

Growth with connections...



Annual Report 2011 - 2012

## BOARD OF DIRECTORS

### CHAIRMAN



SHRI K.P. KUMAR

### M.D. & C.E.O



SHRI K. VENKATARAMAN

### DIRECTORS



SHRI M.G.S. RAMESH BABU



SHRI S. GANAPATHI SUBRAMANIAN



SHRI K. PARAMESHWARA RAO



SHRI V. SANTHANARAMAN



SHRI G. RAJASEKARAN



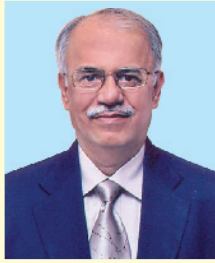
SHRI A.J. SURIYANARAYANA



SHRI K. RAMADURAI



SHRI K.K. BALU



**V. KRISHNASWAMY**  
PRESIDENT & COO



**R. SUKUMAR**  
CHIEF GENERAL MANAGER



**A. ANANDA NADARAJAN**  
GENERAL MANAGER



**K. VENKATESWARA RAO**  
GENERAL MANAGER



**J. NATARAJAN**  
GENERAL MANAGER



**G.S. ANANTHA KUMAR**  
GENERAL MANAGER



**V. BHASKAR**  
GENERAL MANAGER



**T. SIVARAMA PRASAD**  
GENERAL MANAGER

**DEPUTY GENERAL MANAGER**

RAMALINGAM S  
RAMACHANDRAN A R  
VENKATARAMANA R  
BALAJI S  
SRINIVASAN V  
BALACHANDRAN M  
SUBRAMANYAM V  
SRINIVASAN V  
BABUJI S  
BALASUBRAMANIAN S  
SWAMINATHAN K P  
MOHAN K

SANKARA VADIVEL T K  
SEKAR S  
SATHYAMOORTHY K  
SAIRAJ G R  
RAMASUBRAMANIAN S  
ASHOK KUMAR G P  
SARAVANUN C  
RAGHUNATHAN S  
RAVI S  
PRASAD S K V  
SWAMINATHAN K

**ASSISTANT GENERAL MANAGER**

VIJAYAKUMAR A  
BALASUBRAMANIAN M  
ASHOK VENNELAKANTI  
SAMPATH G  
SUBBAIYAN M  
RAMALINGAM N  
JARARD THOMAS  
NAGARAJAN K  
MURALI KUMAR M  
KANNAN R  
GOPINATH A  
CHELLADURAI S  
PANDIYAN P  
VISWANADHAM M  
PARTHASARATHI R  
LAKSHMANAN L  
VARADHARAJAN A  
VENKATESAN R

SEKAR K S  
HARIHARAN K  
SANDEEP MISRA  
LAKSHMINARAYANA RAO R  
VENKATESH C  
RAMSHANKAR R  
RAMKUMAR B  
RAGHAVENDRAN N  
MOHAN KUMAR G  
MURALI L  
RAMESH E  
VASUDEVAN S  
LEKSHMINARAYANAN V  
CHANDRASEKARAN R N  
GANESAN R  
ELANGO R  
SANKARAN P S

**COMPANY SECRETARY & ASSISTANT GENERAL MANAGER**

**KANNAN R.**

**LEGAL ADVISER**

**K.N. SHRINIVASAN.**

**AUDITORS**

**R.K. KUMAR & CO, Chennai**



**SRI GAYATHRI DEVI**



◀ "Best Private Sector Bank"  
Bloomberg UTV  
Financial Leadership  
Awards, 2012

"Best Small Bank" &  
"The Fastest Growing  
Small Bank"  
Business World -  
Price Waterhouse Coopers  
Best Bank Awards, 2011



◀ "Best Old Private  
Sector Bank - Runner up"  
Financial Express India's  
Best Bank Award, 2011

# *Managing Director and CEO's letter to the shareholders*

The year 2011-12 represents the 96th year of the Bank's operations and as in the yesteryears, this year also has been a year of consistent growth with continued momentum in our business. Even amidst the slowdown in the economic growth and increasing competition in the market, your Bank managed to focus its attention on execution of its strategic agenda and delivered results which would ensure that the Bank is on the right track to achieve its Centenary year goals. The highlights of the Bank's achievement this year were total business turnover reaching ₹ 56,300 crore and net profit reaching the figure of ₹ 502 crore.

In all major business parameters, viz., total business, total deposits and total advances, your Bank's growth during the year 2011-12 was higher than the CAGR for the past 5 years.

The organisational structure has undergone major changes with verticalisation as Business Strategy Group, Operations Group, Risk, Inspection & Audit and HR. The Business Strategy Group is further organized into business segments, such as Personal Banking, Commercial Banking, Corporate & Institutional Banking, International Banking and Treasury & Funds Management.

The Golden Vision transformational initiatives taken up a couple of years ago have taken strong roots and have deepened into specific focus areas of Business Process Reengineering during the year.

The Bank enjoys an enviable heritage. We have built up a large base of loyal customers and have helped them in achieving their dreams through our presence around them, offering the latest products with the traditional service that KVB is known for. While we draw inspiration from our glorious past, we would build upon our strengths to take up the challenges of the future, which look exciting.

FY 2012 has also been a year of awards and recognitions which have been conferred on our Bank. These include awards by Bloomberg UTV Financial Leadership Awards, 2012 -CNBC-TV18 Best Banks & Financial Institutions Award, Business World - Price Waterhouse Coopers Best Bank Awards, Financial Express India's Best Bank Award, SFBC Kerala Excellence Award, FIBAC Best Bank Award, by FICCI - IBA, Business Today - KPMG Best Bank Awards and Banking Technology Excellence Award, 2010-11 by Institute for Development and Research in Banking Technology, Hyderabad.

While we are happy with the recognitions received during FY 2012, we will continue to focus on our aim of "Growth with Profitability" in the current year. While we are generally optimistic of the economy picking up momentum and grow in the future, we have formulated our near term strategies based on the prevailing economic scenario.

I take this opportunity to place on record our deep gratitude for your continued strong support to the Bank and would like to assure you that we remain focussed on becoming a fundamentally strong bank with high standards of banking service to the nation.

**K Venkataraman**  
May 25, 2012



◀ "Best Bank Award for Mobile Banking among Small Banks" IDRBT Banking Technology Excellence Award, 2010-11

"Best Old Private Sector Bank" CNBC - TV18 Best Banks & Financial Institutions Award, 2011 ▶



◀ "Best Cost Efficient Private Sector Bank" FIBAC Best Bank Award, 2011 by FICCI - IBA



92<sup>ND</sup> ANNUAL GENERAL MEETING





FOUNDERS' DAY CELEBRATIONS  
@ Madurai





## DIRECTORS' REPORT

### DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to present 93rd Annual Report of the Bank along with the Audited Balance Sheet as on March 31, 2012 and the Profit and Loss Account for the year ended March 31, 2012.

#### Macroeconomic Developments

As per the Advanced Estimates released by the Central Statistical Office (CSO), the Indian economy was expected to register a growth rate of 6.9% in 2011-12.

Agriculture including allied activities accounted for 13.9% of the Gross Domestic Product (GDP) at 2004-05 prices as against 14.5% recorded in 2010-11. The production of food grains during 2011-12 has been estimated at 250.42 mn tones. This is mainly due to the increase in the production of rice in some of the major rice-producing states in the country viz: Assam, Jharkhand, West Bengal, Bihar and Uttar Pradesh. The stock position of food grains in the central pool is comfortable for meeting the Public Distribution System. Higher level of agricultural output and the ample stocks augur well for bringing down the headline inflation.

Industrial growth slowed down sharply during the fiscal under report led by contraction in mining and poor performance of the manufacturing sector. The industrial activity slowed down on account of variety of reasons such as subdued investment demand due to decline in business confidence, weak demand for consumer durables, cumulative impact of monetary tightening, reflecting interest rate sensitivity, domestic policy uncertainties and slackening of external demand. In the coal and natural gas segments of the mining sector there was contraction in production. Growth moderated in manufacturing sector and given its large share in IIP, led the slowdown in the industry. The cumulative growth rate of manufacturing sector during FY2012 slowed down to 2.9% compared to 8.9% in the same period of the FY2011.

The share of services in the India's GDP was 56.3% in 2011-12 as per the Advanced Estimates. The services sector is the principal source of employment in urban areas while the agriculture sector is the primary employment providing factor in the rural areas. There was a moderation in the services sector due to the slow down in construction.

The inflation remained persistently high and sticky at around 9% during 2011 and signs of moderation was there lately. The headline inflation which was 9.7% at the start of the financial year 2011-12,

touched double digits in September 2011 and declined to 6.6% in January 2012. Consumer Price Index (CPI) inflation for the major indices declined to below 7% in December 2011. A major cause for the inflation continues to be high fuel prices driven by increase in international oil prices.

Monetary policy was strongly anti-inflationary till the third quarter and thereafter it has taken a neutral stance on account of deceleration and declining inflation momentum.

Going forward it is expected that the inflation would be at around current levels. The near terms inflation trajectory is subject to significant upside risks particularly from high oil prices, impact of significant depreciation of rupee, higher freight rates and taxes.

During the first half of 2011-12, India's exports witnessed a growth rate of 40.6%. However since October 2011, there has been a deceleration as a result of crisis originating in the periphery and spreading to the core economies in the euro area. Imports registered a growth of 29.4%. Non-POL imports grew by 25.7%. The Non-POL and non bullion imports reflect the import of capital goods needed for industrial activity and for imports needed for the exports. Bullion imports grew by 46.2%. The trade deficit at 40.4% was higher than the 2010-11 figure. India has to make progress in diversifying its imports and exports to weather the global crisis emanating from Europe and America.

The balance of payments came under significant stress during the third quarter of 2011-12 as the current account deficit (CAD) widened largely and capital inflows declined resulting in drawing down of reserves. A significant fall in capital flows particularly in the form of banking capital and investment inflows has pulled the overall balance of payments position to a deficit of \$12.8 bn in Q3 2011-12. Cumulative Balance of payments during April to December 2011 stood as deficit of \$7.1 bn against \$11 bn surplus a year ago. The forex reserves during 2011-12 was \$294.40 bn as against \$274.33 bn for the year 2010-11.

The cumulative investment inflows during the FY 2012 stood at \$64.26 bn, 3.1% lower than \$66.32 bn during FY2011. Cumulative foreign direct investments for FY2011-12 amounts to \$34.83 bn which was 17% lower than \$21.38 bn in FY 2010-11. Cumulative portfolio investments was 45% lower during the FY 2012 from \$ 31.47 bn in FY 2011 to \$ 17.41 bn. However the cumulative external commercial borrowings rose by 40% to \$35.97 bn during FY2011-12 from \$25.78 bn in the previous fiscal 2010-11.

However going forward the global economy appears to be still in a

## DIRECTORS' REPORT

stalemate with domestic risks to growth persisting globally. The euro zone crisis has not seen a credible resolution yet and the zone is entering into a recession. The growth in emerging markets like China and India appears to be slowing down than what is anticipated, but these two economies do have the potential to provide some support for the global recovery.

The external factors such as Euro zone crisis, volatility in foreign investment flows and the domestic factors such as continued monetary control policies and inflation control measures coupled with declining investment rates and weak and declining industrial production will place downside pressures on GDP growth in FY 2013.

It is however expected that the growth is expected to be marginally higher in the current fiscal 2012-13 than the previous fiscal.

### Performance Highlights

Your Bank posted yet another year of impressive results with a healthy top line growth and robust earnings reflecting the efficacy of its corporate strategy. The business volume touched Rs. 56,317 Cr as at the end of the fiscal year 2012 over the corresponding previous fiscal year volume of Rs.42, 774 Cr.

The performance highlights of the bank for the year ended 31st March 2012 are as follows:

Sl. No.	Particulars	Amount (Rs. in cr)
1	Gross Deposits	32111.59
2	Gross Advances	24205.11
3	Total Income	3620.52
4	Operating Profit	725.71
5	Net Profit	501.72

Sl. No.	Appropriations	Amount (Rs. in cr)
	Transfer to	
1	Statutory Reserve	150.50
2	Capital Reserve	3.14
3	General Reserve	156.80
4	Special Reserve	35.00
5	a) Proposed Dividend	150.05
	b) Dividend Tax (inclusive of Surcharge and Education cess)	24.34

### Deposits

The gross deposits of the bank grew from Rs. 24,721.85 Cr as on 31.03.2011 to Rs.32,111.59 Cr as on 31.03.2012, recording a growth of 29.89% against the growth of the banking industry at 17.4% during 2011-12.

CASA deposits were at Rs. 6,151.58 Cr as at the end of 31.03.2012 as against Rs.5,755.32 Cr as on 31.03.2011. Time Deposits were at Rs.25,960.01 Cr as against Rs.18,966.53 Cr as on 31.03.2011.

During the fiscal 2011-12, your Bank conducted NRI Utsav to mobilise the NRI deposits and the result is encouraging.

### Credit Portfolio

Your Bank has been according top priority to the asset quality. The total advances of the bank grew from Rs. 18,052.41Cr as on 31.03.2011 to Rs.24,205.11 Cr as on 31.03.2012, an increase of 34.08%. The growth in the advances portfolio was impressive when compared to the industry's growth rate of 19.3%.

The regulatory guidelines require that 40% of the Bank's adjusted net bank credit as at the end of the previous fiscal year, shall be lent to certain specified sectors categorized as 'Priority Sectors'. Your bank has lent Rs.7,526.92 Cr as on 31.03.2012 constituting 41.60%, well above the regulatory requirement of 40%. As at 31.03.2012, your bank has surpassed RBI stipulation of 18% in respect of agricultural credit by recording 21.90% and the advances made to weaker sections was at 10.18% against the regulatory requirement of 10%.

### New Products

Your bank has expanded the product suite with the introduction of the following new products during the fiscal year under report.

In order to garner all types of retail business from Educational Institutions the bank launched a comprehensively packaged product to suit Educational Institutions called KVB Edu Plus Scheme.

To cater to the exclusive requirements of NRIs - Home Loan for NRIs was launched. The product has been titled 'KVB-Gruhapraves'. It is a retail loan product with many features to attract NRI customers into our fold.

KVB has introduced KVB Transport Plus loan product for financing transport operators for Term Loans and Working Capital Limits.

## DIRECTORS' REPORT

### Recovery

Your Bank has been able to contain the Non performing Assets to a large extent despite slow down in the economy and high interest rate prevailed during the fiscal under report.

As has been the practice, the Bank is following a cautious approach and focused very much on the asset quality especially in view of slow down in economic growth. Many pro-active measures were initiated such as dissemination of information, motivation, support to the operating units and monitoring progress at Central Office level. Thus the bank continued its triple action strategy viz: (a) Preventive Actions by constant monitoring (b) Recovery and Upgradation and (c) Resolution and Settlement which helped to contain growth of NPAs and maintain asset quality. These measures helped the functionaries at the operational level to identify early the accounts showing stress and classify them as Special Monitoring Accounts and follow up with these accounts to regularise / recover overdues in time and prevent slippages to NPAs.

The Gross NPA of the Bank as on March 31, 2012 was at Rs.320.99 Cr (1.33%) as against Rs.228.15 Cr (1.45%) as at the end of the previous year 2010-11. This is mainly on account of large amounts of slippages to NPAs despite the best efforts. The net NPAs of the Bank stood at Rs.78.78 Cr (0.33%) as at the end of the fiscal year 2012 up by 0.26% over the previous fiscal figure of 0.07%.

### Share Capital

During the year under review the Bank called for the payment of First Call of Rs. 40/- and Second Call of Rs.35/- per share for the Rights shares allotted on 30.03.2011. The calls were duly paid by the shareholders and the shares upgraded to fully paid category. The amount collected towards the call monies amounted to Rs. 228.47 Cr. Out of this amount a sum of Rs. 12.18 Cr was credited to Share Capital account and the balance of Rs.216.29 Cr towards Securities Premium Account of the bank.

On 25.06.2011, the Bank allotted 5,08,204 equity shares under KVB ESOS 2008. The amount subscribed by the employees to the shares allotted under ESOS was Rs. 7.62 Cr.

The paid up capital of the Bank stood at Rs. 107.18 Cr as at the end of 31st March 2012 which includes Call amounts collected and the allotment of equity shares under ESOS.

The net owned funds of the bank stood at Rs. 2,708.22 Cr as at the end of the fiscal 2011-12 up 28.08% over the previous fiscal. The

Capital to Risk Weighted Assets Ratio (CRAR) as per BASEL II as on 31.03.2012 stood at 14.33%. The bank has been consistently maintaining the ratio well above the regulatory minimum of 9% prescribed by Reserve Bank of India. The market capitalization as on March 31, 2012 was Rs.3,992 Cr.

### Employee Stock Options Scheme

Out of the 10,00,000 stock options available under the KVBESOS 2008, 9,78,454 options were granted, exercised and allotted so far. 21,546 Stock Options are still available for grant.

Shareholders of the Bank have approved KVBESOS 2011 for 40,00,000 stock options in the last AGM held on 27.07.2011. The Bank is in the process of formulating the Scheme for the same.

No employee stock option was granted during the year either under KVBESOS 2008 or under KVBESOS 2011.

Particulars pursuant to Clause 12 of the SEBI (Employees Stock Option and Stock Purchase Scheme) Guidelines, 1999 do not arise as no stock option was granted during the fiscal under report and no stock option is outstanding as on 31.03.2012.

### Credit Rating

The Credit Rating Agency, ICRA Ltd has accorded A1+ rating to your Bank's Certificate of Deposit Programme of Rs.2,000 Cr. The rating symbol, A1+ indicates very strong degree of safety regarding timely payment of financial obligations.

CRISIL has assigned A1+ rating for the Certificate of Deposit Programme of 20 billion (Rs.2,000 cr) of the Bank. The said rating is considered to have very strong degree of safety regarding timely payment of financial obligations.

### Dividend

In appreciation of the confidence reposed by the members in the Bank and their continued support and also taking into account the overall profitability position, future requirement of capital for incremental business projections and strengthening the capital adequacy, the Board of Directors of your Bank has recommended a dividend of Rs.14/-per equity share (140%) for the year ended March 31, 2012.

In terms of Sec 115 (O) of the Income Tax Act, 1961 the Bank will pay the Dividend Distribution Tax. Accordingly the total outflow on account of Dividend for the year 2011-12 will be Rs. 174.39 Cr including Dividend Distribution Tax.

## DIRECTORS' REPORT

### Investments

The aggregate domestic investments of the bank were at Rs.10,581.27 Cr as on March 31, 2012 as against Rs.7,776.30 Cr as on March 31, 2011 registering an increase of 36.07% during the fiscal 2011-12. Net investments which were at Rs.7,731.76 Cr, registered an increase of Rs.2,774.34 Cr (35.88%) as on 31.03.2012 to reach Rs.10,506.10 Cr as at 31.03.2012.

Income on investments stood at Rs.716.25 Cr as on 31.03.2012, registering a rise of Rs.192.69 Cr (36.80%) when compared to the previous fiscal income of Rs.523.56 Cr.

The average yield on investments improved to 7.49% during the year under report over the previous fiscal of 7.20%. Liquidity position of the Bank was comfortable throughout the year.

### Forex Transactions

During the year 2011-12, the merchant turn over increased from Rs.8,079 Cr to Rs.9,329 Cr registering a growth of 15.47%. The Bank has earned a profit on Exchange of Rs.32.99 Cr for 2011-12 with a growth of 34.60% over the previous year earnings of Rs.24.51 Cr. Other income (commission and others) earned during the fiscal 2011-12 was at Rs. 30.75 Cr with a growth of 27.75% over the previous fiscal year earnings of Rs.24.07 Cr.

### Branch network

With the opening of 81 new branches during the fiscal 2011-12 and the upgradation of one satellite branch into a full fledged branch, your bank has been successful in expanding its network across the country as planned, with 451 branches. The Bank has also opened a new Divisional Office at Vizag taking the total number of Divisional Offices to 11 as at 31.03.2012.

### Delivery Channels

#### ATMs:

Your bank operationalised 337 new ATMs across the country. As at 31.03.2012, the Bank had a total of 825 own ATMs.

Taking into account the branches as also the ATMs installed, the total customer outlets of the bank rose to 1,276 as at 31.03.2012 from 857 as on 31.03.2011.

#### Debit Cards:

As at the end of March 31, 2012, the total number of debit cards

issued by the bank were at 26,30,283. Out of which 5,33,954 cards were issued during the fiscal 2011-12.

#### POS Machines:

As on 31st March 2012, your bank installed 3,376 POS machines at various merchant establishments throughout the country. The total value of transactions routed through our terminals stood at Rs.162.29 Cr till 31st March 2012.

In order to incentivise the customers of our bank for carrying out more number of transactions through POS and e-POS by using our Debit cards, your bank has tied up with M/s Loylty Rewardz Management Pvt Ltd and launched a programme by the name Anmol Rewards for the benefit of the customer.

### Technology initiatives

The following technology initiatives were implemented during 2011-12.

- (a) Image based account opening for reducing the turn around time and for providing quick services to the customers of the Bank. This project has been short listed by MIS Asia Magazine, Singapore as one of the top 100 unique technology initiatives at Asia Level and taking a cue from the same the Bank launched this initiative.
- (b) For on line bill payment, the bank has tied up Times Money.
- (c) The bank also started video conferencing on regular and periodical basis with the Divisional Offices for review of their performance and for conducting product awareness programmes for the branches.
- (d) Multi-redundant service providers for MPLS VPN for our branches to extend un-interrupted customer service.
- (e) On line Deposit account opening by customers through net banking.
- (f) Mobile ATM at Karur to provide ATM service to areas which does not have ATMs in the location.
- (g) Master Card service. Bank has VISA principal membership.
- (h) Inter-bank mobile payment service (IMPS) for funds transfer across banks through mobile banking.

As a part of the green initiative, your bank has implemented Solar based power for the UPS, Lighting, fans etc at 6 of our branches.

### Other initiatives

Your Bank has entered into agreement with SBI Cards to issue KVB SBI Co-branded Credit Card to customers of our bank. The cards are issued with two variants viz: Gold & More and Platinum. The

## DIRECTORS' REPORT

cards are visa enabled and has worldwide acceptance with 24 million across the world and in 6,00,000 outlets in India. It has many other features to suit the needs of the customers.

Bank's customers can make direct tax payment through net banking.

During the year we have introduced 'Door step' banking for cash pickup.

Your bank also launched sale of silver bars apart from the sale of gold coins in all its branches to augment fee based income.

In our last report, members were informed that the Bank has engaged the services of Boston Consulting Group (BCG) with the mandate to assist the Bank in areas such as attaining the target of the gross business of Rs.1,25,000 Cr business by the centenary year 2016, organizational restructuring, Business Reengineering Process, innovation in products and services etc.

The bank started implementing the major recommendations of BCG under "Golden Vision" Initiatives and periodically reviewing the progress of the project implementation. During the year among the implementation of various other recommendations, organizational restructuring has been carried out at Central Office and at the Divisional offices level. The Bank has to continue its journey of Golden vision consolidating the gains already made, ramping up the Key Business Development and support initiatives across the entire bank and targeting the crucial areas for transmission was felt required and their services are being continued.

### Financial inclusion

Financial inclusion (FI) is a process which over a period of time makes a qualitative difference to the lives of all those who are covered under the process through financial literacy and awareness campaign and credible and easy access to banking facilities.

The bank has covered all the allotted 42 villages having a population of over 2,000 and above for implementing the financial inclusion programme. The bank has engaged Business correspondents in all the villages covered under the FI Plan. Under the financial inclusion plan, the bank has issued smart cards and opened 'no frill' accounts. The Bank has trained the nodal branch managers for the financial inclusion plan.

Going forward your bank will focus on leveraging branch network and utilise the Business Correspondents to enhance financial

inclusion plan by offering banking facilities to the unbanked and growing relationships with those customers over a period of time.

### Special Reserve

In terms of Sec 36 (1) (viii) of the Income Tax Act, 1961 (as amended), a deduction is available to a company for any Special Reserve created and maintained to the extent of 20% of the profit derived from the business for providing long term finance for industrial or agricultural development or development of infrastructure facility or housing in India. As your Bank has extended credit by way of term loans for housing, power, roads and other segments of infrastructure during the last fiscal, it was decided to avail the said benefit. Accordingly a sum of Rs.35 cr was created by way of special reserve during the fiscal under report. It may be noted that the bank has created special reserve to the extent of Rs.30 cr each for the said purpose in 31.03.2010 and 31.03.2011. The total special reserve created during the last three years till 31.03.2012 accounted for Rs.95 cr.

### Statutory Audit

The statutory audit was carried out by M/s R K Kumar & Co, Chartered Accountants, Chennai. Their report is being annexed and forms part of this report. The statutory auditors will retire at the ensuing Annual General Meeting. Their re-appointment is being placed before the shareholders for approval. Certificate from the Auditors have been received to the effect that their re-appointment, if made, would be within the prescribed limits specified under Sec 224 (1B) of the Companies Act, 1956. The auditors have also submitted the Peer Review certificate issued to them by the Institute of Chartered Accountants of India (ICAI).

### Statutory Disclosures

Considering the nature of the Bank's business, the provisions of Sec 217 (1)(e) of the Companies Act, 1956 relating to conservation of energy and technology do not apply to your Bank. The Bank has, however, used information technology extensively in its operations.

There was no employee who was in receipt of remuneration during the year ended March 31, 2012 requiring disclosure under Sec 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### Board of Directors

Your Board has ten members including the Non-Executive Chairman besides Managing Director and Chief Executive Officer.

## DIRECTORS' REPORT

Shri P T Kuppuswamy, demitted office of MD & CEO on 31st May 2011 consequent to the expiry of his term of office. Shri K Venkataraman took over as the MD & CEO on 6th June 2011. It may be noted that the terms of his appointment were already approved by the shareholders in the 92nd AGM held on 27.07.2011.

Dr. V G Mohan Prasad demitted office as Director of the bank on 27.07.2011 consequent to the completion of his tenure in terms of the Banking Regulation Act, 1949. Dr S Krishna Kumar, has resigned as a Director of the bank with effect from 29.12.2011. Board places on record its sincere appreciation of the services rendered by them during their tenure as Directors of the Bank. CA Shri K Ramadurai and Shri K K Balu were inducted as Additional Directors of the bank during the year under report. They are seeking election as Directors of the Bank at the ensuing Annual General Meeting.

In terms of Clause 49 of the Listing Agreement, brief resume of the above directors who are seeking election at the ensuing Annual General Meeting is furnished in the Corporate Governance Report attached to this Directors' Report.

### Directors' Responsibility Statement

As per Section 217 (2A) of the Companies Act, 1956 as amended, your Directors report that:

1. The Accounts for the year 2011-12 were prepared by following Accounting Standards in so far as they apply to the Banks.
2. Accounting policies adopted and applied consistently by the bank are in tune with the guidelines issued by Reserve Bank of India from time to time. Reasonable and prudent judgements and estimates have been made in the accounts so as to give a true and fair view of the state of affairs of the bank as on 31.03.2012 and of the profit of the bank for the financial year ended on 31.03.2012.
3. Proper and sufficient care was taken for maintaining adequate records in accordance with the provisions of the Companies Act, 1956 in so far as they apply to banks.
4. The annual accounts for the year ended 31st March 2012 have been prepared on a 'Going Concern' basis.

### Awards and Accolades

The continued good performance of the bank has won laurels and appreciation from several quarters during the year 2011-12. The awards and accolades won during the year are listed below:

- Your Bank has been conferred the Best Cost Efficient Private Sector Bank by FICCI-IBA under FIBAC Best Bank Award 2011. The award was received from the hands of Shri Prithviraj Chavan, Hon'ble Chief Minister of Maharashtra.
- The Bank has won Best Bank Award for Mobile Banking among Small Banks from IDRBT Banking Technology Excellence Awards 2010-11 by the Institute for Development and Research in Banking Technology, Hyderabad.
- KVB was adjudged as the Best Old Private Sector Bank by CNBC-TV18 Best Banks & Financial Institutions Awards, 2011 by CNBC-TV18-MCX. The award was received from the hands of Hon'ble Minister for Corporate Affairs Shri Veerappa Moily.
- Financial Express India's Best Bank Awards, 2011 conferred Best Old Private Sector Bank- Runner Up. The award was presented by Shri Pranab Mukherjee, Hon'ble Finance Minister of India.
- Business World-Price Waterhouse Coopers Best Bank Awards, 2011 adjudged your Bank as the Best Small Bank and Fastest Growing Small Bank. Shri Pranab Mukherjee, Hon'ble Finance Minister of India, presented the award.
- The Bank was rated as the second in the Mid-sized banker category as also the best mid sized bank in quality of assets (Balance Sheet Size less than Rs.50,000 cr) by the Business To-day-KPMG.
- The State Forum of Bankers' Club, Kerala conferred the Best Private Sector Bank, 2010-11 award.

KVB is a responsible corporate citizen and the same is recognized by the Central Excise and Service Tax Commissionerate, Trichy by giving 'Top Tax Payer' award. We are second highest service tax payer under the 'Services' category.

During the current fiscal your bank received BEST PRIVATE SECTOR BANK 2012 award from the Bloomberg-UTV Financial Leadership Awards 2012. MD & CEO of the Bank received the award from the Hon'ble Finance Minister Shri Pranab Mukherjee.

## DIRECTORS' REPORT

### Corporate Social Responsibility

Your Bank has been extending its patronage by way of donations and sponsorship for various humanitarian activities in the field of education, health and other social causes as a part of its commitment towards Corporate Social Responsibility.

The Bank extended donation towards funding the following activities

- (a) Rs. 2.50 lakh towards Ambulane to Shakuntala Devi Maternity Hospital, Royapuram, Chennai
- (b) Rs.2.70 lakh to Rotary Texcity, Karur, to conduct medical camps for one year
- (c) Rs.3 lakh to Bharat Vikas Parishad Charitable Trust, Bangalore for establishment of Centre for manufacture of artificial limbs and re-habilitation.
- (d) Rs.50,000/- to Arogya Sadan Charitable Trust, Kolkata for their care centre of mentally challenged persons.
- (e) Rs.8.87 lakh to Akshaya Foundation, Bangalore for purchase of van for distribution of mid-day meals to school children.
- (f) Rs. 5 lakh to B.W. Lions Super Speciality Eye Hospital, Bangalore for expansion of the eye hospital.
- (g) Rs.50,000/- to Patthi Adinarayanaiah Ramakrishnamma Vidhya Samasthe, Munganahalli, Karnataka.

Your Bank has contributed Rs. 50 lakh to the Tamil Nadu Chief Minister's Thane Cyclone Relief Fund.

Place : Karur  
Date : 25.05.2012

Besides the above the Bank has also contributed to the cultural cause by donating a sum of Rs. 25 lakh to the renovation of the auditorium of Narada Gana Sabha, Karur. Rs.2.76 lakh was donated to Sri Kasi Annapurna Vasavi Arya Vysya Vrudhashramam and Nithyanna Satram.

Management Discussion and Analysis Report for the year under report and Report on Corporate governance as stipulated under Clause 49 of the Listing Agreement are provided in separate sections forming part of the Annual Report.

### Acknowledgements

The Directors thank the valued customers, shareholders, well-wishers and correspondent banks, business associates for their goodwill, patronage and support.

Your Directors acknowledge with gratitude the valuable and timely advice, guidance and support received from GOI, RBI, SEBI, NSE, Depositories and various State Governments in the functioning of the Bank.

The Directors place on record their deep appreciation of the valuable contribution of the members of the staff at all levels for the consistent growth of the Bank which took the bank to greater heights and look forward to their continued co-operation in realization of the corporate goals in the years ahead.

For and on behalf of the Board of Directors  
**K.P. Kumar**  
Chairman

## CORPORATE GOVERNANCE

### 1. BANK'S PHILOSOPHY OF CORPORATE GOVERNANCE

Corporate governance is about commitment to values and ethical business conduct. It is also about how the organization is managed through its corporate and business structures, its culture, policies and the manner in which it deals with various stakeholders.

KVB has been one of the front runners to have put in place a formalized system of corporate governance. Since inception its governance framework enjoins the highest standards of ethical and responsible conduct of business to create value for all its stakeholders. Your Board believes that governance expectations are constantly evolving and the bank is committed to keep the transparency and dissemination of information under review to meet both letter and spirit of the regulatory norms and its own demanding levels of business practices and ethics.

Bank's corporate governance principles are based on the following broad ethos:

- Generating profitable growth to ensure sustainable success which will ensure maximization of wealth to all the stakeholders.
- Maintaining transparency and high degree of disclosure levels by adhering to the governance standards both letter and spirit
- Having a transparent corporate structure driven by business needs

The Bank considers itself as a Trustee of all the stakeholders and acknowledges its responsibility towards them by creating and safeguarding their wealth. This is attained through sound corporate strategies, proactive business plans, policies and procedures to satisfy the ethical and legal responsibilities.

### 2. BOARD OF DIRECTORS

The Board of the Bank is broadbased constituted in compliance with the Banking Regulation Act, 1949, The Companies Act, 1956 as also the Listing Agreement entered into by the Bank with the National Stock Exchange of India Limited. Headed by the Non-Executive Chairman, the Board has 10 directors consisting of professionals from varied disciplines. The day to day management of the affairs of the Bank is entrusted to senior management personnel, headed by Managing Director and Chief Executive Officer who functions under the overall supervision, direction and control of the Board.

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

Shri S Ganapathi Subramanian is a Part-time non-official director in M/s New India Assurance Company Limited. None of the other directors of the bank is a Director in any other public limited company.

As mandated by Clause 49, as on 31st March 2012, none of the directors of the bank is a member of more than 10 Board level committees or Chairs more than 5 Committees across all companies in which he is a Director. A Declaration to this effect has been furnished to the Bank by the non-executive Directors.

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 2011-12 are furnished below.

The Board has constituted ten Committees. The details as to Audit Committee and the Customer Service and Shareholders/Investors Grievance Committee, IT Strategy Committee, Cyber Frauds Monitoring Committee and Compensation Committee are given elsewhere in the report.

Sl No	Name Sarvashri	Category of Director	Sectoral Representation	Board	Advances	S&D	RM & ALM	NPAM & FM	NC
	No. of meetings held			26	14	13	3	2	4
1	K P Kumar	Non-Executive Chairman	Law	26	11	9	-	2	4
2	P T Kuppuswamy (up to 31.05.2011)	MD & CEO	Banking	4	1	-	-	-	1
3	K Venkataraman (from 06.06.2011)	MD & CEO	Banking	22	12	10	3	2	2
4	Dr.V.G.Mohan Prasad (upto 27.07.2011)	Independent Non-Executive	Agriculture	4	-	-	-	-	1
5	M G S Ramesh Babu	Independent Non-Executive	SSI	25	11	11	3	-	2
6	Dr S Krishna Kumar (Upto 28.12.2011)	Independent Non- Executive	IT	5	-	-	1	-	-
7	S Ganapathi Subramanian	Independent Non- Executive	Accountancy (Special knowledge) Agriculture (Practical knowledge)	26	-	11	3	-	4



## CORPORATE GOVERNANCE

Sl No	Name Sarvashri	Category of Director	Sectoral Representation	Board	Advances	S&D	RM & ALM	NPAM & FM	NC
	No. of meetings held			26	14	13	3	2	4
8	K Parameshwara Rao	Independent Non- Executive	Banking - Risk Management	26	14	-	3	-	-
9	V Santhanaraman	Independent Non- Executive	Strategic Planning	26	11	-	-	2	-
10	G Rajasekaran	Promoter Family Non-Executive	Business & Finance	26	-	8	-	2	-
11	A J Suriyanarayana	Promoter Family Non-Executive	Business & Finance	24	13	9	-	-	2
12	K Ramadurai (from 26.08.2011)	Independent Non- Executive	Accountancy	16	-	-	-	-	-
13	K K Balu (from 27.01.2012)	Independent Non- Executive	Legal & Recovery	6	-	-	-	-	-

Advances - Advances Committee  
 S & D - Staff & Development Committee  
 RM & ALM - Risk Management and Asset and Liability Management Committee  
 NPAM & FM - NPA Management and Fraud Monitoring Committee  
 NC - Nomination Committee

- b) to recommend appointment, reappointment, removal or replacement of statutory/concurrent auditors and fixing their remuneration
- c) 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
- d) to review the adequacy of internal control systems and internal audit systems
- e) to review the findings of internal investigations, etc.,

### II. Attendance at Last AGM

All the Directors of the bank have attended the last Annual General Meeting of the Bank held on 27.07.2011.

### 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:

- a) to provide the direction and oversight to the total audit function of the bank

ACB is functioning under the Chairmanship of Director Shri S Ganapathi Subramanian, a Chartered Accountant.

The Committee met 8 times during the fiscal 2011-12. The names of the members of the Audit Committee and their attendance at the Audit Committee Meetings during the Financial Year 2011-2012 are given below.

Sl. No.	Name Sarvashri	Designation	No. of Meetings Present
1	S Ganapathi Subramanian	Chairman of the Committee	8
2	K Parameshwara Rao #	Director	5
3	V Santhanaraman	Director	8
4	G Rajasekaran	Director	7
5	A J Suriyanarayana	Director	8

# Shri K Parameshwara Rao was a member of the Committee till 30.11.2011

## CORPORATE GOVERNANCE

### 4. REMUNERATION TO DIRECTORS

Shri K.P.Kumar, Non-Executive Chairman was paid Rs. 9,00,000/- as honorarium besides sitting fees for attending Board and Committee meetings to the tune of Rs.4,40,000/-. Shri P T Kuppuswamy, the Ex-MD & CEO, was paid Rs. 32,39,155.89 Shri K Venkataraman, MD & CEO was paid Rs.41,41,528.06 as remuneration for the year 2011-12 in accordance with the terms and conditions approved by RBI.

The other directors were paid sitting fees of Rs.10,000/- and Rs.5,000/- each for attending Board meetings and Committee meetings respectively.

During the year Shri P T Kuppuswamy, Ex-MD & CEO was allotted one thousand one hundred stock options under the Employees Stock Option Scheme of the bank. The allotment was made consequent to the exercise of the stock options, after the vesting period was over.

### 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, 2012 are furnished below

Sl. No.	Name Sarvashri	No.of Shares
1	K P Kumar	20,308
2	M G S Ramesh Babu	99,950
3	S.Ganapathi Subramanian	1,200
4	K. Parameshwara Rao	1,050
5	V Santhanaraman	3,000

Sl. No.	Name Sarvashri	No.of Shares
6	G Rajasekaran	2,49,162
7	A J Suriyanarayana	2,29,119
8	K Ramadurai	3,516
9	K K Balu	555

### 6. BOARD PROCEDURES

The Board meetings are scheduled well in advance and intimated to the members. The Board is well equipped to take informed decisions with all relevant information and agenda for the meetings of the Board /Committee sent in advance. The members of the Board exercise due diligence in performance of the functions as Directors of the Bank and follow highest degree of business ethics,

transparent practices and code of good governance amidst cordial environment.

The Board meets to discuss, review and decide upon the matters such as policy formulation, setting up of goals, appraisal of performances with goals and control functions etc. As already stated some of the powers of the Board have also been delegated to Committees of Directors. The Board also periodically reviews the compliance reports of the regulatory guidelines.

### Frequency of the Board Meetings

The Board met on 26 occasions on various dates as detailed herein during the fiscal 2011-12.

28.04.2011	12.06.2011	26.08.2011	24.09.2011	26.11.2011	28.01.2012	30.03.2012
29.04.2011	25.06.2011	27.08.2011	01.11.2011	29.12.2011	24.02.2012	31.03.2012
20.05.2011	27.07.2011	16.09.2011	02.11.2011	30.12.2011	25.02.2012	
21.05.2011	28.07.2011	23.09.2011	25.11.2011	27.01.2012	17.03.2012	

### 7. SHAREHOLDERS

CA Shri K Ramadurai was co-opted as an Additional Director in the Board Meeting held on 26.08.2011 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.

Shri K K Balu was co-opted as an Additional Director in the Board Meeting held on 27.01.2012 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.

The appointment of above additional directors are covered as agenda items 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 are given below:

CA Shri K Ramadurai, aged 68 years, is a Commerce Graduate and a Fellow member of the Institute of Chartered Accountants of India. He has four decades of experience in Audit of Banks including as the Central Statutory Auditor for many Banks and Financial Institutions. He was on the Board of KVB from 7.8.2001 till 6.8.2009. He is an Independent Director and represents the majority sector 'Accountancy'. He holds 3,516 shares in the Bank.

Shri K K Balu, aged 67 years, is a graduate in Arts and Law. His other qualifications are PGDTL and DCBP. He started his career as

## CORPORATE GOVERNANCE

a practicing advocate in 1968 and then joined Syndicate Bank in 1978 and worked there till March 1989. He then moved on to National Housing Bank, New Delhi as Assistant General Manager and got himself elevated to the position of General Manager of National Housing Bank (NHB). He relinquished the position of GM of NHB to join as a Member (Judicial) of the Company Law Board (CLB) in September 1996. He was the Vice-Chairman of the CLB from July 2005 till September 2009. Thus he has more than four decades of rich experience in Legal, Banking and Judiciary. He is currently on the panel of Council for National and International Commercial Arbitration, London Court of International Arbitration, India, Indian Council of Arbitration, Multi Commodity Exchange of India and Indian Institute of Arbitration and Mediation and IMC Court of Arbitration. He is also a Panel Member on the Investor Grievance Resolution Panel of NSE. MCX Stock Exchange, NSDL and NSEL have enlisted him in the panel of Arbitrators for resolving the disputes in accordance with their rules. He is a member on the Committee of Experts appointed by Federation of Andhra Pradesh Chamber of Commerce and Industry. He is a legal advisor to M/s Repco Bank.

He is a Director on the Board of M/s Craftsman Automation Private Limited.

He is an Independent Director in terms of Clause 49 of the Listing Agreement and represents the majority sector 'Legal & Recovery'. He holds 555 shares in the Bank.

### 8. CUSTOMER SERVICE AND SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Sl. No.	Name of the Director	No. of meetings attended
01	Shri K P Kumar, Chairman of the Committee	3
02	Shri P T Kuppuswamy %	1
03	Shri K Venkataraman #	2
04	Shri Dr V G Mohan Prasad \$	1
05	Shri Dr S Krishna Kumar +	NIL
06	Shri V Santhanaraman \$	1
07	Shri A J Suriyanarayana \$	1
08	Shri K Parameshwara Rao #	2

% Member of the Committee till 31.05.2011; \$ Member of the Committee till 28.07.2011; # Member of the Committee from 28.07.2011; + Member of the Committee till 28.12.2011.

During the fiscal, the committee met on three occasions i.e. 29.04.2011, 30.12.2011 & 30.03.2012.

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.

There were 124 complaints in all, pertaining to the transfer of shares, non-receipt of dividend warrants and Balance Sheets, non receipt of rights application forms, 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 other Committees as on 31st March, 2012 are furnished hereunder.

ADVANCES COMMITTEE	STAFF & DEVELOPMENT COMMITTEE
Shri 1.K P Kumar 2.K Venkataraman 3.M G S Ramesh Babu 4.K Parameshwara Rao 5.V Santhanaraman 6.A J Suriyanarayana	Shri 1.K P Kumar 2.K Venkataraman 3.M.G.S.Ramesh Babu 4.S Ganapathi Subramanian 5.G.Rajasekaran 6. A J Suriyanarayana
RISK MANAGEMENT AND ASSET LIABILITY MANAGEMENT COMMITTEE	NPA MANAGEMENT AND FRAUD MONITORING COMMITTEE
Shri 1.K Venkataraman 2.M G S Ramesh Babu 3.S.Ganapathi Subramanian 4.K Parameshwara Rao	Shri 1. K P Kumar 2. K.Venkataraman 3. V Santhanaraman 4. G.Rajasekaran

## CORPORATE GOVERNANCE

NOMINATION COMMITTEE	COMPENSATION COMMITTEE
Shri 1.K P Kumar 2.K Venkataraman 3.S Ganapathi Subramanian 4.A J Suriyanarayana	Shri 1.K P Kumar 2. M G S Ramesh Babu 3.V Santhanaraman 4.G Rajasekaran
IT STRATEGY COMMITTEE	CYBER FRAUDS MONITORING COMMITTEE
Shri 1.M G S Ramesh Babu 2.K. Venkataraman 3.A J Suriyanarayana	Shri 1.S Ganapathi Subramanian 2.K Parameshwara Rao 3.V Santhanaraman 4.G Rajasekaran

The Nomination Committee met on four occasions to scrutinize the declaration and undertakings furnished by the Directors seeking appointment, reappointment as also persons who filed their nominations seeking appointment for the position of directorship at the 92nd Annual General Meeting. The Committee 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 laid down under the extant guidelines.

The Compensation Committee consisting of majority of Independent Directors is headed by Shri K P Kumar, Non-Executive Chairman. The Committee's role is to make recommendations on the issues of augmentation of capital and the issuance of Bank's shares to its employees under KVB Employees Stock Option Scheme. The Committee met on one occasion during the year under review. Except Dr V G Mohan Prasad, all other members of the Committee attended the meeting.

Board also constituted another Committee for considering Rights issue related matters such as finalizing the issue opening and closing dates, allotment of shares, making call monies etc. The Committee met twice during the fiscal for the purpose of making first and second calls for the Rights Equity Shares allotted on 30.03.2011. The details of attendance of the members of the Committee are given below:

Sl. No.	Name of the Director	Attendance details	
		19.04.2011	20.06.2011
1	Shri P T Kuppaswamy	Yes	No
2	Shri M G S Ramesh Babu	Yes	Yes
3	Shri G Rajasekaran	Yes	Yes
4	Shri A J Suriyanarayana	No	Yes

IT Strategy Committee

As mandated by RBI, the Committees have been constituted with members as detailed herein above.

IT strategy Committee met on two occasions viz: i.e. on 23.11.2011 and 11.02.2012 and the attendance details are

Sl. No.	Name of the Director Shri	Attendance details	
		23.11.2011	11.02.2012
1	Shri M G S Ramesh Babu	Yes	Yes
2	Shri K Venkataraman	Yes	Yes
3	Dr S Krishna Kumar (upto 28-12-2011)	No	NA
4	Shri A J Suriyanarayana	Yes	Yes

Cyber Frauds Monitoring Committee has not met during the period under review.

### 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
90 <sup>th</sup> AGM	Monday 27.07.2009 10.00 A.M.	Regd. & Central Office, Erode Road, Karur.	NIL
91 <sup>st</sup> AGM	Wednesday 21.07.2010 10.15 A.M.	Regd. & Central Office, Erode Road, Karur.	NIL
92 <sup>nd</sup> AGM	Wednesday 27.07.2011 10.30 A.M.	Regd. & Central Office, Erode Road, Karur.	Issue of Employees Stock Option to the tune of 40,00,000 options to the Employees of the Bank.

## CORPORATE GOVERNANCE

### 11. DISCLOSURES

During the financial year under report the bank did not enter into any materially significant transactions with its Directors, promoters or their relatives that would potentially conflict with and /or adversely affect the interest of the Bank at large.

During the year the bank has complied with the requirements of the RBI/Stock Exchange/SEBI and other statutory authorities concerning the banking and capital market. During the last three years, there were no penalties or strictures imposed on the Bank by the above authorities except in two instances on account of procedural lapse a sum of Rs.200/- was debited by RBI in July 2010 and Rs.100/- in May 2011 as penalty for non-compliance of operational guidelines with regard to examination of soiled note received in remittance by the Bank's currency chests to RBI.

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 R K Kumar & Co., Chartered Accountants, is annexed.

#### **Non-Mandatory Requirements of Clause 49 of the Listing Agreement**

The status of compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement is given below:

**Chairman's office:** The Non-Executive (Part-Time) Chairman has been provided with an office at the Corporate Office of the bank.

**Tenure of Independent Directors:** Clause 49 puts forth a non-mandatory requirement that the tenure of a Director may be restricted to nine years. However the requirement under the Banking Regulation Act, 1949 non-executive director can hold office continuously for a period not exceeding eight years. As a Banking Company, we are governed by the said requirement of the Banking Regulation Act, 1949. Thus the stipulation under the said Clause 49 automatically stands complied.

**Shareholder rights:** All information pertaining to business and developmental activities are intimated to the National Stock Exchange where the shares of the Bank are listed. The Stock Exchange in turn announces the corporate information on its website. The quarterly financial results are published in news papers besides being reported on the websites of the NSE. We also furnish quarterly results to BSE where the shares of the bank are under permitted category. Besides the above, the Bank's website also contains of all corporate information.

#### **Training of Board Members**

New Directors appointed by the Board are provided with necessary documents/brochures, reports to enable them to familiarize with the Bank's procedures and practices. Periodical presentations are made at the Board and Committee meetings on business and performance updates of the Bank, business strategy and risks involved.

Updates on relevant statutory changes made by the regulators are circulated to the Directors.

The Bank also provides opportunities to attend seminars and workshops in order to equip them with relevant inputs for effective discharge of their responsibilities as Directors wherever required.

#### **Whistleblower Policy**

The Bank has adopted a whistle Blower policy and has established the necessary mechanism in line with the Regulatory guidelines 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. No person has been denied access to the Audit Committee.

### 12. MEANS OF COMMUNICATION

The Board took on record the unaudited financial results subjected to 'Limited Review' by the Auditors, in the prescribed proforma of the Stock Exchanges within one month of the closure of every quarter for the first three quarters and for the last quarter the same will be done along with the results of the whole financial year within two months after the closure of the FY. The results are immediately announced to the National Stock Exchange of India Ltd., where the shares are listed and also to BSE where the shares are under permitted category. The highlights of quarterly results and audited financial results were published in leading national and vernacular news papers such as Business Line/Business Standard and Dinamalar within 48 hours of the conclusion of the Board Meeting in which they were taken on record and information was also placed on the website of the Bank at [www.kvb.co.in](http://www.kvb.co.in). The Bank also makes presentation to the institutional investors/analysts during the investor meets highlighting the quarterly /annual results.

In line with the Green Initiative advised by the Ministry of Corporate Affairs (MCA) your Bank has advised the members to furnish E-mail address for sending notices/documents through E-mail. Members are requested to register their E-mail address and changes therein from time to time with the Bank in its website [www.kvb.co.in](http://www.kvb.co.in) → About us → Shareholders corner /Statutory requirements → Annual report green initiative.

Members will be sent the documents, notices etc including Annual Report through mail if they opt for the same.

### 13. GENERAL SHAREHOLDER INFORMATION

#### Annual General Meeting

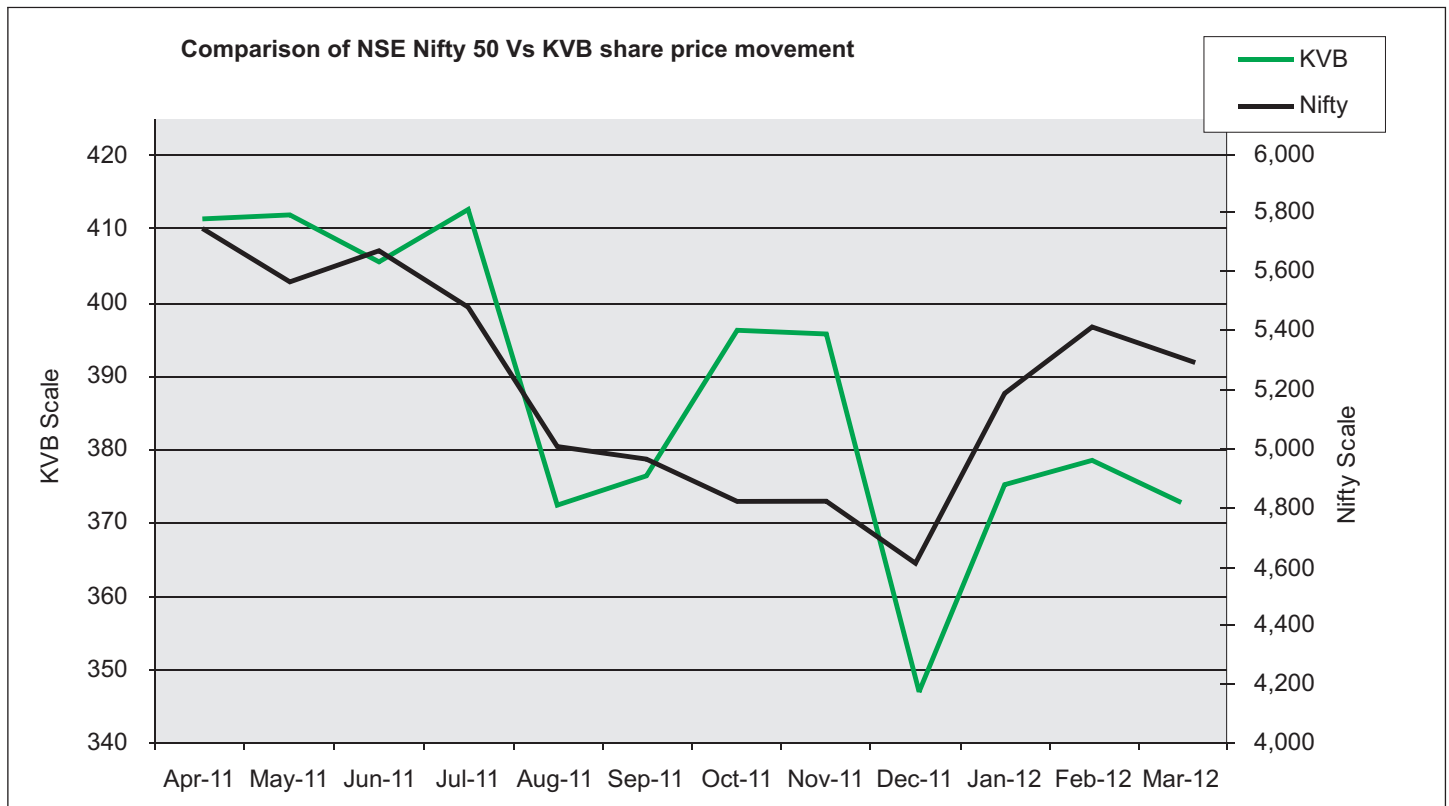
- |                         |  |
|-------------------------|--|
| 1. Date                 | : 30th July 2012 (Monday)  |
| 2. Time and Venue       | : 10.15 A.M.<br>Registered & Central Office<br>Erode Road, Karur 639 002 |
| 3. Financial year       | : 01.04.2011 to 31.03.2012   |
| 4. Date of Book Closure | : 23.07.2012 to 30.07.2012<br>(Both days inclusive)                      |

## CORPORATE GOVERNANCE

5. Dividend Payment Date : 30th July 2012
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 of the financial year 2011-12 are furnished hereunder.

Month		High (Rs)	Low (Rs)
April	2011	431.70	400.00
May	2011	426.90	398.00
June	2011	416.50	382.00
July	2011	436.95	397.45
August	2011	417.00	332.40
September	2011	394.90	352.65
October	2011	397.00	352.65
November	2011	401.95	349.00
December	2011	400.00	343.05
January	2012	390.00	315.00
February	2012	406.00	369.10
March	2012	389.00	364.30

### Equity performance in comparison to NSE nifty during 01.04.2011 to 31.03.2012



## CORPORATE GOVERNANCE

### REGISTRARS AND SHARE TRANSFER AGENTS

M/s SKDC Consultants Ltd., Kanapathy Towers, 3rd Floor, 1391/A-1 Sathy Road, Ganapathy, Coimbatore 641006 Phone : 0422 - 6549995/2539835, 2539836 are the Registrars and the Share Transfer Agents for both the Physical and the Demat segment of equity shares of the bank.

The shareholders are requested to correspond only with the Registrars on any matter relating to Physical segment of shares.

### Distribution of shareholding as on 31.03.2012:

No. of Shares (Category)	No. of Shares				No. of Shareholders			
	Physical	Demat	Total	%	Physical	Demat	Total	%
Upto 250	618981	2547222	3166203	2.95	8254	38263	46517	69.41
251 - 500	700166	1783933	2484099	2.32	2002	4933	6935	10.35
501 - 1000	1194443	3303466	4497909	4.20	1680	4488	6168	9.20
1001 - 2000	1006759	3795917	4802676	4.48	691	2587	3278	4.89
2001 - 3000	631647	2397906	3029553	2.83	252	966	1218	1.82
3001 - 4000	464626	1868360	2332986	2.18	132	531	663	0.99
4001 - 5000	262941	1571860	1834801	1.71	58	350	408	0.61
5001 - 10000	950424	5517639	6468063	6.03	140	796	936	1.40
10001 & above	2827263	75736853	78564116	73.30	83	815	898	1.34
Total	8657250	98523156	107180406	100.00	13292	53729	67021	100.00
% to Total	8.08	91.92	100.00		19.83	80.17	100.00	

### DEMATERIALISATION 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 at 31.03.2012, shares constituting about 91.92% of the paid up share capital have been dematerialized.

STOCK CODE : KARURVYSYA

ISIN NO. : INE036D01010

The Bank has paid the listing fee for the financial year 2012-13 to the National Stock Exchange of India Ltd., Mumbai. The Bank has also paid the annual maintenance fee to both the Depositories viz: NSDL and CDSL.

The bank has complied with SEBI requirements with regard to Reconciliation of Share Capital Audit for the purpose of reconciliation of the total admitted capital in physical mode as also with both the Depositories NSDL and CDSL and the total issued and listed capital of the bank and in respect of other matters

covered under the directions of SEBI by the statutory auditors of the bank.

Pursuant to clause 47(f) of Listing agreement, bank has created a separate e-mail ID for redressal of Investor Complaints and Grievances. The said e-mail ID is [kvb\\_sig@kvbmail.com](mailto: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: 04324-269581 - 83, 227133**

**Fax: 04324-225700 E-Mail: [kvbshares@kvbmail.com](mailto:kvbshares@kvbmail.com)**

**Website: [www.kvb.co.in](http://www.kvb.co.in)**

Declaration as required under Clause 49 (1D) of the Listing Agreement

All Directors and Senior Management Personnel of the Bank have affirmed compliance with the Code of Conduct of the Bank for the year ended March 31, 2012.

Place : Karur  
Dated : 25.05.2012

K. Venkataraman  
Managing Director & Chief Executive Officer

## CORPORATE GOVERNANCE

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### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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#### 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, 2012 as stipulated in Clause 49 of the Listing Agreement of the said 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.

For **R.K. Kumar & Co**  
Chartered Accountants  
Firm Reg No. 001595S

**C.R. Sundararajan**  
Partner  
M.No. 025400

Karur,  
25th May, 2012



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Developments

Indian Banking industry has two categories of banks viz: scheduled and non-scheduled banks. Scheduled commercial banks, which are governed under the Reserve Bank of India Act, 1934, have a net work of more than 67,000 branches. The Scheduled Commercial Banks (SCBs) may be classified into three broad categories viz: Public Sector, Private Sector and Foreign banks. Apart from the SCBs there are Co-operative Banks. Public Sector Bank accounts for 75% of the total assets in the banking system and the rest 25% is shared among the Private and Foreign banks.

### Indian Banking during the fiscal 2011-12

The aggregate deposits of the banking system has grown 17.4% during the year 2011-12 as against 13.4% growth recorded in the previous fiscal. Term deposits recorded robust growth during the first three quarters of the fiscal 2011-12 due to increase in the deposit interest rates. The fourth quarter saw a decelerated growth attributed mainly to the tight liquidity conditions and the dominance of base effect. During the year banks increased their sources of funds to debt instruments and LAF borrowings compared to the previous fiscal.

As regards credit growth, total advances of the commercial banks grew by 19.3% in 2011-12 as against 21.5% growth registered in 2010-11. Credit growth thus decelerated during 2011-12 and this was evident across all bank groups.

Increasing stress in the corporate sector saw many Corporates coming for debt restructuring during the FY 2011-12. Non-bank sources emerged as an important source for financing commercial sector. Within the non-banking sources, external funds mainly the FDIs accounted for more than 70%. NBFCs accounted for non-bank funds. Corporates resorted to short term Commercial Papers in view of higher interest rates for funding which were subscribed by the banks substantially.

Monetary and liquidity conditions remained tight during 2011-12. During the later part of the year 2011-12, RBI injected primary liquidity through Open Market Operation (OMO) purchases and through CRR cuts. To ease the tightness in liquidity RBI conducted OMOs aggregating over Rs.70,000 cr over the period November 2011 to mid-January 2012. There was a total of 125 bps reduction in the CRR during January - March 2012 to ease the liquidity situation and aid growth revival.

India's trade deficit widened during the year compared to the previous fiscal. This was due to subdued export growth and high imports.

Foreign Direct Investment (FDI) in India spiked 34% to record \$46.8 bn in 2011-12. Equity markets stayed upbeat in the last quarter of the Fiscal 2011-12 largely on account of revival of global markets, surge in FII inflows and the decline in domestic inflation. NRI interest rates were freed in December 2011 and as a result many banks offered higher interest rates resulting in inflow of NRI funds. NRI deposits almost tripled to a record \$11 bn in the last fiscal.

Indian rupee depreciated significantly against US \$ marking a new risk for our economy. Persistent inflation, fiscal deficits, continued global uncertainty and declining FII inflows led to the sharp depreciation of Indian rupee by nearly 20% against US\$ from April 2011 to December 2011.

Higher interest rates affected the debt servicing capabilities of some corporates and retail borrowers which ultimately reflected in the deteriorating asset quality of banks.

### Opportunities and Threats

According to an IBA-FICCI-BCG report titled 'Being five star in productivity -road map for excellence in Indian Banking', the country's GDP growth will make the Indian Banking Industry the third largest in the world by 2025. The report says that the domestic banking industry is set for an exponential growth in the coming years with the assets size expected to reach US \$ 28500 bn by 2025 from the 2010 level of US \$ 1350 bn. Also 41% of the country's adult population do not have bank accounts. Fortunes of banking system are linked to the performance of the real economy. As one of the fast growing economies in the world India is expected to remain in the growth path in the coming years. All the sectors of the economy viz: agriculture, industry and services are expected to be on a high growth path, which will boost credit growth in the economy. This indicates the large untapped market for commercial banks.

The country's younger population has more disposable income in their hands. They prefer products that suit their tastes and preferences.

A recent data from RBI reveals that retail banking through electronic channels is on the increase, the number of transactions in electronic mode is rising at 27.7% and their value up by 70% y-o-y in 2011-12. NEFT accounted for bulk of the electronic transactions in 2011-12, rising by 70.8% rise in volumes and a 90.6% rise in value terms. The maximum volume of transactions are through Debit and Credit Cards. There is a report which suggests that mobile banking which is gaining popularity would become the second largest channel of banking after ATMs. There are about 6 lakh Point Of Sale (POS) Terminals across India that facilitate receipt of payments at retail establishments through cards. Mobile banking is also picking up with the younger population using mobile phones. Mobile banking is intensively used for utility payments as offered by some banks and the same is picking up fast. Banks have to increasingly penetrate into the segment of population and tap this enormous potential.

RBI has recently released the draft BASEL III guidelines. As per the draft guidelines, banks will have to augment the minimum core capital after stringent deduction. The guidelines provide for twin requirements. While the first one is capital conservative buffer which calls for an extra capital cushion of 2.5% to reduce the risk, the other one is counter cyclical buffer, which stipulates that extra capital buffer to be created in good times to take care of the cyclical effects. These will certainly make the banks to use judiciously the profits to build up reserves and go for capital conservation methods. Capital infusion programme has to be made on an on going basis.

The Indian economy is facing a slowdown during the last couple of years. Due to this trend there are delinquencies in servicing the debts by the corporates as well as by the retail borrowers. High interest rates also added to the woes of the borrowers. These led to stressed assets in the portfolios of banks and consequent restructuring of the loans. The stressed assets of the banks over the couple of years led to higher provisioning and resultant impact on the profitability of the banks. Managing the stressed assets

## MANAGEMENT DISCUSSION AND ANALYSIS

portfolio is the key challenge and at the same time maintaining profitability to serve the shareholders and other stakeholders.

Savings bank interest rates have been deregulated during the fiscal 2011-12. While most of the banks have not hiked their SB interest rates, some of the smaller banks raised their rates for SB accounts.

There are a large number of players in the banking industry. Added to this NBFCs also pose challenges to the banks' business. In recent years banks have been incurring substantial employee costs to acquire and retain the human resources.

### Segmentwise and Productwise performance

The segment wise and product wise performance both in the Deposits and Credit is furnished below

Deposits	Amount Rs. in Cr	Advances	Amount Rs. in Cr
Demand	2,478.25	Cash Credits, Overdrafts & Demand Loans	17,347.52
Savings	3,673.33	Bills Purchased & discounted	1,291.45
Term	25,960.01	Term Loans	5,566.14
<b>Total</b>	<b>32,111.59</b>	<b>Total</b>	<b>24,205.11</b>

The total deposits of the Bank increased from 24,721.85 Cr to Rs.32,111.59 Cr, recording an annual growth rate of 29.89%. CASA deposit accounted for 19.16% in aggregate deposits.

The average deposits stood at Rs. 27,156.04 Cr during 2011-12, compared to Rs. 20,972.56 Cr during 2010-11 recording a growth rate of 29.48%. Cost of deposits rose to 8.11% during 2011-12 from 6.67% recorded in the previous fiscal.

During the year under report, Gross credit increased from Rs. 18,052.41 Cr to Rs. 24,205.11 Cr, registering a growth of 34.08%. The average advances was higher by Rs. 4,974.91 Cr to reach Rs. 19,975.99 Cr at the end of the fiscal 2011-12 from Rs. 15,001.08 Cr at the end of previous fiscal. The average yield on advances was 12.71% for the fiscal 2011-12 against 11.22 % during the earlier fiscal. Spread decreased from 2.74% to 2.33% during the fiscal 2011-12.

The Bank has the following business segments viz: Treasury, Corporate/wholesale banking, Retail banking and other banking operations. The results of the banking segments are furnished elsewhere in the report.

### Outlook

Your bank performed reasonably well despite the downtrend in the economic conditions during the last fiscal. The growth of the economy during 2012-13 is expected to be slightly better than the previous fiscal as per various surveys.

Your bank has comfortably crossed its projected level of Rs.55,000 Cr business mark during the past fiscal and reached the business level of Rs. 56,317 Cr. The Bank has set a gross business target of Rs.72,000 Cr for the current fiscal 2012-13. With the bank's ongoing initiatives for driving the business and inspired motivation among the employees at all levels, your Bank is all set to reach the set goal in Key performance areas in the current fiscal and the years to come. We realize that there is no finishing line in the race to excellence. The Bank has drawn up a road map for the future with focus on the following thrust areas:

- Major thrust areas for the current fiscal would be improvement in CASA ratio.
- The accelerated thrust on pro-active management of the stressed portfolio and recovery of NPAs.
- Improving fee based income by effective focus on para-banking business viz: IT enabled products, sale of gold coins, installation of POS machines, sale of insurance products etc.
- Continuing our efforts to have a more pan India coverage by opening new branches and thus secure more business volumes in the years to come.
- Leveraging technology to the maximum level as also to offer new innovative products to target young and tech savvy clientele and control costs.

Taking into account the growth prospects of the Banking industry amidst economic situation prevailing in the country, your Bank will continue to strive for the targeted growth focusing as always on, delivering good customer service, superior credit quality, a balanced portfolio mix and efficient cost control management in order to sustain profitability.

### Risk Management

Risk management is an integral part of the Bank's organizational structure and business strategy. Identification, measurement, monitoring and controlling the risk helps the bank to minimize the losses and maximize the profits. The Bank has a well chartered risk management policy for managing credit, operational and market risks. The Board level Committee periodically reviews the risk profile, evaluation of the overall risk faced by the Bank and develops policies and strategies for effective management of risk. The Executive level Committee of the Bank headed by the General Manager, Risk Management is responsible for the implementation of the laid down policies and procedures and ensure that the same reaches the field level in order that it becomes part and parcel of the functioning of the Bank.

Your Bank is BASEL II compliant effective from March 31, 2009 by adopting the basic approaches available under the extant guidelines.

The Bank has put in place Internal Control Capital Adequacy Assessment Process (ICCAAP) to assess the risks to which it is exposed and the risk management processes in order to manage and mitigate those risks and to further evaluate its capital adequacy relative to the risks.

### Internal Control and Systems Adequacy

The bank has put in place well articulated internal control measures commensurate to its size as also the complexity of its operations.

## MANAGEMENT DISCUSSION AND ANALYSIS

Internal Audit Department looks after the internal audit and compliance functions. Audit Committee of the Board oversees the internal audit and compliance functions. In the light of the fast changing dynamics of to-day's banking environment and in tune with the extant guidelines the bank has adopted Risk Based Internal Audit. This audit lays focus on the Risk identification, management of risks, adequacy of internal control systems and procedures as well as optimum use of resources. It aims at providing an assurance to the management on the level of regulatory and systemic compliance besides accomplishing the corporate governance objectives.

The Branches and other offices of the bank are subjected to different types of audit viz: regular inspection, short inspection, IS Audit of the Data Centre, concurrent audit of select branches, Treasury and International Division, rural audit for rural branches etc form part of the internal control mechanism. Apart from these audits, the Bank has in place an effective on-line surveillance system using its fully networked Core Banking Software. The findings of the internal audit is also placed before the ACB which oversees the performance and effectiveness of the controls laid down.

In order to strengthen the credit administration, your bank has been ensuring stock audit and credit audit of large borrowal accounts.

The various Divisional Offices and other Departments of the Central Office have also been subjected to management audit once in two years.

As on 31st March 2012, all the branches of the Bank were audited by the Internal Audit Department's inspecting officials.

The bank has put in place the KYC and Anti money laundering measures in line with the regulatory guidelines. As a part of the Anti money laundering control, transactions are being viewed at Central Office of the Bank through exclusive AMLock Software as an ongoing exercise.

### Financial Performance with respect to Operational Performance

During the fiscal 2011-12, the total income recorded a growth of 45.86% from Rs. 2,482.03 Cr as at the end of 31.03.2011 to Rs. 3,620.52 Cr as at the end of 31.03.2012. Interest income improved to Rs. 3,270.37 Cr as at the end of 31.03.2012 as against Rs.2,217.69 Cr as at 31.03.2011 representing an increase of 47.47%. The Non-interest income is Rs. 350.15 Cr for the year ended 31.03.2012 as against Rs.264.33 Cr for the year ended 31.03.2011. Interest expended increased to Rs.2,353.25 Cr in the fiscal 2011-12 from Rs.1,450.84 Cr in the earlier fiscal 2010-11 recording an increase of 62.20%. Of the total interest expenditure, interest on deposits grew by 57.53% to Rs.2,203.22 Cr from Rs.1,398.56 Cr during the corresponding previous fiscal mainly on account of rising interest rates scenario.

The total expenditure for the year 2011-12 was Rs.2,894.81 Cr as against Rs. 1,881.44 Cr a year ago, recording a rise of 53.86%.

The Operating Profit for the financial year 2011-12 stood at Rs. 725.71 Cr as compared to Rs. 600.58 Cr in the previous fiscal 2010-11 registering an increase of Rs. 125.13 Cr (20.83%).

The Bank's net profit rose to Rs. 501.72 Cr in 2011-12 from Rs. 415.59 Cr with a growth rate of 20.72%.

Earning per share (EPS) has increased from Rs. 44.90 as of 31.03.2011 to Rs. 46.81 as at the end of March 2012. The Book value per share was Rs. 252.63 as at 31.03.2012.

The net interest income (NII) recorded a growth of 19.59% during the fiscal 2011-12 from Rs. 766.85 Cr as on 31.03.2011 to Rs. 917.12 Cr as on 31.03.2012.

Net Interest Margin (NIM) of the Bank was 3.08% as on 31.03.2012 as against 3.39% as at the end of the previous fiscal 2010-11.

The return on assets was 1.56% at the end of fiscal under report.

### Human resources and Industrial relations

Your Bank believes that its greatest assets are its people and training is an investment in long term people development for organisational excellence. During the year under report, in order to meet the requirements of business growth, Branch network expansion, attrition and retirements, Bank has recruited 1701 fresh employees. The total staff strength stood at 5,673 as at 31st March 2012 as compared to 4,574 as on 31st March 2011.

Business per employee in the Bank increased from Rs. 9.26 Cr as on 31.03.2011 to Rs. 9.84 Cr as on 31.03.2012. Profit per employee marginally declined from Rs. 9.09 lakh to reach Rs.8.84 lakh.

Skill development of the workforce improves competitive edge of the organization. The Bank has taken several new initiatives to ensure that the knowledge and wisdom gained over many years is handed down to the new set of employees. Bank has trained 4,060 employees to improve their behavioral aspects and skills both in-house through its Staff Training College and through other Training institutes.

The pro-active humanistic approach undertaken by the Bank has yielded positive results and the Bank is showing progressive growth consistently with the collective efforts of management and employees. The industrial relations in the Bank have been very cordial and harmonious.

## AUDITORS' REPORT TO SHAREHOLDERS

To  
**The Shareholders of The Karur Vysya Bank Limited**

### Report on the Financial Statements:

1. We have audited the accompanying financial statements of The Karur Vysya Bank Limited as at 31st March 2012, which comprise the Balance Sheet as at 31st March 2012, the Profit & Loss Account and the Cash Flow Statement for the year then ended, significant Accounting Policies and other explanatory information. Incorporated in these financial statements are the returns of 6 branches/offices audited by us and 488 branches/offices audited by Branch Auditors. The Branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued by the Reserve Bank of India.

### Management's responsibility for the Financial Statements:

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act, 1949. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility:

3. Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion:

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the accounting policies and notes thereon, give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the bank as at 31st March, 2012;
  - (ii) in the case of the Profit & Loss Account, of the profits for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

### Report on other Legal and Regulatory requirements:

7. The Balance Sheet and the Profit & 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;
8. Subject to the limitations of the audit indicated in paragraph 1 to 5 above, 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 purposes 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. the returns received from the Offices and Branches of the Bank have been found adequate for the purposes of our audit.
9. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
10. We further report that:
  - (i) the Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of accounts and returns;
  - (ii) in our opinion, proper books of accounts as required by law have been kept by the bank so far as appears from our examination of those books; and

## AUDITORS' REPORT TO SHAREHOLDERS

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(iii) 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;

(iv) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Place: Karur  
Date: 25th May 2012.

For M/s. **R. K. Kumar & Co.**  
Chartered Accountants  
Firm Reg No. 001595S

**(C.R. Sundararajan)**  
Partner  
M.No.025400

**BALANCE SHEET AS AT 31ST MARCH 2012**

(000's omitted)

	SCHEDULE	AS ON 31.03.2012 ₹.	AS ON 31.03.2011 ₹.
<b>CAPITAL &amp; LIABILITIES</b>			
Capital	1	107,18,04	94,48,72
Reserves & Surplus	2	2601,03,85	2020,04,65
Deposits	3	32111,59,26	24721,85,13
Borrowings	4	1972,56,14	529,89,17
Other Liabilities and Provisions	5	842,51,56	858,56,25
<b>TOTAL</b>		<b>37634,88,85</b>	<b>28224,83,92</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	1920,86,67	1679,83,75
Balances with Banks and Money at call and short notice	7	114,58,16	94,62,45
Investments	8	10506,09,54	7731,75,60
Advances	9	23949,18,64	17814,46,38
Fixed Assets	10	244,84,61	210,56,91
Other Assets	11	899,31,23	693,58,83
<b>TOTAL</b>		<b>37634,88,85</b>	<b>28224,83,92</b>
Contingent Liabilities	12	7950,54,21	6159,64,30
Bills for collection	17	1185,14,91	911,16,33
Significant Accounting Policies	18		
Notes on Accounts			

The Schedules referred to above form an integral part of Balance Sheet

**SHRI K.P. KUMAR**  
 Chairman

**SHRI K. VENKATARAMAN**  
 M.D. & C.E.O

**SHRI M.G.S. RAMESH BABU**  
 Director

**SHRI S. GANAPATHI SUBRAMANIAN**  
 Director

**SHRI K. PARAMESHWARA RAO**  
 Director

**SHRI V. SANTHANARAMAN**  
 Director

**SHRI G. RAJASEKARAN**  
 Director

**SHRI A.J. SURIYANARAYANA**  
 Director

**SHRI K. RAMADURAI**  
 Additional Director

**SHRI K. K. BALU**  
 Additional Director

**Shri V. KRISHNASWAMY**  
 President & COO

**Shri R. SUKUMAR**  
 Chief General Manager

**Shri A.R. RAMACHANDRAN**  
 Deputy General Manager

 As per our report of even date  
 For **R.K. KUMAR & CO.,**  
 Chartered Accountants  
 Firm Registration No. 001595S

 Karur  
 25th May 2012

**SHRI R. KANNAN**  
 Company Secretary

**(C.R. Sundararajan)**  
 Partner  
 M.No.025400

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012**

(000's omitted)

	SCHEDULE	Year Ended 31.03.2012 ₹.	Year Ended 31.03.2011 ₹.
<b>I INCOME</b>			
Interest Earned	13	3270,37,29	2217,69,53
Other Income	14	350,14,99	264,33,33
<b>TOTAL</b>		<b>3620,52,28</b>	<b>2482,02,86</b>
<b>II EXPENDITURE</b>			
Interest Expended	15	2353,24,61	1450,84,11
Operating Expenses	16	541,56,38	430,60,34
Provisions and Contingencies		223,98,89	184,99,32
<b>TOTAL</b>		<b>3118,79,88</b>	<b>2066,43,77</b>
<b>III PROFIT</b>			
Net Profit for the year		501,72,40	415,59,09
Profit brought forward**		2,31,14	1,85,46
Amount transferred from			
Provision for Medical Leave		14,80,00	NIL
Charity Account		2,77,50	NIL
<b>TOTAL</b>		<b>521,61,04</b>	<b>417,44,55</b>
** includes excess provision of ₹. 8670284/- transferred from proposed dividend for the year 2010-11			
<b>IV APPROPRIATIONS</b>			
Transfers to			
Statutory Reserve		150,50,00	125,00,00
Capital Reserve		3,14,25	NIL
Special Reserve U/s 36 (1) (viii) of IT Act		35,00,00	30,00,00
Revenue & Other Reserves		156,80,00	111,50,00
Proposed Dividend		150,05,29	128,63,35
Dividend Tax		24,34,23	20,86,76
		519,83,77	416,00,11
BALANCE OF PROFIT		1,77,27	1,44,44
<b>TOTAL</b>		<b>521,61,04</b>	<b>417,44,55</b>
Basic Earnings Per Share	in ₹.	46.81	44.90
Diluted Earnings Per Share	in ₹.	46.81	44.83
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of Profit &amp; Loss Account

**SHRI K.P. KUMAR**  
 Chairman

**SHRI M.G.S. RAMESH BABU**  
 Director

**SHRI V. SANTHANARAMAN**  
 Director

**SHRI K. RAMADURAI**  
 Additional Director

**Shri V. KRISHNASWAMY**  
 President & COO

**Shri R. SUKUMAR**  
 Chief General Manager

**Shri A.R. RAMACHANDRAN**  
 Deputy General Manager

**SHRI R. KANNAN**  
 Company Secretary

**SHRI K. VENKATARAMAN**  
 M.D. & C.E.O

**SHRI K. PARAMESHWARA RAO**  
 Director

**SHRI A.J. SURIYANARAYANA**  
 Director

**SHRI K. K. BALU**  
 Additional Director

 As per our report of even date  
 For **R.K. KUMAR & CO.**,  
 Chartered Accountants  
 Firm Registration No. 001595S

**(C.R. Sundararajan)**  
 Partner  
 M.No.025400

## SCHEDULES

(000's omitted)

	AS ON 31.03.2012 ₹.	AS ON 31.03.2011 ₹.
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Authorised Capital</b>		
20,00,00,000 Equity Shares of Rs. 10 each	<b>200,00,00</b>	200,00,00
<b>Issued Capital:</b>		
10,72,68,622 / 10,67,60,418 Equity Shares of Rs.10/- each	<b>107,26,86</b>	<b>106,76,04</b>
<b>Subscribed &amp; Paid up Capital:</b>		
7,62,09,811 Equity Shares of Rs.10/- each and 3,04,62,391 Equity Shares of Rs. 6/- each: Rs. 944872456.00		
Add:		
Call money received for 3,04,62,391 Equity Shares @ Rs. 4/- each: Rs. 121849564.00	<b>106,67,22</b>	94,48,72
Add: Issue of 5,08,204 Equity Shares of Rs. 10/- each issued under ESOS 2010	<b>50,82</b>	Nil
<b>TOTAL</b>	<b>107,18,04</b>	<b>94,48,72</b>

## SCHEDULE 2 - RESERVES AND SURPLUS

<b>I Statutory Reserve</b>		
Opening Balance	<b>708,03,31</b>	583,03,31
Addition during the year	<b>150,50,00</b>	125,00,00
	<b>858,53,31</b>	708,03,31
<b>II Capital Reserve</b>		
Opening Balance	<b>56,71,64</b>	56,71,64
Addition during the year	<b>3,14,25</b>	NIL
	<b>59,85,89</b>	56,71,64
<b>III Share Premium</b>		
Opening Balance	<b>317,92,10</b>	129,50,48
Addition during the year (Rights Issue)	<b>216,28,30</b>	210,19,04
Addition during the year ( ESOS)	<b>18,93,82</b>	NIL
	<b>553,14,22</b>	339,69,52
<b>Less : Amount appropriated towards allotment of Bonus shares</b>	<b>NIL</b>	21,77,42
	<b>553,14,22</b>	317,92,10



## SCHEDULES

(000's omitted)

	AS ON 31.03.2012 ₹.	AS ON 31.03.2011 ₹.
<b>SCHEDULE 2 - RESERVES AND SURPLUS (Contd.)</b>		
<b>IV General Reserve</b>		
Opening Balance	875,93,16	764,43,16
Addition during the year	156,80,00	111,50,00
Deduction during the year	NIL	NIL
	<u>1032,73,16</u>	<u>875,93,16</u>
<b>V Special Reserve U/s 36(1) (viii) of I.T. Act</b>		
Opening Balance	60,00,00	30,00,00
Addition during the year	35,00,00	30,00,00
Deduction during the year	NIL	NIL
	<u>95,00,00</u>	<u>60,00,00</u>
<b>VI Balance of Profit :</b>	<u>1,77,27</u>	<u>1,44,44</u>
TOTAL	<u>2601,03,85</u>	<u>2020,04,65</u>
<b>SCHEDULE 3 - DEPOSITS</b>		
<b>A I. Demand Deposits :</b>		
i) From Banks	2,15,94	3,70,15
ii) From Others	2476,09,59	2498,55,06
	<u>2478,25,53</u>	<u>2502,25,21</u>
II. Savings Bank Deposits	<u>3673,33,11</u>	<u>3253,07,42</u>
III. Term Deposits		
i) From Banks	499,80,92	40,24,12
ii) From Others	25460,19,70	18926,28,38
	<u>25960,00,62</u>	<u>18966,52,50</u>
TOTAL OF I, II & III	<u>32111,59,26</u>	<u>24721,85,13</u>
<b>B Deposits of Branches :</b>		
i) In India	32111,59,26	24721,85,13
ii) Outside India	NIL	NIL
TOTAL	<u>32111,59,26</u>	<u>24721,85,13</u>

## SCHEDULES

(000's omitted)

	AS ON 31.03.2012 ₹.	AS ON 31.03.2011 ₹.
<b>SCHEDULE 4 - BORROWINGS</b>		
I Borrowings in India		
i) Reserve Bank of India	NIL	NIL
ii) Other Banks	1,41	33,75
iii) Other Institutions and Agencies	871,33,29	10,76,75
a) Tier II Bonds	150,00,00	150,00,00
	<b>1021,34,70</b>	161,10,50
II Borrowings outside India	951,21,44	368,78,67
TOTAL	<b>1972,56,14</b>	<b>529,89,17</b>
Secured Borrowings included in I and II above	864,15,54	NIL

## SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I Bills Payable	221,99,30	193,87,41
II Inter Office Adjustments (Net)	NIL	NIL
III Interest Accrued	143,03,32	130,21,97
IV Deferred Tax	4,70,50	11,59,00
V Others (including provisions)	472,78,44	522,87,87
TOTAL	<b>842,51,56</b>	<b>858,56,25</b>

## SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

I Cash in Hand (Including Foreign Currency Notes)	305,84,79	257,40,76
II Balances with Reserve Bank of India In Current Account	1615,01,88	1422,42,99
TOTAL	<b>1920,86,67</b>	<b>1679,83,75</b>

## SCHEDULES

(000's omitted)

	AS ON 31.03.2012 ₹.	AS ON 31.03.2011 ₹.
<b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL &amp; SHORT NOTICE</b>		
I In India		
i) Balances with Banks :		
a) In Current Accounts	20,50,93	23,23,60
b) In Other Deposit Accounts	55,33,72	15,33,72
ii) Money at Call and Short Notice with Banks	NIL	NIL
	<u>75,84,65</u>	<u>38,57,32</u>
II Outside India		
In Current Accounts	38,73,51	33,75,38
In other Deposit Accounts	NIL	22,29,75
TOTAL	<u>114,58,16</u>	<u>94,62,45</u>

## SCHEDULE 8 - INVESTMENTS

I Gross Investments in India	10581,27,41	7776,30,65
Less : Provision for Investment Depreciation	75,17,87	44,55,05
Net Investments in India	<u>10506,09,54</u>	<u>7731,75,60</u>
Break - up		
i) Government Securities	9253,19,67	6761,47,08
ii) Other Approved Securities	NIL	NIL
iii) Shares	89,02,20	61,18,08
iv) Debentures and Bonds	242,22,81	221,02,27
v) Mutual Fund Units & Others	921,64,86	688,08,17
TOTAL	<u>10506,09,54</u>	<u>7731,75,60</u>
II Investments outside India	NIL	NIL
TOTAL	<u>10506,09,54</u>	<u>7731,75,60</u>

## SCHEDULES

(000's omitted)

	AS ON 31.03.2012 ₹.	AS ON 31.03.2011 ₹.
<b>SCHEDULE 9 - ADVANCES</b>		
A i) Bills purchased and discounted	<b>1291,01,18</b>	949,54,82
ii) Cash Credits, Overdrafts and Loans repayable on Demand	<b>17260,57,42</b>	11593,13,05
iii) Term Loans	<b>5397,60,04</b>	5271,78,51
TOTAL	<b><u>23949,18,64</u></b>	<b><u>17814,46,38</u></b>
B i) Secured by tangible assets (incl. Book Debts)	<b>22081,26,16</b>	16483,32,87
ii) Covered by Bank / Government guarantees	<b>537,66,77</b>	379,72,81
iii) Unsecured	<b>1330,25,71</b>	951,40,70
TOTAL	<b><u>23949,18,64</u></b>	<b><u>17814,46,38</u></b>
C I Advances in India		
i) Priority Sector	<b>7489,46,74</b>	5625,59,22
ii) Public Sector	<b>355,22,50</b>	2173,35,92
iii) Banks	<b>NIL</b>	NIL
iv) Others	<b>16104,49,40</b>	10015,51,24
TOTAL	<b><u>23949,18,64</u></b>	<b><u>17814,46,38</u></b>
C II Advances Outside India	<b>NIL</b>	NIL
TOTAL	<b><u>23949,18,64</u></b>	<b><u>17814,46,38</u></b>
<b>SCHEDULE 10 - FIXED ASSETS</b>		
I Premises :		
At cost as on 31st March of the preceding year	<b>111,90,16</b>	84,63,85
Addition during the year	<b>22,31,06</b>	27,31,20
	<b><u>134,21,22</u></b>	<u>111,95,05</u>
Deduction during the year	<b>NIL</b>	4,89
	<b><u>134,21,22</u></b>	<u>111,90,16</u>

## SCHEDULES

(000's omitted)

	AS ON 31.03.2012 ₹.	AS ON 31.03.2011 ₹.
<b>SCHEDULE 10 - FIXED ASSETS (Contd.)</b>		
Depreciation to date	<b>27,66,53</b>	25,05,00
	<b>106,54,69</b>	86,85,16
II Building under Construction	<b>47,56</b>	13,90,90
III Other Fixed Assets : (Including Furniture & Fixtures) At cost as on 31st March of the preceding year	<b>300,53,03</b>	236,11,44
Addition during the year	<b>64,23,57</b>	64,74,06
	<b>364,76,60</b>	300,85,50
Deduction during the year	<b>35,27</b>	32,47
	<b>364,41,33</b>	300,53,03
Depreciation to date	<b>226,58,97</b>	190,72,18
	<b>137,82,36</b>	109,80,85
TOTAL	<b>244,84,61</b>	<b>210,56,91</b>

## SCHEDULE 11 - OTHER ASSETS

I Inter Office Adjustments (Net)	<b>56,44,12</b>	31,30,18
II Interest Accrued	<b>231,79,61</b>	136,73,66
III Tax paid in Advance / Tax Deducted at Source (Net)	<b>64,16,26</b>	48,95,90
IV Stationery and Stamps	<b>7,05,54</b>	6,06,81
V Deferred Tax	<b>NIL</b>	NIL
VI Non Banking Assets acquired in satisfaction of claims	<b>NIL</b>	NIL
VII Others	<b>539,85,70</b>	470,52,28
TOTAL	<b>899,31,23</b>	<b>693,58,83</b>

**SCHEDULES**

(000's omitted)

	<b>AS ON 31.03.2012 ₹.</b>	AS ON 31.03.2011 ₹.
<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
I Claims against the Bank not acknowledged as debts	<b>6,35,53</b>	6,64,79
II Liability on account of outstanding		
a) Forward Exchange Contracts	<b>4617,90,46</b>	3170,37,86
b) Derivatives	<b>NIL</b>	NIL
III Guarantees given on behalf of Constituents in India	<b>1863,20,40</b>	1745,96,35
IV Acceptances, Endorsements and other Obligations	<b>1463,07,82</b>	1236,65,30
V Other items for which the Bank is contingently liable	<b>NIL</b>	NIL
<b>TOTAL</b>	<b>7950,54,21</b>	<b>6159,64,30</b>
	<b>Year Ended 31.03.2012 ₹.</b>	Year Ended 31.03.2011 ₹.

**SCHEDULE 13 - INTEREST EARNED**

I Interest / Discount on Advances/Bills	<b>2538,21,30</b>	1683,06,32
II Income on Investments	<b>716,24,75</b>	523,56,28
III Interest on balances with Reserve Bank of India and other Inter-Bank Funds	<b>9,00,23</b>	16,29
IV Others	<b>6,91,01</b>	10,90,64
<b>TOTAL</b>	<b>3270,37,29</b>	<b>2217,69,53</b>

**SCHEDULE 14 - OTHER INCOME**

I Commission, Exchange and Brokerage	<b>227,36,81</b>	182,54,40
II Profit/Loss on Sale of Investments-Net	<b>26,20,08</b>	37,74,02
III Profit on Sale of Land, Buildings and other assets	<b>26,90</b>	62,08
IV Profit on Exchange Transactions - Net	<b>36,83,65</b>	14,07,34
V Miscellaneous Income	<b>59,47,55</b>	29,35,49
<b>TOTAL</b>	<b>350,14,99</b>	<b>264,33,33</b>

**SCHEDULES**

(000's omitted)

	Year Ended 31.03.2012 ₹.	Year Ended 31.03.2011 ₹.
<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
I Interest on Deposits	2203,21,78	1398,55,52
II Interest on Reserve Bank of India/ Inter-bank borrowings	64,07,67	22,12,29
III Others	85,95,16	30,16,30
TOTAL	<u>2353,24,61</u>	<u>1450,84,11</u>

**SCHEDULE 16 - OPERATING EXPENSES**

I Payments to and Provisions for Employees	264,41,05	229,50,40
II Rent, Taxes and Lighting	47,86,03	36,12,60
III Printing and Stationery	6,50,15	5,29,61
IV Advertisement and Publicity	23,00,78	19,26,24
V Depreciation on Bank's Property	38,48,33	30,08,51
VI Directors' Fees, Allowances and Expenses	68,49	60,06
VII Auditors' Fees and Expenses (includes for branch auditors)	1,43,31	1,06,09
VIII Law Charges	1,20,61	87,15
IX Postages, Telegrams, Telephones, etc.	15,98,52	13,36,31
X Repairs and Maintenance	12,10,27	10,54,86
XI Insurance	25,33,56	19,79,28
XII Other Expenditure	104,55,28	64,09,23
TOTAL	<u>541,56,38</u>	<u>430,60,34</u>

## SCHEDULES

### SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

#### A. BACKGROUND

The Karur Vysya Bank Limited, incorporated in Karur, India is a publicly held Banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. It is a banking company governed by the Banking Regulation Act, 1949.

#### B. BASIS OF PREPARATION

The financial statements are prepared following the going concern concept, on historical cost basis and conform to the Generally Accepted Accounting Principles (GAAP), in India which encompasses applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) from time to time, notified Accounting Standards (AS) issued under the Companies (Accounting Standards) Rules, 2006 to the extent applicable and current practices prevailing in the banking industry in India.

##### Use of Estimates:

The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities including contingent liabilities as of the date of the financial statement and the reported income and expenses during the reported period. The Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. The differences, if any between estimates and actual will be dealt appropriately in future periods.

#### C. PRINCIPAL ACCOUNTING POLICIES

##### 1. Foreign Exchange Transactions

Monetary Assets and Liabilities in Foreign Currencies, Outstanding Forward Contracts and Spot and Forward Positions are translated at the Exchange Rates prevailing at the yearend as notified by FEDAI and the resultant Profit/Loss is recognised in the Profit and Loss Account.

Income and expenditure items are translated at the exchange rates ruling on the respective dates of the transaction.

Guarantees, Letters of Credit, Acceptances, Endorsements and other obligations in foreign currencies are translated at Standard Mid Rates notified by FEDAI at the year-end.

##### 2. Investments

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.

The category under which the investments would be classified is decided at the time of acquisition.

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.

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.

Investments classified under HFT and AFS categories are marked to market at regular intervals and net depreciation within each sub-classification is recognized and provided for, while net appreciation is ignored.

The Bank follows the method of calculating and accounting of profit on sale of investments under weighted average cost method.

##### 3. 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.

##### 4. Advances

Advances are classified as Performing and Non-performing Assets and provisions are made as per the prudential norms prescribed by RBI. Advances stated in the Balance Sheet are net of provisions, claims received from credit guarantee institutions etc.

##### 5. Fixed Assets

Premises and other fixed assets are accounted for at historical cost as reduced by depreciation written off.

##### 6. Depreciation

Fixed Assets except Computers are depreciated under Written Down Value Method at the rates specified in the schedule XIV of the Companies Act, 1956. Depreciation on Computers, including software, is charged at 33.33% on Straight Line Method as per the guidelines of RBI. Depreciation on assets purchased and sold during the year is provided on pro rata basis.

##### 7. Revenue / Expense Recognition

Income and Expenditure are generally accounted on accrual basis.

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.



## SCHEDULES

Commission (including commission received on insurance business), exchange, brokerage and locker rent are accounted on cash basis.

Interest Income on Tax Refund is accounted on Receipt basis.

### 8. Employee Benefits

In accordance with Accounting Standard 15 issued under the Companies (Accounting Standards) Rules, 2006, 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.

Options granted under Employee Stock Option Scheme (ESOS) are valued and accounted for using Intrinsic Value Method.

### 9. Segment Reporting

The Bank recognises the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17.

Business Segment is classified into (a) Treasury (b) Corporate and Wholesale Banking, (c) Retail Banking and (d) Other Banking Operations.

### 10. Earnings per Share

Earnings per share are calculated by dividing the net profit or loss for the year attributable to the equity share holders by the weighted average number of equity shares outstanding during the year.

Diluted Earnings per equity share are computed by using the weighted average number of equity shares and dilutive potential equity share outstanding as at the year end.

### 11. Income-tax

Tax expenses comprise current and deferred taxes. Provision for current Income tax is made after due consideration of the judicial pronouncements and legal opinion.

Deferred income taxes recognizes timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are recognized in the books of account to the extent of their future reversibility. Deferred Tax Liabilities are recognized fully in the year of accrual.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

### 12. Impairment of Assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

### 13. Provisions and Contingent Liabilities

A provision is recognised when there is an obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

In case where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent Assets are not recognized since this may result in the recognition of income that may never be realized.

### 14. 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 ON ACCOUNTS

#### 1. INTER-BRANCH TRANSACTIONS:

Inter branch/Office accounts reconciliation has been completed upto 31.03.2012 and all the Inter branch entries have been reconciled upto 31.03.2012.

#### 2. BALANCING OF BOOKS:

The books of accounts have been balanced and tallied in all branches of the Bank up to 31.03.2012. Reconciliation of accounts with Banks, in a few branches, is in progress.

## SCHEDULES

### 3. INVESTMENTS:

The percentage of SLR investments under "Held to Maturity" category as on 31.03.2012 was 23.24% of Demand and Time Liability of the Bank (Previous year 21.72%), which is within the permissible limit as per RBI guidelines.

### 4. DISCLOSURES AS PER RESERVE BANK OF INDIA REQUIREMENTS:

#### 4.1 Capital:

Particulars	2011-12 Basel II	2010-11 Basel II
i) CRAR (%)	14.33%	14.41%
ii) CRAR - Tier I capital (%)	13.12%	13.07%
iii) CRAR - Tier II Capital (%)	1.21%	1.34%
iv) Amount raised by issue of Lower Tier II instruments during the year	NIL	NIL

#### 4.2 Investments:

(₹. in Crore)

Particulars	2011-12	2010-11
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	10581.27	7776.31
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation / NPI		
(a) In India	75.18	44.55
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments		
(a) In India	10506.09	7731.76
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments and Non Performing Investments		
(i) Opening balance	44.55	47.28
(ii) Add: Provisions made during the year	41.32	19.54
(iii) Less: Write-off/ write-back of excess provisions during the year	10.69	22.27
(iv) Closing balance	75.18	44.55

#### 4.2.1 Repo Transactions: (in face value terms)

(₹. in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2012
Securities sold under repos				
i. Government Securities	100.00	1700.00	549.55	1000.00
ii. Corporate Debt Securities	NIL	NIL	NIL	NIL
Securities purchased under reverse repos				
i. Government Securities	20.00	350.00	10.04	NIL
ii. Corporate Debt Securities	NIL	NIL	NIL	NIL

## SCHEDULES

### 4.2.2 Non-SLR Investment Portfolio:

#### i) Issuer composition of Non SLR investments:

(₹. 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	91.57	82.70	-	-	10.00
(ii)	FIs	9.52	9.52	-	-	-
(iii)	Banks	265.04	247.27	-	-	-
(iv)	Private Corporate	224.07	159.58	-	-	-
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others	669.50	-	-	-	-
(vii)	Less : Provision held towards depreciation and non performing investments	6.80	-	-	-	-
	<b>Total</b>	<b>1252.90</b>	<b>499.07</b>	<b>-</b>	<b>-</b>	<b>10.00</b>

Amount reported under columns 4,5,6 and 7 are not mutually exclusive.

#### ii) Non performing Non-SLR investments:

(₹. In crore)

Particulars	2011-12	2010-11
Opening balance	4.19	5.54
Additions during the year since 1st April	0.00	0.26
Reductions during the above period	0.12	1.61
Closing balance	4.07	4.19
Total provisions held	4.07	4.19

### 4.2.3 Sale and transfers to / from HTM Category

The market value of Investments held in the HTM category was ₹. 7859.07 Crore and the excess of book value over market value was ₹.294.76 Crore as on 31.03.2012.

## 4.3 Derivatives

### 4.3.1. Forward Rate Agreement/ Interest Rate Swap:

(₹. In crore)

S.No.	Particulars	2011-12	2010-11
1.	The notional principal of swap agreements	Nil	Nil
2.	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	Nil	Nil
3.	Collateral required by the bank upon entering into swaps	Nil	Nil
4.	Concentration of credit risk arising from the swaps	Nil	Nil
5.	The fair value of the swap book	Nil	Nil

## SCHEDULES

### 4.3.2 Exchange Traded Interest Rate Derivatives:

(₹. In crore)

S.No.	Particulars	Amount
i	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrumentwise)	Nil
ii	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2012 (instrumentwise)	Nil
iii	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrumentwise)	Nil
iv	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrumentwise)	Nil

### 4.3.3 Disclosures on risk exposure in derivatives:

#### 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.

## SCHEDULES

**Quantitative Disclosures:**

(₹. In crore)

SI.No.	Particulars	Currency Derivatives	Interest rate derivatives
i	Derivatives (Notional Principal Amount)*	4617.90	-
	a) For hedging	-	-
	b) For trading	4617.90	-
ii	Marked to Market Positions [1]		
	a) Asset (+)	+4617.90	-
	b) Liability (-)	-4617.90	-
iii	Credit Exposure [2]	92.36	-
iv	Likely impact of one percentage change in interest rate (100*PV01)	-	-
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	-
v	Maximum and Minimum of 100*PV01 observed during the year	-	-
	a) on hedging	-	-
	b) on trading	-	-

### 4.4 Asset Quality

#### 4.4.1 Non-Performing Asset:

(₹. In crore)

Particulars	2011-12	2010-11
(i) Net NPAs to Net Advances (%)	0.33%	0.07%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	228.15	235.34
(b) Additions during the year	174.00	53.55
(c) Reductions during the year	81.16	60.74
(d) Closing balance	320.99	228.15
(iii) Movement of Net NPAs		
(a) Opening balance	13.87	30.95
(b) Additions during the year	90.92	25.55
(c) Reductions during the year	26.01	42.63
(d) Closing balance	78.78	13.87
(iv) Movement of provisions for NPAs (excluding provision on standard Assets)		
(a) Opening balance	182.42	177.50
(b) Provisions made during the year	52.43	51.83
(c) Write off / Write back of excess provisions	33.34	46.91
(d) Closing balance	201.51	182.42

## SCHEDULES

### 4.4.2 Particulars of Accounts Restructured

(₹. In crore)

		CDR Mechanism	SME Debt Restructuring	Others
Total amount of Standard assets subjected to restructuring, rescheduling, renegotiation	Number of Borrowers	3	35	46
	Amount Restructured	14.82	13.13	278.62
	Total Amount outstanding (including Restructured facilities)	14.82	14.25	370.49
	Sacrifice (Diminution in fair value)	NIL	0.46	5.97
Total amount of Sub-standard assets subjected to restructuring, rescheduling, renegotiation;	Number of Borrowers	NIL	NIL	NIL
	Amount Restructured	NIL	NIL	NIL
	Total Amount outstanding (including Restructured facilities)	NIL	NIL	NIL
	Sacrifice (Diminution in fair value)	NIL	NIL	NIL
Total amount of doubtful assets subjected to restructuring, rescheduling, renegotiation	Number of Borrowers	NIL	NIL	NIL
	Amount Restructured	NIL	NIL	NIL
	Total Amount outstanding (including Restructured facilities)	NIL	NIL	NIL
	Sacrifice (Diminution in fair value)	NIL	NIL	NIL
Total amount of loan assets subjected to restructuring, rescheduling, renegotiation	Number of Borrowers	3	35	46
	Amount Restructured	14.82	13.13	278.62
	Total Amount outstanding (including Restructured facilities)	14.82	14.25	370.49
	Sacrifice (Diminution in fair value)	NIL	0.46	5.97

### 4.4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:

(₹. In crore)

Particulars	2011-12	2010-11
(i) No. of accounts	3	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	16.21	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain / loss over net book value.	16.21	Nil

### 4.4.4 Details of Non-performing financial assets purchased / sold - NIL (Previous year - Nil)

## SCHEDULES

### 4.4.5 Provisions on Standard Asset:

(₹. In crore)

Particulars	As on 31 <sup>st</sup> Mar 2012	As on 31 <sup>st</sup> Mar 2011
Provisions towards Standard Assets	95.45	66.60

### 4.5 Business Ratios:

Particulars	2011-12	2010-11
1. Interest Income as a percentage to Working Funds	10.17%	9.11%
2. Non-interest income as a percentage to Working Funds	1.09%	1.09%
3. Operating Profit as a percentage to Working Funds	2.26%	2.47%
4. Return on Assets	1.56%	1.71%
5. Business (Deposits plus advances) per employee (Rs. in crore)	9.84	9.26
6. Profit per employee (Rs. in lakh)	8.84	9.09

### 4.6 Asset Liability Management:

Maturity pattern of certain items of assets and liabilities:

(₹. in Crore)

Particulars	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 day	504.54	843.14	1445.08	39.88	-	-
2 to 7 days	484.63	94.83	739.43	864.16	-	-
8 to 14 days	571.38	111.50	111.50	-	728.55	572.69
15 to 28 days	505.93	226.00	159.59	34.64	17.47	13.53
29 days to 3 months	6037.02	1400.47	1396.45	310.94	686.34	482.57
3 months to 6 months	3414.13	790.50	955.96	228.55	1562.73	696.01
6 months to 1 year	5601.54	6867.48	1393.49	340.80	1236.70	594.17
1 year to 3 years	10331.79	9896.34	3086.59	3.59	3.08	-
3 years to 5 years	1907.47	2148.72	498.61	-	-	-
Over 5 years	2753.16	1826.13	794.57	150.00	-	-
Total	32111.59	24205.11	10581.27	1972.56	4234.87	2358.97

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

### 4.7 Exposures

#### 4.7.1 Exposure to Real Estate Sector :

(₹. in Crore)

Category	2011-12	2010-11
<b>a) Direct exposure</b>		
<b>(i) Residential Mortgages -</b> Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented of which individual housing loans eligible for priority sector advances	664.02	463.46
<b>(ii) Commercial Real Estate -</b> 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;	744.06	485.73
<b>(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b> a. Residential, b. Commercial Real Estate.	NIL NIL	NIL NIL
<b>b) Indirect Exposure</b> Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	291.55	192.92
<b>Total Exposure to Real Estate Sector</b>	<b>1699.63</b>	<b>1142.11</b>

#### 4.7.2 Exposure to Capital Market:

(₹. in Crore)

Particulars	2011-12	2010-11
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	87.90	70.27
(ii) Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	2.17	NIL
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	NIL	25.27
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	NIL	2.57
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	233.21	250.31



## SCHEDULES

### 4.7.2 Exposure to Capital Market: (Contd...)

(₹. in Crore)

Particulars	2011-12	2010-11
(vi) Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	165.12	NIL
(vii) Bridge loans to companies against expected equity flows/issues;	NIL	NIL
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(ix) Financing to stockbrokers for margin trading;	NIL	NIL
(x) All exposures to Venture Capital Funds (both registered and unregistered)	NIL	NIL
<b>Total Exposure to Capital Market</b>	<b>488.40</b>	<b>348.42</b>

### 4.7.3 Risk Category wise Country Exposure:

(₹. In crore)

Risk Category*	Exposure (net) as at 31 <sup>st</sup> March 2012	Provision held as at 31 <sup>st</sup> March 2012	Exposure (net) as at 31 <sup>st</sup> March 2011	Provision held as at 31 <sup>st</sup> March 2011
Insignificant	178.92	NIL	193.47	NIL
Low	122.98	NIL	188.51	NIL
Moderate	25.14	NIL	25.10	NIL
High	5.71	NIL	0.85	NIL
Very High	0.97	NIL	NIL	NIL
Restricted	0.00002	NIL	NIL	NIL
Off-credit	0.50	NIL	NIL	NIL
<b>Total</b>	<b>334.22</b>	<b>NIL</b>	<b>407.93</b>	<b>NIL</b>

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.

### 4.7.4. Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the bank.

The Bank has not exceeded the prudential credit exposure limits in respect of Single Borrower Limit and Group Borrower Limit.

### 4.7.5 Unsecured Advances:

The total of advances for which intangible securities such as charge over the rights, licenses, authorisations etc have been taken as securities is **NIL**.

## 4.8 Miscellaneous

### 4.8.1 Amount of Provisions made for Income-tax during the year:

(₹. In crore)

Particulars	2011-12	2010-11
Provision for Income Tax	137.12	132.69

## SCHEDULES

### 4.8.2 Disclosure of Penalties imposed by RBI:

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

### 5. DISCLOSURE REQUIREMENT AS PER ACCOUNTING STANDARDS (AS):

In compliance with the guidelines issued by the RBI regarding disclosure requirements of the various Accounting Standards, the following information is disclosed:

#### 5.1 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.

#### 5.2 Revenue Recognition: (AS-9):

Income / Expenditure items recognized on cash basis are either not material or does not require disclosure under AS-9.

### 5.3 Employee Benefits: (AS-15):

The Bank is following AS-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 Leave encashment provisioning requirement has been made based on actuarial valuation.

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

#### Principal Actuarial Assumptions

Particulars	Gratuity	Pension	Privilege Leave
Discount Rate	8.72%	8.58%	8.72%
Salary escalation rate	2.00%	2.00%	2.00%
Attrition rate	2.00%	2.00%	2.00%
Expected rate of return on Plan Assets	8.30%	8.82%	-

#### Expenses recognized in Profit and Loss Account

(₹. in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Current Service Cost	4.23	4.70	2.44
Interest cost on benefit obligation	3.85	12.91	2.37
Expected return on plan assets	(4.07)	(17.67)	--
Net actuarial gain / (loss) recognised in the year	5.12	14.97	2.00
Expenses recognised in the Profit and Loss Account	9.13	14.91	6.81

#### Changes in the present value of the defined benefit obligation

(₹. in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Present value of obligation as at 1.4.2011	49.62	174.27	29.85
Interest cost	3.85	12.91	2.37
Current Service Cost	4.23	4.70	2.44
Benefits paid	(7.14)	(39.24)	(3.04)
Net actuarial gain / (loss) on obligation	4.46	23.11	2.00
Present value of the defined benefit obligation as at 31.3.2012	55.02	175.75	33.62

## SCHEDULES

### Change in the fair value of plan assets

(₹. in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Fair value of plan assets as at 1.4.2011	49.74	174.41	--
Expected Return on plan assets	4.07	17.67	--
Contribution by employer	9.02	15.00	3.04
Benefit Paid	(7.14)	(39.25)	(3.04)
Actuarial gain / (loss)	(0.66)	8.14	--
Fair value of plan assets as at 31.3.2012	55.03	175.97	--

5.3.1 The bank had provided for ₹. 15.95 Crore towards Medical Leave up to the previous year. The Medical leave being non encashable, the bank has written back ₹.14.80 Crore, being the amount drawn from Reserve in earlier year, to Reserve and the balance amount of ₹.1.15 crore to Profit and Loss Account, as it is no longer required.

### 5.4 Segment Reporting:(AS-17)

#### Part A: Business segments

(₹. in Crore)

Sl.No.	Particulars	2011-12 (Audited)	2010-11 (Audited)
a.	<b>Segment Revenue</b>		
	1. Treasury Operations	789.16	575.67
	2. Corporate/Wholesale Banking Operations	1095.00	904.96
	3. Retail Banking Operations	1721.96	994.98
	4. Other Banking Operations	14.40	6.42
	<b>Total</b>	<b>3620.52</b>	<b>2482.03</b>
b.	<b>Segment Results</b>		
	1. Treasury Operations	88.18	133.70
	2. Corporate/Wholesale Banking Operations	266.12	260.17
	3. Retail Banking Operations	588.64	335.01
	4. Other Banking Operations	14.03	5.99
	<b>Total</b>	<b>956.97</b>	<b>734.87</b>
c.	<b>Unallocated Expenses</b>	231.26	134.28
d.	<b>Operating Profit</b>	725.71	600.58
e.	<b>Income Taxes</b>	130.23	145.68
f.	<b>Other Provisions</b>	93.76	39.31
g.	<b>Net Profit</b>	501.72	415.59
h.	<b>Other Information</b>	--	--
i.	<b>Segment Assets</b>		
	1. Treasury Operations	10561.43	7870.93
	2. Corporate/Wholesale Banking Operations	10081.02	8640.38
	3. Retail Banking Operations	13868.17	9412.04
	4. Other Banking Operations	--	--
	5. Unallocated Assets	3124.27	2301.49
	<b>Total</b>	<b>37634.89</b>	<b>28224.84</b>

## SCHEDULES

### 5.4 Segment Reporting:(AS-17) (Contd...)

#### Part A: Business segments

(₹. in Crore)

Sl.No.	Particulars	2011-12 (Audited)	2010-11 (Audited)
j.	<b>Segment Liabilities</b>		
	1. Treasury Operations	10782.62	7319.09
	2. Corporate/Wholesale Banking Operations	8990.22	7967.47
	3. Retail Banking Operations	12367.60	8679.04
	4. Other Banking Operations	--	--
	5. Unallocated Liabilities	2786.23	2122.26
	<b>Capital Employed</b>	2708.22	2136.98
	<b>Total</b>	<b>37634.89</b>	<b>28224.84</b>

#### Part B: Geographic segments

Geographical Segment consists only of the Domestic Segment since the Bank does not have any foreign branch.

### 5.5 Related Party Transactions (AS-18):

#### Disclosure about transactions with Key Management Personnel

Key Management Personnel	Designation	Item	Amount (in Rupees)
Shri K.P. Kumar	Chairman	Remuneration	9,00,000/-
Shri. P.T. Kuppuswamy	MD & CEO 01/04/2011 to 31/05/2011	Remuneration	32,39,156/-
Shri K.Venkataraman	MD & CEO 06/06/2011 to 31/03/2012	Remuneration	41,41,528/-

### 5.6 Earning per Share (AS-20):

Sl.No.	Particulars	2011-12	2010-11
1	Basic EPS (₹.)	46.81	44.90
2	Diluted EPS (₹.)	46.81	44.83

#### Computation of Basic EPS

Sl.No.	Particulars	2011-12	2010-11
A	Net Profit (₹. in Crore)	501.72	415.59
B	Weighted number of shares	107180406	92566455
C	Basic EPS (A/B) (₹.)	46.81	44.90
D	Nominal Value per share (₹.)	10.00	10.00

## SCHEDULES

### Computation of Diluted EPS

Sl.No.	Particulars	2011-12	2010-11
A	Net Profit (Rs. in Crore)	501.72	415.59
B	Weighted number of shares (including Potential Equity Shares)	107180406	92713457
C	Diluted EPS (A/B) (Rs.)	46.81	44.83
D	Nominal Value per share (Rs.)	10.00	10.00

### 5.7 Accounting for Taxes on Income (AS-22):

The Bank has recognized Deferred Tax Asset/ Liability (DTA/DTL) and has accounted for the Net Deferred Tax as on 31.03.2012.

Major components of Deferred Tax Assets and Deferred Tax Liabilities are as under:

#### Deferred Tax Liabilities

(₹. in Crore)

Sl.No.	Particulars	As on 31.03.2012	As on 31.03.2011
1	Depreciation on Fixed Asset	7.45	6.07
2	Interest accrued but not due	2.68	4.24
3	Provision for Pension & Gratuity	5.48	10.96
	<b>TOTAL</b>	<b>15.61</b>	<b>21.27</b>

#### Deferred Tax Assets

(₹. in Crore)

Sl.No.	Particulars	As on 31.03.2012	As on 31.03.2011
1	Provision for leave encashment	10.91	9.68
	<b>TOTAL</b>	<b>10.91</b>	<b>9.68</b>

### 5.8. Impairment of Assets (AS - 28)

In the opinion of the Management, there is no impairment of its Fixed Asset to any material extent as at 31.03.2012 requiring recognition in terms of Accounting Standard 28.

## 6. ADDITIONAL DISCLOSURES

### 6.1 Provisions and Contingencies :

(₹. In crore)

Break-up of 'Provision and Contingencies' shown under the head Expenditure in Profit & Loss Account	2011-12	2010-11
Provision for Depreciation on Investments	41.32	19.28
Provision for Bad & Doubtful Debts	19.09	4.92
Provision for Standard Assets	28.85	15.23
Provision towards sacrifice of Interest on Restructured Advances	3.81	1.23
Provision for Frauds and Claims	0.69	(1.19)
Provision for Income Tax	137.12	132.69
Provision for Deffered Tax	(6.89)	12.99
Provision for Derivatives	0.00	(0.16)
<b>Total</b>	<b>223.99</b>	<b>184.99</b>

## SCHEDULES

### 6.2.1 Movement of Floating Provision

(₹. In crore)

Particulars	2011-12	2010-11
Floating Provision at the beginning of the year	Nil	18.69
Floating Provision made during the year	Nil	Nil
Amount transferred to Counter Cyclical Buffer as per RBI Guidelines	Nil	18.69
Floating Provision at the end of the year	Nil	Nil

### 6.2.2 Movement of Counter Cyclical Buffer

(₹. In crore)

Particulars	2011-12	2010-11
Counter Cyclical Buffer at the beginning of the year	18.69	Nil
Counter Cyclical Buffer made during the year	Nil	18.69
Amount of draw down made during the year	Nil	Nil
Counter Cyclical Buffer at the end of the year	18.69	18.69

### 6.3 Draw Down from Reserves

During the financial year 2011-12 there has been no draw down from the Reserves.

### 6.4 Disclosure of Complaints

#### (a) Customer Complaints

No. of complaints pending at the beginning of the year	6
No. of complaints received during the year	275
No. of complaints redressed	258
No. of complaints pending at the end of the year	23

#### (b) Awards passed by Banking Ombudsman

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

### 6.5 Disclosure of Letters of Comfort (LOCs)

The amount of Letters of Comfort issued during the year 2011-12 was ₹. 1008.65 Crore and outstanding as on 31.03.2012 was ₹.416.07 Crore.

### 6.6 Provision Coverage Ratio (PCR)

The Provision Coverage Ratio as on 31.03.2012 is 75.46%

### 6.7 Bancassurance Business:

The Bank has received an amount of ₹.5.52 Crore (Life Insurance - ₹.4.00 Crore, Non-Life Insurance - ₹.1.52 Crore) towards Fee/ Remuneration in respect of the Bancassurance business undertaken during 01.04.2011 to 31.03.2012.

## SCHEDULES

### 6.8.1 Concentration of Deposits:

(₹. In crore)

**As on 31.03.2012**

Total Deposits of twenty largest depositors	3890.14
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	12.11%

### 6.8.2 Concentration of Advances

(₹. In crore)

**As on 31.03.2012**

Total Advances to Twenty Largest Borrowers	4233.38
Percentage of Advances to twenty Largest Borrowers to Total Advances of the Bank.	17.49%

### 6.8.3 Concentration of Exposures

(₹. In crore)

**As on 31.03.2012**

Total Exposures to Twenty Largest Borrowers / Customers	4236.62
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	17.50%

### 6.8.4 Concentration of NPAs

(₹. In crore)

**As on 31.03.2012**

Total Exposure to top four NPA Accounts	131.90
---	--------

### 6.9 Sector-wise NPAs

S.No.	Sector	Percentage of NPAs to Total Advances in that sector As on 31.03.2012
1	Agriculture & allied activities	0.28%
2	Industry (Micro, small, medium and large)	1.82%
3	Services	1.01%
4	Personal Loans	1.68%

### 6.10 Movement of NPAs

(₹. In crore)

Particulars	Amount
Gross NPAs as on 1st April 2011	228.15
Additions (Fresh NPA) during the year	174.00
Sub-total (A)	402.15
Less :-	
(i) Upgradations	9.30
(ii) Recoveries (excluding recoveries made from upgraded accounts)	55.83
(iii) Write-offs	16.03
Sub-total (B)	81.16
Gross NPAs as on 31.03.2012	320.99

## SCHEDULES

- 6.11 Overseas Assets, NPAs and Revenue : NIL
- 6.12 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms) : NIL
- 6.13 Unamortised Pension and Gratuity Liabilities

In accordance with the guidelines issued by Reserve Bank of India vide their Circular No.DBOD.BP.BC.80/21.04.018/2010-11 dated 09.02.2011, the Bank has debited Profit & Loss Account a sum of ₹. 14.44 Crore during the year ended 31.03.2012 on proportionate basis towards unamortized liability of ₹. 57.75 Crore (being amortized over 5 years beginning from 31.03.2011) on account of reopening of pension option during 2010-11 for existing employees who had not opted for pension earlier. The balance amount of ₹. 43.31 Crore will be dealt with as per guidelines of RBI.

The Bank has debited Profit & Loss Account a sum of ₹. 2.46 Crore during the year ended 31.03.2012 on proportionate basis towards unamortized liability of ₹. 9.86 Crore (being amortized over 5 years beginning from 31.03.2011) on account of gratuity liability arising out of wage settlement limit. The balance amount of ₹. 7.33 Crore will be dealt with as per guidelines of RBI.

- 7.1 Increase in Paid-up share capital and Share Premium:

The movement in Paid-up Share Capital and Share Premium during the year ended 31.03.2012 is due to receipt of call money on Issue of Rights shares and issue of shares under Employees Stock Option Scheme.

- 7.2 Special Reserve U/s 36 (1) (viii) of I.T. Act :

As per Section 36 (1)(viii) of the Income Tax Act, 1961, the Bank has appropriated an amount of ₹.35.00 crore towards Special Reserve for the year 2011-12, being the eligible amount of deduction available under the said provision.

- 7.3 An amount of ₹2.77 Crore being the amount appropriated for Charities in the earlier years has been transferred to Reserves.
8. Figures of the previous year have been regrouped/rearranged/reclassified wherever necessary.

**SHRI K.P. KUMAR**  
Chairman

**SHRI K. VENKATARAMAN**  
M.D. & C.E.O

**SHRI M.G.S. RAMESH BABU**  
Director

**SHRI S. GANAPATHI SUBRAMANIAN**  
Director

**SHRI K. PARAMESHWARA RAO**  
Director

**SHRI V. SANTHANARAMAN**  
Director

**SHRI G. RAJASEKARAN**  
Director

**SHRI A.J. SURIYANARAYANA**  
Director

**SHRI K. RAMADURAI**  
Additional Director

**SHRI K. K. BALU**  
Additional Director

**Shri V. KRISHNASWAMY**  
President & COO

**Shri R. SUKUMAR**  
Chief General Manager

**Shri A.R. RAMACHANDRAN**  
Deputy General Manager

As per our report of even date  
For **R.K. KUMAR & CO.,**  
Chartered Accountants  
Firm Registration No. 001595S

Karur  
25th May 2012

**SHRI R. KANNAN**  
Company Secretary

**(C.R. Sundararajan)**  
Partner  
M.No.025400



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(000's omitted)

	AS AT 31.03.2012 ₹.	AS AT 31.03.2011 ₹.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT AS PER PROFIT AND LOSS ACCOUNT</b>	<b>5017240</b>	4155909
<b>ADJUSTMENTS FOR</b>		
DEPRECIATION	384833	300851
INTEREST PAID ON TIER II BOND ISSUED	148204	147900
PROVISIONS AND CONTINGENCIES	2239889	1849932
PROVISION FOR LEAVE ENCASHMENT	37733	17535
PROFIT/LOSS ON SALE OF INVESTMENTS	-262009	-377402
PROFIT / LOSS ON SALE OF ASSETS	-2690	-6208
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>7563200</b>	6088517
<b>INCREASE/(DECREASE) IN OPERATING ASSETS</b>		
PURCHASE AND SALE OF INVESTMENTS	-27893397	-11097854
FUNDS ADVANCES TO CUSTOMERS	-61576208	-43736218
OTHER OPERATING ASSETS	-1653810	-1882288
	<b>-83560215</b>	-50627843
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>		
DEPOSITS FROM CUSTOMERS	73897413	54499976
BORROWINGS FROM BANKS	14426697	540070
OTHER OPERATING LIABILITIES	-750580	1726747
<b>CASH GENERATED FROM OPERATIONS</b>	<b>4013315</b>	6138950
DIRECT TAXES PAID	-1523200	-1321514
<b>NET CASH GENERATED FROM OPERATIONS</b>	<b>2490115</b>	4817436
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	-731130	-1032143
SALE OF FIXED ASSETS	6217	9943
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>-724913</b>	-1022200

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(000's omitted)

	AS AT 31.03.2012 ₹.	AS AT 31.03.2011 ₹.
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM SHARE CAPITAL	126932	625008
PROCEEDS FROM SHARE PREMIUM	2352212	1884163
PROCEEDS FROM TIER II BOND ISSUANCE	0	NIL
INTEREST PAID ON TIER II BOND ISSUED	-148205	-147900
DIVIDEND PAID (incl Dividend distribution Tax)	-1486279	-762502
<i>NET CASH FLOW FROM FINANCING ACTIVITIES</i>	<u>844660</u>	<u>1598769</u>
CASH FLOW FROM OPERATING ACTIVITIES	2490115	4817436
CASH FLOW FROM INVESTING ACTIVITIES	-724913	-1022200
CASH FLOW FROM FINANCING ACTIVITIES	844660	1598769
INCREASE IN CASH & CASH EQUIVALENT	2609862	5394005
CASH AND CASH EQUIVALENTS AS AT THE BEGINING	17744621	12350615
CASH AND CASH EQUIVALENTS AS AT THE END	<u>20354483</u>	<u>17744620</u>
Karur 25th May, 2012		Sd/- K. Venkataraman M.D. & C.E.O

### AUDITORS' CERTIFICATE

We have verified the cash flow statement of the Karur Vysya Bank Limited for the year ended 31.3.2012. 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 25th May 2012 to the shareholders of the Bank.

For **R.K. Kumar & Co.**,  
Chartered Accountants,  
Firm Reg No. 001595S

Karur  
25th May, 2012

Sd/-  
**(C.R. Sundararajan)**  
Partner  
M.No. 25400

## 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	31/03/2012		

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

Public Issue	NIL	Rights Issue	121850
Bonus Issue	NIL	Private Placement	NIL
ESOS	5082		

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

Total Liabilities	376348885	Total Assets	376348885
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#### Sources of Funds

Paid-up Capital	1071804	Reserves & Surplus	26010385
Deposits	321115926	Borrowings	19725614
Other liab. Provisions	8425156		

#### Application of Funds

Net fixed Assets	2448461	Investments	105060954
Advances	239491864	Other Assets	29347606
Misc. Expenditure	Nil		

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

Total Income	36205228	Total Expenditure	31187988
Profit Before Tax	6319553	Profit After Tax	5017240
Earnings per share in Rs.	46.81		

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

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

## BASEL II - PILLAR 3 DISCLOSURES

**Table DF-1**
**Scope of application**
**Qualitative Disclosures**

- a) The name of the Top bank in the group to which the Framework applies.

**THE KARUR VYSYA BANK LIMITED**

- b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (1) that are fully consolidated; (ii) that are pro-rata consolidated; (iii) that are given a deduction treatment; and (iv) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

**The Bank is not having any subsidiary**

**Quantitative Disclosures**

- c) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.

**Not applicable**

- d) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.

**Not applicable**

**Table DF - 2**
**Capital Structure**
**Qualitative Disclosures**
**a) Summary**

- Tier I capital includes Equity share capital, Reserves comprising of statutory reserves, capital and other revenue reserves, share premium and balance in profit and loss account and excludes Deferred Tax Asset (DTA).
- Tier 2 Capital consists of the general provision, Tier II Bonds - Subordinated Debt as on 31.03.2012.

**Quantitative Disclosures**

- b) **The amount of Tier I capital as on 31.03.2012.**

(₹. In crore)

Paid up Equity Share Capital (including calls in advance)	107.18
Innovative Instruments	0.00
Amounts deducted from Tier I Capital (Tax benefit on special reserve)	-30.82
Reserves	2601.04
<b>Total Tier I Capital</b>	<b>2677.40</b>

- c) **The total amount of Tier II capital (net of deductions from Tier II Capital).**

(₹. In crore)

General Provisions (including floating provisions)	95.44
Tier II Bonds (Eligible for Tier II capital at different rates and different maturities)	150.00
<b>Total Tier II Capital</b>	<b>245.44</b>

## BASEL II - PILLAR 3 DISCLOSURES

d)	Debt Capital instruments eligible for inclusion in Upper Tier II Capital	
	Total Amount outstanding	- NIL
	Of which amount raised during the current year	- NIL
	Amount eligible to be reckoned as capital funds	- NIL
e)	Subordinated debt eligible for inclusion in Lower Tier II Capital	
	Total amount outstanding	- ₹.150 Crore
	Of which amount raised during the current year	- NIL
	Amount eligible to be reckoned as capital funds	- ₹.150 Crore
f)	Other deductions from capital if any (DTA and fixed assets software)	- NIL
g)	Total eligible capital (Tier I & Tier II)	- ₹.2922.84 Crore

**Table DF – 3**

### Capital Adequacy

#### Qualitative Disclosures

Bank maintained Capital to Risk Weighted Assets Ratio (CRAR) at 14.33% (Basel II).

Tier I CRAR of 13.12% is above the minimum requirement of 6% as per RBI guidelines.

Bank's CRAR as per Basel II (14.33%) is higher than Basel I (11.64%).

Total CRAR is above the minimum requirement of 9% including Pillar 2 requirements.

Bank maintained capital in terms of Revised Framework above the prudential flow viz higher of

- Minimum capital required as per the Revised Framework;
- 80% of the minimum capital required to be maintained as per the Basel I framework;

Tier II capital is within the stipulation of 50% of Tier I Capital.

#### Quantitative Disclosures

a) Capital requirement for Credit Risk:

Portfolio subject to standardized approach	:	₹.1557.25 Cr.
Securitisation exposures	:	NIL

b) Capital requirements for market risk:

Standardized duration approach:

- Interest rate risk	:	₹.136.01 Cr.
- Foreign exchange risk (including gold)	:	₹. 4.50 Cr.
- Equity risk	:	₹. 17.72 Cr.

c) Capital requirements for operation risk :

Basic indicator approach	:	₹.120.76 Cr
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d) Total CRAR : 14.33% and Tier I Capital Ratio : 13.12%

## BASEL II - PILLAR 3 DISCLOSURES

**Table DF-4**
**Credit Risk - General Disclosures**
**Qualitative Disclosures**

- a.
- The Bank had put in place Credit Policy & Credit Risk Management Policy where all the credit aspects have been included. The policies stipulate borrower / credit standards, standards for loan collateral/guarantor acceptance, portfolio management, risk based pricing of loans & advances, loan review mechanism, credit audit, risk concentrations, risk monitoring and evaluation, provisioning and regulatory/legal compliance.
  - Bank has adopted the Income Recognition and Asset Classification norms of the regulator.
  - The Bank identifies the risks to which it is exposed and applies rating models to measure, monitor and control these risks. Bank considers rating of a borrowal account as an important tool to measure the credit risk associated with any borrower and accordingly a two dimensional credit rating system was adopted.
  - The Bank mitigates the concentration risk by (a) fixing exposure limits for single and group borrowers (b) rating grade limits and (c) industry wise exposure limits.
  - Credit risks and compliance to risk limits are monitored on bank wide basis.

**Quantitative Disclosures**

- b) Total gross credit risk exposures, Fund based and Non-fund based separately.

<b>Credit Risk Exposures</b>	(₹.in Crore)
Fund Based *	35538.55
Non Fund Based	10108.00
Total Fund & Non Fund Based	45646.55

\* It includes loans/advances, fixed assets, other assets, cash, balance with RBI and investments.

- c) Geographic distribution of exposures, Fund based and Non-fund based separately.

- a. Overseas - NIL  
b. Domestic

(₹.in Crore)

	<b>Fund Based</b>	<b>Non Fund Based</b>
Gross Advances	24205.11	10108.00

- d) Industry-wise exposures as on 31.03.2012.

(₹.in Crore)

<b>Industry</b>	<b>Fund Based</b>	
Coal	57.40	
Mining	156.12	
Iron & Steel	966.39	
Other Metal and Metal Products	187.80	
All Engineering	270.33	
Of which Electronics		51.79
Cotton Textiles	1002.68	
Other Textiles	774.53	
Sugar	9.49	
Tea	0.83	
Food Processing	632.78	

**BASEL II - PILLAR 3 DISCLOSURES**

d) Industry-wise exposures as on 31.03.2012. (Contd.)

(₹. in Crore)

Industry	Fund Based	
Vegetable Oils & Vanaspati	220.31	
Tobacco and Tobacco Products	102.85	
Paper and Paper Products	75.85	
Rubber and Rubber Products	194.51	
Chemicals, Dyes, Paints etc.	494.16	
Of which Fertilizers		28.45
Of which Petrochemicals		179.29
Of which Drugs & Pharmaceuticals		241.88
Cement	95.37	
Leather and Leather Products	2.48	
Gems and Jewellery	217.41	
Construction	105.32	
Petroleum	2.15	
Automobiles including trucks	255.51	
Computer Software	40.05	
Infrastructure	2983.54	
Of which Power		1798.40
Of which Telecommunications		63.46
Of which Roads & Ports		315.21
NBFCs	1254.64	
Trading	2575.87	
Other Industries	2926.67	
Residuary Other Advances	8600.07	
<b>Total Advances</b>	<b>24205.11</b>	

e) Residual Contractual maturity breakdown of assets

(₹. in Crore)

Inflow Group	Cash, Balance with RBI & Balances with Other Banks	Investments	Advances	Fixed Assets & Other Assets
Day 1	417.53	1445.08	843.14	221.47
Day 2 To Day 7	152.24	739.43	94.83	27.68
Day 8 To Day 14	32.34	111.50	111.50	27.68
Day 15 To Day 28	36.58	159.59	226.00	0.00
Over 28 days To 3 Months	252.00	1396.45	1400.47	0.00
Over 3 Months To 6 Months	178.53	955.96	790.50	0.00
Over 6 Months To 1 Year	270.87	1393.49	6867.48	0.00
Over 1 To 3 Years	468.51	3086.59	9896.34	0.00
Over 3 Years To 5 Years	89.95	498.61	2148.72	0.00
Over 5 Years	136.89	794.57	1826.13	867.32
<b>Total</b>	<b>2035.44</b>	<b>10581.27</b>	<b>24205.11</b>	<b>1144.15</b>

## BASEL II - PILLAR 3 DISCLOSURES

**f) Gross NPAs :**

(₹. in Crore)

Particulars	Amount
Substandard	124.56
Doubtful 1	11.50
Doubtful 2	71.52
Doubtful 3	11.71
Loss	101.70

**g) Net NPAs:**

(₹. in Crore)

Particulars	Amount
Gross NPAs	320.99
Less: Provisions (including ECGC & float. Provision)	242.21
Net NPAs	78.78

**h) NPA Ratio :**

Particulars	Ratios
Gross NPAs as a ratio to Gross Advances	1.33%
Net NPAs as a ratio to Net Advances	0.33%

**i) Movement of NPAs (Gross)\* :**

(₹. in Crore)

Particulars	Amount
Opening Balance 31.3.2011	228.15
Additions during the year	174.00
Reductions during the year	81.16
Closing Balance as on 31.3.2012	320.99

\* NPA exclude interest held in suspense in accordance with RBI guidelines dated September-24, 2009 under reference DBOD.No.BP.BC.46/21.04.048/2009-10.

**j) Movement of Provisions for NPAs:**

(₹. in Crore)

Particulars	Amount
Opening Balance 31.3.2011	182.42
Provisions made during the year	52.43
Provisions released on account of recoveries and used for new additions	0
Write Back of excess provisions (used for regulatory provisions)	33.34
Closing Balance as on 31.3.2012	201.51

(₹. in Crore)

**k) Amount of Non performing Investments**

4.07

**l) Amount of provisions held for Non -performing Investments**

4.07



## BASEL II - PILLAR 3 DISCLOSURES

### m) Movement of Provisions for depreciation on investments

(₹. in Crore)

Particulars	Amount
Opening Balance	40.36
Add: Provisions made during the year	41.32
Less: Write Off / Write Back of excess provisions during the year	10.57
Closing Balance	71.11

**Table DF - 5**

### Credit Risk: Disclosures for portfolios subject to the Standardized Approach

#### Qualitative Disclosures

- a) For portfolios under the standardized approach:

All the external rating agencies approved by Reserve Bank of India for the purpose of rating under Basel II norms are taken on record by our Bank to facilitate the customer for getting the rating.

#### Quantitative Disclosures

- b) For exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted:

(₹. in Crore)

Risk Weight	Rated	Unrated	Total
Below 100%	1872.69	17453.10	19325.79
100%	1591.93	7278.05	8869.98
More than 100%	1266.21	1291.10	2557.31
Total Outstanding after mitigation	4730.83	26022.25	30753.08
Deducted (as per Risk Mitigation)	-	7020.96	7020.96

Concentration risk in credit risk mitigation - All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit / ceiling have been prescribed to address the concentration risk in Credit risk mitigants recognized by the Bank.

**Table DF - 6**

### Credit risk mitigation: Disclosures for standardized approach

#### Qualitative Disclosures

- a) The Bank has put in place Credit Risk Mitigation & Collateral Management Policy with the primary objective of (i) Mitigation of credit risks and enhancing awareness of identification of appropriate collateral taking into account the spirit of Basel II / RBI guidelines and (ii) Optimizing the benefit of credit risk mitigation in computation of capital charge as per approaches laid down in Basel II / RBI guidelines.

The Bank in general relies on Risk Mitigation techniques like Loan Participation, Ceiling on exposures, Escrow mechanism, forward cover, higher margins, loan covenants, collateral and insurance cover.

## BASEL II - PILLAR 3 DISCLOSURES

Bank accepts guarantees from individuals with considerable net worth and the corporate. Only guarantees issued by entities with a higher rating than of the counterparty shall be accepted to get the protection for the counter party exposure.

The Bank recognizes the following Financial Collateral (FC) for Credit Risk Mitigation.

- a) Cash or Cash Equivalent (Bank Deposits/certificate of Deposits issued by the Bank, etc.);
- b) Gold jewels;
- c) Indira Vikas Patras;
- d) Kisan Vikas Patras;
- e) National Savings Certificates;
- f) Life Insurance Policies with a declared surrender value;
- g) Securities issued by Central and State Governments and
- h) Debt securities rated by a recognized Credit Rating Agency.

The Bank accepts guarantees from individuals with considerable net worth and the Corporates, besides guarantee issued by Government, other Commercial Banks and ECGC.

Concentration Risk in Credit Risk Mitigation: All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit/ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank. The portion of advances subjected to CRM including non-funded advances as mentioned in the table above amounted to 18.59%.

### Quantitative Disclosures

- b) For each separately disclosed credit risk portfolio the total exposure (after, where applicable, on or off balance sheet netting), that is covered by eligible financial collateral after the application of haircuts is given below: (₹. in Crore)

Portfolio Category	Financial Collateral	Quantum of exposure covered
1. Funded - Credit	Bank's own deposits	865.78
2. Funded - Credit	Gold Jewels	5104.89
3. Non Funded	Bank's own deposits	185.43

- c) For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees: (₹. in Crore)

Portfolio Category	Guaranteed by	Quantum of exposure covered
Funded - Credit	ECGC	699.65

Table DF - 7

### Securitization: Disclosure for Standardized Approach

**Qualitative Disclosures:** The Bank has not undertaken any securitization activity.

**Quantitative Disclosures:** NIL

## BASEL II - PILLAR 3 DISCLOSURES

**Table DF- 8**

### Market risk in trading book

#### Qualitative Disclosures

- a) Market Risk in trading book is assessed as per the Standardized duration method. The capital charge for HFT and AFS is computed as per Reserve Bank of India prudential guidelines.

#### Quantitative Disclosures

- b) The capital requirements for:

Interest rate risk	:	₹. 136.01 Cr
Equity position risk	:	₹. 17.72 Cr
Foreign exchange risk	:	₹. 4.50 Cr

**Table DF - 9**

### Operational Risk

#### Qualitative Disclosures

The Bank has put in place important policies like Operational Risk Management, Information System Security, Know Your Customer (KYC) and Anti Money Laundering (AML), Business Continuity and Disaster Recovery Management. The updated manuals on all important functional areas have been circulated to the branches. Risk Based Internal Audit is introduced in 369 branches in our Bank.

The Operational Risk Management Policy outlines the Organization Structure and covers the process of identification, assessment, measurement and control of various operational risks. Internal control mechanism is in place to control and minimize the operational risks.

Capital charge for operational risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous 3 years i.e. 2010-11, 2009-10 and 2008-09 is considered for computing the capital charge. The required capital is Rs.120.76 Cr.

**Table DF - 10**

### Interest rate risk in the banking book (IRRBB)

#### Qualitative Disclosures

- a) Foreclosure of deposits is studied and factored in the interest rate sensitivity analysis. Earnings at Risk (EAR) are computed based on the Traditional Gap Analysis on a static position.

#### Quantitative Disclosures

- b) The Bank is in the process of enhancing and validating the ICAAP policy/document with the assistance of external agency.

## NETWORK OF BRANCHES

### REGISTERED AND CENTRAL OFFICE

Erode Road, Karur - 639 002  
 Ph. : 04324 - 269000, 226520, 225521-25

### INTERNATIONAL BANKING GROUP

No.37, Whites Road, 2nd Floor  
 Chennai - 600014  
 Ph. : 044 28412090-92

### DIVISIONAL OFFICES

BANGALORE	:	230/2, 1st Floor, 15th cross Sampige Road, Malleswaram, Bangalore-560003
CHENNAI	:	KVB Towers, 1st Floor 568 Anna Salai, Teynampet, Chennai-600018
COIMBATORE	:	577 Oppanakara Street, 2nd Floor, Coimbatore-641001
DELHI	:	59/31 1st Floor, Poonam Plaza New Rohtak Road, Near Liberty Cinema Karolbagh, New Delhi-110005
HYDERABAD	:	5-8-363 to 365 (Second Floor), Chirag Ali Lane, Abids, Hyderabad-500 001
MADURAI	:	Gayathri Illam, 16 A.A.Road 1st Floor, Gnanaolivupuram, Madurai-625016
MUMBAI	:	954 Appa Saheb Marathe Marg 122, Prabhadevi, Mumbai-400025
SALEM	:	1st Floor, 269-A Bharathi Street, Swarnapuri Alagapuram, Salem-636 004
TRICHY	:	D-54 Ground Floor, L.I.C. Building, Bharathiar Salai, Cantonment, Trichy-620001
VIJAYAWADA	:	Gayathri Niliyam, 1st Floor 38-8-46, Labbipet M.G.Road, Vijayawada-520010
VISAKHAPATNAM	:	First Floor, D.No. 30-10-01, Pidaparti Vari Street, Daba Gardens, Visakhapatnam - 530020

### OTHER OFFICES

DISASTER RECOVERY SITE	:	01-04 1st Floor Unit-3 Block-I, Cyber Pearl Hi-Tech City, Madhapur, Hyderabad-500081
INTERNATIONAL BANKING GROUP	:	2nd floor, 37 Whites Road, Chennai-600014
ATM CELL	:	338 Uffizi Complex - Basement, Avinashi road, Peelamedu, Coimbatore-641004
DATA CENTRE	:	6th Floor D North Block, Tidel Park, Taramani, Chennai-600113
CHENNAI DEMAT CELL	:	South Wing First Floor, #37 Whites Road, Chennai-600014
COIMBATORE RPC	:	338 Uffizi Complex - 1st Floor, Avinashi Road, Peelamedu, Coimbatore-641004
CHENNAI CPC	:	South Wing First Floor, #37 Whites Road, Chennai-600014
HYDERABAD CPC	:	5-8-363 to 365 (First Floor), Chirag Ali Lane, Abids, Hyderabad-500 001
CHENNAI CFPC	:	2nd Floor, 37 Whites Road, Chennai-600014
CHENNAI TAX CELL	:	37, 1st Floor, Whites Road, Chennai-600014
MUMBAI CPC	:	Plot No 1414, Kamanwala Chambers, SIR P.M Road Fort, Mumbai-400001
NEW DELHI CPC	:	65/7 , 1st Floor New Rohtak Road, New Delhi-110005

### CENTRAL CLEARING OFFICES

BANGALORE	COIMBATORE	MUMBAI	VIJAYAWADA	ERODE	TRICHY	MADURAI
CHENNAI	HYDERABAD	SALEM	KARUR	DELHI	TIRUPUR	PONDICHERRY

### CURRENCY CHESTS

CHENNAI	KARUR	MADURAI	VIJAYAWADA
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## NETWORK OF BRANCHES

### ANDHRA PRADESH

**ADILABAD**  
ADILABAD

**ANANTAPUR**  
ANANTAPUR  
DHARMAVARAM  
HINDUPUR

**CHITTOOR**  
CHITTOOR  
NAGARI  
TIRUPATHI - MAIN  
RALLABUDUGURU  
TIRUPATHI - KHADI COLONY  
KUPPAM  
MADANAPALLE

**CUDDAPAH**  
CUDDAPAH  
PRODDATUR

**EAST GODAVARI**  
RAJAHMUNDRY  
KAKINADA  
PEDDAPURAM  
MANDAPETA  
RAVULAPALEM  
KADIAM  
AMALAPURAM  
TUNI

**GUNTUR**  
GUNTUR  
TENALI  
GUNTUR - LAKSHMIPURAM  
NARASARAOPET  
BAPATLA

**HYDERABAD**  
HYDERABAD - MAIN  
S R NAGAR  
NALLAKUNTA  
ABIDS  
KALYAN NAGAR  
JUBILEE HILLS  
HIMAYATNAGAR  
MIYAPUR  
VANASTHALIPURAM  
AMEERPET  
SANTHOSH NAGAR  
SECUNDERABAD

**KARIMNAGAR**  
KARIMNAGAR

**KHAMMAM**  
KHAMMAM

**KRISHNA**  
VIJAYAWADA - GOVERNORPET  
VIJAYAWADA - NO.1 TOWN  
GUDIVADA  
VIJAYAWADA - BUNDER ROAD  
PORANKI  
KANKIPADU  
MACHILIPATNAM  
VUYURU  
VIJAYAWADA - BHAVANIPURAM

**KURNOOL**  
KURNOOL  
NANDYAL  
ADONI  
VENKATARAMANA COLONY

**NALGONDA**  
KODAD  
MIRYALAGUDA

**NELLORE**  
NELLORE  
KAVALI

**NIZAMABAD**  
NIZAMABAD

**PRAKASAM**  
CHIRALA  
ONGOLE

**RANGA REDDY**  
HYD - DILSUKH NAGAR  
HYD - MANIKONDA  
HYD - MALKAJ GIRI  
HYD - A.S.RAO NAGAR  
HYD - KUKATPALLY  
HYD - PRAGATHI NAGAR  
HYD - BODUPPAL  
HYD - NIZAMPET  
HYD - MEHADIPATNAM  
HYD - MEERPET  
HYD - CHANDANAGAR  
HYD - HABSIGUDA  
HYD - KONDAPUR

**SRIKAKULAM**  
SRIKAKULAM  
RAJAM  
PALASA

**VISAKHAPATNAM**  
VIZAG - PEDAWALTAIR  
ANAKAPALLE  
VIZAG - MAIN  
GAJUWAKA  
PENDURTHI

**VIZIANAGARAM**  
VIZIANAGARAM  
SALUR  
PARVATHIPURAM  
GAJAPATHINAGARAM  
BOBBILI

**WARANGAL**  
WARANGAL - MAIN  
WARANGAL - HANAMKONDA

**WEST GODAVARI**  
PALAKOL  
TADEPALLIGUDEM  
NIDADAVOLU  
JANGAREDDYGUDEM  
BHIMAVARAM  
ELURU  
TANUKU  
NARASAPUR

### CHANDIGARH - UT

**CHANDIGARH**  
CHANDIGARH

### CHATTISGARH

**RAIPUR**  
RAIPUR

### DELHI

**DELHI**  
RAMESH NAGAR  
CHANDINI CHOWK  
CONNAUGHT CIRCUS  
PITAMPURA

**NEW DELHI**  
KAROL BAGH  
LAWRENCE ROAD  
KASHMERE GATE  
ROHINI  
EAST OF KAILASH

## NETWORK OF BRANCHES

### GOA

**NORTH GOA**  
PANAJI

### GUJARAT

**AHMEDABAD**  
AHMEDABAD - MAIN  
MANINAGAR  
SATELLITE AREA  
SANAND  
NARODA

**ANAND**  
ANAND

**BHARUCH**  
BHARUCH

**KACHCHH**  
GANDHIDHAM  
BHUJ

**MAHESANA**  
UNJHA

**RAJKOT**  
RAJKOT - MAIN

**SURAT**  
SURAT  
SURAT - UM ROAD

**VADODARA**  
VADODARA

### HARYANA

**FARIDABAD**  
FARIDABAD

**GURGAON**  
GURGAON

**KARNAL**  
KARNAL

**PANIPAT**  
PANIPAT

### JHARKHAND

**RANCHI**  
RANCHI

### KARNATAKA

**BANGALORE**  
BANGALORE - MAIN  
MALLESWARAM  
HALASURU

J.C. ROAD  
RAJAJINAGAR  
ISRO LAYOUT  
JAYANAGAR  
KORAMANGALA  
BASAVANAGUDI  
BTM LAYOUT  
INDIRA NAGAR  
HEBBAGODI  
HSR LAYOUT  
ATTIBELE  
CHANDAPUR

**BANGALORE RURAL**  
DODDABALLAPUR  
HOSAKOTTE  
RAMANAGARAM

**BELGAUM**  
BELGAUM

**BELLARY**  
BELLARY  
HOSPET

**DAKSHIN KANNAD**  
MANGALORE

**DAVANGERE**  
DAVANGERE

**DHARWAD**  
HUBLI

**GULBARGA**  
GULBARGA

**HASSAN**  
HASSAN

**KOLAR**  
KOLAR GOLD FIELDS

**KOPPAL**  
GANGAVATHI

**MYSORE**  
MYSORE

**RAICHUR**  
RAICHUR

**SHIMOGA**  
SHIMOGA

**TUMKUR**  
TUMKUR

### KERALA

**ALAPPUZHA**  
CHENGANNUR

**ERNAKULAM**  
ERNAKULAM  
TRIPUNITHURA  
EDAPPALLY

**KOLLAM**  
KOLLAM

**KOTTAYAM**  
KOTTAYAM

**KOZHIKODE**  
KOZHIKODE

**PALAKKAD**  
PALAKKAD

**PATHANAMTHITTA**  
TIRUVALLA

**THRISSUR**  
THRISSUR

**THIRUVANANTHAPURAM**  
THIRUVANANTHAPURAM

### MADHYA PRADESH

**BHOPAL**  
BHOPAL

**GWALIOR**  
GWALIOR

**INDORE**  
INDORE

### MAHARASHTRA

**AHMEDNAGAR**  
AHMEDNAGAR

**AURANGABAD**  
AURANGABAD

**KOLHAPUR**  
ICHALKARANJI  
KOLHAPUR

**MUMBAI**  
FORT  
PRABHADEVI  
BORIVALI  
CHEMBUR  
MULUND  
ANDHERI  
KALBADEVI

## NETWORK OF BRANCHES

**NAGPUR**  
NAGPUR

**NASIK**  
NASIK

**PUNE**  
PUNE  
CAMP AREA

**SOLAPUR**  
SOLAPUR

**THANE**  
MUMBAI - VASHI  
MUMBAI - ICL SCHOOL  
MUMBAI - THANE (W)  
MUMBAI - NERUL  
BHIWANDI

### ORISSA

**CUTTACK**  
CUTTACK

**GANJAM**  
BERHAMPUR  
ASIKA

**KHURDA**  
BHUBANESHWAR

### PONDICHERRY-UT

**KARAIKAL**  
KARAIKAL

**PONDICHERRY**  
PONDICHERRY

### PUNJAB

**AMRITSAR**  
AMRITSAR

**FATEHGARH SAHIB**  
MANDI GOBINDGARH

**JALANDHAR**  
JALANDHAR

**LUDHIANA**  
LUDHIANA

**PATIALA**  
PATIALA

### RAJASTHAN

**BHILWARA**  
BHILWARA

**JAIPUR**  
JAIPUR

### TAMILNADU

**ARIYALUR**  
ARIYALUR

**CHENNAI**  
CHENNAI - MAIN  
TRIPLICANE  
ROYAPURAM  
MYLAPORE  
ANNA NAGAR  
KODAMBAKKAM  
T.NAGAR  
WHITES ROAD  
PURASAWALKAM  
DHANDAPANI ST.  
TEYNAMPET  
NANGANALLUR  
ADYAR  
MOGAPPAIR  
VALASARAVAKKAM  
VELACHERY  
ASHOK NAGAR  
EGMORE  
R.A.PURAM  
ARUMBAKKAM  
K K NAGAR  
SAIDAPET

**COIMBATORE**  
COIMBATORE - MAIN  
POLLACHI  
DR. NANJAPPA ROAD  
R.S.PURAM  
ANAIMALAI  
DHULLY  
SARAVANAMPATTI  
SAIBABA COLONY  
GANAPATHY  
SOMANUR  
KOVAIPUDUR  
VADAVALLI  
RAMANATHAPURAM  
ANNUR  
KUNIAMUTHUR  
SULUR

METTUPALAYAM  
AVINASHI ROAD  
KALAPATTI

**CUDDALORE**  
CHIDAMBARAM  
VRIDDHACHALAM  
CUDDALORE  
NEYVELI  
CHIDAMBARAM-ANNAMALAI NAGAR  
PANRUTI

**DHARMAPURI**  
KAMBAINALLUR  
SAMALPATTI  
DHARMAPURI

**DINDIGUL**  
DINDIGUL  
BATLAGUNDU  
CHINNALAPATTI  
PALANI  
NEIKARAPATTI  
ODDANCHATRAM

**ERODE**  
ERODE  
GOBICHETTIPALAYAM  
SATHYAMANGALAM  
KAVINDAPADI  
BHAVANI  
PERUNDURAI  
KOLATHUPALAYAM  
METTUKADAI  
PERUNDURAI - KEC NAGAR  
SAMPATH NAGAR  
SIVAGIRI  
VEERAPPANCHATIRAM  
CHENNIMALAI  
ANTHIYUR

**KANCHEEPURAM**  
CHENNAI - TAMBARAM  
CHENNAI - ALANDUR  
KANCHEEPURAM  
CHENNAI - CHROMEPET  
ULLAVOOR  
CHENNAI - ST THOMAS MOUNT  
CHENNAI - URAPPAKKAM  
CHENNAI - SINGAPERUMAL KOIL  
CHENNAI - SHOLINGANALLUR  
CHENNAI - SRIPERUMPUDUR  
CHENNAI - KELAMBAKKAM  
CHENNAI - MEDAVAKKAM  
CHENNAI - SELAIYUR

## NETWORK OF BRANCHES

CHENNAI - PALAVAKKAM  
CHENGALPATTU  
PORUR  
CHENNAI - MADIPAKKAM  
CHENNAI - PALLAVARAM  
GUDUVANCHERRY  
CHENNAI - SITHALAPAKKAM

**KANYAKUMARI**  
NAGERCOIL

**KARUR**  
KARUR - MAIN  
KULITHALAI  
KARUR - CENTRAL  
KARUR - WEST  
VEERARAKKIYAM  
GANDHIGRAMAM  
VENGAMEDU  
ARAVAKURICHI  
THANTHONIMALAI

**KRISHNAGIRI**  
KRISHNAGIRI  
HOSUR

**MADURAI**  
MADURAI - MAIN  
MADURAI - SOUTH  
ALANGANALLUR  
GNANAOLIVUPURAM  
ELUMALAI  
TALLAKULAM  
ANNA NAGAR  
PALANGANATHAM  
MELUR  
THIRUNAGAR  
THIRUPPALAI

**NAGAPATTINAM**  
NAGAPATTINAM  
NEERMULAI  
MAYILADUTHURAI

**NAMAKKAL MAIN**  
NAMAKKAL MAIN  
KOMARAPALAYAM  
TIRUCHENGODE  
PAUNDAMANGALAM  
NAMAGIRIPET  
PUDUCHATRAM  
VALAYAPATTI  
KALAPPANAICKENPATTI  
BELUKURICHI  
NAMAKKAL WEST  
MANGALAPURAM

VELLAPILLAIAR KOIL  
RASIPURAM  
PARAMATHI VELUR  
PALLIPALAYAM

**NILGIRIS**  
COONOOR

**PERAMBALUR**  
PERAMBALUR

**PUDUKOTTAI**  
KOTHAMANGALAM  
PUDUKOTTAI

**RAMANATHAPURAM**  
RAMANATHAPURAM  
PARAMAKUDI

**SALEM**  
SALEM - MAIN  
IDAPPADI  
METTUR DAM R.S.  
SHEVAPET  
ATTUR  
KARUPPUR  
KARIPATTI  
ALAGAPURAM  
ILAMPILLAI  
JALAKANDAPURAM  
GUGAI  
AYOTHIAPATTINAM

**SIVAGANGAI**  
KARAIKUDI

**THANJAVUR**  
KUMBAKONAM  
THANJAVUR  
PATTUKOTTAI

**THENI**  
AUNDIPATTI  
BODINAYAKANUR  
CHINNAMANUR  
CUMBUM  
GUDALUR  
KOMBAI  
PERIYAKULAM  
THENI  
KATHIRNARASINGAPURAM  
UPPUKOTTAI

**THIRUVALLUR**  
CHENNAI - TIRUVERKADU

CHENNAI -VELAPPANCHAVADI  
CHENNAI - AMBATTUR  
CHENNAI - RED HILLS

**THIRUVARUR**  
MANNARGUDI  
THIRUVARUR

**TIRUNELVELI**  
PALAYAMKOTTAI  
TIRUNELVELI TOWN  
TENKASI  
SANKARANKOIL  
AMBASAMUDRAM

**TIRUPUR**  
DHARAPURAM  
UDUMALPET  
TIRUPUR - MAIN  
MULANUR  
GANAPATHIPALAYAM  
KOLUMAM  
ERISANAMPATTI  
PAPPANKULAM  
TIRUPUR - OVERSEAS  
TIRUPUR - P.N.ROAD  
KANGEYAM  
PALLADAM  
VELLAKOIL  
AVINASHI

**TIRUVANNAMALAI**  
TIRUVANNAMALAI  
POLUR  
ARNI  
PERUNDURAI PATTU  
VANDAVASI  
TIRUVETHIPURAM (CHEYYAR)  
CHENGAM

**TRICHY**  
TRICHY - MAIN  
MUSIRI  
THATHIENGARPET  
JEEYAPURAM  
CANTONMENT  
KANNANUR  
THILLAINAGAR  
SRIRANGAM  
K.K.NAGAR  
SURIYUR  
TIRUVERUMBUR  
SRINIVASA NAGAR  
MANAPPARAI  
KARUMANDAPAM  
THURAIYUR



## NETWORK OF BRANCHES

**TUTICORIN**  
TUTICORIN  
KOVILPATTI

**VELLORE**

VELLORE  
KANIYAMBADI  
VANIYAMBADI - NEW TOWN  
TIRUPATHUR  
ARAKKONAM

**VILLUPURAM**

VILLUPURAM  
KADUVANUR  
THOTTIYAM  
TINDIVANAM  
GINJEE  
KALLAKURICHI

**VIRUDHUNAGAR**

VIRUDHUNAGAR  
RAJAPALAYAM  
SIVAKASI

### UTTARPRADESH

**GAUTAM BUDDH NAGAR**  
NOIDA

**KANPUR**  
KANPUR

**LUCKNOW**  
LUCKNOW

**MEERUT**  
MEERUT

**VARANASI**  
VARANASI

### WEST-BENGAL

**HOWRAH**  
JAGACHA  
BAGNAN  
GHOSHPARA

**KOLKATA**  
KOLKATA- MAIN  
SHAKESPEARE .SARANI  
BALLYGANGE  
SALT LAKE

**MIDNAPORE WEST**  
KHARAGPUR

**NORTH 24 PARGANAS**  
KOLKATA-DAKSHINESHWAR

**SOUTH 24 PARGANAS**  
JOKA  
BARUIPUR  
GARIA

## PRINCIPAL CORRESPONDENT BANKS

### OUR SWIFT CODE KVBLINBBIND

Name of the Bank and Address			
<b>USD</b> <b>Wells Fargo Bank NA</b> NY 4080 375 Park Avenue New York NY-10152  Ac.No. 2000193005826 SWIFT : PNBUS3NNYC FEDWIRE ROUTING NUMBER 026005092	<b>EURO</b> <b>Commerz Bank AG</b> Theodor-Heuss-Allee 50 60489 Frankfurt AM Main Germany  Ac. No. 400875119000EUR SWIFT : COBADEFF	<b>JPY</b> <b>Standard Chartered Bank</b> 30-16, Ogikubo 4-chome, Suginami-ku Tokyo 167-8530, Japan  Ac.No. 0219600 - 1110 SWIFT:SCBLJPJT	
<b>USD</b> <b>Standard Chartered Bank</b> One Madison Avenue New York, NY 10010-3603 USA  Ac.No.3582069922001 SWIFT : SCBLUS33 FEDWIRE ROUTING NUMBER 026002561	<b>EURO</b> <b>Standard Chartered Bank GmbH</b> Postfach 110162 Theodor-Heuss-Allee 112 D-60036, Frankfurt am Main, GERMANY  Ac.No.18021504 SWIFT : SCBLDEFX I-BAN NO DE39512305000018021504	<b>AUD</b> <b>Australia &amp; Newzealand Banking Corporation</b> 55 Collins Street Melbourne, Victoria AUSTRALIA  Ac.No. 237776-00001 SWIFT : ANZBAU3M	
<b>USD</b> <b>Citi Bank, N A</b> 111,Wall Street New York City , NY 10018, USA  Ac.No.36844037 SWIFT : CITIUS33 FEDWIRE ROUTING NUMBER 021000089	<b>SGD</b> <b>Indian Overseas Bank</b> 64, Cecil Street, IOB Building, SINGAPORE 049711  Ac.No. 4916210131 SWIFT:IOBASGSG	<b>CAD</b> <b>Citi Bank, N A</b> Canadian Branch 123 Front St.West, Toronto, Ontario-M5J2M3 CANADA  Ac.No.2017517009 CAD SWIFT:CITICATTBCH	
<b>GBP</b> <b>Standard Chartered Bank</b> 1 Alderman bury Square London EC2V 7SB United Kingdom  Ac.No. GBP 01 265520901 SWIFT : SCBLGB2L I-BAN NO GB94SCBL60910412655209	<b>CHF</b> <b>UBS AG</b> PO 8098 Zurich, Switzerland  Ac.No.0230-35343.05E SWIFT :UBSWCHZH80A	<b>SEK</b> <b>Skandinaviska Enskilda Banken</b> S-106, 40 Stockholm SWEDEN  Ac.No.5201-85-335-84 SWIFT:ESSESESS	
<b>AED</b> <b>Commercial Bank of Dubai</b> Po Box 2668 Al Ltihad Street, Dubai, UAE  Ac.No. 1001361656 SWIFT : CBDUAEADXXX	<b>NOSTRO ACCOUNT FOR NRI / FCNR DEPOSIT</b>		
<b>USD</b> <b>Wells Fargo Bank</b> New York  Ac.No.2000191007059 SWIFT :PNBPUS33NNYC	<b>GBP</b> <b>Wells Fargo Bank</b> London  Ac.No.07515036 SWIFT :PNBPGB2L IBAN GB34PNBP16567 107 515036	<b>EUR</b> <b>Wells Fargo Bank</b> London  Ac.No.07515168 SWIFT :PNBPGB2L IBAN GB59PNBP16567 107 515168	



## Notes

A series of horizontal dotted lines for taking notes.

## A DECADE OF PROGRESS

(₹. in Crore)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Capital</b>	16.41	17.98	17.98	17.98	49.49	53.94	53.95	54.44	94.49	107.18
<b>Reserves</b>	542.27	694.05	742.90	853.65	1013.67	1136.06	1296.21	1565.54	2020.04	2601.04
<b>Owned funds</b>	558.68	712.03	760.88	871.63	1063.16	1190.00	1350.16	1619.98	2114.53	2708.22
<b>Capital Adequacy Ratio - Basel I</b>	17.01%	17.11%	16.07%	14.79%	14.51%	12.58%	13.08%	12.48%	12.16%	11.64%
<b>- Basel II</b>	-	-	-	-	-	-	14.92%	14.49%	14.41%	14.33%
<b>Deposits</b>	5121.92	5911.48	6672.19	7576.83	9340.29	12549.99	15101.39	19271.85	24721.85	32111.59
<b>Advances</b>	3423.08	4101.15	4741.01	5700.89	7194.37	9568.84	10562.90	13675.00	18052.41	24205.11
<b>Investments</b>	1845.08	2173.01	2219.03	2298.13	2873.95	3526.33	4715.98	6649.44	7776.30	10581.27
<b>Gross Income</b>	648.07	721.87	703.92	771.45	986.55	1289.33	1711.30	2004.92	2482.03	3620.52
<b>Net Profit</b>	124.97	161.05	105.34	135.35	160.01	208.33	235.84	336.03	415.59	501.72
<b>Dividend</b>	70%	100%	100%	120%	100%	120%	120%	120%	120%	140%*
<b>Branches</b>	214	223	231	238	269	288	312	335	369	451
<b>EPS (Rs.)</b>	156.28	89.58	58.59	28.29	32.80	38.62	43.71	62.23	44.90	46.81
<b>Return on Assets (%)</b>	2.25	2.43	1.45	1.65	1.53	1.63	1.49	1.76	1.71	1.56
<b>Book Value(Rs.)</b>	340.45	396.05	423.22	484.80	197.09	220.61	250.25	297.60	193.04	252.68
<b>No of Employees</b>	2833	2849	2811	2908	3286	3580	3941	4175	4574	5673

\* Proposed



FOUNDERS' DAY CELEBRATIONS  
@ Madurai





◀ Launch of Co-branded Credit Card

▶ Launch of Sale of KVB Silver Bars



◀ Launch of Mobile ATM

## EXPANSION OF NETWORK



◀ DELHI - CONNAUGHT CIRCUS



VARANASI ▶



◀ AMEERPET

MUMBAI - BANDRA ▶



## EXPANSION OF NETWORK



◀ BHUJ

KALAPATTI ▶



◀ KAVALI

KOLKATTA - SALT LAKE ▶





## EXPANSION OF NETWORK



◀ KARUR - THANTHONI MALAI



NARODA ▶



◀ CHENNAI - MADIPAKKAM



KANPUR ▶



Investors & Analysts Meet at Mumbai



Investors & Analysts Meet at Chennai



Donation to Tamilnadu Chief Minister's Thane Cyclone Relief Fund



Donating a Van to Akshaya Patra Foundation of ISKCON for carrying mid-day meals to under privileged school children

