

DIRECTORS' REPORT

To the members

The Board of Directors take great pleasure in presenting this 92nd Annual Report on the business and operations of your bank together with the audited accounts for the year ended year ended 31st March 2011.

Economic Overview

The global economic recovery is broadly on track and continues to move rapidly though there are large output gaps in advanced economies and closing gaps in emerging and developing markets. International Monetary Fund has projected world real GDP to slow down to 4.4% in 2011 from 5% in 2010. The key to downside was primarily on account of oil prices.

Indian economy continued its good performance than most emerging markets during the fiscal 2010-11 and it retained its position as the second largest growing economy amongst the G20 countries. According to the Central Statistical Organisation (CSO) GDP factor cost at constant prices is expected to register a growth of 8.6% in FY 2010-11 while it grew by 8% in the previous fiscal. Agriculture, aided by normal monsoon, provided the impetus to growth. The agricultural production rebounded in 2010-11 after suffering drought conditions in the preceding year. With good Kharif and Rabi crops, food grains production reached a new record. A satisfactory North-East Monsoon following normal South-West monsoon, favourable reservoir positions etc., led to the improved agricultural production. Higher agricultural production and significant rise in the outputs of key agricultural products would help in reducing the pressure on food prices. The agricultural growth may also lead to better rural incomes and thus benefit the demand for other sectors.

The growth in industrial sector was moderated mainly on account of high base effect and sharp deceleration in capital and intermediate goods. Except consumer goods almost all sectors exhibited slowdown. Higher private consumption demand led to the higher growth in both durables and non-durables segment.

The services sector growth was robust notwithstanding some deceleration in government spending related services.

Exports improved during 2010-11. The exports grew by 37.5%, fastest since independence and totalled US \$ 246 billion. Imports also showed an increase of 21.2% and totalled US \$ 350 billion. Strong growth performance facilitated moderation of the current account deficit to a certain extent.

As the inflation stayed above the indicated projections during the fiscal 2010-11, monetary policy was continually tightened by the regulator throughout the year.

Monetary and liquidity conditions responded to the policy measures with slow pace. Equity market witnessed good buying interest from FIIs during the second and third quarter of 2010-11 followed by some correction along with greater volatility. The calibrated policy measures adopted has not impacted the growth momentum.

The stock market underperformed and remained volatile reflecting several uncertainties. The activity in the primary segment of the domestic capital market remained buoyant during the first three quarters and moderated during the last quarter. During the year resource mobilisation by mutual funds turned negative, owing to high volatility in the market, lower retail investments, lower corporate support and higher returns in bank deposits.

The macro economic outlook for the year 2011-12 remains favourable though the high oil prices pose the biggest risk to both growth and inflation.

Against this backdrop your bank's performance during the last fiscal is highlighted below:

Performance Highlights

Sl. No.	Particulars	(Rs. in cr)
1	Gross Deposits	24721.85
2	Gross Advances	18052.41
3	Total Income	2482.03
4	Operating Profit	600.58
5	Net Profit	415.59

Sl. No.	Appropriations Transfer to	(Rs. in cr)
1	Statutory Reserve	125.00
2	Capital Reserve	NIL
3	General Reserve	111.50
4	Special Reserve -Sec36(i)(viii) as per income Tax Act	30.00
5	a) Proposed Dividend	128.63
	b) Dividend Tax (inclusive of Surcharge and Education cess)	20.87

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Sl. No.	Other Highlights:	(Rs. in cr)
1	Net Worth	2059.19
2	Book Value per share (Rs.)	193.04
3	Earning per share (Rs.)	44.90
4	Capital Adequacy Ratio(%)-	
	BASEL I	12.16%
	BASEL II	14.41%

Deposits

Aggregate deposits of the bank increased from Rs. 19271.85 cr in March 2010 to Rs.24721.85 cr in March 2011 registering an impressive growth rate of 28.28%.

CASA constitute 23.28% of the total deposits. Savings deposits rose by Rs.765.40 cr to touch Rs.3253.07 cr from Rs.2487.67 cr. registering a growth rate of 30.77%. The savings bank campaign launched by the Bank during the year under report accelerated savings deposits growth. Cost of Deposits was lower at 6.67% compared with 7.13% during the last fiscal.

Credit Portfolio

Your Bank continued its thrust on the quality while expanding the assets base. The gross advances grew from Rs. 13675 cr as on 31st March 2010 to Rs.18052.41 cr as on 31st March 2011, an increase of 32.01%. The credit portfolio is well diversified.

Your Bank continued to give added focus to the Priority Sector lending in conformity with the national policies, regulatory expectations and fulfillment of social objectives.

As per the regulatory guidelines, achievement under priority sector for the fiscal 2010-11 is computed taking Adjusted Net Bank Credit (ANBC) of March 2010 as the base. For the fiscal under report the percentage of Priority Sector Advances to ANBC was at 41.05%, thus complying with the stipulated norm of 40% under Priority Sector Credit.

Bank has also achieved the regulatory target of 18% under agricultural advances which was at 18.29% as at 31.03.2011. The weaker section advances was at 10.17% against the prescribed 10% norm.

Recovery

Your bank has adopted two pronged strategies to prevent slippages and manage NPAs. On the one hand, aggressive thrust was given

to effect recovery by adopting specific strategies like conducting adalats, filing of suits with DRT, initiating action taken under SARFAESI Act and compromise settlements etc. On the other hand, thrust was given to appropriate management of NPAs. Towards this end, willful defaulters were identified and quick mortality cases evaluated and corrective steps initiated. Sustained monitoring and continuous followup were carried out to prevent further slippages into NPA category.

As a result, the Gross NPA level of the Bank came down from Rs. 235.34 crs to Rs.228.15 crs. The percentage of Gross NPA to Gross Advances also registered a decline- i.e from 1.72% to 1.26%. The Net NPA percentage came down significantly from 0.23% to 0.07% during the fiscal. The ratio is one of the lowest in the industry. The Bank has been consistently building up provisions for impaired assets from time to time, which has resulted in achieving a Provision Coverage Ratio (PCR) of 93.92% of the total reduction under NPA during the fiscal, cash recovery accounted for 67.79%. Despite robust growth of credit portfolio, during the past five years, the NPAs are constantly kept under control by relentless follow up and recovery drive.

Share Capital

During the year under report the Board announced Bonus shares to the shareholders in the ratio of 2 bonus shares for every five shares held on the record date. The Bonus shares were allotted on 20.09.2010. With the allotment of Bonus shares, the paid up share capital which stood at Rs.54.44 cr as at 31st March 2010 stood increased to Rs.76.21 cr. The Board also announced Rights shares in the ratio of 2 rights shares for every five shares held on the record date inclusive of the Bonus shares. The rights shares were issued and allotment of the said shares were made on 30.03.2011. With the allotment of Rights shares, the paid up share capital stands increased to Rs.94.49 cr. Further the bank has received in advance towards First call money a sum of Rs.22.45 cr.

Credit Rating

The credit rating agency, CRISIL has reaffirmed "P1+" (pronounced "P one plus") rating for the Bank's Rs. 10 billion Certificate of Deposit Programme. The rating symbol "P1+" indicates that the degree of safety with regard to timely payment of interest and principal on instrument is very strong.

Further, ICRA Limited has reaffirmed its rating for the Bank's Rs.1000 cr Certificate of Deposit Programme at "A1+" This is the highest credit quality rating assigned by ICRA to short term instruments.

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Dividend

Your bank's policy of declaring the dividend is to reward the shareholders as well as to plough back profit for maintaining a healthy capital adequacy ratio and for supporting future growth. Accordingly your Directors are pleased to propose a total dividend of 120% (i.e Rs.12/- per share of Rs.10/-) for the year ended 31st March 2011. However the proposed dividend is on the enhanced capital on account of Bonus and Rights shares allotted during the fiscal 2010-11. The payment on account of dividend would be Rs.149.50 cr including dividend tax. Board takes pleasure to mention here that this is 4th year in succession that a dividend of 120% is paid.

Net owned Funds and Capital Adequacy

The net owned funds of the Bank crossed Rs.2000 crs and stood at Rs.2136.98 cr. The Capital to Risk weighted Assets Ratio (CRAR) as per BASEL I as at the end of March 2011 stood at 12.16%. As per BASEL II norms, CRAR is 14.41 %. Your Bank continues to have the capital adequacy ratio well above the regulatory minimum of 9%. Bank's CRAR of 14.41% under BASEL II norms offers comfort and cushion for future expansion and growth in asset portfolio.

Investments

The treasury is responsible for compliance with reserve requirements, management of liquidity and interest rate risk on the Bank's Balance Sheet. Bank holds government securities in order to comply with the regulatory requirements to meet the statutory liquidity ratio (SLR).

The aggregate investments of the Bank increased to Rs.7,776.31 cr at the end of the financial year 2010-11 as against Rs.6,649.44 cr in the FY 2009-10, an increase of 16.95%. Net investments rose by Rs.1,129.60 cr as on 31.03.2011, ie. from Rs.6602.16 cr to Rs.7,731.76 cr registering a growth of 17.11%.

Incomes on investment stood at Rs.523.56 cr as on 31.03.2011, registering a rise of Rs. 127.29 cr (32.12%) compared to the previous year fiscal of Rs.396.27 cr.

The average yield on investments improved to 7.20% during the year against previous fiscal of 7.00%. Liquidity position of the Bank was comfortable through out the year.

Forex Transactions

Your bank achieved a merchant turnover of Rs.8079 cr during the fiscal 2010-11 as against Rs.6909 cr recorded in the previous fiscal. The gross income earned from the forex operations was Rs.108.83 cr. The export credit of the bank stood at Rs.837.72 cr as on March 31, 2011 as against Rs.634.74 cr as on 31.03.2010, thus registering a growth of 31.98%.

Branch Network and Expansion

During the fiscal 2010-11, 34 branches were added by the Bank including 1 satellite branch that was upgraded as a full fledged branch, taking the total branch network of the bank to 369.

During the fiscal 2010-11, 112 ATMs were brought into the network taking the total to 488 (364 on site and 124 offsite).

Your Board continues to give thrust for opening brick-and-mortar branches covering all the parts of the country in order to have a wider pan India presence and has plans to open 75 branches and 150 ATMs during the current fiscal 2011-12.

Technological Initiatives

Your bank's emphasis on technology deployment as an instrument for enhancing service quality continued during the year. A wide gamut of services has been provided under Internet banking facility. The year saw the implementation of additional security using RSA technology for internet banking users, both corporate and retail. There has been a steady increase in number of customers using the facility as also in the volume of transactions.

The bank has also launched on line bill payments of Tamil Nadu Electricity Board. Also soft launched mobile banking payment services and inter-bank mobile payment service. Your bank implemented NEFT payments through internet banking services.

At all your bank's Currency Chests, Bio-metric and Proximity Card based access control system was implemented.

Other initiatives

Members are aware that the Bank appointed Boston Consulting Group (BCG) with the mandate to assist the bank in the areas such as attaining the target of total business of Rs.1,25,000 cr

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by the centenary year 2016, restructuring the organization, Business re-engineering process, innovation of Products and services, study the recruitment and promotion policies etc. The recommendation of the said Group is being implemented under "Golden Vision Initiatives". While the bank has implemented some of the important modules suggested by them, the roll out of other modules is under study and will be implemented in stages during the current fiscal. The modules that are rolled out under the Golden Vision Initiatives are encouraging.

Your bank launched sale of Gold Coins during the year under report and the income earned is quite encouraging.

Your bank has also launched the following products during the FY2010-11:

- (a) KVB Gift Card
- (b) KVB Travel Card
- (c) KVB Prestige - an SB product for High Networth Individuals

On the assets portfolio the following new products have been introduced:

- (a) KVB Rice Plus - to finance the Rice Mills
- (b) KVB Timber Plus- to finance Timber merchants

Financial inclusion

With a view to provide banking facilities to the sections of society which are so far deprived from the formal financial sector, the bank implemented financial inclusion policy. SLBC, Tamilnadu had allotted 36 villages to your bank for implementation of the financial inclusion scheme. The bank has adopted Business Development Model and has rolled out the scheme in 34 villages taking the implementation to very impressive rate of around 95%. As a part of the financial inclusion drive, your bank formulated a special no frills savings bank product known as "KVB Grama Jyoti". Distribution of smart cards has also begun.

Special Reserve

Income tax deduction under Sec 36 (1) (viii) is available for any Special Reserve created and maintained to the extent of 20% of the profit derived from the business of providing long term finance for industrial or agricultural development or development of infrastructure facility or housing in India. As the Bank has extended Term Loans for housing, power, roads and other segments of infrastructure in the last year, it was decided to avail the said tax benefit. Accordingly your bank has created a special reserve of Rs.30 cr during the fiscal under report (previous year Rs.30 cr).

Statutory Audit

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

Statutory Disclosures

The information required under the provisions of Sec 217 (2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules 1975 as amended is NIL since none employed was in receipt of the remuneration as specified in the said Rules.

Considering the nature of activities as an entity in the financial services sector, the provisions of Sec 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. The Bank has however made optimum use of information technology in its various operations.

Employees Stock Option Scheme

The information pertaining to the Employees Stock Option Scheme 2008 is given as an Annexure to this report.

Board of Directors

The Board consists of ten members including the Non-Executive Chairman and Managing Director & Chief Executive Officer.

Reserve Bank of India, on the recommendation of the Board of Directors appointed Shri K P Kumar as the Non-Executive Chairman of the bank for a period of three years effective from 24.09.2010. The terms of appointment are placed before the shareholders for their approval at the ensuing Annual General Meeting.

As the term of the present Managing Director & Chief Executive Officer Shri P T Kuppuswamy expires on 31st May 2011, the Board recommended the appointment of Shri Krishnamoorthy Venkataraman as the MD & CEO for a period of three years to RBI. The terms of his appointment as approved by RBI are being placed before the shareholders for approval at the ensuing Annual General Meeting.

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Shri A J Suriyanarayana was co-opted as an Additional Director on 27.10.2010. He is seeking election as a Director at the ensuing Annual General Meeting.

Directors Shri S Krishnakumar and Shri S Ganapathy Subramanian retire by rotation and being eligible offer themselves for re-appointment.

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

During the year under report Shri A S Janarthanan, Non-Executive Chairman, demitted office on 23.09.2010, after completing his tenure of office. The Board wishes to place on record its deep sense of appreciation for invaluable and immeasurable contribution to the growth and development of the Bank during his long tenure as Director and as Non-Executive Chairman.

Directors' Responsibility Statement

In terms of Sec 217 (2A) of the Companies Act, 1956, your Directors of the Bank report as under:

- in the preparation of the annual accounts, the applicable accounting standards as modified and advised by RBI have been followed together with proper explanations for the deviations, if any.
- Generally accepted accounting policies and the guidelines issued by Reserve Bank of India have been followed consistently.
- Reasonable and prudent judgments and estimates had been made so as to give a true and fair view of the state of affairs of the bank as at 31.03.2011 and the profit of the bank for the year ended on that date.
- Proper and sufficient care was taken for the maintenance of adequate accounting records as per the applicable provisions governing banks in India.
- The annual accounts had been prepared on a going concern basis.

Awards and Recognition

- Your Bank's technological efforts were recognized yet again by the Institute for Development and Research in Banking Technology, Hyderabad. Your Bank has been awarded the Special Award - Best IT Infrastructure Management, 2009. The Banking Technology Awards, 2009 were presented at a function at Hyderabad on 18th June 2010.
- Your Bank was adjudged as the "Best Small Bank- 2010" by Business World - Price Waterhouse Coopers

Corporate Social Responsibility

The Bank believes that its success is intrinsically linked to sustainable environmental practices. Your Board resolved to go green banking during the fiscal under report by installing a windmill of 850 KW at Rs.5.22 cr at Theni District, Tamil Nadu. The Bank has partnered with Gamesa Wind Turbines for installation of the wind mill for its captive use. The power generated by the windmill would be wheeled to various HT consumption points of the bank in the State.

The bank has been associating with social and charitable initiatives for the betterment of the society at large. Some of the initiatives the bank associated with during the fiscal under report are:

- Donations made to the Karnataka Arya Vysya Charitable Trust for funding student scholarship.
- Sponsored Cardiac service camp at Karur in association with Lions Club and Madras Medical Mission
- Donation made to the Sathyasai Trust for conducting Jaipur Foot Camp

Acknowledgements

The Board of Directors wishes to place on record its sincere thanks to the Reserve Bank of India, SEBI, Ministry of Finance, National Stock Exchange, other Government and regulatory authorities, financial institutions and correspondent banks, business associates for their support and guidance. The Board of Directors are also grateful to the valued customers, esteemed shareholders, stakeholders and public at large for their patronage and confidence reposed in the bank.

The Board of directors also place on record their appreciation of the commitment, sense of involvement and dedication exhibited by each staff member in the overall development, growth and prosperity of the bank and look forward to their continued support and whole-hearted co-operation for realization of the corporate goals in the years ahead.

Place : Karur
Date : 20.05.2011

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

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Annexure Forming Part of Directors' Report

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

The Bank has implemented Employees Stock Option Plan (ESOP 2008) after obtaining approval from the shareholders by way of special resolution. In tranche I, the Bank had granted 500000 options to the eligible employees on 30.12.2008. 470250 options were exercised by the employees and equity shares were allotted on 24.02.2010.

Details of options granted to the eligible employees under Tranche II is given below:

Particulars	Tranche II
Options granted	5,29,750
Pricing formula	Rs.150/- per option
Options Exercised	NIL
Total Number of shares arising as a result of exercise of options	Not applicable
Options lapsed	NIL
Variations of terms of options	NIL
Money realized by exercise of options	Not applicable
Total Number of options in force	5,22,433
Employee wise details of grant to Senior Management Personnel :	
Sarvashri	
P T Kuppuswamy, MD & CEO	1100
T M Lakshmikanthan	513
R Sukumar	530
R Sakthivelu	530
A Ananda Nadarajan	530
K Venkateswara Rao	530
G S Anantha Kumar	530
S Ramalingam	530
J Natarajan	530
A S Vasudevan	530
R Venkataramana	513
A R Ramachandran	530
T Sivarama Prasad	530
S Balaji	530
V Srinivasan	530
M Balachandran	513
Any other employee who received a grant in any one year of the options amounting 5% or more of the options granted during the year	NIL
Identified employees who received a grant in any one year of the options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the company at the time of grant.	NIL

The Bank follows the intrinsic method for valuing the stock options. The difference between Employee Compensation Cost computed based on such intrinsic value and Employee Compensation Cost that shall have been recognized if fair value of options had been used is explained below:

Sl. No.	Particulars	Amount (Rs)
1	Intrinsic Value	12,15,44,037
2	Cost as per Black Scholes Model	3,86,13,023
3	Excess Charged	8,29,31,014

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

a) Weighted average Details

Sl. No.	Particulars	Amount (Rs)
1	Exercise Price	150/-
2	Fair Value	223.91

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

Sl. No.	Particulars	
1	Risk Free Interest Rate	5.09%
2	Expected life (excluding grant period of one year)	One month from the date of vesting
3	Expected volatility	20.5%
4	Expected dividend	3.14%
5	Price of the underlying share at the time of grant of options	Rs.382.65

CORPORATE GOVERNANCE

1. BANK'S PHILOSOPHY OF CORPORATE GOVERNANCE

We, at KVB, believe that sound corporate governance is necessary to retain and enhance the shareholders' trust. The Bank has a long legacy of fair, transparent and ethical practices, which it believes, are the essence of good corporate governance.

Your Bank's corporate governance philosophy aims at:

- achieving transparency and professionalism in all its decision making process and activities
- maintaining high degree of disclosure levels
- communicating externally in a truthful manner how the bank is run internally
- enhancing the shareholder value through assisting the top management in taking sound financial decisions and prudent financial management
- adhering to the prevalent corporate governance guidelines and constantly improving the same to excel where required
- Realising always that the management is not the owner but acts only as a Trustee and custodian of public funds.
- Recognising the accountability to all stakeholders for creating, protecting and enhancing the wealth of the organization.

Corporate governance has indeed been an integral part of the way the bank has done its business for many decades. This emanates from the strong belief that strong governance is integral to creating value on sustainable basis. In terms of distributing wealth to our shareholders, apart from having a track record of uninterrupted dividend payout, we have also delivered consistent unmatched shareholder returns since inception by issue of Rights and Bonus shares.

2. BOARD OF DIRECTORS

The Board of Directors consists of 10 directors including Non-Executive Chairman and Managing Director & Chief Executive Officer. The constitution of the Board conforms to the provisions of Sec 10B of the Banking Regulation Act, 1949 and the Corporate Governance requirements. The Board comprises Directors who have specialized knowledge and professional experience in diverse fields.

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

Dr V G Mohan Prasad is a Director in VGM Health Care Private Limited. None of the directors of the bank is a Director in any other public limited company. Thus no director is a member of more than 10 committees or Chairs more than 5 Committees across all companies in which he is a director as per the Declarations furnished to the Bank.

The details of the Directors as to their name, category, sectoral representation as also their attendance in the Board and Committee meetings during the fiscal 2010-11 are furnished below.

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

Sl No	Name	Category of Director	Sectoral Representation	No. of Meetings attended during the year 2010-2011					
				Board	Advances	S & D	RM & ALM	NPAM & FM	NC
	Total No. of meetings held			28	6	24	3	3	4
1	Shri A S Janarthanan (up to 23.09.2010)	Chairman Promoter Family Non-Executive	Business & Finance	13	3	12	2	1	-
2	Shri K P Kumar (from 24.09.2010)	Chairman Non-Executive	Law	28	1	13	-	3	3
3	Shri P T Kuppuswamy (up to 31.05.2011)	Managing Director & Chief Executive Officer	Banking	28	6	23	3	3	4
4	Dr.V.G.Mohan Prasad	Independent Non-Executive	Agriculture	12	-	-	2	-	3
5	Shri T.R.Ramanathan (up to 21.07.2010)	Independent Non-Executive	Agriculture & Rural Economy	6	1	-	-	1	2
6	Shri M G S Ramesh Babu	Independent Non-Executive	SSI	26	2	14	2	1	1
7	Dr S Krishna Kumar	Independent Non- Executive	Information Technology	3	-	-	-	-	1

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Sl No	Name	Category of Director	Sectoral Representation	No. of Meetings attended during the year 2010-2011					
				Board	Advances	S & D	RM & ALM	NPAM & FM	NC
	Total No. of meetings held			28	6	24	3	3	4
8	Shri S Ganapathi Subramanian	Independent Non- Executive	Accountancy (Special knowledge) Agriculture (Practical knowledge)	27	4	8	1	-	2
9	Shri K Parameshwara Rao	Independent Non- Executive	Banking - Risk Management	26	4	-	2	-	-
10	Shri V Santhanaraman	Independent Non- Executive	Strategic Planning	28	-	10	1	2	-
11	Shri G Rajasekaran	Promoter Family Non-Executive	Business & Finance	23	2	16	-	1	-
12	Shri A J Suriyanarayana	Promoter Family Non-Executive	Business & Finance	15	2	-	-	1	-

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

- to recommend appointment, reappointment, removal or replacement of statutory/concurrent auditors and fixing their remuneration
- to review the quarterly, half yearly and annual financial statements before submission to the Board and to oversee the financial reporting process to ensure transparency, effectiveness, sufficiency and credibility of the financial statements
- to review the adequacy of internal control systems and internal audit systems
- to review the findings of internal investigations, etc.,

II. Attendance at Last AGM

All the Directors of the bank other than Sri S Krishna Kumar have attended the last Annual General Meeting held on 21.07.2010.

3. AUDIT COMMITTEE OF THE BOARD:

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

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

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

The Committee met 8 times during the fiscal 2010-11. The names of the members of the Audit Committee and their attendance at the Audit Committee Meetings during the Financial Year 2010-2011 are given below.

Sl. No.	Name	Designation	No. of Meetings Present (including as spl. Invitee)
1	Shri S Ganapathi Subramanian	Chairman of the Committee	8
2	Shri A S Janarthanan *	Chairman	3
3	Shri T R Ramanathan \$	Director	3
4	Shri S. Krishna Kumar \$	Director	-
5	Shri K Parameshwara Rao	Director	8
6	Shri V Santhanaraman @	Director	5
7	Shri G Rajasekaran @	Director	5
8	Shri K P Kumar (Special Invitee)	Chairman	1
9	Shri A J Suriyanarayana #	Additional Director	3

CORPORATE GOVERNANCE

- * Shri A S Janarthanan was a member of the Committee till 23.09.2010
- \$ Shri T R Ramanathan and Shri S Krishnakumar were members of the Committee till 21.07.2010
- @ Shri V Santhanaraman & Shri G Rajasekaran are members of the Committee since 22.07.2010
- # Shri A J Suriyanarayana is a member of the Committee since 27.10.2010

4. REMUNERATION TO DIRECTORS:

Shri A S Janarthanan, ex-Non-Executive Chairman was paid

Rs.2,88,333.33, Shri K P Kumar, Non-Executive Chairman was paid Rs.4,67,500/- and Shri P T Kuppaswamy, the MD & CEO, was paid Rs.43,63,038/- as remuneration for the year 2010-11 in accordance with the terms and conditions approved by RBI. The other directors were paid sitting fees of Rs.10,000/- and Rs.5,000/- each for attending Board meetings and Committee meetings respectively.

Besides remuneration, the Non-Executive Chairman was also paid the sitting fees for attending Board and Board Committee meetings.

During the year the MD & CEO was granted one thousand one hundred stock options under the Employees Stock Option Scheme of the bank. The said stock options have not vested in him during the year.

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

Details of shareholding of each of the non-executive directors of the bank as on 31st March, 2011 are furnished below:

Sl. No.	Name	No. of Shares
1	Shri K P Kumar	20308
2	Dr. V G Mohan Prasad	33050
3	Shri M G S Ramesh Babu	98500
4	Dr.S Krishna Kumar	980
5	Shri S Ganapathi Subramanian	996

Sl. No.	Name	No. of Shares
6	Shri K Parameshwara Rao	996
7	Shri V Santhanaraman	1821
8	Shri G Rajasekaran	249162
9	Shri A J Suriyanarayana	229119

6. BOARD PROCEDURES

The Board meetings are scheduled well in advance. The notice and agenda of each Board meeting are given to the Directors well in advance of the meeting. The Board/Committee agenda contains compliance report of the directions taken at previous meeting. The members of the Board exercise due diligence in performance of the functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment.

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

The day to day management of the affairs of the bank is entrusted to the senior management personnel which is headed by the Managing Director and Chief Executive officer.

Frequency of the Board Meetings:

The Board met on 28 occasions on various dates as detailed herein during the fiscal 2010-11.

25.04.2010	20.06.2010	30.08.2010	22.09.2010	24.11.2010	12.01.2011	25.02.2011
26.04.2010	21.06.2010	31.08.2010	27.10.2010	25.11.2010	28.01.2011	26.02.2011
20.05.2010	21.07.2010	07.09.2010	28.10.2010	29.12.2010	29.01.2011	25.03.2011
21.05.2010	22.07.2010	21.09.2010	12.11.2010	30.12.2010	12.02.2011	26.03.2011

CORPORATE GOVERNANCE

7. SHAREHOLDERS

Shri K P Kumar was appointed as the Non-Executive Chairman of the Bank in the Board meeting held on 21.07.2010. He took charge on 24.09.2010 as the Non-Executive Chairman. His appointment has been approved by the Reserve Bank of India as per the terms and conditions detailed in the notice of the ensuing Annual General Meeting. The terms of his appointment are placed for the approval of the shareholders.

Shri K P Kumar is a graduate in Arts and Law. He is a practicing advocate in the High Court of Karnataka and a designated Senior Advocate. He is an advisor in M/s King & Partridge, Law Firm, Bangalore. He represents 'Law' under majority sector and holds 20,308 shares in the Bank.

Shri A J Suriyanarayana was co-opted as an Additional Director in the Board Meeting held on 27.10.2010 and he holds the office until the date of the ensuing Annual General Meeting. He has signified his candidature for seeking appointment as a Director.

Directors Sarvashri Dr S Krishna Kumar and CA S Ganapathi Subramanian retire by rotation and are seeking the approval of the shareholders for their reappointment.

The appointment/re-appointment of directors are covered as agenda items in the Notice of the Annual General Meeting.

Pursuant to the Listing Agreement pertaining to Corporate Governance a brief resume including their expertise in specific functional areas are given below:

Shri S Krishnakumar, aged 59 years, is a graduate in Electronics engineering from the Bangalore University and an M.Tech from IIT, New Delhi in Electronics and Communication Engineering. He has an M.S. from the University of Southern California in Computer Science and a Doctorate in Electrical Engineering Systems from the same University. He worked in Premier Institutions in U.S. before his return to India. He has submitted more than 50 Corporate Technical Reports and 18 papers and is authoring a Book in the field of Computer Science. He is currently working as a Professor in Computer Science and Engineering in the University of Paderborn, Germany. He is an independent director on the Board representing 'Information technology' under Majority Sector. He holds 980 shares in the Bank.

CA S Ganapathi Subramanian, aged 66, is a Commerce graduate and a Fellow member of the Institute of Chartered Accountants of India. He is a partner in M/s Price Patt & Co., Chartered Accountants, Chennai. He has over 20 years of experience in audit of Banks including as Central Statutory Auditor for many Public

Sector banks. He has also been associated with the audit of Public sector undertakings. He has over four decades of experience in Income Tax matters and appearing before Tribunals. He had also served as an Arbitrator appointed by the High Court of Madras.

He is an Independent Director in terms of Clause 49 of the Listing Agreement and represents the majority sector 'Accountancy' (special knowledge). He holds agricultural lands and is cultivating the same. He has 'practical experience' in Agriculture. He holds 996 shares in the Bank.

Shri A J Suriyanarayana, aged 38 years, is a graduate in Economics and holds Master degree in Business Administration. He was a Director of the bank from 04.12.1997 till 29.08.2000. He is a dealer in Petroleum Products and has business interests in certain finance firms. He belongs to the Promoter family. He holds 229119 shares in the Bank.

8. CUSTOMER SERVICE AND SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Shri A S Janarthanan, Non-executive Chairman, was the Chairman of the Customer Service and Shareholders/Investors Grievance Committee upto 23.09.2010 and Shri K P Kumar, Non-executive Chairman, is the Chairman of the said Committee since 24.09.2010. Apart from the Chairman, the following directors are its members:

Shri.P.T.Kuppuswamy	MD & CEO
Shri V G Mohan Prasad	Director
Shri V Santhanaraman	Director
Shri A J Suriyanarayana	Additional Director

The terms of reference of the Committee include:

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

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

There were 355 complaints in all, pertaining to the transfer of shares, non-receipt of dividend warrants and Balance Sheets, non receipt of rights application forms, Bonus share certificate etc and all the complaints have been redressed.

9. COMMITTEES OF THE BOARD

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

CORPORATE GOVERNANCE

The details as to the members of the Committees as on 31st March, 2011 are furnished hereunder.

ADVANCES COMMITTEE	STAFF & DEVELOPMENT COMMITTEE
Sarvashri 1. K P Kumar 2. P T Kuppuswamy 3. K Parameshwara Rao 4. M G S Ramesh Babu 5. A J Suriyanarayana	Sarvashri 1.K P Kumar 2.P T Kuppuswamy 3.M.G.S.Ramesh Babu 4.V.Santhanaraman 5.G.Rajasekaran
RISK MANAGEMENT AND ASSET LIABILITY MANAGEMENT COMMITTEE	NPA MANAGEMENT AND FRAUD MONITORING COMMITTEE
Sarvashri 1. P T Kuppuswamy 2. K Parameshwara Rao 3. S.Ganapathi Subramanian 4. M G S Ramesh Babu 5. V G Mohan Prasad	Sarvashri 1. K P Kumar 2. P T Kuppuswamy 3. V Santhanaraman 4. G.Rajasekaran 5. A J Suriyanarayana
NOMINATION COMMITTEE	COMPENSATION COMMITTEE
Sarvashri 1.K P Kumar 2.P T Kuppuswamy 3.V G Mohan Prasad 4.M G S Ramesh Babu 5.S Ganapathi Subramanian	Sarvashri 1.K P Kumar 2.V G Mohan Prasad 3.S Ganapathi Subramanian 4.K Parameshwara Rao 5.G Rajasekaran

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

The Compensation Committee consisting of majority of Independent Directors is headed by Shri K P Kumar, Non-Executive Chairman. The Committee's role is to make recommendations on the issues of augmentation of capital and the issuance of Bank's shares to its employees under an ESOP Scheme. The Committee has not met during the year under review as the options granted during the earlier fiscal were on vesting period only.

In addition to the above mentioned Committees of the Board, the Board constituted a special Committee of the following directors to consider allotment of Bonus shares. The members of the

Committee include Messrs A S Janarthanan, P T Kuppuswamy, S Ganapathi Subramanian and V Santhanaraman. The Committee met on 20.09.2010 and all the members were present.

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

Sl. No.	Name of the Director Shri	Attendance details	
		07.02.2011	30.03.2011
1	P T Kuppuswamy	Yes	Yes
2	M G S Ramesh Babu	Yes	No
3	G Rajasekaran	Yes	Yes
4	A J Suriyanarayana	No	Yes

CORPORATE GOVERNANCE

10. ANNUAL GENERAL MEETINGS

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

Name of the Meeting	Day, Date and Time of Meeting	Venue	Special Resolutions Transacted
89 th AGM	Thursday 24.07.2008 10.15 A.M.	Regd. & Central Office, Erode Road, Karur.	<ol style="list-style-type: none"> 1. Amendments made to the Articles in the Articles of Association of the bank to provide for the post of Part-time Chairman of the Board of Directors and a separate Managing Director/Chief Executive Officer as directed by the Reserve Bank of India, as also consequential changes in various Articles in relation to the said posts. 2. Amendment in the Articles of Association for increasing the Authorised Capital of the bank to Rs.200 crs. 3. Issue of Employees Stock Option to the tune of 10,00,000 options to the employees of the bank.
90 th AGM	Monday 27.07.2009 10.00 A.M.	Regd. & Central Office, Erode Road, Karur.	NIL
91 st AGM	Wednesday 21.07.2010 10.15 A.M.	Regd. & Central Office, Erode Road, Karur.	NIL

The Board of Directors of the Bank in the meeting held on 30.12.2010 decided to seek the approval of the members of the Bank to hike foreign holding limit viz., shareholding of FIIs/FDIs/NRIs from the current level of 24 % to 35 %subject to the approval of the Reserve Bank of India.

Accordingly the bank conducted the postal ballot process and the shareholders of the bank approved the special resolution by requisite majority. The results of the postal ballot was announced by the Chairman on 19.03.2011.

11. DISCLOSURES:

There were no materially significant transactions entered into by the Bank with its Directors, promoters or relatives conflicting with the interest of the Bank at large during the fiscal ended 31st March 2011.

All the Directors and Senior Management Personnel team 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/SEBI and other statutory authorities concerning the banking and capital market during the last three years. There were no penalties or strictures imposed on the Bank by the above authorities except in a single instance on account of procedural lapse a sum of Rs.200/- was debited by RBI as penalty for non-compliance of operational guidelines with regard to examination of soiled note received in remittance by one of the Bank's currency chests to RBI.

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

Non-Mandatory Requirements of Clause 49 of the Listing Agreement

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

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

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

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

CORPORATE GOVERNANCE

Training of Board Members

New Directors appointed by the Board are provided with necessary documents/brochures, reports to enable them to familiarize with the Bank's procedures and practices.

Periodical presentations are made at the Board and Committee meetings on business and performance updates of the Bank, business strategy and risks involved.

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

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

Whistleblower Policy

The Bank has 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

12. MEANS OF COMMUNICATION

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

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

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

13. GENERAL SHAREHOLDER INFORMATION:

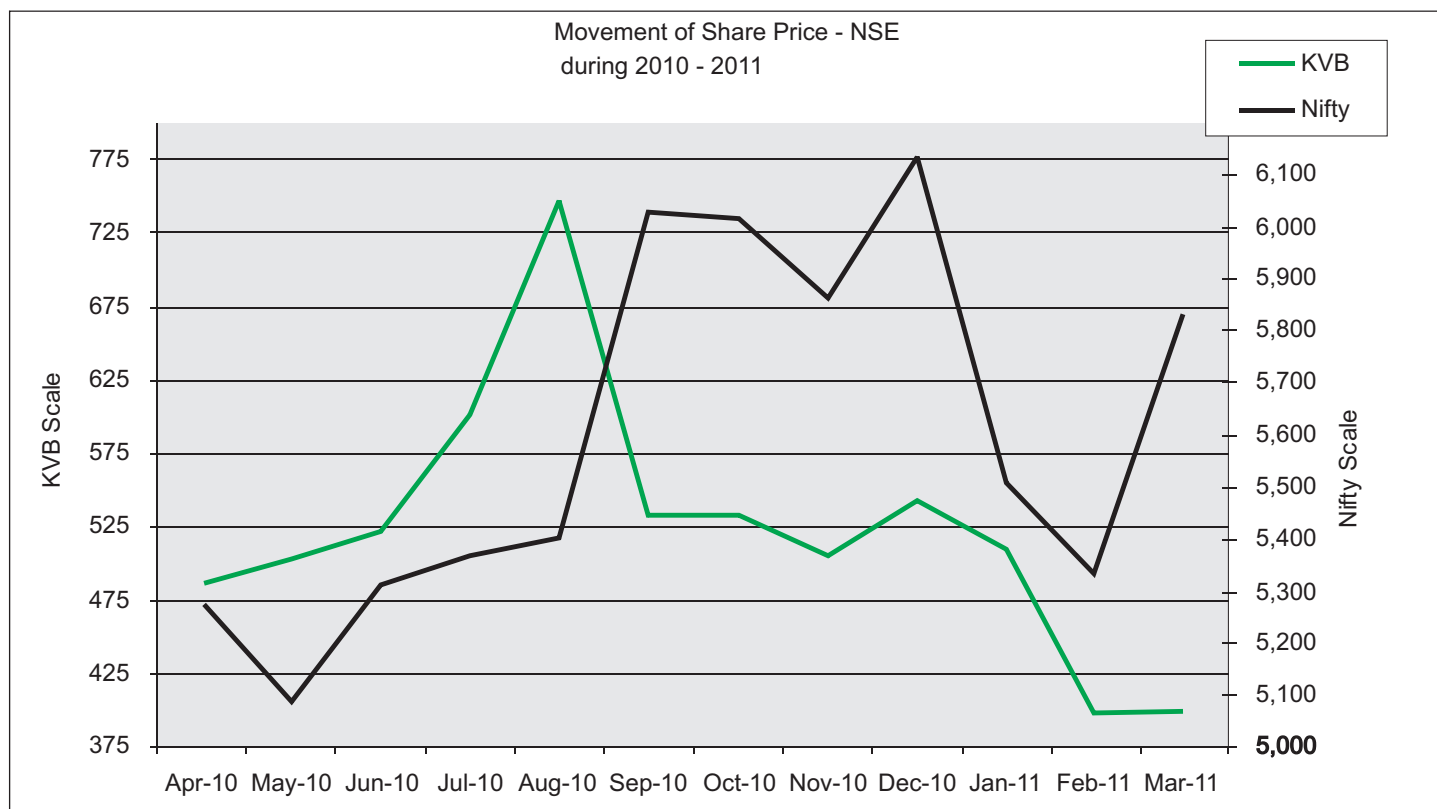
Annual General Meeting

1. Date : 27th July 2011 (Wednesday)
2. Time and Venue : 10.30 A.M.
The Registered & Central Office
Erode Road, Karur 639 002
3. Financial year : 01.04.2010 to 31.03.2011
4. Date of the Book Closure : 25.07.2011 to 27.07.2011
(Both days inclusive)
5. Dividend Payment Date : 27th July 2011
6. Listing on Stock Exchanges : The Equity shares of the Bank are listed on National Stock Exchange of India Limited. The shares are being traded as a permitted security in Bombay Stock Exchange.
7. Market Price Data : High and Low prices of equity shares of the bank during each month during the financial year are furnished hereunder.

Month		High (Rs)	Low (Rs)
April	2010	506.00	453.20
May	2010	524.90	470.70
June	2010	547.60	491.50
July	2010	648.85	519.00
August	2010	768.45	570.00
September	2010	894.00	505.15
October	2010	584.40	518.05
November	2010	553.00	494.00
December	2010	544.40	486.25
January	2011	548.95	495.00
February	2011	547.00	390.10
March	2011	420.35	380.80

CORPORATE GOVERNANCE

Equity performance in comparison to NSE nifty during 01.04.2010 to 31.03.2011



THE REGISTRAR AND SHARE TRANSFER AGENTS:

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

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

Distribution of shareholding as on 31.03.2011:

No. of Shares	No. of Shares				No. of Shareholders			
(Category)	Physical	Demat	Total	%	Physical	Demat	Total	%
Upto 250	608,312	2,341,948	2,950,260	2.77	8,288	34,841	43,129	68.09
251 - 500	732,378	1,765,836	2,498,714	2.34	2,053	4,888	6,941	10.96
501 - 1000	1,183,936	3,043,801	4,227,737	3.96	1,686	4,198	5,884	9.28
1001 - 2000	1,070,622	3,670,515	4,741,137	4.44	733	2,484	3,217	5.08
2001 - 3000	707,061	2,445,891	3,152,952	2.96	283	984	1,267	2.00
3001 - 4000	498,012	1,853,736	2,351,748	2.20	142	527	669	1.06
4001 - 5000	284,012	1,517,941	1,801,953	1.69	63	336	399	0.63
5001 - 10000	1,103,263	5,572,348	6,675,611	6.26	162	799	961	1.52
10001 & above	4,598,254	73,673,836	78,272,090	73.38	110	766	876	1.38
Total	10,786,350	95,885,852	1,06,672,202	100.00	13,520	49,823	63,343	100.00
% to Total	10.11	89.89	100		21.34	78.66	100.00	

CORPORATE GOVERNANCE

DEMATERIALISATION OF BANK'S SHARES:

As per the directives of SEBI the equity shares of the bank are compulsorily traded in dematerialized form by all categories of investors effective from 26.03.2001. The bank has entered into tripartite agreements with the Depositories and M/s SKDC Consultants Limited, Coimbatore for dematerialization of shares. As on 31.03.2011, 89.89% of our paid up share capital has been dematerialised as detailed here below:

No. of shares dematerialised as on 31.03.2011	: 95885852
Percentage to paid up capital	: 89.89%
STOCK CODE :	: KARURVYSYA
ISIN NOs:	
Fully paid equity shares with face value of Rs.10/-	: INE036D01010
Partly paid up equity shares with face value of Rs.10/- and paid up value Rs.6/-	: IN9036D01042
Partly paid up equity shares with face value of Rs.10/- and paid up value Rs.8/-	: IN9036D01059

The Bank has paid the listing fee for the financial year 2010-11 to the National Stock Exchange of India Ltd., Mumbai. The Bank has also paid the annual maintenance fee to both the Depositories viz: NSDL and CDSL.

The bank has complied with SEBI requirements with regard to 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 47c of Listing, bank has created a separate e-mail ID for redressal of Investor Complaints and Grievances. The said e-mail ID is kvb_sig@kvbmail.com.

LOCATION OF THE REGISTERED OFFICE:

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

Address for Communication:

**The Karur Vysya Bank Limited,
Regd. and Central Office,
Post Box No.21, Erode Road,
Karur 639 002**

Tamil Nadu

Phone: 04324-226520,225521-25

Fax: 04324-225700 E-Mail: kvbshares@kvbmail.com

Website: www.kvb.co.in

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, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Bank with Stock Exchange.

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

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

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

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

G. Naganathan
Partner
M.No. 022456

Karur,
20th May, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and developments

Banking industry is said to be a mirror of an economy's health. A sound banking system serves as a significant trade enabler to the country. In the British period the banks established in the country prioritized trading and commercial transactions and were concentrated in urban areas of the country. Money lenders and chit funds were providing informal banking services to the common people. Post independence in 1955, the State nationalized the Imperial Bank of India to form the State Bank of India. In July 1969 14 banks were nationalized and in April 1980, the country went for another round of nationalization. With the nationalization in 1980, 90% of the banks were brought under public sector. Since then, 50,000 new branches were opened across the country bringing institutional banking to millions of ordinary people. The early nineties saw the rise of private banks as also the new focus on modern infrastructure. The technological advancements including the core banking solutions and the use of ATMs followed. Despite all efforts the banking services are not fully availed by many in rural areas.

Banking during the fiscal 2010-11

Aggregate deposits grew by 15.8% as against 17.2% growth registered during the last fiscal. The slow down in deposits growth may be attributed to the performance of equity market in the first half of 2010-11. The time deposits with the banks went up by 18.2% as against the growth of 16.3% witnessed during the previous year. Demand deposits saw a marginal decrease. Growth in deposits in 2010-11 has not only lagged when compared to the growth seen in overall bank credit and non-food credit but it has also fallen behind the growth in deposits that was witnessed in the previous year. When the credit growth gathered pace, banks started facing a tight liquidity situation. Call money market data reveals that borrowing and lending rates started moving up in second half of 2010-11. As liquidity situation tightened, banks were forced to increase the interest rates. The increase in interest rates started in July 2010 and picked up pace with hikes being particularly aggressive from December 2010 onwards. Banks benefited by garnering deposits in the last quarter.

Total bank credit registered a growth of 21.4%. Non-food credit also saw a similar rise of 21.2%. The bank credit to infrastructure and NBFCs witnessed a sharp rise.

Opportunities and Threats

The Indian economy is growing and there is still around 40% of the population to be covered under banking. The opportunities are plenty but there will be stiff competition.

The deposit growth is impressive. The bank has to mobilize CASA and improve the CASA percentage of the total deposits. The bank has been regularly conducting deposit campaigns particularly for improving the savings bank and current accounts, and appointed marketing personnel etc, further thrust need to be given.

There has been a discussion on the deregulation of savings bank deposits. It would push up costs for banks. But at the same time it would encourage product innovation as banks will try to compete, not only on rates, but also on product design as, for instance, by offering differentiated rates depending upon size of the deposit.

Banks have to leverage technology further to provide affordable and cost effective banking products and services to more customers through their various delivery channels.

Your bank would be aggressively marketing para banking and other activities such as sale of gold coins and there is a proposal to sell silver coins too in the current fiscal.

Banks have to operate in a competitive environment and there is a need to enhance their internal control systems and constantly upgrade the same. Also a robust risk management practice is vital to address the systemic risk associated with our business.

Maintaining quality of assets is another major area requiring full attention. Increasing thrust is given for the quality of advances and effective monitoring.

Segment wise and product wise performance

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

Deposits	Rs. in Crore	Advances	Rs. in Crore
Demand	2502.25	Cash Credits, Overdrafts & Demand Loans	11654.05
Savings	3253.07	Bills Purchased & discounted	951.08
Term	18966.53	Term Loans	5447.28
Total	24721.85	Total	18052.41

The Bank launched a special deposit drive during December 2010 under term deposit product viz: 'KVB500' with a tenor of 500 days. A sum of Rs. 660 cr was mobilized under the said scheme. Also another term deposit product viz: 'KVB 555' with a tenor of 555 days was launched in February 2011 under which product the bank could garner Rs. 2796 cr.

Under CASA your Bank continued its thrust on Savings Bank accounts and a SB campaign was conducted from 1st February to 15th March 2011. The campaign was successful. During the fiscal under report the bank has introduced a new SB product viz: KVB Prestige for High Net worth Individuals (HNIs).

The total deposits of the bank recorded an increase of 28.28% to reach Rs. 24721.85 Cr as at the end of the fiscal under report. The average deposits of the bank was at Rs. 20972.52 cr as on 31.03.2011 up 27.12% over the previous fiscal of Rs. 16498.06 cr. The cost of deposits fell to 6.67% during the fiscal 2010-11 from 7.13% recorded in the previous fiscal.

The growth in advances on year on year basis was 32.01% during the fiscal. The average advances was higher by Rs.3289.79 cr to reach Rs. 15001.08 cr at the end of the fiscal 2010-11 from Rs.11711.29 cr as at the end of previous fiscal. The average yield on advances was down at 11.22% for the fiscal 2010-11 against 11.43% during the earlier fiscal. Spread increased from 2.42% to 2.74%.

MANAGEMENT DISCUSSION AND ANALYSIS

The bank has four business segments namely Treasury, Corporate / wholesale banking, Retail banking and other banking operations. The results of the business segments are furnished elsewhere in the report.

Outlook

India is the second largest growing economy in the world today. Banking activities are expected to grow multifold in the years to come.

As at the end of March 2011, your bank has crossed Rs. 42,774 cr business and has set a target of Rs. 55,000 cr for the current fiscal. With the roll out of the various modules as recommended by the BCG, the Bank would be able to reach the targeted levels. The bank has been devising various strategies to march ahead its growth plans. The bank would pursue segmented growth keeping in view the demands of the economy, asset quality and profitability. Regarding asset creation, your bank would focus mainly on retail, small enterprises and mid corporates. On the liability side continued focus will be on low cost deposit mobilization.

The various business strategies include the following:

1. Leveraging the technology to the optimum and deployment of open scalable systems to deliver more products to more customers, while controlling costs.
2. To develop innovative products and services to attract targeted customers
3. To have focus on healthy earnings growth with low volatility
4. To provide high quality customer service and at the same time ensuring volumes to have disciplined growth
5. Opening branches so as to have pan India coverage and have business volumes.

Your bank looks forward to an exciting future and as per tradition to bring greater benefits to all its stake holders.

Risk Management

Taking on various types of risk is integral to the banking business. Effective risk management and balancing risk reward trade-offs are essential to a bank's success. Of the wide spectrum of risks the bank is exposed to, the most important are credit risk, market risk (including liquidity and price risks) and operational risk. It is imperative that the various risks are effectively measured, monitored and mitigated. A robust risk management framework enables effective and proactive management of various risks while supporting the business growth and helps reduce volatility in earnings and enhances shareholder value.

The Board level Risk Management Committee of your bank periodically reviews the risk profile, evaluates the overall risks faced by the bank and develops policies and strategies for their effective management. The Board level committee is overseeing

the implementation of the various policies on risk management, viz : Risk Management, Asset Liability Management, Operation Risk, Collateral Management, Internal Rating etc. A committee of top executives of the Bank, headed by General Manager, Risk Management, is responsible for ensuring that the policies, procedures and Guidelines percolate down to the field level so that the Risk management becomes a part of the functioning of Bank. At present, the Bank is following The Standardized approach for credit risk, Duration approach for Market risk, and the Basic Indicator approach for Operation Risk. The Bank has plans for migrating towards advanced approaches for evaluating the various risks. To achieve this goal, the Bank has already invested in a Integrated Risk Management software, which is expected to be operational during the ensuing financial year. With the help of the acquired software, the Bank proposes to generate the necessary reports, formats and calculations for CRAR and other Basel II requirements including the advanced approaches.

Risk Management Practices adopted by the bank are aligned with the best in the industry and are adaptable to the dynamic operating environment.

Internal Control and Systems adequacy

Your Bank has put in place well articulated internal control mechanism commensurate with its size and the complexity of the operations. The bank also reviews existing systems and procedures in the light of the fast changing banking scene. The internal audit function is adequately equipped to make an independent and objective evaluation of the adequacy and effectiveness of the internal controls on an ongoing basis to ensure that the branches and offices adhere to the internal control guidelines. The bank has system of regular inspection, concurrent audit of select branches, Concurrent IS audit of Data centre, Treasury and International Division, Statutory audit and revenue audits etc. Apart from the above audits we also conduct rural audit for rural branches. Stock audit by professional audit firms and credit audit are also conducted. Your bank has also been conducting risk based internal audit as mandated by the regulator.

The Bank has introduced an effective online surveillance system using its fully networked Core Banking Software.

To ensure independent audit function and in line with the best corporate governance practices, internal audit has a reporting line to the Audit Committee of the Board, which oversees the performance and reviews the effectiveness of the controls laid down by the bank apart from the compliance of regulatory guidelines.

As reported during the earlier fiscal the bank has in place the KYC and Anti money laundering measures in tune with the regulatory guidelines. Through the AML software installed at the central office, the bank verifies the abnormal transactions as an ongoing exercise.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance with respect to operational performance

The operating profit of the bank for the year ended 31st March 2011 was at Rs.600.58 cr compared to Rs.463.22 cr during the earlier fiscal recording a growth rate of 29.65%. The net profit of the bank grew by 23.68% to Rs.415.59 cr during the reporting fiscal as against Rs.336.03 cr recorded in the previous fiscal 2009-10.

The total income increased by 23.80% to Rs.2482.03 cr for the fiscal 2010-11 compared to Rs.2004.92 cr during the year 2009-10. Interest income for the year 2010-11 was at Rs. 2217.69cr improved by 26.15% against Rs. 1757.94 cr (2009-10). Non-interest income stood at Rs. 264.33 cr during the fiscal. The interest expended increased to Rs. 1450.84 cr in 2010-11 from Rs.1193.05 cr in the earlier fiscal.

The earning per share (EPS) of the Bank was Rs. 44.90 as on 31.03.2011.

Average credit deposit ratio stood at 71.53% as on 31.03.2011 compared to 70.99% recorded in the earlier fiscal.

The Net Interest Margin of the bank was 3.39% as on 31.03.2011 as against 3.23% as at the end of the previous fiscal 2009-10.

The Return on Assets was 1.71% at the end of the fiscal under report.

Human Resources and Industrial Relations

Your Bank continued to focus on Human resources Management as a strategic initiative aiming to prepare employees to achieve the corporate business objectives of the Bank. Simultaneously

individual aspirations are also taken care of. We have a policy to enrich the Human capital through all round development aiming at providing excellent customer service. The Bank continued with recruitment process through advertisement route giving adequate thrust to selection of personnel with desired skill sets from different geographies where it has presence keeping in view the expansion plans. The average age profile of the employees is 34 years.

Your Bank has been making all efforts to train the staff on various aspects of banking including the new initiatives. Regular training programmes are being conducted at the Bank's training college and at reputed institutions. As a part of e-learning, a portal was launched by the bank and manuals and circulars are being placed in the portal to serve as a vehicle for providing education on different areas of banking.

Special emphasis was given to programmes like marketing of the bank's products, SME finance, marketing of CASA and ancillary services.

The total number of employees as at the end of March 31, 2011 was 4574. Training was imparted to 2889 employees of the bank during the fiscal under report. Employee efficiency indicators registered significant improvement. The business per employee was at Rs.9.35 cr and profit per employee was at Rs.9.09 lakhs as on 31st March 2011.

The industrial relations in the bank continued to remain cordial and harmonious. As a result of this, the bank has been able to show improved performance year after year.

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 2011, which comprise the Balance Sheet as at 31st March 2011, 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 4 branches/offices audited by us and 407 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.

Emphasis of Matter:

6. Without qualifying our opinion, we draw attention to Note No.4.3 of Schedule 18 of the financial statements, which describes deferment of pension and gratuity liability of the Bank to the extent of Rs. 67.60 Crore pursuant to the exemption granted by the Reserve Bank of India from the application of the provisions of Accounting Standard (AS) 15, Employee Benefits, vide its circular No. DBOD. BP. BC/80/21.04.018/2010-11 dated 09.02.2011 on Re-opening of Pension Option to Employees of Public Sector Banks and Enhancement in Gratuity Limits - Prudential Regulatory Treatment.

Opinion:

7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the 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, 2011;
 - (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:

8. 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;
9. Subject to the limitations of the audit indicated in paragraph 1 to 5 above, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
 - b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - c. the returns received from the Offices and Branches of the Bank have been found adequate for the purposes of our audit.
10. 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.

AUDITORS' REPORT TO SHAREHOLDERS

11. 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 the 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; and.
- (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, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Place: Karur
Date: 20th May 2011.

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

(G.Naganathan)
Partner
M.No.022456

BALANCE SHEET AS AT 31ST MARCH 2011

(000's omitted)

	SCHEDULE	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
CAPITAL & LIABILITIES			
Capital	1	116,93,64	54,43,56
Reserves & Surplus	2	2020,04,65	1565,54,05
Deposits	3	24721,85,13	19271,85,37
Borrowings	4	529,89,17	475,88,46
Other Liabilities and Provisions	5	836,11,33	567,02,87
TOTAL		28224,83,92	21934,74,31
ASSETS			
Cash and Balances with Reserve Bank of India	6	1679,83,75	1198,48,82
Balances with Banks and Money at call and short notice	7	94,62,45	36,57,33
Investments	8	7731,75,60	6602,16,03
Advances	9	17814,46,38	13446,99,73
Fixed Assets	10	210,56,91	137,81,35
Other Assets	11	693,58,83	512,71,05
TOTAL		28224,83,92	21934,74,31
Contingent Liabilities	12	6160,09,54	5862,25,38
Bills for collection		911,16,33	763,71,92

SHRI K.P. KUMAR
Chairman

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

Dr V.G. MOHAN PRASAD
Director

SHRI M.G.S. RAMESH BABU
Director

SHRI S. GANAPATHI SUBRAMANIAN
Director

SHRI K. PARAMESHWARA RAO
Director

SHRI V. SANTHANARAMAN
Director

SHRI G. RAJASEKARAN
Director

SHRI A.J. SURIYANARAYANA
Director

Shri T. M. LAKSHMIKANTHAN
Executive Director

Shri R. SUKUMAR
Chief General Manager

Shri A.R. RAMACHANDRAN
Depty General Manager

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

Karur
20th May 2011

SHRI R. KANNAN
Company Secretary

(G. Naganathan)
Partner
M.No. 022456

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

(000's omitted)

	SCHEDULE	Year Ended 31.03.2011 ₹.	Year Ended 31.03.2010 ₹.
I INCOME			
Interest earned	13	2217,69,53	1757,94,54
Other Income	14	264,33,33	246,97,70
TOTAL		2482,02,86	2004,92,24
II EXPENDITURE			
Interest expended	15	1450,84,11	1193,04,66
Operating expenses	16	430,60,34	348,65,32
Provisions and Contingencies		184,99,32	127,19,10
TOTAL		2066,43,77	1668,89,08
III PROFIT			
Net Profit for the year		415,59,09	336,03,16
Amount Transferred from General Reserve		NIL	10,00,00
Profit brought forward		1,85,46	1,44,98
TOTAL		417,44,55	347,48,14
IV APPROPRIATIONS			
Transfers to			
Statutory Reserve		125,00,00	101,00,00
Capital Reserve		NIL	5,20,25
Special Reserve U/s 36 (1) (viii) of IT Act		30,00,00	30,00,00
Revenue & Other Reserves		111,50,00	133,00,00
Proposed Dividend		128,63,35	65,32,27
Dividend Tax		20,86,76	11,10,16
		416,00,11	345,62,68
BALANCE OF PROFIT		1,44,44	1,85,46
TOTAL		417,44,55	347,48,14
Basic Earnings Per Share	in Rs.	44.90	62.23
Diluted Earnings Per Share	in Rs.	44.83	N.A.
Adjusted Earnings Per Share	in Rs.	N.A.	36.31
Significant Accounting Policies	17		
Notes on Accounts	18		

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

SHRI K.P. KUMAR
Chairman

Dr V.G. MOHAN PRASAD
Director

SHRI K. PARAMESHWARA RAO
Director

Shri T. M. LAKSHMIKANTHAN
Executive Director

Karur
20th May 2011

SHRI M.G.S. RAMESH BABU
Director

SHRI V. SANTHANARAMAN
Director

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M.D. & C.E.O

SHRI S. GANAPATHI SUBRAMANIAN
Director

SHRI G. RAJASEKARAN
Director

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

(G. Naganathan)
Partner
M.No. 022456

SCHEDULES

(000's omitted)

	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
SCHEDULE 1 - CAPITAL		
Authorised Capital		
20,00,00,000 Equity Shares of Rs. 10 each	200,00,00	200,00,00
Issued Capital:		
10,67,60,418/5,44,69,602 Equity Shares of Rs.10/- each	106,76,04	54,46,96
Subscribed & Paid up Capital:		
5,44,35,579 Equity Shares of Rs.10/- each	54,43,56	54,43,56
Add:		
Issue of 2,17,74,232 equity shares of Rs.10/- each issued as Bonus shares	21,77,42	NIL
Issue of 3,04,62,391 equity shares of Rs.10/- each issued as Rights shares - Amount paid up Rs.6/- per share	18,27,74	NIL
	94,48,72	54,43,56
Calls in Advance		
Amount received out of application money towards First Call	22,44,92	NIL
TOTAL	116,93,64	54,43,56

SCHEDULE 2 - RESERVES AND SURPLUS

I Statutory Reserve		
Opening Balance	583,03,31	482,03,31
Addition during the year	125,00,00	101,00,00
	708,03,31	583,03,31
II Capital Reserve		
Opening Balance	56,71,64	51,51,39
Addition during the year	NIL	5,20,25
	56,71,64	56,71,64
III Share Premium		
Opening Balance	129,50,48	119,78,60
Addition during the year (Rights Issue)	210,19,04	6,47
Addition during the year (ESOS)	Nil	9,65,66
	339,69,52	129,50,73
Less : Amount appropriated towards allotment of Bonus shares	21,77,42	NIL
Issue of Bonus shares kept in abeyance	NIL	25
	317,92,10	129,50,48

SCHEDULES

(000's omitted)

	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
SCHEDULE 2 - RESERVES AND SURPLUS (Contd.)		
IV General Reserve		
Opening Balance	764,43,16	641,43,16
Addition during the year	111,50,00	133,00,00
Deduction during the year	NIL	10,00,00
	<u>875,93,16</u>	<u>764,43,16</u>
V Special Reserve U/s 36(1) (viii) of I.T. Act		
Opening Balance	30,00,00	NIL
Addition during the year	30,00,00	30,00,00
Deduction during the year	NIL	NIL
	<u>60,00,00</u>	<u>30,00,00</u>
VI Balance of Profit :	<u>1,44,44</u>	<u>1,85,46</u>
TOTAL	<u>2020,04,65</u>	<u>1565,54,05</u>

SCHEDULE 3 - DEPOSITS

A I. Demand Deposits :		
i) From Banks	3,70,15	4,83,12
ii) From Others	2498,55,06	2045,69,68
	<u>2502,25,21</u>	<u>2050,52,80</u>
II. Savings Bank Deposits	<u>3253,07,42</u>	<u>2484,67,29</u>
III. Term Deposits		
i) From Banks	40,24,12	328,77,29
ii) From Others	18926,28,38	14407,87,99
	<u>18966,52,50</u>	<u>14736,65,28</u>
TOTAL OF I, II & III	<u>24721,85,13</u>	<u>19271,85,37</u>
B Deposits of Branches :		
i) In India	24721,85,13	19271,85,37
ii) Outside India	NIL	NIL
TOTAL	<u>24721,85,13</u>	<u>19271,85,37</u>

SCHEDULES

(000's omitted)

	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
SCHEDULE 4 - BORROWINGS		
I Borrowings in India		
i) Reserve Bank of India	NIL	NIL
ii) Other Banks	33,75	3,95
iii) Other Institutions and Agencies	10,76,75	189,64,68
a) Tier II Bonds	150,00,00	150,00,00
	161,10,50	339,68,63
II Borrowings outside India	368,78,67	136,19,83
TOTAL	529,89,17	475,88,46
Secured Borrowings included in I and II above	NIL	174,88,93

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I Bills Payable	194,04,72	187,28,16
II Inter Office Adjustments (Net)	NIL	NIL
III Interest Accrued	130,21,97	90,80,38
IV Deferred Tax	11,59,00	NIL
V Others (including provisions)	500,25,64	288,94,33
TOTAL	836,11,33	567,02,87

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

I Cash in Hand (Including Foreign Currency Notes)	257,40,76	167,69,80
II Balances with Reserve Bank of India In Current Account	1422,42,99	1030,79,02
TOTAL	1679,83,75	1198,48,82

SCHEDULES

(000's omitted)

	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICE		
I In India		
i) Balances with Banks :		
a) In Current Accounts	23,23,60	20,51,19
b) In Other Deposit Accounts	15,33,72	33,73
ii) Money at Call and Short Notice with Banks	NIL	NIL
	<u>38,57,32</u>	<u>20,84,92</u>
II Outside India		
In Current Accounts	33,75,38	6,74,41
In other Deposit Accounts	22,29,75	8,98,00
	<u>94,62,45</u>	<u>36,57,33</u>
TOTAL		

SCHEDULE 8 - INVESTMENTS

I Gross Investments in India	7776,30,65	6649,44,30
Less : Provision for Investment Depreciation	44,55,05	47,28,27
Net Investments in India	7731,75,60	6602,16,03
Break - up		
i) Government Securities	6761,47,08	5682,44,08
ii) Other Approved Securities	NIL	4,33,13
iii) Shares	61,18,08	82,72,50
iv) Debentures and Bonds	221,02,27	259,21,93
v) Mutual Fund Units & Others	688,08,17	573,44,39
	<u>7731,75,60</u>	<u>6602,16,03</u>
TOTAL		
II Investments outside India	NIL	NIL

SCHEDULES

(000's omitted)

	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
SCHEDULE 9 - ADVANCES		
A i) Bills purchased and discounted	949,54,82	951,25,31
ii) Cash Credits, Overdrafts and Loans repayable on Demand	11593,13,05	8184,48,76
iii) Term Loans	5271,78,51	4311,25,66
TOTAL	17814,46,38	13446,99,73
B i) Secured by tangible assets (incl. Book Debts)	16483,32,87	12159,35,06
ii) Covered by Bank / Government guarantees	379,72,81	283,59,24
iii) Unsecured	951,40,70	1004,05,43
TOTAL	17814,46,38	13446,99,73
C I Advances in India		
i) Priority Sector	5625,59,22	4450,86,50
ii) Public Sector	2173,35,92	2297,47,78
iii) Banks	NIL	NIL
iv) Others	10015,51,24	6698,65,45
TOTAL	17814,46,38	13446,99,73
C II Advances Outside India	NIL	NIL
TOTAL	17814,46,38	13446,99,73

SCHEDULE 10 - FIXED ASSETS

I Premises :

At cost as on 31st March of the preceding year	84,63,85	74,19,01
Addition during the year	27,31,20	10,44,84
	111,95,05	84,63,85
Deduction during the year	4,89	NIL
	111,90,16	84,63,85

SCHEDULES

(000's omitted)

	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
SCHEDULE 10 - FIXED ASSETS (Contd.)		
Depreciation to date	25,05,00	22,68,08
	86,85,16	61,95,77
II Building under construction	13,90,90	2,74,73
III Other Fixed Assets : (Including Furniture & Fixtures) At cost as on 31st March of the preceding year	236,11,44	204,55,72
Addition during the year	64,74,06	31,91,13
	300,85,50	236,46,85
Deduction during the year	32,47	35,41
	300,53,03	236,11,44
Depreciation to date	190,72,18	163,00,59
	109,80,85	73,10,85
TOTAL	210,56,91	137,81,35

SCHEDULE 11 - OTHER ASSETS

I Inter Office Adjustments (Net)	31,30,18	36,71,67
II Interest Accrued	136,73,66	129,80,72
III Tax paid in advance / Tax deducted at source	48,95,90	49,49,51
IV Stationery and Stamps	6,06,81	5,23,15
V Deferred Tax	NIL	1,40,00
VI Non Banking Assets acquired in satisfaction of claims	NIL	NIL
VII Others	470,52,28	290,06,00
TOTAL	693,58,83	512,71,05

SCHEDULES

(000's omitted)

	AS ON 31.03.2011 ₹.	AS ON 31.03.2010 ₹.
SCHEDULE 12 - CONTINGENT LIABILITIES		
I Claims against the Bank not acknowledged as debts	7,10,03	5,21,63
II Liability on account of outstanding		
a) Forward Exchange Contracts	3170,37,86	3384,66,14
b) Derivatives	NIL	200,00,00
III Guarantees given on behalf of Constituents in India	1745,96,35	1299,31,38
IV Acceptances, Endorsements and other Obligations	1236,65,30	973,06,23
V Other items for which the Bank is contingently liable	NIL	NIL
TOTAL	6160,09,54	5862,25,38
	Year Ended 31.03.2011 ₹.	Year Ended 31.03.2010 ₹.

SCHEDULE 13 - INTEREST EARNED

I Interest / discount on advances/bills	1683,06,32	1338,11,18
II Income on Investments	523,56,28	396,27,52
III Interest on balances with Reserve Bank Of India and other inter-bank funds	16,29	5,41,58
IV Others	10,90,64	18,14,26
TOTAL	2217,69,53	1757,94,54

SCHEDULE 14 - OTHER INCOME

I Commission, Exchange and Brokerage	194,20,21	156,80,47
II Profit/Loss on sale of investments-Net	37,74,02	56,35,97
III Profit on sale of land, buildings and other assets	62,08	44,06
IV Profit on exchange transactions - Net	14,07,34	18,44,33
V Miscellaneous Income	17,69,68	14,92,87
TOTAL	264,33,33	246,97,70

SCHEDULES

(000's omitted)

	Year Ended 31.03.2011 ₹.	Year Ended 31.03.2010 ₹.
SCHEDULE 15 - INTEREST EXPENDED		
I Interest on Deposits	1398,55,52	1176,41,18
II Interest on Reserve Bank of India/ Inter-bank borrowings	22,12,29	8,17,23
III Others	30,16,30	8,46,25
TOTAL	<u>1450,84,11</u>	<u>1193,04,66</u>

SCHEDULE 16 - OPERATING EXPENSES

I Payments to and Provisions for employees	229,50,40	163,26,61
II Rent, Taxes and Lighting	36,12,60	29,20,68
III Printing and Stationery	5,29,61	3,81,14
IV Advertisement and Publicity	19,26,24	13,41,53
V Depreciation on Bank's Property	30,08,51	22,63,33
VI Directors' fees, allowances and expenses	60,06	46,80
VII Auditors' fees and expenses (includes for branch auditors)	1,06,09	75,32
VIII Law Charges	87,15	77,24
IX Postages, Telegrams, Telephones, etc.	13,36,31	13,22,96
X Repairs and maintenance	10,54,86	6,91,78
XI Insurance	19,79,28	15,95,94
XII Other Expenditure	64,09,23	78,21,99
TOTAL	<u>430,60,34</u>	<u>348,65,32</u>

SCHEDULES

SCHEDULE 17

PRINCIPAL ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011.

A. BACKGROUND

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

B. BASIS OF PREPARATION

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

Use of Estimates:

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

C. PRINCIPAL ACCOUNTING POLICIES

1. Foreign Exchange Transactions

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

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

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

2. Investments

Investments are categorized into three categories - (i) Held to Maturity, (ii) Held for Trading and (iii) Available for sale, with sub- classification under each category viz., (i) Government Securities, (ii) Other Approved Securities,

(iii) Shares, (iv) Debentures & Bonds, (v) Subsidiary and Joint Ventures and (vi) Others - Units of Mutual Funds, Certificate of Deposits etc., in accordance with the guidelines issued by Reserve Bank of India.

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

Shifting of securities among the categories are accounted at the least of the acquisition cost / book value / market price prevailing on the date of shifting and depreciation, if any, on such shifting is fully provided for.

Investments classified under HTM category are carried at acquisition cost except in cases where the acquisition cost is higher than the face value, in which case the premium is amortized over the remaining period to maturity.

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

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

3. Derivatives

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

4. Advances

Advances are classified as Performing and Non-performing Assets and provisions are made as per the prudential norms prescribed by Reserve Bank of India. 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 the Reserve Bank of India. Depreciation on assets purchased and sold during the year is provided on pro rata basis.

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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.

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

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SCHEDULE 18

NOTES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. INTER-BRANCH TRANSACTIONS:

Inter branch/Office accounts reconciliation has been completed upto 31.03.2011 and all the Inter branch entries have been reconciled upto 31.03.2011.

2. BALANCING OF BOOKS:

The books of accounts have been balanced and tallied in all branches of the Bank up to 31st March 2011. Reconciliation of accounts with Banks, in few branches, is in progress.

3. INVESTMENTS:

In line with the extant guidelines of Reserve Bank of India, the Bank has shifted certain securities from HTM category to AFS category and depreciation to the tune of Rs.20.66 crore has been provided.

The percentage of SLR investments under "Held to Maturity" category as on 31.03.2011 was 21.72% of Demand and Time Liability of the Bank (Previous year 20.83%), which is within the permissible limit as per RBI guidelines.

4. DISCLOSURE REQUIREMENT AS PER ACCOUNTING STANDARDS:

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

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

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

4.2 Revenue Recognition: (AS-9):

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

4.3 Employee Benefits: (AS-15):

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

- (i) In respect of Contributory Plan, viz., Provident Fund, the Bank pays fixed contribution at pre-determined rates to a separate Trust, which invests in permitted securities. The obligation of the Bank is limited to such fixed contribution.
- (ii) In respect of Defined Benefit Plans, viz., Gratuity and Pension, provision has been made based on actuarial valuation as per the guidelines.
- (iii) In respect of other employee benefits such as Leave encashment and Medical leave, provisioning requirement has been made based on actuarial valuation.

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

Principal Actuarial Assumptions

Particulars	Gratuity	Leave	Pension Leave
Discount Rate	8.35%	8.35%	-
Salary escalation rate	2%	2%	2%
Attrition rate	2%	2%	2%
Expected rate of return on Plan Assets	8.04%	10.89%	-

Expenses recognized in Profit and Loss Account

(Rs, in Crore)

Particulars	Gratuity	Leave	Privilege Leave
Current Service Cost	3.77	10.66	1.40
Interest cost on benefit obligation	2.65	1.65	2.14
Expected return on plan assets	3.49	9.75	-
Net actuarial gain / (loss) recognised in the year	1.84	44.27	0.81
Expenses recognised in the Profit and Loss Account	7.22	133.70	4.35

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Changes in the present value of the defined benefit obligation

(Rs, in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Present value of obligation as at 1.4.2010	36.12	44.08	28.01
Interest cost	2.65	1.65	2.14
Current Service Cost	3.77	10.66	1.40
Benefits paid	6.11	46.85	2.52
Net actuarial gain / (loss) on obligation	0.94	36.44	0.81
Present value of the defined benefit obligation as at 31.3.2011	49.62	174.27	29.85

Change in the fair value of plan assets

(Rs, in Crore)

Particulars	Gratuity	Pension	Privilege Leave
Fair value of plan assets as at 1.4.2010	36.14	44.09	-
Expected Return on plan assets	3.49	9.75	-
Contribution by employer	17.11	175.26	2.52
Benefit Paid	6.11	46.85	2.52
Actuarial gain / (loss)	0.89	7.83	-
Fair value of plan assets as at 31.3.2011	49.74	174.41	-

Pension Liability :

An estimated liability of Rs.86.52 crore has been determined by the Actuary in respect of pension liability arising out of wage settlement and also on account of 2nd option of pension. Out of which, an amount of Rs.14.33 crore, which pertains to the pension liability for retired employees, was debited to the profit and loss account. 1/5th of the remaining amount being Rs.14.44 crore was also debited in the profit and loss account. The balance amount of Rs.57.75 crore will be amortized over a period of four years from 2011-12.

Gratuity Liability :

An estimated liability of Rs.17.17 crore has been determined by the Actuary in respect of Gratuity liability arising out of wage settlement. Out of which, an amount of Rs.4.85 crore, which pertains to the gratuity liability for retired employees, was debited to the profit and loss account. 1/5th of the remaining amount being Rs.2.46 crore

was also debited in the profit and loss account. The balance amount of Rs.9.86 crore will be amortized over a period of four years from 2011-12.

The absorption /amortization of pension and gratuity liabilities over a period of 5 years are considered on the basis of guidelines issued by Reserve Bank of India.

Employees Stock Option:

The Compensation committee of the Board of Directors has granted in aggregate 5,29,750 stock options, grant date being 24th February 2010 to the employees of the Bank under the Karur Vysya Bank Employees Stock Option Scheme 2010, at an exercise price of Rs. 150/- per share. As on 31.03.2011, the options in force are 5,22,433. These stock options would vest on 30.04.2011 and accordingly the Bank has provided a sum of Rs.8.10 Cr being the proportionate Compensation Expenses.

4.4 Segment Reporting:(AS-17) Part A: Business segments

(Rs. in Crore)

Sl.No.	Particulars	Year Ended 31.03.2011 (Audited)	Year Ended 31.03.2010 (Audited)
a.	Segment Revenue		
	1. Treasury Operations	575.67	476.73
	2. Corporate/Wholesale Banking Operations	904.96	682.16
	3. Retail Banking Operations	994.98	840.91
	4. Other Banking Operations	6.42	5.12
	Total	2482.03	2004.92

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4.4 Segment Reporting:(AS-17) (Contd.) Part A: Business segments

(Rs. in Crore)

Sl.No.	Particulars	Year Ended 31.03.2011 (Audited)	Year Ended 31.03.2010 (Audited)
b.	Segment Results		
	1. Treasury Operations	133.70	125.58
	2. Corporate/Wholesale Banking Operations	260.17	165.33
	3. Retail Banking Operations	335.01	256.54
	4. Other Banking Operations	5.99	4.72
	Total	734.87	552.17
c.	Unallocated Expenses	134.28	88.95
d.	Operating Profit	600.58	463.22
e.	Income Taxes	145.68	89.84
f.	Other Provisions	39.31	37.35
g.	Net Profit	415.59	336.03
h.	Other Information	--	--
i.	Segment Assets		
	1. Treasury Operations	7870.93	6638.73
	2. Corporate/Wholesale Banking Operations	8640.38	6940.38
	3. Retail Banking Operations	9412.04	6734.62
	4. Other Banking Operations	--	--
	5. Unallocated Assets	2301.49	1621.01
	Total	28224.84	21934.74
j.	Segment Liabilities		
	1. Treasury Operations	7319.09	6709.55
	2. Corporate/Wholesale Banking Operations	7967.47	6173.20
	3. Retail Banking Operations	8679.04	5990.18
	4. Other Banking Operations	--	--
	5. Unallocated Liabilities	2122.26	1441.83
	Capital Employed		
	i) Treasury Operations	584.86	484.37
	ii) Corporate/Wholesale Banking Operations	642.07	506.46
	iii) Retail Banking Operations	699.48	491.34
	iv) Other Banking Operations	--	--
	v) Unallocated Liabilities	210.57	137.81
	Total	28224.84	21934.74

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Part B: Geographic segments

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

4.5 Related Party Transactions (AS-18):

Disclosure about transactions with Key Management Personnel

Key Management Personnel	Designation	Item	Amount (in Rupees)
Shri.A.S. Janarthanan	Chairman	Remuneration	2,88,333/-
Shri K.P. Kumar	Chairman	Remuneration	4,67,500/-
Shri. P.T. Kuppuswamy	M.D. & C.E.O.	Remuneration	43,63,038/-

4.6 Earning per Share (AS-20):

Sl.No.	Particulars	2010-11	2009-10
1	Basic EPS (Rs.)	44.90	62.23
2	Diluted EPS (Rs.)	44.83	--
3	Adjusted EPS (Rs.)	--	36.31

Computation of Basic EPS

Sl.No.	Particulars	2010-11	2009-10
A	Net Profit (Rs. in Crore)	415.59	336.03
B	Weighted number of shares	92566455	53999798
C	Basic EPS (A/B) (Rs.)	44.90	62.23
D	Nominal Value per share (Rs.)	10.00	10.00

Computation of Diluted EPS

Sl.No.	Particulars	2010-11	2009-10
A	Net Profit (Rs. in Crore)	415.59	336.03
B	Weighted number of shares (including Potential Equity Shares)	92713457	NA
C	Diluted EPS (A/B) (Rs.)	44.83	NA
D	Nominal Value per share (Rs.)	10.00	10.00

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Computation of Adjusted EPS

Sl.No.	Particulars	2010-11	2009-10
A	Net Profit (Rs. in Crore)	415.59	336.03
B	Weighted number of shares (Adjusted after Bonus and Rights)	NA	92555873
C	Restated Basic EPS for Bonus and Rights Issue (A/B) (Rs.)	NA	36.31
D	Nominal Value per share (Rs.)	10.00	10.00

4.7 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 31.03.2011.

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

Deferred Tax Liabilities

(Rs. in Crore)

Sl.No.	Particulars	As on 31.03.2011	As on 31.03.2010
1	Depreciation on Fixed Asset	6.07	0.00
2	Interest accrued but not due	4.24	8.25
3	Pension & Gratuity	10.96	0.00
	TOTAL	21.27	8.25

Deferred Tax Assets

(Rs. in Crore)

Sl.No.	Particulars	As on 31.03.2011	As on 31.03.2010
1	Depreciation on Fixed Asset	0.00	0.10
2	Provision for leave encashment	9.68	9.55
	TOTAL	9.68	9.65

4.8. 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 31.03.2011 requiring recognition in terms of Accounting Standard 28.

5. DISCLOSURES AS PER RESERVE BANK OF INDIA REQUIREMENTS:

5.1 Capital:

Sl.No.	Particulars	2010-11	2009-10
		Basel II	
i	CRAR (%)	14.41%	14.49%
ii	CRAR - Tier I capital (%)	13.07%	12.88%
iii	CRAR - Tier II Capital (%)	1.34%	1.61%
iv	Amount raised by issue of IPDI	NIL	NIL
v	Amount raised by issue of Lower Tier II instruments	150 Cr.	150 Cr.

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5.2 Investments:

(Rs. In crore)

Items	20010-11	2009-10
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	7776.31	6649.44
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	44.55	47.28
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	7731.76	6602.16
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	41.74	34.09
(ii) Add: Provisions made during the year	19.28	7.65
(iii) Less: Write-off/ write-back of excess provisions during the year	20.66	NIL
(iv) Closing balance	40.36	41.74

5.2.1 Repo Transactions:(in face value terms)

(Rs. In crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding As on March 31, 2011
Securities sold under repos				
i. Government Securities	25.00	700.00	218.08	NIL
ii. Corporate Debt Securities	NIL	NIL	NIL	NIL
Securities purchased under reverse repos				
i. Government Securities	40.00	70.00	0.90	NIL
ii. Corporate Debt Securities	NIL	NIL	NIL	NIL

5.2.2 Non-SLR Investment Portfolio:

i) Issuer composition of Non SLR investments:

(Rs. In crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	104.73	78.70	-	-	19.00
(ii)	FIs	19.52	19.52	-	-	-
(iii)	Banks	56.81	44.00	-	-	-
(iv)	Private Corporate	151.29	118.79	-	-	-
(v)	Subsidiaries / Joint Ventures	0.00	-	-	-	-
(vi)	Others	645.63	-	-	-	-
(vii)	Less : Provision held towards depreciation	7.70	-	-	-	-
	Total	970.29	261.01	-	0.00	19.00

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ii) Non performing Non-SLR investments:

(Rs. In crore)

Particulars	Amount as on 31-03-2011	Amount as on 31-03-2010
Opening balance	5.54	5.54
Additions during the year since 1st April	0.26	Nil
Reductions during the above period	1.61	Nil
Closing balance	4.19	5.54
Total provisions held	4.19	5.54

5.3 Derivatives

5.3.1. Forward Rate Agreement/ Interest Rate Swap:

(Rs. In crore)

S.No.	Items	2010-11	2009-10
1.	The notional principal of swap agreements	Nil	200.00
2.	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	Nil	2.42
3.	Collateral required by the bank upon entering into swaps	Nil	Nil
4.	Concentration of credit risk arising from the swaps	Nil	Banks & PDs
5.	The fair value of the swap book	Nil	-0.16

5.3.2 Exchange Traded Interest Rate Derivatives:

(Rs. In crore)

S.No.	Items	Amount
i	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrumentwise)	Nil
ii	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2011 (instrumentwise)	Nil
iii	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrumentwise)	Nil
iv	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrumentwise)	Nil

5.3.3 Disclosures on risk exposure in derivatives:

Qualitative Disclosure:

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

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

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

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

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

Accounting:

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

Collateral Security:

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

Credit Risk Mitigation:

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

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

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

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

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

Quantitative Disclosures:

(Rs. In crore)

Sl.No.	Particulars	Currency Derivatives	Interest rate derivatives
i	Derivatives (Notional Principal Amount)*	3170.38	-
	a) For hedging	-	-
	b) For trading	3170.38	-
ii	Marked to Market Positions [1]		
	a) Asset (+)	+3170.38	-
	b) Liability (-)	-3170.38	-
iii	Credit Exposure [2]	63.41	-
iv	Likely impact of one percentage change in interest rate (100*PV01)	-	-
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	-
v	Maximum and Minimum of 100*PV01 observed during the year	-	-
	a) on hedging	-	-
	b) on trading	-	-

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5.4 Asset Quality

5.4.1 Non-Performing Asset:

(Rs. In crore)

Items	2010-11	2009-10
(i) Net NPAs to Net Advances (%)	0.07%	0.23%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	235.34	205.86
(b) Additions during the year	53.55	120.94
(c) Reductions during the year	60.74	91.46
(d) Closing balance	228.15	235.34
(iii) Movement of Net NPAs		
(a) Opening balance	30.95	25.82
(b) Additions during the year	25.55	38.64
(c) Reductions during the year	42.63	33.59
(d) Closing balance	13.87	30.95
(iv) Movement of provisions for NPAs (excluding provision on standard Assets)		
(a) Opening balance	177.50	153.02
(b) Provisions made during the year	51.83	104.82
(c) Write off./ Write back of excess provisions	46.91	80.34
(d) Closing balance	182.42	177.50

5.4.2 Particulars of Accounts Restructured

(Rs. In crore)

		CDR Mechanism	SME Debt Restructuring	Others
Total amount of Standard assets subjected to restructuring, rescheduling, renegotiation	Number of Borrowers	1	9	25
	Amount Restructured	45.32	3.07	55.93
	Total Amount outstanding (including Restructured facilities)	46.08	4.46	74.48
	Sacrifice (Diminution in fair value)	NIL	0.05	0.79
Total amount of Sub-standard assets subjected to restructuring, rescheduling, renegotiation;	Number of Borrowers	NIL	NIL	NIL
	Amount Restructured	NIL	NIL	NIL
	Total Amount outstanding (including Restructured facilities)	NIL	NIL	NIL
	Sacrifice (Diminution in fair value)	NIL	NIL	NIL
Total amount of doubtful assets subjected to restructuring, rescheduling, renegotiation	Number of Borrowers	NIL	NIL	NIL
	Amount Restructured	NIL	NIL	NIL
	Total Amount outstanding (including Restructured facilities)	NIL	NIL	NIL
	Sacrifice (Diminution in fair value)	NIL	NIL	NIL

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5.4.2 Particulars of Accounts Restructured (Contd.)

(Rs. In crore)

		CDR Mechanism	SME Debt Restructuring	Others
Total amount of loan assets subjected to restructuring, rescheduling, renegotiation	Number of Borrowers	1	9	25
	Amount Restructured	45.32	3.07	55.93
	Total Amount outstanding (including Restructured facilities)	46.08	4.46	74.48
	Sacrifice (Diminution in fair value)	NIL	0.05	0.79

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

(Rs. In crore)

Item	20010-11	2009-10
(i) No. of accounts	Nil	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	Nil	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain / loss over net book value.	Nil	Nil

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

5.4.5 Provisions on Standard Asset:

(Rs. In crore)

Item	As on 31st Mar 2011	As on 31st Mar 2010
Provisions towards Standard Assets	66.60	51.37

5.5 Business Ratios:

Items	20010-11	2009-10
1. Interest Income as a percentage to Working Funds	9.11%	9.18%
2. Non-interest income as a percentage to Working Funds	1.09%	1.29%
3. Operating Profit as a percentage to Working Funds	2.47%	2.42%
4. Return on Assets	1.71%	1.76%
5. Business (Deposits plus advances) per employee (Rs. in crore)	9.35	7.89
6. Profit per employee (Rs. in lakh)	9.09	8.05

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5.6 Asset Liability Management:

Maturity pattern of certain items of assets and liabilities:

(Rs. in Crore)

Particulars	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 day	470.08	627.11	1137.16	10.13	-	-
2 to 7 days	826.96	52.51	134.55	-	-	-
8 to 14 days	396.57	114.65	201.04	-	95.45	85.42
15 to 28 days	536.53	222.00	268.66	-	416.75	471.60
29 days to 3 months	3901.25	912.64	771.66	172.59	823.45	547.38
3 months to 6 months	1053.86	510.08	405.34	52.18	352.64	239.79
6 months to 1 year	4256.54	4578.87	928.15	137.81	469.85	219.30
1 year to 3 years	9444.36	7472.96	2858.33	7.18	-	-
3 years to 5 years	1527.44	1776.75	443.88	-	-	-
Over 5 years	2308.26	1546.89	582.99	150.00	-	-
Total	24721.85	17814.46	7731.76	529.89	2158.14	1563.49

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.

5.7 Exposures

5.7.1 Exposure to Real Estate Sector :

(Rs. in Crore)

Category	2010-11	2009-10
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	463.46	343.85
(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;	485.73	478.08
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures - a. Residential, b. Commercial Real Estate.	NIL NIL	NIL NIL
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	192.92	161.79
Total Exposure to Real Estate Sector	1142.11	821.93

SCHEDULES

5.7.2 Exposure to Capital Market:

(Rs. in Crore)

Particulars	31.03.2011	31.3.2010
(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;	70.27	94.54
(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;	NIL	2.24
(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;	25.27	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;	2.57	NIL
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	250.31	174.04
(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;	NIL	NIL
(vii) Bridge loans to companies against expected equity flows/issues;	NIL	NIL
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(ix) Financing to stockbrokers for margin trading;	NIL	NIL
(x) All exposures to Venture Capital Funds (both registered and unregistered) Total Exposure to Capital Market	NIL	NIL
Total Exposure to Capital Market	348.42	270.82

5.7.3 Risk Category wise Country Exposure:

(Rs. In crore)

Risk Category*	Exposure (net) as at 31 st March 2011	Provision held as at 31 st March 2011	Exposure (net) as at 31 st March 2010	Provision held as at 31 st March 2010
Insignificant	193.47	Nil	223.75	Nil
Low	188.51	Nil	143.60	Nil
Moderate	25.10	Nil	12.57	Nil
High	0.85	Nil	0.19	Nil
Very High	NIL	Nil	0.07	Nil
Restricted	NIL	Nil	NIL	Nil
Off-credit	NIL	Nil	NIL	Nil
Total	407.93	Nil	380.18	Nil

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

SCHEDULES

5.7.4. 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.

5.7.5 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.

5.8 Miscellaneous

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

(Rs. In crore)

Particulars	2010-11	2009-10
Provision for Income Tax	132.69	83.66

5.8.2 Disclosure of Penalties imposed by RBI:

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

6. ADDITIONAL DISCLOSURE

6.1 Provisions and Contingencies :

(Rs. In crore)

Break-up of 'Provision and Contingencies' shown under the head Expenditure in Profit & Loss Account	2010-11	2009-10
Provision for Depreciation on Investments	19.28	7.65
Provision for Bad & Doubtful Debts	4.92	24.48
Provision for Standard Assets	15.23	3.30
Provision towards sacrifice of Interest on Restructured Advances	1.23	1.64
Provision for Frauds and Claims	-1.19	0.45
Provision for Taxes (including Wealth Tax and Deferred Tax)	145.68	89.84
Provision for Agri Debt Waiver	0.00	0.14
Provision for Derivatives	-0.16	-0.31
Total	184.99	127.19

6.2 Movement of Floating Provision

(Rs. In crore)

Particulars	2010-11	2009-10
Floating Provision at the beginning of the year	18.69	18.69
Floating Provision made during the year	Nil	Nil
Amount transferred to Counter Cyclical Buffer as per RBI Guidelines	18.69	Nil
Floating Provision at the end of the year	Nil	18.69

SCHEDULES

6.3 Draw Down from Reserves

During the financial year 2010-11 there has been no draw down from the Reserves.

6.4 Disclosure of Complaints

(a) Customer Complaints

No. of complaints pending at the beginning of the year	Nil
No. of complaints received during the year	51
No. of complaints redressed during the year	45
No. of complaints pending at the end of the year	6

(b) Awards passed by Banking Ombudsman

No. of unimplemented awards at the beginning of the year	0
No. of awards passed by banking ombudsman during the year	1
No. of awards implemented during the year	1
No. of unimplemented awards at the end of the year	0

6.5 Disclosure of Letters of Comfort (LOCs)

The amount of Letters of Comfort issued and outstanding as on 31st March 2011 was Rs.256.44 crore.

6.6 Provision Coverage Ratio (PCR)

The Provision Coverage Ratio as on 31.03.2011 is 93.92%

6.7 Bancassurance Business:

The Bank has received an amount of Rs.4.63 crore (life insurance - Rs.3.45 crore, Non-life insurance - Rs.1.18 crore) towards Fee / Remuneration in respect of the bancassurance business undertaken during 01.04.2010 to 31.03.2011.

6.8.1 Concentration of Deposits:

(Rs. In crore)

Total Deposits of twenty largest depositors	3214.76
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	13.00%

6.8.2 Concentration of Advances

(Rs. In crore)

	As on 31.03.2011
Total Advances to Twenty Largest Borrowers	3689.74
Percentage of Advances to twenty Largest Borrowers to Total Advances of the Bank.	20.44%

6.8.3 Concentration of Exposures

(Rs. In crore)

	As on 31.03.2011
Total Exposures to Twenty Large Borrowers / Customers	3701.86
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	20.51%

SCHEDULES

6.8.4 Concentration of NPAs

(Rs. In crore)

Total Exposure to top four NPA Accounts	80.81
---	-------

6.9 Sector-wise NPAs

S.No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	0.33%
2	Industry (Micro, small, medium and large)	1.62%
3	Services	1.56%
4	Personal Loans	2.96%

6.10 Movement of NPAs

(Rs. In crore)

Particulars	Amount
Gross NPAs as on 1st April 2010	235.34
Additions (Fresh NPA) during the year	53.55
Sub-total (A)	288.89
Less : -	
(i) Upgradations	18.84
(ii) Recoveries (excluding recoveries made from upgraded accounts)	39.66
(iii) Write-offs	2.24
Sub-total (B)	60.74
Gross NPAs as on 31st March 2011	228.15

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

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

The movement in Paid-up Share Capital and Share Premium is due to Issue of Bonus Shares and Rights issue during the year ended 31st March 2011.

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

As per Section 36 (1)(viii) of the Income Tax Act, 1961, the Bank has appropriated an amount of Rs.30.00 crore towards Special Reserve of for the year 2010-11, being the eligible amount of deduction available under the said provision.

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

SHRI K.P. KUMAR
Chairman

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

Dr V.G. MOHAN PRASAD
Director

SHRI M.G.S. RAMESH BABU
Director

SHRI S. GANAPATHI SUBRAMANIAN
Director

SHRI K. PARAMESHWARA RAO
Director

SHRI V. SANTHANARAMAN
Director

SHRI G. RAJASEKARAN
Director

SHRI A.J. SURIYANARAYANA
Director

Shri T. M. LAKSHMIKANTHAN
Executive Director

Shri R. SUKUMAR
Chief General Manager

Shri A.R. RAMACHANDRAN
Depty General Manager

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

Karur
20th May 2011

SHRI R. KANNAN
Company Secretary

(G. Naganathan)
Partner
M.No. 022456

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(000's omitted)

	AS AT 31.03.2011	AS AT 31.03.2010
CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT AS PER PROFIT AND LOSS ACCOUNT	4155909	3360315
ADJUSTMENTS FOR		
DEPRECIATION	300851	226333
INTEREST PAID ON TIER II BOND ISSUED	147900	NIL
PROVISIONS AND CONTINGENCIES	1849932	1271911
PROVISION FOR LEAVE ENCASHMENT	17535	14198
PROFIT/LOSS ON SALE OF INVESTMENTS	-377402	-563597
PROFIT / LOSS ON SALE OF ASSETS	-6208	-4406
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	6088517	4304754
INCREASE/DECREASE IN OPERATING ASSETS		
PURCHASE AND SALE OF INVESTMENTS	-11097854	-18374687
FUNDS ADVANCES TO CUSTOMERS	-43736218	-31120982
OTHER OPERATING ASSETS	-1882288	-327370
	-50627843	-45518285
INCREASE/DECREASE IN OPERATING LIABILITIES		
DEPOSITS FROM CUSTOMERS	54499976	41704643
BORROWINGS FROM BANKS	540070	3028466
OTHER OPERATING LIABILITIES	1726747	125897
CASH GENERATED FROM OPERATIONS	6138950	-659279
DIRECT TAXES PAID	-1321514	-1136520
NET CASH GENERATED FROM OPERATIONS	4817436	-1795799
CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	-1032143	-451069
SALE OF FIXED ASSETS	9943	7947
NET CASH GENERATED FROM INVESTING ACTIVITIES	-1022200	-443122

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(000's omitted)

	AS AT 31.03.2011	AS AT 31.03.2010
CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM SHARE CAPITAL	625008	4840
PROCEEDS FROM SHARE PREMIUM	1884163	97188
PROCEEDS FROM TIER II BOND ISSUANCE	NIL	1500000
INTEREST PAID ON TIER II BOND ISSUED	-147900	NIL
DIVIDEND PAID (incl Dividend distribution Tax)	-762502	-754153
 NET CASH FLOW FROM FINANCING ACTIVITIES	 1598769	 847875
 CASH FLOW FROM OPERATING ACTIVITIES	 4817436	 -1795799
CASH FLOW FROM INVESTING ACTIVITIES	-1022200	-443122
CASH FLOW FROM FINANCING ACTIVITIES	1598769	847875
 INCREASE IN CASH & CASH EQUIVALENT	 5394005	 -1391046
CASH AND CASH EQUIVALENTS AS AT 31.3.2010/31.3.2009	12350615	13741661
 CASH AND CASH EQUIVALENTS AS AT 31.03.2011/31.03.2010	 17744620	 12350615
 Karur 20th May, 2011		 Sd/- P.T. Kuppuswamy M.D. & C.E.O

AUDITORS' CERTIFICATE

We have verified the cash flow statement of the Karur Vysya Bank Limited for the year ended 31.3.2011. 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 20th May 2011 to the shareholders of the Bank.

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

Karur
20th May, 2011

Sd/-
(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	31/03/2011		

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

Public Issue	NIL	Rights Issue	182774
Bonus Issue	217742	Private Placement	NIL
ESOS	NIL		

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

Total Liabilities	282248392	Total Assets	282248392
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Sources of Funds

Paid-up Capital	944872	Reserves & Surplus	20200465
Calls Received in Advance	224492		
Deposits	247218514	Borrowings	5298917
Other liab. Provisions	8361132		

Application of Funds

Net fixed Assets	2105691	Investments	77317560
Advances	178144638	Other Assets	24680503
Misc. Expenditure	Nil		

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

Total Income	24820286	Total Expenditure	20664377
Profit Before Tax	6005841	Profit After Tax	4155909
Earnings per share in Rs.	44.90		

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 DISCLOSURE

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 subsidiary

Quantitative Disclosures

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

Not applicable

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

Not applicable

Table DF - 2

Capital Structure

Qualitative Disclosures

a) Summary

" Tier I capital includes Equity share capital, Reserves comprising of statutory reserves, capital and other revenue reserves, share premium and balance in profit and loss account and excludes Deferred Tax Asset (DTA).

" Tier 2 Capital consists of the general provision, Tier II Bonds - Subordinated Debt as on 31.03.2011.

Quantitative Disclosures

b) The amount of Tier I capital as on 31.03.2011.

(Rs. In crore)

Paid up Equity Share Capital (including calls in advance)	116.94
Innovative Instruments	0.00
Amounts deducted from Tier I Capital tax on special reserve.	-19.93
Reserves	2020.04
Total Tier I Capital	2117.05

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

(Rs. In crore)

General Provisions (including floating provisions)	66.60
Tier II Bonds (Eligible for Tier II capital at different rates and different maturities)	150.00
Total Tier II Capital	216.60

BASEL II - PILLAR 3 DISCLOSURE

- 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 | - Rs.150 Crores |
| Of which amount raised during the current year | - Rs. NIL |
| Amount eligible to be reckoned as capital funds | - Rs.150 crores. |
- f) Other deductions from capital if any (DTA and fixed assets software)
- | | |
|--|-------|
| | - NIL |
|--|-------|
- g) Total eligible capital (Tier I & Tier II)
- | | |
|--|---------------------|
| | - Rs.2333.65 Crore. |
|--|---------------------|

Table DF – 3

Capital Adequacy

Qualitative Disclosures

Bank maintained Capital to Risk Weighted Assets Ratio (CRAR) at 14.41% (Basel II).

Tier I CRAR of 13.07% is above the minimum requirement of 6% as per RBI guidelines.

Bank's CRAR as per Basel II (14.41%) is higher than Basel I (12.16%).

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

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

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

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

Quantitative Disclosures

- a) Capital requirement for Credit Risk:

Portfolio subject to standardized approach	: Rs.1285.29 Cr.
Securitisation exposures	: Nil

- b) Capital requirements for market risk:

Standardized duration approach:

- Interest rate risk	: Rs. 50.85 Cr.
- Foreign exchange risk (including gold)	: Rs. 9.00 Cr.
- Equity risk	: Rs. 17.63 Cr.

- c) Capital requirements for operation risk :

Basic indicator approach	: Rs.94.57 Cr
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- d) Total CRAR : 14.41% and Tier I Capital Ratio : 13.07%

BASEL II - PILLAR 3 DISCLOSURE

Table DF-4
Credit Risk - General Disclosures

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

Quantitative Disclosures

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

(Rs.in Crore)

Credit Risk Exposures	
Fund Based *	28224.84
Non Fund Based	6160.10
Total Fund & Non Fund Based	34382.06

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

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

- a. Overseas - NIL
b. Domestic

(Rs.in Crore)

	Fund Based	Non Fund Based
Gross Advances	18052.41	6160.10

- d) Industry-wise exposures as on 31.03.2011.

(Rs.in Crore)

Industry	Fund Based	
Coal	48.19	19.26
Mining	142.43	
Iron & Steel	611.83	
Other Metal and Metal Products	139.66	
All Engineering	173.74	
Of which Electronics		
Cotton Textiles	1034.42	
Other Textiles	841.83	
Sugar	6.20	
Tea	0.76	
Food Processing	622.63	

BASEL II - PILLAR 3 DISCLOSURE

d) Industry-wise exposures as on 31.03.2011. (Contd.)

(Rs.in Crore)

Industry	Fund Based	
Vegetable Oils & Vanaspati	139.94	
Tobacco and Tobacco Products	97.41	
Paper and Paper Products	81.85	
Rubber and Rubber Products	129.05	
Chemicals, Dyes, Paints etc.	478.32	
Of which Fertilizers		30.17
Of which Petrochemicals		193.09
Of which Drugs & Pharmaceuticals		212.26
Cement	177.39	
Leather and Leather Products	1.70	
Gems and Jewellery	129.29	
Construction	39.42	
Petroleum	1.24	
Automobiles including trucks	236.07	
Computer Software	33.72	
Infrastructure	2735.76	
Of which Power		1698.07
Of which Telecommunications		92.14
Of which Roads & Ports		156.91
NBFCs	591.05	
Trading	1514.10	
Other Industries	1518.58	
Residuary Other Advances	6525.83	
Total Advances	18052.41	

e) Residual Contractual maturity breakdown of assets

(Rs.in Crore)

Inflow Group	Cash, Balance with RBI & Balances with Other Banks	Investments (Net)	Advances (Net)	Fixed Assets & Other Assets
Day 1	343.15	1137.16	627.11	168.71
Day 2 To Day 7	54.74	134.55	52.51	21.09
Day 8 To Day 14	48.17	201.04	114.65	21.09
Day 15 To Day 28	86.60	268.66	222.00	0.00
Over 28 days To 3 Months	187.78	771.66	912.64	0.00
Over 3 Months To 6 Months	94.86	405.34	510.08	0.00
Over 6 Months To 1 Year	219.81	928.15	4578.87	0.00
Over 1 To 3 Years	518.20	2858.33	7472.96	0.00
Over 3 Years To 5 Years	84.69	443.88	1776.75	0.00
Over 5 Years	136.46	582.99	1546.89	693.27
Total	1774.46	7731.76	17814.46	904.16

BASEL II - PILLAR 3 DISCLOSURE

f) Gross NPAs :

(Rs.in Crore)

Particulars	Amount
Substandard	23.49
Doubtful 1	20.52
Doubtful 2	72.17
Doubtful 3	17.40
Loss	94.57

g) Net NPAs:

(Rs.in Crore)

Particulars	Amount
Gross NPAs	228.15
Less: Provisions (including ECGC & float. Provision)	214.28
Net NPAs	13.87

h) NPA Ratio :

Particulars	Amount
Gross NPAs as a ratio to Gross Advances	1.26%
Net NPAs as a ratio to Net Advances	0.07%

i) Movement of NPAs (Gross)* :

(Rs.in Crore)

Particulars	Amount
Opening Balance 31.3.2010.	235.34
Additions during the year	53.55
Reductions during the year	60.74
Closing Balance	228.15

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

j) Movement of Provisions for NPAs:

(Rs.in Crore)

Particulars	Amount
Opening Balance	177.50
Provisions made during the year	51.83
Provisions released on account of recoveries and used for new additions	46.91
Write Back of excess provisions	0
Closing Balance.	182.42

(Rs.in Crore)

k) Amount of Non performing Investments

4.19

l) Amount of provisions held for Non -performing Investments

4.19

BASEL II - PILLAR 3 DISCLOSURE

m) Movement of Provisions for depreciation on investments

(Rs.in Crore)

Particulars	Amount
Opening Balance	41.74
Provisions made during the year	19.28
Write Off	20.66
Write Back of excess provisions	0
Closing Balance	40.36

Table DF - 5

Credit Risk: Disclosures for portfolios subject to the Standardized Approach

Qualitative Disclosures

- a) For portfolios under the standardized approach:

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

Quantitative Disclosures

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

(Rs.in Crore)

Risk Weight	Rated	Unrated	Total
Below 100%	1918.29	13139.89	15058.18
100%	4922.80	3322.73	8245.53
More than 100%	749.26	610.06	1359.33
Total Outstanding after mitigation	7590.35	17072.69	24663.04
Deducted (as per Risk Mitigation)	-	4489.97	4489.97

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

Table DF - 6

Credit risk mitigation: Disclosures for standardized approach

Qualitative Disclosures

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

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

BASEL II - PILLAR 3 DISCLOSURE

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

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

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

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

Concentration Risk in Credit Risk Mitigation: All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit/ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank. The portion of advances subjected to CRM including non-funded advances as mentioned in the table above amounted to 24.87%.

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: (Rs.in Crore)

Portfolio Category	Financial Collateral	Quantum of exposure covered
1. Funded - Credit	Bank's own deposits	956.66
2. Funded - Credit	Gold Jewels	2930.76
3. Non Funded	Bank's own deposits	371.91

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

Portfolio Category	Guaranteed by	Quantum of exposure covered
Funded - Credit	ECGC	756.79

Table DF - 7

Securitization: Disclosure for Standardized Approach

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

Quantitative Disclosures: NIL

BASEL II - PILLAR 3 DISCLOSURE

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	:	Rs. 50.85 Cr
Equity position risk	:	Rs. 17.63 Cr
Foreign exchange risk	:	Rs. 9.00 Cr

Table DF - 9

Operational Risk

Qualitative Disclosures

The Bank has put in place important policies like Operational Risk Management, Information System Security, Know Your Customer (KYC) and Anti Money Laundering (AML), Business Continuity and Disaster Recovery Management. The updated manuals on all important functional areas have been circulated to the branches. Risk Based Internal Audit is introduced in 100 branches in our Bank.

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

Capital charge for operational risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous 3 years i.e. 2009-10, 2008-09, and 2007-08 is considered for computing the capital charge. The required capital is Rs.94.57 Cr.

Table DF - 10

Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures

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

Quantitative Disclosures

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

NETWORK OF BRANCHES

REGISTERED AND CENTRAL OFFICE

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

INTERNATIONAL DIVISION

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

DIVISIONAL OFFICES

BANGALORE	:	230/2, 1st Floor, 15th cross Sampige Road, Malleswaram, Bangalore-560003
CHENNAI	:	KVB Towers, 1st Floor 568 Anna Salai, Teynampet, Chennai-600018
COIMBATORE	:	577 Oppanakara Street, 2nd Floor, Coimbatore-641001
DELHI	:	59/31 1st Floor, Poonam Plaza New Rohtak Road, Near Liberty Cinema Karolbagh, New Delhi-110005
HYDERABAD	:	5-8-363 to 365 (Second Floor), Chirag Ali Lane, Abids, Hyderabad-500 001
MADURAI	:	Gayathri Illam, 16 A.A.Road 1st Floor, Gnanaolivupuram, Madurai-625016
MUMBAI	:	954 Appa Saheb Marathe Marg 122, Prabhadevi, Mumbai-400025
SALEM	:	1st Floor, 269-A Bharathi Street, Swarnapuri Alagapuram, Salem-636 004
TRICHY	:	D-54 Ground Floor, L.I.C. Building, Bharathiar Salai Cantonment, Trichy-620001
VIJAYAWADA	:	Gayathri Niliyam, 1st Floor 38-8-46, Labbipet M.G.Road, Vijayawada-520010

OTHER OFFICES

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

CENTRAL CLEARING OFFICES

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

CURRENCY CHESTS

CHENNAI	KARUR	MADURAI	VIJAYAWADA
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NETWORK OF BRANCHES

ANDHRA PRADESH

ADILABAD

ADILABAD*

ANANTAPUR

DHARMAVARAM*

HINDUPUR*

ANANTAPUR*

CHITTOOR

CHITTOOR*

NAGARI*

TIRUPATHI - MAIN*

RALLABUDUGURU

TIRUPATHI - KHADI COLONY*

KUPPAM*

CUDDAPAH

PRODDATUR*

KADAPA*

EAST GODAVARI

RAJAHMUNDRI*

KAKINADA*

PEDDAPURAM*

MANDAPETA*

RAVULAPALEM*

KADAM*

AMALAPURAM*

GUNTUR

GUNTUR*

TENALI*

GUNTUR - LAKSHMIPURAM *

NARASARAOPET*

HYDERABAD

SECUNDERABAD*

HYDERABAD - MAIN*

S R NAGAR*

NALLAKUNTA*

ABIDS*

KALYAN NAGAR*

JUBILLEE HILLS*

HIMAYATNAGAR*

MIYAPUR*

KARIMNAGAR

KARIMNAGAR*

KHAMMAM

KHAMMAM*

KRISHNA

VIJAYAWADA - GOVERNORPET*

VIJAYAWADA - NO.1 TOWN*

GUDIVADA*

VIJAYAWADA - BUNDER ROAD*

PORANKI*

KANKIPADU*

MACHILIPATNAM*

KURNOOL

KURNOOL*

NANDAYAL*

ADONI*

NALGONDA

KODAD*

NELLORE

NELLORE*

NIZAMABAD

NIZAMABAD*

PRAKASAM

CHIRALA*

ONGOLE*

RANGA REDDY

HYD - DILSUKH NAGAR*

HYD - MANIKONDA*

HYD - MALKAJ GIRI*

HYD - A.S.RAO NAGAR*

HYD - KUKATPALLY*

HYD - PRAGATHI NAGAR*

HYD - BODUPPAL *

HYD - NIZAMPET*

HYD - MEHADIPATNAM*

HYD - MEERPET*

HYD - CHANDANAGAR*

HYD - HABSIGUDA*

SRIKAKULAM

SRIKAKULAM*

RAJAM*

VISAKHAPATNAM

PEDAWALTAR*

ANAKAPALLE*

VISAKHAPATNAM - MAIN*

GAJUWAKA*

VIZIANAGARAM

VIZIANAGARAM*

SALUR*

WARANGAL

WARANGAL - MAIN*

WARANGAL - HANAMAKONDA*

WEST GODAVARI

PALAKOL*

TADEPALLIGUDEM*

NIDADAVOLU*

JANGAREDDYGUDEM*

BHIMAVARAM*

ELURU*

CHANDIGARH - UT

CHANDIGARH

CHANDIGARH*

DELHI

DELHI

RAMESH NAGAR*

CHANDINI CHOWK*

NEW DELHI

KAROL BAGH*

LAWRENCE ROAD*

KASHMERE GATE*

ROHINI*

EAST OF KAILASH*

GOA

NORTH GOA

PANAJI*

GUJARAT

AHMEDABAD

AHMEDABAD*

AHMEDABAD - MANINAGAR*

AHMEDABAD - SATELLITE AREA*

ANAND

ANAND*

KACHCHH

GHANDIDHAM*

MAHESANA

UNJHA

RAJKOT

RAJKOT - MAIN*

SURAT

SURAT*

VADODARA

VADODARA*

NETWORK OF BRANCHES

HARYANA

FARIDABAD
FARIDABAD*

GURGAON
GURGAON*

KARNAL
KARNAL*

PANIPAT
PANIPAT*

KARNATAKA

BANGALORE
BANGALORE - MAIN*
MALLESWARAM*
HALASURU*
J.C. ROAD*
RAJAJINAGAR*
ISRO NAGAR*
JAYANAGAR*
KORAMANGALA*
BASAVANAGUDI*

BANGALORE RURAL
DODDABALLAPUR*
HOSAKOTTE*
RAMANAGARAM*

BELGAUM
BELGAUM*

BELLARY
BELLARY*

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*

KOLLAM
KOLLAM*

KOTTAYAM
KOTTAYAM*

KOZHIKODE
KOZHIKODE*

PALAKKAD
PALAKKAD*

PATHANAMTHITTA
TIRUVALLA*

THRISSUR
THRISSUR*

TRIVANDRUM
THIRUVANANTHAPURAM*

MADHYA PRADESH

BHOPAL
BHOPAL*

GWALIOR
GWALIOR*

INDORE
INDORE*

MAHARASHTRA

AHMEDNAGAR
AHMEDNAGAR*

AURANGABAD
AURANGABAD*

KOLHAPUR
ICHALKARANJI*
KOLHAPUR*

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

NAGPUR
NAGPUR*

NASIK
NASIK*

PUNE
PUNE*
PUNE - CAMP AREA*

SOLAPUR
SOLAPUR*

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

ORISSA

CUTTACK
CUTTACK*

GANJAM
BERHAMPUR*

KHURDA
BHUBANESHWAR*

PONDICHERRY-UT

KARAIKAL
KARAIKAL*

PONDICHERRY
PONDICHERRY*

NETWORK OF BRANCHES

PUNJAB

AMRITSAR
AMRITSAR*

JALANDHAR
JALANDHAR*

LUDHIANA
LUDHIANA*

PATIALA
PATIALA*

RAJASTHAN

JAIPUR
JAIPUR*

TAMILNADU

ARIYALUR
ARIYALUR*

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

COIMBATORE
COIMBATORE - MAIN*
POLLACHI*
COIMBATORE - DR. NANJAPPA ROAD*
COIMBATORE - R.S.PURAM*
ANAIMALAI*
DHULLY*
CBE - SARAVANAM PATTI*

COIMBATORE - SAIBABA COLONY*
COIMBATORE - GANAPATHY*
SOMANUR*
KOVAIPUDUR*
COIMBATORE - VADAVALLI*
CBE - RAMANATHAPURAM*
ANNUR*

CUDDALORE
CHIDAMBARAM*
VRIDHACHALAM*
CUDDALORE*
NEYVELI*
CHIDAMBARAM-ANNAMALAI NAGAR*

DHARMAPURI
KAMBAINALLUR
SAMALPATTI
DHARMAPURI*

DINDIGUL
DINDIGUL*
BATLAGUNDU*
CHINNAPATTI*
PALANI*
NEIKARAPATTI
ODDTANCHATRAM*

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

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*

KANYAKUMARI
NAGERCOIL*

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

KRISHNAGIRI
KRISHNAGIRI*
HOSUR*

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

NAGAPATTINAM
NAGAPATTINAM*
NEERMULAI*
MAYILADUDURAI*

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

NETWORK OF BRANCHES

TAMILNADU

NILGIRIS
COONOOR*

PERAMBALUR
PERAMBALUR*

PUDUKOTTAI
KOTHAMANGALAM
PUDUKOTTAI*

RAMANATHAPURAM
RAMANATHAPURAM*

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

SIVAGANGAI
KARAIKUDI*

THANJAVUR
KUMBAKONAM*
THANJAVUR*
PATTUKOTTAI*

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

THIRUVALLUR
CHENNAI - TIRUVERKADU*
CHENNAI - P H ROAD*
CHENNAI - AMBATTUR*
THIRUVARUR*

TIRUNELVELI
PALAYAMKOTTAI*
TIRUNELVELI TOWN*
TENKASI*
SANKARANKOIL*

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

TIRUVANNAMALAI
TIRUVANNAMALAI*
POLUR*
ARNI*
PERUNDURAIPATTU
VANDAVASI*
TIRUVETHIPURAM (CHEYYAR)*
CHENGAM*

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

TUTICORIN
TUTICORIN*
KOVILPATTI*

VELLORE
VELLORE*
KANIYAMBADI
VANIYAMBADI - NEW TOWN
TIRUPATHUR*

VILLUPURAM
VILLUPURAM*
KADUVANUR*
THOTTIYAM
TINDIVANAM*
GINJEE*
KALLAKURICHI*

VIRUDHUNAGAR
VIRUDHUNAGAR*
RAJAPALAYAM*
SIVAKASI*

UTTARPRADESH

GOWTAMBUDDA
NOIDA*

LUCKNOW
LUCKNOW*

MEERUT
MEERUT*

WEST-BENGAL

KOLKATA
KOLKATA- MAIN
SHAKESPEARE .SARANI*
BALLYGANGE*

* ATM facility available

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

Ac.No. 2000193005826
SWIFT : PNBUS3NNYC
FEDWIRE ROUTING NUMBER 026005092

EURO

Commerz Bank AG
Theodor-Heuss-Allee 50
60489 Frankfurt AM Main
Germany

Ac. No. 400875119000EUR
SWIFT : COBADEFF

JPY

Standard Chartered Bank
30-16, Ogikubo 4-chome,
Suginami-ku
Tokyo 167-8530, Japan

Ac.No. 0219600 - 1110
SWIFT:SCBLJPJT

USD

Standard Chartered Bank
One Madison Avenue
New York, NY 10010-3603
USA

Ac.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

Ac.No.18021504
SWIFT : SCBLDEFX
I-BAN NO DE39512305000018021504

AUD

Australia & Newzealand Banking Corporation
55 Collins Street
Melbourne, Victoria
AUSTRALIA

Ac.No. 237776-00001
SWIFT : ANZBAU3M

USD

Citi Bank, N A
111,Wall Street
New York City ,
NY 10018, USA

Ac.No.36844037
SWIFT : CITIUS33
FEDWIRE ROUTING NUMBER 021000089

SGD

Indian Overseas Bank
64, Cecil Street,
IOB Building,
SINGAPORE 049711

Ac.No. 4916210131
SWIFT:IOBASGSG

CAD

Citi Bank, N A
Canadian Branch
123 Front St.West,
Toronto, Ontario-M5J2M3
CANADA

Ac.No.2017517009 CAD
SWIFT:CITICATTBCH

GBP

Standard Chartered Bank
1 Alderman bury Square
London EC2V 7SB
United Kingdom

Ac.No. GBP 01 265520901
SWIFT : SCBLGB2L
I-BAN NO GB94SCBL60910412655209

CHF

UBS AG
PO 8098
Zurich, Switzerland

Ac.No.0230-35343.05E
SWIFT : UBSWCHZH80A

SEK

Skandinaviska Enskilda Banken
S-106, 40 Stockholm
SWEDEN

Ac.No.5201-85-335-84
SWIFT:ESSESESS

A DECADE OF PROGRESS

(Rs.in Crore)

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Capital	6.00	16.41	17.98	17.98	17.98	49.49	53.94	53.95	54.44	116.94*
Reserves	424.11	542.27	694.05	742.90	853.65	1013.67	1136.06	1296.21	1565.54	2020.04
Owned funds	430.11	558.68	712.03	760.88	871.63	1063.16	1190.00	1350.16	1619.98	2136.98
Capital Adequacy Ratio - Basel I	16.90%	17.01%	17.11%	16.07%	14.79%	14.51%	12.58%	13.08%	12.48%	12.16%
- Basel II	-	-	-	-	-	-	-	14.92%	14.49%	14.41%
Deposits	4180.06	5121.92	5911.48	6672.19	7576.83	9340.29	12549.99	15101.39	19271.85	24721.85
Advances	2460.03	3344.40	4023.24	4619.80	5700.89	7194.37	9568.84	10562.90	13675	18052.41
Investments	1538.91	1845.08	2173.01	2219.03	2298.13	2873.95	3526.33	4715.98	6649.44	7776.30
Gross Income	587.01	648.07	721.87	703.92	771.45	986.55	1289.33	1711.30	2004.92	2482.03
Net Profit	108.51	124.97	161.05	105.34	135.35	160.01	208.33	235.84	336.03	415.59
Dividend	70%	70%	100%	100%	120%	100%	120%	120%	120%	120%*
Branches	211	214	223	231	238	269	288	312	335	369
EPS (Rs.)	180.85	156.28	89.58	58.59	28.29	32.80	38.62	43.71	62.23	44.90
Book Value(Rs.)	716.85	340.45	396.05	423.22	484.80	197.09	220.61	250.25	297.60	193.04*
No of Employees	2865	2833	2849	2811	2908	3286	3580	3941	4175	4574

* Includes calls in advance

* Proposed

* After netting unamortised pension and gratuity liability