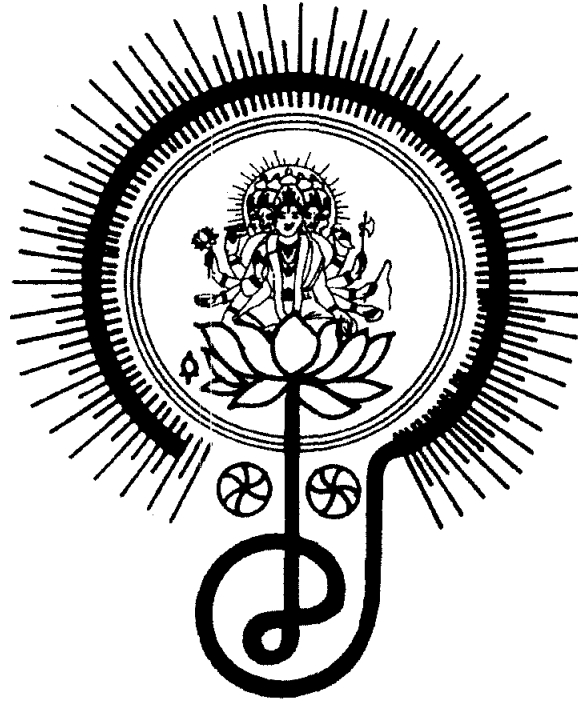


ANNUAL REPORT 2000 - 2001

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THE KARUR VYSYA BANK LIMITED



SRI GAYATHRI DEVI

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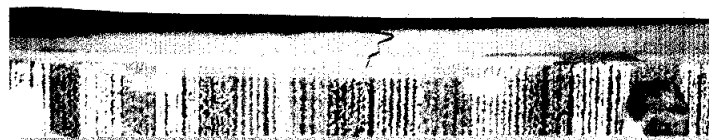
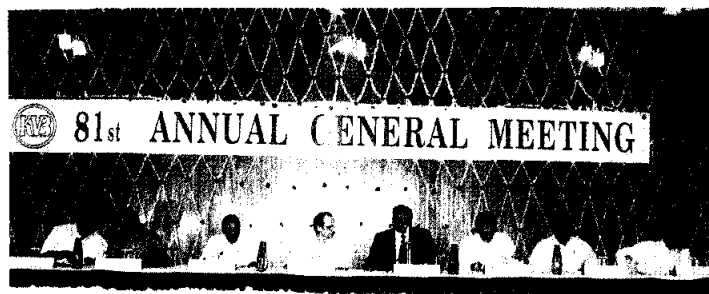


THE KARUR VYSYA BANK LIMITED

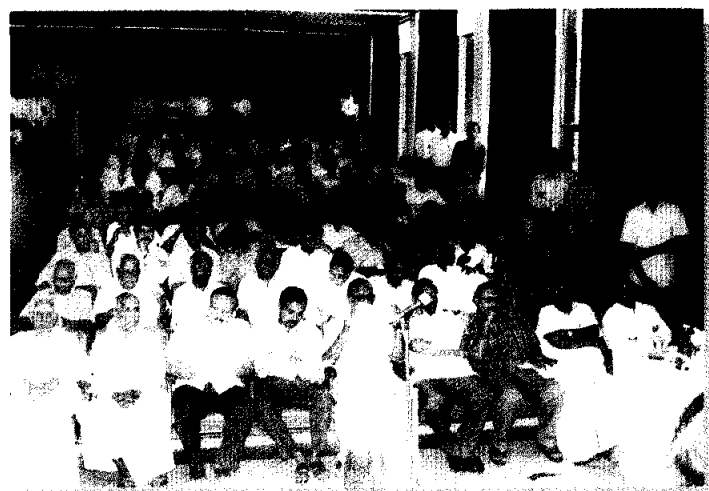
Regd. & Central Office :

Erode Road, Karur - 639 002

Website : www.kvb.co.in



81st Annual General Body Meeting



Our Chairman and Directors briefing the press about the Bank's Annual Results on 5th July 2000 in Chennai





Inauguration of "KVB Towers" by His Excellency
Dr. C. Rangarajan, Governor of Andhra Pradesh
on the 18th March 2001 in Chennai



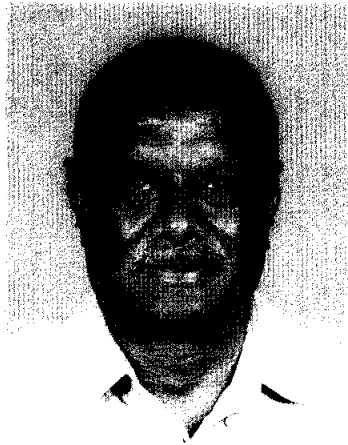
Inauguration of Chennai - Teynampet Branch



BOARD OF DIRECTORS



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



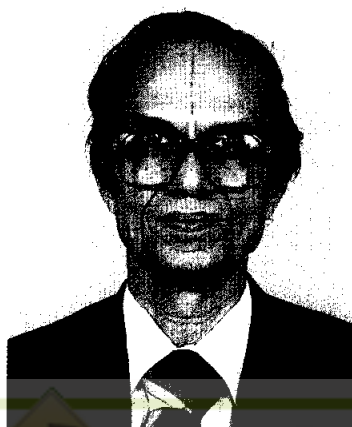
Shri Athi S. Janarthanan M.A.



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.



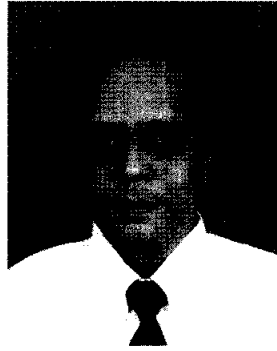
Shri M.G. Sankaranarayanan



Shri M.K. Srinivasan M.Com.



Shri G. Rajasekaran



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

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

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

Your Board of Directors are delighted to place the Bank's 82nd Annual Report along with the audited accounts for the year ended 31st March 2001. It is a very great pleasure for them to report to you that the Bank has posted good results during 2000-2001 though it had to operate against the backdrop of new complexities of market place. The Bank has been changing its style of functioning to fit into the constantly changing and dynamic technology age.

Your Directors have immense pleasure in highlighting that the professional journals and financial dailies, continued to rank the Karur Vysya Bank Limited as one of the top five banks in the private sector, based on the balance sheet performance of banks as of 31st March 2000, and refreshingly for the past few years this is a repeat distinction for the Bank. You will be pleased to note that the BT - KPMG Best Banks survey has placed the Bank in the second position among banks in terms of earnings while evaluating them based on their working results for 1999-2000.

1. BRANCH EXPANSION

The Bank has rationalised certain rural branches either by shifting their locale or introducing satellite branches. The Bank has closed down two unremunerative branches and opened four more branches, including the upgradation of one extension counter into a branch taking the total to 207. The Bank intends opening some more branches during the current year in the centres like Kangeyam, Coimbatore, Chennai and Madurai North in Tamil Nadu, Mangalore, Bangalore and Mumbai. One more currency chest in Chennai - Teynampet has become operational and opening of yet another currency chest in Madurai is being envisaged.

The Bank has constructed a posh building in Chennai - Teynampet christened "KVB TOWERS" which was inaugurated by His Excellency, Dr. C. Rangarajan, Governor of Andhra Pradesh on the 18th March 2001 in an impressive and well attended function. This new landmark building houses the Chennai Divisional Office, the International Division and the Teynampet branch with ATM facility, besides a Currency Chest.

2. DEPOSITS

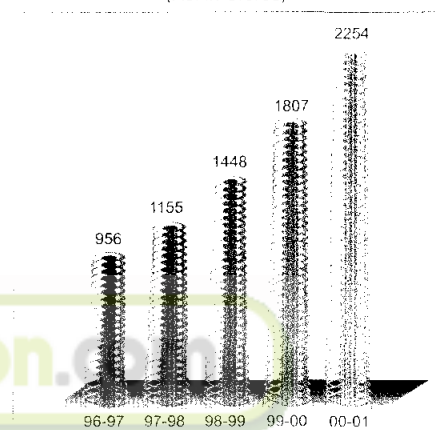
The Bank's aggregate deposits stood at Rs. 3615.25 crores as of 31st March 2001 as against Rs.3090.61 crores a year ago or a growth of 17%. Continuous thrust was given

for building up strong resources base with an accent on low cost deposits.

3. ADVANCES

The year gone by impacted by certain uneasy macro economic developments was not that conducive for banks. Credit worries and demand recession have stymied the loan market. Demand for credit was not that vibrant and the growth of non-food bank credit in the system during the year was less than the previous fisc. Against such a disquieting setting, it is gratifying to note that our focussed efforts had resulted in increase in the Bank's advances to Rs.2254.15 crores as of 31st March 2001 as compared with Rs.1807.30 crores in the corresponding comparable period or a growth of 24.72% and this growth compares rather well with the growth of non-food credit of 14.3% witnessed in 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.

Advances
(Rs. in Crores)



Continuous financial distress and strain that inevitably follow the business downturns coupled with the absence of pro-recovery climate told upon the capacity of banks adversely in recovering their problem credits. Being part of the system, the Bank has per force to carry the increased burden of unproductive assets. Though constellation of adverse factors in the market posed great challenges in addressing this problem, the Bank accentuated its efforts towards managing the Non Performing Assets.



THE KARUR VYSYA BANK LTD.

Directors' Report

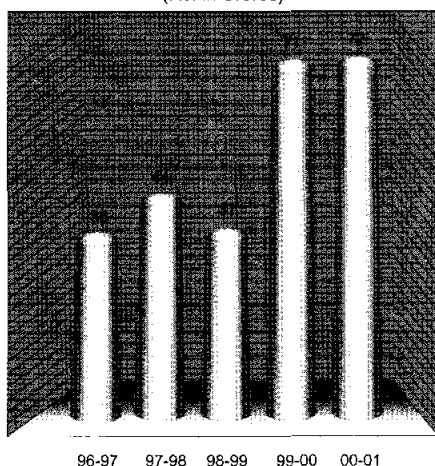
4. INVESTMENTS

Investments of the Bank amounted to Rs.1234.39 crores as on 31st March 2001 as against Rs.1184.31 crores a year ago. Despite judicious funds management, the average yield on investments was at 12.67% during the year under review as compared to 14.20% in March 2000 due to softer interest rate regime and adverse market conditions. The Bank has complied with the recent regulations of the Reserve Bank of India with regard to categorisation of investments.

5. WORKING RESULTS AND APPROPRIATIONS

The total income of the Bank during the fiscal under reference increased to Rs. 515.05 crores as against Rs. 475.83 crores during the last corresponding period. The Gross Profit of the Bank increased to Rs.110.55 crores for the year as compared with Rs.109.10 crores a year ago. The Net Profit for the year has improved to Rs.72.05 crores from Rs.71.14 crores posted during the last year. This has been computed after providing for taxation, write-offs and other usual and necessary provisions aggregating Rs.38.50 crores as per the prudential accounting norms in place. Slow down in economic activities, higher debt provisions, lower recoveries, pressures on margins and other adverse factors have impacted on the profitability of banks. In the light of such constraints faced by banks, the profit performance of the Bank during the year could be considered satisfactory enough.

Net Profit
(Rs. in Crores)



As per the guidelines of the Reserve Bank of India any extra provision needed for depreciation in the value of investments should be debited to the profit and loss account and if required an equivalent amount (net of tax and transfer to statutory reserve) may be transferred from Investment Fluctuation Reserve a/c to the profit and loss a/c as a below the line item after determining the profit for the year. Accordingly a sum of Rs.381.25 lakhs has been transferred to profit and loss a/c and shown as a below the line item.

After adding the balance of profit of Rs.4.89 lakhs brought forward from the previous year's account, the amount available for appropriation amounts to Rs.7590.75 lakhs.

The Directors have made the following appropriations:

	(Rs. in Lakhs)
1. Statutory Reserve	2278.00
2. Capital Reserve	121.96
3. General Reserve	4720.00
4. Proposed Dividend	396.72
(inclusive of tax on dividend)	
Total	7516.68
Balance of Profit	74.07

In terms of Item 16 of the Articles of Association of the Bank "an amount representing 1% of the net profits shall always be set apart each year for common good or charity, out of which such sums may be applied or paid to such items of charity or institutions, from time to time as the directors may deem fit, worthy or expedient". As Section 5A of the Banking Regulation Act, 1949 overrides the above Articles of Association of the Bank, it has not been possible to appropriate the required amount from the net profit of the year towards the fund envisaged in the above Article. Suitable reference in this regard is however being made to the Reserve Bank of India.

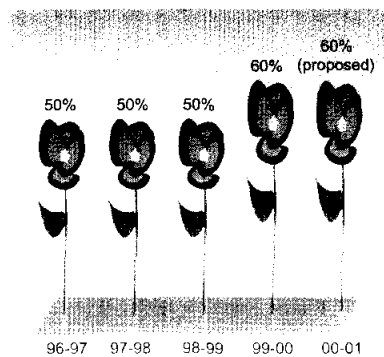
6. DIVIDEND

As of now, banks adhering to certain norms are allowed by the Reserve Bank of India to declare dividend upto 25% without its prior clearance. Your Board of Directors are pleased to declare a dividend of 60% subject to the approval of the Reserve Bank of India. The Bank's consistent but increased dividend payments balances the primary objective of giving attractive returns to the shareholders and enhancing their capital funds to meet

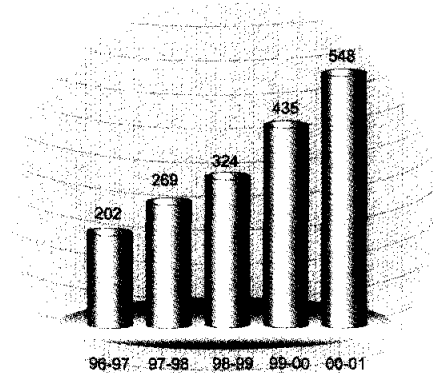
Directors' Report

the growing capital adequacy requirements in the wake of demands of growth and possible higher prescriptions by the Central Banking authorities in this regard.

Dividend Percentage



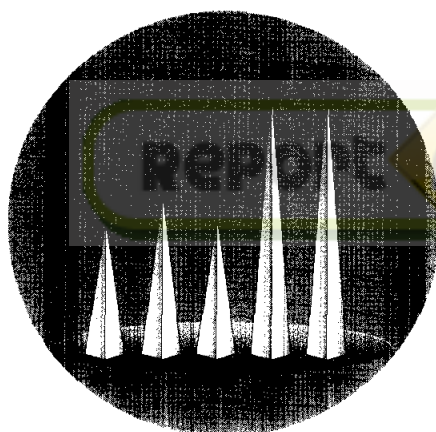
Book Value (Rs.)



7. CAPITAL FUNDS

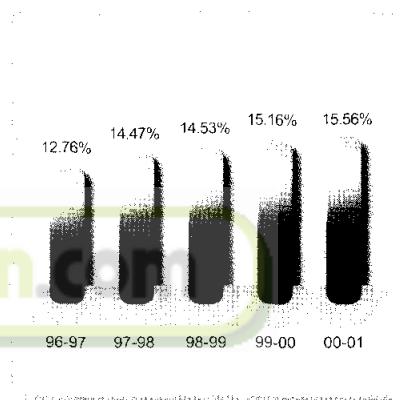
The Paid-up Capital of the Bank stood at Rs.6 crores as on 31st March 2001. The Capital Funds have substantially increased to Rs.328.78 crores as on 31st March 2001 as against Rs.260.70 crores.

E.P.S. (Rs.)



The Earnings per share has been increasing over years to touch Rs.120.08 in March 2001 with the Book Value of the shares at Rs.547.97.

Capital Adequacy Ratio



8. CAPITAL ADEQUACY

The Bank has been strictly complying with the Capital Adequacy requirements in that its Capital to Risk weighted Assets Ratio at 15.56% as on 31st March 2001 was comfortably well above the regulatory minimum of 9% that too on increased asset base and without resort to revaluation option.

9. BONUS CUM RIGHTS SHARES

As the Bank goes along with the growth strategies, the need for the support of the additional capital funds to carry the increased assets base would assume importance. Though presently, the capital adequacy level of the Bank is more than adequate, it was felt that the time is opportune to increase the Capital of the Bank.



THE KARUR VYSYA BANK LTD.

Directors' Report

Your Board of Directors have therefore decided to go in for rights issue with a premium of Rs. 35 per share. In consonance with the avowed policy of the Bank to give superior returns to the shareholders it has also been decided to offer them bonus shares subject to the approval of the Reserve Bank of India. Both issues will be simultaneous in the ratio of 1:1.

10. FOREX OPERATIONS

The Bank continues to be active in foreign exchange operations. Forex Merchant turnover amounted to Rs.1864.88 crores during the year under report. The Bank as in the past continued to be active in extending quick and need based credit support to the exporter clients.

SWIFT has become operational in Mumbai-Fort branch and connected to our International Division – Chennai, Tirupur Overseas, New Delhi – Karol Bagh and Karur Central branches.

11. COMPUTERISATION

As the automation of financial services has emerged as a powerful competitive tool, application of updated Information Technology in the business environment has received the Bank's added focus. As of now, 106 Branches and 19 Offices have been fully computerised and by the end of the current fiscal that number will stand substantially increased to capture about 90% of the business away from the present level of 80%.

The Bank which had already introduced Anywhere Banking Convenience for its customers by inter linking three branches at Karur as a part of its technology upgradation plans is in the advanced stage of networking branches in Metros and other leading business centres before long. In order to provide more convenience to our growing clientele, the Bank has installed ATMs at branches in Karur, Chennai (Teynampet) and New Delhi (Lawrence Road). Plans are on hand to introduce more ATMs in other potential centres.

12. HOUSEKEEPING

All inter-branch transactions upto 31st March 2001 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.

13. DIRECTORS

Shri R Gopalakrishnan and Shri A J Suriyanarayana resigned from the Directorship of the Bank with effect from 29th May 2000 and 30th August 2000 respectively. The Board of Directors co-opted Shri G Rajasekaran and Shri A S Janarthanan as Additional Directors of the Board with effect from 14th June 2000 and 29th August 2000 respectively. The Board place on record their high sense of appreciation of the invaluable contribution made by Shri R Gopalakrishnan and Shri A J Suriyanarayana.

14. 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.

15. AUDIT

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

16. AUDIT COMMITTEE

The Audit Committee of the Bank comprises four directors, viz., Shri M. Naganathan, Shri A.S. Janarthanan, Shri M.K. Srinivasan and Shri A.K. Praburaj. The Chairman of the Committee is Shri M. Naganathan, who is a Chartered Accountant.

17. DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March 2001,

- (a) the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (b) the generally accepted accounting policies and the guidelines issued by the Reserve Bank of India had been followed consistently.
- (c) reasonable and prudent judgements and estimates had been made so as to give a true and fair view of the state of affairs of the Bank at the end of the

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