

SMARTER TECHNOLOGY.  
GREATER REACH.



## OUR VISION

*Delight customers continually by blending tradition with technology, to deliver innovative products and services at affordable rates, through a PAN India network.*

## OUR MISSION

*Adapt technology to introduce innovative products and services as well as increase the value of products on an on-going basis and provide them at reasonable rates.*

*Expand branch network to reach the top business centres,  
besides unbanked and under banked areas in the country.*

*Strengthen the financials through effective deployment of funds and ensuring financial discipline while adhering to the regulator's guidelines.*

*Update the knowledge and skills of the human capital to provide quality customer support.*

## OUR FOUNDERS



**SHRI M A VENKATARAMA CHETTIAR**



**SHRI ATHI KRISHNA CHETTIAR**

### The Vision of Two Legends

KVB, one of the oldest banks in the country, has been a trendsetter in the field of banking and has justly merited the reputation of being one of the best of its kind. The seeds of the Bank were sown on 1<sup>st</sup> July 1916 by two great visionaries and illustrious sons of Karur, late Shri M. A. Venkatarama Chettiar and late Shri Athi Krishna Chettiar. They were men with sound business acumen, pragmatic vision, clear foresight, unwavering determination and a high spirit of nationalism.

The founders envisaged a commercial bank which will meet the credit needs of the merchants, thereby alleviate the problems of the middle class. They took upon themselves the task of proceeding with the formation of the banking company. It took them nearly three years to mobilise seed capital, a major part of which was collected only on the basis of their personal assurance / guarantees.

On their part, while promoting a company for the purpose of banking, they visualized that it should be an institution based on ethics and integrity. It was more of a mission for trust and community service rather than a commercial venture.

Today KVB continues the glorious tradition initiated by the founders and is committed to serving its clientele and society at large with the same zeal and enthusiasm.



## BOARD OF DIRECTORS



Sitting Left to Right: SMT. K.L. VIJAYALAKSHMI, SHRI G. RAJASEKARAN, SHRI B. SWAMINATHAN (CHAIRMAN), SHRI P.R. SESHADRI (MD & CEO), SHRI M.K. VENKATESAN, SHRI N.S. SRINATH

Standing Left to Right: Dr. K.S. RAVICHANDRAN, SHRI M.V. SRINIVASAMOORTHY, Dr. V.G. MOHAN PRASAD, SHRI A.J. SURIYANARAYANA, SHRI A.K. PRABURAJ





**J. NATARAJAN**  
PRESIDENT & COO



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



**S. BALAJI**  
CHIEF GENERAL MANAGER



**T. SIVARAMAPRASAD**  
GENERAL MANAGER & CFO



**V. SRINIVASAN**  
GENERAL MANAGER



**M. BALACHANDRAN**  
GENERAL MANAGER



**S. SEKAR**  
GENERAL MANAGER



**C. SARAVANUN**  
GENERAL MANAGER



**SAIRAJ G R**  
GENERAL MANAGER



**T S NARAYAN**  
GENERAL MANAGER



**ASHOK KUMAR G P**  
GENERAL MANAGER



**M D RAMESH MURTHY**  
GENERAL MANAGER & CRO

#### COMPANY SECRETARY & ASSISTANT GENERAL MANAGER

SRINIVASA RAO MADDIRALA

#### DEPUTY GENERAL MANAGER

SUBBAIYAN M  
UNNIKRISHNAN K  
RAJAGOPALAN R  
JARARD THOMAS  
MURALI KUMAR M  
VENKATESAN R  
SIVAKUMAR R  
RAMSHANKAR R  
RAMESH E

N TIRUMALA RAMANA RAJASHEKER  
VARADHARAJAN A  
RAMKUMAR B  
MURALI L  
CHANDRASEKARAN R N  
ANBURAJ V  
RADHESYAM T  
RAMAKRISHNA C  
RAMESH PRABHU V

GOKULCHANDAR D S  
AKBAR DORAI D  
SESHADRINATHAN L  
RATHINAM K  
R V S RAMANJANEYA KUMAR  
RAVICHANDRAN K  
GIRIDHARAN S

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#### LEGAL ADVISER

K.N. SHRINIVASAN

#### AUDITORS

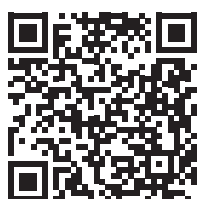
M/s ABARNA & ANANTHAN, CHARTERED ACCOUNTANTS, BENGALURU

#### SECRETARIAL AUDITOR

M/s SOLAIYAPPAN & ASSOCIATES, COMPANY SECRETARIES, SALEM.

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## *Managing Director & CEO's Letter to the shareholders*

**Dear Shareholders,**

On behalf of the Board of Directors and the employees of the Bank, it gives me great pleasure to invite you all to the 99th Annual General Meeting of your Bank.

As we enter our 103rd year of operations, on behalf of the Board of Directors, I take this opportunity to thank our shareholders for their continued support. Equally importantly, I would like to express our sincere gratitude to our valued clients for their continued patronage. Their continued belief in the products and services has enabled us to grow profitably. I wish to thank and commend our employees - their dedication to the cause has enabled your Bank to build an enviable reputation for customer service and customer centricity.

Before I present the financial performance of the Bank during the year 2017-18, I would like to make a brief mention of the following:

### **Global Economic Scenario**

World Economic Outlook of IMF indicates a pickup in global economic output. Economic activity in the US as well as in the Euro area continues to remain strong. Trade related disputes arising out of actions taken in the United States may impact growth in merchandise trade. This particular aspect requires close watch as it is currently developing. The Indian economy, having adjusted to significant structural reforms, is expected to gather steam. Oil prices and their consequent impact on India's Current Account Deficit represent headwinds that our economy will undoubtedly weather.

### **Domestic Economic Scenario**

2017-18 was a landmark year. During the year, two key developments – the rollout of Goods and Services Tax (GST) and the enactment of the Insolvency and Bankruptcy Code (IBC) took place. These are significant structural reforms that will aid faster growth of the economy in the future. In order to enhance growth, several steps were taken by the Government. First, recapitalisation of the public sector banks to enable them to support the economy better; second, increased infrastructural spending to enhance infrastructure quality which has a knock on effect on demand and costs; third, increased focus on agriculture so as to ensure rural growth etc. These and other actions have enabled India to leapfrog 30 places in the World Bank's 'Ease of Doing Business' ranking. From a banking perspective, the development of Aadhar, robust credit bureaus and near instant payment / settlement systems has reduced friction in banking transactions. This, in turn, is expected to enable the economy to grow faster as we move forward.

### **Indian Banking Environment**

Despite the above positive developments, the Indian Banking sector continues to face challenges. Asset quality and costs associated with asset quality are one area of challenge. The system as a

whole is burdened with high Non Performing Assets, with the public sector banks being particularly impacted. Credit growth remained muted at 9.75% for the industry during 2017-18, whereas the Gross NPA levels grew to double digits for many banks. While market liquidity remained comfortable, expectation of increased Governmental borrowing during the year, led to hardening of rates in the GOI Securities market, which in turn impacted profitability of banks. The need to ensure appropriate management of Operational Risk was highlighted by an instance in which a bank found itself straddled with large financial burden, owing to the malfeasant action of a few of its employees. This in turn, exposed the industry to enhanced scrutiny by the media as well as by the regulators.

The success of the Insolvency & Bankruptcy Act to resolve stressed assets in a reasonable period is a major positive for the industry. This will help in the restoration of bank balance sheets to health. As the Indian economy grows from strength to strength, fresh opportunities are expected to arise that will enable prudent banks to grow and prosper. The strengthening of the regulatory regime, the resolution processes are key landmarks in a new era of banking in India.

I now present to you the performance of your Bank – KVB – during FY 2017-18 :

### **Financial Performance**

During the year 2017-18, your Bank has crossed the total business milestone of ₹ 1,00,000 crore. Credit growth has been robust at 11% and Gross Advances as on 31.03.2018 stood at ₹ 45,973 crore. CD Ratio as on 31.03.2018 improved to 80.81% from 77.16% as on 31.03.2017. Retail advances recorded a significant growth of more than 20% (₹ 1,280 crore) during the year, while the share of retail in the overall asset book improved by 200 bps to 17% of gross advances. Within retail portfolio, housing loan segment has grown by ₹ 465 crore during the year.

Deposits, especially the retail segment, continued to grow with increased thrust on CASA growth. During the year, a growth of 13% and 10%, respectively, has been recorded in the Current and Savings segments. Your Bank's growth rate in transactional balances significantly outpaces that of the industry. CASA mix of your Bank has reached a level of 29%. 63% of total term deposits were less than ₹ 15 lakhs, and only 8% of term deposits form value of ₹ 5 crore or more, indicating low dependence on wholesale deposits.

The operating profit of your Bank for the year 2017-18 reached a new high of ₹ 1,777 crore, registering a growth of 13%. This was made possible by tight expense controls that ensured your Bank managed its expense base efficiently in spite of the following:

- a. Significant branch expansion;
- b. Substantial investment in Digital Transformation – a technology initiative that will position your Bank for the future;
- c. Significant investments in migrating to the latest version of Core Banking. This again will enable your Bank to take advantage of newer technologies to foster growth.

Net Interest Income improved by 11% (₹ 224 crore) during the year. Even though subdued securities market conditions yielded lesser securities trading income, Non Interest Income of your



Bank has improved by 15% and reached a level of ₹ 900 crore. Operating expenses have risen by 11% during the year, which was mainly on account of overall increase in staff expenditure, and other overheads.

Your Bank has shown an improved NIM by 16 bps to 3.86%. This was achieved by bringing down the cost of funds by 61 bps during the year (and certain one time credits that helped buoy NIM). The fall in yield on funds by 49 bps offset the reduced cost, and the spread went up by 12 bps to 3.22%.

The deteriorating asset quality issues faced by the industry also had an impact on your Bank, as a result of which Gross NPA numbers grew considerably. This, coupled with other regulatory provisions requirements, necessitated higher provisions towards the following:

- a. Increased credit provisions for growth in GNPA (including provision for ageing of NPAs);
- b. Additional provisions as directed by RBI in respect of select accounts (which were referred to NCLT for resolution); and
- c. Continuation of provisions to amortise losses incurred in the sale of assets to ARC.

Thus, credit related provisions escalated by 84% from ₹ 648 crore for FY 2016-17 to ₹ 1,190 crore in FY 2017-18. Whilst very substantial provisions have been created in the Balance Sheet, Provision Coverage Ratio (PCR) remained virtually unchanged. The increased provision requirements impacted your Bank's Net Profit, which was subdued at ₹ 346 crore.

## **Other Developments**

Your Bank was successful in completing the rights issue of shares during the year. 11,73,17,101 shares of face value ₹ 2/- each was issued at a price of ₹ 76/- per share, which has resulted in increase in share capital to ₹ 145.33 crore. CRAR under Basel III thus improved to 14.43% as on 31.03.2018, as a result of increased Share Capital, Share Premium and internal accruals.

During the year, the pace of branch expansion continued by opening 79 branches, taking the overall presence to 790 branches across the country. 1795 ATMs, 533 Cash Recyclers are also deployed by your Bank at various centres.

Digital business thrust continued during the year, and the PoS terminals deployed reaching 22,873 at the end of the year. Your Bank had also piloted the introduction of FASTag e-toll collection initiative and 12,169 FASTags have been issued during the year.

## **Way Ahead**

Your Bank continues to be on the forefront of technology driven growth, and is currently undertaking the following initiatives:

- a. Migration to the latest version of Flexcube Core Banking platform - which will enable seamless electronic banking transactions across multiple channels, in a secured environment, through API enabled architecture. This will considerably enhance customer experience whilst customers use your Bank's digital offerings;

- b. Digital Transformation – This is a key initiative your Bank is undertaking. This unique initiative (arguably amongst the first in the industry), provides the following advantages:
  - i. Enables a highly automated underwriting process that relies on third party data (Credit Bureaus, Banking Data and Tax related data amongst others);
  - ii. Enables credit decisions to be taken in minutes as against in days while tightly managing credit risk;
  - iii. Reduces paper and increases digitisation with concomitant benefits for account maintenance and portfolio management.
- c. Continuing focus on MSME – specially the smaller MSMEs – This is the area of core strength of your Bank. One of the work-streams in Digital Transformation is the automation and digitisation of Working Capital facilities. This initiative is partially operative and enables customers to renew their own facilities and offers our branches a simplified mechanism for account renewal. We expect this system to start accommodating New to Bank (NTB) customers in August.

Your Bank is enhancing its already robust risk management systems and ensuring due care is taken to adhere to the letter and spirit of the rules / regulations with respect to corporate governance. It is our aim to emerge as a respected industry leader that our customers are pleased to deal with and our regulators satisfied with the quality of our systems and processes.

### **Awards and Accolades**

Your Bank has received, for the 9th successive year, the Best Small Bank for Innovative use of Technology award from Institute for Development and Research in Banking Technology (IDBRT).

We were also adjudged the Best Small Bank Runner Up, 2016 by Business World - PwC.

Your Bank was also awarded for the Most Disruptive Payments Technology - FASTag - at Kamikaze Payments & Cards Summit.

NSDL has also declared your Bank as Runner Up for the Number of Demat Accounts opened in Bank category.

Once again, I thank the shareholders and all stake-holders for their support and patronage. I would also like to thank Reserve Bank of India for their guidance and support. The Bank will continue its quest of becoming the 'Smart Way to Bank' and commits itself to the highest standards of service, transparency and corporate governance.

With warm greetings,

**P. R. Seshadri,**

MD & CEO