

FCD / 44 /2017-18

May 18, 2017

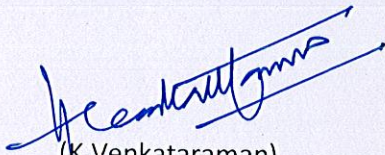
The Secretary  
The Bombay Stock Exchange, Mumbai.  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
MUMBAI - 400 001.

Dear Sirs,

Reg: Audited Financial Results of the Bank for the year ended 31<sup>st</sup> March 2017.

Please find enclosed the Audited Financial Results of the Bank for the year ended 31<sup>st</sup> March 2017, approved by the Board on 18<sup>th</sup> May 2017.

Yours faithfully



(K.Venkataraman)  
Managing Director & C E O

Encl: as above.

**THE KARUR VYSYA BANK LIMITED**

Finance & Control Department  
Central Office, Erode Road, KARUR - 639 002.

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**AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH 2017**

(₹ in lakhs)

Particulars	3 Months ended			Year ended	
	31/03/2017	31/12/2016	31/03/2016	31/03/2017	31/03/2016
	Audited	Reviewed	Audited	Audited	
<b>1. Interest earned (a)+(b)+(c)+(d)</b>	<b>143324</b>	<b>141116</b>	<b>137018</b>	<b>562235</b>	<b>544343</b>
(a) Interest / discount on advances / bills	110399	108322	108728	440169	432938
(b) Income on Investments	29183	28559	28009	110604	109578
(c) Interest on balances with RBI and other interbank funds	3431	3397	89	8777	224
(d) Others	311	838	192	2685	1603
<b>2. Other Income</b>	<b>23199</b>	<b>17010</b>	<b>16612</b>	<b>78222</b>	<b>70678</b>
<b>3. Total Income (1+2)</b>	<b>166523</b>	<b>158126</b>	<b>153630</b>	<b>640457</b>	<b>615021</b>
<b>4. Interest Expended</b>	<b>85325</b>	<b>89353</b>	<b>89752</b>	<b>354865</b>	<b>366203</b>
<b>5. Operating Expenses (i) + (ii)</b>	<b>30492</b>	<b>35272</b>	<b>31227</b>	<b>128495</b>	<b>118512</b>
(i) Employees cost	13799	17562	13927	60796	54738
(ii) Other operating expenses	16693	17710	17300	67699	63774
<b>6. Total Expenditure (4+5) (excluding provision and contingencies)</b>	<b>115817</b>	<b>124625</b>	<b>120979</b>	<b>483360</b>	<b>484715</b>
<b>7. Operating Profit before Provisions and Contingencies (3-6)</b>	<b>50706</b>	<b>33501</b>	<b>32651</b>	<b>157097</b>	<b>130306</b>
<b>8. Provisions (other than tax) and Contingencies (Net)</b>	<b>21750</b>	<b>15750</b>	<b>5501</b>	<b>68750</b>	<b>39143</b>
<b>9. Exceptional items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>10. Profit from ordinary activity before tax (7-8-9)</b>	<b>28956</b>	<b>17751</b>	<b>27150</b>	<b>88347</b>	<b>91163</b>
<b>11. Tax expense</b>	<b>7200</b>	<b>6175</b>	<b>13350</b>	<b>27749</b>	<b>34400</b>
<b>12. Net Profit from ordinary activities after tax (10-11)</b>	<b>21756</b>	<b>11576</b>	<b>13800</b>	<b>60598</b>	<b>56763</b>
<b>13. Extraordinary items (net of tax expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>14. Net Profit for the period (12-13)</b>	<b>21756</b>	<b>11576</b>	<b>13800</b>	<b>60598</b>	<b>56763</b>
<b>15. Paid-up equity share capital (FV ₹ 2/-) ( * )</b>	<b>12186</b>	<b>12186</b>	<b>12186</b>	<b>12186</b>	<b>12186</b>
<b>16. Reserves excluding Revaluation Reserve (as per balance sheet of previous accounting year)</b>				<b>445109</b>	<b>412440</b>
<b>17. Analytical Ratios</b>					
(i) % of shares held by Government of India	0%	0%	0%	0%	0%
(ii) Capital Adequacy Ratio - Basel III	12.54%	11.79%	12.17%	12.54%	12.17%
(iii) Earnings per share (EPS)					
a) Basic EPS before extraordinary items (not annualized)	(*) 3.57	(*) 1.90	11.33	(*) 9.95	46.59
b) Diluted EPS before extraordinary items (not annualized)	(*) 3.57	(*) 1.90	11.33	(*) 9.95	46.59
c) Basic EPS after extraordinary items (not annualized)	(*) 3.57	(*) 1.90	11.33	(*) 9.95	46.59
d) Diluted EPS after extraordinary items (not annualized)	(*) 3.57	(*) 1.90	11.33	(*) 9.95	46.59
(iv) NPA Ratios					
a) Gross NPAs	148381	102224	51118	148381	51118
b) Net NPAs	103346	63752	21617	103346	21617
c) % of Gross NPAs	3.58%	2.66%	1.30%	3.58%	1.30%
d) % of Net NPAs	2.53%	1.68%	0.55%	2.53%	0.55%
(v) Return on Asset (annualized)	1.39%	0.74%	0.97%	1.00%	1.03%

(\*) Refer note no.6 regarding sub division of face value of shares from ₹10/- to ₹ 2/- per share during the quarter ended December 31,

2016, March 31, 2017 and year ended March 31, 2017.



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(₹ in lakhs)

Segment Reporting for the year ended 31st March 2017					
Particulars	3 Months ended			Year ended	
	31/03/2017	31/12/2016	31/03/2016	31/03/2017	31/03/2016
	Audited	Reviewed	Audited	Audited	
<b>Business Segments</b>					
<b>Segment Revenue</b>					
1. Treasury Operations	41388	36153	30118	143754	124751
2. Corporate/Wholesale Banking Operations	44010	44420	46177	175576	178607
3. Retail Banking Operations	80763	77326	77027	319998	310566
4. Other Banking Operations	362	226	309	1128	1098
<b>Total</b>	<b>166523</b>	<b>158125</b>	<b>153631</b>	<b>640456</b>	<b>615022</b>
<b>Segment Results</b>					
1. Treasury Operations	12371	9732	8397	41650	25685
2. Corporate/Wholesale Banking Operations	15530	13771	12622	54432	47289
3. Retail Banking Operations	27743	16464	16909	83508	79122
4. Other Banking Operations	331	201	281	1020	1000
<b>Total</b>	<b>55975</b>	<b>40168</b>	<b>38209</b>	<b>180610</b>	<b>153096</b>
Unallocated Income/Expenses	5269	6668	5558	23513	22790
Operating Profit	50706	33501	32651	157097	130306
Income Taxes	7200	6175	13350	27749	34400
Other Provisions	21750	15750	5501	68750	39143
<b>Net Profit from ordinary activities</b>	<b>21756</b>	<b>11576</b>	<b>13800</b>	<b>60598</b>	<b>56763</b>
Extraordinary items	0	0	0	0	0
<b>Net Profit</b>	<b>21756</b>	<b>11576</b>	<b>13800</b>	<b>60598</b>	<b>56763</b>

(₹ in lakhs)

Other Information	3 Months ended			Year ended	
	31/03/2017	31/12/2016	31/03/2016	31/03/2017	31/03/2016
	Audited	Reviewed	Audited	Audited	
<b>Segment Assets</b>					
1. Treasury Operations	1495821	1920327	1457311	1495821	1457311
2. Corporate/Wholesale Banking Operations	1351162	1351451	1399159	1351162	1399159
3. Retail Banking Operations	2739610	2446357	2509279	2739610	2509279
4. Other Banking Operations	0	0	0	0	0
5. Unallocated Assets	594169	633771	532723	594169	532723
<b>Total Assets</b>	<b>6180762</b>	<b>6351906</b>	<b>5898472</b>	<b>6180762</b>	<b>5898472</b>
<b>Segment Liabilities</b>					
1. Treasury Operations	1448711	1884249	1417905	1448711	1417905
2. Corporate/Wholesale Banking Operations	1219454	1210046	1267263	1219454	1267263
3. Retail Banking Operations	2472378	2189797	2273342	2472378	2273342
4. Other Banking Operations	0	0	0	0	0
5. Unallocated Liabilities	536649	567494	482667	536649	482667
Capital Employed	503570	500320	457295	503570	457295
<b>Total Liabilities</b>	<b>6180762</b>	<b>6351906</b>	<b>5898472</b>	<b>6180762</b>	<b>5898472</b>

**GEOGRAPHIC SEGMENTS:** The Bank operates only in Domestic segment.



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(₹ in lakhs)

**SUMMARISED BALANCE SHEET AS ON MARCH 31, 2017**

PARTICULARS	As on 31.03.2017	As on 31.03.2016
<b>Capital and Liabilities</b>		
Capital	12186	12186
Reserves and Surplus	491383	445109
Deposits	5369981	5007890
Borrowings	169565	289424
Other Liabilities and Provision	137647	143863
<b>Total</b>	<b>6180762</b>	<b>5898472</b>
<b>Assets</b>		
Cash & Balances with RBI	279047	252906
Balances with Banks and Money at Call	155462	26254
Investments	1485749	1454267
Advances	4090772	3908438
Fixed Assets	41861	42012
Other Assets	127871	214595
<b>Total</b>	<b>6180762</b>	<b>5898472</b>

**Notes:**

- 1) The above financial results for the year ended March 31, 2017 have been reviewed and recommended by the Audit Committee of the Board and approved by the Board of Directors at their meeting held on May 18, 2017. The same have been subjected to audit by the Statutory Central Auditors of the Bank in line with the guidelines issued by Reserve Bank of India and as per listing agreement with the Stock Exchanges.
- 2) For the preparation of these financial results, the Bank has followed the same accounting policies and practices adopted for the preparation of the audited financial statements for the previous year.
- 3) The figures for the quarter ended 31st March 2017 and the corresponding quarter ended in the previous year as reported in these financial results are the balancing figure between audited figures in respect of the full financial year and the year to date figures upto the end of the third quarter of the relevant financial year.
- 4) The working results for the quarter and year ended 31st March 2017 have been arrived at after making provisions for Non-performing Assets, provision for Standard Assets, Depreciation on Investments, Taxes on Income and other usual and necessary provisions.
- 5) During the year ended March 31, 2017, one Equity Share Face Value of ₹10/- each was sub-divided into five Equity Shares Face Value of ₹ 2/- each with effect from November 18th, 2016. The EPS calculations reported at Sl.No.17 (iii) under Analytical Ratios for the three months / year ended March 2017 have been calculated taking into account face value of ₹2/- each. The EPS calculations reported therein for the corresponding three months ended March 31, 2016 and for the year ended March 31, 2016 are based on the face value of ₹10/- each as it existed as on the said dates.
- 6) In accordance with the RBI circular DBOD. No. BPBC.1/21.06.201/2015-16 dated 01.07.2015, read together with RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31.03.2015, Banks are required to make Pillar 3 disclosures under Basel III capital regulations. Accordingly, Pillar 3 disclosures under Basel III capital regulations have been made available on the Bank's website at the following link [http://www.kvb.co.in/footer/pillarIII\\_disclosures.html](http://www.kvb.co.in/footer/pillarIII_disclosures.html). These disclosures have not been subjected to review/audit by the Statutory Central Auditors.
- 7) The Bank had made a provision of ₹35.52 crore being 15% of the outstanding food credit availed by the State Government of Punjab as at 31.03.2016. During the year ended March 31, 2017 an excess provision of ₹ 12.68 crore was written back.
- 8) In accordance with RBI guidelines, Bank has shifted securities amounting to ₹106.76 crore from AFS to HTM category and ₹ 406.3 crore from HTM to AFS category and the resultant depreciation of ₹0.93 crore has been charged to Profit and Loss account during the first quarter of the current financial year, (corresponding depreciation charged during the 1st quarter of the previous financial year being ₹ 3.38 crore).
- 9) In terms of RBI circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015 in respect of asset sold to SC/RCS, the shortfall arrived at by deducting the sale consideration and the provision held as on the date of the sale from the outstanding amount can be amortised over two years. Accordingly, for those sales that were concluded during the previous financial year, Bank has charged to the Profit and Loss Account an amount of ₹252.76 crore during the year ended March 31,2017 on proportionate basis and balance amount of ₹185.07 crore, being unamortised amount of loss on sale of assets to ARC has debited to General Reserve in terms of RBI circular DBR.No.BP.BC.102/21.04.048/2015-16 dated 13.06.2016.



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10) In terms of RBI circular DBR.No.BP.BC.83/21.01.048/2014-15 dated 01st April 2015, banks are allowed to make provision in respect of fraud accounts, over a period not exceeding four quarters commencing with the quarter in which the fraud has been detected. In respect of frauds reported during the Financial Year 2015-16, an amount of ₹41.83 crore has been provided during the year ended March, 31 2017 (Nil for the current quarter) and balance carried over as at the end of the quarter is Nil.

11) The Bank was grouping loss on sale of assets to ARC under Operating Expenses upto December 2016. However from the quarter ended 31.03.2017, it has been regrouped under Provisions & Contingencies. Accordingly, the figures of the previous quarter and year have also been regrouped.

12) Pursuant to RBI circular FMRD DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the Bank has with effect from November 26, 2016 considered its repo / reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as Borrowings/Lendings, as the case may be. Hitherto, the repo/reverse repo transactions were included under Investments. Figures for the previous period's/year have been regrouped/reclassified to conform to current period's/year classification. The above regrouping/reclassification has no impact on the profit of the Bank for the quarter/year ended 31 March, 2017 or the previous periods/year.

13) The business of the bank has been classified into four segments i.e., i) Treasury; ii) Corporate & Wholesale Banking; iii) Retail Banking; and iv) Other banking operations. Since the Bank does not have any overseas branch, reporting under geographic segment does not arise. Segment assets have been identified and segment liabilities have been allocated on the basis of segment assets. The segment results are annexed.

14) The Board of Directors recommend a dividend of ₹ 2.60 per equity share of ₹ 2/- each for the year 2016-17, subject to the approval of the members at the ensuing Annual General Meeting. In accordance with AS 4, Contingencies and Events Occurring after the Balance Sheet date notified by the MCA on March 30, 2016, the proposed dividend including corporate dividend tax amounting to Rs.190.68 crore has not been shown as on appropriation from the Profit and Loss appropriation account as of March 31, 2017 and correspondingly not reported under Other Liabilities and Provisions as at March 31, 2017. For computation of capital adequacy ratio as at 31.03.2017, Bank has adjusted the proposed dividend and tax thereon for determining capital funds.

15) The position of investor complaints is : No. of complaints pending at the beginning and at end of the quarter Nil ; received and disposed off during the quarter - 3.

16) Provision Coverage Ratio is 57.83 % as on 31st March 2017.

17) In conformity with RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 with respect to disclosure on divergence in Asset Classification and Provisioning for NPAs, and as per approval of the Board of Directors in the meeting held on May 18, 2017, the disclosures regarding divergences have been incorporated in the Notes to Audited Financial Statements of the Bank for the year ended March 31, 2017.

18) Previous period's /year's figures have been regrouped, wherever necessary to conform to the current period's / year's classification.

Place : Karur

Date : 18.05.2017

"As per our report of even date"

For Abarna & Ananthan  
Chartered Accountants

Firm Registration No. 000003S

S. Ananthan  
Partner

Membership No. 026379



For and on behalf of Board of Directors



K. Venkataraman  
Managing Director & CEO

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Members 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 ('the Bank'), which comprise the Balance Sheet as at 31<sup>st</sup> March 2017, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these Financial Statements are the returns of 5 branches and 1 office audited by us, 766 branches / offices audited by Branch Auditors.

### **Management's Responsibility for the Financial Statements**

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.



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**Branches at : Chennai, Mumbai**

**✉ : [audit@abarna-ananthan.com](mailto:audit@abarna-ananthan.com)**



- a. In case of the Balance Sheet, of the state of affairs of the Bank as at 31<sup>st</sup> March, 2017,
- b. In case of the Profit and Loss Account of the profit for the year ended on that date; and
- c. In case of the Cash Flow Statement, of cash flows for the year ended on that date.

### **Emphasis of Matter**

9. We draw attention to Note on the Financial Statements, regarding unamortized loss of Rs. 185.07 Cr on sale of advances to Asset Reconstruction Companies during the Financial Year 2015-16. Our opinion is not qualified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

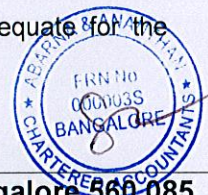
10. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
11. As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, 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 purpose 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.
12. Further, as required by section 143(3) of the Act, we further report that:
  - i. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.

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**Annexure A to the Independent Auditor's Report of even date on the Financial  
Statements of The Karur Vysya Bank Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section  
143 of the Companies Act, 2013**

1. We have audited the internal financial controls over financial reporting of The Karur Vysya Bank Limited ('the Bank') as at 31<sup>st</sup> March 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI')".

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

**Auditor's Responsibility**

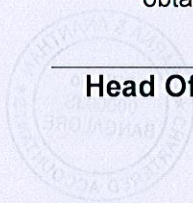
3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial

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**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Place: Karur  
Date: 18-05-2017

For Abarna & Ananthan  
Chartered Accountants  
Firm Registration No. 000003S



S. Ananthan  
Partner  
Membership No. 26379

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