

# We aim for more than just the stars

9.7 million happy customers | 551 branches | 1277 ATMs



Annual Report 2012-2013



## BOARD OF DIRECTORS

### CHAIRMAN



SHRI K.P. KUMAR

### MD & CEO



SHRI K. VENKATARAMAN

### DIRECTORS



SHRI M.G.S. RAMESH BABU



SHRI S. GANAPATHI SUBRAMANIAN



SHRI G. RAJASEKARAN



SHRI A.J. SURIYANARAYANA



SHRI K. RAMADURAI



SHRI K.K. BALU



SHRI N.S. SRINATH



SHRI B. SWAMINATHAN



**KRISHNASWAMY. V**  
PRESIDENT & COO



**VENKATESWARA RAO. K**  
CHIEF GENERAL MANAGER



**ANANDA NADARAJAN. A**  
GENERAL MANAGER



**NATARAJAN. J**  
GENERAL MANAGER



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



**SIVARAMA PRASAD. T**  
GENERAL MANAGER



**RAMESH KRISHNAN**  
GENERAL MANAGER



**BALAJI. S**  
GENERAL MANAGER



**SRINIVASAN. V**  
GENERAL MANAGER

#### DEPUTY GENERAL MANAGER

VENKATARAMANA R  
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  
SAMPATH G  
SUBBAIYAN M  
NAGARAJAN K  
KANNAN R

#### ASSISTANT GENERAL MANAGER

VIJAYAKUMAR A  
ASHOK VENNELAKANTI  
RAMALINGAM N  
JARARD THOMAS  
MURALI KUMAR M  
GOPINATH A  
CHELLADURAI S  
PANDIYAN P  
VISWANADHAM M  
PARTHASARATHI R  
LAKSHMANAN L  
VARADHARAJAN A  
VENKATESAN R  
HARIHARAN K

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  
MURALIDHARAN V

SEKAR K S  
ANBURAJ V  
GOWRI SHANKAR J  
ELANGO V  
GOPALAN S  
RADHESYAM T  
RAMAKRISHNA C  
PALPANDIAN M  
SRINIVASAN G V  
SIVAKUMAR S  
RAVICHANDRAN K  
SATYA SURYA PRAKASH K

#### COMPANY SECRETARY & DEPUTY GENERAL MANAGER

KANNAN R

#### LEGAL ADVISER

K N SHRINIVASAN

#### AUDITORS

R K KUMAR & CO., Chennai



**SRI GAYATHRI DEVI**



▲  
“Best Small Bank” award received from Shri. Jairam Ramesh, Hon’ble Minister for Rural Development - Business World Price Waterhouse Coopers Awards, 2012

“Best Old Private Sector Bank - Runner Up” award received from Shri. Anand Sharma, Hon’ble Minister for Commerce and Industry - Financial Express Awards, 2012  
▼



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

The financial year 2012-13 has seen the bank grow its business turnover from Rs. 56,300 crore to Rs. 68,300 crore. Despite slowdown in economic growth, our bank has performed reasonably well and posted comfortable results. Our strong fundamentals have been reflected in the business figures, NPA levels and profit. The decline in economic growth seems to be abating with business surveys pointing out to signs of growth in the days to come. Since RBI is of the view that upside risks to inflationary trends still remain, we would continue to formulate our growth strategies in the current year dynamically, keeping in view prevailing economic scenario. However, we will be on track for our ambitious goal for our Centenary Year.

The bank has already set the goals for the current fiscal and as in the past the bank would also be undertaking periodic review of the progress. Strategically the focus would continue to be on the Retail Banking, viz., CASA growth, lending to Housing sector, MSME and Agriculture, along with fee based income, reduction of NPAs and arresting fresh slippages to NPAs. We would also strive to maintain NIM steady and further improve the return on assets.

We are paying attention to improve the in-branch experience of the customers and are in the process of putting in place a robust branch operating model capable of supporting the growing volumes of business. This would be supported by various IT initiatives that are aimed at enhancing customer convenience and operational efficiency.

In FY 2013, various awards and recognitions have been conferred on our Bank as in the past. These include awards by Bloomberg-UTV as Best Private Sector Bank, by CNBC TV 18 for Consistent performance in growth and profits under the Small Banks Category, 2012, Business World – Price Waterhouse Coopers Awards, 2012 for Best Small bank, IDRBT Banking Technology Best Bank Awards 2012 for IT Implementation and Management among small banks & Managing IT Risks among small banks, Institute of Public Enterprise, Hyderabad for Best Employer Brand, IPE Corporate Excellence Awards and Financial Express – Best Old Private Sector Bank, 2012 (runner up)

We have committed ourselves to bring in to our Bank, the best standards in the industry and have been constantly taking various initiatives to attain the set goal. I take this opportunity to place on record our sincere gratitude for your valuable support in this regard. As we step into our 98th year of operations, we hope to achieve dynamic growth with well diversified business and look forward to reaching greater heights in line with our Centenary year goals.

**K Venkataraman**  
May 24, 2013



◀ “Consistent performance in growth and profits under the Small Banks Category” - CNBC TV 18, 2012

“Best Bank for IT Implementation and Management among small banks and managing IT Risks among small banks”  
- IDRBT Banking Technology Best Bank Award, 2012 ▶



◀ “Best Employer Brand” & “IPE Corporate Excellence Award (CEO’s) Banking and Finance” - Institute of Public Enterprise, 2012



93<sup>rd</sup> ANNUAL GENERAL MEETING



## FOUNDERS' DAY CELEBRATION – VIJAYAWADA



Address by His Excellency Shri E S L Narasimhan, Governor of Andhra Pradesh



## DIRECTORS' REPORT

### Dear Shareholders,

Your Directors are pleased to present the 94th Annual Report and the audited accounts for the financial year ended March 31, 2013.

### Financial Performance

The financial performance for the year under review are presented below:

Particulars	31.03.2013 (₹ In Cr)	31.03.2012 (₹ In Cr)
Gross Deposits	38652.98	32111.59
Gross Advances	29705.89	24205.11
Total Income	4694.99	3620.52
Total Expenditure	3846.16	2894.81
Operating Profit	848.83	725.71
Net Profit	550.32	501.72
<b>Appropriations: Transfer to</b>		
Statutory Reserve	165.00	150.50
Capital Reserve	16.52	3.14
General Reserve	123.00	156.80
Special Reserve	50.00	35.00
Investment Reserve	21.00	—
Proposed Dividend	150.05	150.05
Dividend Tax	25.50	24.34

The aggregate business of the Bank reached ₹ 68359 Cr as at 31st March 2013 showing an increase of 21.38% on a year-on-year basis (y-o-y).

### Deposits

Deposits grew by 20.37% from ₹ 32111.59 Cr in FY 12 to ₹ 38652.98 Cr in FY 13. The growth recorded by your bank was higher than the 14.3% growth in deposits recorded in the banking system during the fiscal under report.

CASA deposits grew at 20.93% and stood at ₹ 7439.15 Cr as at the end of 31.03.2013 as against ₹ 6151.58 Cr as on 31.03.2012.

Term deposits were at ₹ 31213.83 Cr as against ₹ 25960.01 Cr as at the end of the previous fiscal 2011-12, recording a growth of 20.24%.

Deposit growth in the banking system has slowed in the recent years largely due to households looking at investments in alternate assets such as gold, equities, real estate etc expecting higher and inflation adjusted returns.

### Credit portfolio

The gross advances of your bank were at ₹ 29705.89 Cr as at the end of the fiscal 2012-13 as against ₹ 24205.11 Cr in the previous fiscal 2011-12 recording a growth of 22.73% during the year under report when compared to 14.1% growth seen in the banking system for 2012-13.

Priority sector advances of your bank surged from ₹ 7526.92 Cr as at the end of March 2012 to ₹ 10196.40 Cr as at the end of March 2013 and formed 42.04% of the Adjusted Net Bank Credit (ANBC) against the mandated target of 40%.

The total agricultural advances of your bank recorded a growth of 34.33% over the previous year and rose to ₹ 5194.32 Cr as at end-March 2013. Your Bank's agricultural advances formed 21.42% of ANBC as at the end-March 2013 against the mandated target of 18%. Also the advances made to weaker sections were at 11.24% against the regulatory requirement of 10%.

Average Credit Deposit Ratio of the Bank during the fiscal was 75.48%.

### Recovery

Your Bank has put in place strong systems for resolution and recovery of non-performing loans besides strengthening its due diligence, credit appraisal and post-sanction loan monitoring systems to minimize and mitigate the problem of increasing NPAs. Your Bank continues to apply a multi pronged strategy for better NPA management viz: Preventive actions, Recovery, upgradation, resolution and settlement, initiation of legal proceedings including under SARFAESI, besides sale of assets.

As a result of concerted action the Gross NPAs have declined from ₹ 320.99 Cr (1.33%) as at 31.03.2012 to ₹ 285.86 Cr (0.96%) as at the end of 31.03.2013. The Net NPAs which were at ₹ 78.78 Cr (0.33%) during FY 12 have risen marginally to ₹ 108.74 Cr (0.37%). Your Bank has a provision coverage ratio of 75.20% as at 31.03.2013.

### Share Capital

The paid up capital of the Bank stood at ₹ 107.18 Cr as at 31st March 2013. During the year under report, the Bank made an allotment of 700 shares which was kept under abeyance category.

Your Bank's net owned funds as at 31st March 2013 was ₹ 3085.19 Cr comprising paid up equity capital of ₹ 107.18 Cr and reserves of ₹ 2978.01 Cr.

## DIRECTORS' REPORT

Your Bank's Capital Adequacy Ratio (CAR) was comfortable at 14.41% under Basel II as on 31.03.2013. The Bank has been maintaining a higher Capital Adequacy Ratio consistently over and above the regulatory prescription of 9%.

The market capitalization of your shares as at the end of fiscal 2012-13 was ₹ 4827.43 Cr. In terms of market capitalization, your Bank was at 187th rank in the country.

### Employee Stock Options Scheme

Out of the 10 lakh Stock options available under KVBESOS 2008, 9,78,454 options were granted, exercised and allotted earlier. 21,546 options which were remaining under the said Scheme were granted to the employees on 01.03.2013.

Your Bank has framed KVBESOS 2011 pursuant to the 40 lakh options approved by the shareholders in the Annual General Meeting held on 27.07.2011. Out of the said 40 lakh options, 14,71,656 lakh options were granted on 01.03.2013.

Particulars pursuant to Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are annexed to this report and form part of this report.

### Credit Rating

CRISIL has re-affirmed A1+ rating (pronounced "CRISIL- A one plus") for ₹ 20 billion Certificate of Deposits programme of your Bank. ICRA Limited has confirmed ICRA A1+ (pronounced "ICRA-A one plus") rating to the Bank's Certificate of Deposits Programme for ₹ 2000 Cr.

Both the ratings indicate a very strong degree of safety regarding timely payment of financial obligations.

### Dividend

In spite of the tough economic environment, keeping in tune with the good financial performance of the Bank, your Directors are pleased to recommend a dividend of ₹ 14/- per equity share of face value of ₹ 10/- each for the year ended 31.03.2013, amounting to ₹ 175.55 Cr (inclusive of tax of ₹ 25.50 Cr). The dividend will be paid to the members whose names appear in the Register of Members as on 19.07.2013; in respect of shares held in dematerialised form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners.

It may be noted that it is now for a decade (since 2003-04), that your bank has been paying 100% or more to its shareholders.

The dividend payout for the year under review has been formulated in accordance with the Bank's policy to pay sustainable dividend linked to long term growth objectives of the Bank to be met by internal accruals and to meet the shareholders' aspirations.

### Investments

The gross domestic investments of your Bank stood at ₹ 13868.85 Cr as at 31.03.2013 as against ₹ 10581.27 Cr as on 31.03.2012, thus recording an increase of 31.07% during the fiscal 2012-13. Net investments registered an increase of ₹ 3331.16 Cr during the year to reach ₹ 13837.26 Cr as at the end of the fiscal 31.03.2013 from ₹ 10506.10 Cr as at 31.03.2012.

Income on investments stood at ₹ 950.35 Cr as at 31.03.2013, registering a rise of ₹ 234.11 Cr (32.68%) when compared to the previous fiscal income of ₹ 716.24 Cr. The profit on sale of investments was at ₹ 88.34 Cr for the fiscal 2012-13 as against ₹ 26.20 Cr recorded in the previous fiscal 2011-12.

The average yield on investments improved to 7.67% during the year under report over the previous fiscal of 7.49%. Liquidity position of the Bank was comfortable throughout the year.

### Forex Transactions

The merchant turnover of the Bank was up by 8.36% during the fiscal 2012-13 to reach ₹ 10109 Cr as against ₹ 9329 Cr during the previous fiscal 2011-12. The Bank has earned a profit on exchange of ₹ 23.16 Cr and other income (commission and others) of ₹ 31.35 Cr during the fiscal 2012-13.

### Branch Net work

During the year 2012-13, for the first time in the history of your bank, 100 new branches were opened across India, taking the number of branches from 451 to 551.

In terms of the mix of the branches, the branch net work is fairly spread across all the population groups with Metro 16 %, Urban 26%, Semi-Urban 40% and Rural 18%.

### Delivery Channels

#### ATMs

Your Bank operationalised 465 ATMs across the country during the FY 13. Of the 465 ATMs, 124 are on-site and 341 are offsite. The total ATM population of your bank comes to 1277 as at the end of the fiscal 2012-13.

## DIRECTORS' REPORT

Taking into account the branches as well as the ATMs installed, the total customer outlets of the bank rose to 1826 as at 31.03.2013 from 1276 as at the end of the previous fiscal 2011-12.

### Debit Cards

As at the end of fiscal 2012-13, the total number of cards issued by the Bank were at 3.54 million, of which 710365 cards were issued during the fiscal 2012-13.

### POS

During the year under report, your Bank installed 3142 POS terminals across various merchant locations, taking the total to 5844 numbers as at 31.03.2013.

The gross value of transactions routed through such terminals stood at ₹ 422.58 Cr till 31.03.2013.

### Technology Initiatives

Information technology continued to be the thrust area for the Bank as in the past. During the fiscal your Bank introduced/developed various IT initiatives that are aimed at enhancing customer convenience and internal efficiency and decision making process through effective Management Information Systems.

State of the art Disaster Recovery (DR) Data Centre was built and your Bank deployed all latest technology in the Data Centre complying with robust and best in class technology infrastructure.

The following new initiatives were introduced to add value to the customer convenience:

- Installed 88 cash deposit machines to accept cash from customers for directly crediting to their own account or to third party account at select branches. The system can sort the cash, identify suspicious notes, accepts only good notes and provide receipt with denomination.
- Implementation of Interbank Mobile Payment System (IMPS) through net banking. This facility will enable the customer to make funds transfers to others (including accounts maintained in other banks) as an alternate channel. It will instantaneously remit the funds like RTGS and works on 24x7 basis.
- KVB has built its own captive Contact Centre at Tidel Park with 50 seater capacity and with Interactive Voice Response System (IVRS) for customers to do phone banking including funds transfer and also can avail customer support from the agents on multi-languages on 24x7 basis using proclaimed application.

- Implementation of mobile wallet: It is a pre-paid virtual card available on the mobile. No need for customers to carry cash or cards for purchases.

As the technology landscape is undergoing significant changes your Bank will continue to introduce systems in line with the new trends in the industry which delivers value to our customers.

### Golden Vision initiatives

Members of the bank are aware that the bank has engaged the services of Boston Consulting Group (BCG) with the mandate to assist the bank in all spheres with particular reference to reaching the targeted business of ₹ 125000 Cr by the Centenary year 2016.

Their services are being continued and the bank has been implementing the recommendations of BCG. Organisational setup has been reoriented with a customer centric focus.

The Bank is in the process of putting in place a robust branch operating model capable of supporting the growing volumes of business. Your Bank has been focusing on improving the in-branch experience of the customers by redesigning the branches to create the best-in-class lay-out and ambience at its high footfall branches.

In order to reduce the waiting time for transaction processing, the bank has rolled out Single Window System of banking services in 75 branches.

### Financial Inclusion

Your Bank was allotted 117 villages through SLBC for providing basic banking services under the Financial Inclusion Plan. The Bank has covered all the 117 villages by adopting Business Correspondent model. The Bank has opened 26278 basic savings accounts (no frill accounts) with Bio-Metric smart cards under Financial Inclusion Scheme. In order to take it forward further the Bank is in the process of opening Ultra Small Branches/Brick & Mortar branches in the allotted villages wherever feasible.

### Special Reserve

In accordance with the provisions of Section 36 (1) (viii) of the Income Tax Act, 1961 (as amended), a deduction is available to a company for any Special Reserve created or 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 facility by way of term loans for housing, power, roads and other segments of infrastructure

## DIRECTORS' REPORT

during last fiscal, it was decided to avail the said benefit. Your Bank has created special reserve to the extent of ₹ 50 Cr for the said purpose in 31.03.2013.

During the last four fiscal years commencing from 2009-10, your bank has created an aggregate amount of ₹ 145 Cr towards the Special Reserve.

### 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. The Bank has received a certificate from the Auditors confirming that their appointment, if made, would be within the prescribed limits specified under Sec 224 (1B) of the Companies Act, 1956 as also the extant guidelines issued by RBI. 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 activities of the Bank, the provisions of Section 217(1) (e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. However the Bank is making extensive use of technology in all its operations and is also constantly pursuing its goal of technological upgradation in a cost effective manner to provide quality customer service.

The Bank supports and encourages the country's export efforts through its export financing operations.

As required under the provisions of Sec 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, your Directors report that during the fiscal 2012-13, none of the employees were in receipt of remuneration requiring disclosure.

It is hereby confirmed that the bank has proper systems in place to ensure compliance of all laws applicable to the Bank.

### Board of Directors

Messrs K Parameshwara Rao, V Santhanaraman and Hemant Kaul have resigned as Directors during the year under report. The Board places on record its gratitude for the valuable contribution rendered by them during their tenure as Directors on the Board.

Shri N S Srinath was co-opted as an Additional Director of the Bank in the Board meeting held on 29.06.2012. He was elected

as a Director of the Bank at the 93<sup>rd</sup> Annual General Meeting held on 30.07.2012.

Shri B Swaminathan was co-opted as an Additional Director by the Board effective 31st January 2013, to hold office till the 94th Annual General Meeting. Notice as required under Sec 257 of the Companies Act, 1956 has been received in respect of his appointment as Director of the Bank. Proposal to appoint him as Director, liable to retire by rotation, is being placed before the shareholders at the ensuing Annual General Meeting.

Directors Messrs M G S Ramesh Babu and S Ganapathi Subramanian are retiring by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. They have offered themselves for re-appointment.

As per Clause 49 of the Listing Agreement, brief resume of the Directors who are seeking re-appointment and the Additional Director seeking appointment as Director are furnished in the Corporate Governance Report attached to this Directors' Report.

### Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 as amended, your Directors hereby report:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for that period;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and
- The Directors have prepared the annual accounts on a going concern basis.

### Awards and Accolades

Your Bank received several awards during FY13 for its consistent and all round performance. Given below are the awards won/ accolades received during the year 2012-13.

Financial Express-Best Old Private Sector Bank, 2012 (Runner up)

## DIRECTORS' REPORT

- Best Private Sector Bank award from Bloomberg UTV Financial Leadership Awards 2012
- Best Small Bank award from Business World – Price Waterhouse Coopers Awards 2012
- Award for Consistent Performance in growth and profits under Small Bank Category 2012 presented by CNBC TV 18.
- IPE BFSI Best Employer Brand Award 2012 given by Institute of Public Enterprises, Hyderabad.
- IPE Corporate Excellence Awards (CEO's) Banking & Finance, 2012 presented by Institute of Public Enterprises, Hyderabad.
- Business Leadership Award Category given by Institute of Public Enterprises under Global HR Excellence Awards (CEO's).
- 'Outstanding contribution to Brand building award' presented by Indira group of Institutes, Pune in their 12th Indira Awards for Marketing Excellence.

Apart from the above, the Institute for Development and Research in Banking Technology (IDRBT) for its Annual Technology Excellence Awards 2011 selected KVB in respect of the following categories:

- (a) Best IT Implementation and Management and
- (b) Managing IT Risk

### Corporate Social Responsibility

Your Bank's commitment, work ethics and business processes encourage all its employees and other participants to ensure positive impact and its commitment towards 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 donations towards funding the following activities.

#### Health care

- (a) Contributed a sum of ₹ 3.24 lakh to Rotary Texcity, Karur to conduct Medical Centre for one year

- (b) Contributed a sum of ₹ 5 lakh to Sri Sathya Sai Trust, Mumbai towards free heart check up camp and surgery conducted by them for the benefit of economically weaker sections of the public
- (c) A sum of ₹ 2 lakh was donated towards support to severely underweight children in Karur District programme organized by the District Collector, Karur- a mission initiative of District Administration to fight malnutrition among children in the age group of 6 months to 5 years.

#### Education

- (a) Reimbursement of school fees to some children for ₹ 1.19 lakh
- (b) Contributed to Rashtrottana Parishat, Bangalore for running PARV School at Kolar District, Karnataka
- (c) Donation of ₹ 3.60 lakh towards the Single Teacher School initiative of Swami Vivekananda Rural Development Society, Chennai
- (d) Provision of 1000 numbers of ceiling fans to select schools in Tamil Nadu and Andhra Pradesh at a cost of ₹ 12.90 lakh.

Apart from the above your Bank has also contributed to the Anandam Charitable Trust, Chennai a home for destitute senior citizens in the age group of 63 to 93 years for their development activities.

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

Your Directors place on record their gratitude for the guidance and cooperation received from the Reserve Bank of India, Government of India, State Governments and other regulatory bodies. The Directors also place on record their appreciation of the encouragement and patronage received from valued customers and other stake holders and look forward to their continued support. The Directors also take this opportunity to express their appreciation for the hard work, dedication and efforts put in by the employees of the Bank.

For and on behalf of the Board of Directors

**K P Kumar**  
Chairman

Karur  
24.05.2013

## DIRECTORS' REPORT

### Annexure Forming Part of Directors' Report

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

Details of options granted to the eligible employees during the fiscal 2012-13 are given below:

#### Disclosure in the Directors' Report as per SEBI Guidelines

Sl.No.	Particulars	ESOS 2008	ESOS 2011
		Granted on 01.03.2013	
1	No. of Options Granted	21,546	14,71,656
2	No. of Options issued	21,546	14,71,656
3	Pricing Formula	₹ 275/- per share/option	
4	No. of options vested	NIL	NIL
5	No. of options exercised	NIL	NIL
6	No. of shares arising as a result of exercise of Options	NIL	NIL
7	Options Cancelled	NIL	NIL
8	Variation in terms of Options	NIL	NIL
9	Money realized by exercise of options	NIL	NIL
10	Total number of Options in force	21,546	14,71,656
11	Employee wise details of Options granted to		
	(i) Senior Managerial Personnel	NIL	
	Shri		
	K.Venkataraman, M D & CEO		5000
	V Krishnaswamy, President & COO		2000
	K Venkateswara Rao, Chief General Manager		1100
	A.Ananda Nadarajan, General Manager		550
	J.Natarajan, General Manager		1100
	G S Anantha Kumar, General Manager		1100
	T Sivarama Prasad, General Manager		1100
	S Balaji, General Manager		1100
	V.Srinivasan, General Manager		1100
	(ii) Any other employee who receives a grant in any one year of Options amounting to 5% or more of the options granted during the year	NIL	NIL
	(iii) Identified employees who were granted options, during any one year equal to or exceeding 1% of the Issued Capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	NIL	NIL

## DIRECTORS' REPORT

### Annexure Forming Part of Directors' Report (Contd.)

The Bank follows intrinsic method for valuing stock options. The difference between Employee Compensation Cost computed based on such intrinsic value and Employee Compensation Cost that shall be recognized if fair value of options (based on Black Scholes pricing model) had been used is not significant. For the year ended 31st March 2013, the net profit after tax would have been lower by ₹ 9.07 lakh; the basic and diluted EPS would be ₹ 51.34 and ₹ 50.94 and hence the impact on the EPS, both Basic EPS and Diluted EPS is insignificant.

(a) Weighted average details

SI.No.	Particulars	Amount (₹)
1	Exercise Price	275.00
2	Fair Value	200.55

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

SI.No.	Particulars	
1	Risk free interest rate	7.28 %
2	Expected life	1.5 years
3	Expected volatility	12.28%
4	Expected dividend yield	2.99 %
5	Price of the underlying share at the time of grant of options	₹ 467.65

## CORPORATE GOVERNANCE REPORT

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

Corporate governance is a set of systems and practices to ensure that the affairs of the company are managed to ensure accountability, fairness in all its transactions in the widest sense and meet its stakeholders aspirations and expectations of the society. Good governance practices stem from the culture and mindset of the organization and at KVB we are committed to meet the expectations of all our stakeholders. This is reflected in governance processes, performance focused work environment, satisfied clientele and shareholder returns from the day of our inception.

As a good corporate citizen, the Bank is committed to high standards of corporate practices based on fairness, professionalism, transparency and accountability in building confidence of its various stakeholders.

KVB not only adheres to the prescribed Corporate Governance practices as per Clause 49 of the Listing Agreement but constantly strives to adopt best practices in the industry. Over nearly ten decades of journey, governance processes and systems have been continuously strengthened at KVB

for improving sustainable value creation and has been an integral part of the way the bank has been conducting its business operations.

The information provided in the Corporate Governance Report for the purpose of uniformity is as on March 31, 2013.

### 2. BOARD OF DIRECTORS

#### Composition

The Board comprises Non-executive, Executive and Independent directors as per the number required under Clause 49 of the Listing Agreement relating to Corporate Governance. The composition conforms to the provisions of Sec 10 B of the Banking Regulation Act, 1949 and meets the conditionalities prescribed under Sec 10 A (2) of the said Act. The Board represents an optimal mix of professionalism, knowledge and experience to discharge its responsibilities and provide effective leadership to the bank. The positions of the Chairman and the Chief Executive Officer of the Bank are segregated and held by two separate individuals and the Chairman of the Board is a Non-Executive (Part-Time) Director.

#### Board meetings

During the financial year ended 31st March 2013, the Board met 27 times on the following occasions:

27.04.2012	23.06.2012	24.08.2012	31.10.2012	31.01.2013	23.03.2013
28.04.2012	29.06.2012	25.08.2012	30.11.2012	01.02.2013	24.03.2013
05.05.2012	30.06.2012	27.09.2012	01.12.2012	27.02.2013	
24.05.2012	30.07.2012	28.09.2012	26.12.2012	28.02.2013	
25.05.2012	31.07.2012	30.10.2012	27.12.2012	22.03.2013	

## CORPORATE GOVERNANCE REPORT

Details of attendance of Directors at the Board meetings during the fiscal 2012-13, their directorships/committee positions held in other companies are given below:

Name	Sectoral Representation	Attendance at the last AGM held on 30.07.2012	No. of Board meetings attended
Shri K P Kumar Non-Executive Chairman	Law	Yes	26
Shri K Venkataraman MD & CEO	Banking	Yes	27
Shri M G S Ramesh Babu Non-Executive (Independent)	SSI	Yes	26
Shri S.Ganapathi Subramanian Non-Executive (Independent)	Accountancy (Spl. Knowledge) & Agriculture (Practical Knowledge)	Yes	27
Shri G Rajasekaran Non-Executive (Promoter family)	Business & Finance	Yes	27
Shri A J Suriyanarayana Non-Executive (Promoter family)	Business & Finance	Yes	27
Shri K Ramadurai Non-Executive (Independent)	Accountancy	Yes	27
Shri K K Balu Non-Executive (Independent)	Legal & Recovery	Yes	26
Shri N S Srinath (From 29.06.2012) Non-Executive (Independent)	Banking-Human Resources	Yes	17
Shri B Swaminathan (From 31.01.2013) Additional Director - Non-Executive (Independent)	Banking-Risk Management	Not applicable	6
<b>Persons who ceased to be Directors during the year 2012-13</b>			
Shri K Parameshwara Rao Non-Executive (Independent) (upto 23.06.2012)	Banking-Risk Management	Not applicable	6
Shri V Santhanaraman Non-Executive (Independent) (upto 23.06.2012)	Strategic Planning	Not applicable	6
Shri Hemant Kaul Non-Executive (Independent) (upto 26.09.2012)	Marketing & Strategic Planning	Yes	5

Shri S Ganapathi Subramanian, is a Part-Time non-official director on the Board of M/s New India Assurance Company Ltd., He has confirmed to the Bank that he is not a member of more than 10 Board level committees or act as Chairman of more than 5 Committees. In terms of clause 49 (I) C (ii) of the Listing Agreement and the explanation given therein for the purpose of reckoning the limit under this sub-clause, Chairmanship/membership of Audit Committee and Shareholders Grievance Committee alone are considered. None of the other directors of the bank is a director of any Public Limited Company.

None of the directors is related inter-se.

### Board Procedure

The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman and MD & CEO. In case of exigencies or urgency, resolutions are passed by circulation by giving proper background information memorandum on the specific urgent issues. The agenda and notes on agenda are circulated to the Directors, in advance, in the defined agenda format. All material information is incorporated in the note/memorandum are provided to the members of the Board or Committees of the Board to facilitate meaningful, informed and focused discussions at the meetings. Presentations are also made on the performance of the business

## CORPORATE GOVERNANCE REPORT

verticals, on quarterly results, as also on important policy issues etc. The members of the Board exercise due diligence in their performance as directors of the Bank and follow the highest degree of business ethics, transparent practices and code of good governance amidst cordial atmosphere.

### Remuneration of Directors

The remuneration payable to the Non-Executive Chairman and the Managing Director and CEO are subject to the approval of Reserve Bank of India in terms of Sec 35 B of the Banking Regulation Act, 1949.

Shri K P Kumar, Non-Executive Chairman of the Bank is being paid a sum of ₹ 75,000/- per month by way of honorarium. He is also eligible for sitting fees payable for attending meetings of the Board /Committees of the Board. The amount paid to him as honorarium during the year 2012-13 was ₹ 9 lakh.

Shri K Venkataraman, MD & CEO, was paid a sum of ₹ 54,36,918/- by way of remuneration during the year 2012-13. Compensation and Remuneration Committee of the Board vide its resolution dated 28.02.2013, granted 5000 stock options to MD & CEO (subject to the approval of RBI). The shares have not been vested during the year.

No other director was paid any remuneration except sitting fees for attending the meetings of the Board/Committees of the Board. The sitting fees payable to the Non-Executive Directors were ₹ 10,000/- for attending Board meetings and ₹ 5,000/- for attending Committee meetings of the Board. The sitting fee paid to the Non-Executive Directors is within the limits prescribed under the Companies Act 1956 and the rules made thereunder. No stock option has been granted to any of the Non-Executive Directors of the bank.

### Directors' Shareholding

Name of the Director Shri	No. of shares
K P Kumar	20,308
K Venkataraman	500
M G S Ramesh Babu	1,00,030
S Ganapathi Subramanian	1,400
G Rajasekaran	2,38,362
A J Suriyanarayana	2,29,119
K Ramadurai	3,516
K K Balu	818
N S Srinath	523
B Swaminathan	500

### Directors seeking appointment/re-appointment

Directors Shri M G S Ramesh Babu and Shri S Ganapathi Subramanian retire by rotation. They are seeking approval of the shareholders for their re-appointment at the ensuing Annual General Meeting. Shri B Swaminathan, who was co-opted as an Additional Director during the year holds the office of Director of the Bank until the date of ensuing Annual General Meeting. He has signified his candidature for seeking appointment as a Director of the Bank. The re-appointment of the said two Directors and the appointment of Shri B Swaminathan as a Director are covered under agenda items in the notice of the Annual General Meeting.

Pursuant to the Listing Agreement pertaining to the Corporate Governance, a brief resume including their expertise in specific functional areas, their directorships and the membership in the Committee of the Board of other Public Limited Companies are furnished below:

Shri M G S Ramesh Babu (51 years) is a graduate in Mathematics. He joined the Board of the Bank during August 2006 as an Independent director. He is a leading exporter in Karur Town and has a vast experience in textiles. He is the Managing Director of Karur Sree Rama Trading Pvt. Ltd., Sree Rama Green Infra Private Ltd., and is the Managing Partner in Sri Rajaram Textile.

CA S Ganapathi Subramanian (68 years) is a Commerce Graduate. He is a fellow member of the Institute of Chartered Accountants of India. He has joined the Board of the Bank as an Independent director on 26.08.2009. He is a partner in M/s Price Patt & Co, a Chartered Accountants Firm in Chennai. He has vast experience in the audit of Banks of both private sector and public sector, besides other public sector undertakings. He hails from an agriculture family and holds agricultural property and has hands-on experience in agriculture.

He is a Part time Non-official director in M/s New India Assurance Company Limited. He is also Chairman of the Audit Committee of the said company besides holding Chairmanship of the Audit Committee of our Bank.

Shri B Swaminathan (66 years) holds a Masters degree in Science and is a graduate in Law. He is a Certified Associate of the Indian Institute of Bankers, Mumbai. He was co-opted to the Board as an Additional Director. He has vast experience in Banking. He started his carrier as an officer in Indian Overseas Bank (IOB) in 1968 and elevated to various cadres up to the

## CORPORATE GOVERNANCE REPORT

rank of General Manager. He was with IOB till 2004. He was appointed as an Executive Director of Canara Bank by the Government of India and was with Canara Bank from January 2005 till January 2006. He was also a Director on the Board of erstwhile Bharat Overseas Bank nominated by IOB. He was MD & CEO of erstwhile Lord Krishna Bank Ltd from February 2006 till August 2007.

The sectoral representation of the above mentioned directors as also their shareholdings are furnished elsewhere in the report.

### 3. COMMITTEES

The following are the Board level Committees in the Bank:

1. Audit Committee
2. Advances Committee
3. Customer Service & Shareholders and Investor Grievance Committee
4. Compensation and Remuneration Committee
5. Fraud Monitoring Committee
6. IT Strategy Committee
7. Nomination Committee
8. NPA Management Committee
9. Risk Management and Asset Liability Management Committee
10. Staff and Development Committee

The constitution and functioning of these Committees are governed by the provisions of the Companies Act, 1956, Listing Agreement and the guidelines and circulars issued by RBI from time to time.

#### 3.1 Audit Committee of the Board

The main functions of the Audit Committee, inter-alia, include assessing and reviewing the financial reporting system of the Bank to ensure that the financial statements are correct, sufficient and credible. It reviews and recommends to the Management the quarterly / annual financial statements before their submission to the Board.

The Audit Committee provides directions and oversees the operations of the total audit functions of the Bank including organization, operation and quality control of internal audit,

internal control weaknesses and inspection within the Bank and follow-up of the suggestions of statutory /external audit of the Bank and RBI Inspections.

The Committee also reviews the adequacy of internal control systems and financial and risk management policies of the Bank.

As for the statutory audit, the ACB interacts with the statutory central auditors before finalization of quarterly /year to date/ annual financial results and reports.

Apart from the above, the terms of reference also include the following:

- (a) Recommending to the Board, the appointment, re-appointment and, if required, the replacement /removal of the Statutory Auditor and the fixation of the Audit fees
- (b) Changes, if any, in accounting policies and practices and reasons for the same
- (c) Major accounting entries involving estimates based on the exercise of judgment by management
- (d) Significant adjustments made in the financial statements arising out of audit findings
- (e) Compliance with Listing and other legal requirements relating to financial statements
- (f) Disclosure of any related party transactions
- (g) Qualifications in the draft audit report
- (h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
- (i) Reviewing the functioning of the whistle blower mechanism

The composition of the Committee meets with the requirements of Sec 292 A of the Companies Act, 1956, Clause 49 of the Listing Agreement and the extant guidelines of RBI.

During the year under report 8 Audit Committee Meetings were held on 25.05.2012, 21.07.2012, 31.07.2012, 22.09.2012, 30.10.2012, 17.12.2012, 30.01.2013 and 28.02.2013.

## CORPORATE GOVERNANCE REPORT

The Composition of the Audit Committee is as follows:

Name of the Director Shri	No of meetings attended
S Ganapathi Subramanian Chairman of the Audit Committee	8
M G S Ramesh Babu (Member since 30.07.2012)	6
V Santhanaraman (Member till 23.06.2012)	1
G Rajasekaran (Member till 29.07.2012 )	2
A J Suriyanarayana (Member till 26.10.2012)	4
K Ramadurai (Member since 30.07.2012 )	6
K K Balu (Member since 30.07.2012)	6
N S Srinath (Member since 31.10.2012 )	3

### 3.2 Advances Committee

The terms of reference to the Committee is to consider proposals for approval, renewal or modification of various types of funded and non-funded credit facilities to customers within such authority as is delegated to the Committee by the Board from time to time. It also reviews the sanctions made by the Central Office Credit Committee of Executives (COCC).

The Committee met 17 times during the year 2012-13. The members of the Committee and their attendance at the meetings are given below:

Name of the Director Shri	No of meetings attended
K P Kumar (upto 29.07.2012)	4
K Venkataraman, MD & CEO Chairman of the Committee	16
M G S Ramesh Babu	16
S Ganapathi Subramanian (from 30.07.2012)	11
K Parameshwara Rao (upto 23.06.2012)	3
V Santhanaraman (upto 23.06.2012)	3
G Rajasekaran (from 30.07.2012)	11
A J Suriyanarayana	17
K Ramadurai (from 30.07.2012)	10

### 3.3 Customer Service & Shareholders and Investors' Grievance Committee

Reserve Bank of India has suggested Banks to constitute a Customer Service Committee of the Board in compliance with the recommendations of Committee on Procedures and Performance Audit on Public Service (CPPAPS). The basic idea behind setting up of such a Committee is to obtain an independent feedback on the quality of customer service rendered by the Bank. The role under Customer Service area is to address the formulation of a comprehensive deposit policy, product approval process, annual survey of depositor satisfaction, tri-annual audit of such services and to review the performance of the Adhoc Committee periodically. The Committee also examines any other issues having a bearing on the quality of such service. The Committee also invites a few customers to the meetings to get their feedback about the customer service of the Bank.

In respect of Shareholders and Investors, the scope includes consideration of share transfers/transmissions, to look into the investors' grievances like non-transfer of shares, non receipt of dividend/Annual Reports, reviewing the complaints received from the shareholders/investors etc.,

During the year under report, the Bank received 91 complaints from the shareholders all of which were attended to and there are no complaints pending for resolution as at the end of 31.03.2013.

The Committee is headed by Shri K P Kumar, Chairman and the other members of the Committee are: Messrs K. Venkataraman, MD & CEO, G Rajasekaran, K Ramadurai and K K Balu.

The Committee met twice on 24.08.2012 and 27.02.2013 during the fiscal 2012-13 and all members attended the meetings.

### 3.4 Compensation and Remuneration Committee

Reserve Bank of India vide circular DBOD. No. BC.72/29.67.001/2011-12 dated 13.01.2012 has issued guidelines on compensation of Whole Time Directors/Chief Executive Officers/other Risk takers, control function staff and other employees aiming to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation. The existing Compensation Committee of the Bank which looks after the administration of Employee Stock Option Scheme in the Bank has been renamed as 'Compensation and Remuneration Committee, inter-alia,

## CORPORATE GOVERNANCE REPORT

to oversee the framing, implementation and review of the Compensation Policy of the Bank on behalf of the Board.

The Committee consists of five members viz: Messrs K P Kumar, Chairman, who also heads the committee, M G S Ramesh Babu, S Ganapathi Subramanian, G Rajasekaran and A J Suriyanarayana. The composition conforms to the extant guidelines.

The Committee met once on 28.02.2013 and all members of the Committee attended the meeting.

### 3.5 Fraud Monitoring Committee

As per the directions of the Reserve Bank of India, this Committee has to exclusively monitor and follow up cases of fraud involving amounts of ₹ 1 Cr and above. The terms of reference to the Committee are as under:

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

RBI has advised all Banks to brief separately on the retail cyber frauds and electronic banking frauds to keep the Committee aware of the proportions of the fraud and the steps taken by the Bank to mitigate such frauds. The Committee should specifically monitor the progress of the mitigating steps taken by the bank in case of electronic frauds and the efficacy of the same in containing fraud numbers and values. In tune with the said guidelines, the Fraud Monitoring Committee of the Bank is entrusted with the responsibility of monitoring the cyber and electronic banking frauds.

The Committee is functioning under the Chairmanship of Shri K P Kumar. The other members of the Committee are: Messrs K Venkataraman, S Ganapathi Subramanian, G Rajasekaran and K Ramadurai.

Earlier both the functions of the NPA Monitoring and Fraud Monitoring were under the terms of reference of NPA Management and Fraud Monitoring Committee of the Board. There was a separate Committee to monitor the Cyber Fraud. Board in the meeting held on 28.09.2012 made changes whereby the monitoring of frauds involving amounts of ₹ 1 Cr was taken out from the purview of NPA Management Committee and entrusted to the Cyber Frauds Monitoring Committee and re-christened its name as Fraud Monitoring Committee to monitor both the cases of large value frauds and cyber and electronic frauds.

The Committee met twice during the year under report on 27.09.2012 and on 01.03.2013. All members were present at the meetings.

### 3.6 IT Strategy Committee

In tune with the guidelines issued by the RBI vide circular DBS.CO.ITC.BC.No.6/31.08.008 /2010-11 dated 29.04.2011 advising the Commercial Banks to implement the recommendations of Gopalkrishna Committee which studied the issues arising out of the increased dependency on Information Technology in Banks, the IT Strategy Committee has been formed. The recommendation of the Gopalakrishna Committee covers nine major areas of IT such as IT Governance, Information Security, Information System Audit, IT Operations, IT Services Outsourcing, Cyber fraud, Business Continuity Planning, Customer Awareness Programmes and Legal Issues.

The implementation of recommendations need to be Risk based commensurate with the nature and scope of activities engaged by banks, the technology environment prevalent in the bank and Support rendered by technology to the business processes. Banks with extensive leverage of technology to support business processes would be expected to implement all the stipulations outlined in the guidelines.

Some of the roles and responsibilities of the Committee include:

- (a) Approving IT strategy and Policy documents
- (b) Ensuring that the management has put an effective strategic planning process in place

## CORPORATE GOVERNANCE REPORT

- (c) Ratifying that the business strategy is indeed aligned with IT strategy
- (d) Ensuring that the IT organizational structure complements the business model and its direction
- (e) Ascertaining that the management has implemented processes and practices to ensure that the IT delivers value to the business
- (f) Ensuring IT investments represent balance of risks and benefits and that budgets are acceptable
- (g) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
- (h) Ensuring proper balance of IT investments for sustaining bank's growth
- (i) Becoming aware about exposure towards IT risks and controls; evaluating effectiveness of management's monitoring of IT risks
- (j) Assessing senior management's performance in implementing IT strategies
- (k) Issuing high level policy guidance (e.g. Related to risk, funding or sourcing tasks)
- (l) Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
- (m) Overseeing the aggregate funding of IT at the bank level and ascertaining if the management has resources to ensure the proper management of IT risks

Headed by Shri M G S Ramesh Babu, the Committee has three members. The other members of the Committee are: Messrs K Venkataraman and A J Suriyanarayana. The Committee met 7 times during 2012-13. All members of the Committee were present at the meetings.

### 3.7 Nomination Committee

Reserve Bank of India has laid down 'Fit and Proper' criteria to be fulfilled by persons to be appointed/reappointed as Directors on the Board of the Banks. In terms of the said guidelines

'Nomination Committee' has been constituted by the Board. The terms of reference of the Committee include: To conduct due diligence of the Declaration and Undertaking furnished by Directors/persons for the appointment or reappointment as Director of the bank based on qualification, expertise, track record, integrity and other fit and proper criteria.

Committee is headed by Shri K P Kumar, Chairman and other members are: Messrs K Venkataraman, MD & CEO, S Ganapathi Subramanian, A J Suriyanarayana and K K Balu. The Committee met thrice during the fiscal 2012-13 on 29.06.2012, 29.07.2012 and 31.01.2013 and all members of the Committee were present at the meetings.

### 3.8 NPA Management Committee

The terms of reference of the Committee include monitoring stressed assets especially reviewing major NPA accounts periodically including quick mortality assets.

The Committee met three times during the year on 28.06.2012, 30.11.2012 and 01.03.2013. Members of the Committee and their attendance position at the meetings are given below.

Name of the Director	No. of meetings attended
Shri	
K P Kumar	3
K Venkataraman	3
G Rajasekaran	3
K Ramadurai §	2
K K Balu §	2

§: Member since 30.07.2012

### 3.9 Risk Management and Asset Liability Management Committee

The terms of reference to the Committee include review of risk profile of the Bank, evaluation of the overall risks faced by the Bank, develop policies and strategies for integrating risk management containing the credit, market and operational exposures etc and to ensure smooth transition to the new Capital Adequacy Framework.

The terms of reference under Asset Liability Management include providing a macro level frame work for risk management

## CORPORATE GOVERNANCE REPORT

on ALM Matters, formulation of critical business policies, efficient allocation of capital and designing of products with appropriate strategies, Supervision of all RBI directives on Asset Liability Management.

The Committee met three times during the year under report on 29.06.2012, 01.12.2012 and 01.03.2013.

Members of the Committee and their attendance at the meetings of the Committee are given below:

Name of the Director Shri	No. of meetings attended
K Venkataraman, MD & CEO Chairman of the Committee	3
M G S Ramesh Babu	3
S Ganapathi Subramanian	3
A J Suriyanarayana *	2
K Ramadurai *	2
K K Balu *	2

\* Member since 30.07.2012

### 3.10 Staff and Development Committee

The Committee deals with the HR aspects of the Bank such as performance measurement management, HR policy including recruitment, address concerns expressed by various quarters like Employees' Union, Officers' Association etc

The Committee met 30 times during the year. Attendance details are given below

Name of the Director Shri	No. of meetings attended
K P Kumar, Chairman	12
K Venkataraman, MD & CEO	6
M G S Ramesh Babu	15
S Ganapathi Subramanian (upto 29.07.2012)	5
G Rajasekaran	30
A J Suriyanarayana	22
K K Balu (from 30.07.2012)	20

### 4. ANNUAL GENERAL MEETINGS

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

Name of the Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
91st AGM	Wednesday, 21.07.2010 10.15 A.M.	Registered & Central Office, Erode Road, Karur	NIL
92nd AGM	Wednesday, 27.07.2011, 10.30 A.M.	Registered & Central Office, Erode Road, Karur	Issue of Employees Stock Option to the tune of 40,00,000 options to the employees of the Bank.
93rd AGM	Monday, 30.07.2012, 10.15 A.M.	Registered & Central Office, Erode Road, Karur	NIL

No resolution was passed through postal ballot during the year under report.

### 5. DISCLOSURES

There were no material transactions between the Bank and its Directors, promoters or relatives conflicting with the interest of the Bank at large during the fiscal ended 31st March 2013.

All the Directors and Senior Management Personnel have affirmed the compliance of the Code of conduct laid down by the bank.

The bank has complied with the requirements of the RBI, Stock Exchange on which the shares of the bank are listed, SEBI and other regulatory authorities.

No penalties or strictures have been imposed on the Bank by SEBI or any of the Stock Exchanges for any non-compliance on any matter relating to capital markets during the last three years.

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

The Bank hereby confirms that it has paid the listing fee for the financial year under report as also for current fiscal to NSE where the shares of the Bank are listed. It has also paid the fees payable to both the Depositories.

## CORPORATE GOVERNANCE REPORT

### Unclaimed shares kept under Share Suspense Account

As required under Clause 5 A of the Listing Agreement, we have sent reminders to the shareholders whose shares were lying unclaimed with the Registrars. We have identified unclaimed shares to the extent of 1,01,662 shares. During the year claims to the tune of 7,074 shares were received, due diligence carried out and the requests were processed for issue of shares to the claimants. As on date the Bank has only 94,588 shares, constituting 0.08% of the total paid-up capital lying unclaimed. In the interest of the shareholders concerned, the bank would be sending reminders periodically as a pro-active step in this regard to bring down the level further.

### Code of Conduct

The Board of directors has adopted a Code of Conduct for Directors and Key Managerial Personnel (KMP) of the Bank. An annual confirmation of the code of conduct is taken from all the Directors and KMPs to whom the Code applies. MD & CEO's affirmation that the Code of Conduct has been complied with by the persons covered under the Code is given at the end of this report.

### Insider Trading Code

The Bank has in place a code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulation, 1992 as amended. Company Secretary is the Compliance Officer for this purpose. All the persons covered under the Code have affirmed compliance of the said code.

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

### Whistleblower Policy

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

## 6. MEANS OF COMMUNICATION

The quarterly /half yearly/annual results are published in the leading national English dailies such as Business Line, and in

the regionally circulated Tamil daily Dinamalar. The results are also displayed on the Bank's website-www.kvb.co.in.

The Bank also makes presentation to the Institutional investors and equity analysts on the Bank's performance on a quarterly basis inviting them for such meetings organized by the Bank or presentation is made through concall.

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 or to its Registrars and Share Transfer Agents.

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

## 7. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

- |                               |   |   |
|-------------------------------|---|---|
| a. Date                       | : | 19.07.2013 - Friday   |
| b. Time and Venue             | : | 10.15 A.M.<br>The Registered & Central Office of the Bank,<br>Erode Road,<br>Karur – 639 002  |
| c. Financial year             | : | 01.04.2012 to 31.03.2013  |
| d. Date of the Book Closure   | : | 15.07.2013 to 19.07.2013<br>(Both days inclusive)   |
| e. 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. |
| f. Market Price Data          | : | High and Low prices of equity shares of the bank during each month of financial year 2012-13 are furnished hereunder.   |

## CORPORATE GOVERNANCE REPORT

Month	High (₹)	Low (₹)
April 2012	418.95	371.70
May 2012	415.00	367.95
June 2012	427.00	400.00
July 2012	443.00	405.30
August 2012	420.00	390.25
September 2012	417.00	389.05
October 2012	481.00	407.10
November 2012	482.00	447.50
December 2012	566.90	464.55
January 2013	575.70	513.10
February 2013	536.00	466.20
March 2013	498.00	437.00

### Financial Calendar

Approval of quarterly results by the Board of Directors during the fiscal 2012-13 is furnished below:

Quarter ending	Date of adoption /approval
30.06.2012	31.07.2012
30.09.2012	31.10.2012
31.12.2012	01.02.2013
31.03.2013	24.05.2013

Financial Year	Unclaimed dividend (₹)	Date of Declaration	Last date for claiming dividend
2005-06	12,36,394	27.07.2006	26.08.2013
2006-07	20,62,218	20.07.2007	19.08.2014
2007-08	31,13,838	24.07.2008	23.08.2015
2008-09	34,96,429	27.07.2009	26.08.2016
2009-10	31,59,772	21.07.2010	20.08.2017
2010-11	70,28,998	27.07.2011	26.08.2018
2011-12	1,46,40,248	30.07.2012	29.08.2019

### Registrars and Share Transfer Agents

M/s SKDC Consultants Limited, 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 matters relating to Physical segment of

### Dividend and Dividend payment date

The Board of Directors has recommended a dividend of ₹ 14/- per equity share of ₹ 10/- each on the paid up capital of the Bank for the year ended March 31, 2013 and the same will be paid to the shareholders/beneficial owners holding shares as per the Register of Members as at the Book closure date /Beneficial owners list downloaded by the Depositories for the purpose as on Record Date. Dividend will be paid between 19.07.2013 to 26.07.2013.

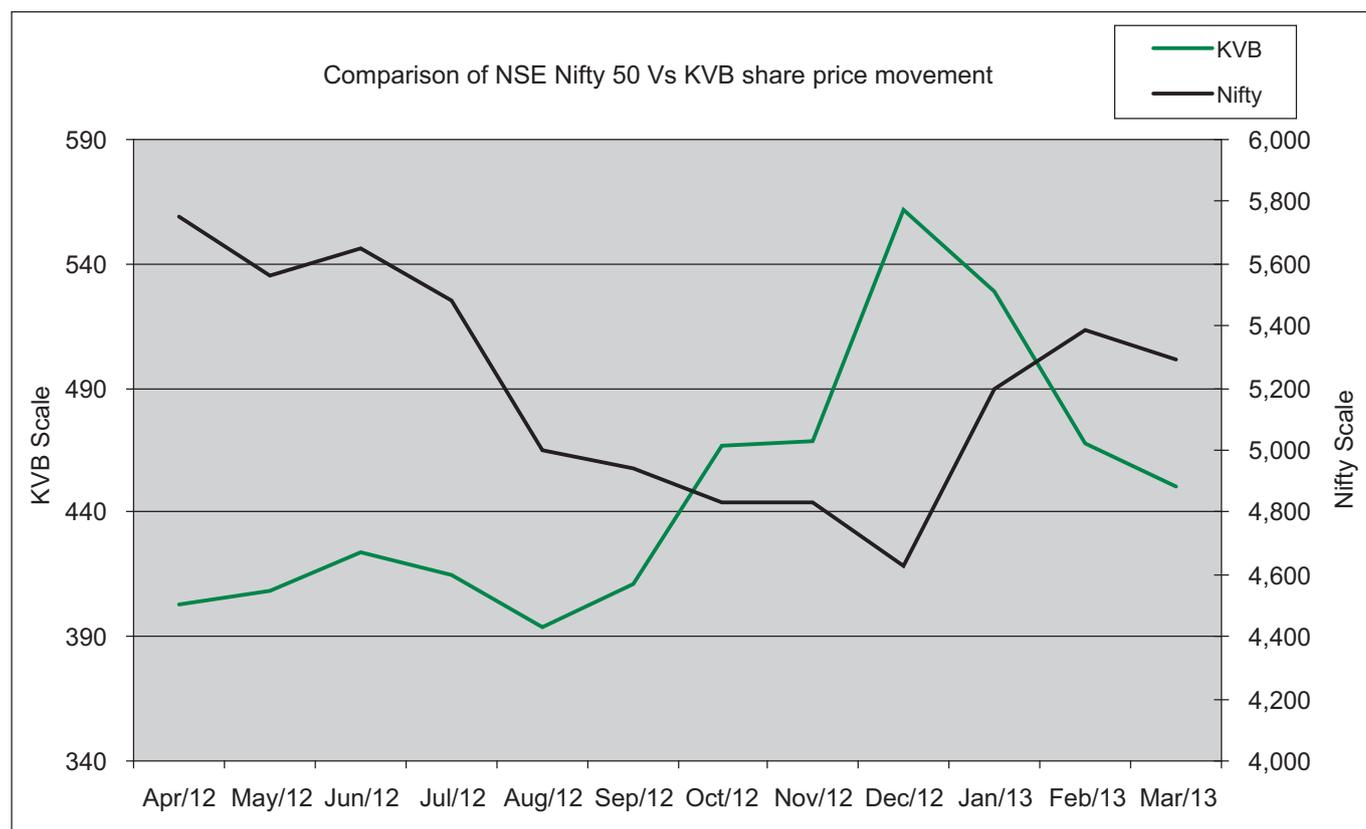
### Unclaimed Dividends

As per the provisions of Sec 205A of the Companies Act, 1956, the unclaimed dividend of ₹ 8,58,115/- for the financial year 2004-05 has been transferred to the Investor Education and Protection Fund established by the Central Government on 21.08.2012. The following table gives the unclaimed dividend from the year 2005-06 with the position as on 31.03.2013 and the last date for claiming the dividend before transfer to the said Fund.

shares. Bank hereby confirms that all the share transfer requests which are received till 31.03.2013 have been completed within the prescribed time limit as stipulated under the Listing Agreement. A certificate to this effect has been duly certified by the Practicing Company Secretary and has been submitted to the NSE in line with clause 47 c of the Listing Agreement.

## CORPORATE GOVERNANCE REPORT

Equity performance in comparison to NSE nifty during 01.04.2012 to 31.03.2013 is given below:



### Distribution of shareholding as on 31.03.2013

No. of Shares (Category)	No. of Shares				No. of Shareholders			
	Physical	Demat	Total	%	Physical	Demat	Total	%
Upto 250	587,509	2,646,392	3,233,901	3.02	7,987	41,528	49,515	70.45
251 - 500	633,440	1,908,891	2,542,331	2.37	1,814	5,212	7,026	10.00
501 - 1000	1,090,608	3,480,869	4,571,477	4.27	1,531	4,702	6,233	8.87
1001 - 2000	927,579	3,918,329	4,845,908	4.52	640	2,662	3,302	4.70
2001 - 3000	590,007	2,597,463	3,187,470	2.97	236	1,042	1,278	1.82
3001 - 4000	440,644	1,895,558	2,336,202	2.18	125	540	665	0.95
4001 - 5000	242,882	1,603,637	1,846,519	1.72	54	354	408	0.58
5001 - 10000	900,593	5,711,596	6,612,189	6.17	132	818	950	1.35
10001 & above	2,294,413	75,710,696	78,005,109	72.78	66	840	906	1.29
<b>Total</b>	<b>7,707,675</b>	<b>99,473,431</b>	<b>107,181,106</b>	<b>100.00</b>	<b>12,585</b>	<b>57,698</b>	<b>70,283</b>	<b>100.00</b>
% to Total	7.19	92.81	100.00		17.91	82.09	100.00	

## CORPORATE GOVERNANCE REPORT

Shareholding pattern as on 31.03.2013

Category	No. of shares	% to Equity
Promoter and Promoter Group	3302723	3.08
Directors and their relatives	403893	0.38
Mutual Funds, Financial Institutions, Banks & Insurance Companies	14465134	13.50
Foreign Institutional Investors/Foreign Financial Institutions & Foreign Banks	27103063	25.29
NRIs	761981	0.71
Bodies Corporate	8018898	7.48
Individuals	51803770	48.33
Clearing Members	208808	0.19
HUF & Trusts	1112836	1.04
<b>TOTAL</b>	<b>107181106</b>	<b>100.00</b>

### DEMATERIALIZATION OF BANK'S SHARES:

As per the directives of SEBI the equity shares of the bank are compulsorily traded in dematerialized form by all categories of investors effective from 26.03.2001. The bank has entered into tripartite agreements with the Depositories and M/s SKDC Consultants Limited, Coimbatore for dematerialization of shares. As on 31.03.2013, 92.81% of our paid up share capital has been dematerialized. Of the 92.81% dematerialised shares, NSDL accounts for 85.81% and CDSL accounts for 7%.

**STOCK CODE : KARURVYSYA**

**ISIN NO : INE036D01010**

The bank has complied with SEBI requirements with regard to Secretarial 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 e-mail ID for this purpose 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: 04324-269440, 41, 42 & 44, 227133  
 Fax: 04324-225700  
 Email : [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, 2013.

Place: Karur

Date: 24.05.2013

**K Venkataraman**

Managing Director & Chief Executive Officer

## CORPORATE GOVERNANCE REPORT

---

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of The Karur Vysya Bank Limited

We have examined the compliance of conditions of Corporate Governance by the Karur Vysya Bank Limited for the year ended on 31st March, 2013 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 001595/S)

**G Naganathan**  
Partner  
Membership No. 022456

Karur  
24.05.2013

## MANAGEMENT DISCUSSION AND ANALYSIS

### World Economic Overview

Global economy turned weaker in 2012 and is expected to be sluggish during 2013. In its World Economic Outlook, the International Monetary Fund (IMF) made a forecast of world economic growth at 3.3% in 2013. There has been a marginal improvement in the growth of US Economy. However, its growth momentum is likely to be lower in 2013 due to concerns on fiscal tightening. Growth in China was around 7.8% in 2012, lower than the previous year rate by 1.5%. Many developed economies, particularly in Europe have already fallen into recession while others facing sovereign debt burden have run deeper into recession. The developed economies have adopted a combination of fiscal austerity measures and other monetary policies in order to reduce public debt and lower debt refinancing costs with the hope that the measures would restore consumer and investor confidence.

Most of the central banks in the developed economies resorted to expansion of their asset purchase program while simultaneously maintaining their monetary policies in expansionary mode by maintaining lower interest rates during the fiscal 2013. This was done to stimulate growth and in the wake of the fiscal austerity measures undertaken in their countries.

While in early 2013 the down side tail risks have shown some improvement due to supportive policy action in the euro area and the measures to tackle the fiscal cliff in the US, the global recovery would suffer further if there is slowdown in the Chinese economy.

### Overview of the Indian Economy

Growth continued to slow down in 2012-13, though it witnessed some recovery later during the year consequent to improved governance and concerted action to resolve structural bottlenecks. According to the first advance estimates of national income for the year 2012-13 of the Central Statistical Office, the Indian economy is expected to grow at 5% in 2012-13, slowest in a decade. The lower performance was evident in all the three sectors of the economy – farm, manufacturing and services sectors. The growth in agriculture and allied activities is likely to be at 1.8% in 2012-13 when compared to 3.6% in the previous fiscal 2011-12. The growth in the manufacturing sector is expected to drop to 1.9% from 2.7% achieved during the earlier fiscal 2011-12. The services sector including finance, insurance, real estate and business services which witnessed a

growth of 11.7% in 2011-12, is likely to grow only by 8.6% during the fiscal 2012-13.

Average Wholesale Price Index (WPI) and core inflation, which were 9% and 7.3% in 2011-12, moderated to 7.3% and 4.8%, respectively after remaining higher for most part of the year and the pace of decline has been rather significant in the last two months of 2012-13. Moderation in core inflation was due to the recent softening of global commodity prices coupled with stability in the Rupee and largely due to the strong Monetary measures undertaken by RBI. However consumer price inflation ruled at more than 10% in March 2013.

### Central Government has projected a revised fiscal deficit of 5.2% of GDP for the fiscal 2012-13.

Gradual easing of the monetary policy was done by the RBI in the backdrop of fiscal consolidation move by the Government, moderation in WPI inflation and deceleration in GDP growth momentum. The RBI brought about 100 bps or 1 percentage point reduction in repo rate in the fiscal 2012-13 to support growth. It announced a rate cut of 50 bps on April 17, 2012 and further slashed the repo rate by 25 bps each on January 29, 2013 and March 19, 2013. CRR which was 4.75% in March 2012, was lowered to 4% in March 2013. SLR was also lowered from 24% to 23%. RBI has also conducted Open Market Operations (OMOs) aggregating to ₹ 127180 Cr to ease the liquidity position.

The Rupee started the year 2012-13 on a weak note depreciating by 10.1% between end March 2012 and end June 2012 in the backdrop of deteriorating growth inflation balance, Current Account Deficit and tax related uncertainty (in the form of General Anti Avoidance Rules (GAAR)). Various reform measures, inter-alia, postponement of GAAR by two years, partial deregulation of diesel prices, liberalized FDI limits for certain sectors, rise in FII limits in Corporate Debt and Government Securities (G Sec) market and announcement of fiscal consolidation path, further boosted the confidence of the global investors in our economy and have reflected in the rupee showing modest appreciation in January 2013. Overall the Rupee remained stable against the Dollar in Q4 than Q3 of 2012-13.

The net investments of FII in 2012-13 was ₹ 1.7 trillion in the capital market comprising both equity and debt compared with that of ₹ 0.9 trillion in 2011-12.

## MANAGEMENT DISCUSSION AND ANALYSIS

India's exports decreased by 1.76 percent to \$300.6 billion in 2012-13 owing to global economic uncertainties. The imports, however, increased by a marginal 0.44 percent to \$491.48 billion from \$489.31 billion in 2011-12, leaving a trade deficit of \$190.91 billion, an increase of 4.12 percent, from \$183.35 billion in 2011-12.

### Over view of the Indian Banking Sector

In the last two years the Indian Banking sector has displayed a high level of resilience in the face of high domestic inflation, depreciation in Indian Rupee and fiscal uncertainty in the United States and Europe. In order to stimulate the economy and support the growth of banking system the RBI adopted many policy measures such as varying the key monetary policy rates like repo and reverse repo many times and tightening the provisioning requirements. As stated earlier the Indian economy is expected to grow around 5% during the fiscal 2012-13.

Both deposit and credit growth in the economy at 14.3% and 14.1% respectively have fallen way below the RBI's projection of 16% and 17% respectively for 2012-13. The aggregate deposit growth during 2012-13 at around 14% is mainly because of deceleration in time deposit growth. One major reason for the deceleration was near zero real interest return on term deposits largely due to higher inflation. Although there was a monetary policy easing over 2012-13 some banks raised their deposit rates, from Mid December 2012, in certain maturity buckets in view of the tight liquidity conditions, resulting in a marginal increase in the deposit rate by 2 bps during H2 of FY13. This was against the 13 bps decline in H1 of the said fiscal. During Q4 FY 2013, although the deposit growth of Scheduled Commercial Banks continued to decelerate, going forward it is expected to rise.

In view of the decline in the growth of the economy the demand for credit was adversely affected. Supply of domestic credit was further impacted by the deterioration in credit quality. Although RBI injected liquidity in the system, adverse sentiments emanating from global and domestic developments somewhat dampened the credit expansion and the Scheduled Commercial Banks non-food credit growth remained below the expectation of the regulator. Lower credit growth is due to both demand and supply factors. On the demand side the RBI ascribed subdued credit demand to poor investment appetite on account of policy logjam and not on interest rates. Despite low offtake, credit growth remained above deposit growth for most part of the fiscal 2012-13.

Another contributing factor to the lower credit growth in the banking sector over the previous fiscal 2011-12, is the deterioration in its asset quality. During the year 2011-12 the asset quality of banks was severely impaired, as revealed by the steep increase in Non-performing assets of Scheduled Commercial Banks, particularly the public sector banks. This was due to the significant exposure to troubled sectors such as power, aviation, real estate and telecom. The asset quality has further deteriorated during the fiscal 2012-13. Gross NPAs in the Banking system recorded a y-o-y growth of 45.3% and net NPAs recorded y-o-y growth of 55.6% in fiscal 2011-12. Gross NPAs are moving towards 4% mark in 2012-13. Apart from increase in NPAs, deterioration in asset quality of the Banks was visible from the significant increase in restructured assets. Restructured advances of the Scheduled Commercial Banks has risen by 58.5% during the fiscal 2011-12. The ratio of Restructured advances to the total advances also increased to 4.7% in fiscal 2011-12 from 3.5% in fiscal 2010-11. As at September 2012, 466 cases have been referred to CDR cell with 327 cases aggregating to ₹ 1874 bn have been approved since the start of the CDR mechanism.

On the technology side, there has been a rapid progress in mobile banking. In the near term it is expected to be one of the most preferred mediums for banking transactions.

### Opportunities and Threats

The overall percentage of households availing banking services in India stood at around 60% as at 2011, which means nearly 40% of the total households lack access to formal banking needs. This is largely driven by rural and/ or low income group. Thus the banking industry has large untapped market in smaller towns and rural India. A wide section of middle class with increasing incomes has to be tapped for the growth in our business. The opportunities include:

Increasing the radius for new product offerings, enhancing product features and packages both under lending and fee products, leveraging and scaling up the branch net work to get further business volumes.

Economic growth may be subdued in view of the challenges in the international arena and further domestic economic challenges like inflationary pressures, slowing investments besides weak demand conditions.

## MANAGEMENT DISCUSSION AND ANALYSIS

In February 2013 the Reserve Bank of India issued guidelines for new banking licenses. Many entities in private sector are keen to apply for new Bank licenses. This would further increase the competition in the banking system. The competition may be in two forms – viz: decrease in the projected growth levels in view of the new entrants capturing the existing market thereby struggling to retain the customer base and secondly, retaining the quality staff would be another challenge.

In order to get more savings bank accounts additionally some more banks may offer higher interest rates as the savings rate is deregulated last year. The same may pose challenges.

### Segmentwise and Productwise performance of Your Bank:

The segmentwise and productwise performance both in Advances and Deposits is furnished below:

Deposits	Amount (₹ In Cr)	Advances	Amount (₹ In Cr)
Demand	3053.35	Cash Credits, Overdrafts and Demand Loans	23052.93
Savings	4385.80	Bills Purchased & Discounted	1557.67
Term	31213.83	Term Loans	5095.29

The Gross deposits of the bank grew from ₹ 32111.59 Cr during the fiscal 2011-12 to ₹ 38652.98 Cr in 2012-13, recording an annual growth rate of 20.37%. CASA deposits accounted for 19.25% in aggregate deposits.

The average deposits stood at ₹ 33975.47 Cr during the fiscal 2012-13 compared to ₹ 27156.04 Cr during 2011-12, registering a growth rate of 25.11%. Cost of deposits rose to 8.30 % in fiscal 2012-13 from 8.11% in Fiscal 2011-12.

During the year under report, Gross advances increased from ₹ 24205.11 Cr to ₹ 29705.89 Cr recording a growth of 22.73%. The average advances was higher by ₹ 5668.79 Cr to reach ₹ 25644.78 Cr at the end of the fiscal 2012-13, from ₹ 19975.99 Cr at the end of previous fiscal. The average yield on advances was 12.77% for the fiscal 2012-13 against 12.71% during the earlier fiscal. Spread increased from 2.33% to 2.41% during the fiscal 2012-13.

The Bank has three major 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

India has recorded much faster economic growth than most of other economies and it probably has become the third biggest economy in the world. Yet the growth in the last couple of years has been well below the expectation and forecasts. The long slow down in the economy reflects a combination of softening world economy and its own structural problems such as high interest rates and high inflation. The worst seems to have been over for our economy with the business surveys pointing out to acceleration in the growth. The business surveys indicate start of the upturn in confidence levels and interest rate conditions expected to come down.

The India Meteorological Department has projected normal monsoon during the current fiscal 2013-14. A normal monsoon augurs well for the agriculture sector which employs majority of the Indian population. Agriculture is crucial as it accounts for goods produced by industry and the services sector.

Despite slow economic growth your bank has performed reasonably well and posted comfortable results. Your Bank has very strong fundamentals which are reflected in the business figures, NPA levels, profits and has an uninterrupted track record of profit and dividend payments since its inception 96 years ago.

The large presence of the Bank's branches in rural and semi-urban areas provides a great scope for the Bank for improving its exposure to Agriculture and Retail business, to register a balanced growth in retail portfolio in tandem with wholesale business.

A wide range of delivery channels, good presence in metro centers and young work force provide a great potential for the Bank to fully exploit the tech savvy products to its advantage. Your Bank has been making constant upgradation of its technology and service platforms to support business growth and meet customer expectations.

We have committed ourselves to become one of the most preferred banks with best standards in the industry and have been constantly taking various initiatives to attain the set goal.

We have been marching towards a visionary business level of ₹ 1.25 lakh Cr with a net work of 800 branches by the centenary year 2016.

The Bank has already set the goals for the current fiscal and has started monthly reviews. As in the past the bank would also be undertaking quarterly reviews of the performances of the Divisions at the top level.

## MANAGEMENT DISCUSSION AND ANALYSIS

Strategically the focus continues to be on the Retail Banking, CASA growth, lending to Housing, MSME, Agriculture, fee based income, reduction of NPAs and arresting fresh slippages to NPAs and more retail credit disbursement.

### Risk Management

Risk is an integral part of the banking business and the Bank aims at delivering superior value to shareholders by achieving an appropriate trade-off between risk and return. Sound risk management and balancing risk-return trade-off are critical to a bank's success. Business and revenue growth have therefore to be measured in the context and risks embedded in the bank's business strategy. The major types of risks faced by the Bank are Credit Risk, Market risk (including liquidity and price risks) and operational risk. The Bank has well laid down policies for all the said three risks. The primary responsibility of laying down risk parameters and establishing an integrated risk management framework and control system rests with the Board of the Bank. A Board level Committee viz: Risk Management and Asset Liability Management Committee oversees the Credit, Operational and Market risks. The Bank has adopted Standardised Approach for Credit Risk, Standardised Duration Method for Market Risk and Basic Indicator Approach for Operational Risk. The risk management function is looked after by a separate Risk Management Department and the risk management systems and their implementation are being continuously strengthened.

In regard to complying with the Basel II framework, the Bank continues to compute the Capital Adequacy Ratio under the New Capital Adequacy Framework on quarterly basis as per the extant guidelines.

Your Bank is assessing the level of inherent risks and related capital requirements every quarter using a well defined Internal Capital Adequacy Assessment Process approved by the Board. Bank has also complied with the additional disclosures under Pillar III of Basel II.

Your Bank is progressing well with the initiatives in meeting the requirements for adoption of the advanced approaches for credit, market and operational risks under Basel II. Necessary technological platform for migration to advanced approaches is in place and the steps are taken to appoint external consultants for guiding the bank through the process of migration to Advanced Approach.

### Internal Control and Systems Adequacy

Your Bank's Inspection and Audit Department located at Central Office in Karur with extended arms at all Divisional Offices oversees the internal control system through risk based internal audit, Information Systems Audit (IS Audit), Concurrent Audit, Credit Audit and Management Audit keep a check in order that quality compliance is maintained by the operating units.

The regular branch inspection report is the most comprehensive feedback to the management about the level of compliance of the Bank's systems, procedures and guidelines at the operational level and hence an important tool for exercising control. All the branches are covered under the Risk Based Internal Audit. The assessment of the level of risk and its directions are as per the risk matrix prescribed under the regulatory guidelines. This helps the management in identifying areas of high risk requiring attention on priority basis. The risk categorization of the branches is reviewed by the Audit Committee of the Board. Your Bank has completed Risk Based Internal Audit (RBIA) of all its branches well before 31.03.2013. Besides achieving 100% completion of RBIA, all branches and administrative units were subjected to IS Audit also.

Your Bank has covered 75% of its total business under Concurrent Audit during the FY 13. During the year under report the process of carrying out the concurrent audit at branches were moved to online reporting to make the audit process quality oriented which would also enable the branches to rectify the remarks speedily.

The Bank has also carried out SNAP audit at various branches to ensure compliance of RBI guidelines /directives. Bank also conducts rural and revenue audit for certain branches. Surprise inspections and re-appraisal process in case of jewel loans are also coming under the purview of the Audit Department.

The Inspection and Audit are carried out in your bank under the supervision, guidance of the Audit Committee of the Board and it is ensured that compliance is in focus all the time along with the Bank's business growth and interest.

KYC and Anti Money Laundering measures in line with RBI guidelines are put in place. As a part of the control the transactions are being viewed at Central Office of the Bank as an ongoing exercise.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance with respect to operational performance

Total income in 2012-13 stood at ₹ 4694.99 Cr against ₹ 3620.52 Cr reported last year marking a growth of 29.68%.

Interest income improved to ₹ 4242.43 Cr as at the end of 31.03.2013 as against ₹ 3270.37 Cr recorded in 2011-12, representing an increase of 29.72%. The Non-interest income was ₹ 452.56 Cr for FY 13 as against ₹ 350.15 Cr in FY 12. Interest expended increased to ₹ 3083.96 Cr in the fiscal under report from ₹ 2353.25 Cr in the earlier fiscal 2011-12. Of the gross interest expenditure, interest on deposits grew by 27.98% to ₹ 2819.71 Cr from ₹ 2203.22 Cr during the corresponding previous fiscal.

The total expenditure stood at ₹ 3846.16 Cr compared to ₹ 2894.81 Cr in the previous year.

The net interest income grew from ₹ 917.12 Cr to ₹ 1158.47 Cr, a growth of 26.32%.

Your Bank posted an operating profit of ₹ 848.83 Cr for the financial year 2012-13, against ₹ 725.71 Cr achieved during the corresponding period last year. For the year ended 2012-13, net profit increased by 9.69% to ₹ 550.32 Cr from ₹ 501.72 Cr in FY 12.

Net Interest Margin of the Bank was 3.03% as on 31.03.2013. The Return on Assets was at 1.35% as at the end of fiscal under report.

### Human Resource Management

Your Bank firmly believes that investment in human capital will help to ensure long term sustainability of our business.

Our employment practices are designed to help us create the right work place culture in which all the employees feel valued, respected, empowered and inspired. KVB values integrity, transparency, customer first and respect for people are core to the way the bank functions. We aspire to make the Bank an employer of choice. KVB has a well articulated HR Policy. Recruiting, developing and engaging employees are critical to meeting and sustaining Bank's business objectives and growth.

As on 31st March 2013, the Human Capital of the Bank was 6730, comprising 147 Executives, 3245 Officers, 2620 Clerks and 718 Sub-staff.

Your Bank has been undertaking focused hiring efforts on a sustained basis year on year to cater to superannuation, sustained business growth and rapid branch expansion. Various recruitment exercises were undertaken during the year to address the emerging manpower requirements in your Bank. Your Bank recruited 1759 personnel during the year. The recruitment process is continuing in the current year also.

Training plays a vital role in developing the employees for competency building. Efforts are being made to enhance the knowledge level and upskilling of the staff through appropriate training/workshops through internal and external programmes. During the year under report many employees were given training through internal and external programmes.

The Industrial relations in the bank have been cordial and harmonious, fostering a healthy work environment.

## 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 2013, which comprise the Balance Sheet as at 31st March 2013, 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 7 branches/offices audited by us and 593 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 judgment, 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, 2013;
- (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.

## AUDITORS' REPORT TO SHAREHOLDERS

---

- 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
  - (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) as per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act., 1956.
  - (v) 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, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Karur  
May 24, 2013

**For R K Kumar & Co.**  
Chartered Accountants  
Firm Registration No.001595S  
**(G.Naganathan)**  
Partner, (M. No. 022456)

## BALANCE SHEET AS AT 31ST MARCH 2013

(000's omitted)

	SCHEDULE	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>CAPITAL &amp; LIABILITIES</b>			
Capital	1	107,18,11	107,18,04
Reserves & Surplus	2	2978,01,30	2601,03,85
Deposits	3	38652,97,91	32111,59,26
Borrowings	4	3999,34,24	1972,56,14
Other Liabilities and Provisions	5	995,82,39	842,51,56
	TOTAL	<b>46733,33,95</b>	<b>37634,88,85</b>
<b>ASSETS</b>			
Cash and Bank Balances with			
Reserve Bank of India	6	1628,63,57	1920,86,67
Balances with Banks and Money at call and short notice	7	167,38,41	114,58,16
Investments	8	13837,25,81	10506,09,54
Advances	9	29480,12,60	23949,18,64
Fixed Assets	10	322,10,98	244,84,61
Other Assets	11	1297,82,58	899,31,23
	TOTAL	<b>46733,33,95</b>	<b>37634,88,85</b>
Contingent Liabilities	12	9784,70,95	7950,54,21
Bills for collection		1604,52,17	1185,14,91
Significant Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of Balance Sheet.

**K.P. KUMAR**

Chairman

**M.G.S. RAMESH BABU**

Director

**A.J. SURIYANARAYANA**

Director

**V.KRISHNASWAMY**

PRESIDENT & COO

Karur

24th May 2013

**S. GANAPATHI SUBRAMANIAN**

Director

**K. RAMADURAI**

Director

**B.SWAMINATHAN**

Additional Director

**G.S.ANANTHA KUMAR**

GENERAL MANAGER

**R. KANNAN**

COMPANY SECRETARY

**K. VENKATARAMAN**

MD & CEO

**G. RAJASEKARAN**

Director

**K.K. BALU**

Director

As per our report of even date  
For R.K. KUMAR & CO.,  
Chartered Accountants  
Firm Regn No. 001595S  
(G. NAGANATHAN)  
PARTNER (M.NO.022456)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013

(000's omitted)

	SCHEDULE	Year Ended 31.03.2013 ₹.	Year Ended 31.03.2012 ₹.
<b>I INCOME</b>			
Interest Earned	13	<b>4242,42,90</b>	3270,37,29
Other Income	14	<b>452,56,16</b>	350,14,99
	TOTAL	<b>4694,99,06</b>	<b>3620,52,28</b>
<b>II EXPENDITURE</b>			
Interest Expended	15	<b>3083,96,21</b>	2353,24,61
Operating Expenses	16	<b>762,19,70</b>	541,56,38
Provisions and Contingencies		<b>298,50,86</b>	223,98,89
	TOTAL	<b>4144,66,77</b>	<b>3118,79,88</b>
<b>III PROFIT</b>			
Net Profit for the year		<b>550,32,29</b>	501,72,40
Profit brought forward		<b>1,77,27</b>	2,31,14
Amount transferred from			
Provision for Medical Leave		<b>NIL</b>	14,80,00
Charity Account		<b>NIL</b>	2,77,50
	TOTAL	<b>552,09,56</b>	<b>521,61,04</b>
<b>IV APPROPRIATIONS</b>			
Transfers to			
Statutory Reserve		<b>165,00,00</b>	150,50,00
Capital Reserve		<b>16,51,50</b>	3,14,25
Special Reserve U/s 36(1)(viii) of IT Act		<b>50,00,00</b>	35,00,00
Revenue & Other Reserves		<b>123,00,00</b>	156,80,00
Investment Reserve		<b>21,00,00</b>	NIL
Proposed Dividend		<b>150,05,36</b>	150,05,29
Dividend Tax		<b>25,50,16</b>	24,34,23
		<b>551,07,02</b>	519,83,77
BALANCE OF PROFIT		<b>1,02,54</b>	1,77,27
	TOTAL	<b>552,09,56</b>	<b>521,61,04</b>
Basic Earnings Per Share	in ₹	<b>51.35</b>	46.81
Diluted Earnings Per Share	in ₹	<b>50.94</b>	46.81
Significant Accounting Policies	17		
Notes on Accounts	18		

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

**K.P. KUMAR**

Chairman

**K. VENKATARAMAN**

MD &amp; CEO

**M.G.S. RAMESH BABU**

Director

**S. GANAPATHI SUBRAMANIAN**

Director

**G. RAJASEKARAN**

Director

**A.J. SURIYANARAYANA**

Director

**K. RAMADURAI**

Director

**K.K. BALU**

Director

**B.SWAMINATHAN**

Additional Director

As per our report of even date  
For R.K. KUMAR & CO.,  
Chartered Accountants  
Firm Regn No. 001595S  
(G. NAGANATHAN)  
PARTNER (M.NO.022456)

**V.KRISHNASWAMY**

PRESIDENT &amp; COO

**G.S.ANANTHA KUMAR**

GENERAL MANAGER

**R. KANNAN**

COMPANY SECRETARY

Karur

24th May 2013

## SCHEDULES

(000's omitted)

	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Authorised Capital</b>		
20,00,00,000 Equity Shares of ₹ 10/- each	<b>200,00,00</b>	200,00,00
<b>Issued Capital:</b>		
10,72,68,622/(10,72,68,622) Equity Shares of ₹ 10/- each	<b>107,26,86</b>	107,26,86
<b>Subscribed &amp; Paid up Capital:</b>		
10,71,80,406 / (10,71,80,406) Equity shares of ₹10/- each	<b>107,18,04</b>	106,67,22
Add: Issue of 508204 Equity shares of ₹10/- each issued under ESOS 2010	<b>NIL</b>	50,82
Add: Issue of 700 equity shares of ₹10/- each kept in abeyance earlier	<b>7</b>	NIL
TOTAL	<b>107,18,11</b>	107,18,04
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
I Statutory Reserve		
Opening Balance	<b>858,53,31</b>	708,03,31
Addition during the year	<b>165,00,00</b>	150,50,00
	<b>1023,53,31</b>	858,53,31
II Capital Reserve		
Opening Balance	<b>59,85,89</b>	56,71,64
Addition during the year	<b>16,51,50</b>	3,14,25
	<b>76,37,39</b>	59,85,89
III Share Premium		
Opening Balance	<b>553,14,22</b>	317,92,10
Addition during the year	<b>23</b>	235,22,12
	<b>553,14,45</b>	553,14,22
Deduction during the year	<b>3</b>	NIL
	<b>553,14,42</b>	553,14,22
IV Revenue and Other Reserve		
a) General Reserve		
Opening Balance	<b>1032,73,16</b>	875,93,16
Addition during the year	<b>123,00,00</b>	156,80,00
	<b>1155,73,16</b>	1032,73,16

## SCHEDULES

(000's omitted)

	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>SCHEDULE 2 - RESERVES AND SURPLUS (contd.)</b>		
b) Investment Reserve		
Opening Balance	NIL	NIL
Addition during the year	21,00,00	NIL
	<u>21,00,00</u>	<u>NIL</u>
c) Employee Stock Option outstanding		
Opening Balance	NIL	NIL
Addition during the year	2,20,48	NIL
	<u>2,20,48</u>	<u>NIL</u>
d) Special Reserve U/s 36(1) (viii) of I.T. Act		
Opening Balance	95,00,00	60,00,00
Addition during the year	50,00,00	35,00,00
	<u>145,00,00</u>	<u>95,00,00</u>
V Balance of Profit :	1,02,54	1,77,27
TOTAL	<u>2978,01,30</u>	<u>2601,03,85</u>

## SCHEDULE 3 - DEPOSITS

A I. Demand Deposits :		
i) From Banks	1,52,78	2,15,94
ii) From Others	3051,82,15	2476,09,59
	<u>3053,34,93</u>	<u>2478,25,53</u>
II. Savings Bank Deposits	4385,79,65	3673,33,11
III. Term Deposits		
i) From Banks	62,98,44	499,80,92
ii) From Others	31150,84,89	25460,19,70
	<u>31213,83,33</u>	<u>25960,00,62</u>
TOTAL OF I, II & III	<u>38652,97,91</u>	<u>32111,59,26</u>
B Deposits from Branches :		
i) In India	38652,97,91	32111,59,26
ii) Outside India	NIL	NIL
TOTAL	<u>38652,97,91</u>	<u>32111,59,26</u>

## SCHEDULES

(000's omitted)

	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>SCHEDULE 4 - BORROWINGS</b>		
I Borrowings in India		
i) Reserve Bank of India	NIL	NIL
ii) Other Banks	1,03,21	1,41
iii) Other Institutions and Agencies	2627,86,93	871,33,29
iv) Subordinated debts for Tier II Capital	150,00,00	150,00,00
	<u>2778,90,14</u>	<u>1021,34,70</u>
II Borrowings outside India	1220,44,10	951,21,44
TOTAL	<u>3999,34,24</u>	<u>1972,56,14</u>
Secured Borrowings included in I and II above	2624,28,18	864,15,54
<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
I Bills Payable	230,35,02	221,99,30
II Inter Office Adjustments (Net)	NIL	NIL
III Interest Accrued	182,39,86	143,03,32
IV Deferred Tax	4,50,50	4,70,50
V Others (including provisions)	578,57,01	472,78,44
TOTAL	<u>995,82,39</u>	<u>842,51,56</u>
<b>SCHEDULE 6 - CASH AND BANK BALANCES WITH RESERVE BANK OF INDIA</b>		
I Cash in Hand (Including Foreign Currency Notes)	370,97,28	305,84,79
II Balances with Reserve Bank of India In Current Account	1257,66,29	1615,01,88
TOTAL	<u>1628,63,57</u>	<u>1920,86,67</u>
<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	72,02,93	20,50,93
b) In Other Deposit Accounts	67,43,73	55,33,72
ii) Money at Call and Short Notice with Banks	NIL	NIL
	<u>139,46,66</u>	<u>75,84,65</u>
II Outside India		
In Current Accounts	27,91,75	38,73,51
In Other Deposit Accounts	NIL	NIL
TOTAL	<u>167,38,41</u>	<u>114,58,16</u>

## SCHEDULES

(000's omitted)

	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>SCHEDULE 8 - INVESTMENTS</b>		
I. Gross Investments in India	<b>13868,84,74</b>	10581,27,41
Less : Provision for Investment Depreciation	<b>31,58,93</b>	75,17,87
Net Investments in India	<b>13837,25,81</b>	10506,09,54
Break-up		
i) Government Securities	<b>12629,01,02</b>	9253,19,67
ii) Other Approved Securities	<b>NIL</b>	NIL
iii) Shares	<b>145,34,08</b>	89,02,20
iv) Debentures and Bonds	<b>264,68,25</b>	242,22,81
v) Mutual Fund Units & Others	<b>798,22,46</b>	921,64,86
TOTAL	<b>13837,25,81</b>	10506,09,54
II. Investments outside India	<b>NIL</b>	NIL
TOTAL	<b>13837,25,81</b>	10506,09,54
<b>SCHEDULE 9 - ADVANCES</b>		
A i) Bills purchased and discounted	<b>1557,65,96</b>	1291,01,18
ii) Cash Credits, Overdrafts and Loans repayable on Demand	<b>22989,76,14</b>	17260,57,42
iii) Term Loans	<b>4932,70,50</b>	5397,60,04
TOTAL	<b>29480,12,60</b>	23949,18,64
B i) Secured by tangible assets (incl. Book Debts)	<b>27747,24,33</b>	22081,26,16
ii) Covered by Bank / Government guarantees	<b>615,50,15</b>	537,66,77
iii) Unsecured	<b>1117,38,12</b>	1330,25,71
TOTAL	<b>29480,12,60</b>	23949,18,64
C I Advances in India		
i) Priority Sector	<b>10149,90,63</b>	7489,46,74
ii) Public Sector	<b>699,50,92</b>	355,22,50
iii) Banks	<b>NIL</b>	NIL
iv) Others	<b>18630,71,05</b>	16104,49,40
TOTAL	<b>29480,12,60</b>	23949,18,64
II Advances Outside India	<b>NIL</b>	NIL
TOTAL	<b>29480,12,60</b>	23949,18,64

## SCHEDULES

(000's omitted)

	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>SCHEDULE 10 - FIXED ASSETS</b>		
I Premises :		
At cost as on 31st March of the preceding year	134,21,22	111,90,16
Addition during the year	4,50,03	22,31,06
	<u>138,71,25</u>	<u>134,21,22</u>
Deduction during the year	20,70	NIL
	<u>138,50,55</u>	<u>134,21,22</u>
Depreciation to date	31,08,84	27,66,53
	<u>107,41,71</u>	<u>106,54,69</u>
II Building under construction	1,70,10	47,56
III Other Fixed Assets : (Including Furniture & Fixtures)		
At cost as on 31st March of the preceding year	364,41,33	300,53,03
Addition during the year	128,46,98	64,23,57
	<u>492,88,31</u>	<u>364,76,60</u>
Deduction during the year	34,65	35,27
	<u>492,53,66</u>	<u>364,41,33</u>
Depreciation to date	279,54,49	226,58,97
	<u>212,99,17</u>	<u>137,82,36</u>
TOTAL	<u>322,10,98</u>	<u>244,84,61</u>

## SCHEDULE 11 - OTHER ASSETS

I Inter Office Adjustments (Net)	36,60,20	56,44,12
II Interest Accrued	266,13,94	231,79,61
III Tax paid in advance / Tax deducted at source (Net)	170,97,75	64,16,26
IV Stationery and Stamps	7,95,44	7,05,54
V Deferred Tax	NIL	NIL
VI Non Banking Assets acquired in satisfaction of claims	NIL	NIL
VII Others	816,15,25	539,85,70
TOTAL	<u>1297,82,58</u>	<u>899,31,23</u>

## SCHEDULES

(000's omitted)

	<b>AS ON</b> <b>31.03.2013</b> ₹.	AS ON 31.03.2012 ₹.
<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
I Claims against the Bank not acknowledged as debts	<b>6,61,44</b>	6,35,53
II Liability on account of outstanding		
a) Forward Exchange Contracts	<b>6311,87,83</b>	4617,90,46
b) Derivatives	<b>NIL</b>	NIL
III Guarantees given on behalf of Constituents in India	<b>2002,91,14</b>	1863,20,40
IV Acceptances, Endorsements and other Obligations	<b>1463,30,54</b>	1463,07,82
V Other items for which the Bank is contingently liable	<b>NIL</b>	NIL
TOTAL	<b>9784,70,95</b>	7950,54,21
	<b>Year ended</b> <b>31.03.2013</b> ₹.	Year ended 31.03.2012 ₹.

## SCHEDULE 13 - INTEREST EARNED

I Interest / discount on advances/bills	<b>3274,35,87</b>	2538,21,30
II Income on Investments	<b>950,35,46</b>	716,24,75
III Interest on balances with Reserve Bank of India and other inter-bank funds	<b>16,19,68</b>	9,00,23
IV Others	<b>1,51,89</b>	6,91,01
TOTAL	<b>4242,42,90</b>	3270,37,29

## SCHEDULE 14 - OTHER INCOME

I Commission, Exchange and Brokerage	<b>278,48,75</b>	227,36,81
II Profit/Loss on sale of investments-Net	<b>88,34,98</b>	26,20,08
III Profit on sale of land, buildings and other assets	<b>65,68</b>	26,90
IV Profit on exchange transactions - Net	<b>21,02,90</b>	36,83,65
V Miscellaneous Income	<b>64,03,85</b>	59,47,55
TOTAL	<b>452,56,16</b>	350,14,99

## SCHEDULES

(000's omitted)

	Year ended 31.03.2013 ₹.	Year ended 31.03.2012 ₹.
--	--------------------------------	--------------------------------

### SCHEDULE 15 - INTEREST EXPENDED

I Interest on Deposits	<b>2819,70,57</b>	2203,21,78
II Interest on Reserve Bank of India/Inter-bank borrowings	<b>104,04,08</b>	64,07,67
III Others	<b>160,21,56</b>	85,95,16
TOTAL	<b>3083,96,21</b>	2353,24,61

### SCHEDULE 16 - OPERATING EXPENSES

I Payments to and Provisions for employees	<b>343,61,69</b>	264,41,05
II Rent, Taxes and Lighting	<b>73,30,28</b>	47,86,03
III Printing and Stationery	<b>13,86,99</b>	6,50,15
IV Advertisement and Publicity	<b>28,42,38</b>	23,00,78
V Depreciation on Bank's Property	<b>56,37,97</b>	38,48,33
VI Directors' fees, allowances and expenses	<b>71,33</b>	68,49
VII Auditors' fees and expenses (includes for branch auditors)	<b>1,22,39</b>	1,43,31
VIII Law Charges	<b>87,38</b>	1,20,61
IX Postages, Telegrams, Telephones, etc.	<b>16,61,39</b>	15,98,52
X Repairs and maintenance	<b>20,88,21</b>	12,10,27
XI Insurance	<b>32,15,51</b>	25,33,56
XII Other Expenditure	<b>174,14,18</b>	104,55,28
TOTAL	<b>762,19,70</b>	541,56,38

## 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 year end 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 Closing Spot 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.

## SCHEDULES

### 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.

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.

## SCHEDULES

### 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 31.03.2013 and all the Inter branch entries have been reconciled upto 31.03.2013.

### 2. BALANCING OF BOOKS:

The books of accounts have been balanced and tallied in all branches of the Bank up to 31.03.2013.

## SCHEDULES

### 3. INVESTMENTS:

The percentage of SLR investments under "Held to Maturity" category as on 31.03.2013 was 20.93% of Demand and Time Liability of the Bank (Previous year 23.24%), which is within the permissible limit as per RBI guidelines.

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

#### 4.1 Capital:

Particulars	2012-13	2011-12
	Basel II	Basel II
i) CRAR (%)	14.41%	14.33%
ii) CRAR - Tier I Capital (%)	13.10%	13.12%
iii) CRAR - Tier II Capital (%)	1.31%	1.21%
iv) Amount raised by issue of Lower Tier II instruments during the year	NIL	NIL

#### 4.2 Investments:

(₹. in Crore)

Particulars	2012-13	2011-12
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	13868.85	10581.27
(b) Outside India	NIL	NIL
(ii) Provisions for Depreciation / NPI		
(a) In India	31.59	75.18
(b) Outside India	NIL	NIL
(iii) Net Value of Investments		
(a) In India	13837.26	10506.09
(b) Outside India	NIL	NIL
(2) Movement of provisions held towards depreciation on investments and Non Performing Investments		
(i) Opening balance	75.18	44.55
(ii) Add: Provisions made during the year	NIL	41.32
(iii) Less: Write-off/ write-back of excess provisions during the year	43.59	10.69
(iv) Closing balance	31.59	75.18

#### 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 31.03.2013
Securities sold under repos				
i. Government Securities	100.00	1500.00	673.05	1100.00
ii. Corporate Debt Securities	NIL	NIL	NIL	NIL
Securities purchased under reverse repos				
i. Government Securities	30.00	600.00	17.07	600.00
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
1	PSUs	73.07	69.70	NIL	NIL	5.00
2	FIs	NIL	NIL	NIL	NIL	NIL
3	Banks	404.86	348.25	NIL	NIL	NIL
4	Private Corporates	129.44	85.35	NIL	13.33	13.33
5	Subsidiaries / Joint Ventures	NIL	NIL	NIL	NIL	NIL
6	Others	607.86	99.99	NIL	99.99	99.99
7	Less: Provision held towards depreciation and non performing investments	6.97	NIL	NIL	NIL	NIL
	<b>Total</b>	<b>1208.26</b>	<b>603.29</b>	<b>NIL</b>	<b>113.32</b>	<b>118.32</b>

\* Amounts reported under columns 4, 5, 6 and 7 above are not mutually exclusive.

(ii) Non performing Non-SLR investments:

(₹. in Crore)

Particulars	2012-13	2011-12
Opening balance	4.07	4.19
Additions during the year since 1st April	NIL	NIL
Reductions during the above period	NIL	0.12
Closing balance	4.07	4.07
Total provisions held	4.07	4.07

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

The market value of Investments held in the HTM category was ₹. 8843.98 Crore and the excess of book value over market value was ₹.28.94 Crore as on 31.03.2013.

## 4.3 Derivatives

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

(₹. in Crore)

Particulars	2012-13	2011-12
1. The notional principal of swap agreements	NIL	NIL
2. Losses which would be incurred if counterparties failed to fulfill 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 (instrument wise)	NIL
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31.03.2013 (instrument wise)	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	NIL
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	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 and margin topped up where required.

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 are 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 ensures compliance with various internal and regulatory guidelines. Back Office undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting.

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. 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)		
	a) For hedging	NIL	NIL
	b) For trading	NIL	NIL
(ii)	Marked to Market Positions		
	a) Asset (+)	NIL	NIL
	b) Liability (-)	NIL	NIL
(iii)	Credit Exposure	NIL	NIL
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	NIL	NIL
	b) on trading derivatives	NIL	NIL
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	NIL	NIL
	b) on trading	NIL	NIL

### 4.4 Asset Quality

#### 4.4.1 Non-Performing Asset:

(₹. in Crore)

Particulars	2012-13	2011-12
(i) Net NPAs to Net Advances (%)	0.37%	0.33%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	320.99	228.15
(b) Additions during the year	200.54	174.00
(c) Reductions during the year	235.67	81.16
(d) Closing balance	285.86	320.99
(iii) Movement of Net NPAs		
(a) Opening balance	78.78	13.87
(b) Additions during the year	107.75	90.92
(c) Reductions during the year	77.79	26.01
(d) Closing balance	108.74	78.78
(iv) Movement of provisions for NPAs (excluding provision on Standard Assets)		
(a) Opening balance	201.51	182.42
(b) Provisions made during the year	104.67	52.43
(c) Write off/Write back of excess provisions	154.68	33.34
(d) Closing balance	151.50	201.51

## SCHEDULES

(₹. in Crore)

Disclosure of Restructured Accounts – 2012-13																				
S. No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total						
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total				
1	No. of borrowers	7	1	0	0	8	64	2	2	70	131	4	3	1	139	202	7	5	3	217
	Amount outstanding	178.39	34.16	0.00	0.00	212.55	42.84	0.17	1.11	44.19	1014.70	20.46	59.49	11.68	1106.33	1235.93	54.79	60.60	11.75	1363.07
	Provision thereon	2.42	4.86	0.00	0.00	7.28	0.56	0.01	0.00	0.57	6.41	0.00	0.00	0.00	6.41	9.39	4.87	0.00	0.00	14.26
2	No. of borrowers	2	0	0	0	2	5	0	0	5	51	0	0	0	51	58	0	0	0	58
	Amount outstanding	40.84	0.00	0.00	0.00	40.84	6.46	0.00	0.00	6.46	553.47	0.00	0.00	0.00	553.47	600.77	0.00	0.00	0.00	600.77
	Provision thereon	10.92	0.00	0.00	0.00	10.92	0.03	0.00	0.00	0.03	21.70	0.00	0.00	0.00	21.70	32.65	0.00	0.00	0.00	32.65
3	No. of borrowers	0	0	0	0	0	0	0	0	0	1	-1	0	0	1	1	0	0	0	1
	Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	-0.03	0.00	0.00	0.03	0.03	0.00	0.00	0.00	0.03
	Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	No. of borrowers	-2	0	0	0	-2	-22	0	0	-22	-73	0	0	0	-73	-97	0	0	0	-97
	Amount outstanding	-95.41	0.00	0.00	0.00	-95.41	-11.70	0.00	0.00	-11.70	-251.88	0.00	0.00	0.00	-251.88	-358.99	0.00	0.00	0.00	-358.99
	Provision thereon	0.00	0.00	0.00	0.00	0.00	-0.09	0.00	0.00	-0.09	-0.23	0.00	0.00	0.00	-0.23	-0.32	0.00	0.00	0.00	-0.32

## SCHEDULES

S. No	Type of Restructuring		Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total										
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total								
5	Downgradations of restructured accounts during the year	Asset Classification Details	No. of borrowers	-1	0	0	0	-1	0	0	0	0	0	-5	-3	0	0	-8	-6	-3	0	0	-9		
			Amount outstanding	-3.25	0.00	0.00	0.00	-3.25	0.00	0.00	0.00	0.00	0.00	0.00	-20.43	-20.43	0.00	0.00	-97.72	-80.54	-20.43	0.00	0.00	-100.97	
			Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.90	0.00	0.00	0.00	-0.90	-0.90	0.00	0.00	0.00	-0.90	
6	Write-offs of restructured accounts during the year	Asset Classification Details	No. of borrowers	0	0	0	0	0	0	0	0	0	0	0	0	-2	0	-2	0	0	0	0	0	-2	
			Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-56.28	0.00	0.00	0.00	-56.28	0.00	0.00	0.00	0.00	0.00	-56.28
			Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Restructured Accounts as on March 31, 2013	Asset Classification Details	No. of borrowers	9	0	0	1	10	23	2	1	2	28	86	2	1	6	97	118	4	2	9	133		
			Amount outstanding	178.70	0.00	0.00	3.25	181.95	12.04	0.14	0.11	0.07	12.36	897.29	7.08	70.20	32.11	1062.96	1088.03	7.22	70.31	35.43	0.00	0.00	1200.99
			Provision thereon	13.25	0.00	0.00	0.00	13.25	0.20	0.01	0.00	0.21	23.22	0.00	0.90	0.00	24.12	36.67	0.01	0.90	0.00	0.00	0.00	37.58	

## SCHEDULES

### 4.4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction: (₹. in Crore)

Particulars	2012-13	2011-12
(i) No. of accounts	30	3
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	143.48	10.61
(iii) Aggregate consideration	149.76	16.21
(iv) Additional consideration realized in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate gain / (loss) over net book value	6.28	5.60

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

### 4.4.5 Provisions on Standard Asset:

(₹. in Crore)

Particulars	As on 31st March 2013	As on 31st March 2012
Provisions towards Standard Assets	132.09	95.45

### 4.5 Business Ratios:

Particulars	2012-13	2011-12
1. Interest Income as a percentage to Working Funds	10.41%	10.17%
2. Non-interest income as a percentage to Working Funds	1.11%	1.09%
3. Operating Profit as a percentage to Working Funds	2.08%	2.26%
4. Return on Assets	1.35%	1.56%
5. Business (Deposits plus advances) per employee (₹. in Crore)	10.14	9.84
6. Profit per employee (₹. in Lakhs)	8.18	8.84

### 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	632.41	1175.67	4094.83	1.58	27.92	0.55
2 to 7 days	1574.52	93.80	436.15	2624.28	5.32	30.26
8 to 14 days	282.24	123.47	403.27	15.85	39.44	16.29
15 to 28 days	783.35	246.34	295.46	NIL	9.54	0.13
29 days to 3 months	6626.09	1262.89	1355.31	452.75	51.46	458.93
3 months to 6 months	3925.22	884.35	997.83	395.56	78.61	390.16
6 months to 1year	8168.79	9800.44	1710.12	359.32	NIL	371.20
1 year to 3 years	8094.44	11242.25	2360.87	NIL	NIL	3.19
3 years to 5 years	4372.25	2507.42	1119.92	NIL	NIL	16.76
Over 5 years	4193.66	2369.26	1095.08	150.00	NIL	1.12
<b>Total</b>	<b>38652.98</b>	<b>29705.89</b>	<b>13868.84</b>	<b>3999.34</b>	<b>212.29</b>	<b>1288.59</b>

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	2012-13	2011-12
a) Direct exposure		
(i) Residential Mortgages – Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented of which individual housing loans eligible for priority sector advances	1083.77	664.02
(ii) Commercial Real Estate – Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits	1062.52	744.06
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	NIL	NIL
b. Commercial Real Estate	NIL	NIL
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	271.29	291.55
<b>Total Exposure to Real Estate Sector</b>	<b>2417.58</b>	<b>1699.63</b>

#### 4.7.2 Exposure to Capital Market:

(₹. in Crore)

Particulars	2012-13	2011-12
(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	129.03	87.90
(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	1.21	2.17
(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	NIL
(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	NIL
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	213.73	233.21
(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	114.09	165.12
(vii) Bridge loans to companies against expected equity flows/issues	NIL	NIL

## SCHEDULES

Particulars	2012-13	2011-12
(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)	25.00	NIL
<b>Total Exposure to Capital Market</b>	<b>483.06</b>	<b>488.40</b>

### 4.7.3 Risk Category wise Country Exposure:

(₹. in Crore)

Risk Category	Exposure (net) as at 31.03.2013	Provision held as at 31.03.2013	Exposure (net) as at 31.03.2012	Provision held as at 31.03.2012
Insignificant	188.29	NIL	178.92	NIL
Low	174.02	NIL	122.98	NIL
Moderate	63.18	NIL	25.14	NIL
High	13.17	NIL	5.71	NIL
Very High	0.98	NIL	0.97	NIL
Restricted	0.02	NIL	0.00002	NIL
Off-credit	0.06	NIL	0.50	NIL
<b>Total</b>	<b>439.72</b>	<b>NIL</b>	<b>334.22</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 Disclosure of Penalties imposed by RBI:

No penalty was imposed by the RBI 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.

## SCHEDULES

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

The Bank is following AS-15 (Revised 2005) 'Employee Benefits' as under:

- 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.
- In respect of Defined Benefit Plans, viz., Gratuity and Pension, provision has been made based on actuarial valuation as per the guidelines.
- In respect Leave encashment, provision 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	8.29%	8.27%	8.29%
Salary escalation rate	5.00%	5.00%	5.00%
Attrition rate	2.00%	2.00%	2.00%
Expected rate of return on Plan Assets	9.11%	9.23%	NIL

#### Expenses recognized in Profit and Loss Account

(₹. in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Current Service Cost	3.91	4.29	0.29
Interest cost on benefit obligation	4.50	13.61	2.81
Expected return on plan assets	(4.78)	(15.59)	NIL
Net actuarial gain / (loss) recognised in the year	7.92	33.29	5.47
Expenses recognised in the Profit and Loss Account	11.55	35.60	8.58

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

(₹. in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Present value of obligation as at 1.4.2012	55.02	175.73	33.62
Interest cost	4.50	13.61	2.81
Current Service Cost	3.91	4.29	0.29
Benefits paid	(6.88)	(34.16)	(2.87)
Net actuarial gain / (loss) on obligation	7.77	27.80	5.47
Present value of the defined benefit obligation as at 31.3.2013	64.32	187.28	39.33

#### Change in the fair value of plan assets

(₹. in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Fair value of plan assets as at 1.4.2012	55.32	176.12	NIL
Expected Return on plan assets	4.78	15.59	NIL
Contribution by employer	11.46	35.54	2.87
Benefit Paid	(6.88)	(34.16)	(2.87)
Actuarial gain / (loss)	(0.15)	(5.49)	NIL
Fair value of plan assets as at 31.3.2013	64.53	187.60	NIL

## SCHEDULES

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

#### Part A: Business segments

(₹. in Crore)

Sl. No.	Particulars	2012-13	2011-12
(a)	<b>Segment Revenue</b>		
	1. Treasury Operations	1076.19	789.16
	2. Corporate/Wholesale Banking Operations	1248.94	1095.00
	3. Retail Banking Operations	2351.10	1721.96
	4. Other Banking Operations	18.76	14.40
	<b>Total</b>	<b>4694.99</b>	<b>3620.52</b>
(b)	<b>Segment Results</b>		
	1. Treasury Operations	220.81	88.18
	2. Corporate/Wholesale Banking Operations	257.50	266.12
	3. Retail Banking Operations	633.01	588.64
	4. Other Banking Operations	18.15	14.03
	<b>Total</b>	<b>1129.47</b>	<b>956.97</b>
(c)	Unallocated Expenses	280.65	231.26
(d)	<b>Operating Profit</b>	<b>848.83</b>	<b>725.71</b>
(e)	Income Taxes	175.12	130.23
(f)	Other Provisions	123.39	93.76
(g)	<b>Net Profit</b>	<b>550.32</b>	<b>501.72</b>
(h)	Other Information	NIL	NIL
(i)	<b>Segment Assets</b>		
	1. Treasury Operations	13904.70	10561.43
	2. Corporate/Wholesale Banking Operations	11180.73	10081.02
	3. Retail Banking Operations	18299.40	13868.17
	4. Other Banking Operations	NIL	NIL
	5. Unallocated Assets	3348.51	3124.27
	<b>Total</b>	<b>46733.34</b>	<b>37634.89</b>
(j)	<b>Segment Liabilities</b>		
	1. Treasury Operations	14873.13	10782.62
	2. Corporate/Wholesale Banking Operations	9797.84	8990.22
	3. Retail Banking Operations	16040.28	12367.60
	4. Other Banking Operations	NIL	NIL
	5. Unallocated Liabilities	2936.90	2786.23
	<b>Capital Employed</b>	<b>3085.19</b>	<b>2708.22</b>
	<b>Total</b>	<b>46733.34</b>	<b>37634.89</b>

## SCHEDULES

### 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 (₹)
Shri K.P. Kumar	Chairman	Honorarium	9,00,000/-
Shri K.Venkataraman	MD & CEO	Remuneration ESOP granted	54,36,918/- 5,000 Equity shares at ₹ 275/- each

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

S.No.	Particulars	2012-13	2011-12
1	Basic EPS (₹.)	51.35	46.81
2	Diluted EPS (₹.)	50.94	46.81

#### Computation of Basic EPS

S. No.	Particulars	2012-13	2011-12
A	Net Profit (₹. in Crore)	550.32	501.72
B	Weighted number of shares	107181106	107180406
C	Basic EPS (A/B) (₹.)	51.35	46.81
D	Nominal Value per share (₹.)	10.00	10.00

#### Computation of Diluted EPS

S. No.	Particulars	2012-13	2011-12
A	Net Profit (₹. in Crore)	550.32	501.72
B	Weighted number of shares (including Potential Equity Shares)	108027104	107180406
C	Diluted EPS (A/B) (₹.)	50.94	46.81
D	Nominal Value per share (₹.)	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 31.03.2013.

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

#### Deferred Tax Liabilities

(₹. in Crore)

	Particulars	As on 31.03.2013	As on 31.03.2012
1	Depreciation on Fixed Asset	9.60	7.45
2	Interest accrued but not due	8.34	2.68
3	Provision for Pension & Gratuity	NIL	5.48
	<b>Total</b>	<b>17.94</b>	<b>15.61</b>

## SCHEDULES

### Deferred Tax Assets

(₹. in Crore)

	Particulars	As on 31.03.2013	As on 31.03.2012
1	Provision for leave encashment	13.44	10.91
	<b>Total</b>	<b>13.44</b>	<b>10.91</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 31.03.2013 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	2012-13	2011-12
Provision for Depreciation on Investments	(41.29)	41.32
Provision for Bad & Doubtful Debts	104.67	19.09
Provision for Standard Assets	36.64	28.85
Provision towards sacrifice of Interest on Restructured Advances	23.32	3.81
Provision for Frauds and Claims	0.05	0.69
Provision for Income Tax	175.32	137.12
Provision for Deferred Tax	(0.20)	(6.89)
<b>Total</b>	<b>298.51</b>	<b>223.99</b>

### 6.2.1 Movement of Floating Provision:

(₹. in Crore)

Particulars	2012-13	2011-12
Floating Provision at the beginning of the year	NIL	NIL
Floating Provision made during the year	NIL	NIL
Amount transferred to counter cyclical buffer as per RBI guidelines	NIL	NIL
Floating Provision at the end of the year	NIL	NIL

### 6.2.2 Movement of Counter Cyclical Buffer:

(₹. in Crore)

Particulars	2012-13	2011-12
Counter Cyclical Buffer at the beginning of the year	18.69	18.69
Counter Cyclical Buffer made during the year	NIL	NIL
Amount of draw down made during the year	NIL	NIL
Counter Cyclical Buffer at the end of the year	18.69	18.69

## SCHEDULES

### 6.3 Draw Down from Reserves:

During the financial year 2012-13 there has been no draw down from the Reserves.

### 6.4 Disclosure of Complaints:

#### (A) Customer Complaints:

(a)	No. of complaints pending at the beginning of the year	23
(b)	No. of complaints received during the year	234
(c)	No. of complaints redressed	247
(d)	No. of complaints pending at the end of the year	10

#### (B) Awards passed by Banking Ombudsman:

(a)	No. of unimplemented awards at the beginning of the year	NIL
(b)	No. of awards passed by banking ombudsman during the year	1
(c)	No. of awards implemented during the year	1
(d)	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 2012-13 was ₹ 1075.20 Crore (Previous year ₹1008.65 Crore) and outstanding as on 31.03.2013 was ₹ 406.91 Crore (Previous year ₹ 416.07 Crore).

### 6.6 Provision Coverage Ratio (PCR):

The Provision Coverage Ratio as on 31.03.2013 was 75.20%

### 6.7 Banc assurance Business:

The Bank has received an amount of ₹.8.33 Crore (life insurance - ₹.6.37 Crore, Non-life insurance - ₹ 1.96 Crore) towards Fee/ Remuneration in respect of the bancassurance business undertaken during 01.04.2012 to 31.03.2013.

#### 6.8.1 Concentration of Deposits:

(₹. in Crore)

	As on 31.03.2013
Total Deposits of Twenty Largest depositors	4900.00
Percentage of Deposits of Twenty Largest depositors to Total Deposits of the bank	12.68

#### 6.8.2 Concentration of Advances:

(₹. in Crore)

	As on 31.03.2013
Total Advances to Twenty Largest Borrowers	4734.01
Percentage of Advances to Twenty Largest Borrowers to Total Advances of the Bank.	11.92

#### 6.8.3 Concentration of Exposures:

(₹. in Crore)

	As on 31.03.2013
Total Exposures to Twenty Larges Borrowers / Customers	4735.98
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	11.88

## SCHEDULES

### 6.8.4 Concentration of NPAs:

(₹. in Crore)

	<b>As on 31.03.2013</b>
Total Exposure to top four NPA Accounts	127.07

### 6.9 Sector-wise NPAs:

Sl.No.	Sector	Percentage of NPAs to Total Advances in that sector (as on 31.03.2013)
1.	Agriculture & allied activities	0.11%
2.	Industry (Micro, small, medium and large)	1.79%
3.	Services	0.19%
4.	Personal Loans	0.44%

### 6.10 Movement of NPAs:

(₹. in Crore)

Particulars	Amount
Gross NPAs as on 1st April 2012	320.99
Additions (Fresh NPA) during the year	200.54
Sub-total (A)	521.53
Less : -	
(i) Upgradations	5.75
(ii) Recoveries (excluding recoveries made from upgraded accounts)	93.05
(iii) write-offs	136.87
Sub-total (B)	235.67
Gross NPAs as on 31.03.2013	285.86

### 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 31.03.2013 on proportionate basis towards unamortized liability of ₹. 43.31 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 ₹. 28.87 Crore will be dealt with as per guidelines of RBI.

The Bank has debited Profit & Loss Account a sum of ₹.2.40 Crore during the year ended 31.03.2013 on proportionate basis towards unamortized liability of ₹.7.33 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 ₹.4.93 Crore will be dealt with as per guidelines of RBI.

## SCHEDULES

### 6.14 Disclosures on Remuneration:

#### Qualitative Disclosure:

#### (a) Information relating to the composition and mandate of the Remuneration Committee:

Composition of the Compensation & Remuneration Committee (CRC) of the Board as on 31.03.2013 is as under :

- Shri. K P Kumar, Chairman,
- Shri. M G S Ramesh Babu,
- Shri. S Ganapathi Subramanian,
- Shri. G Rajasekaran and
- Shri. A J Suriyanarayana.

There are three independent directors. Members from the Risk Management Committee of the Board are also included.

The Mandate of the Remuneration committee includes:

Determining the Bank's policies on remuneration packages payable to Non-Executive Chairman, MD & CEO and the President. Positions up to the General Manager level are covered under the salary and other emoluments as per the Bipartite settlements.

Considering granting of Employees Stock Options and administering and supervising the Employee Stock Option Scheme with particular reference to quantum of options to be granted, grant price, vesting period, exercise period etc.

Prescribing procedures for making fair and reasonable adjustments to the number of options granted in case of any corporate actions such as rights issue, bonus issue, mergers etc., including conditions under which the options shall lapse due to the reasons specified in the ESOS of the Bank.

Complying with the applicable laws regarding compensation / remuneration payable to the persons covered under the compensation policy as also the Regulations governing ESOS in terms of SEBI Regulations and other applicable laws in connection therewith.

#### (b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Compensation Policy in tune with the RBI guidelines contained in its circular DBOD No.BC.72/29.67.001/2011-12 dated 13.01.2012 has since been approved by the Board.

CRC is entrusted with the responsibility of recommending to the Board an appropriate compensation payable to the Non-Executive Chairman, MD & CEO and the President and COO in the light of the guidance from the regulator from time to time, bank's own requirement as also taking into account the prevailing market practices of payment of compensation, the cost to income ratio and the capital adequacy ratios which should support the remuneration packages. CRC shall work in close co-ordination with the Risk Management and ALM Committee of the Board in order to achieve effective alignment between remuneration and risks.

#### (c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

The Committee would be taking into account the following factors while reviewing or making recommendation for reviewing the remuneration for the persons covered under the Policy:

## SCHEDULES

In the case of whole time director / MD & CEO, the remuneration shall be aligned to:

- (a) Profitability of the Bank
- (b) Industry's current market practices
- (c) Adjustment for all types of risks and are symmetric with risk outcomes
- (d) Pay-outs are sensitive to time horizon of the risk
- (e) Mix of cash, equity and other methods of compensation consistent with risk alignment

For the WTD / MD & CEO, the compensation shall be either fixed or fixed and variable. ESOP is excluded from the compensation policy as the same is governed under SEBI Regulations.

For the Non-Executive Chairman of the Bank, only fixed pay/honorarium is payable apart from the sitting fees payable for attending the Board or Board Committee Meetings.

For the President, compensation payable is only fixed pay taking into account the industry practices, experience, performance and potential risk taking etc. apart from perquisites and other allowances applicable to the General Manager Cadre or such higher quantum as may be recommended by the CRC. President is also eligible for Employee Stock Options as may be decided by the CRC as per the SEBI guidelines.

**(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.**

Bank would ensure that the compensation is adjusted to all types of risk, symmetrical with risk outcomes as well as sensitive to the time horizon of risk.

The Bank shall not provide any facility or funds or permit the persons covered under the policy to insure or hedge their compensation structure to offset the risk alignment effects embedded in the compensation package.

**(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.**

Presently no variable remuneration is being paid to the MD & CEO, Non-Executive Chairman and/or the President.

**(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.**

Presently no variable remuneration is being paid to the MD & CEO, Non-Executive Chairman and/or the President.

MD & CEO has been granted, subject to RBI approval, 5000 options under KVBESOS 2011 at a price of ₹.275/- per option. The options are yet to be vested on him.

**Quantitative Disclosures:**

**(g) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.**

One meeting of CRC was held on 28.02.2013. The members were paid sitting fees for having attended the meeting. Amount of sitting fees paid was ₹.5000/- per member, aggregating to ₹.25000/-.

**(h) Number of employees having received a variable remuneration award during the financial year 2012-13: **NIL**.**

Number and total amount of sign-on awards made during the financial year: **NIL**

Details of guaranteed bonus, if any, paid as joining / sign on bonus: **NIL**

Details of severance pay, in addition to accrued benefits, if any: **NIL**

## SCHEDULES

- (i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms: **NIL**

Total amount of deferred remuneration paid out in the financial year: **NIL**

- (j) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred: **NIL**

- (k) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments : **NIL**

Total amount of reductions during the financial year due to ex-post explicit adjustments: **NIL**

Total amount of reductions during the financial year due to ex-post implicit adjustments : **NIL**

### 6.15 Disclosures relating to Securitisation

The bank has not sponsored any SPVs for Securitization transactions.

### 6.16 Credit Default Swaps

Bank has not initiated any trade in Credit Default Swaps.

### 7.1 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 ₹.50.00 crore towards Special Reserve for the year 2012-13, being the eligible amount of deduction available under the said provision.

### 7.2 Employee Stock Option

The Bank has granted 14,93,202 Stock Options in aggregate to its employees during the year and a sum of ₹ 2.20 Crore has been provided as Employee Compensation Cost being the proportionate accounting value in respect of stock option.

8. Figures of the previous year have been regrouped/rearranged/reclassified wherever necessary.

**K.P. KUMAR**

Chairman

**M.G.S. RAMESH BABU**

Director

**A.J. SURIYANARAYANA**

Director

**V.KRISHNASWAMY**

PRESIDENT & COO

Karur

24th May 2013

**S. GANAPATHI SUBRAMANIAN**

Director

**K. RAMADURAI**

Director

**B.SWAMINATHAN**

Additional Director

**G.S.ANANTHA KUMAR**

GENERAL MANAGER

**R. KANNAN**

COMPANY SECRETARY

**K. VENKATARAMAN**

MD & CEO

**G. RAJASEKARAN**

Director

**K.K. BALU**

Director

As per our report of even date  
For R.K. KUMAR & CO.,  
Chartered Accountants  
Firm Regn No. 001595S  
(G. NAGANATHAN)  
PARTNER (M.NO.022456)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(000's omitted)

	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT AS PER PROFIT AND LOSS ACCOUNT</b>	<b>5503229</b>	5017240
<b>ADJUSTMENTS FOR</b>		
DEPRECIATION	563797	384833
INTEREST PAID ON TIER II BOND ISSUED	147588	148204
PROVISIONS AND CONTINGENCIES	2985086	2239889
PROVISION FOR LEAVE ENCASHMENT	59143	37733
AMORTIZATION OF HTM SECURITIES	174439	
PROVISION FOR ESOP	22048	
PROFIT/LOSS ON SALE OF INVESTMENTS	-883498	-262009
PROFIT / LOSS ON SALE OF ASSETS	-6568	-2690
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>8565265</b>	7563200
<b>INCREASE/(DECREASE) IN OPERATING ASSETS</b>		
PURCHASE AND SALE OF INVESTMENTS	-32143669	-27893397
FUNDS ADVANCES TO CUSTOMERS	-56583487	-61576208
OTHER OPERATING ASSETS	-3115376	-1653810
	<b>-83277267</b>	-83560215
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>		
DEPOSITS FROM CUSTOMERS	65413864	73897413
BORROWINGS FROM BANKS	20267810	14426697
OTHER OPERATING LIABILITIES	1185791	-750580
<b>CASH GENERATED FROM OPERATIONS</b>	<b>3590199</b>	4013315
DIRECT TAXES PAID	-2771911	-1523200
<b>NET CASH GENERATED FROM OPERATIONS</b>	<b>818288</b>	2490115

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(000's omitted)

	AS ON 31.03.2013 ₹.	AS ON 31.03.2012 ₹.
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	-1341955	-731130
SALE OF FIXED ASSETS	12103	6217
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>-1329851</b>	<b>-724913</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM SHARE CAPITAL	7	126932
PROCEEDS FROM SHARE PREMIUM	20	2352212
PROCEEDS FROM TIER II BOND ISSUANCE	0	0
INTEREST PAID ON TIER II BOND ISSUED	-147588	-148205
DIVIDEND PAID (incl Dividend distribution Tax)	-1735161	-1486279
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1882722</b>	<b>844660</b>
CASH FLOW FROM OPERATING ACTIVITIES	818288	2490115
CASH FLOW FROM INVESTING ACTIVITIES	-1329851	-724913
CASH FLOW FROM FINANCING ACTIVITIES	-1882722	844660
<b>INCREASE IN CASH &amp; CASH EQUIVALENT</b>	<b>-2394285</b>	<b>2609862</b>
CASH AND CASH EQUIVALENTS AT THE BEGINING	20354483	17744621
<b>CASH AND CASH EQUIVALENTS AT THE END</b>	<b>17960198</b>	<b>20354483</b>

Karur  
24th May 2013

K. Venkataraman  
MD & CEO

### AUDITORS' CERTIFICATE

We have verified the cash flow statement of the Karur Vysya Bank Limited for the year ended 31.03.2013. 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 24th May 2013 to the shareholders of the Bank.

For **R. K. KUMAR & CO.**,  
Chartered Accountants,  
Firm Regn No. 001595S

Karur  
24th May 2013

**(G. NAGANATHAN)**  
Partner (M NO.022456)

## 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	31/03/2013		

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

Public Issue	NIL	Rights Issue (Abeyance shares)	4
Bonus Issue (Abeyance shares)	3	Private Placement	NIL
ESOS	NIL		

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

Total Liabilities	467333395	Total Assets	467333395
-------------------	-----------	--------------	-----------

#### Sources of Funds

Paid-up Capital	1071811	Reserves & Surplus	29780130
Calls Received in Advance	NIL		
Deposits	386529791	Borrowings	39993424
Other liab. Provisions	9958239		

#### Application of Funds

Net fixed Assets	3221098	Investments	138372582
Advances	294801260	Other Assets	30938455
Misc. Expenditure	NIL		

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

Total Income	46949907	Total Expenditure	38461591
Profit Before Tax	7254379	Profit After Tax	5503229
Earnings per share in ₹	51.35		

### 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

### 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 (i) 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 information of capital instruments eligible for inclusion in Tier I or Tier II
- Tier I capital includes Equity share capital, Reserves comprising of Statutory Reserve, Capital Reserve, Share Premium, Revenue Reserve, Special Reserve and balance in profit and loss account. Tax benefit on Special Reserve is deducted as per RBI guidelines.
  - Tier II Capital consists of Tier II Subordinated Debt, Investment Reserve and General Provisions

##### Quantitative Disclosures

- b) The amount of Tier I capital as on 31.03.2013.

Particulars	Amount (₹. in crore)
Paid up Equity Share Capital	107.18
Reserves	2,957.01
Innovative Instruments	NIL
Other Capital Instruments	NIL
Amounts deducted from Tier I Capital (Tax Benefit on special reserve)	(47.04)
Total Tier I Capital – (A)	3,017.15

- c) The total amount of Tier II capital as on 31.03.2013

Particulars	Amount (₹. in crore)
Tier II Bonds (Subordinated Debt)	150.00
General Provisions	132.09
Investment Reserve	21.00
Total Tier II Capital – (B)	303.09

## 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	- NIL
g) Total eligible capital (Tier I & Tier II) (A) + (B)	- ₹ 3,320.24 crore

**Table DF – 3**  
**Capital Adequacy**

### Qualitative Disclosures

- Policy on Internal Capital Adequacy Assessment Process has been put in place. The policy states the Bank's intention to maintain CRAR above the minimum level prescribed by RBI.
- Capital requirement for current business levels and framework for assessing capital requirement for future business levels has been made.
- CRAR has been worked out based on Basel II guidelines
- Tier I CRAR of 13.10% is above the minimum requirement of 6% as per RBI guidelines.
- Tier II capital is within the stipulation of 50% of Tier I Capital.
- Total CRAR is above the minimum requirement of 9%.
- Bank maintained capital in terms of Revised Framework above the prudential floor 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

### Quantitative Disclosures

a) Capital requirement for Credit Risk (@9% CRAR):	
● Portfolio subject to standardized approach	: ₹ 1,717.08 crore
● Securitization exposures	: NIL
b) Capital requirements for Market Risk (@9% CRAR):	
● Standardized duration approach:	
– Interest rate risk	: ₹ 156.08 crore
– Foreign exchange risk (including gold)	: ₹ 4.50 crore
– Equity risk	: ₹ 41.27 crore
c) Capital requirements for Operational Risk (@9% CRAR):	
● Basic indicator approach	: ₹ 154.21 crore
d) Total CRAR is 14.41% and Tier I Capital Ratio is 13.10%	

## BASEL II – PILLAR 3 DISCLOSURES

Table DF-4

### Credit Risk – General Disclosures

#### a) Qualitative Disclosures

- The Bank has put in place Credit Policy, Integrated Risk Management Policy, Collateral Management Policy etc. 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 is adopted.
- The Bank mitigates the concentration risk by (a) fixing exposure limits for single and group borrowers and (b) industry wise exposure limits.
- Credit risks and compliance to risk limits are monitored on bank wide basis.
- The Bank follows IRAC norms as per RBI guidelines for identifying the past due and impaired assets

#### Quantitative Disclosures

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

Credit Risk Exposures	Amount (₹. in crore)
Fund Based *	41,994.77
Non Fund Based	12,619.69
Total	54,614.46

\* 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

Amount (₹. in crore)

Fund Based	Non Fund Based	Total
41,994.77	12,619.69	54,614.46

#### d) Industry-wise exposures as on 31.03.2013

Amount (₹. in crore)

Industry	Fund Based	Non Fund Based*
Coal	50.94	NIL
Mining	142.00	18.92
Iron & Steel	1,174.19	69.62
Other Metal and Metal Products	207.49	10.64
All Engineering	386.18	288.94
of which Electronics	117.72	5.06
Cotton Textiles	1,156.42	53.04
Other Textiles	900.58	42.64
Sugar	16.05	NIL
Tea	2.62	NIL

## BASEL II – PILLAR 3 DISCLOSURES

Industry	Fund Based		Non Fund Based*	
Food Processing	778.05		8.35	
Vegetable Oils & Vanaspati	213.87		26.79	
Beverages and Tobacco	79.29		NIL	
Paper and Paper Products	92.79		NIL	
Rubber, Plastic and related Products	208.77		18.10	
Wood and Wood Products	153.84		50.61	
Glass and Glassware	9.31		NIL	
Chemicals and Chemical Products	472.54		47.62	
of which Fertilizers		60.35		2.25
of which Petrochemicals		137.88		31.03
of which Drugs & Pharmaceuticals		245.72		1.30
Cement and Cement Products	91.93		7.92	
Leather and Leather Products	8.86		1.01	
Gems and Jewellery	252.11		291.00	
Construction	133.57		314.15	
Petroleum and Nuclear Fuels	25.01		NIL	
Vehicles, Vehicle Parts and Transport Equipments	213.77		366.70	
Infrastructure	2,948.43		424.29	
of which Energy		1,498.44		84.97
of which Telecommunications		62.27		NIL
of which Roads & Ports		313.36		NIL
Other Industries	484.83		293.52	
Residuary Other Advances	19,502.45		1,131.36	
<b>Total Advances</b>	<b>29,705.89</b>		<b>3,465.22</b>	

\* LC&amp; BG only

## 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	588.96	4094.83	1175.67	259.19
Day 2 To Day 7	62.01	436.15	93.80	35.89
Day 8 To Day 14	53.55	403.27	123.47	35.89
Day 15 To Day 28	49.29	295.46	246.34	0.00
Over 28 days To 3 Months	182.19	1355.31	1262.89	0.00
Over 3 Months To 6 Months	130.52	997.83	884.35	0.00
Over 6 Months To 1 Year	227.10	1710.12	9800.44	0.00
Over 1 Year To 3 Years	244.03	2360.87	11242.25	0.00
Over 3 Years To 5 Years	128.34	1119.92	2507.42	0.00
Over 5 Years	130.03	1095.08	2369.26	1288.97
<b>Total</b>	<b>1796.02</b>	<b>13868.84</b>	<b>29705.89</b>	<b>1619.94</b>

\* as per ALM Guidelines

## BASEL II – PILLAR 3 DISCLOSURES

f) Gross NPAs:

Particulars	Amount (₹. in crore)
Substandard	105.36
Doubtful 1	86.27
Doubtful 2	6.10
Doubtful 3	13.53
Loss	74.60
<b>Total</b>	<b>285.86</b>

g) Net NPAs:

Particulars	Amount (₹. in crore)
Gross NPAs	285.86
Less: Provisions (including ECGC & float. Provision)	177.12
<b>Net NPAs</b>	<b>108.74</b>

h) NPA Ratio :

Particulars	Ratios
Gross NPAs as a ratio to Gross Advances	0.96%
Net NPAs as a ratio to Net Advances	0.37%

i) Movement of NPAs (Gross)\* :

Particulars	Amount (₹. in crore)
Opening Balance as on 01.04.2012	320.99
Additions during the period	200.54
Reductions during the period	235.67
<b>Closing Balance as on 31.03.2013</b>	<b>285.86</b>

\* 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.

## BASEL II – PILLAR 3 DISCLOSURES

j) Movement of Provision for NPAs :

Particulars	Amount (₹. in crore)
Opening Balance as on 01.04.2012	201.51
Provisions made during the period	104.67
Write off/ Write Back of excess provisions	154.68
Closing Balance as on 31.03.2013	151.50

k) Amount of Non performing Investments (₹. in crore) : 4.07

l) Amount of provisions held for Non – performing Investments (₹. in crore) 4.07

m) Movement of Provisions for depreciation on investments :

Particulars	Amount (₹. in crore)
Opening Balance as on 01.04.2012	71.11
Add: Provisions made during the period	NIL
Less: Write Off/ Write Back of excess provisions during the period	43.59
Closing Balance as on 31.03.2013	27.52

**Table DF – 5**

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

#### **Qualitative Disclosures:**

a) For portfolios under the standardized approach:

The following 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;

1. CRISIL Limited
2. ICRA Limited
3. CARE Limited
4. India Ratings & Research Private Limited (formerly FITCH India)
5. Brickwork Ratings India Limited
6. SME Rating Agency of India Limited

Brickworks Ratings and SME rating Agency were added during the reporting period. No agency has been deleted by the Bank during present period. The services of the above agencies are used for the purpose of both Funded and Non-Funded Exposure.

The Bank leaves the choice of rating agencies to the customers and does not recommend any specific agency. External Rating of the borrowers done at the behest of borrowers is accepted by the Bank.

## BASEL II – PILLAR 3 DISCLOSURES

### Quantitative Disclosures :

- b) For exposure amounts after risk mitigation subject to the standardized approach, amount of 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%	2401.59	18678.88	21080.47
100%	1688.95	7488.30	9177.25
More than 100%	1684.34	1672.41	3356.75
<b>Total Outstanding after mitigation</b>	<b>5774.88</b>	<b>27839.59</b>	<b>33614.47</b>
Deducted (as per Risk Mitigation)	160.96	10944.78	11105.74

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 collateral and insurance cover, higher margins, ceiling on exposures, loan covenants, forward cover, Escrow mechanism and Loan Participation.

Bank accepts guarantees from individuals, Central and State governments, and Corporates with considerable net worth. Only guarantees issued by entities with a higher rating than that 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.

- Cash or Cash Equivalent (Bank Deposits/certificate of Deposits issued by the Bank, etc.)
- Gold including Bullion and Jewellery
- Securities issued by Central and State Governments
- Kisan Vikas Patras and National Savings Certificates
- Life Insurance Policies with a declared surrender value
- Debt securities rated by a recognized Credit Rating Agency and
- Units of Mutual Fund

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.

## BASEL II – PILLAR 3 DISCLOSURES

### Quantitative Disclosers

- 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	848.68
2. Funded – Credit	Gold Jewels	7654.73
3. Non Funded	Bank's own deposits	637.66

- 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	815.47
Funded Credit	Central Government	486.94
Funded Credit	State Government	31.05

**Table DF - 7**

### Securitization: Disclosure for Standardized Approach

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

**Quantitative Disclosures:** NIL

**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	: ₹ 156.08 Crore
Equity position risk	: ₹ 41.27 Crore
Foreign exchange risk	: ₹ 4.50 Crore

## BASEL II – PILLAR 3 DISCLOSURES

---

### 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 was conducted in 451 branches of the Bank during the financial year 2012-13.

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. 2011-12, 2010-11 and 2009-10 is considered for computing the capital charge. The required capital is ₹ 154.21 Crore

### Table DF – 10 Interest rate risk in the banking book (IRRBB)

#### Qualitative Disclosures:

- a) Interest Rate Risk on Banking Book is captured in ICAAP, and is an annual exercise. The ICAAP policy articulates the methodology for the calculation and stress testing of IRRBB.

#### Quantitative Disclosures:

- b) The assets and liabilities are arranged in various time buckets based on the sensitivity to interest rate and a shock of 200 basis points is applied on the RSA-RSL. The result is below the 20% benchmark prescribed by RBI.

## NETWORK OF BRANCHES

REGISTERED AND CENTRAL OFFICE		INTERNATIONAL BANKING GROUP		
Erode Road, Karur - 639002 Ph. : 04324 - 269000, 226520, 225521-25		No.37, Whites Road, 2nd Floor, Chennai - 600014 Ph. : 044 28412090-92		
DIVISIONAL OFFICE				
AHMEDABAD	First Floor Motilal Centre, Near Sales India Show Room, Ashram Road, Ahmedabad-380009			
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			
KARUR	No 68 First Floor, Erode Road , LNS Post, Karur-639002			
KOLKATA	15 Bondel Road First Floor, Ballygunge, Kolkata-700019			
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			
TAMBARAM	SBA Complex 7/73 I Floor , Venkatesa Choudhary Street, West Tambaram, Chennai-600045			
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			
DEMAT CELL	South Wing First Floor, 37 Whites Road, Chennai-600014			
REGIONAL PROCESSING CENTRE (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			
COIMBATORE CLPC	577 Oppanakara Street, 1st Floor, Coimbatore-641001			
BANGALORE CLPC	No 12 Shravanthi Blue Chip, Near Axa Building, 100 Ft Ring Road, Bangalore-560068			
CHENNAI RLPC	South Wing First Floor, 37 Whites Road, Royapettah, Chennai-600014			
HYDERABAD RLPC	Door No:5-8-363 To 365/A B, First Floor, Chirag Ali Lane, Abids, Hyderabad-500001			
CENTRAL CLEARING OFFICES				
BANGALORE	COIMBATORE	MUMBAI	VIJAYAWADA	ERODE
CHENNAI	HYDERABAD	SALEM	KARUR	DELHI
TRICHY	TIRUPUR	MADURAI	PONDICHERRY	
CURRENCY CHEST				
CHENNAI	KARUR	MADURAI	VIJAYAWADA	

## NETWORK OF BRANCHES

### ANDHRA PRADESH

#### ADILABAD

ADILABAD  
MANCHERIAL

#### ANANTAPUR

ANANTAPUR  
DHARMAVARAM  
HINDUPUR

#### CHITTOOR

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

#### CUDDAPAH

CUDDAPAH  
PRODDATUR  
RAJAMPET

#### EAST GODAVARI

RAJAHMUNDRY  
KAKINADA  
PEDDAPURAM  
MANDAPETA  
RAVULAPALEM  
KADIAM  
AMALAPURAM  
TUNI  
SAMALKOT

#### GUNTUR

GUNTUR  
TENALI  
GUNTUR - LAKSHMIPURAM  
NARASARAOPET  
BAPATLA  
CHINTALAPUDI

#### HYDERABAD

HYDERBAD - MAIN  
S R NAGAR  
NALLAKUNTA  
ABIDS  
KALYAN NAGAR  
JUBILLEE HILLS  
HIMAYATNAGAR  
MIYAPUR

VANASTHALIPURAM

AMEERPET  
SANTOSH NAGAR  
SECUNDERABAD  
HYD-BANJARA HILLS

#### KARIMNAGAR

KARIMNAGAR  
JAGTIAL

#### KHAMMAM

KHAMMAM  
PALONCHA (PALWANCHA)  
KOTHAGUDEM

#### KRISHNA

VIJAYAWADA-GOVERNORPET  
VIJAYAWADA - NO.1 TOWN  
GUDIVADA  
VIJAYAWADA -BUNDER ROAD  
PORANKI  
KANKIPADU  
MACHILIPATNAM  
VUYYURU  
VIJAYAWADA -BHAVANIPURAM  
NUZVID

#### KURNOOL

KURNOOL  
NANDAYAL  
ADONI  
VENKATARAMANA COLONY

#### MAHBUBNAGAR

MAHBUBNAGAR

#### NALGONDA

KODAD  
MIRYALAGUDA  
NALGONDA

#### NELLORE

NELLORE  
KAVALI

#### NIZAMABAD

NIZAMABAD  
KAMAREDDY

#### PRAKASAM

CHIRALA  
ONGOLE  
MARKAPUR  
VALLURU

#### 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  
HYD - L.B. NAGAR

#### SRIKAKULAM

SRIKAKULAM  
RAJAM  
PALASA  
ICHCHAPURAM  
NARASANNAPETA

#### VISAKHAPATNAM

VIZAG - PEDAWALTAIR  
ANAKAPALLE  
VIZAG - MAIN  
GAJUWAKA  
PENDURTHI  
VIZAG - DWARKANAGAR  
YELAMANCHILI  
VIZAG - GOPALAPATNAM

#### VIZIANAGARAM

VIZIANAGARAM  
SALUR  
PARVATHIPURAM  
GAJAPATHINAGARAM  
BOBBILI

#### WARANGAL

WARANGAL - MAIN  
WARANGAL - HANAMAKOND  
WARANGAL - KHAZIPET

#### WEST GODAVARI

PALAKOL  
TADEPALLIGUDEM  
NIDADAVOLU  
JANGAREDDYGUDEM  
BHIMAVARAM  
ELURU

## NETWORK OF BRANCHES

TANUKU  
NARASAPUR

### CHANDIGARH - UT

CHANDIGARH  
CHANDIGARH

### CHATTISGARH

RAIPUR  
RAIPUR

### DELHI

RAMESH NAGAR  
CHANDINI CHOWK  
CONNAUGHT CIRCUS  
PITAMPURA  
JANAKPURI  
KAMLANAGAR  
LAXMINAGAR

### NEW DELHI

KAROL BAGH  
LAWRENCE ROAD  
KASHMERE GATE  
ROHINI  
EAST OF KAILASH

### GOA

NORTH GOA  
PANAJI

### GUJARAT

AHMEDABAD  
AHMEDABAD-MAIN  
MANINAGAR  
SATELLITE AREA  
SANAND  
NARODA

ANAND  
ANAND

BHARUCH  
BHARUCH

KACHCHH  
GHANDIDHAM  
BHUJ

MAHESANA  
UNJHA  
MAHESANA

RAJKOT  
RAJKOT - MAIN

SURAT  
SURAT  
SURAT - UM ROAD

VADODARA  
VADODARA

### HARYANA

FARIDABAD  
FARIDABAD

GURGAON  
GURGAON

KARNAL  
KARNAL

PANIPAT  
PANIPAT

### JHARKHAND

RANCHI  
RANCHI

JAMSHEDPUR  
JAMSHEDPUR

### KARNATAKA

BANGALORE  
BANGALORE - MAIN  
MALLESWARAM  
HALASURU  
J.C. ROAD  
RAJAJINAGAR  
ISRO NAGAR  
JAYANAGAR  
KORAMANGALA  
BASAVANAGUDI  
BTM LAYOUT  
INDIRA NAGAR  
HEBBAGODI  
HSR LAYOUT  
ATTIBELE  
CHANDAPUR  
R T NAGAR  
WHITEFIELD

BANGALORE RURAL  
DODDABALLAPUR  
HOSAKOTTE

RAMANAGARAM  
CHIKKABANAVARA  
NELAMANGALA

BELGAUM  
BELGAUM

BELLARY  
BELLARY  
HOSPET

CHITRADURGA  
CHITRADURGA  
HIRIYUR

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

KANNUR  
KANNUR

## NETWORK OF BRANCHES

THALASSERY

**KOLLAM**

KOLLAM

**KOTTAYAM**

KOTTAYAM

**KOZHIKODE**

KOZHIKODE

**PALAKKAD**

PALAKKAD

**PATHANAMTHITTA**

TIRUVALLA

PATHANAMTHITTA

**THRISSUR**

THRISSUR

**THIRUVANANTHAPURAM**

THIRUVANANTHAPURAM

### MADHYA PRADESH

**BHOPAL**

BHOPAL

**GWALIOR**

GWALIOR

**INDORE**

INDORE

### MAHARASHTRA

**AHMEDNAGAR**

AHMEDNAGAR

**AMARAVATI**

AMARAVATI

**AURANGABAD**

AURANGABAD

**KOLHAPUR**

ICHALKARANJI

KOLHAPUR

**MUMBAI**

FORT

PRABHADEVI

BORIVALI

CHEMBUR

MULUND

ANDHERI

KALBADEVI

BANDRA

GHATKOPAR

**NANDED**

NANDED

**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

**RAURKELA**

RAURKELA

### PONDICHERY-UT

**PONDICHERY**

PONDICHERY

PONDICHERY-LAWSPET

VILLIANUR

**KARAIKAL**

KARAIKAL

### PUNJAB

**AMRITSAR**

AMRITSAR

**FATEHGARH SAHIB**

MANDI GOBINDGARH

**KAPURTHALA**

HARDASPUR (LPU)

PHAGWARA

**JALANDHAR**

JALANDHAR

**LUDHIANA**

LUDHIANA

**PATIALA**

PATIALA

### RAJASTHAN

**BHILWARA**

BHILWARA

**JAIPUR**

JAIPUR

### TAMILNADU

**ARIYALUR**

ARIYALUR

JAYANKONDAM

**CHENNAI**

CHENNAI - MAIN

TRIPPLICANE

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

KK NAGAR

SAIDAPET

**COIMBATORE**

COIMBATORE - MAIN

POLLACHI

DR. NANJAPPA RD

R.S.PURAM

ANAIMALAI

DHULLY

## NETWORK OF BRANCHES

SARAVANAM PATTI  
 SAIBABA COLONY  
 GANAPATHY  
 SOMANUR  
 KOVAIPUDUR  
 VADAVALLI  
 RAMANATHAPURAM  
 ANNUR  
 KUNIAMUTHUR  
 SULUR  
 METTUPALAYAM  
 AVINASHI ROAD  
 KALAPATTI  
 COIMBATORE- GOUNDAMPALAYAM  
 CHINNIYAMPALAYAM  
 COIMBATORE - SIVANANDA COLONY  
 VADASITHUR  
 PATTANAM  
 COIMBATORE - THUDIYALUR

### **CUDDALORE**

CHIDAMBARAM  
 VRIDHACHALAM  
 CUDDALORE  
 NEYVELI  
 CHIDAMBARAM-ANNAMALAI NAGAR  
 PANRUTI

### **DHARMAPURI**

KAMBAINALLUR  
 SAMALPATTI  
 DHARMAPURI  
 HARUR

### **DINDIGUL**

DINDIGUL  
 BATLAGUNDU  
 CHINNALAPATTI  
 PALANI  
 NEIKARAPATTI  
 ODDTANCHATRAM  
 VEDASANDUR  
 NILAKOTTAI  
 VILPATTI  
 KOOMBUR

### **ERODE**

ERODE  
 GOBICHETTIPALAYAM  
 SATHYAMANGALAM  
 KAVINDAPADI

BHAVANI  
 PERUNDURAI  
 KOLATHUPALAYAM  
 METTUKADAI  
 PERUNDURAI - KEC NAGAR  
 SAMPATH NAGAR  
 SIVAGIRI  
 VEERAPPANCHATIRAM  
 CHENNIMALAI  
 ANTHIYUR  
 PUNJAIPULIYAMPATTI  
 KARUMANDAPALAYAM  
 ERODE- CHINNIAMPALAYAM  
 P.KOMARAPALAYAM  
 MULLAMPARAPPU  
 KANAKAMPALAYAM  
 T. VELLODE  
 SAVANDAPUR

### **KANCHEEPURAM**

CHENNAI - TAMBARAM  
 CHENNAI - ALANDUR  
 KANCHEEPURAM  
 CHENNAI - CHROME PET  
 ULLAVOOR  
 CHENNAI - St THOMAS MOUNT  
 CHENNAI - URAPPAKKAM  
 CHENNAI - SINGAPERUMAL KOIL  
 CHENNAI - SHOLINGANALLUR  
 CHENNAI - SRIPERUMPUDUR  
 CHENNAI - KELAMBAKKAM  
 CHENNAI - MEDAVAKKAM  
 CHENNAI - SELAYUR  
 CHENNAI - PALAVAKKAM  
 CHENGALPATTU  
 PORUR  
 CHENNAI - MADIPAKKAM  
 CHENNAI - PALLAVARAM  
 GUDUVANCHERRY  
 CHENNAI - SITTALAPAKKAM  
 MADURANTHAKAM

### **KANYAKUMARI**

NAGERCOIL

### **KARUR**

KARUR - MAIN  
 KULITHALAI  
 KARUR -CENTRAL  
 KARUR - WEST  
 VEERARAKKIYAM

GANDHIGRAMAM  
 VENGAMEDU  
 ARAVAKURICHI  
 THANTONIMALAI  
 OTHAKADAI

### **KRISHNAGIRI**

KRISHNAGIRI  
 HOSUR  
 BARGUR

### **MADURAI**

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

### **MADURAI - NORTH**

THENUR

### **NAGAPATTINAM**

NAGAPATTINAM  
 NEERMULAI  
 MAYILADUDURAI

### **NAMAKKAL**

NAMAKKAL MAIN  
 KOMARAPALAYAM  
 TIRUCHENGODE  
 PAUNDAMANGALAM  
 NAMAGIRIPET  
 PUDUCHATRAM  
 VALAYAPATTI  
 KALAPPANAICKENPATTI  
 BELUKURICHI  
 NAMAKKAL WEST  
 MANGALAPURAM  
 VELLAPILLAIAR KOIL  
 RASIPURAM  
 PARAMATHI VELUR  
 PALLIPALAYAM  
 MOHANUR

### **NILGIRIS**

COONOOR  
 UDHAGAMANDALAM

## NETWORK OF BRANCHES

### PERAMBALUR

PERAMBALUR

### PUDUKOTTAI

KOTHAMANGALAM  
 PUDUKOTTAI  
 ARANTHANGI

### RAMANATHAPURAM

RAMANATHAPURAM  
 PARAMAKUDI

### SALEM

SALEM - MAIN  
 IDAPPADI  
 METTUR DAM R.S.  
 SHEVAPET  
 ATTUR  
 KARUPPUR  
 KARIPATTI  
 ALAGAPURAM  
 ILAMPILLAI  
 JALAKANDAPURAM  
 GUGAI  
 AYOTHIAPATTINAM  
 THAMMAMPATTI  
 SANKAGIRI (SANKARI)  
 DEVIYAKURICHI

### SIVAGANGAI

KARAIKUDI

### THANJAVUR

KUMBAKONAM  
 THANJAVUR  
 PATTUKOTTAI  
 VILAR  
 MADUKKUR  
 PERAVURANI

### THENI

AUNDIPATTI  
 BODINAYAKANUR  
 CHINNAMANUR  
 CUMBUM  
 GUDALUR  
 KOMBALAI  
 PERIYAKULAM  
 THENI  
 KATHIRNARASINGAPURAM  
 UPPUKOTTAI

### THIRUVALLUR

CHENNAI - TIRUVERKADU  
 CHENNAI - VELAPPANCHAVADI  
 CHENNAI - AMBATTUR  
 CHENNAI - RED HILLS  
 THIRUVALLUR  
 PUTHAGARAM  
 AVADI

### THIRUVARUR

MANNARGUDI  
 THIRUVARUR

### TIRUPUR

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

### TIRUNELVELI

PALAYAMKOTTAI  
 TIRUNELVELI TOWN  
 TENKASI  
 SANKARANKOIL  
 AMBASAMUDRAM  
 SURANDAI  
 KADAYANALLUR

### TIRUVANNAMALAI

TIRUVANNAMALAI  
 POLUR  
 PERUNDURAI PATTU  
 ARNI  
 VANDAVASI  
 TIRUVETHIPURAM (CHEYYAR)  
 CHENGAM  
 ADAMANGALAM  
 KORUKKATHUR

### TRICHY

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

### TUTICORIN

TUTICORIN  
 KOVILPATTI  
 SEYDUNGANALLUR

### VELLORE

VELLORE  
 KANIYAMBADI  
 VANIYAMBADI - NEW TOWN  
 TIRUPATHUR  
 ARAKONAM

### VILLUPURAM

VILLUPURAM  
 KADUVANUR  
 THOTTIYAM  
 TINDIVANAM  
 GINJEE  
 KALLAKURICHI  
 ULUNDURPETTAI  
 TIRUMANGALAM  
 MURARBADU  
 CHINNASALEM  
 PRIDIVIMANGALAM  
 TIRUKKOYILUR

### VIRUDHUNAGAR

VIRUDHUNAGAR  
 RAJAPALAYAM  
 SIVAKASI  
 ARUPPUKOTTAI

## NETWORK OF BRANCHES

### UTTARPRADESH

#### GHAZIABAD

GHAZIABAD

#### GOWTAMBUDDA

NOIDA

#### KANPUR

KANPUR

#### LUCKNOW

LUCKNOW

#### MEERUT

MEERUT

#### VARANASI

VARANASI

### WEST-BENGAL

#### BURDWAN

DURGAPUR

#### HOWRAH

JAGACHA

BAGNAN

GHOSHPARA

#### KOLKATA

KOLKATA-MAIN

SHAKESHERE SARANI

BALLYGANGE

SALT LAKE

KOLKATA - N.S.ROAD

### 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****USD**

Wells Fargo Bank NA  
 NY 4080  
 375 Park Avenue  
 New York NY—10152  
 A/c.No. 2000193005826  
 SWIFT : PNBUS3NNYC  
 FEDWIRE ROUTING  
 NUMBER 026005092

**EURO**

Commerz Bank AG  
 Theodor-Heuss-Allee 50  
 60489 Frankfurt AM Main  
 Germany  
 A/c. No. 400875119000EUR  
 SWIFT : COBADEFF

**JPY**

Standard Chartered Bank  
 30-16, Ogikubo 4-chome,  
 Suginami-ku  
 Tokyo 167-8530, Japan  
 A/c.No. 0219600 - 1110  
 SWIFT:SCBLJPJT

**GBP**

Standard Chartered Bank  
 1 Alderman bury Square  
 London EC2V 7SB  
 United Kingdom  
 A/c.No. GBP 01 265520901  
 SWIFT : SCBLGB2L  
 I-BAN NO  
 GB94SCBL60910412655209

**USD**

Standard Chartered Bank  
 One Madison Avenue  
 New York, NY 10010-3603  
 USA  
 A/c.No.3582069922001  
 SWIFT : SCBLUS33  
 FEDWIRE ROUTING  
 NUMBER 026002561

**EURO**

Standard Chartered Bank Gmbh  
 Postfach 110162  
 Theodor-Heuss-Allee 112  
 D-60036, Frankfurt am Main,  
 GERMANY  
 A/c.No.18021504  
 SWIFT : SCBLDEFX  
 I-BAN NO  
 DE39512305000018021504

**AUD**

Australia & Newzealand  
 Banking Corporation  
 55 Collins Street  
 Melbourne, Victoria  
 AUSTRALIA  
 A/c.No. 237776-00001  
 SWIFT :ANZBAU3M

**CHF**

UBS AG  
 PO 8098  
 Zurich, Switzerland  
 A/c.No.0230-35343.05E  
 SWIFT :  
 UBSWCHZH80A

**USD**

Citi Bank, N A  
 111, Wall Street  
 New York City ,  
 NY 10018, USA  
 A/c.No.36844037  
 SWIFT : CITIUS33  
 FEDWIRE ROUTING  
 NUMBER 021000089

**SGD**

Indian Overseas Bank  
 64, Cecil Street,  
 IOB Building,  
 SINGAPORE 049711  
 A/c.No. 4916210131  
 SWIFT:IOBASGSG

**CAD**

Citi Bank, N A  
 Canadian Branch  
 123 Front St. West,  
 Toronto, Ontario-M5J2M3  
 CANADA  
 A/c.No.2017517009 CAD  
 SWIFT:CITICATTBCH

**SEK**

Skandinaviska Enskilda Banken  
 S-106, 40 Stockholm  
 SWEDEN  
 A/c.No.5201-85-335-84  
 SWIFT:ESSESESS

**USD**

Bank of America  
 100 west 33rd street  
 New York, NY 10001, USA  
 A/c.No. 6550391919  
 Swift: BOFAUS3N  
 FEDWIRE  
 ROUTING 026009593

**USD**

JP Morgan Chase Bank N.A  
 270 Park Avenue, NY 10017  
 New York, USA  
 A/c.No. 406313770  
 Swift: CHASUS33  
 Fedwire : 021000021  
 Chips No : 0002

**AED**

Commercial Bank of Dubai  
 Po Box 2668  
 Al Ltihad Street  
 Dubai, UAE  
 A/c.No.1001361656  
 Swift: CBDUAEADXXX  
 I-BAN NO  
 AE590230000001001361656

**NOSTRO ACCOUNT FOR NRI / FCNR DEPOSIT****USD**

Wells Fargo Bank  
 New York  
 A/c.No.2000191007059  
 Swift: PNBUS33NNYC

**GBP**

Wells Fargo Bank  
 London  
 A/c.No.07515036  
 Swift: PNBPG2L  
 IBAN  
 GB34PNBP  
 16567 107 515036

**EUR**

Wells Fargo Bank  
 London  
 A/c.No.07515168  
 Swift : PNBPG2L  
 IBAN  
 GB59PNBP16567  
 107 515168

## NOTES

---

## NOTES

---

## A DECADE OF PROGRESS

(₹ in Crore)

Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Capital</b>	17.98	17.98	17.98	49.49	53.94	53.95	54.44	94.49	107.18	107.18
<b>Reserves</b>	694.05	742.90	853.65	1013.67	1136.06	1296.21	1565.54	2020.04	2601.04	2978.01
<b>Owned funds</b>	712.03	760.88	871.63	1063.16	1190.00	1350.16	1619.98	2114.53	2708.22	3085.19
<b>Capital Adequacy Ratio - Basel I</b>	17.11%	16.07%	14.79%	14.51%	12.58%	13.08%	12.48%	12.16%	11.64%	12.03%
<b>- Basel II</b>	-	-	-	-	-	14.92%	14.49%	14.41%	14.33%	14.41%
<b>Deposits</b>	5911.48	6672.19	7576.83	9340.29	12549.99	15101.39	19271.85	24721.85	32111.59	38652.98
<b>Advances</b>	4101.15	4741.01	5700.89	7194.37	9568.84	10562.90	13675.00	18052.41	24205.11	29705.89
<b>Investments</b>	2173.01	2219.03	2298.13	2873.95	3526.33	4715.98	6649.44	7776.30	10581.27	13868.85
<b>Gross Income</b>	721.87	703.92	771.45	986.55	1289.33	1711.30	2004.92	2482.03	3620.52	4694.99
<b>Net Profit</b>	161.05	105.34	135.35	160.01	208.33	235.84	336.03	415.59	501.72	550.32
<b>Dividend (%)</b>	100	100	120	100	120	120	120	120	140	140*
<b>Branches</b>	223	231	238	269	288	312	335	369	451	551
<b>EPS (₹)</b>	89.58	58.59	28.29	32.80	38.62	43.71	62.23	44.90	46.81	51.35
<b>Return on Assets(%)</b>	2.43	1.45	1.65	1.53	1.63	1.49	1.76	1.71	1.56	1.35
<b>Book Value(₹)</b>	396.05	423.22	484.80	197.09	220.61	250.25	297.60	193.04	252.68	287.85
<b>No of Employees</b>	2849	2811	2908	3286	3580	3941	4175	4574	5673	6730

\* Proposed

## CUSTOMERS' MEET – MUMBAI





▲  
MoU with Mahindra for marketing Mahindra passenger and commercial vehicles

MoU with Ashok Leyland for marketing commercial vehicles  
▼



## EXPANSION OF NETWORK



◀ GHATKOPAR – MUMBAI – 500<sup>th</sup> BRANCH

DELHI – LAXMINAGAR ▶



◀ ARANTHANGI – TAMILNADU



VEDASANDUR – TAMILNADU ▶



◀ THUDIYALUR – TAMILNADU



## EXPANSION OF NETWORK

VILPATTI – TAMILNADU ▶



◀ BANJARA HILLS – HYDERABAD



KOTHAGUEDEM – A.P. ▶



◀ KOLKATA – N.S. ROAD



HARUR – TAMILNADU ▶

## EXPANSION OF NETWORK



◀ GOPALAPATNAM – A.P.

ARUPPUKOTTAI – TAMILNADU ▶



◀ MAHESANA – GUJARAT



DELHI – JANAHPURI ▶



◀ ATM at GITAM UNIVERSITY – A.P.



## EXPANSION OF NETWORK

DELHI – KAMLA NAGAR ➤



◀ HIRIYUR – KARNATAKA



DURGAPUR – KOLKATA ➤



◀ KANNUR – KERALA



NELAMANGALA – KARNATAKA ➤



Collection of Property Tax through our branches and ATMs for Chennai Corporation

Donation for severely underweight children handed over to Karur Collector





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

Helpline 1860 200 1916