



Shares:F48:38: 543 :2013

27.08.2013

The Manager
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No.C/1
G Block, Bandra-Kurla Complex,
Bandra (E), Mumbai 400051.

Fax : 022 – 26598237/8238

Dear Sir,

**Reg: Minutes of the 94th Annual General Meeting of the Bank –
Clause 31(d) of the Listing Agreement**

We enclose a copy of the minutes of the 94th Annual General Meeting of the Bank held on 19th July 2013 at the Registered and Central Office of the Bank at Karur.

Please acknowledge.

Yours faithfully,



R.Kannan
Company Secretary

Encl: a.a.

**MINUTES OF THE 94th ANNUAL GENERAL MEETING OF THE BANK
HELD AT THE REGISTERED OFFICE OF THE BANK ON FRIDAY, THE
19th JULY 2013 AT 10.15 A.M.**

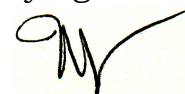
The 94th Annual General Meeting of the bank presided over by the Chairman Shri K P Kumar, was attended by 226 shareholders in person and 10 shareholders by proxy.

As directed by the Chairman, Company Secretary informed the shareholders that proxies accounting for 2,43,57,715 shares were lodged and on scrutiny proxies to the extent of 67,475 shares were rejected as being invalid. Thus the number of valid proxies accounted for 2,42,90,240 shares.

The Chairman and the MD & CEO were garlanded by Shri. N Ramanathan and Shri R Sethuraman, shareholders of the bank.

Shri K P Kumar, Chairman of the bank welcomed the shareholders. He has sought the permission of the members to take the Annual Report as read as the same was with them for some time.

In his brief speech he mentioned that the last fiscal 2012-13 was a challenging one for the Global economy and in particular for India. He added that the down turn continued from 2011-12 and the macro economic variables have further deteriorated. The fiscal 2012-13 was characterized by broad based slow down- GDP came down to 5%, the slowest in the decade, high Current Account Deficit (CAD) and fiscal deficits, raised interest rates, persistent inflation and subdued investment climate. The credit and deposit growths have moderated and fell below the RBI's projected levels. There have been concerns of asset quality across the banking industry because of the direct impact of trade and demand slow down and higher interest rates on repayment capacity of the clients. Despite the challenging environment he informed the members that the bank's performance was encouraging. The Bank could post a net profit of ₹ 550 cr. He further said that he would not like to go at length on the financials as the MD & CEO would be making a very detailed presentation on the highlights of the bank's performance in 2012-13. However he wanted to make a special mention for the achievement made by the bank in opening 100 branches in the fiscal gone by which was highest in its history of more than nine decades. He said the bank maintained a dividend of ₹ 14 per share as was given in the earlier fiscal also and that since 2003-04, the bank was paying 100%



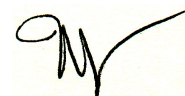
or more dividend. He also informed the members that in the last fiscal the bank bagged as many as 10 awards. While expressing concern over the present state of economy in the current fiscal he assured the members that the bank would remain focused on its strategy and improve the business besides concentrating on asset quality. He concluded his speech by expressing thanks and gratitude to the shareholders of the bank for reposing their faith and confidence in the management and sought for continued co-operation in faster business development and progress of the bank.

After the welcome address, the Chairman took the permission of the members for taking as read the Notice convening the 94th Annual General Meeting.

The Chairman then called upon the Company Secretary to read the Auditors Report. After completion of reading of the Auditors Report by the Company Secretary, the Managing Director & Chief Executive Officer Shri K Venkataraman addressed the shareholders.

The Managing Director in his address to the shareholders, dwelt at length on Macro Economic Environment that prevailed during the fiscal 2012-13, performance highlights of the Bank during FY 13, Financial Inclusion Programme, Branch net work, Technological initiatives during the fiscal 2012-13, Golden Vision initiatives of the Bank, Corporate Social Responsibility activities undertaken during the fiscal gone by, Awards and accolades received from various organizations of repute during the fiscal 2012-13.

In his concluding remarks he has expressed that the global growth prospects would be better during the current fiscal 2013-14 though the challenges and uncertainties were looming large, which may likely to impact the country's growth. He mentioned that the bank would endeavour to increase its growth and market share within the constraints of muted economic growth. He has informed the members that the Bank has a growth plan ahead, balancing the rate of growth and quality to deliver the best to its stakeholders for the current fiscal 2013-14. The Bank considers expansion of CASA, improving asset quality and increasing high yielding advances like retail credit, MSME and agriculture would be the focus areas for the current fiscal, he added. While giving thrust to fee based income, the bank would be aiming for about 25% growth in FY14. He also placed on record before the members



that the bank is committed to improve the performance in all parameters and could add value to all stakeholders in the years to come.

In his speech he has expressed sincere gratitude and thanks to the Reserve Bank of India, Government of India, other Regulatory authorities and to the various stakeholders of the bank. He has also thanked the customers for the continued co-operation and support. He has also appreciated the employees at all levels for their involvement and contribution to the growth of the Bank.

After the address by MD & CEO, the Chairman took up the agenda items in seriatim.

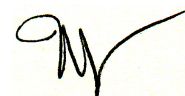
ORDINARY BUSINESS

Item No.1 ADOPTION OF ACCOUNTS AND REPORTS OF DIRECTORS AND AUDITORS

Chairman informed the members that the first item of business was the adoption of Accounts, Reports of the Directors and Auditors thereon. He called upon the members to seek clarification if any, on the financial accounts.

Mr P.T. Kuppuswamy, a shareholder proposed the resolution. He appreciated the overall growth of the bank in terms of deposits, advances, profitability and all other parameters. He added that the macro economic factors play a very important role on the banking industry. What happened to the Western/European countries was slowly affecting our country also and it will take at least 2 to 3 years to pick up the economic growth and up to that period we have to bear with the situation. The NPA growth shows rapid strides in almost all bank books. In spite of this difficult environment, MD and the employees have put up their best efforts and shown good results, for which we should appreciate them.

He elaborated further issues in banking sector such as competition in the industry which would increase in the years to come. He cited the recent RBI guidelines for banking licenses and expects that Reserve Bank of India would be giving licenses to another 6/7 banks. All the existing and new players would be vying with one another to get the same business, leading to tough competition.



He also mentioned about the Basel III recommendations which would be made applicable to banks going forward. Under the present circumstances it would be very difficult to maintain the NIMs and ROA and that the KVB has done its best to perform better than any other bank.

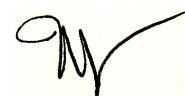
Mr. Saiprasad, another shareholder, said that he was proud to be associated with the bank as a shareholder in the bank which has 9.7 million customers, 551 branches, 1277 ATMs, 98 years of operation. In spite of ups and downs in the banking industry due to economic situation, the bank has posted good results and stood as No.1 among all the old private sector banks.

The net profit of the bank has increased from ₹ 501 cr to ₹ 550 cr., which is satisfactory and good number. Gross NPA has decreased from ₹ 320 cr to ₹ 285 cr – from 1.33% to 0.96%. This has lot of relevance and significant. MD and Chairman elaborated in their speech about the distressing economy which was seen in the last year. GDP has come down. Several measures were taken by the Government to lift the economy. As a result, there is huge addition of NPA in the industry. But KVB has reduced the NPA. This is a commendable achievement. On behalf of the shareholders, he greeted the entire management and work force for this achievement. He pointed out that the bank should concentrate on business and advances with focus on profit. Centenary Year 2016 is going to be 2 years from now. Lot of expectations from the shareholders part with higher dividend and liberal bonus.

Mr. Palaniappan, a shareholder:

While thanking the management for continuously rewarding the shareholders more than 100% dividend, he mentioned that there was no appreciable growth in the business like other modern banks. The Bank had shown only 23% growth in total deposits and there has been no improvement in CASA front.

The fee based income was not showing any appreciable improvement and he called for increasing the fee based income. Branch expansion was very commendable. He wondered whether KVB which was having conservative approach in lending focusing on asset quality, has diluted the same. He added that an amount of ₹ 134 cr. has been written off. He sought details of top 4 accounts which were written off and whether RBI



has commented on the bigger accounts which were written off. Expressing serious concern on the amount of write offs made, he wanted the reasons for the write offs in a bigger way. With regard to jewel loan accounts, he wanted to know whether adequate provisions have been made in view of the recent dip in the value of gold price. While appreciating the reduction of Gross NPAs and recovery of ₹ 134 cr. made in sale of investments to the extent of ₹ 80 cr, he expressed concern for the restructured accounts in the corporate lending and suggested to go in for retail lending.

He also mentioned about the dip in Net Interest Margins during the last few years and reduction in Return on Assets.

Under Non-SLR investments, he wanted the details of the investment made by way of private placement to the extent of ₹ 600 cr. He suggested the bank to increase the volume of shares traded in the market as also increasing the value of the shares in the market. He requested the management to increase the volume of business as well as to give good shareholder return rather than the huge dividend.

Chairman informed the members that the Managing Director would be replying to the members after completion of the agenda items.

Shri P T Kuppuswamy (DP/Client ID No.IN30108022284977) proposed the following resolution.

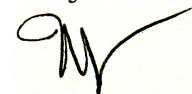
"RESOLVED THAT the Balance Sheet as at 31st March 2013 and the Profit and Loss Account for the year ended 31st March 2013 together with the Schedules attached thereto, Directors' Report and Auditors' Report thereon be and the same are hereby received, approved and adopted."

Shri N Sai Prasad (DP/Client ID No. IN 30021413673801), seconded the resolution.

As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

Item No.2 DECLARATION OF DIVIDEND

Chairman informed the members that he was glad that the Board of Directors of the Bank in the meeting held on 24th May 2013



recommended dividend at the rate of ₹ 14/- per share of face value of ₹ 10/- each. He further informed that this is the tenth year in succession in declaring dividend at 100% and above.

Sri M K Venkatesan (DP/Client ID No. IN 30108022281259) while proposing the following resolution thanked the bank for having posted very good results during the last fiscal. Bank had shown growth in business, growth in net income, gross income and profit, but there was no improvement in the dividend declared and it was maintained at 140% as in the last year. Our MD & CEO has mentioned that during the centenary year the bank should cross Rs.125000 cr mark in Total Business and efforts are already on to reach the business level. He made a request for payment of 200% dividend in the years to come.

"Resolved that dividend at the rate of ₹ 14/- per share (tax free) on the paid up share capital of the bank be and is hereby declared to be paid for the financial year 2012-2013 to those members whose names appear on the Register of Members as at 19th July 2013 and to the beneficial owners as at the closure of the business hours on 13th July 2013 as per the details furnished by the Depositories".

Shri A V Kandasamy (DP/Client ID No.IN30108022135027) a shareholder seconded the resolution.

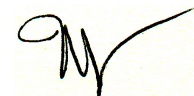
As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

RE-APPOINTMENT OF DIRECTORS

Item No.3 RE-APPOINTMENT OF Shri M G S RAMESH BABU AS DIRECTOR

Chairman informed that Shri M G S Ramesh Babu was retiring by rotation at the Annual General Meeting and being eligible offered himself for re-appointment. He called upon the Company Secretary to present the recommendations of the Nomination Committee on the candidature of Shri M G S Ramesh Babu.

Company Secretary apprised the members that the Nomination Committee of the Board in the meeting held on 23rd May 2013 carried out scrutiny of the Declaration and Undertaking furnished by Shri M G S Ramesh Babu and based on the other 'fit and proper' criteria



confirmed the suitability of Shri M G S Ramesh Babu for re-appointment as a director of the Bank.

Shri. K. Ravindrakumar (DP/Client ID No. IN30017510019904), a shareholder, proposed the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri M G S Ramesh Babu, be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

Shri N Malayala Ramamirtham (DP/Client ID No. IN30108022302378), a shareholder, seconded the resolution.

As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

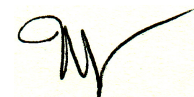
Item No.4 RE-APPOINTMENT OF Shri S GANAPATHI SUBRAMANIAN AS DIRECTOR

Chairman informed that Shri S Ganapathi Subramanian was retiring by rotation at the Annual General Meeting and being eligible offered himself for re-appointment. He called upon the Company Secretary to present the recommendations on the candidature of Shri S Ganapathi Subramanian.

Company Secretary apprised the members that the Nomination of Shri S Ganapathi Subramanian has to be approved by the Board as he is a member of the Nomination Committee. This is in tune with the extant guidelines issued by RBI.

Declaration and Undertaking submitted by Shri S Ganapathi Subramanian was placed before the Board for conducting due-diligence in accordance with the 'Fit and Proper' Criteria laid down by RBI.

The Board of the Bank in the meeting held on 24th May 2013 carried out scrutiny of the Declaration and Undertaking submitted by Shri S Ganapathi Subramanian and based on the 'fit and proper' criteria, confirmed the suitability of Shri S Ganapathi Subramanian for re-appointment as a Director of the Bank.



Shri. T R Ramanathan (DP/Client ID No. IN30039410454500), a shareholder, proposed the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri S Ganapathi Subramanian, be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

Shri C Neelakanta Pasupathi (DP/Client ID No. IN30017510029640), a shareholder, seconded the resolution.

As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

Chairman congratulated Directors Shri M G S Ramesh Babu and Shri S Ganapathi Subramanian on their re- election.

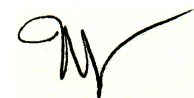
Item No.5 APPOINTMENT OF STATUTORY AUDITORS

The retiring Statutory Auditors M/s R.K.KUMAR & CO., Chartered Accountants, Chennai have vide their letter dated 16.05.2013 expressed their willingness to get appointed as Statutory Auditors of the Bank to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting. RBI has vide its letter Ref DBS.ARS.No.910/08.12.005/2013-14 Dated July 16, 2013 accorded its approval for their re-appointment.

Shri R Ramkumar (DP/Client ID No. IN 30017510209885), a shareholder, proposed the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s R.K.KUMAR & CO., Chartered Accountants, Chennai be and are hereby re-appointed as Statutory Auditors of the Bank to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank on such remuneration and reimbursement of out of pocket expenses as may be fixed by the Board of Directors on the recommendation of the Audit committee of the Board."

Shri R Sethuraman (DP/Client ID No: 12013200000572539), a shareholder, seconded the resolution.



As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

SPECIAL BUSINESS

Item No.6 APPOINTMENT OF BRANCH AUDITORS

The members were informed that the Branch offices of the Bank had to be audited by qualified Auditors and the bank intended to entrust the Audit of the Branch Offices either to the Statutory Auditors or other qualified Auditors in consultation with Statutory Auditors on such remuneration and on such terms and reimbursement of out of pocket expenses incurred by them in connection with the Audit, based on the recommendation of the Audit Committee of the Board.

Shri P S Rangamannar (DP /Client ID No IN30037810122946), a shareholder, proposed the following resolution as an Ordinary Resolution.

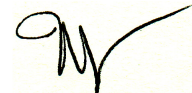
"RESOLVED THAT the Board of Directors of the Bank be and is hereby authorised to appoint, in consultation with Statutory Auditors, the Branch Auditors who are qualified to act as Auditors, including Statutory Auditors pursuant to the provisions of Section 228 of the Companies Act, 1956 for the purpose of audit of the Branches of the Bank and to decide the Branch Offices to be audited by such Branch Auditors and to fix their remuneration and reimbursement of out of pocket expenses incurred in connection with the Audit based on the recommendation of the Audit Committee of the Board."

Shri G Mani (DP /Client ID No.IN30338210016847), a shareholder, seconded the resolution.

As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

Item No.7 APPOINTMENT OF SHRI B SWAMINATHAN AS A DIRECTOR OF THE BANK

Chairman requested the Company Secretary to present the recommendations of the Nomination Committee on the candidature of Shri B Swaminathan.



Company Secretary apprised the members that the Nomination Committee of the Board in the meeting held on 23.05.2013 carried out scrutiny of the Declaration and Undertaking furnished by him and based on 'fit and proper' criteria confirmed the suitability of Shri B Swaminathan for appointment as a Director of the Bank.

Shri. A K Praburaj (DP/Client ID No. IN30108022135035) a shareholder, proposed the following resolution as an Ordinary Resolution.

“RESOLVED THAT SHRI B Swaminathan be and is hereby appointed as a Director of the Bank liable to retire by rotation.”

Shri. R Pichai (DP/Client ID No. IN30131321209720), a shareholder, seconded the resolution.

As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

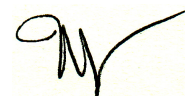
Chairman congratulated Shri B Swaminathan on his election.

**Item No.8 REVISION OF REMUNERATION PAYABLE TO
SHRI K VENKATARAMAN, MD & CEO OF THE BANK**

Chairman requested the Company Secretary to explain and read the draft resolution.

Company Secretary apprised the members that the Board in the meeting held on 28th February 2013, based on the recommendation of the Compensation and Remuneration Committee, approved the revision of remuneration payable to MD & CEO as detailed in the Resolution with all other terms and conditions of his appointment as approved by RBI vide its letter dated 26.04.20011 and approved by the members on 27.07.2011 remaining the same. The Bank has made an application to the Reserve Bank of India seeking its approval in terms of Sec 35B of the Banking Regulation Act, 1949 and their approval is awaited.

Shri A S Janarthanan (DP/Client ID No. IN30338210069114) a shareholder speaking on the resolution said that the decision of the Board to increase the remuneration payable to the MD & CEO is a step in the right direction taking into account the prevailing practice across the industry. He then proposed the following resolution as an Ordinary Resolution.



“RESOLVED THAT pursuant to Article 25 of the Articles of Association of the Bank and in terms of the provisions of Sec 35 B of the Banking Regulation Act, 1949 and other applicable provisions of The Companies Act, 1956, the Salary (Pay) payable to Shri K Venkataraman, Managing Director & Chief Executive Officer of the Bank be and is hereby revised to ₹72 lakhs p.a. effective from 01.04.2013 till the remaining period of his term ending on 31.05.2014.

FURTHER RESOLVED THAT the other terms and conditions of his appointment permitted by RBI vide its letter DBOD No.16517/08.41.001/2010-11 dated 26.04.2011 and approved by shareholders in the 92nd Annual General Meeting of the Bank held on 27.07.2011 remain the same.”

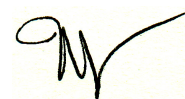
Dr V G Mohan Prasad (DP/Client ID No. IN30338210014425) a shareholder, seconded the resolution.

As there was no dissent/opposition for the resolution, the Chairman, after a while, declared that the resolution was carried unanimously.

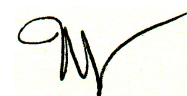
The Chairman after having completed the agenda items as proposed in the notice of the meeting, requested MD & CEO to reply to the various points raised by the shareholders.

MD & CEO then proceeded to give point by point reply to the various points raised during the deliberations.

- (1) Regarding CASA, there has been no appreciable growth. It constitutes 19% of the total deposits of the Bank. For the past two years interest rates of the Term deposits are on the higher side and hence there has been a shift from the Savings account and current account in many cases. The CASA growth is not better in many of the private sector banks and also in some public sector banks mainly because the models these banks have been using in the past and further they have not been using products like Cash Management Product (CMP) etc. We are trying to bring in Cash Management Product to improve CASA. At this juncture I request all our shareholders to open their and their family members Savings Bank account or business current account with KVB.



- (2) As regards fee income, there was a growth of 29% during the last fiscal 2012-13. The treasury income grew substantially but the income other than treasury was lower. There was not much credit pick up and also the Bank was very cautious in increasing the advances in view of the credit quality issues. These factors contributed to the lower growth in credit related fee income. In the case of insurance and other para banking activities the bank has done much better. However we would try to achieve around 30-35 % growth in the fee income.
- (3) There has been some discussion on the asset quality. In this connection the bank is exercising cautious approach as far as the asset quality is concerned especially in view of the present economic environment. The economic slow down has hit almost all sectors and the banking industry is not insulated from all these. We are taking effective steps to recover the non-performing assets and we have systems in place to effectively monitor the stress category accounts. We have resorted to technical write offs during the fiscal 2012-13 to a certain extent. They are in tune with the relevant extant guidelines. However the bank would be continuing its recovery processes like SARFAESI, Legal action, One time settlement in the technically written off accounts.
- (4) In the case of jewel loan accounts, the bank is maintaining a Loan To Value (LTV) ratio of 70%. The depreciation in the value of Gold was only 20%. The Bank is keeping a track of all the jewel loan accounts and wherever the LTV is below the prescribed level of 70%, the branches are taking steps with the borrowers either for a top up of additional jewels or for remittance of the portion of the outstanding which has exceeded the said level.
- (5) As regards the higher level of Non-SLR investments and the presence of unrated securities in our books, the Non-SLR investments are mostly the Certificate of Deposits of other Banks in Held for Trading category. We have sold them in the current fiscal. The investment in the securities etc are normal operations being made by the treasury depending upon market conditions. In case of unrated securities, they have come to us mostly as a part of the restructuring of the assets under CDR package.
- (6) Low Return on Assets (ROA) and Net Interest Income (NIM) and the impact on profitability were some of the points raised during the deliberations. It is a fact that both ROA and NIM have come down. The bank has to trade off a little bit in the return and risk. Higher return brings higher risk. The present economic slowdown has

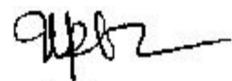


impacted all banks since the slow down is across all sectors. Hence the bank wanted to be very prudent in selecting its assets. We have addressed the issue many times for ourselves and decided to go in for lower return higher quality asset. We have been following the policy of lower return good quality assets by doing a little bit of trade off on NIM. We do not want to compromise on the risk though we might compromise on the returns. You would appreciate that this is a temporary trade-off.

- (7) Shareholders have expressed divergent views on the higher dividend with one person asking for higher quantum and another person insisting on Balance Sheet strength. We earnestly take both the views into account and try to make as much return to the shareholders as we can taking into account the RBI guidelines on the dividend pay outs.
- (8) Regarding the low tradings volumes in KVB stocks, even though in the last 3-4 year's time we have doubled the stock through the issue of Bonus and Rights shares, the trading volumes were not much. Some of our institutional investors and analysts are also talking to us about the same. While we cannot force any one to sell the stocks, it may also be taken as the shareholders are not willing to part with the KVB stock and it can be called shareholders' stock.

After MD & CEO's reply, Director Shri M G S Ramesh Babu proposed vote of thanks.

After National Anthem, Chairman declared that the meeting was concluded.



Chairman