industry. The reform process was designed in an orderly and sequential manner more suited to our needs, taking into account the objectives and the instruments to be used to achieve the slated objectives. Notable changes in the policies and regulations of the policy makers that helped strengthen the sector include prudential norms, supervisory strengthening, interest rate de-regulation, gradual lowering of statutory pre-emptions, ushering in of appropriate legal and accounting measures, payment systems, core banking solutions, corporate governance and risk management etc., The Basel II regime has come to stay in all the scheduled banks effective from 31st March 2009.

The implementation of reforms has brought about an all round improvement in the financial health of the banking system evidenced by the improvement in capital adequacy ratio, asset quality, profitability and employee productivity.

The technological revolution in the banking arena has been instrumental in achieving benefits arising out of the reforms put in place.

The Economic slow down during the fiscal 08-09 was the result of knock- on effects of global financial crisis. The shocks were felt in India too as there was decelerated industrial growth, moderation in the service sector which was the prime mover of the economy and decelerated growth in agriculture. But on the whole, Indian economy, has done better during these difficult times than any of the emerging markets in the world.

The slowdown has mostly affected the exports and slowdown of investment demand arising out of adverse conditions for access to external capital and the deepening effects of global meltdown have impacted domestic confidence. The Government and the Reserve Bank of India had taken fiscal and monetary measures to address the situation. While the Governments, both at the Centre and the States embarked upon spending through various stimulus packages, tax cuts, the Sixth Pay Commission payouts etc, RBI took many measures towards monetary easing with the sole aim of injecting ample liquidity into the banking system to augment credit for productive purposes and for restoring the growth momentum. All these stimulants have helped the economy to weather the crisis and kick start the growth process. The economy witnessed sharp decline of headline Wholesale Price Index from double digits to near 'zero' by end of March' 09. However the high food prices have kept the Consumer Price Index at elevated levels.

RBI shifted its policy stance from monetary tightening initially adopted in response to the high inflationary pressures in the first

half of fiscal 2008-09 to monetary easing following the let up in the inflationary pressures during the second half. Consequently, the banking sector which experienced severe stress owing to strained liquidity conditions leading to increased cost of deposits during the second and third quarters of fiscal 2008-09 eased considerably in the fourth quarter when there was better liquidity, softening of interest rates on both deposits and advances. Yet there were concerns of falling demand for credit, rising non-performing loans and high incidence of restructuring of loans and advances.

Time deposits witnessed robust growth during the second half of the fiscal 08-09 after having remained subdued during the first half of FY 08-09 and recorded a higher growth of 22.6% (y-o-y) at the end of March'09 as against 21.9% a year ago. Bank credit flow from scheduled commercial banks was at 17.3% (y-o-y) as at March 2009 compared to 22.3% a year ago. The lower expansion in credit relative to the expansion in deposits resulted in a decline in the incremental credit –deposit ratio of Scheduled Commercial Banks from 73.6% in 2007-08 to 64.4% in 2008-09. Slow down in bank credit in the post global meltdown was evident across all sectors except real estate sector. Personal loans registered sharp decline in outstanding credit.

OUTLOOK:

In fiscal 2009-10, banks are expected to reduce the lending rates further in view of the following:

- (a) Low and falling yields on Government securities
- (b) RBI has been urging the banks to lower the lending rates further
- (c) Continuing with its policy of reducing the indicative rates in its endeavor to lower interest structure, RBI has been reducing the repo and reverse-repo rates
- (d) RBI has also plans to infuse more funds into the banking system through the continuation of the unwinding of the market stabilization scheme and open market operations.

Banks have started bringing down the deposit rates especially in the 1 to 3 year maturity buckets. This will reduce the cost of funds.

Credit growth is expected to grow as banks are flush with funds on account of policy measures initiated by RBI post the global crisis and the mobilization of funds by the banks in the last quarter of FY 08-09. Credit is expected to grow by 20% in FY 09-10. Further, the funding from external sources is likely to remain scarce and corporate borrowers are expected to turn to banks for their credit needs. The financial needs of the SME sector is expected to fuel credit growth. Real estate and infrastructure sectors are likely to push up credit growth to a great extent. Falling home loan interest rates will also tend to increase the demand for housing credits. The lower inflationary rates may tend to help credit growth indirectly.

The credit growth has been reasonably satisfactory and accelerating its delivery will be vital in sustaining the fiscal and monetary measures unleashed by the RBI and the Government. The banks' risk appetite for lending will largely be expected to improve in the current fiscal which would ultimately increase the credit flows to the sectors with growth potential. The much expected good rabi harvest and the monsoon will push up growth in agri related sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT WISE AND PRODUCT WISE PERFORMANCE:

The segment wise performance of the bank, both in Deposits and Advances is furnished below:

Deposits	Rs. in Crore	Advances	Rs. in Crore
Demand	1496.77	Cash Credits, Overdrafts & Demand Loans	6081.73
Savings	1808.82	Bills Purchased & discounted	832.84
Term	11795.80	Term Loans	3648.33
Total	15101.39	Total	10562.90

During the year under review, thrust was given for increasing the retail deposits portfolio by bringing in retail customers through special focus on savings bank and current accounts.

The total deposits of the bank increased by Rs.2,551.40 cr. from Rs.12,549.99 cr as at March 31, 2008 to reach Rs.15,101.39 cr as at 31st March 2009, registering a growth of 20.33%. The average deposits of the bank was up by Rs. 2680.18 cr and stood at Rs. 13246.74 cr as on 31st March 2009 recording a growth of 25.36% over the previous fiscal. The Savings bank deposits grew by Rs. 135.99 cr to reach Rs.1,808.82 cr as on March 31, 2009 from Rs.1,672.83 cr as on March 31,2008.

Cost of deposits increased from 7.13 % for 2007-08 to 7.66% in 2008-09 owing to the hardening of interest rates during the fiscal under report.

The growth in advances on y-o-y basis was 10.39% during the fiscal ended 31.03.2009. The average advances grew by 26.91% from Rs.7633 cr in 2007-08 to Rs.9687 cr in 2008-09. Yield on advances rose to 11.77% from 11.24% of the previous year.

Pursuant to the guidelines of the RBI on Accounting Standard 17 (Segment Reporting), the bank has identified four business segments viz: Treasury, Corporate/wholesale banking, retail banking and other banking operations. The results of the four business segments are furnished elsewhere in the Report.

MISSION AND BUSINESS STRATEGY:

The bank has an ambitious target of reaching Rs.50,000 cr business and to expand the branch net work to 400-450 by the end of Fiscal 2011-12. During the current fiscal your bank has plans to reach a business level of Rs. 32,000 cr with deposits of Rs.18,500 cr and advances of Rs.13,500 cr. Bank has plans to add 35 ATMs in FY 09-10 to the existing kitty of 325 ATMs.

Your bank has embarked upon a number of initiatives to sustain its position in the industry. The initiatives include:

- ♦ To offer best of transactional banking services by leveraging the bank's strengths in terms of net work and technology
- ♦ Expand the logistical presence across all major centres of the country

- ♦ More focus will be on fee based income to compensate the thin spread
- ♦ Continue to maintain low level of NPA.
- ♦ Leveraging technology to the maximum extent possible to tap retail banking business which has immense opportunities in a growing economy like India. To change the business models from seller-driven to customer-centric and subsequently to buyer-driven, given the growing power of internet.

The bank has plans to improve the para-banking business especially in selling insurance and mutual fund products.

The bank would be taking steps to improve its lending to MSME and agri sectors.

RISKS AND CONCERNS:

Risk is inherent in any business and more so in banks especially in the rapidly changing operating environment. A comprehensive and efficient risk management system is essential to measure, monitor and manage the same to mitigate its adverse impact on the bank's financials. The bank's risk management architecture is overseen by the Board of Directors and appropriate policies to manage the risks are formulated and approved by the Committee of the Board viz: Risk Management & Asset Liability Management Committee. There is also a Committee of Executives to develop and implement the risk management policies.

The bank continues to strengthen various risk management systems to manage credit risk, market risk, operational and other risks in tune with the RBI guidelines including policies, tools, techniques, monitoring mechanisms and Management Information Systems.

The bank has implemented New Capital Adequacy Framework (BASEL II) with effect from 31st March 2009 as per the Regulatory guidelines. The bank has adopted Standardized approach for credit risks, Basic Indicator Approach for Operational risks to compute Capital as on March 31, 2009. The bank continues to apply the standardized duration approach for computing capital requirement for market risks. Bank has taken steps to impart training to the employees on various aspects of capital computation to ensure adequacy.

The bank uses the internal risk rating model for exposures of Rs.50 lakhs and above. The bank has internal risk rating models for use by branches and Divisional Offices. For calculation of market risk capital, a sophisticated value at risk (VaR) is put to use. For computation of operational risk capital, loss data is put in place. The Technology Committee of the bank provides direction for mitigating the operational risk in IT Security.

The bank has sufficient capital funds to absorb the additional capital requirements on account of implementation of BASEL II norms in the current fiscal 2009-10.

INTERNAL CONTROL AND SYSTEMS ADEQUACY:

The bank has put in place a well documented internal control policy commensurate with its size and complexity of operations. A compliance policy is put in place and is being taken care of by the

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance Department. The Audit Committee of the Board is the apex body supervising the internal audit and compliance functions. The bank has a system of regular inspection, surprise inspection, concurrent audit, revenue audit and rural audit for the rural branches. Concurrent audit of the Data Centre including DRS is entrusted to a competent external IS Audit Firm. A whistle blower policy is also in place to enable the employees to report to the management, concerns about unethical behavior, actual or suspected fraud or violation of the bank's ethics and code of conduct. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The operating profit of the bank during the year under report was at Rs. 418.02 cr as against Rs. 307.76 cr during the fiscal 2007-08. The Net interest income of the bank, i.e. Net of interest income over interest expenses increased by 20.43% i.e. from Rs.339.36 cr in FY 2008 to Rs. 408.70 cr in FY 2009. The net profit of Rs. 235.84 cr for the year ended 31.03.2009, after making all provisions, was up by 13.21 % over the previous fiscal figure of Rs. 208.33 cr.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

One of the main reasons for the growth of the bank, undoubtedly is

the 'human resource'. Given the right environment, nurturing that is provided and the training imparted, the employees exhibit sterling performance. The bank has a work force of 3941 as on 31st March 2009. The employees today, amongst others, include many Computer Professionals, Management graduates, Accountants etc. There is an appropriate blend of youth and experience with approximately 52% of the human resource being below 35 years of age.

Your bank is aware that training is one of the important sub-systems of HR Management. The process of orientation and training drives employees who have entered the bank with diverse background and orientation into the mainstream of the organizational requirements to accomplish the set tasks enabling the organization to move in the desired direction. In its endeavor to have a team of professionals well equipped with the latest domain knowledge and skills ready to take on the challenges of the emerging banking scenario, the bank has upgraded the skill levels across all cadres through a combination of class room sessions and external programmes. The manpower trained and the man days expended on training programmes during the year 2008-09 were 2022 and 10,767 hours respectively.

The bank continues to have harmonious and cordial industrial relations with its employees.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of the Karur Vysya Bank Limited

We have examined the compliance of conditions of Corporate Governance by the Karur Vysya Bank Limited for the year ended on 31st March, 2009 as stipulated in clause 49 of the Listing Agreement of the Bank with Stock Exchange.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Karur,
28th May, 2009

For **J L Sengupta & Co**
Chartered Accountants

S R ANANTHAKRISHNAN
Partner
M.No. 18073

AUDITORS' REPORT TO SHAREHOLDERS

1. We have audited the attached Balance sheet of The Karur Vysya Bank Limited, Karur as at 31st March, 2009 and also the annexed Profit and Loss Account of the Bank and the Cash Flow Statement for the year ended on that date in which are incorporated the returns of 8 Offices/Branches audited by us and 343 Offices/Branches (including Extension Counters/Satellite Branches) audited by Branch Auditors. These financial statements are the responsibilities of the Banks' Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance sheet and the Profit and Loss account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
4. The reports on the accounts of the Branches audited by Branch Auditors have been dealt with in preparing our report in the manner considered necessary by us.
5. We report that:
 - (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- (c) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- (d) The Balance Sheet and Profit and Loss Account of the Bank dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
- (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
6. In our Opinion, the Profit and Loss Account and the Balance Sheet dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, in so far as they apply to the Banks.
7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting policies and Notes thereon give the information required by the Companies Act, 1956, in the manner so required for banking companies, and on such basis, give a true and fair view:
 - i. in the case of the said Balance Sheet, of the state of affairs of the Bank as at 31st March 2009;
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date, and
 - iii. in the case of the Cash Flow Statement, of the cash flow of the Bank for the year ended on that date.

M/s.J.L.Sengupta & Co
Chartered Accountants

(S.R.AnanthaKrishnan)
Partner
M.No.18073

Place: Karur
Date: 28th May 2009.

BALANCE SHEET AS AT 31ST MARCH 2009

(000's omitted)

	SCHEDULE	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
CAPITAL & LIABILITIES			
Capital	1	53,95,16	53,94,14
Reserves & Surplus	2	1296,21,44	1136,05,89
Deposits	3	15101,38,94	12549,99,29
Borrowings	4	23,03,81	328,34,06
Other Liabilities and Provisions	5	586,14,96	514,69,25
TOTAL		17060,74,31	14583,02,63
ASSETS			
Cash and Balances with Reserve Bank of India	6	963,81,58	1099,40,31
Balances with Banks and Money at call and short notice	7	410,35,03	87,16,88
Investments	8	4715,98,01	3526,33,19
Advances	9	10409,88,05	9421,52,73
Fixed Assets	10	115,69,39	109,40,57
Other Assets	11	445,02,25	339,18,95
TOTAL		17060,74,31	14583,02,63
Contingent Liabilities	12	4207,64,31	7514,99,30
Bills for collection		789,51,26	662,45,75

SHRI ATHI S. JANARTHANAN
 Chairman

SHRI P.T. KUPPUSWAMY
 M.D. & C.E.O

SHRI K. RAMADURAI
 Director

SHRI Dr V.G. MOHAN PRASAD
 Director

SHRI M.K. VENKATESAN
 Director

SHRI K.P. KUMAR
 Director

SHRI T.R. RAMANATHAN
 Director

SHRI M.G.S. RAMESH BABU
 Director

SHRI R. SUKUMAR
 Chief General Manager

SHRI Dr. S. KRISHNA KUMAR
 Director

SHRI R. KANNAN
 Company Secretary

 For **J.L.SENGUPTA & CO.**,
 Chartered Accountants

 Karur
 28th May 2009

(S.R. ANANTHAKRISHNAN)
 Partner
 M.No. 18073

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(000's omitted)

	SCHEDULE	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
I INCOME			
Interest earned	13	1446,08,94	1106,40,19
Other Income	14	265,20,92	182,92,87
TOTAL		1711,29,86	1289,33,06
II EXPENDITURE			
Interest expended	15	1035,68,08	765,35,21
Operating expenses	16	257,59,64	216,21,85
Provisions and Contingencies		182,17,99	99,42,90
TOTAL		1475,45,71	1080,99,96
III PROFIT			
Net Profit for the year		235,84,15	208,33,10
Amount Transferred from Investment Reserve		1,37,88	NIL
Profit brought forward **		1,10,62	1,35,65
TOTAL		238,32,65	209,68,75
IV APPROPRIATIONS			
Transfers to			
Statutory Reserve		71,00,00	63,00,00
Capital Reserve		41,13,18	3,71,05
Investment Reserve		Nil	1,37,88
Revenue & Other Reserves		49,00,00	64,75,00
Proposed Dividend		64,74,20	64,74,07
Dividend Tax		11,00,29	11,00,27
		236,87,67	208,58,27
BALANCE OF PROFIT		1,44,98	1,10,48
TOTAL		238,32,65	209,68,75
Significant Accounting Policies	17		
Notes on Accounts	18		

** includes Excess provision of Rs. 14,040/- transferred from proposed Dividend for the year 2007-2008

SHRI ATHI S. JANARTHANAN
 Chairman

SHRI P.T. KUPPUSWAMY
 M.D. & C.E.O

SHRI K. RAMADURAI
 Director

SHRI Dr V.G. MOHAN PRASAD
 Director

SHRI M.K. VENKATESAN
 Director

SHRI K.P. KUMAR
 Director

SHRI T.R. RAMANATHAN
 Director

SHRI M.G.S. RAMESH BABU
 Director

SHRI R. SUKUMAR
 Chief General Manager

SHRI Dr. S. KRISHNA KUMAR
 Director

SHRI R. KANNAN
 Company Secretary

 For **J.L.SENGUPTA & CO.,**
 Chartered Accountants

 Karur
 28th May 2009

(S.R. ANANTHAKRISHNAN)
 Partner
 M.No. 18073

SCHEDULES

(000's omitted)

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 1 - CAPITAL		
Authorised Capital 20,00,00,000 Equity Shares of Rs. 10 each	200,00,00	100,00,00
Issued Capital: 5,39,99,352 Equity Shares of Rs.10/- each	53,99,94	53,99,94
Subscribed & Paid up Capital: 5,39,41,469 Equity Shares of Rs.10/- each	53,94,14	53,94,14
Add: Allotment of shares kept in abeyance: 10,150 Equity shares of Rs.10/- each	1,01	1
Calls received	1	
Less: Calls unpaid	53,95,16	53,94,15
		1
TOTAL	53,95,16	53,94,14
SCHEDULE 2 - RESERVES AND SURPLUS		
I Statutory Reserve		
Opening Balance	411,03,31	348,03,31
Addition during the year	71,00,00	63,00,00
	482,03,31	411,03,31
II Capital Reserve		
Opening Balance	10,38,21	6,67,16
Addition during the year	41,13,18	3,71,05
	51,51,39	10,38,21
III Share Premium		
Opening Balance	119,72,85	93,01,13
Addition during the year	5,75	26,71,72
Deduction during the year	Nil	NIL
	119,78,60	119,72,85
IV General Reserve		
Opening Balance	592,43,16	564,61,16
Addition during the year	49,00,00	64,75,00
Deduction during the year	Nil	36,93,00
	641,43,16	592,43,16

SCHEDULES

(000's omitted)

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 2 - RESERVES AND SURPLUS (Contd.)		
V Investment Reserve :		
Opening Balance	1,37,88	Nil
Addition during the year	Nil	1,37,88
Deduction during the year	1,37,88	Nil
	<u>Nil</u>	<u>1,37,88</u>
VI Investment Fluctuation Reserve :		
Opening Balance	Nil	Nil
Addition during the year	Nil	Nil
Deduction during the year	Nil	Nil
	<u>Nil</u>	<u>Nil</u>
VII Balance of Profit :	1,44,98	1,10,48
TOTAL	<u>1296,21,44</u>	<u>1136,05,89</u>
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits :		
i) From Banks	5,72,80	13,36,59
ii) From Others	1491,04,16	1525,88,99
	<u>1496,76,96</u>	<u>1539,25,58</u>
II. Savings Bank Deposits	1808,81,58	1672,83,16
III. Term Deposits		
i) From Banks	510,22,56	471,35,50
ii) From Others	11285,57,84	8866,55,05
	<u>11795,80,40</u>	<u>9337,90,55</u>
TOTAL OF I, II & III	<u>15101,38,94</u>	<u>12549,99,29</u>
B Deposits of Branches :		
i) In India	15101,38,94	12549,99,29
ii) Outside India	Nil	Nil
TOTAL	<u>15101,38,94</u>	<u>12549,99,29</u>

SCHEDULES

(000's omitted)

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 4 - BORROWINGS		
I Borrowings in India		
i) Reserve Bank of India	Nil	75,00,00
ii) Other Banks	Nil	126,35,56
iii) Other Institutions and Agencies	18,99,19	23,29,02
	<u>18,99,19</u>	<u>224,64,58</u>
II Borrowings outside India	4,04,62	103,69,48
TOTAL	<u>23,03,81</u>	<u>328,34,06</u>
Secured Borrowings included in I and II above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I Bills Payable	187,88,16	191,15,55
II Inter Office Adjustments (Net)	Nil	Nil
III Interest Accrued	69,49,30	48,88,02
IV Deferred Tax	1,49,00	2,88,00
V Others (including provisions)	327,28,50	271,77,68
TOTAL	<u>586,14,96</u>	<u>514,69,25</u>
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in Hand (Including Foreign Currency Notes)	172,23,06	174,82,71
II Balances with Reserve Bank of India In Current Account	791,58,52	924,57,60
TOTAL	<u>963,81,58</u>	<u>1099,40,31</u>

SCHEDULES

(000's omitted)

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		
I In India		
i) Balances with Banks :		
a) In Current Accounts	36,54,87	50,68,29
b) In Other Deposit Accounts	368,33,73	33,33,73
ii) Money at Call and Short Notice with Banks	Nil	Nil
	<u>404,88,60</u>	<u>84,02,02</u>
II Outside India		
In Current Accounts	5,46,43	3,14,86
TOTAL	<u>410,35,03</u>	<u>87,16,88</u>

SCHEDULE 8 - INVESTMENTS

I Investments in India in		
i) Government Securities	3815,48,09	3035,16,62
ii) Other Approved Securities	13,59,05	21,33,37
iii) Shares	74,80,02	63,20,69
iv) Debentures and Bonds	239,50,00	218,40,11
v) Mutual Fund Units & Others	572,60,85	188,22,40
	<u>4715,98,01</u>	<u>3526,33,19</u>
TOTAL	<u>4715,98,01</u>	<u>3526,33,19</u>
Gross Investments in India	4755,61,47	3535,67,11
Less : Provision for Investment Depreciation and impairment	39,63,46	9,33,92
Net Investments in India	<u>4715,98,01</u>	<u>3526,33,19</u>
II Investments outside India	Nil	Nil

SCHEDULES

(000's omitted)

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 9 - ADVANCES		
A i) Bills purchased and discounted	808,51,39	708,19,82
ii) Cash Credits, Overdrafts and Loans repayable on Demand	6060,41,41	4849,23,07
iii) Term Loans	3540,95,25	3864,09,84
TOTAL	<u>10409,88,05</u>	<u>9421,52,73</u>
B i) Secured by tangible assets (incl. Book Debts)	9303,27,46	7845,42,25
ii) Covered by Bank / Government guarantees	362,29,86	290,57,99
iii) Unsecured	744,30,73	1285,52,49
TOTAL	<u>10409,88,05</u>	<u>9421,52,73</u>
C I Advances in India		
i) Priority Sector	3781,09,29	3176,13,25
ii) Public Sector	1207,73,93	1725,57,88
iii) Banks	Nil	25,08
iv) Others	5421,04,83	4519,56,52
TOTAL	<u>10409,88,05</u>	<u>9421,52,73</u>
C II Advances Outside India	Nil	Nil
TOTAL	<u>10409,88,05</u>	<u>9421,52,73</u>
SCHEDULE 10 - FIXED ASSETS		
I Premises :		
At cost as on 31st March of the preceding year	67,92,51	67,40,05
Addition during the year	6,26,50	52,46
	<u>74,19,01</u>	<u>67,92,51</u>
Deduction during the year	Nil	Nil
	<u>74,19,01</u>	<u>67,92,51</u>

SCHEDULES

(000's omitted)

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 10 - FIXED ASSETS (Contd.)		
Depreciation to date	20,49,51	18,58,74
	<u>53,69,50</u>	<u>49,33,77</u>
II Building under construction	Nil	89
III Other Fixed Assets : (Including Furniture & Fixtures) At cost as on 31st March of the preceding year	183,99,52	152,21,13
Addition during the year	20,82,76	32,10,74
	<u>204,82,28</u>	<u>184,31,87</u>
Deduction during the year	26,56	32,35
	<u>204,55,72</u>	<u>183,99,52</u>
Depreciation to date	142,55,83	123,93,61
	<u>61,99,89</u>	<u>60,05,91</u>
TOTAL (I + II + III)	<u>115,69,39</u>	<u>109,40,57</u>
SCHEDULE 11 - OTHER ASSETS		
I Inter Office Adjustments (Net)	24,08,77	26,43,29
II Interest Accrued	114,60,77	106,96,38
III Tax paid in advance / Tax deducted at source	19,50,31	32,87,01
IV Stationery and Stamps	4,60,68	3,61,59
V Deferred Tax	9,07,00	8,67,00
VI Non Banking Assets acquired in satisfaction of claims	Nil	1,04,52
VII Others	273,14,72	159,59,16
TOTAL	<u>445,02,25</u>	<u>339,18,95</u>

SCHEDULES

(000's omitted)

	AS ON 31.03.2009 Rs.	AS ON 31.03.2008 Rs.
SCHEDULE 12 - CONTINGENT LIABILITIES		
I Claims against the Bank not acknowledged as debts	5,50,21	5,32,47
II Liability on account of outstanding		
a) Forward Exchange Contracts	2188,25,53	3764,46,23
b) Derivatives	200,00,00	1847,40,04
III Guarantees given on behalf of Constituents in India	981,79,55	841,41,44
IV Acceptances, Endorsements and other Obligations	832,09,02	1056,39,12
V Other items for which the Bank is contingently liable / Bills of exchange rediscounted with IDBI	Nil	Nil
TOTAL	<u>4207,64,31</u>	<u>7514,99,30</u>

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE 13 - INTEREST EARNED		
I Interest / discount on advances/bills	1140,33,56	858,16,02
II Income on Investments	276,40,92	235,63,38
III Interest on balances with Reserve Bank Of India and other inter-bank funds	14,38,74	11,15,82
IV Others	14,95,72	1,44,97
TOTAL	<u>1446,08,94</u>	<u>1106,40,19</u>

SCHEDULE 14 - OTHER INCOME

I Commission, Exchange and Brokerage	140,19,00	118,65,62
II Profit/Loss on sale of investments-Net	93,58,41	30,67,53
III Profit on sale of land, buildings and other assets	26,41	3,52
IV Profit on exchange transactions - Net	19,59,61	18,10,07
V Miscellaneous Income	11,57,49	15,46,13
TOTAL	<u>265,20,92</u>	<u>182,92,87</u>

SCHEDULES

(000's omitted)

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE 15 - INTEREST EXPENDED		
I Interest on Deposits	1014,40,44	753,10,78
II Interest on Reserve Bank of India/ Inter-bank borrowings	15,71,05	8,50,69
III Others	5,56,59	3,73,74
TOTAL	<u>1035,68,08</u>	<u>765,35,21</u>
SCHEDULE 16 - OPERATING EXPENSES		
I Payments to and Provisions for employees	122,85,75	101,78,44
II Rent, Taxes and Lighting	23,15,71	19,61,52
III Printing and Stationery	3,34,99	3,08,55
IV Advertisement and Publicity	10,42,47	7,33,95
V Depreciation on Bank's Property	20,52,99	19,59,84
VI Directors' fees, allowances and expenses	70,05	54,30
VII Auditors' fees and expenses (includes for branch auditors)	75,25	55,89
VIII Law Charges	62,53	57,66
IX Postages, Telegrams, Telephones, etc.	11,57,31	7,23,35
X Repairs and maintenance	7,21,19	6,28,81
XI Insurance	13,36,00	10,13,68
XII Other Expenditure	43,05,40	39,45,86
TOTAL	<u>257,59,64</u>	<u>216,21,85</u>

SCHEDULES

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL:

The accompanying financial statements are prepared on historical cost basis and on accrual basis of accounting, unless otherwise stated and in conformity with the requirements of relevant statutes, guidelines issued by Reserve Bank of India and practices prevailing in the banking industry in India.

2. FOREIGN EXCHANGE TRANSACTIONS:

- 2.1 Monetary assets and liabilities have been translated at the exchange rates announced by FEDAI at the close of the year.
- 2.2 Income and Expenditure items have been translated at the exchange rates prevailing on the date of transactions.
- 2.3 Profit or loss on pending forward exchange contracts is accounted for by way of revaluation at the appropriate forward rates prevailing at the close of the year as advised by FEDAI.
- 2.4 Foreign Currency guarantees, acceptances, endorsements and other obligations are stated at the exchange rates prevailing on the date of transactions.

3. INVESTMENTS:

- 3.1. Investments are categorized into three categories – (i) Held to Maturity, (ii) Held for Trading and (iii) Available for sale, with sub- classification under each category viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures & Bonds, (v) Subsidiary and Joint Ventures and (vi) Others – Units of Mutual Funds, Certificate of Deposits etc., in accordance with the guidelines issued by Reserve Bank of India.
- 3.2. The category under which the investments would be classified is decided at the time of acquisition.
- 3.3. Shifting of securities among the categories are accounted at the least of the acquisition cost / book value / market price prevailing on the date of shifting and depreciation, if any, on such shifting is fully provided for.
- 3.4. Investments classified under HTM category are carried at acquisition cost except in cases where the acquisition cost is higher than the face value, in which case the premium is amortized over the remaining period to maturity.
- 3.5. Investments classified under HFT and AFS categories are marked to market at regular intervals as per the quotations put out by FIMMDA from time to time and net depreciation within each sub-classification is recognized and provided for, while net appreciation is ignored.
- 3.6 The Bank follows the method of calculating and accounting of profit on sale of investments under First-in-first out (FIFO) method.

4. DERIVATIVES:

Interest rate swaps pertaining to trading position and which are outstanding as on Balance Sheet date are marked to market and net appreciation is ignored and net depreciation is recognized in the Profit & Loss Account. Foreign Currency Options and Swaps are accounted in accordance with the guidelines issued by FEDAI.

5. ADVANCES:

Advances are classified as Performing and Non-performing Assets and Provisions therefor are made as per the prudential norms prescribed by Reserve Bank of India. Advances shown in the Balance Sheet are net of provisions.

6. FIXED ASSETS:

- 6.1. Premises and other fixed assets are accounted for at historical cost as reduced by depreciation written off.
- 6.2. Depreciation has been provided on diminishing balance method at the rates specified in the schedule XIV of the Companies Act, 1956 except on Computers. On Computers, including software, depreciation has been provided on straight-line method @ 33.33% as advised by the Reserve Bank of India.

7. DEFERRED TAX ACCOUNTING

Deferred Tax Assets are recognized in the books of accounts to the extent of their future reversibility. Deferred Tax Liabilities are recognized fully in the year of accrual.

8. REVENUE/EXPENDITURE RECOGNITION:

- 8.1 Interest income on all advances other than non-performing assets is recognized on accrual basis. In respect of non-performing assets, the interest income is recognized on cash basis.
- 8.2 Commission (including commission received on insurance business), exchange, brokerage and locker rent are accounted on cash basis.
- 8.3 Expenditure is generally accounted on accrual basis.

9. EMPLOYEE BENEFITS:

Provision for Gratuity, Pension and other defined employee benefits are made on accrual basis as per Actuarial valuation done at the year-end and short term benefits are accounted for as and when the liability becomes due in accordance with the guidelines contained in Accounting Standard 15 (Revised 2005) issued by ICAI.

Options granted under Employee Stock Option Scheme (ESOS) is accounted for in accordance with the policies contained in Schedule 1 to clause 13.1 of the SEBI guidelines 1999 (updated in August 2008).

SCHEDULES

10. NET PROFIT:

The net profit disclosed in the Profit and Loss Account is after providing for:

Provision for Taxes,
 Provision for Standard Assets and Non Performing Assets,
 Provision for Depreciation on investments, and
 Other usual and necessary provisions.

SCHEDULE 18

NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. INTER-BRANCH TRANSACTIONS:

Inter branch/Office accounts reconciliation has been completed upto 31.03.2009 and all the Inter branch entries have been reconciled upto 31.03.2009.

2. BALANCING OF BOOKS:

The books of accounts have been balanced and tallied in all branches of the Bank up to 31st March 2009. The reconciliation of accounts with other Banks has been completed up to 31st March 2009.

3. INVESTMENTS:

In line with the extant guidelines of Reserve Bank of India, the Bank has shifted certain securities from AFS category to HTM category and provided depreciation to the tune of Rs.37.86 crore arising out of shifting of securities.

4. COMPLIANCE WITH ACCOUNTING STANDARDS:

4.1 Net Profit or loss for the period, Prior Period Items and Changes in Accounting Policies (AS-5):

There are no material prior period income and expenditure included in the Profit & Loss account, which requires a disclosure as per AS-5.

4.2 Revenue Recognition: (AS-9):

Income / Expenditure items recognized on cash basis were either not material or did not require disclosure under AS-9 (Revenue Recognition).

4.3 Employee Benefits: (AS-15):

The Bank is following Accounting Standard 15 (Revised 2005) 'Employee Benefits' as under:

(i) In respect of Contributory Plan, viz., Provident Fund, the Bank pays fixed contribution at pre-determined rates to a separate Trust, which invests in permitted securities. The obligation of the Bank is limited to such fixed contribution.

(ii) In respect of Defined Benefit Plans, viz., Gratuity and Pension, provision has been made based on actuarial valuation as per the guidelines.

(iii) In respect of other employee benefits such as Leave encashment and Medical leave, provisioning requirement has been ascertained as per actuarial valuation.

The disclosure requirements as per the Accounting Standards are given below:

Expenses recognized in Profit and Loss Account

(In Crore)

Particulars	Gratuity	Pension
Current Service Cost	2.01	2.34
Interest cost on benefit obligation	2.55	2.89
Expected return on plan assets	(2.56)	(2.89)
Net actuarial gain / (loss) recognised in the year	(1.82)	1.41
Expenses recognised in the Profit and Loss Account	0.18	3.75

Changes in the present value of the defined benefit obligation

(In Crore)

Particulars	Gratuity	Pension
Present value of obligation as at 1.4.2008	32.95	38.75
Interest cost	2.55	2.89
Current Service Cost	2.01	2.34
Benefits paid	(2.13)	(5.26)
Net actuarial gain / (loss) on obligation	(0.37)	1.06
Present value of the defined benefit obligation as at 31.3.2009	35.01	39.78

SCHEDULES

Change in the fair value of plan assets

(In Crore)

Particulars	Gratuity	Pension
Fair value of plan assets as at 1.4.2008	31.47	38.35
Expected Return on plan assets	2.56	2.89
Contribution by employer	1.66	4.15
Benefit Paid	(2.13)	(5.26)
Actuarial gain / (loss)	1.45	(0.35)
Fair value of plan assets as at 31.3.2009	35.01	39.78

Wage Arrears:

Pending finalization of wage revision, an adhoc payment of Rs.5.69 crore has been paid to the employees during the year 2008-09 (Previous year - Rs.2.34 crore).

Employees Stock Option:

The Compensation committee of the Board of Directors has granted in aggregate 4,96,100 stock options, grant date being 30th Dec 2008 to the employees of the Bank under the Karur Vysya Bank Employees Stock Option Scheme 2008, at an exercise price of Rs. 70/- per share. As on 31.03.2009, the options in force are 4,84,900. These stock options would vest on 01.01.2010 and accordingly the Bank has transferred a sum of Rs.3.52 Cr being the proportionate Compensation Expenses.

4.4 Segment Reporting:(AS-17)

Part A: Business segments

(In Rs. in Crore)

Sl.No.	Particulars	Year Ended 31.03.2009 (Audited)	Year Ended 31.03.2008 (Audited)
(a)	Segment Revenue		
	1. Treasury Operations	404.51	299.34
	2. Corporate/Wholesale Banking Operations	548.75	351.53
	3. Retail Banking Operations	754.65	635.68
	4. Other Banking Operations	3.39	2.78
	Total	1711.30	1289.33
(b)	Segment Results		
	1. Treasury Operations	117.77	85.31
	2. Corporate/Wholesale Banking Operations	131.97	93.00
	3. Retail Banking Operations	254.52	199.68
	4. Other Banking Operations	3.14	2.56
	Total	507.40	380.55
(c)	Unallocated Income/Expenses	89.38	72.79
(d)	Operating Profit	418.02	307.76
(e)	Income Taxes	95.10	99.90
(f)	Other Provisions	87.08	-0.47
(g)	Net Profit	235.84	208.33

SCHEDULES

Sl.No.	Particulars	Year Ended 31.03.2009 (Audited)	Year Ended 31.03.2008 (Audited)
(h)	Other Information		
	Segment Assets		
	1. Treasury Operations	5126.33	3562.82
	2. Corporate/Wholesale Banking Operations	4995.65	4250.90
	3. Retail Banking Operations	5414.23	5170.63
	4. Other Banking Operations	0.00	0.00
	5. Unallocated Assets *	1524.53	1598.68
	Total	17060.74	14583.03
(i)	Segment Liabilities		
	1. Treasury Operations	533.26	799.70
	2. Corporate/Wholesale Banking Operations	7002.23	5449.76
	3. Retail Banking Operations	7588.94	6628.88
	4. Other Banking Operations	0.00	0.00
	5. Unallocated Liabilities	586.15	514.69
	Capital Employed		
	i) Treasury Operations	407.38	296.51
	ii) Corporate/Wholesale Banking Operations	396.88	353.79
	iii) Retail Banking Operations	430.21	430.29
	iv) Other Banking Operations	0.00	0.00
	v) Unallocated Liabilities	115.69	109.41
	Total	17060.74	14583.03

* Cash, bank balances and RBI balances have been included

Part B: Geographic segments

There is only one segment i.e., Domestic Segment.

Notes:

- (i) As a prudent policy, the Bank holds provision for NPAs and standard assets over and above the minimum required under the RBI norms.
- (ii) As per the Reserve Bank of India guidelines on enhancement of disclosures relating to Segment Reporting under AS-17, the reportable segments have been divided into Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations.
- (iii) Cash in hand, Balance with RBI and other inter-bank funds are included in Un-allocated assets.

4.5 Related Party Transactions (AS-18):

Key Management Personnel	Designation	Item	Amount (in Rupees)
Shri.A.S. Janarthanan	Chairman	Remuneration	3,11,667/-
Shri. P.T. Kuppuswamy	M.D. & C.E.O.	Remuneration	33,12,097/-

4.6 Earning per Share (AS-20):

S.No.	Particulars	2008-09	2007-08
1	Basic EPS (Rs.)	43.71	38.62
2	Diluted EPS (Rs.)	N.A	N.A.

SCHEDULES

Computation of Basic EPS

S. No.	Particulars	2008-09	2007-08
A	Net Profit (Rs. in Crore)	235.84	208.33
B	Weighted number of shares	53951619	53941469
C	Basic EPS (A/B) (Rs.)	43.71	38.62
D	Nominal Value per share (Rs.)	10.00	10.00

4.6 ACCOUNTING FOR TAXES ON INCOME (AS-22):

- 4.6.1 In respect of income tax, the assessment has been completed up to AY 2007-08. Appeals are pending with Income Tax Appellate Tribunal and Commissioner of Income Tax (Appeals) for various years. No provision is considered necessary for the disputed income tax on the basis of favourable decisions.
- 4.6.2 The Bank has complied with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

The components of Deferred Tax for the year are as follows:

Deferred Tax Liabilities (Rs. in Crore)

	Particulars	As on 31.03.2009	As on 31.03.2008
1	Depreciation on Fixed Asset	0.13	0.10
2	Interest accrued but not due	1.36	2.78
	TOTAL	1.49	2.88

Deferred Tax Assets (Rs. in Crore)

	Particulars	As on 31.03.2009	As on 31.03.2008
1	Provision for leave encashment	9.07	8.67
	TOTAL	9.07	8.67

Amount of Provisions made for Income tax during the year (Rs. in crore)

Particulars	Current Year 2008-2009	Previous Year 2007-2008
Provision for Income Tax	96.21	108.00

4.7. INTANGIBLE ASSETS (AS-26):

Depreciation on software is calculated on straight-line method at 33.33% in compliance with Accounting Standard 26.

SCHEDULES
5. Disclosures required by Reserve Bank of India:
5.1 Capital Adequacy:

Items	2008-09		2007-08
	Basel II	Basel I	Basel I
i) CRAR	14.92%	13.08%	12.58%
ii) CRAR - Tier I capital (%)	14.40%	12.63%	12.11%
iii) CRAR - Tier II Capital (%)	0.52%	0.45%	0.47%
iv) Amount of subordinated debt raised as Tier-II capital	Nil	Nil	Nil

5.2 Investments:

(Rs. In crore)

Items	2008-09	2007-08
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	4755.61	3535.67
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation @		
(a) In India	39.63	9.34
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	4715.98	3526.33
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	3.80	16.68
(ii) Add: Provisions made during the year	68.15	Nil
(iii) Less: Write-off/ write-back of excess provisions during the year	37.86	12.88
(iv) Closing balance	34.09	3.80

@ Includes Provision for Non Performing Investments amounting to Rs.5.54 crore for 2008-09 and 2007-08.

5.3 Repo Transactions:

(Rs. In crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2009
Securities sold under repos	Nil	250.00	12.14	Nil
Securities purchased under reverse repos	Nil	475.00	19.38	Nil

SCHEDULES
5.4 Non-SLR Investment Portfolio:
5.4.1 Issuer composition of Non SLR investments as on 31.03.2009:

(Rs. In crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	161.04	139.00	-	0.00	70.00
(ii)	FIs	15.00	15.00	-	0.00	-
(iii)	Banks	328.23	310.86	-	0.00	0.00
(iv)	Private Corporate	183.52	123.24	-	1.56	1.56
(v)	Subsidiaries/ Joint Ventures	0.00	-	-	-	-
(vi)	Others	233.51	-	-	0.00	0.00
(vii)	Less : Provision held towards depreciation	34.39	xxx	xxx	xxx	xxx
	Total	886.91	588.11	-	1.56	71.56

5.4.2. Non performing Non-SLR investments:

(Rs. In crore)

Particulars	Amount as on 31-03-2009	Amount as on 31-03-2008
Opening balance	5.54	4.92
Additions during the year since 1st April	Nil	1.88
Reductions during the above period	Nil	1.26
Closing balance	5.54	5.54
Total provisions held	5.54	5.54

5.5 Forward Rate Agreement/ Interest Rate Swap:

(Rs. In crore)

Items	2008-09	2007-08
1. The notional principal of swap agreements	200.00	200.00
2. Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	4.34	2.42
3. Collateral required by the bank upon entering into swaps	Nil	Nil
4. Concentration of credit risk arising from the swaps	Banks & PDs	Banks & PDs
5. The fair value of the swap book	-0.46	-0.72

5.6 Exchange Traded Interest Rate Derivatives

(Rs. In crore)

S.No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2009	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil

SCHEDULES

5.7 Disclosures on risk exposure in derivatives:

5.7.1 Qualitative Disclosure:

Structure, Organisation, Scope, Nature of risk management in derivatives:

The organization structure consists of Treasury Department which is segregated into three functional areas i.e., front office, mid office and back office.

Rupee derivative deals are executed for hedging or for trading. The risk in the derivatives portfolio is monitored by assessing the mark to market (MTM) position of the portfolio on a daily basis and the impact on account of probable market movements. The overall portfolio is operated within the risk limit fixed by the Bank.

Forex derivative deals are offered to clients on back-to-back basis. The outstanding deals are marked to market on monthly basis. The MTM values are informed to the clients every month after getting it from the counterparty banks.

The Board reviews the risk profile of the outstanding portfolio at regular intervals.

Accounting:

Accounting Policies as per RBI guidelines have been adopted. The hedge swaps are accounted for like a hedge of the asset or liability. The income / expense on hedge swaps are accounted on accrual basis except where swaps transactions whose underlying is subjected to mark to market. Such hedge swaps are marked to market on a monthly basis and the gain / losses are recorded as an adjustment to the designated asset / liability. The Non hedge swaps are marked to market every month and the MTM losses in the basket are accounted in the books while MTM profits are ignored.

Collateral Security:

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks / PDs etc. For deals with Corporate Clients, appropriate collateral security / margin etc. are stipulated whenever considered necessary.

Credit Risk Mitigation:

Most of the deals have been contracted with Banks / Major PDs/highly rated clients and no default risk is anticipated on the deals with them.

Dealing in derivatives is centralized in the treasury of the Bank. Derivative transactions are entered into by the treasury front office. Treasury middle office conducts an independent check of the transactions entered into by the front office and also undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting and ensures compliance with various internal and regulatory guidelines.

The market making and the proprietary trading activities in derivatives are governed by the derivatives policy of the Bank, which lays down the position limits, stop loss limits as well as other risk limits. As far as forex derivatives are concerned, they are undertaken on back-to-back basis only.

Risk monitoring on derivatives portfolio is done on a daily basis. The Bank measures and monitors risk using PVBP (Price Value of a Basis Point) approach. Risk reporting on derivatives forms an integral part of the management information system and the marked to market position and the PVBP of the derivatives portfolio is reported on a daily basis to the top management.

Risk monitoring on forex derivatives is done on a monthly basis after getting the monthly MTM values from the counterparty banks. It is reported to the top management and related clients on monthly basis.

5.7.2 Quantitative Disclosures:

(Rs. In crore)

Sl.No	Particular	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)*	2188.25	200.00
	a) For hedging	Nil	Nil
	b) For trading	2188.25	200.00
(ii)	Marked to Market Positions [1]	Nil	-0.46
	a) Asset (+)	+2188.25	Nil
	b) Liability (-)	-2188.25	-0.46
(iii)	Credit Exposure [2]	43.76	4.34
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	Nil	0.04
	a) on hedging derivatives	Nil	Nil
	b) on trading derivatives	Nil	0.04
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	Nil	Nil
	b) on trading	Nil	Max & Min.Rs.0.04 Cr.

* Forward Contract – Rs.2188.26 crore. # @ 2% Current Exposure method.

SCHEDULES
5.8.(a) Non-Performing Asset:

(Rs. In crore)

Items	2008-09	2007-08
(i) Net NPAs to Net Advances (%)	0.25%	0.18%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	194.26	202.63
(b) Additions during the year	82.11	77.23
(c) Reductions during the year	70.51	85.60
(d) Closing balance	205.86	194.26
(iii) Movement of Net NPAs		
(a) Opening balance	17.29	15.97
(b) Additions during the year	8.53	1.32
(c) Reductions during the year	0.00	0.00
(d) Closing balance	25.82	17.29
(iv) Movement of provisions for NPAs		
(a) Opening balance	147.31	153.89
(b) Provisions made during the year	5.71	2.75
(i) Amt transferred to floating provisions	Nil	Nil
(ii) Provisions reversed & used for standard assets/Misc. provisions	Nil	9.33
(c) Closing balance	153.02	147.31

5.8 (b) Movement of Floating Provision

Particulars	2008-09	2007-08
Floating Provision at the beginning of the year	21.84	21.84
Floating Provision made during the year	Nil	Nil
Amount of provision withdrawn during the year *	3.15	Nil
Floating Provision at the end of the year	18.69	21.84

* In terms of RBI Circular DBOD.BP.BC.48/21.04.48/2008-09 dated 22.09.2008, the Bank has utilized a sum of Rs.3.15 crore during the year from floating provision for NPAs and credited the same to Profit & Loss account on account of unapplied interest, penal interest and miscellaneous charges etc., in respect of Agriculture Debt Waiver & Debt Relief accounts.

5.9. Details of Loan Assets subjected to Restructuring during the year:

(Rs. In crore)

Item	2008-09	2007-08
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation; -- of which under CDR	293.39 Nil	83.00 26.27
(ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation; -- of which under CDR	293.39 Nil	83.00 26.27
(iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation; -- of which under CDR	Nil Nil	Nil Nil
(iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation; - of which under CDR	Nil Nil	Nil Nil

SCHEDULES
Particulars of Accounts Restructured

(Rs. in crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured	No. of borrowers	4	14	102
	Amount Outstanding	66.24	56.38	293.39
	Sacrifice (diminution in the fair value)	5.92	1.17	0.48
Sub standard advances restructured	No. of Borrowers	Nil		
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Doubtful advances restructured	No. of Borrowers	Nil		
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
TOTAL	No. of Borrowers	4	14	102
	Amount outstanding	66.24	56.38	293.39
	Sacrifice (diminution in the fair value)	5.92	1.17	0.48

Additional Disclosures regarding restructured accounts

S.No.	Disclosures	Number	Amount (Rs. in crore)
1.	Application received upto March 31,2009 for restructuring, in respect of accounts which were standard as on September 1, 2008	92	299.29
2.	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet.	80	236.23
3.	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category.	Nil	Nil
4.	Of (1), proposals under process / implementation which were standard as on March 31, 2009.	12	63.06
5.	Of (1), proposals under process / implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package.	Nil	Nil

SCHEDULES

5.10. Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction: (Rs. In crore)

Item	2008-09	2007-08
(i) No. of accounts	Nil	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	Nil	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain over net book value.	Nil	Nil

5.10. a. Details of Non-performing assets purchased / sold - NIL

5.11 Provisions on Standard Asset:

(Rs. In crore)

Item	As on 31 st Mar 2009	As on 31 st Mar 2008
Provisions towards Standard Assets	48.07	44.14

5.12 Business Ratio:

Items	2008-09	2007-08
1. Interest Income as a percentage to Working Funds	9.16%	8.88%
2. Non-interest income as a percentage to Working Funds	1.69%	1.22%
3. Operating Profit as a percentage to Working Funds	2.65%	2.41%
4. Return on Assets	1.49%	1.63%
5. Business (Deposits plus advances) per employee (Rs. in crore)	6.38	6.04
6. Profit per employee (Rs. in lakh)	5.98	5.82

5.13 Maturity pattern of certain items of assets and liabilities:

(Rs. In crore)

Particulars	1 day	2 to 7 days	8 to 14 days	15 to 28 days	29 days to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	220.00	353.59	113.65	407.57	2168.21	1562.86	3701.23	6335.19	142.16	96.92	15101.38
Advances	197.92	71.17	81.36	163.50	909.88	580.10	2677.91	2102.58	1668.17	2110.31	10562.90
Investments	10.37	187.46	28.94	197.41	189.43	170.39	129.10	508.56	905.24	2428.73	4755.61
Borrowings	0.00	0.00	0.00	0.00	0.00	4.05	2.16	7.89	7.20	1.75	23.04
Foreign Currency assets	--	--	20.79	5.74	18.66	9.99	--	--	--	--	55.18
Foreign Currency liabilities	--	--	24.93	0.99	4.23	5.57	32.12	6.45	--	--	74.29

The above data has been compiled on the basis of the guidelines of RBI and certain assumptions made by management and have been relied upon by auditors.

SCHEDULES
5.14 Lending to Sensitive Sector
5.14.1 Exposure to Real Estate Sector:

(Rs. In crore)

Category	2008-09	2007-08
a) Direct exposure		
(i) Residential Mortgages Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	288.31	235.08
(ii) Commercial Real Estate Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	443.95	220.44
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures a. Residential, b. Commercial Real Estate.	Nil Nil	Nil Nil
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	292.27	314.49

5.14.2. Exposure to Capital Market:

(Rs. In crore)

Items	2008-09	2007-08
(i) Investments made in equity shares,	93.43	60.93
(ii) Investments in bonds/ convertible debentures	Nil	Nil
(iii) Investments in units of equity oriented mutual funds	18.29	18.29
(iv) Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds.	0.91	2.24
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	163.82	127.47
Total Exposure to Capital Market (i+ii+iii+iv+v)	276.45	208.93
1.Of (v) above, the total finance extended to stockbrokers for margin trading.	Nil	Nil

SCHEDULES
5.15. Risk Category wise Country Exposure:

(Rs. In crore)

Risk Category*	Exposure (net) as at 31 st March 2009	Provision held as at 31 st March 2009	Exposure (net) as at 31 st March 2008	Provision held as at 31 st March 2008
Insignificant	248.00	Nil	254.11	Nil
Low	58.25	Nil	47.96	Nil
Moderate	7.54	Nil	9.80	Nil
High	4.33	Nil	1.61	Nil
Very High	12.74	Nil	0.12	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
Total	330.86	Nil	313.60	Nil

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

5.16. Agricultural Debt Waiver and Debt Relief Scheme 2008:

During the year, the Government of India announced the Debt waiver and Debt relief scheme for Small and Marginal farmers and other farmers. In terms of the scheme, the Bank has received first tranche of Rs.14.29 crore from Reserve Bank of India on account of loans to small and marginal farmers out of the total eligible amount of Rs.34.73 crore. Our Statutory Auditors have certified the above claim amount.

5.17. Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the bank:

(Rs. In crore)

SI No.	Name of the Borrower	Exposure ceiling	Limit sanctioned	Position as on 31 st Mar 2009
1	Alok Industries Limited	183.00	233.96	225.36

5.18. Amount of Provisions made during the year;

(Rs. In crore)

Particulars	2008-09	2007-08
Provision for Bad & Doubtful Debts	5.28	-5.71
Provision for Standard Assets	3.93	8.46
Provision for Restructured Advances	9.97	Nil
Provision for Income Tax (Including FBT and Deferred tax)	* 95.10	99.90
Provision for Wealth Tax	Nil	Nil
Provision for Depreciation on Investments	68.15	-2.98
Provision for Derivatives	-0.25	-0.24
Total	182.18	99.43

* Provision for Income Tax is made after considering current year's liability and previous years' reversals.

5.19 (a) Customer Complaints

No. of complaints pending at the beginning of the year	02
No. of complaints received during the year	179
No. of complaints redressed during the year	181
No. of complaints pending at the end of the year	Nil

5.19 (b) Awards passed by Banking Ombudsman

No. of unimplemented awards at the beginning of the year	1
No. of awards passed by banking ombudsman during the year	1
No. of awards implemented during the year	1
No. of unimplemented awards at the end of the year	1

SCHEDULES

5.20. Disclosure of Penalties imposed by RBI:

No penalty was imposed by the Reserve Bank of India during the year.

5.21. Increase in Paid-up share capital and Share Premium:

The increase in Paid-up share capital and Share Premium is due to issue of shares kept in abeyance during the year ended 31st March 2009.

5.22. Drawdown from Investment Reserve :

An amount of Rs.1.38 crore held in Investment Reserve account has been transferred to Profit & Loss account as "below the line" item in the Profit & Loss Appropriation account after determining the profit for the year.

SHRI ATHI S. JANARTHANAN
Chairman

SHRI K. RAMADURAI
Director

SHRI K.P. KUMAR
Director

SHRI R. SUKUMAR
Chief General Manager

SHRI Dr V.G. MOHAN PRASAD
Director

SHRI T.R. RAMANATHAN
Director

SHRI Dr. S. KRISHNA KUMAR
Director

SHRI R. KANNAN
Company Secretary

SHRI P.T. KUPPUSWAMY
M.D. & C.E.O

SHRI M.K. VENKATESAN
Director

SHRI M.G.S. RAMESH BABU
Director

For **J.L.SENGUPTA & CO.,**
Chartered Accountants

(S.R. ANANTHAKRISHNAN)
Partner
M.No. 18073

Karur
28th May 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(000's omitted)

	AS AT 31.03.2009	AS AT 31.03.2008
CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT AS PER PROFIT AND LOSS ACCOUNT	2358415	2083310
ADJUSTMENTS FOR		
DEPRECIATION	205299	195984
PROVISIONS AND CONTINGENCIES	1821799	994290
PROVISION FOR LEAVE ENCASHMENT	20100	28400
PROVISION FOR SICK LEAVE	0	7000
PROFIT/LOSS ON SALE OF INVESTMENTS	-935841	-306753
LOSS ON SALE OF ASSETS	-2641	-352
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	3467131	3001878
INCREASE/DECREASE IN OPERATING ASSETS		
PURCHASE AND SALE OF INVESTMENTS	-10960641	-6217096
FUNDS ADVANCES TO CUSTOMERS	-9940633	-23744670
OTHER OPERATING ASSETS	203204	-238238
	-17230939	-27198126
INCREASE/DECREASE IN OPERATING LIABILITIES		
DEPOSITS FROM CUSTOMERS	25513965	32097000
BORROWINGS FROM BANKS	-3053026	998176
OTHER OPERATING LIABILITIES	-1062668	564751
AMOUNT PAID TO PENSION & GRATUITY FUND	0	-120700
CASH GENERATED FROM OPERATIONS	4167332	6341101
DIRECT TAXES PAID	-1342508	-1187380
NET CASH GENERATED FROM OPERATIONS	2824824	5153721
CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	-199218	-326320
SALE OF FIXED ASSETS	5297	3587
NET CASH GENERATED FROM INVESTING ACTIVITIES	-193921	-322733

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(000's omitted)

	AS AT 31.03.2009	AS AT 31.03.2008
CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM SHARE CAPITAL	103	44529
PROCEEDS FROM SHARE PREMIUM	575	267172
DIVIDEND PAID	-645614	-535533
DIVIDEND TAX PAID	-110025	-91648
AMOUNT WITH DRAWN FROM RESERVES FOR TRANSITIONAL LIABILITY	0	-369300
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>-754961</u>	<u>-684780</u>
CASH FLOW FROM OPERATING ACTIVITIES	2824824	5153721
CASH FLOW FROM INVESTING ACTIVITIES	-193921	-322733
CASH FLOW FROM FINANCING ACTIVITIES	<u>-754961</u>	<u>-684780</u>
INCREASE IN CASH & CASH EQUIVALENT	1875942	4146208
CASH AND CASH EQUIVALENTS AS AT 31.3.2008/31.3.2007	<u>11865719</u>	7719511
CASH AND CASH EQUIVALENTS AS AT 31.03.2009/31.03.2008	<u>13741661</u>	<u>11865719</u>

 Karur
 28th May, 2009

P.T. Kuppuswamy
 MD & CEO

AUDITORS' CERTIFICATE

We have verified the cash flow statement of the Karur Vysya Bank Limited for the year ended 31.3.2009. The statement has been prepared by the Bank in accordance with the requirements of listing agreement, clause 32, with the Stock Exchange and is based on and in agreement with corresponding Profit & Loss account and Balance Sheet of the Bank covered by the report of 28th May 2009 to the shareholders of the Bank.

 For **J.L. Sengupta & Co.**,
 Chartered Accountants,

 Karur
 28th May, 2009

S.R. Ananthkrishnan
 Partner
 M.No. 18073

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

I Registration Details

Registration Number	1295	State Code	18
Balance Sheet Date	31/03/2009		

II Capital Raised During the year (Amount in Rs.'000)

Public Issue	NIL	Rights Issue (abeyance shares)	97
Bonus Issue (abeyance shares)	5	Private Placement	NIL

III Position of Mobilisation and Deployment of Funds (Amount in Rs.'000)

Total Liabilities	170607431	Total Assets	170607431
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Sources of Funds

Paid-up Capital	539516	Reserves & Surplus	12962144
Deposits	151013894	Borrowings	230381
Other liab. Provisions	5861496		

Application of Funds

Net fixed Assets	1156939	Investments	47159800
Advances	104098805	Other Assets	18191887
Misc. Expenditure	Nil		

IV Performance of the Company (Amount in Rs.'000)

Total Income	17112986	Total Expenditure	14754571
Profit Before Tax	3309418	Profit After Tax	2358415
Earnings per share in Rs.	43.71		

V. Generic Names of Principal Services of the Company (as per monetary terms)

Item Code No.(ITC code)	NA
Product Description	BANKING COMPANY