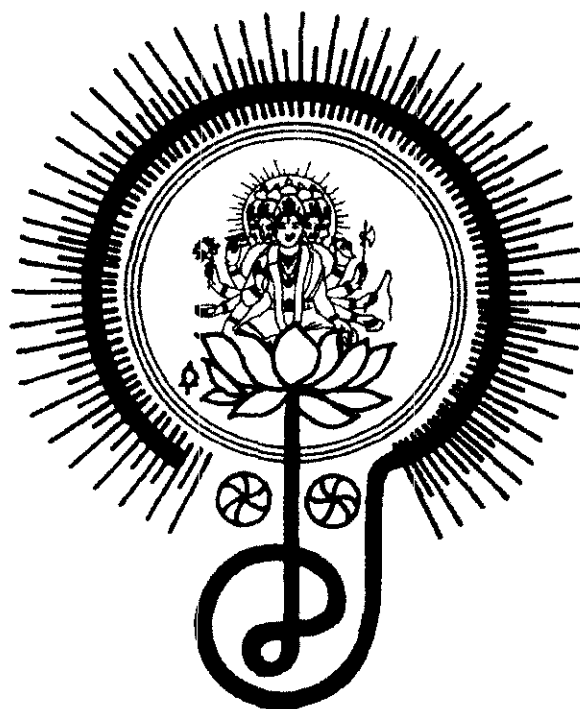




THE KARUR VYSYA BANK LIMITED

ANNUAL REPORT 1999 - 2000



SRI GAYATHRI DEVI

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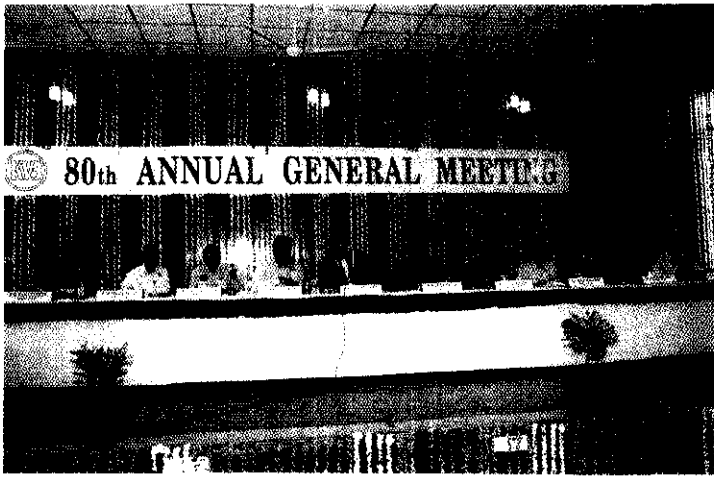


THE KARUR VYSYA BANK LIMITED

Regd. & Central Office :

Erode Road, P.B. No. 21, Karur - 639 001.

Website : www.kvb.co.in

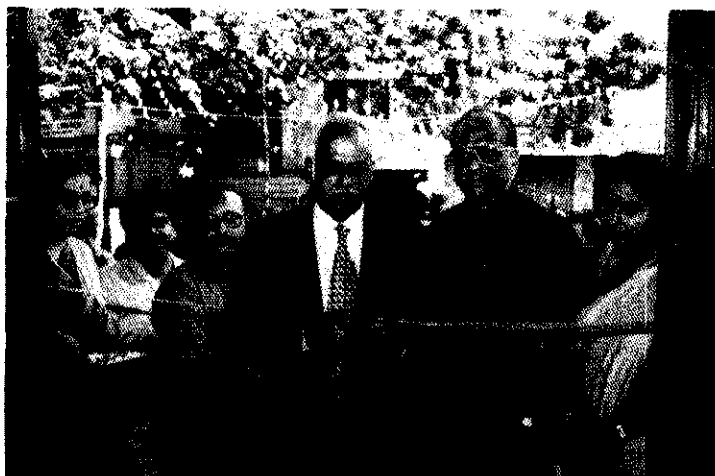


80th Annual General Body Meeting



Cheque presented to the Hon'ble Chief Minister of Tamil Nadu Dr. M. Karunanidhi towards Kargil Relief Fund





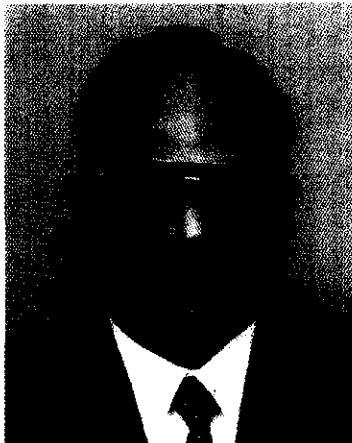
Shifting of Chennai - Mylapore Branch
to new premises



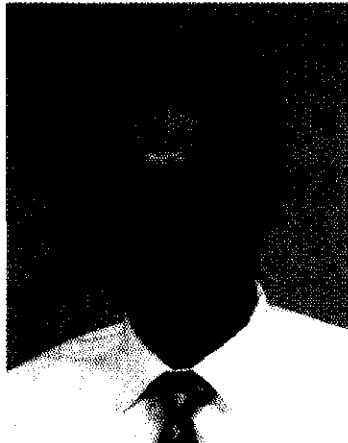
Shifting of Chennai - Triplicane branch
to new premises



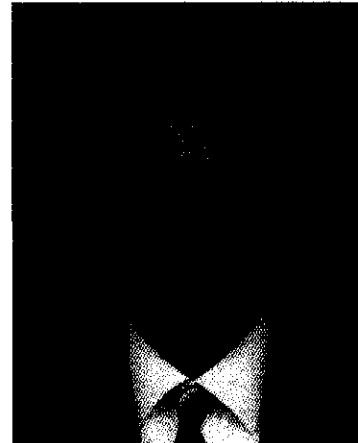
BOARD OF DIRECTORS



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



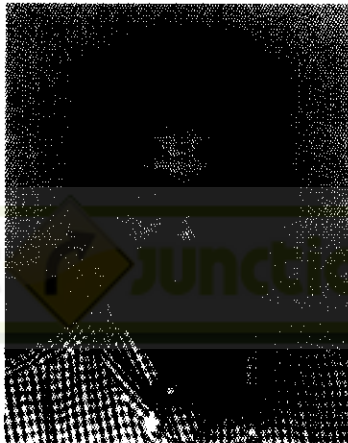
Shri M. Naganathan
B.Com., F.C.A.



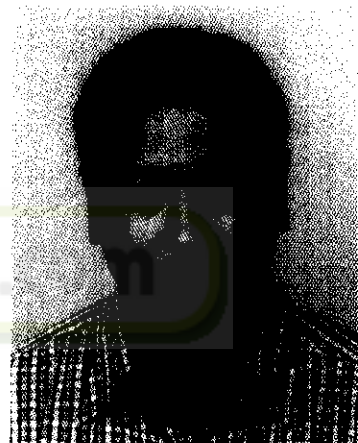
Dr. T.R. Ramanathan
M.A., B.L., Ph.D.



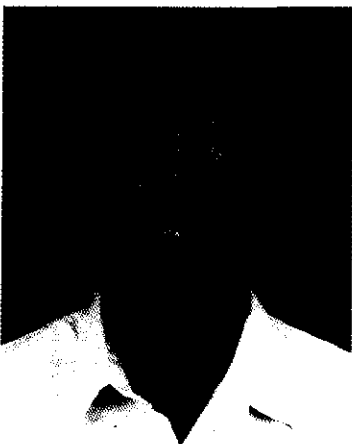
Shri G. Sarangan
B.Sc. (Hons.), B.L.



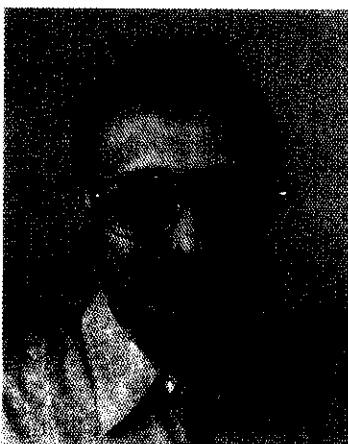
Shri A.K. Praburaj B.Com.



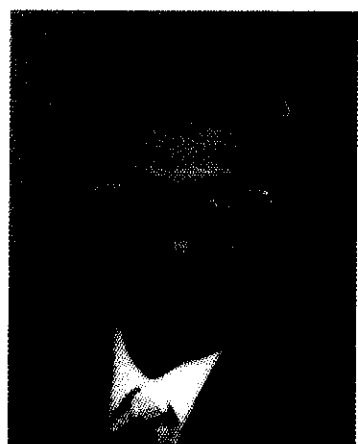
Shri A.J. Suriyanarayana
M.B.A.



Shri R. Gopalakrishnan



Shri M.G. Sankaranarayanan



Shri M.K. Srinivasan M.Com.



Shri N.S. Venkatarama Guptha
B.A., C.A.I.I.B.
Senior General Manager



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

DEPUTY GENERAL MANAGERS

Shri R. Sukumar, M.Sc.

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

ASSISTANT GENERAL MANAGERS

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

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.

Shri P. Narayanan, M.Sc., C.A.I.I.B.

Shri R. Jagadeesan, B.Sc., C.A.I.I.B.

Shri J. Hariharan, M.Com., C.A.I.I.B., D.P.M.I.R.

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 place the Bank's 81st Annual Report along with the audited accounts for the year ended 31st March 2000. The Directors have immense pleasure in reporting that the Bank has posted notable results during 1999-2000 despite operating in fiercely competitive and demanding environs during the year under focus. The Bank has been keeping pace with changing times and is all well poised to take on the market forces to be in the lead.

Your Directors have pleasure in highlighting that the leading professional journals and financial dailies, while ranking the best among the banks based on their balance sheet performance as of 31st March 1999, have once again ranked the Karur Vysya Bank Ltd., as one of the top Five Banks in the private sector including the new generation ones and gratifyingly, this is yet another repeat distinction for the Bank.

1. BRANCH EXPANSION

Since March '99, the Bank has opened four branches taking the total number of branches to 206, one each in Tamil Nadu, Andhra Pradesh, Kerala and the Union Territory of Pondicherry.

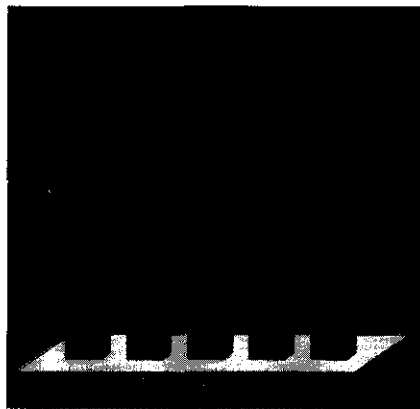
Plans are on hand to open some more branches during the current fiscal in centres like Mangalore, Kangeyam, Old Delhi – Kashmere Gate, Jaipur, Chennai – Teynampet and Bangalore – Jayanagar. It is also proposed to open one more Currency Chest in Chennai - Teynampet.

2. DEPOSITS

The Bank has crossed Rs.3000 Crore mark in aggregate deposits. The deposits of the Bank as on 31st March 2000 increased to Rs.3090.61 crores as against Rs.2537.93 crores a year ago and this deposit growth of 21.78% compares rather well with that of the banking system at 17.90%.

3. ADVANCES

During the year under reference, banks experienced relatively hospitable terrain impacted by certain positive macro economic developments as opposed to testing times of previous two fiscals. Against such a setting coupled with aggressive marketing efforts, the Bank increased its advances by Rs.359.42 crores to Rs.1807.30 crores as on 31st March 2000 as compared to Rs.1447.88 crores as on 31st March '99 or a growth of 24.82% with an incremental CD ratio as high as 65%; this growth has to be viewed against the non-food credit growth at 20.63% witnessed by the system. The Bank has continued to comply with the stipulated norm that 40% of net bank credit has to be extended to the borrowers in the priority sector.





Since 1916

DIRECTORS' REPORT

Overhang of the yester years' business cycle downturns and non-existence of congenial recovery climate continued to stand in the way of quick recovery of problem loans and such adverse impact was only to be felt by all in the system. Being segmental to the system, the Bank was also susceptible to the burden of such negative assets. However due to concerted efforts, the net NPA of the Bank has come down to 3.77% during the year, from 4.35% a year ago and this level has to be viewed in the light of what is obtaining overall, in the system.

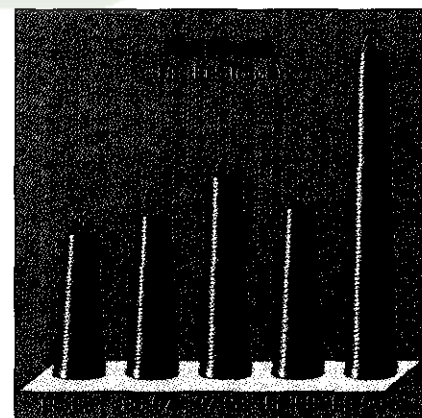
4. INVESTMENTS

The investments of the Bank amounted to Rs.1184.31 crores as on 31st March 2000 as against Rs.1019.04 crores as on 31st March '99. The average yield on investments has appreciably increased to 14.20% during the fiscal under reference as compared to 12.76% in March '99 due to judicious and efficient funds management. The Reserve Bank of India had fixed that the ratio of investments in current category at 75% for Government and Other Approved Securities for the fiscal 1999-2000 but the Bank has prudentially chosen to 'mark to market' its entire investment portfolio from March '99 itself far ahead of the stipulated time frame in this regard.

5. WORKING RESULTS AND APPROPRIATIONS

There has been a notable increase in the income of the Bank during the fiscal under reference in that it increased to Rs.475.83 crores from Rs. 378.36 crores for the year ended with 31st March '99 or a growth of 25.76%. The Gross Profit of the Bank sharply increased to Rs.109.10 crores for the year juxtaposed to Rs.61.65 crores a year ago - up by 76.97%.

The Net Profit of the year has reached an all time high of Rs.71.14 crores as compared to Rs.37.04 crores, reflecting as high a growth as 92.06%. This has been computed after providing for taxation and other usual and necessary provisions aggregating Rs.37.96 crores as per the prudential accounting norms in place. Besides providing Rs.2.74 crores towards incremental pension liability for the year 1999-2000, an amount of Rs.8.33 crores has also been provided towards the balance to be made in the initial contribution towards Pension Fund though this could have been pro-rated in the next seven years. Thus the entire liability towards pension fund upto 31st March 2000 has been made on actuarial basis. In the light of the above, the profit position has to be viewed as quite encouraging, given also the fact that there was a high degree of competition for banking business with continued pressures on the spreads. Adding the balance of profit of Rs.3.98 lakhs brought forward from the previous year's account, the amount available for appropriation amounts to Rs.7118.21 lakhs.

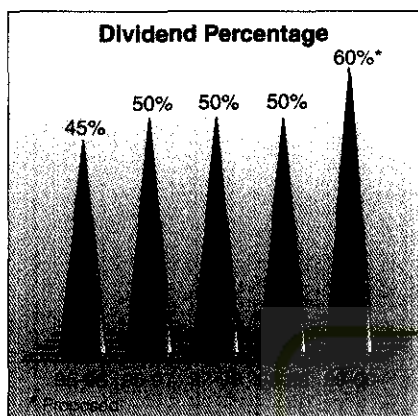


DIRECTORS' REPORT

THE KARUR VYSYA BANK LIMITED

The Directors have made the following appropriations:

	(Rs. in Lakhs)
1. Statutory Reserve	2140.00
2. General Reserve	4335.00
3. Investment Fluctuation Reserve	128.00
4. Charity Fund	71.14
5. Proposed Dividend (inclusive of tax on dividend)	439.19
Total	7113.33
Balance of Profit	4.88



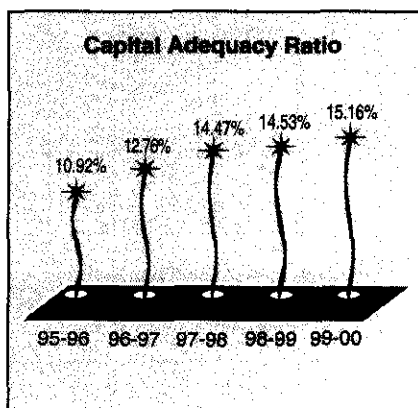
6. DIVIDEND

Presently, banks conforming to certain norms are allowed by the Reserve Bank of India to declare dividend upto 25% without prior approval. Your Board of Directors are however pleased to recommend an enhanced dividend of 60% as against 50% for the previous year, subject to the approval of the Reserve Bank of India. It will be appreciated that this higher dividend balances the twin objectives of giving superior returns to the shareholders and augmenting the capital funds to meet the demands of growth and maintaining a healthy capital adequacy ratio.

7. CAPITAL FUNDS

The Paid-up Capital of the Bank stood at Rs.6.00 crores as on 31st March 2000. The Capital Funds have substantially increased to Rs.260.70 crores as on 31st March 2000 as against Rs.194.66 crores a year ago, a growth of 33.93%.

The Earnings per share has been smartly increasing over years to touch Rs.118.57 in March 2000 as against Rs.61.73 in the earlier year, while the Book Value of the shares has gone up to Rs.434.50 in March 2000 as against Rs.324.43 a year ago.



8. CAPITAL ADEQUACY

The Bank has been maintaining its Capital to Risk weighted Assets Ratio well above the required level and this ratio which was at 14.53% as on 31st March'99 has improved to 15.16% as on 31st March 2000, that too on an enlarged denominator without resorting to any revaluation of its fixed assets though such option was available. Thus, the present level of capital adequacy of the Bank is well above the regulatory minimum of 9% to be achieved by banks by the end of the fiscal 1999-2000.

9. FOREX OPERATIONS

The Bank continues to be active in foreign exchange operations. The FX Merchant turnover amounted to Rs.1726.80 crores during the year under report, posting a



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DIRECTORS' REPORT

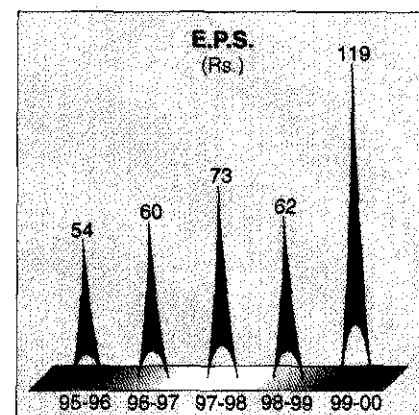
growth of 29.24% over the previous period. The Bank is always alive to the imperative need for extending quick and adequate credit support to the exporter clients.

10. COMPUTERISATION

Computerisation and modernisation of the Bank's operations continued to receive required focus during the year. With the in-house developed 'Gayathri' software, the Bank has increased the number of computerised branches to 97. Further, the Bank's FX operations at the International Division have already been computerised. Likewise, the FX operations of 15 out of 16 'B' category branches have also been computerised. As on 31st March 2000, computerised branches covered 80% of total business of the Bank.

The roll over to the new millennium for the Bank was quite smooth without any hitches or glitches. All online activities and computer systems have been performing normally from 1st January 2000.

The Bank has introduced anywhere banking facilities for its customers by inter-linking three branches at Karur as a part of the Bank's technology upgradation plans and as a pilot venture for introducing similar facilities in other leading business centres with a view to further improving customer service.



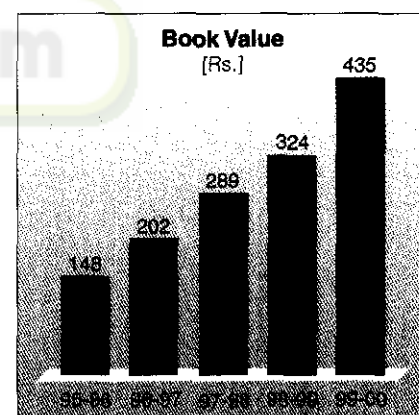
11. HOUSEKEEPING

All inter-branch transactions upto 31st March 2000 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

Sarvashri R Chandrasekaran and M K Venkatesan resigned from the Directorship of the Bank with effect from 19th February 2000. The Board place on record their high sense of appreciation of the invaluable contribution made by them.

The Board of Directors co-opted Shri M K Srinivasan as Additional Director of the Board with effect from 15th March 2000.



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 appended.

14. AUDIT

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