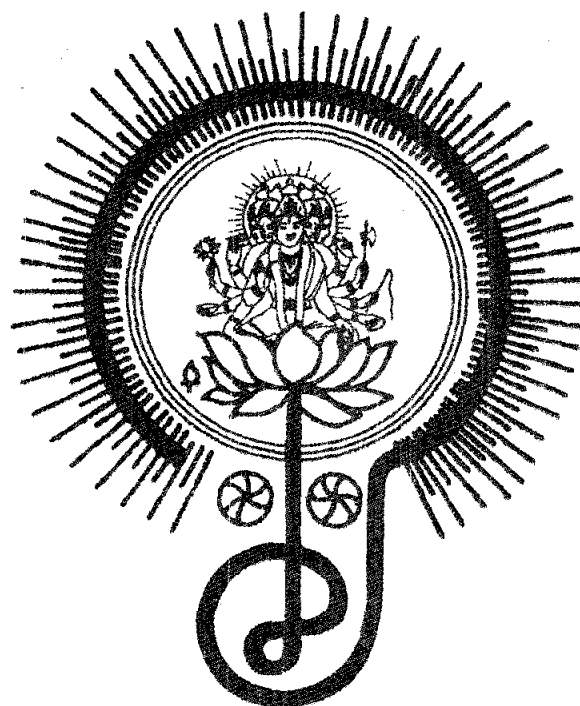


2000

1998-99

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The Karur Vysya Bank Limited



SRI GAYATRI DEVI

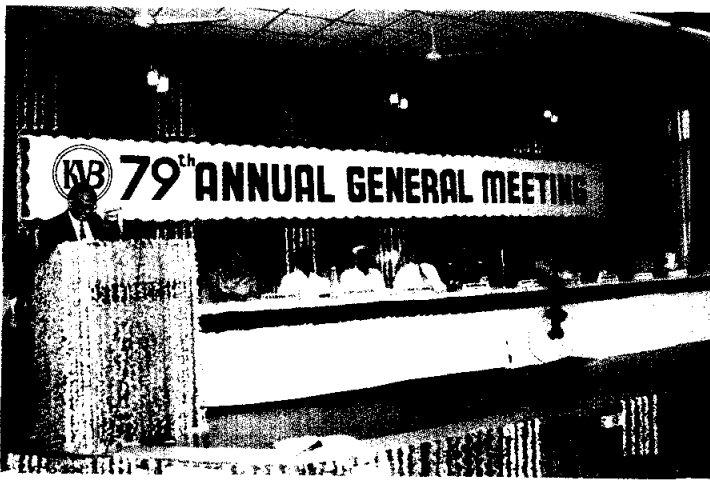
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THE KARUR VYSYA BANK LIMITED

Regd. & Central Office :

Erode Road, P.B. No. 21, Karur - 639 002.



79th Annual General Body Meeting



Shifting of Kancheepuram branch to new premises





☞ Inauguration of 200th Branch in Tirupathi
(Specialised Savings Branch)



☞ Inauguration of Chennai - T. Nagar Specialised
Savings Branch



BOARD OF DIRECTORS



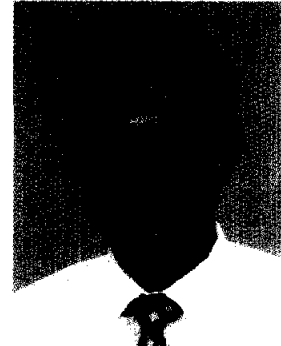
Shri A.D. Navaneethan
M.A., LL.B., C.A.I.I.B.
Chairman



Shri R. Chandrasekaran
I.A. & A.S. (Retd.)



Shri M.K. Venkatesan B.A.



Shri M. Naganathan
B.Com., F.C.A



Dr. T.R. Ramanathan
M.A., B.L., Ph.D.



Shri G. Sarangan
B.Sc. (Hons.), B.L.



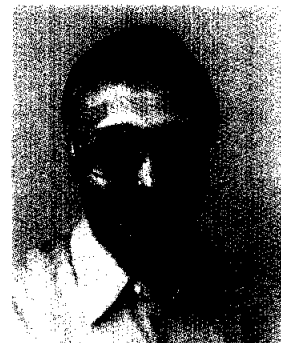
Shri A.K. Praburaj B.Com.



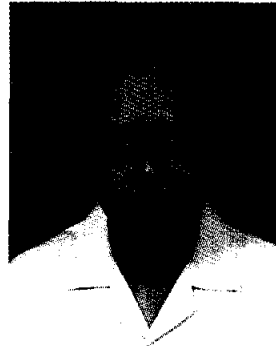
Shri A.J. Suriyanarayana
M.B.A.



Shri R. Gopalakrishnan



Shri M.G. Sankaranarayanan



General Manager

Shri N.S. Venkatarama Guptha
B.A., C.A.I.I.B.

DEPUTY GENERAL MANAGERS

Shri S. Nagarajan, B.Sc., C.A.I.I.B.

Shri R. Sukumar, M.Sc.

ASSISTANT GENERAL MANAGERS

Shri P.L.A. Jeyaraman, B.Com., F.C.A.

Shri V.K. Raghavan, B.Sc., B.L.

Shri S. Ramalingam, B.Sc., B.G.L., C.A.I.I.B.

Shri T. Ramachandra Shastri, M.Sc., C.A.I.I.B., C.A.I.B. (LON)

Shri S. Ramarathinam, B.Sc., C.A.I.I.B.

Shri V. Palanisamy, B.Sc.

Shri K. Raghavan, B.A., C.A.I.I.B.

Shri A. Ananda Nadarajan, B.Com. C.A.I.I.B.

Shri R. Sakthivelu, B.Sc., B.G.L., C.A.I.I.B.

Shri K. Venkateswara Rao, B.Sc., M.A.

Shri A.S. Vasudevan, B.Com., A.C.A.

Shri Ramesh Prabhu, M.Com., C.A.I.I.B.-I

Shri C. Anbazhagan, B.Sc., M.B.A.

COMPANY SECRETARY

Shri R. Venkataramana, M.Com., LL.B., C.A.I.I.B., A.C.S.

LEGAL ADVISER

Shri K.N. Shrinivasan, B.A., B.L.

AUDITORS

M/s. Ananthakrishnan & Veerappan

DIRECTORS' REPORT

THE KARUR VYSYA BANK LIMITED

Your Board of Directors are pleased to present the Bank's 80th Annual Report along with the audited accounts for the year ended 31st March 1999. The Directors have pleasure in reporting that the Bank has posted satisfactory results during 1998-99 despite the adversities faced by banks during the year under focus. The Bank has been adapting and attuning itself with the unfolding economic milieu and is well set to face up to the challenges thrown by market forces and to be in the forefront.

The Directors are delighted to highlight that the "Business Today – KPMG Study", with a view to ranking the best among the banks based on their balance sheets as of 31st March 1998, has ranked the Karur Vysya Bank Limited as one of the top Five Banks in the private sector and as No. 1 Bank among the old private sector banks as a Group. Incidentally, this is yet another time the Bank is getting rated as No. 1 Bank. Other professional journals and financial dailies have also shown the Bank in the same light.

1. BRANCH EXPANSION

The Bank has expanded its logistical presence by opening 5 more branches in Tirupathi (Shanthi Nagar – Specialised Savings Branch), Bangalore (ISRO Layout), Chennai (T. Nagar – Specialised Savings Branch), Vijayawada (Labbipet) and Karaikal, taking the number of branches to 203 and three Extension Counters were also opened in SKS Hospital (Salem), G. Kallupatti (Batlagundu) and Milma (Kottayam). Plans are on hand to open more branches during the current fiscal, in centres like Hyderabad (Abids), Jaipur, New Delhi (Greater Kailash), Thrissur and Chennai (Teynampet).

The Bank has gone in for its own impressive edifice in Vijayawada (Gayathri Nilayam) where the Labbipet branch and the Vijayawada Divisional Office are housed.

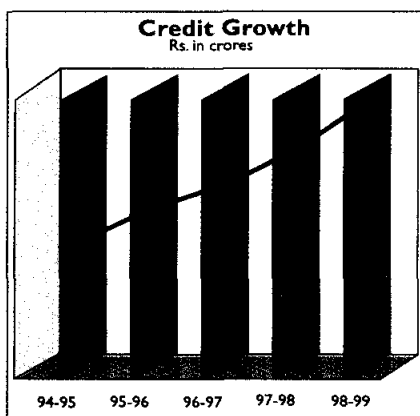
With a view to further improving cash management and thereby profitability, the Bank has opened its second Currency Chest in Vijayawada on the 30th November 1998 in the above premises and there is also a proposal to open one more Currency Chest in Chennai.

2. DEPOSITS

The Bank has crossed Rs. 2500 Crore mark in aggregate deposits. The deposits of the Bank as on 31st March 1999 increased to Rs. 2537.93 Crores as against Rs. 2137.85 Crores a year ago and this deposit growth of 18.7% compares well with that of the banking system.

3. ADVANCES

Banks experienced yet another difficult and inhospitable year where the demand for funds continued to be deficient – a repeat experience for the third year in succession. Prolonged and protracted recession and weak sentiments told upon effective demand for funds and in such a cyclical phase, it is heartening that the Bank could increase its advances by Rs. 293.18 Crores to Rs. 1447.88 Crores as on 31st March 1999 as compared to Rs. 1154.70 Crores as on 31st March 1998 or a growth of 25.4% with an incremental CD ratio as high as 73.3% and this growth has to be viewed against the





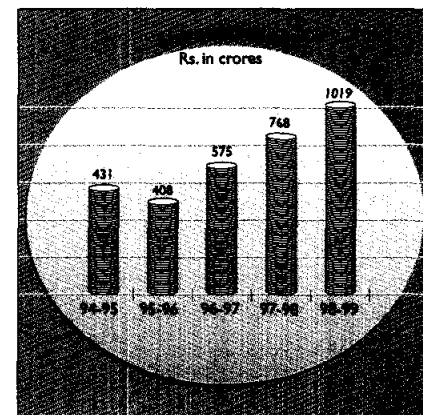
DIRECTORS' REPORT

arrested credit growth at 12% witnessed by the system. The Bank, as in the past, has continued to comply with the stipulated norm that 40% of net bank credit has to be purveyed to the borrowers in the priority sector.

Financial distress and stress inevitably following the business cycle downturn were not conducive enough for quick recovery of loans and this exogenous factor was to be experienced by all in the system. Being part of the system, the Bank could not have naturally remained insulated from such negative developments resulting in the Bank's net NPA reaching 4.35% and this has to be perspectively viewed having regard to what is obtaining in the system.

4. INVESTMENTS

The investments of the Bank amounted to Rs. 1019.04 Crores as on 31st March 1999 as against Rs. 767.62 Crores as on 31st March 1998. The average yield on investments was 12.76% for the year ended with 31st March 1999 as against 13.34% a year ago. The Reserve Bank of India had fixed that the ratio of investments in Current category at 70% for Government and other approved securities for the fiscal 1998-99 but the Bank has prudentially chosen to 'mark to market' its entire investment portfolio well ahead of the impending time frame in this regard.



5. WORKING RESULTS AND APPROPRIATIONS

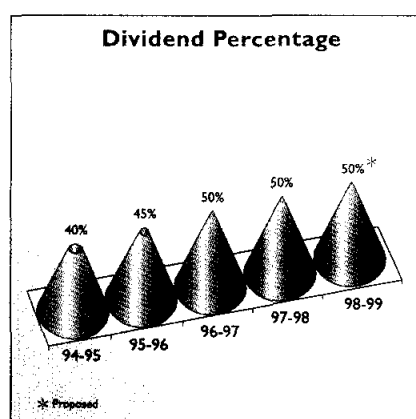
The total income of the Bank increased to Rs. 378.36 Crores for the year ended with 31st March 1999 as opposed to Rs. 332.44 Crores during the comparable previous year – a growth of 13.8%. The Gross Profit of the Bank aggregated Rs. 61.65 Crores for the year under focus as compared to Rs. 83.14 Crores a year ago which included a sizeable treasury income which was not available during the year under reporting. The Net Profit of the Bank amounted to Rs. 37.04 Crores for the year, as against Rs. 43.54 Crores during the last year. This is after providing for taxation and other usual and necessary provisions aggregating Rs. 24.61 Crores as per the prudential accounting norms in place. The above profit position has to be viewed against the backdrop of softer interest rate regime given the competition as also increased pressures on margins experienced by banks. Adding the balance of profit of Rs. 3.09 lakhs brought forward from the previous year's account, the amount available for appropriation amounts to Rs. 3707.01 lakhs.

The Directors have made the following appropriations:

1. Statutory Reserve	Rs.	1117.00	Lakhs
2. General Reserve	Rs.	2185.00	Lakhs
3. Investment Fluctuation Reserve	Rs.	34.00	Lakhs
4. Charity Fund	Rs.	37.04	Lakhs
5. Proposed Dividend	Rs.	329.99	Lakhs
(inclusive of tax on dividend)			
Total	Rs.	3703.03	Lakhs
Balance of Profit	Rs.	3.98	Lakhs

DIRECTORS' REPORT

THE KARUR VYSYA BANK LIMITED

**6. DIVIDEND**

The Board of Directors have recommended a dividend of 50% subject to the approval from appropriate authorities.

7. OWNED FUNDS

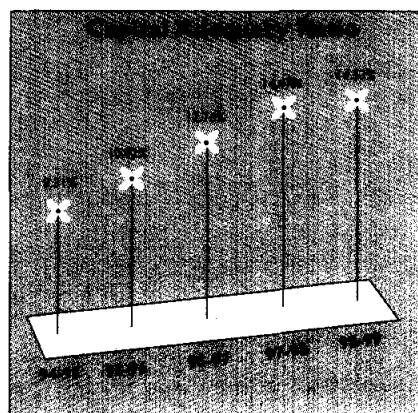
The Paid-up Capital of the Bank stood at Rs. 6.00 Crores as on 31st March 1999. The Capital Funds have significantly increased to Rs. 194.66 Crores as on 31st March 1999 as against Rs. 161.29 Crores a year ago, a growth of 20.7%.

8. CAPITAL ADEQUACY

The Bank has been maintaining its Capital to Risk Weighted Assets Ratio well above the stipulated level. This ratio which was at 14.47% as on 31st March 1998 improved to 14.53% as on 31st March 1999, that too on an enlarged assets base without resorting to any revaluation of its fixed assets though such option was very much available. Thus, the present level of capital adequacy of the Bank is itself well above the proposed capital adequacy norm of 9% to be achieved by banks by the end of the current fiscal (1999-2000).

9. FOREIGN EXCHANGE

The Bank continues to be active in foreign exchange operations with updated Dealing Room. The FX Merchant turnover amounted to Rs. 1336 Crores during the year under report, posting a growth of 8.62% over the previous period. As in the past, timely and required credit support was being extended to exporters which is manifested in the Bank's export credit forming 12.33% as on 31st March 1999 as against the prescribed level of 12%. The Bank is very conscious of the profound need for extending instant and adequate credit support to the export sector in view of the pivotal importance of this sector.

**10. COMPUTERISATION**

Computerisation and modernisation of the Bank's operations continued to receive increased focus during the year. The Bank has increased the number of computerised branches to 87. Further, the Bank's FX operations at the International Division have already been computerised. Likewise, the FX operations of 9 'B' Category branches have also been computerised. As on 31st March 1999, computerised branches covered 72% of total business of the Bank.

The Bank has been addressing the Y2K compliance issue for quite sometime and has taken requisite steps to ensure that its computer operations are not affected by the advent of the year 2000. Y2K compliance has been achieved in respect of hardware and software systems used, besides upgrading certain embedded systems like PC based



DIRECTORS' REPORT

telex, MICR encoders, etc. The Bank has also drawn up contingency plans to take care of any unforeseen eventualities arising from Y2K phenomenon. Standby plans include preparedness of branches to switch over to manual operations, should such a need so arise.

11. HOUSEKEEPING

All inter-branch transactions upto 31st March 1999 have been reconciled well before the time limit fixed by the Reserve Bank of India. Besides, all books of account as on the above date have been balanced.

12. DIRECTORS

On review of the existing practice of their nomination on the Boards of private sector banks, the Reserve Bank of India withdrew their nominee Directors from the Board of our Bank. Accordingly, Shri. R. Sahadeva and Shri Sathyan David ceased to be the Additional Director and the Alternate Additional Director respectively on the Board of our Bank with effect from the 12th October 1998. The Board of Directors place on record their high sense of appreciation of the invaluable services rendered by them.

13. PARTICULARS OF EMPLOYEES

A statement giving the details of the employees who fall under the provisions of Section 217 (2A) of the Companies Act, 1956 together with the gross remuneration paid to them is enclosed.

14. AUDIT

M/s Ananthakrishnan and Veerappan, Chartered Accountants, Dindigul audited the accounts of the Bank for the year under report.

15. ACKNOWLEDGEMENT

The Board of Directors record with deep sense of sorrow the sad demise of the past Directors Shri G R Jayachandran on the 12th January 1999 and Shri V R B Gopalratnam Gupta on the 12th April 1999 and gratefully recall the great services rendered by them.

The Board of Directors express their sincere thanks to the valued shareholders, customers and all the well wishers and patrons for their encouragement, patronage and wholehearted support. The Directors gratefully acknowledge the valuable and timely advice, guidance and support received from the Reserve Bank of India. The Directors are thankful to IDBI, SIDBI, NABARD, NHB, UTI, SEBI, DFHI, STCI, DICGC, ECGC, National Stock Exchange, Madras Stock Exchange, Coimbatore Stock Exchange and other Institutions and Agencies for their continued support.

