

DIRECTORS' REPORT

To the Members,

The Board of Directors take great pleasure in presenting the 101st Annual Report on business and operations of the Bank together with the audited accounts for the financial year ended March 31, 2020.

KEY PERFORMANCE INDICATORS

Indian Banking Sector witnessed a mix of opportunities and challenges in this financial year. Digital Technology has brought major changes in the Banking Sector - the way customers could perceive a unique digital Banking experience at their fingertips in hassle-free manner - resulting in efficient customer service even from a remote location. But, the continuing shocks in NBFC sector, escalated trade tensions between US-China, emergence of numerous FinTechs, stress in real estate sector, crisis in a new private sector Bank, subdued consumption and slowdown in credit & recovery due to outbreak of COVID-19 were challenges to the Banks during the financial year. Despite these headwinds during the year, your Bank has made reasonable performance in its operations as highlighted below.

Particulars	31.03.2020 (₹ in Cr)	31.03.2019 (₹ in Cr)
Deposits	59,075.08	59,867.95
Advances	48,516.30	50,615.66
Investments	16,072.60	15,136.52
Total Income	7,144.60	6,778.59
Total Expenditure	5,383.76	5,067.81
Operating Profit	1,760.85	1,710.78
Net Profit	235.02	210.87

TOTAL BUSINESS

Your Bank's total business stood at ₹ 1,07,591.38 Cr as on March 31, 2020 as against ₹ 1,10,483.61 Cr of previous financial year.

DEPOSITS

The Gross Deposits of the Bank stood at ₹ 59,075.08 Cr as on March 31, 2020 as against ₹ 59,867.95 Cr of previous financial year.

Bank's Term deposits stood at ₹ 40,568.37 Cr as on March 31, 2020 as against ₹ 41,952.97 Cr of previous financial year. On the CASA side, Savings deposits reached ₹ 13,002.61 Cr by registering a growth of 7.45% from ₹ 12,101.39 Cr of previous financial year and other demand deposits stood at ₹ 5,504.10 Cr as against ₹ 5,813.59 Cr of previous financial year. Your Bank's total CASA reached ₹ 18,506.71 Cr as on March 31, 2020 by registering a growth of 3.30% from ₹ 17,914.98 Cr of previous financial year.

ADVANCES

Bank's Credit portfolio stood at ₹ 48,516.30 Cr as on March 31, 2020, a de-growth of 4.15% over the ₹ 50,615.66 Cr level of previous year. This is due to the conscious call taken by the Board to strengthen asset quality and to concentrate on building a granular loan book. Bank's Priority sector advances improved to ₹ 21,026.39 Cr from ₹ 19,684.52 Cr of previous financial year, by registering a growth of 6.82%. Priority sector advances constitutes 42.49% of Bank's Adjusted Net Bank Credit (ANBC) as against the statutory mandate of 40%.

CLASSIFICATION OF ADVANCES PORTFOLIO

Particulars	March 2020 (₹ in Cr)	March 2019 (₹ in Cr)	Y-o-Y Growth %
Commercial	15,620	17,056	(8)
Corporate	12,767	14,169	(10)
Agriculture	8,936	8,113	10
Retail (Personal Banking)	11,193	11,278	(1)
Total Advances	48,516	50,616	(4)

AGRICULTURE ADVANCES

Bank's average Agriculture Advances, in terms of RBI guidelines, stood at ₹ 8,845.27 Cr as on March 31, 2020, which constitutes 18.75% of ANBC, as against the regulatory stipulation of 18%. Average advances to micro enterprises and weaker sections stood at 7.89% and 10.50% respectively. Your Bank has continuously achieved and surpassed the statutory Agriculture target of 18% by lending to agriculture and other allied sectors.

ASSET QUALITY

The Entire Banking Industry has been facing headwinds on asset quality and escalated NPA levels. Your Bank is focusing on containing the NPAs through better credit monitoring, follow-ups through dedicated outbound call center as well as compromise settlements to recover the impaired assets. Bank took several initiatives to arrest fresh slippages and to speed up recovery from overdue loan accounts by regular & constant follow-ups, in addition to regularly reviewing its credit underwriting system using the technical environment and Information technology platform.

The Gross NPA of your Bank as on March 31, 2020 stood at ₹ 4,212.77 Cr. Gross NPA as a percentage to Gross Advances is 8.68% which is lower by 0.11% of previous year. Net NPA stood at ₹ 1,808.65 Cr and this as a percentage to Net Advances is 3.92%. The Provision Coverage Ratio (including technical write-offs) stood at 68.90%.

Management has taken focused efforts on the recovery of NPA accounts. Special NPA recovery drives have been initiated at various divisions and OTS adalats were conducted in order to quicken the recovery process. As a part of the drive, Branch Heads were empowered with sanctioning of OTS on NPA accounts up to principle outstanding of ₹ 5 Lakh to take quick decisions on OTS, apart from the powers already available with respective Divisional Heads, Executives, Board and Board level Committees.

A separate NCLT cell has been formed under the supervision of a Senior Executive to focus more on corporate accounts; for speedy decisions on voting and other related matters. NPA accounts of above ₹ 100 Lakh are being periodically reviewed by the Top Management with the Divisional Managers/Branch Heads and with the respective business unit Heads. Bank is having dedicated Asset Recovery Branches headed by the Executives in order to bring in more and exclusive focus on chronic NPA accounts with accelerated recovery efforts & actions.

Despite the turbulent economic environment foreseen in India, your Bank is taking all possible steps to recover NPAs and curtail fresh slippages in the days to come.

With reference to the RBI Circular dated April 1, 2019 on disclosure and provisioning requirements on NPAs, we are pleased to report that no disclosure is required on divergence in asset classification and provisioning for NPAs with respect to RBI's supervisory process for fiscal 2019.

INVESTMENTS

Investment portfolio of the Bank reached ₹ 16,072.60 Cr as on March 31, 2020 by recording a growth of 6.18% from ₹ 15,136.52 Cr of previous financial year. The investment portfolio composition is consistent with the corporate requirements, risk perception and investment policy of the Bank.

Income earned on investments was ₹ 1,149.67 Cr for the financial year 2019-20 as against ₹ 1,150.59 Cr of previous financial year. Bank has recorded a profit of ₹ 339.99 Cr on sale of investments as against ₹ 70.48 Cr of previous financial year, a strong growth of 382.39%. With a view to prevent large volatility, Modified Duration of overall portfolio was reduced. Liquidity position was maintained at comfortable levels throughout the financial year 2019-20.

FOREIGN EXCHANGE TRANSACTIONS

During the financial year 2019-20, Bank's merchant turnover stood at ₹ 22,549 Cr as against ₹ 26,256 Cr of previous financial year. Bank's export credit declined by 22.41% to ₹ 1,004.16 Cr for the financial year 2019-20 as against ₹ 1,294.13 Cr of previous financial year.

In the financial year 2019-20, the total Income earned through forex transactions declined by 12.57% to ₹ 71.27 Cr as against ₹ 81.52 Cr of previous financial year.

Out of the total income earned, exchange profit accounted for ₹ 37.35 Cr and Commission & others accounted for ₹ 33.82 Cr. Exchange income reduced due to fine tuning of customer margins and reduction in forex business turnover. Decline in commission & other income was a result of drop in forex business in some of the Industries like Cotton, Textile, Timber, etc., as also a consequence of revised business models which envisaged reduction and/or limiting the exposure levels in the corporate segment.

INCOME

Bank's interest income reached ₹ 5,989.99 Cr as on March 31, 2020 by recording a growth of 2.99% from ₹ 5,815.82 Cr of previous financial year and Net Interest Income of the Bank stood at ₹ 2,347.94 Cr which is slightly down by 0.63% from ₹ 2,362.82 Cr of previous financial year.

Non-Interest Income of the Bank has reached ₹ 1,154.62 Cr by recording a sound growth of 19.93% from ₹ 962.77 Cr of previous financial year. Yield on advances and Yield on investment stood at 9.63% and 6.63% respectively.

EXPENDITURE

Bank's interest expenditure increased to ₹ 3,642.04 Cr for the financial year 2019-20 from ₹ 3,453.00 Cr of previous financial year and operating expenses increased to ₹ 1,741.71 Cr from ₹ 1,614.81 Cr of previous financial year owing to higher establishment expenses.

Bank's Cost of Deposits stood at 5.76% as against 5.80% of previous financial year. Your Bank's Net Interest Margin (NIM) decreased to 3.44% from 3.67% and the Spread declined to 2.67% from 2.90%.

PROFIT

Your Bank's operating profit increased to ₹ 1,760.85 Cr for the financial year 2019-20 as against ₹ 1,710.78 Cr of previous financial year and Bank's net profit reached ₹ 235.02 Cr as against ₹ 210.87 Cr by recording a growth of 11.45% from previous financial year.

APPROPRIATIONS

During the year under report, the net profit of ₹ 235.02 Cr along with ₹ 1.75 Cr brought forward from the previous financial year, aggregating to ₹ 236.77 Cr, is appropriated as under:

Appropriation – Transfer to	Amount (₹ in Cr)
Statutory Reserve	58.76
Capital Reserve	132.04
Investment Fluctuation Reserve	44.23
Balance carried to Balance Sheet	1.74

PANDEMIC COVID-19 & IMPACT ON BUSINESS

The pandemic outbreak has confronted the world with an unprecedented situation. Government of India and

State Governments took various containment measures which include series of lockdowns and quarantine. While Government of India announced various fiscal initiatives to cushion the fall in economy, the Reserve Bank of India (RBI) has also announced several monetary measures to ease stress in financial sector, including enhancing the system liquidity, reducing interest rates, moratorium on loan repayments for borrowers & easing asset classification norms. During lockdown, Banks were allowed to carry out certain essential Banking services in order to fulfil the Banking needs, by adopting standard operating procedures in line with the guidelines issued by the Governments/local authorities. In enforcing social distancing to control the spread of virus, Branches/Offices operated with minimal staff under prescribed safety measures, i.e. with frequent use of hand sanitizer, wearing mask, social distancing, etc., Your Bank has witnessed increased utilisation of digital channels by customers and has ensured that the IT infrastructure is able to handle any unexpected surge in digital transactions. KVB DLite App has ensured seamless and convenient Banking experience for our customers. After relaxation in lockdown, Branches/Offices resumed to normal operations by adhering to various safety measures and guidelines prescribed by the Governments/local authorities. Your Bank is closely monitoring the position and necessary arrangements are put in place to ensure business continuity. Your Bank also remains committed to continually explore new opportunities to further accelerate the digital journey of the Bank and its customer's service levels.

DIVIDEND

Due to heightened uncertainty caused by COVID-19, with a view that Banks must conserve capital to retain their capacity to support the economy and absorb losses, RBI has communicated to all Banks vide Circular no. DOR. BP.BC.No.64/21.02.067/2019-20 dated April 17,2020 that Banks shall not make any further dividend pay-outs from the profits pertaining to the financial year ended March 31, 2020 until further instructions. Accordingly, your Bank has not proposed any dividend for the financial year 2019-20.

Your Bank has formulated Dividend Distribution Policy as per the requirements of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations'). Objective of the Policy is to establish the parameters to be considered by the Board before declaring or recommending dividend. The Policy endeavours to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient funds are retained for growth of the Bank. In general, your Bank has a consistent track record in dividend distribution. The Dividend Distribution Policy is available on Bank's website at <https://www.kvb.co.in/docs/dividend-distribution-policy.pdf>.

SHARE CAPITAL

During the financial year under review, there has been no change in the Authorized share capital of the Bank. The Authorized share capital of the Bank as on March 31, 2020 stood at ₹ 200.00 Cr divided into 100 Cr Equity Shares with face value of ₹ 2/- each.

During the year under report, consequent to resolution of disputes, Bank has allotted 9,772 equity shares pertaining to Rights and Bonus Issues held in abeyance category. Post allotment of aforesaid equity shares, paid-up share capital increased from ₹ 1,59,86,21,894 to ₹ 159,86,41,438 consisting of 79,93,20,719 equity shares with face value of ₹ 2/- each. Other than the aforementioned, there is no change in capital structure of the Bank during the year.

Bank's Net owned funds grew to ₹ 6,600.27 Cr as against ₹ 6,364.98 Cr of previous financial year and market capitalization of Bank stood at ₹ 1,614.28 Cr as on March 31, 2020.

EARNINGS PER SHARE/BOOK VALUE

Bank's Earnings Per Share (Basic) stood at ₹ 2.94 and the book value stood at ₹ 82.57 as on March 31, 2020 per equity share of ₹ 2/- each fully paid.

DEBT INSTRUMENTS & CREDIT RATING

Your Bank had issued Basel III Compliant Unsecured, Redeemable Non-Convertible Tier II Bonds to the value of ₹ 487.00 Cr in March 2019 through Private Placement with a coupon rate of 11.95% p.a. and tenor of 123 months (maturing on 12th June 2029). First coupon interest has been duly paid to the Debenture holders on March 12, 2020. During the financial year 2019-20, Bank had redeemed the Unsecured Redeemable Non-convertible Subordinated (Lower Tier II) Bonds to the value of ₹ 150.00 Cr which was issued in September 2009. Consequently, the outstanding of Tier II Bonds stood at ₹ 487.00 Cr as on March 31, 2020.

Instruments	Rating	Rating Agency
Unsecured, Redeemable Non-Convertible Tier II Bonds for ₹ 1200 Cr	ICRA A (Hyb) (Stable)*	ICRA
Unsecured, Redeemable Non-Convertible Tier II Bonds for ₹ 1200 Cr	IND A+/Stable*	India Ratings & Research Limited
Certificate of Deposit Programme for ₹ 3000 Cr	CRISIL A1+^	CRISIL
Certificate of Deposit Programme for ₹ 3000 Cr	ICRA A1+^	ICRA

*Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

^Instruments with this rating indicate a very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

The details on change/revision in the Credit Ratings to the instruments during the financial year are provided in the Corporate Governance Report that forms part of this Annual Report.

CAPITAL ADEQUACY

Bank's Capital Adequacy Ratio stood at 17.17% as per BASEL III norms as on March 31, 2020 and is well above the statutory limit of 10.875% (Capital Conservation Buffer of 1.875% is required to be maintained as of 31.03.2020) prescribed as per extant guidelines of Reserve Bank of India.

SUBSIDIARIES AND ASSOCIATES

Your Bank does not have any Subsidiaries or Associates to report during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the financial year 2019-20 as specified under Regulation 34(2) (e) of the Listing Regulations is discussed in separate section that forms part of this Annual Report.

NETWORK OF BRANCHES

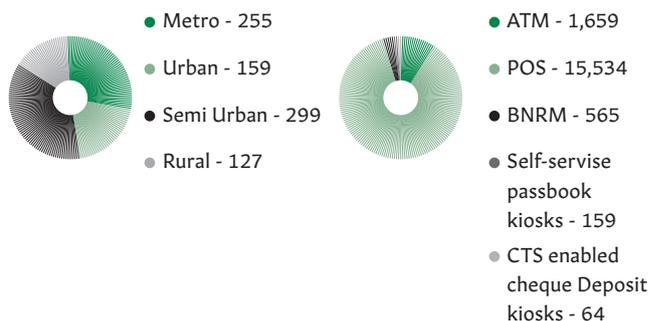
Banking sector has been witnessing major changes in its day to day functioning and implementation of digital platform across the Bank has helped the customers to open accounts & execute their transactions through smart phones without a need to visit the Branch. Keeping in view the increased adaptability to digital operations, the Branch expansion model was revisited and two non-performing Branches were merged with nearer Branches during the financial year 2019-20.

During the financial year 2019-20, three regular Branches were opened at Panjkalipatti in Tamil Nadu, Guntur and Gorantla (Anantapur Dist.) in Andhra Pradesh in addition to opening of three Corporate Business Units and fifteen Banking Business Units. Bank has also established Precious Metal Division Branch at Bangalore for carrying out bullion business.

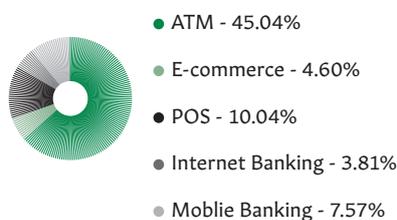
The total number of Branches including Asset Recovery Branches, Business Banking units, NEO, Precious Metal Division and Corporate Business Units stood at 810 excluding Extension Counters and Satellite Offices as on March 31, 2020.

To provide uninterrupted Banking services to customers, your Bank has 1,659 ATMs, 565 Bunch Note Recycler Machines (BNRM), 159 Self-service Passbook Kiosks and 64 CTS enabled Cheque Deposit Kiosks as on March 31, 2020.

Classification of Branches and Alternate Channels



No of Transactions FY 2019-20 - Alternate Channels vis-a-vis Branches



Branch channels contributed to 28.94% of Bank's total transactions.

CURRENCY CHEST

As on March 31, 2020, your Bank has seven Currency Chests in different areas at Tamil Nadu, Andhra Pradesh, Telangana and Karnataka to provide adequate cash supply to Branches & ATMs and promptly adhering to Clean Note Policy. Currency chests also support the Branches to maintain cash within the retention limit. To provide prompt services to customers/general public, Bank has also conducted soiled note exchange melas and distribution of coins through Currency Chest linked Branches.

FINANCIAL INCLUSION

Your Bank is pioneer in taking initiatives in the area of financial inclusion and numerous measures have been taken for rendering services to the disadvantaged, rural/semi-urban section of the society by providing basic Banking services at their doorstep.

Your Bank has reached the deprived segment of the society and extended its focused financial services through 130 Bank Mitras in rural villages, 3 Bank Mitras in urban locations and with 39 Ultra Small Branches. Your Bank continues to provide basic financial products including Basic Savings Bank Deposit Account (BSBDA), Insurance products, Pension accounts and thereby support the Government in implementation of various social welfare schemes. Your Bank has opened 2,81,313 Basic Savings Bank Deposit account (BSBD) during the financial year 2019-20.

PradhanMantri Jan DhanYojana (PMJDY)

Your Bank has been implementing PMJDY as per the directives of Ministry of Finance, Govt. of India. The scheme was launched by the Prime Minister of India on 15th August 2014. The Bank has opened 5,342 no of accounts amounting to ₹ 55.42 Lakh during the financial year 2019-20. The Total outstanding balance in PMJDY accounts as on March 31, 2020 is ₹ 23.33 Cr and we have issued 5,342 No. of RuPay Debit Cards during the year under this scheme. Hand-held devices are provided to Bank Mitras for facilitating payments, which are enabled for accepting Rupay Cards/Smartcards. Bank Mitras have made 4.26 Lakh transactions, amounting to ₹ 49.74 Cr during the year. Your Bank has done 1,67,784 transaction on DBT/Old Age Pension/MGNREGS amounting to ₹ 16.77 Cr under Bank Mitras during the financial year 2019-20.

Micro Credit (SHGS Bank Linkage)

Your Bank is pioneer in providing credit facilities to SHG/JLG to meet out the credit needs of the poor in a flexible manner. As on March 31,2020, Bank has 588 JLG loans with outstanding amount of ₹ 2.47 Cr.

Financial Literacy

With the objective of imparting financial literacy and facilitating effective use of financial services, your Bank has reached out the beneficiaries by conducting financial literacy programs to enhance the awareness levels and to attain financial betterment.

Special training was given to Branch Managers for conducting financial literacy programs at their Branches and in their service area. Your Bank has conducted 182 Financial Literacy camps across the country during the financial year 2019-20.

DIGITAL AGRI GOLD LOAN PRODUCTS

Your Bank has always been in the forefront in implementing digital technologies for the convenience of customers and Bank has witnessed an impressive pickup under Risk Mitigated loans such as Gold Loan. A new online digital based Gold loan product has been rolled out to reduce the TAT at Branches which resulted in Digital Gold loan portfolio (Agri) at ₹ 2,769.32 Cr in the financial year 2019-20.

PERFORMANCE UNDER SOVEREIGN GOLD BOND SCHEME

During the year, your Bank has collected ₹ 17.66 Cr towards subscription for 47,071 grams of gold in ten tranches under the Sovereign Gold Bond Scheme.

TECHNOLOGY INITIATIVES

Your Bank is always taking many initiatives to keep pace with the Technology changes evolving in the market and provide a new user customer experience to meet their demands by taking advantage of the digital transformation.

- **Jewel loan digitalization:** Your Bank has introduced digitization for opening of Jewel loan at Branches. Jewel loan Accounts can be opened quickly, through a few simple steps.

- **Customer service request through KVB DLite mobile application:** Your Bank enabled the self-service mode in KVB DLite mobile application to update your account details such as profile update, account porting, request processing, etc., - which are completely paperless. Now, customers can process their account updation request at their convenience without visiting the Branch.
- **Self-service options provided to reset Internet Banking credentials:** Your Bank provided self-service option to reset the Internet Banking credentials with an easy and secured way, which is completely paperless.

DIGITAL TRANSFORMATION PROJECT

- **Web Based Online Business Loans:** Your Bank has digitized Entire Loan Portfolio which includes Commercial, Business Banking Unit, Emerging and mid-Corporate and Corporate segments. While partnering with the best of the Digital Eco system, your Bank is making use of the best available technology to assess the borrowers to minimize the risk and maximize the profitability from lending. Your Bank has also digitized Credit operations, Risk and Monitoring activities, which is resulting in better portfolio performance. With the Digitized Loan Origination, your Bank is taking a giant leap in new customer acquisition and poised to grow its market share.
- **App based Retail Loans:** In the financial year 2019-20, the retail loan processing of your Bank was further strengthened by including more loan products on tablet based application as a part of the Digital Transformation. The Retail Lending Digital application is now equipped with Corporate Personal Loans, Secured Personal Loans, NRI Home Loans & NRI Loan Against Property thus enabling the Branches to source various loans using the Retail Lending digital application. The underwriting process are system driven and a separate scoring mechanism has been configured for each product, basis which the loan sanctioning will happen.

The customers are now offered with various loan products with a quicker turnaround time for sanctions and best-in-class user experience on the digital platform. The Retail Loan Portfolio is growing at a faster pace of 40% and delinquency levels have reduced considerably. With this Digital Transformation and more products in offer, KVB is now strongly competing with all its peers.

- **Co-Lending Initiations:** During the Financial Year, your Bank has actively entered into the arrangement of co-origination of loans with various top rated fin-techs and NBFCs. As per the norms issued by RBI, the arrangement will involve sharing of risks and rewards between Banks and NBFCs.

Through this co-lending route, the Bank can reach more SMEs through digital platform and utilize the opportunities in the areas where NBFCs have expertise in lending. The robust Business Rule Engine of our Bank

will decide on the sanction by considering various factors and hence manual intervention has been minimized to achieve quick turnaround time. The model helps KVB to connect the last mile for micro-lending in areas which are inaccessible to Banks. In addition to SMEs, the Bank could reach more retail customers through online digital Platform.

The customers are increasingly adapting to avail credit services through online platforms, more so during the pandemic situations. Bank has leveraged on this opportunity and catered to the retail segments through digital personal loans. One of the recent initiations is that Bank is digitally lending to the retail customers of Amazon's online platform, where the customer creation and due diligence are done digitally through online platform seamlessly. The co-lending route is properly utilized by the Bank for digitalized online lending and within a shortest span of time, more than 60,000 loan customers are created across the country.

INFORMATION SECURITY

The Board and Executive Management of your Bank has instituted an Information Security function for designing, developing, implementing, maintaining and monitoring an Information Security Management System (ISMS) to protect the Bank's Information Assets in accordance with the determined risk profile of the assets. The Chief Information Security Officer (CISO) is responsible for providing leadership and oversight in the effective implementation and operation of ISMS in the Bank in accordance with approved Policies and Procedures.

The ISMS is designed not just to focus on Confidentiality, Integrity and Availability of Information; but also on the other principles such as Authenticity, Non-Repudiation and Accountability in order to ensure the following:

- Safety and privacy of sensitive customer and Bank information.
- Protect against any anticipated threats or hazards to the security or integrity of such information.
- Protect against unauthorized access to or use of such information that could result in harm or inconvenience to any customer.

The ISMS identifies reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration or destruction of customer information or customer information systems. It assesses the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information and assesses the sufficiency of policies, procedures, organizational structures, customer information systems, and other arrangements in place to control the risks. Bank accords top priority for regulatory compliance and all regulatory requirements pertaining to Cyber Security are addressed in a timely manner.

Bank has invested in modern technology solutions for timely application of security patches in the IT systems, host based intrusion prevention, network segregation, privileged access control and firewalls to manage and control identified risks in a manner corresponding with the sensitivity of the information and the complexity and scope of the Bank's activities. Your Bank also recently received an award from dynamicCISO.com platform and Grey Head Media for certain innovations in the implementation of Cyber Security.

CALL CENTRE

Your Bank has a dedicated one stop contact point to handle inbound and outbound calls. This facility is used to address the queries/requests received from customers, all over the world and works seamlessly round the clock. Apart from this, it involves in the activity of making welcome calls for the newly on-boarded CASA/Loan/Corporate Credit Card customers, Telesales, Tele collection, etc., and also seeks valuable leads from the customers for any cross-selling /up-selling. Tele collection facility is primarily used to remind the Individual/Corporate customers of their upcoming dues and also used to follow up recoveries in SMA & NPA accounts. Call centre also makes the alert calls to customers if any unusual transaction is noticed in their account done through Internet and Mobile Banking.

CHANGE IN NATURE OF BUSINESS

There was no change in the nature of business of the Bank during the financial year.

SYSTEM FOR INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

The Bank functions in a fully computerised environment with an established core Banking platform, viz., 'Flexcube', that is in use by several Banks in the country. All daily transactions are entered and processed in CBS, which is set up with well-defined protocols like establishing user credentials, maker-checker requirements, maintenance of GL accounts, automation of interest and charges, application transaction accounting across digital channels, etc., ensuring necessary internal financial controls. Core Banking platform is subject to IT Audit, to ensure adherence with all regulatory and mandatory guidelines. Bank utilises reliable reporting software equipped with appropriate systems and protocols. All these systems are periodically reviewed. The Bank has put in place necessary procedure which includes implementation of internal controls, operational effectiveness in order to ensure proper conduct, recording and reporting of Bank's business. The systems and operations also ensure accuracy and completeness of the accounting records, prevention and detection of frauds and errors, adherence to policies, safeguarding of assets, as well as preparation and reporting of financial information. These systems enable the Bank to maintain and establish internal control over financial reporting.

Bank has Board approved policies in respect of various Banking activities like lending, investment, borrowing,

etc., with well-defined hierarchy of Officials vested with sanctioning powers. Inspection Department and Risk Management Department review various aspects of internal control, adherence to procedure and credit assessment protocols periodically.

The above internal controls over financial reporting is subject to Audit by Statutory Central Auditors of the Bank and a separate report is submitted to the Board of Directors which contain the salient features of their observations, including shortcomings, if any.

RISK MANAGEMENT

In today's fast changing, complex and increasingly unpredictable world of business, prudent and effective risk management is imperative for your Bank's growth and sustainability. Bank has adopted the best risk practices and technologies in order to put in place the required Risk Management measures.

Managing risk is an integral part of any Bank and the key risks that your Bank is exposed to include – credit, market, liquidity, operational, information security and fraud.

Risk management is a principal responsibility of the Board, which approves a fundamental "Risk Appetite Statement" articulating the risk that your Bank is willing to take on to its books. The Risk Policies of the Bank are formulated based on the Risk Appetite Statement and the Board approves the risk policies of the Bank.

The risk policies of the Bank are modified as and when necessary, to facilitate growth of business within the limit of the acceptable risk appetite and these policies are reviewed periodically.

The Board, responsible for designing the overall risk management framework by approving various policies relating to the Risk functions, has delegated powers to Board Level Risk Management and Asset Liability Management Committee (RM & ALM) for monitoring the implementation of Risk Governance Framework, compliance to various policies & processes. The RM & ALM ensures the same by closely monitoring & guiding the functions through Executive Level Credit Risk Management Committee, Market Risk Management Committee, Operational Risk Management Committee and Fraud Risk Management Committee, which regularly assess the functional efficiency of the Bank's risk management processes. Minutes of these Committee meetings are placed to the RM & ALM Committee of the Board for its perusal and further guidance.

Your Bank has continuously enhanced its risk management capabilities over time. Today, the risk function consists of several sub-components – Risk Policy, Risk Underwriting, Risk Analytics, Fraud Risk Management, Information Security, etc.,. It is your Bank's policy to ensure that these functions are appropriately staffed, well equipped and managed effectively.

Your Bank is viewing risk management as a core competency and tries to ensure sound management of risks through timely identification, assessment and management. The goal of risk management is to ensure that the Bank takes only well calculated risks, which it can understand, monitor, mitigate and control, thereby minimizing unexpected outcomes. All material risks of the Bank emerging in the course of its business are identified, assessed and monitored.

Your Bank is well capitalised; CRAR stands at 17.17% as on March 31, 2020. Capital provides the buffer required to manage and meet the unexpected risks / losses that materialize in spite of prudent and timely risk management actions. In our opinion presently there are no material risks which threaten the existence of the Bank.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

In compliance with RBI Guidelines, provisions of the Companies Act, 2013, the Listing Regulations and SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended; your Bank has in place the "Whistle Blower Policy" since 2011. The Policy also incorporates the Protected Disclosure Scheme (PDS) for Private Sector Banks, instituted by the Reserve Bank of India. The Audit Committee of the Board reviews the complaints received through Vigilance Mechanisms on quarterly basis. The Bank's Whistle Blower Policy is in synchrony with all statutory and regulatory guidelines on Vigilance Mechanism. The policy is available on Bank's website at <https://www.kvb.co.in/docs/whistle-blower-policy.pdf>.

COMPLIANCE OF ANTI SEXUAL HARASSMENT NORMS & ENSURING SAFETY OF WOMEN EMPLOYEES

The particulars related to Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 [14 of 2013] are detailed in the Corporate Governance Report that forms part of this Annual Report.

RELATED PARTY TRANSACTIONS

All transactions entered into by the Bank with related parties in the ordinary course of business and on arm's length basis were placed before Audit Committee for approval. Omnibus approval is obtained from the Audit Committee for transactions which are repetitive in nature and the same are reviewed on periodic basis.

During the year 2019-20, there were no materially significant transactions with related parties, which could lead to potential conflict of interest, other than transactions entered into in the ordinary course of its business. Therefore, the provisions of Section 188 of the Companies Act, 2013 are not attracted. Accordingly, filing of AOC-2 is not applicable to the Bank.

AUDIT COMMITTEE RELATED DISCLOSURE UNDER SUB-SECTION 8 OF SECTION 177 OF THE COMPANIES ACT, 2013

The Board of the Bank has constituted the Audit Committee under the extant guidelines of Reserve Bank of India (RBI), provisions of the Companies Act, 2013 and Listing Regulations. There were no recommendations of Audit committee which were not accepted by the Board. The details of the composition of the Audit Committee are disclosed in the Corporate Governance Report that forms part of this Annual Report.

DEPOSITS RELATED DISCLOSURE UNDER RULE 8(5)(V) OF COMPANIES (ACCOUNTS) RULES, 2014

Being a Banking company, the disclosures required as per rule 8(5)(v) of the Companies (Accounts) rules, 2014, read with section 73 and 74 of the Companies Act, 2013 are not applicable to your Bank.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a Banking company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3)(g) of the Companies Act, 2013.

AUDITORS

Statutory Auditors

In terms of Section 139 of the Companies Act, 2013 read with Sec 30(1A) of the Banking Regulation Act, 1949, it is proposed to re-appoint, M/s Walker Chandiook & Co. LLP, Chartered Accountants, Kochi, (Firm Registration Number 001076N/N500013) who are retiring at the conclusion of the ensuing Annual General Meeting (AGM) and are eligible for re-appointment, subject to the approval of shareholders. The Bank has received consent from the Auditors on their appointment and confirmation to the effect that they are not disqualified to be appointed as the Auditors of the Bank in terms of the provisions of the Companies Act, 2013 and the rules made thereunder.

Accordingly, the Board of Directors have recommended to the shareholders, the re-appointment of M/s Walker Chandiook & Co. LLP, Chartered Accountants, Kochi (Firm Registration Number 001076N/N500013) as Statutory Auditors of the Bank, to hold office from the conclusion of the ensuing AGM till the conclusion of the next AGM. Reserve Bank of India accorded their approval for the appointment of M/s Walker Chandiook & Co. LLP for the financial year 2020-21 vide their letter No.DOS.ARG. No.PS-18/08.12.005/2020-21 dated July 17, 2020. Fee payable to Statutory Audit is proposed at ₹ 75,00,000/- (Rupees Seventy Five Lakh only) plus applicable taxes and out of pocket expenses with a cap of 15% of fees for the financial year 2020-21.

Members are requested to consider the re-appointment of M/s Walker Chandiook & Co. LLP as Statutory Auditors of the Bank.

Pursuant to the Regulation 33(1)(d) of the Listing Regulations, the Statutory Auditors have confirmed that they are subjected to the peer review process of the Institute of Chartered Accountants of India (ICAI) and that they hold a valid certificate issued by the Peer Review Board of ICAI.

Independent Auditors' Report

M/s Walker Chandiook & Co. LLP, Statutory Auditors of the Bank, have audited the accounts of the Bank for the financial year 2019-20 and their Report is annexed. Pursuant to Section 143(3)(i) of the Companies Act, 2013, the Statutory Auditors have also reported on the adequacy and operating effectiveness of the internal financial controls system over financial reporting, which has been enclosed as "Annexure A" to Independent Auditor's Report.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report for the financial year 2019-20.

During the period under review, no frauds were reported by the Auditors under sub-section (12) of Section 143 of the Companies Act, 2013.

Secretarial Audit

Pursuant to the provisions of Sec 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Bank has appointed M/s Bapulal Yasar & Associates, Company Secretaries, Madurai to undertake the Secretarial Audit of the Bank for the financial year 2019-20. The Bank produced all necessary records to the Secretarial Auditors for smooth conduct of their Audit. The Secretarial Audit Report for the financial year 2019-20 is annexed to this report as **Annexure – 1**.

There are no qualifications, reservations or adverse remarks made by the Secretarial Auditors in their report for the financial year 2019-20.

IMPLEMENTATION OF INDIAN ACCOUNTING STANDARDS (IndAS)

RBI guidelines for implementation of IndAS by Banks in India are awaited. In the interim, Bank has submitted quarterly proforma IndAS statements to RBI as per prescribed guidelines. Further details are given in Schedule 18 – Notes to Account of the Balance Sheet.

COMPLIANCE WITH SECRETARIAL STANDARDS

The Board of Directors affirm that the Bank has complied with the applicable Secretarial Standards issued by the Institute of Companies Secretaries of India (ICSI) related to the Board meetings, its Committee Meeting and General Meeting during the financial year 2019-20.

STATUTORY DISCLOSURES

Pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Rule (8)(3) of the Companies (Accounts) Rules, 2014, the relevant disclosures towards conservation of energy, technology absorption and foreign exchange earnings and outgo are detailed as under:

Conservation of Energy

Your Bank has undertaken various energy efficiency improvement initiatives for energy conservations across all its premises by installing LED lights in phased manner. VRF (Variant Refrigerant Flow) AC Units have been installed at Back Offices in Chennai, Mumbai and other Metro centres to save electricity by energy conservation technology. During the financial year 2019-20, Bank had spent ₹ 1.38 Cr towards procuring of energy conservation equipment.

Your Bank owns 850 KW Wind Turbine Generator at Govindanagara, Theni District, Tamilnadu. During the year under report, 13,97,312 units were generated by the wind mill. The Bank is utilizing the power generated by Wind Turbine Generator for its Registered & Central Office at Karur and also premises of Divisional Office at Chennai.

Technology Absorption

Technology is the backbone of the Banking industry and remains the key factor for successful functioning of this industry. To be able to survive and grow in the changing market environment, your Bank is going for the latest technologies continually which is being perceived as an 'enabling resource' that help in responding quickly to the dynamics of a fast changing market scenario. Information Technology in your Bank enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. Your Bank has adopted the robotic process automation with which many of the human intrinsic activities are automated and managed more efficiently. Your Bank has implemented the Intelligent Character Recognition & Optical Character Recognition technologies for the monotonous activities to improvise the speed and accuracy of the work involved. Digital transformation process has given a new dimension in your Bank on the lending arena which has simplified the entire process for better TAT and helps your Bank in identifying the right customer. Your Bank has already implemented the FASTag (RFID) for the vehicles passing the toll plaza in a hassle-free manner. Your Bank has adopted the cloud platform to achieve the immediate availability and scalability of the applications taken in agile methodology. Your Bank has been awarded ISO 27001 certification for the various IT Offices in establishing a framework of policies and procedures that includes all legal, physical and technical controls involved in the organization's information risk management process. Bank has not imported any Technology during the last three years reckoned from the beginning of the financial year and no amount was spent towards Research and Development.

Foreign Exchange Earnings and Outgo

Your Bank continuously supports and encourages the country's export efforts through its export financing operations. The details on foreign exchange earnings and outgo are furnished in the Foreign Exchange Transactions section that forms part of this report.

MATERIAL EVENTS THAT HAVE HAPPENED AFTER THE BALANCE SHEET DATE

There are no material changes and commitments, which affect the financial position of the Bank between the end of the financial year of the Bank i.e., March 31, 2020 and the date of the Directors' Report i.e., 19th August, 2020.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS

During the financial year 2019-20, no significant and material orders were passed by the Regulators or Courts or Tribunals against the Bank impacting its going concern status and Bank's operations in future.

MAINTENANCE OF COST RECORDS

Being Banking Company, your Bank is not required to maintain cost records as per sub-section (1) of Section 148 of the Companies Act, 2013.

EXTRACTS OF ANNUAL RETURN

Pursuant to provision of sec 134(3)(a) and sec 92(3) of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, Bank's extract of the Annual Return as on March 31, 2020 is annexed to this report as **Annexure – 2** and also available on Bank's website at <https://www.kvb.co.in/investor-corner/annual-general-meeting/mgt-9-extract-of-annual-return/>

PARTICULARS OF EMPLOYEES

The statement related to particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rules 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 and the ratio of remuneration of each Director to the median employee's remuneration are annexed to this report as **Annexure –3**.

EMPLOYEE STOCK OPTION SCHEME

Your Bank has formulated and adopted Employee Stock Option Schemes to provide a platform to employees for participating in the ownership of the Bank and in its long-term growth. Bank uses stock options as a compensation tool to attract, retain the critical talent and encourage employees to align individual performances with that of Banks' objectives. Currently Bank has following Schemes in compliance with the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014 (SBEB Regulations):

- Karur Vysya Bank Employees Stock Option Scheme 2011 ("KVB-ESOS-2011")
- Karur Vysya Bank Employees Stock Option Scheme 2018 ("KVB-ESOS-2018")

There are no material changes made to the above Schemes during the year and these Schemes are in compliance with the SEBI SBEB Regulations. No employee stock options were granted during the period under report. Your Bank's Statutory Central Auditors, M/s Walker Chandiook & Co. LLP, have certified that the Bank's above-mentioned Schemes have been implemented in accordance with the SBEB Regulations and the Resolutions passed by Shareholders for 2011 & 2018 Scheme. Disclosures as required under the SBEB Regulations are available on Bank's website at <https://www.kvb.co.in/investor-corner/esos-disclosures/>.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

It has always been avowed policy of the Bank that it should give back to society to make it a better place for the citizens to live in. Your Bank has taken up developmental projects that would help the community at large and create a positive impact. A Corporate Social Responsibility (CSR) Committee has been constituted in accordance with provisions of Section 135 of the Companies Act, 2013, read with the amended Companies (Corporate Social Responsibility Policy) Rules, 2014.

During the financial year 2019-20, your Bank has spent / committed to spend substantially higher than the spends of the previous years and also provided for the shortfall in spending vis-à-vis the CSR budget from the profits for the financial year. In line with the CSR policy of the Bank, spends have been spread across key areas like education, health and sanitation, sports, environmental sustainability and other activities permitted in Schedule VII of the Companies Act, 2013.

The brief outline of the CSR policy, overview of the initiatives taken up by the Bank, the composition of the CSR Committee, prescribed CSR expenditure and details of amounts spent by the Bank on CSR initiatives during the financial year 2019-20 are annexed to this report as **Annexure – 4**.

Your Bank is committed to identify and support programmes aimed at improving the living standards of the community. All spends as per the allocations made towards various heads prescribed under Schedule VII will be spent. Unspent amounts, if any, will be provided for, in subsequent years. The CSR Committee affirms that its focus will be on using the CSR route to improve the lives of society in a much bigger way.

BUSINESS RESPONSIBILITY REPORT (BRR)

Pursuant to Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Bank from an environmental, social and governance perspective has been prepared as per the format specified by SEBI. The same has been made available on the Bank's website at <https://www.kvb.co.in/investor-corner/annual-general-meeting/agm-business-report/>.

The Business Responsibility Report (BRR) of the Bank for the financial year 2019-20 is annexed to this Report as **Annexure - 5**.

BOARD MEETINGS

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The schedule of the meetings of the Board is circulated in advance to the Members of the Board, for their consideration and approval. In the financial year 2019-20, eighteen Board meetings were held and the gap between the said meetings did not exceed the limit of 120 days, as prescribed under the relevant regulations. Details of the composition of Board, Meetings held and attendance of the Directors at such Meetings are provided in the Corporate Governance Report that forms part of this Annual Report.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, the Board has carried out annual evaluation of its own performance (Board as a whole), all its Directors, Committees of the Board, its Non-Executive Chairman and MD & CEO. The manner of evaluation conducted during the financial year 2019-20 is furnished in the Corporate Governance Report that forms part of this Annual Report.

BOARD OF DIRECTORS

The Board comprises of Eleven Directors as on the date of this report, with rich experience and specialized knowledge in various areas of relevance to the Bank including Banking, Accountancy, Law, MSME, Economics, Trade & Commerce, Finance, Agriculture, Risk Management & Strategic planning, Human Resource Management and Information Technology. The following changes took place in the composition of the Board of Directors of the Bank from April 01, 2019 to Date of Directors' Report:

Appointment

Shri B Ramesh Babu (DIN: 06900325), was co-opted as an Additional Director and appointed as Managing Director & Chief Executive Officer of the Bank by the Board in its meeting held on 20th July 2020, for a period of three years from the date of taking charge, in terms of the RBI approval under the provisions of the Section 35B of the Banking Regulation Act, 1949. He has taken charge on 29th July 2020 as Managing Director & Chief Executive Officer of the Bank.

Shri KG Mohan (DIN: 08367265), was co-opted as an Additional Director in the category of 'Non-Executive Independent Director of Bank, with effect from February 01, 2020 to October 11, 2022, pursuant to the recommendation of the Nomination and Remuneration Committee, subject to the approval of the Shareholders of the Bank. He is a senior leadership professional with 44 years of experience in the Information Technology sector and is representing "Majority Sector - Information Technology" on the Board.

Dr. Harshavardhan Raghunath (DIN: 01675460), was co-opted as an Additional Director in the category of 'Non-Executive Independent Director', with effect from

July 30, 2020 for a period of three years, pursuant to the recommendation of the Nomination and Remuneration Committee, subject to the approval of the Shareholders of the Bank. Dr. Harshavardhan Raghunath is an Independent Business Advisor. He was a Senior Advisor to leading international management consulting firm Bain & Company, led its financial services practice in India and is representing "Majority Sector - Strategic Planning & Risk Management" on the Board.

Approval of the shareholders is being requested for the appointment of Shri B Ramesh Babu as Managing Director & Chief Executive Officer, Shri KG Mohan and Dr. Harshavardhan Raghunath as Non-Executive Independent Directors of the Bank.

Retirement by Rotation

Shri M K Venkatesan (DIN: 00032235), Non-Executive Non-Independent Director, who retires by rotation at the ensuing 101st Annual General Meeting (AGM) and being eligible, offers himself for re-appointment in terms of Sec 152 of the Companies Act, 2013. He is one of the Promoters of the Bank. He was on the Board since December 09, 2014 and is representing "Majority Sector - Economics, MSME & Agriculture" on the Board.

Approval of the shareholders is being requested for re-appointment of Shri M K Venkatesan as Non-Executive Non-Independent Director of the Bank.

The brief profile and details in terms of Regulation 36 (3) of SEBI Listing Regulations and the Secretarial Standard on General Meetings, in respect of the Directors seeking appointment/ re-appointment has been annexed to the Notice of the ensuing AGM and also in the Corporate Governance Report that forms part of this Annual Report.

Cessation

Shri Sriram Rajan (DIN: 02162118), Non-Executive Independent Director of the Bank, tendered his resignation on November 08, 2019 with effect from the close of business hours. Board places on record its appreciation for the insightful perspectives and suggestions provided by him at the meetings of the Board/ Committee of the Bank.

Shri P R Seshadri (DIN: 07820690), Managing Director and Chief Executive Officer of the Bank, tendered his resignation on January 04, 2020 and had been relieved from the services of the Bank at the close of Office hours on March 31, 2020. The Board acknowledges the invaluable contributions rendered by Shri P R Seshadri at the business front, and places on record its deep appreciation for the insightful perspectives and for his leadership, as the Managing Director and Chief Executive Officer of the Bank.

Apart from the above, there were no changes in the Directors holding Office.

KEY MANAGERIAL PERSONNEL

During the financial year 2019-20, there is no Appointment/ Retirement/Resignation of Key Managerial Personnel other than Ex-MD & CEO.

APPOINTMENT & REMUNERATION OF DIRECTORS

Criteria for determining qualifications, positive attributes for Appointment/Re-appointment of Directors

Pursuant to provisions of Section 178(3) of the Companies Act, 2013 and relevant guidelines of RBI, the Nomination and Remuneration Committee (NRC) formulated the criteria for determining qualifications, positive attributes and independence of a Director to adhere the various provisions and guidelines as detailed below:

- 'Fit and Proper' criteria as per Dr Ganguly Committee Norms which stipulates age, educational qualification, experience, track record, integrity, etc., and various circular instructions and guidelines issued by Reserve Bank of India from time to time.
- Norms laid down by the Banking Regulation Act, 1949 as amended from time to time which stipulates substantial interest, sectorial representation as per Section 10A(2) (a), restrictions as per Section 16 and 20 of the Banking Regulation Act, 1949, etc.,
- Disqualification/Conflict of Interest of Directors, and other norms as per the provisions of the Companies Act, 2013 and rules made thereunder from time to time.
- Criteria of Independence of a Director as per the provisions of the Companies Act, 2013 and rules made thereunder and other applicable provisions as amended from time to time.
- Applicable Listing Regulations as amended from time to time.
- Articles of Association of the Bank.
- Any other factors as the NRC may deem fit and in the best interest of the Bank and its stakeholders.

The terms and conditions of appointment of Independent Director are available on the website of the Bank at <https://www.kvb.co.in/docs/terms-and-conditions-of-appointment-of-independent-directors.pdf>.

Your Bank is also having succession planning for KMPs & Senior Management.

Policy on Remuneration of Directors

The remuneration of Directors is governed by the Compensation Policy of the Bank in terms of RBI circular no. DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4th November 2019, which covers the aspects of remuneration payable to Board of Director, Whole Time Directors/ Chief Executive Officers/ Material Risk Takers, KMPs, Control Function Staff and all other employees. This Policy is in tune with the guidelines issued by the Reserve Bank of

India, provisions of Companies Act, 2013 and the Listing Regulations amended from time to time. Your Bank has adopted a revised compensation policy on the basis of the aforesaid RBI Circular at a meeting of the Board held on May 18, 2020 and the revised Policy is available on the Bank's website at <https://www.kvb.co.in/docs/investor-compensation-policy.pdf>.

DECLARATION BY INDEPENDENT DIRECTORS

Your Bank has received necessary declarations from all the Independent Directors under Section 149(6), 149(7) of the Companies Act and Regulation 16(1)(b) of the Listing Regulation that they meet the criteria of independence laid down thereunder. Based on the declarations submitted by the Independent Directors, Board has reviewed the disclosure as required under Schedule IV and is of the opinion that, they fulfil the conditions specified in the Companies Act and Listing Regulation and are independent of the management.

FAMILIARIZATION PROGRAMMES OF INDEPENDENT DIRECTORS

All Directors including Independent Directors are made familiar with their rights, roles and responsibilities in the Bank at the time of appointment and also on a recurrent basis. Directors are offered with opportunity to attend the Programmes conducted by CAFRAL, IDRBT and other Management Institutes, to familiarize with the latest trends in Information Technology, Cyber Security, etc., The details of programmes undertaken in this regard are disclosed in Corporate Governance Report that forms part of this Annual Report.

CORPORATE GOVERNANCE

The details on Corporate Governance standards followed by your Bank and the relevant disclosures as stipulated under Listing Regulations and Companies Act, 2013 and the rules made thereunder are deliberated in Corporate Governance Report that forms part of this Annual Report.

A certificate from M/s Babulal & Yasar Associates, Company Secretaries, confirming compliance to the conditions of Corporate Governance as stipulated under Listing Regulations is annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sec 134(5) of the Companies Act, 2013 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit and loss of the Bank for that period;
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in

accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;

- The Directors had prepared the annual accounts on a going concern basis;
- The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively; and
- The Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively;

AWARDS AND ACCOLADES

Your Bank received the following Awards and Accolades during the financial year 2019-20:

- CII Digital Transformation DX Summit & Awards – Award for best practice in digital transformation, 2019 – Most Innovative Category
- IBS India Banking Summit & Awards, 2019 – Best Retail Bank of the year
- Kamikaze Payments & Cards Awards, 2019 – Best Contactless innovation of the year
- Technology Senate Digital South India Awards, 2019 – Enterprise mobility category
- Skoch Order of Merit Silver, 2019 – semi-finalist in Banking category

ACKNOWLEDGEMENTS

The Board of Directors place on record their gratitude to the Government of India, Reserve Bank of India, Securities Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), Stock Exchanges, Rating Agencies, Statutory Auditors, Secretarial Auditors, various State Governments & Union Territories and other regulatory authorities in India for their valuable guidance and strong support .

The Board express their sincere thanks to the Bank's valued shareholders, esteemed customers, and all other stakeholders and well-wishers for their continued faith, confidence and patronage on us and look forward for their continuous support.

The Board also appreciates entire staff for their sincere and dedicated services rendered for the growth of Bank, especially when they have braved the COVID-19 threats to work for wheels of economy to continue to run and ensure that needs of the customers of the Bank are as far as possible met without any hindrances to them. The Board records its special appreciation to the officers, and employees of the Bank for their commitment to serve the cause of Bank's customers during these difficult times.

For and on behalf of the Board of Directors

Place: Karur
Date : August 19, 2020

N S Srinath
Chairman