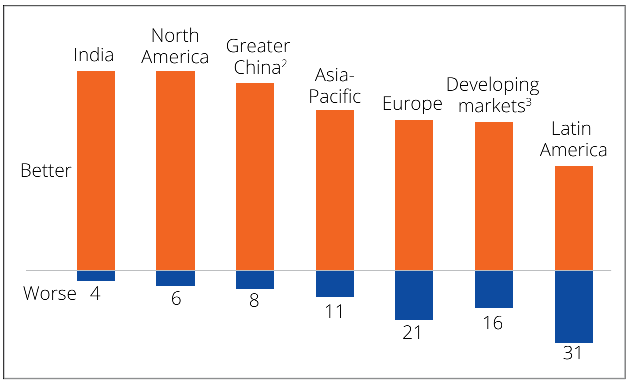
MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

Post pandemic, the global economy continues to be wavered. Weak demand continues to impact business growth across the globe. Global GDP was estimated at around 87.55 trillion U.S. dollars in CY2019. It is estimated that 4.5 percent drop in economic growth in 2020 amounts to almost 3.94 trillion U.S. dollars. Global growth is projected at 4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast.

While $26 trillion worth of crisis support and the arrival of vaccines have fuelled a faster recovery than many anticipated, the legacies of stunted education, the destruction of jobs, war-era levels of debt and widening inequalities between races, genders, generations and geographies will leave lasting scars, most of them in the poorest and developing nations.

Going forward, business leaders, economists and analysts expect a rebound in the first two quarters of the CY21. According to a study released in March 2021 by McKinsey, most of the business leaders across various regions foresee a positive momentum building in the economy as per the Exhibit given below:



The IMF expects the world economy to grow by 6% in 2021, up from its 5.5% forecast in January. For advanced economies, the IMF estimated growth of 5.1%, with the United States set to expand by 6.4%. The forecast for emerging and developing economies' growth is 6.7% for 2021, with India expected to expand by as much as 12.5% - again subject to the second wave of the pandemic playing havocs across the country.

BANKING & FINANCE GLOBAL SCENARIO

As an adverse impact of the global outbreak of Covid 19 across the world, financial systems in the world over are facing unprecedented challenges as they struggle to restore the flow of credit even while bracing up for large scale delinquencies and balance sheet stress that the ravages of the COVID-19 pandemic leave behind. In addition, they have to resume the stalled implementation of regulatory reforms, re-build and top-up capital and liquidity buffers and re-engage to nurture the economic recovery. During the time around, the world banks played a crucial hand in keeping the global economy moving during the Coronavirus pandemic. Lenders were able to maintain the flow of credit to businesses and households. They raised emergency capital for small businesses and extended debt maturities for large corporations, originated and refinanced home loans, and were the cog in which, stimulus checks and relief payments were transmitted.

Banks across the world are expected to face a cumulative revenue loss of $1.5 trillion to $4.7 trillion between 2020 and 2024 as the potential for near-term economic recovery remains uncertain in wake of COVID-19 pandemic, according to a latest report by McKinsey. In the base-case scenario, $3.7 trillion of revenue will be lost, equivalent of more than a half year of banking industry revenues. However, the banks remain sufficiently capitalised. Further in anticipation of sharp increase in personal and corporate defaults due to COVID-led crisis, global banks have provisioned $1.15 trillion for loan losses through third quarter 2020, much more than they did through all of 2019.

INDIAN ECONOMY

Indian economy had started dwindling in FY18 when the growth declined to 7.04 per cent from 8.26 per cent in the previous fiscal. The GDP growth further declined to 6.15 per cent in FY19 and 4.2 per cent in FY20, which was the lowest in 44 quarters.

India's economy bounced back amazingly from the COVID-19 pandemic and nationwide lockdown over the last year, but it is not out of the woods yet, according to the World Bank, which in its latest report has predicted that the country's real GDP growth for fiscal year 21/22 could range from 7.5 to 12.5 percent. Threat of second wave looms large on the Indian economy's eminent recovery.

Among the badly hit sectors are small and micro enterprises in the period under review. According to a report by CRISIL, revenue of small firms saw a sharper dip relative to large firms due to lower bargaining power and weak bank credit. Less than 20% of 400 smaller companies among the 800 listed ones, only saw positive revenue growth in the first half of FY21. The pandemic hit harder contact based services like hotels, passenger transport, trade and retail. With higher concentration of services, urban economy was adversely impacted. Lack of social safety nets for the urban poor added to the distress.

Manufacturing sector showed faster recovery during the period. Rural economy backed mostly by agriculture, remained the most resilient. Agriculture is estimated to grow 3.4% in FY21 and 3% in FY22 backed by a good monsoon in FY21 and a normal monsoon forecast for FY22. India exported agricultural commodities worth ₹ 2.74 lakh crore till February of FY21, a 16.9% increase from ₹ 2.31 lakh crore in the financial year 2020. With support from MGNREGA and PM Kissan Scheme the agriculture and rural economy also fared well.

In response to the biggest economic crisis since 1979 triggered by the Covid-19 pandemic and the subsequent 54-day lockdown across India, a 20 lakh crore (equivalent to 10% of India's GDP) under the 'Atmanirbhar Bharat Abhiyan' was announced in May 2020. This special economic package was announced to make India independent against the tough global supply chain competition and help empower the labourers, poor and migrants who had been severely affected by the COVID-19 pandemic.

Further, the Reserve Bank of India on 5th May 2021 extended relief to individuals and small businesses who have loans upto ₹ 25 crore by allowing them to seek a loan restructuring if they are affected by the second wave of the covid 19. Announcing a series of steps to ensure financial stability, the central bank also announced a ₹ 50,000 crores liquidity window to ramp up healthcare infrastructure. This has been topped with incentives for lenders who build a covid-19 loan book.

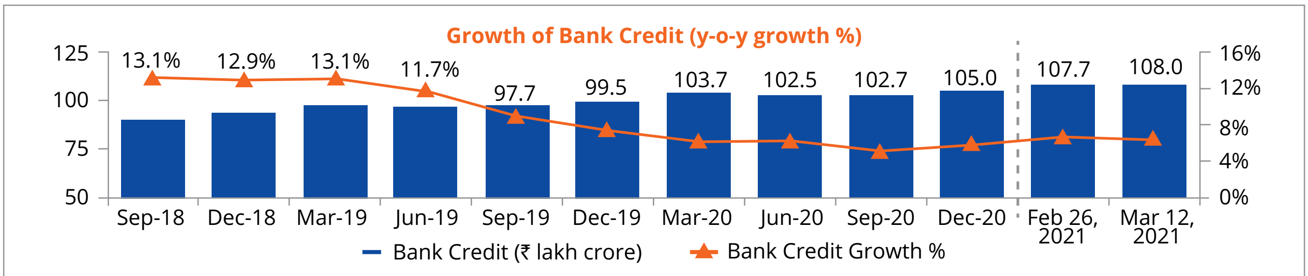
Going forward, all the economic predictions on FY22 are subject to the second wave of Covid which may slow down the projected economic growth. The Reserve Bank of India in early April, 21 has cautioned of uncertainties clouding its outlook with the recent surge in covid-19 cases sweeping the country, even as it retained the country's gross domestic product (GDP) growth projection for FY22 at 10.5%.

The rise in global commodity prices, coupled with the volatility in financial markets, accentuates risks and lockdowns in certain states could dampen the gradual revival of growth impulses. However it is unlikely to derail the ongoing recovery, though it may delay the recovery process by one quarter.

BANKING & FINANCE - DOMESTIC

In India, an unprecedented economic contraction has taken its toll on fundamentals of banks and non-banks and purveyed a generalised risk aversion that has reduced the efficacy of the financial intermediation function. Prompt measures undertaken by the Reserve Bank India and the Government of India to a large extent have ensured easy monetary and liquidity conditions, orderly markets and a secure and well-functioning payment settlement environment. RBI finds that stretched asset valuations are in apparent disconnect with the real economy. A perspective released by the Central Bank in December, 2020 also finds that life support in the form of adequate credit flows to some of the productive and covid stressed sectors had been deficient. Going forward, restoration of health of the banking and non-banking sectors depends on how quickly the spirits return and the revival of the real economy.

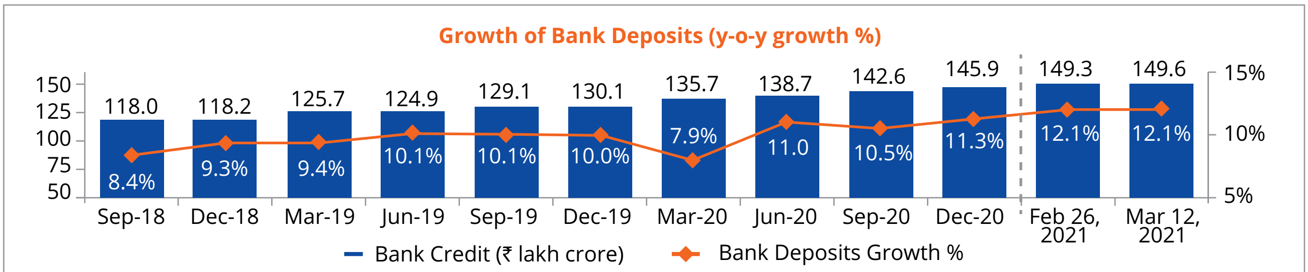
Credit Scenario FY21



Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

Overall Bank credit grew 5.56 per cent to ₹ 109.51 lakh crore in FY21. Growth in the bank credit during the year was driven by personal loans and credit to agriculture and allied activities. While advances to large industry fell, lending to the micro, small & medium enterprise segments grew. Credit growth picked by substantially in March, 2021 backed by a lower base in the same of 2020 due to the imposition of lockdown. According to RBI Non-food credit of all banks stood at ₹ 96.6 lakhs crore as on March 26, 2021, up 4.9% from March 27, 2020.

Deposit Scenario in FY21



Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

While deposits rose 11.4 per cent to ₹ 151.13 lakh crore in FY21, as per the data released by Reserve Bank of India as against a growth of 7.9 per cent in the 2019-20 fiscal. Deposit growth stood stable as compared with previous year (9.1% growth during fortnight ended March 13, 2020).

The liquidity surplus in the banking system stood at ₹ 5.7 lakh crores as per the latest report dated March 12, 2021. The liquidity surplus can be primarily attributed to deposit growth outpacing credit growth persistently. However, government borrowings (Central: ₹ 57,230 crore and State: ₹ 45,551 crore) limited the banking system liquidity surplus.

IMPORTANT MONETARY POLICY INITIATIVES WHILE GOING FORWARD FY21

Important policy initiatives from Reserve Bank of India and Govt. India of India in the last year especially in the context of stress felt across on account of COVID-19 pandemic are given below:

Policy Rates

The Monetary Policy Committee voted unanimously to keep the repo rate unchanged at 4% for the fourth straight meet since May 2020. The Central Bank that controls the reverse repo rate separately, decided to keep it unchanged at 3.35%.

Gold- increase the permissible loan to value ratio (LTV)

RBI in August, 2020, decided to increase the permissible loan to value ratio (LTV) for loans against pledge of gold ornaments and jewellery for non-agricultural purposes from 75 per cent to 90 per cent. This enhanced LTV ratio will be applicable up to March 31, 2021 to enable the borrowers to tide over their temporary liquidity mismatches on account of COVID 19.

Credit Schemes for MSMEs

In order to incentivise new credit flow to the micro, small, and medium enterprise (MSME) borrowers, Scheduled Commercial Banks will be allowed to deduct credit disbursed to 'New MSME borrowers' from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR).

Budget Allocation for FY 2021-22 for the MSME more than doubled to ₹ 15,700 crore Vis a Vis ₹ 7,572 crore in 2020-21. The policy related initiatives for MSMEs also included rationalisation of custom duties. To provide credit facilities for the MSMEs, the Government of India has come up with many loan schemes, and even the banking sector and financial institutions grant loans to them.

In FY21, the Sectoral deployment of credit to MSMEs grew by 4.8%, higher than the growth of 2.9% during FY20. Out of this, the credit to services sector (micro and small enterprises), which accounts for around 60% of the total bank credit disbursed to MSME sector, grew by 4.4% in FY21 compared with 0.2% in FY20.

Basel III Capital Regulations: Deferment of the Full Phase-in of Capital Conservation Buffer

The capital conservation buffer (CCB) of 0.625 per cent, which was scheduled to take effect from April 1, 2020, was deferred till April 1, 2021. Considering the continuing stress on account of COVID-19, and in order to aid in the recovery process, it has been decided to defer the implementation of the last tranche of the CCB of 0.625 per cent from April 1, 2021 to October 1, 2021.

Deferment of the implementation of Net Stable Funding Ratio (NSFR)

Continuing various policy measures, RBI in the wake of COVID-19, the implementation of Net Stable Funding Ratio (NSFR) by banks in India had been deferred to April 1, 2021. In view of the continued stress on account of COVID-19, it has been decided to defer the implementation of NSFR to October 1, 2021.

Capital Infusion

In line with the Budget speech to infuse ₹ 20,000 crore in PSBs in 2021-22 and also to meet the regulatory norms, the government, during the last week of March, 2021, has infused a total capital of ₹ 14,500 crore in four public sector banks (PSBs).

Pro forma NPAs

In the context of the prevailing COVID-19 pandemic, the Supreme Court directed Banks not to classify those loans as bad loans, which had not been classified as NPA as of August 31, 2020 and also not to collect compound interest on the outstanding loan amounts during this moratorium period from March 1, 2020 to August 31, 2020. Though the Central Government made a policy not to collect compound interest on loans upto a loan size of ₹ 2 crore, the Supreme Court ordered that the Banks shall not collect compounding interest from all borrowers across the board, during the moratorium period.

National Asset Reconstruction Company Ltd (NARCL)

National Asset Reconstruction Company Ltd (NARCL), the name coined for the bad bank announced in the Budget 2021-22, is expected to be operational in June, 2021. The biggest advantage of NARCL would be aggregation of identified NPAs (non-performing assets) in public sector lenders in the form of clean-up of their loan books. This help in recovering value from stressed assets and allowing banks to increase lending.

TLTRO

In the wake of the COVID-19 crisis, to enhance liquidity in the system, Reserve Bank of India on March 27, 2020 announced the Targeted Long Term Repo Operations

(TLTROs) which allowed banks to borrow funds from RBI at Repo Rate, by providing government securities with similar or higher tenure as collateral. Liquidity availed under the scheme by banks has to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of banks investments in these bonds as on March 27, 2020. Exposures under this facility will not be reckoned under the large exposure framework and the securities acquired in TLTRO scheme are allowed to be classified under HTM.

As part of the second COVID-19 rescue package, and specifically to channel liquidity to small and mid-sized Non-banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs), that have been impacted by COVID-19 disruptions, the RBI on April 17, 2020 further announced TLTRO 2.0 at the policy repo rate for tenors up to three years.

Other Key Policy Measures

Reduction in CRR in March 2020 and restoration in two phases beginning March 2021

To help banks tide over the disruption caused by Covid -19, the cash reserve ratio (CRR) was reduced by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) effective from the reporting fortnight beginning March 28, 2020. This relaxation was for one year. After review, it was decided to gradually restore CRR 4.0 percent from fortnight beginning May 22, 2021.

Marginal Standing Facility (MSF) - Relaxation

On March 27, 2020, banks were allowed to avail of funds under the marginal standing facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of net demand and time liabilities (NDTL), i.e., cumulatively up to 3 per cent of NDTL for providing comfort to Banks on their liquidity requirements. In a phased manner, this scheme was decided by RBI, to be continued with the MSF relaxation upto September 30, 2021.

SLR Holdings in Held to Maturity (HTM) category

On September 1, 2020, RBI increased the limits under Held to Maturity (HTM) category from 19.5 per cent to 22 per cent of net demand and time liabilities (NDTL) in respect of statutory liquidity ratio (SLR) eligible securities acquired on or after September 1, 2020, up to March 31, 2021 and was further extended upto June 30, 2023 by including securities acquired between April 1, 2021 and March 31, 2022, in order to provide certainty to the market participants in the context of the borrowing programme of the centre and states for 2021-22. The HTM limits would be restored from 22 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2023.

OPPORTUNITIES FOR THE BANKING SECTOR

Bank credit accounts for more than 60% of domestically sourced financial flows to the commercial sector. But the quantum of bank credit remains woefully inadequate. The total balance sheet of banks in India still constitutes less than 70 per cent of the GDP, which is much less compared to global peers such as China, where this ratio is closer to 175%. Moreover, domestic bank credit to the private sector is just 50% of GDP when in economies such as China, Japan, the US and Korea it is upwards of 150 per cent. In other words, India's banking system has been struggling to meet the credit demands of a growing economy. There is only one Indian bank in the top 100 banks globally by size.

The Indian economy, especially the private sector, needs money (credit) to grow. Against this back drop in November 2020, the Internal Working Group (IWG) came out with a suggestion to allow big corporates/industrial houses to own and run banks and NBFCs. Currently at the proposal level, this suggestion once implemented will have far reaching consequences and its positive and adverse impacts are being debated.

However, the resurgence of COVID is forcing banks, especially smaller banks turn to recession-proof assets to avoid future asset quality shocks. The smaller ones, more susceptible to pandemic shocks, may not be enthusiastic about sanctioning fresh loans to sectors that are directly hit by the pandemic. What they find attractive is recession-proof sectors such as essential services, gold loans and other retail loans. The idea is to de-risk their portfolios at the earliest in the phase of continuing uncertainty on the COVID-front. There is a fear of nationwide lockdown soon as COVID cases are continuing to go up on a daily basis across the country.

Gold Loans

Gold holds high sentiments in Indian households, and as per a report by KPMG, the outstanding gold loans in organized sector is less than 5% of the total gold holdings in Indian households. This indicates low penetration and immense potential for the gold loan financing sector. Rural Indians tend to have higher holdings of gold as compared to their urban counterparts. While the medium term price of gold fluctuates, in the long run, gold has delivered 10-15% CAGR over the last 10-15 years, making it a consistently preferred asset class for investment in India.

MSME Loans

As a developing economy India has a large existing MSME sector as well as number of new micro and small entrepreneurs emerging in multiple sectors. Equity and debit capital support is vital for these MSMEs as they go through many opportunities and risks in business. Scheduled banks and SME development banks have been playing a vital role to make this sector thrive**.**

In the recent times the Government's ambitious ₹ 3 lakh crore automatic loan scheme for micro, small and medium enterprises (MSME) has received a big thumbs up from banks who are looking at it as a huge business opportunity.

COVID 19 – RISKS

The RBI expects bad loans of banks to touch 13.5% by September 2021 under a baseline scenario. Under a severe stress scenario, they are expected to touch 14.8%. India's second wave of Covid-19 infections poses increased risks for India's fragile economic recovery and its banks. Fitch Ratings envisages a moderately worse environment for the Indian banking sector in CY2021. Over 80% of the new infections are in six prominent states, which combined account for roughly 45% of total banking sector loans. Any further disruption in economic activity in these states would pose a setback for fragile business sentiment. There are also asset quality concerns since banks' financial results are yet to fully factor in the first wave's impact and the stringent 2020 lockdown due to the forbearances in place. Fitch Rates considers the micro, small and medium enterprises (MSME) and retail loans to be most at risk.

Reserve Bank of India on May 5, 2021 in the context of resurgence of COVID announced a second round of measures to help banks and stressed borrowers. This include special liquidity support to COVID health infra sectors and provision for another round of restructuring for smaller businesses, boost the sentiments in the direction. The banks may stay away from risky unsecured loans to avoid any future impact on asset quality. While gold has always been a safe bet, the pandemic has forced banks to generally shift to selective retail loans from corporate loans.

OPPORTUNITIES AND THREATS

Opportunities

- Budget push on capital expenditure and expanded production-linked incentives (PLI) scheme will usher economic revival and investments and increased opportunities will be available in manufacturing and infrastructure segments.
- The outlook for agriculture is also bright and resilient and the agri vertical will be able to build volumes that will qualify for PSL attainment as well.
- The accommodative stance of RBI and liquidity support will promote growth on a durable basis and such measures will have a positive impact on Treasury. (GSAP/VRRRR/HTM dispensation, WMA, etc.).
- The extension of TLTRO scheme will result in improved margins.
- Liquidity support to AIFIs will provide a window on mobilising funds through refinance at competitive rates.
- The permission to banks for on lending to Agriculture, MSME and Housing through NBFCs and the extension of PSL dispensation will open up opportunities in the relevant sectors.
- The support to MSMEs by way of extension and widening the scope of ECLGS scheme will throw up opportunities in that segment.
- We could leverage the LTV dispensation for gold loans as advised by RBI and register a y-o-y growth of over 60% in FY 21. Apart from pricing, our customer centric approach and TAT will help us to acquire new customers / market share of NBFCs & unorganized sector. The leveraging of the existing branch network, aligned branch distribution strategy and indirect channels will open up decent scope for growing the gold loan portfolio.
- The pronounced digital push especially in the covid situation is yielding the desired results and the continued efforts in this direction as supported by the government and regulator will improve the penetration, enhance the customer experience and result in reduced transaction costs.
- Conducive atmosphere for expanding physical branch network due to the availability of premises at lower rentals or even the opportunity to move to a ready to occupy premises due to the merger of the PSU banks.

Threats

- The coronavirus (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. The situation is changing quickly with widespread impacts. Though the vaccination programme is running in full swing, the recent surge in infections by way of second wave has created panic and is resulting in localised and regional lockdowns. This could dampen the recent improvement in the economy managed with all out efforts from the government and regulators.
- Concerns around continuity of processes which have direct touch-points with the customer.
- With the popularisation of digitisation and work from home model to counter the covid effect, the cyber security/protection from cyber-attacks is assuming a major role.
- With the uncertainties in the economies, there could be challenges in growing the non-gold advance portfolios.
- The increased rate of credit risk defaults and lower recoveries due to inactive markets for collaterals.
- Reduced cash inflows from loan repayment will affect the ALM.
- The combined effect of low business activities, higher impairment and possible operational and MTM losses may result in reduced profit levels and capital depletion.

- New entrants and related regulatory prescriptions having implications on banking industry-For example, RBI has permitted payment banks to hold a maximum balance of ₹ 2 lakh per individual customer as against the prevailing one lakh limit.

BUSINESS SEGMENT/PRODUCT OVERVIEW

Retail Banking

The Bank offers a wide range of loans, deposit and wealth management products and services to domestic and NRI customers, under retail banking business. In the retail loans segment, the Bank offers a variety of personal and business loans including, loans against gold jewellery (Gold Loans), two wheeler and motor vehicle loans, housing loans, loan against property and overdrafts on mortgage/ hypothecation/pledge, small business loans (MSME loans), agricultural loans and microfinance.

Deposit products include current accounts, savings accounts, NR accounts, fixed deposits, recurring deposits, and corporate salary accounts. For facilitating fund transfer services required by NRI customers, the Bank has remittance and rupee drawing arrangements with major exchange houses in the Middle East and also has tie ups with major money transfer agents, which enhances its capability to provide inward remittance services to the customers and strengthens its NRI business. The Bank also has Bancassurance tie ups with leading life and non-life insurance companies for the benefit of the customers. Bank also provides demat services in tie-up with partners for CSB customers, where CSB holds the savings account and demat and trading account will be provided by the partner.

SME Banking

In our vision to make CSB Bank as one of the best SME banks in the country, we have worked on strategy that focusses on leveraging our branch distribution along with expansion to new SME centric markets. In addition to this, one key aspect of the strategy is to work on simplifying policy and process through technology enablement.

The group would want to focus on client level profitability by working closely with customers through a robust relationship management structure that would focus on portfolio hygiene and wallet share.

SME group has implemented Business Structure Reorientation with focus on Portfolio Management and new client acquisition through independent teams. Geographic outreach is a critical focus area for business generation and this is being primarily driven through the identified 41 SME Centric hub locations that are aligned to the 208 spoke branches spread across the key markets in the country.

The Bank will focus on creating parameterized schematic products in SME that can be fast tracked for quicker TAT and this will be done along with initiatives to create segment based knowledge expertise by partnering with trade and industry associations. The other key objective of SME Banking will be to further simplify business and credit process through technology enablement that will take care of complete life cycle of the customer covering business sourcing to post disbursement till loan monitoring.

Corporate Banking

The Corporate Banking services comprises of Corporate Lending as well as Transaction Banking offerings to clients in India. Corporate Banking at CSB caters to the needs of Corporates, primarily Large and Mid-Sized companies and provides a range of commercial banking products and services to corporates. The division also provides banking services to Financial Institutions viz, NBFCs, Banks, Insurance Companies, Mutual Funds, Brokers etc. Transaction Banking consists of 2 businesses i.e., Cash Management and Trade Finance. The services are delivered through our wide network of branches as well as digital banking services.

Treasury Management

Bank's treasury operations primarily consist of statutory reserves management, asset liability management, liquidity management, investment and trading of securities, and money market and foreign exchange activities. Treasury operations are aimed at maintaining an optimum level of liquidity, while complying with the RBI mandated CRR and SLR. We maintain SLR through a portfolio of dated securities and treasury bills of the Government of India, state development loans, and other securities as may be permitted by the RBI from time to time, which has been actively managed to optimize yield and benefit from price movements. Treasury is also actively involved in the trading of securities and foreign exchange, investment in sovereign debt instruments, commercial papers, mutual funds, certificates of deposits, bonds, and debentures to manage short-term surplus liquidity and to further optimize yield and generate profits thereon.

REVIEW OF PERFORMANCE

Total Business

The total business of your Bank stood at ₹ 34,528 crore as on March 31, 2021, as against ₹ 28,031 crore a year before, registering a y-o-y growth of 23.18%.

Total Assets

The total assets of the Bank increased to ₹ 23,337.36 crore in FY21 from ₹ 18,864.24 crore in FY20 showing a y-o-y growth of 23.71%. The increase is mainly on account of increase in investments and advances.

Total Deposits

Aggregate deposits of the Bank at the end of FY21 stood at ₹ 19,140 crore, compared to previous year level of ₹ 15,791 crore, registering a y-o-y growth of 21.21%. Improvement in CASA as well as term deposits of the Bank is responsible for the growth of deposits.

CASA Position

During the period under review, CASA has grown by ₹ 1,555.21 crore, registering 33.76% growth y-o-y, compared to ₹ 396. 01 crore in the previous financial year (9.41% y-o-y). CASA ratio has improved from 29.17% in the previous financial year to 32.19% at the end of FY21.
The aggregate NRI deposits of the Bank at the end of FY21 stood at ₹ 4,308.50 crore, compared to previous year level of ₹ 3,914.22 crore, registering a moderate growth of 10.07%.

CASA Strategy

With the operational, structural and developmental changes initiated in FY20, the Branch Banking Vertical is now focused on Deposits (including low cost deposits) and distributed products including insurance, money transfer and cross selling of all other asset products of the Bank. The branches are more focused on providing better customer experiences through efficient customer services and products to all categories of customers of the Bank and thereby generating cross selling opportunities and revenue. The sales and customer relationship team comprising of Business Development Executives, Relationship Managers/ Officers and Customer Relationship Executives as frontline staff have been strengthened to achieve the sales and service objectives of the Bank. Specialized teams are built up for key growth segments including Government business, TASC and other potential growth segments.

Bank is planning to introduce Family banking services so that the entire family can enjoy the products and services of the Bank. It is our endeavour to add more products and give better services to our customers so that we become their primary bankers.

The CSB Instapay fee collection portal "The unique product proposition targeted at schools" have been enhanced with more features and also have contributed to the growth in a big way. The customer base for the existing Online Broking Services through partner tie-ups has shown a growing trend with increased revenue through fee income.

Over the year, the Bank has introduced new products and propositions and focussed on digitisation of its processes with a view to improve the quality.

Classification of Deposits Portfolio

(₹ in Cr)

	FY 20	FY 21	Growth	Growth %
Demand Deposits	739.42	1192.37	452.95	61.26%
Savings Deposits	3,867.17	4969.43	1102.25	28.50%
CASA	4,606.59	6161.80	1555.20	33.76%
Term Deposits	11,184.08	12978.24	1794.16	16.04%
Total Deposits	**15,790.67**	**19140.04**	**3349.36**	**21.21%**

Advances

(₹ In Crores)

During the period under review, the Bank's total advances (gross) increased to ₹ 15,388 crore against ₹ 12,240 crore as on March 31, 2020, registering a y-o-y growth of 25.72%. The gross CD Ratio of the Bank stood at 80.40% against 77.52% in the corresponding previous year.

Gold loan portfolio grew by 61% to ₹ 6,131 crore as on 31.03.2021 from ₹ 3,800 crore of corresponding previous year, whereas Two Wheeler and Agri & MFI portfolio grew by 119% and 252% in FY 21.

Retail Assets

The Bank has a diversified product suit for all its customer segments – Gold Loans, Two-Wheeler Loans, Business Loans (MSME), Home Loans, Loans Against Property, Education Loans, Microfinance Loans and Agriculture Loans. The core strategy in Retail Assets has been deepening the existing product offering within existing branches coupled and identifying the right target segments and keeping the associated risks under control.

Business growth depends on a strong retail credit management function that focuses on maintaining asset quality and concentration at individual exposures, as well as at the portfolio level. It must also evaluate the internal scoring models determining the acceptability of risk and the maximum exposure ceiling prescribed. The retail credit management function must also consider sanctioning authority, pricing decisions and review frequency. Large exposures within retail require to be independently seen by the respective Committees whereas small, template exposures are extended within the approved product policies.

Gold Loans

(₹ In Crores)

As per reports, the consumers in India, use their gold holdings as collateral to fulfil their immediate financial needs during the COVID – 19 pandemic phase. Demand during the pandemic has pushed gold loan AUM (Asset Under Management) higher for many of the Financial entities. It was also complimented by the increase in gold prices. While many banks have aggressively got into gold loan business, CSBs proven strategies such as blue ocean strategy, NTB (New to Bank customer) strategy has helped us to grow our gold loan portfolio by 61% Y-o-Y. Our per branch productivity stood at ₹ 14.51 Crore which is one of the highest in the industry. With increased network of 100 more branches, we are poised to grow in the similar pace during FY 22 also.

Gold Loan portfolio of your Bank as on March 31, 2021 stood at ₹ 6,131 crore with a growth of 61% y-o-y. Gold Loans constituted 40 % of total advances as on March 31, 2021 and continue to be a mainstay for the Bank on the advances side. Aggregate weighted yield on gold loan portfolio has increased by 87 bps and reached 12.67% during FY 21.

Our Key strategy of 'penetrating in to rural and urban markets, mainly at unbanked areas presently dominated by unorganized players' has worked well for the Bank both on new business acquisition and yield. We have also engaged different entities as Business Correspondent to penetrate into rural and other markets.

We have also enabled multiple channels for gold loan origination namely Indirect Channel, Business Correspondent, Direct Sales Team (DST), Doorstep Banking service, Digital Business Acquisition channel which had also helped us in acquiring new customers and thereby improving over overall portfolio.

Other Retail Loans

The Other Retail Loans book had a closing balance of ₹ 1,201 crore as on March 31, 2021 as compared to ₹ 1,298 crore as on 31st March 2020.

Two Wheeler Loans

(₹ In Crores)

Two-wheelers continued to see sluggish demand as the new wave of Covid in certain states kept customers away. As customers preferred personalized modes of transport due to the pandemic there was some demand till the festival season in November 2020. However, from January 2021 rising fuel prices led to deferment of consumers' decision to purchase a vehicle, shortage of semi-conductors and high container charges, which deterred the production levels and the imposition of new lockdowns in some cities affected the sales of two wheelers. The expectation was the rural economy would show better growth than the urban markets as the same was largely affected by the pandemic. Now with the second wave emerging again the sales of two wheelers will be impacted further.

From date of launch in 2018, we have acquired 28069 customers and disbursed ₹ 225 crores. We have now 12% market share in Kerala and are # 3 amongst Banks in few key towns of Kerala next only to HDFC & Indus Ind.

Completed our location expansion and presence in all major cities of the four southern states. Signed preferred financier agreement with Royal Enfield. Only regional based Bank to have such a tie up.

The two wheeler loans grew by 119% in FY 2020-21 to ₹ 171 crore as compared to ₹ 78 crore as on 31st March 2020 mainly from the business operations in the state of Kerala.

AGRI/MFI Banking

(₹ In Crores)

Your Bank caters to each segment of the Agri value chain – individuals (farmers, professionals and self-employed), traders (dealers/distributors, aggregators), processors and rural institutions by using customised proposition across product segments. The Bank meets the credit related requirements of its agriculture customers through Kisan Credit Cards, Investment credit, Financing Agri Allied activities and Agri Ancillary units. These initiatives are designed to support the farmer borrowers engaged in agri & allied activities for maximization of their agricultural income by ensuring optimum utilization of their farm assets.

Your Bank has specialized Relationship Managers and Agricultural Officers to cater to the needs of the valued farmer clients and along with a variety of tailor-made schemes, cater to meet the short-term credit requirements of the farmers, post-harvest expenses, Marketing loans, Investment credit requirement and working capital requirement.

The portfolio has grown by ₹ 410 crores (259%) in FY 21 to reach ₹ 567 crore as compared to a closing book of ₹ 158 crore as on 31st March 2020.

Your Bank is committed to continue the growth in Agri & FI portfolio with improved vigour and increase its contribution to the upward trajectory of the Bank's business.

MSME Loans

(₹ In Crores)

The Bank offers Micro, Small and Medium Enterprise loans to various businesses across geographies of India. The Existing Product offering is in the form of Term loan, cash credit and overdraft against collateral to self-employed businesses.

The MSME advances of the Bank stood at ₹ 289 crore as on March 31, 2021 as compared to ₹ 284 crore as on March 31, 2020.

Considering a huge untapped market available to the Bank and continuous focus of the regulators and government on micro enterprise sector, the Bank has set up a dedicated vertical in FY 21 to cater to the lending requirements of the large underserved micro & small businesses. A unique product offering based on cash flow and PD analysis was designed considering the challenges faced by micro enterprises in availing credit through formal channels. The new product offering was launched across 25 branch locations in TN, Karnataka & Telangana in Quarter 1 of FY 21.

Portfolio of the new product offering stands at ₹ 71 Cr as on 31st Mar 2021 with zero SMA accounts. The product has taken off really well in spite of the prevailing pandemic situation. Focus was on quality of sourcing, in line with the same internal study was done to understand the impact of pandemic across various industries. Customer segmentation was done basis the risk assessment and focus was on sourcing to low and medium risk segments.

The new vertical is also focussing on conversion of existing MSME book of cash credit and overdraft to term loans in 25 locations where the team is operational.

Next Year focus would be on expanding the new product line across other branches of the Bank. The new vertical will aslo be exploring opportunities through partnership model with Fintech's & Business Correspondents.

Priority Sector Loans

The Bank continues to accord importance to varied goals under national priorities, including agriculture, micro, small and medium enterprises, education, housing, social infrastructure, renewable energy, microcredit, credit to weaker sections and specified minority communities as a part of Priority sector lending. Separate verticals are formed to cater to these segments with the support of experienced and specialised teams under the verticals. Performance under the sector is given below:

Priority sector Loans	2020 (Crores)	2021 (Crores)
Priority sector Lending as on 31st March	3,974.55	4,930.59
Quarterly Average PSL	4,261.51	4,920.45
Achievement (Quarterly average)	42.55%	42.52%

Priority sector advance improved by 24.05% compared to 2020. Disbursement of Priority sector loans are achieved at 42.52% of Adjusted Net Bank credit, which is against 40% prescribed by Reserve Bank of India. Your bank has also achieved the sub targets under Agriculture, Small & Marginal Farmers, Weaker Sections and Micro- Enterprises.

Your bank could sell PSLC Agriculture category to the tune of ₹ 1,500.00 crore, PSLC Small & Marginal Category to the tune of ₹ 600.00 crore and purchased PSLC Micro Enterprise category to the tune of ₹ 400 crore and PSLC General to the tune of ₹ 300 crore during the year under review.

Financial Inclusion

The objective of financial Inclusion is to extend financial services to the large unserved population of the country to unlock its growth potential. Through Financial Literacy and Credit counselling centres (FLCCs) and by extending the banking outreach through Business correspondents, your Bank has enabled the channels for lending to this group. Your Bank has 37 Rural Branches and 7 FLCC's to strengthen the financial literacy activities at the field level.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Bank has 159886 BSBDAs (Basic Savings Bank Deposit Accounts), 1491 KCC Accounts (Kisan Credit Card) outstanding as on 31.03.2021. Out of the BSBDA accounts opened, 73469 accounts are opened under Pradhan Mantri Jan Dhan Yojana.

PMJJBY, PMSBY AND APY

Three social security schemes namely Pradhan Mantri Jeevan Jyothi Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) were launched by Hon'ble Prime Minister on April 8, 2015. Bank has 5657 PMJJBY, 19389 PMSBY and 4799 APY accounts outstanding as on 31.03.2021.

Business Through Business Correspondent (BC) Model

In line with its commitment towards sustainable 'Inclusive growth' in the rural and semi urban segment, your bank has always focused on digital banking channels and expansion of Business Correspondents (BC) to further grow its Financial Inclusion activities. The BC channel, which provides customers in unbanked areas, an access to various banking products and services. During the current financial year, the bank has extended credit to 48000 women borrowers through micro lending programmes through business correspondents' model. Your bank has reached out to more than 60,000 families through this initiative with the support of 9 Business correspondents empanelled by the bank across the geographies.

Total business outstanding as on 31st March 2021 in Micro Finance business under BC model is ₹ 189.50 Crores as against ₹ 62.50 Crores as on March 31, 2020.

Corporate Lending

CSB caters to Large and Mid-size Corporates and other business entities, with credit requirement of ₹ 250 million and above.

Your Bank offers a full range of client-focused corporate banking services, including working capital finance, term lending, trade and transactional services to corporate customers in India. The product offerings are suitably structured taking into account a client's risk profile and specific needs by a specialized team. During FY21, Corporate Banking segment has identified to put more foot prints at Hyderabad, Ahmedabad and Bengaluru in addition to our existing locations of Mumbai, Delhi, Pune, Chennai and Kerala, to capture maximum opportunities available. In addition, your Bank has put Regional Business Head in place for West and North for focussed corporate asset growth in these geographies.

Your Bank follows a risk adjusted return philosophy in the corporate banking and is focused on growing Mid-size corporate assets. The Bank is committed to continuously improve its efficiency and processes for better experience of clients, leading to mutually beneficial relationship.

In line with conscious strategy to reduce the reliance on big chunky customers, Corporate Book closed at ₹ 3,653 crore (marginally up by 7% YoY) as on March 31, 2021 as compared to ₹ 3,402 crore as on March 31, 2020.

A few of the client-focused Corporate Banking services as under:

Supply Chain Finance:

The supply chain finance division of the corporate banking team has implemented a new product known as TReDS-Trade Receivables e-Discounting System. In order to cater to the liquidity issues of the Micro, Small and Medium Enterprises (MSMEs), RBI has released guidelines for setting up and operating TReDS which would facilitate the discounting of trade receivables of MSMEs from corporates and other buyers including Government departments and Public Sector Undertakings (PSUs).

TReDS being a complete digital platform helps the Bank to considerably reduce the cost of acquisition of customers. The funding of MSMEs on the platform qualifies for priority sector lending which enhances the compliance of our bank. TReDS is one of the many digital steps taken by your Bank to reach out to its customers.

TReDS portfolio stood at ₹ 109 crore as on 31.03.2021. LCBD portfolio has a de-growth of 9% in FY 2020-21 to ₹ 384 crore as compared to ₹ 422 crore as on 31st Mar 2020.

Structured Finance:

Bank helps NBFC clients by acquiring their existing assets pools by Direct Assignment (DA) /Pass Through Certificates (PTC). This also helps Bank to achieve PSL targets.

The assignments loans de grew by 5% in FY 2020-21 to ₹ 645 crore as compared to ₹ 678 crore as on 31st Mar 2020.

Cash Management Services:

Your Bank has recently introduced Cash Management Services that offers Cash / Cheque Collection facility for all clients. This facility helps in timely deposition of cash as well as cheques in your Bank account and is backed by proper MIS that helps in reconciling and managing funds efficiently.

E-Collection which is part of Cash Management services facilitates customers to get the payer details and credit information for recurring inward Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) transactions in the current account.

Bank plans to offer full range of advanced Cash Management products that would help its business to process clients' Receivable and Payable, efficiently. These products will help the Bank in optimizing client's cash flow position and ensure effective management of their business operation.

SME Lending

Bank's SME business has been driven through RM – SME, Portfolio Managers – SME and Relationship Executive – SME. The structure is driven by SME Cluster Heads/ Regional heads. SME business are driven in 41 SME hubs primarily through 208 identified branches. Under SME banking, the Bank offers a wide range of products including term loans, working capital loans, invoice/bill discounting, letters of credit and bank guarantees.

The SME advances of the Bank stood at ₹ 2,239 crore as on 31.03.2021 as compared to ₹ 2,062 crore as on 31.03.2020.

Classification of Gross Advances Portfolio

(₹ in Cr)

	FY20	FY21	Growth	Growth %
Gold Loans	3,800	6,131	2,331	61%
SME Loans	2,062	2,239	177	9%
MSME Loans	284	289	5	2%
Corporate Loans	3,402	3,653	251	7%
Retail Loans	1,298	1,201	-97	-7%
Two Wheeler Loans	78	171	93	119%
Agri & MFI	161	567	406	252%
Assignments	678	645	-33	-5%
LCBD & TReDS	477	492	15	3%
Total Gross Advances	**12,240**	**15,388**	**3,148**	**26%**

Integrated Treasury Operations

Domestic market transactions

Domestic Financial markets stabilised during the first quarter of 2020-21 after recovering from the tailspin during February and March 2020 due to COVID 19 Pandemic and returned to normalcy with a recovery in trading volumes, narrowing of spreads and rebounds in financial asset prices. Equity markets also recovered strongly from panic sell-offs in March tracking global movements. The Indian rupee appreciated vis-à-vis the US dollar with the return of investor appetite for EME assets. During the months to follow, sentiments have been intermittently dampened by rising infections and geo-political tensions or lifted by news on the progress on the vaccine. A slew of monetary, liquidity, credit easing and regulatory measures by the Reserve Bank of India (RBI) and the government's stimulus package enthused market sentiment. During second half year, domestic financial markets continued to post recovery in market activity amidst easy liquidity conditions. Money markets have remained broadly stable during the year due to proactive liquidity management initiated by the Reserve Bank of India.

During the first half of 2020-21, yields on government bonds moderated, with the 10-year paper softening by 29 bps in response to the slew of conventional and unconventional measures taken by the Reserve Bank to enhance systemic liquidity and compress term spreads. During second half the 10-year G-sec yield firmed up by 30 bps, although it remained at decadal low levels. During the third quarter, the yields softened by 15 bps from 6.04 per cent to 5.89 per cent, aided by various policy measures. The extent of softening, however, was limited over concerns about large supply of bonds with the announcement of additional borrowing of ₹1.1 lakh crore by the Central Government to fund the shortfall in GST compensation for states.

During this tumultuous year, Bank's Integrated Treasury at Mumbai without any interruptions successfully managed the investment and trading operations of the Bank, proactively managed the liquidity position and maintained Statutory Reserve requirements at optimal levels. The Fixed Income & Money Market Desk at Integrated Treasury is actively involved in trading in Government securities, Certificates of Deposits, Commercial Paper, Corporate Bonds & Debentures and Alternate Investment Instruments maximising the Bank's trading profit. The newly formed Equity desk began equity trading operations and participated in select IPOs and contributed to banks revenue. Treasury has raised low cost resources through borrowings from money markets including issuance Certificate of Deposits. Bank participated in various TLTRO operations announced by RBI aimed to channelize funding to various needy sectors of the economy. There was significant improvement in the interest income from Treasury operations compared to previous year.

Bank made a profit of ₹ 125.12 crore on sale of investments during the FY 2020-21 compared to ₹ 30.20 crore during previous financial year.

Foreign Exchange Transactions

Global financial markets went into a tailspin in the beginning of 2020, that continued up to March 23, 2020 when the US Federal Reserve announced extensive measures to support the economy, including removing the upper bound on its asset purchases. The announcements prompted a recovery in financial markets across the world. In currency markets, the US dollar weakened considerably since March 2020 on expectations that policy rates may stay low for a considerable time horizon and also on concerns of Covid 19 infections and fatalities. However, the US dollar strengthened in September 2020, on safe haven demand as waning vaccine optimism amidst rising infections in Europe and the UK and uncertainty regarding US stimulus package triggered risk-off sentiments. Emerging market currencies depreciated further during Q4, 20-21 due to resumption in capital outflows mostly on account of strengthening of US yields.

Forex Merchant Desk of the Integrated Treasury provided centralised cover operations for exchange positions originating from branches and also extended advisory services to Corporate, SME and MSME customers for effective management of their foreign exchange exposures. The proprietary trading desk of the Integrated Treasury is active in forex trading operations in various currencies. The desk also utilises arbitrage opportunities available between domestic and overseas markets augmenting Bank's revenue.

Bancassurance

Bancassurance is a process by which the Bank and insurance companies collaborate to distribute and market insurance products. The insurance companies sell their products through the bank's outlets, benefiting the customers for soliciting, procuring and servicing Insurance business of life, general and health. There is a tremendous untapped opportunity for growth globally in Bancassurance. With Bancassurance, insurance is added to our product mix, in turn diversifying the customer portfolio. This also generate a fee-based income for the bank by cross-selling, with no increase in our operational expenses. The Bank has laid down a Bancassurance policy, in line with the mission, vision and business strategy of the Bank. Our focus is on selling the right product to the right customer. We ensure that offering of a product is done in an informed, transparent and fair manner after considering the interest and need of the customer through IRDAI SP certified employees. The Bank currently has over 850 SP certified employees in 512 Branches as on 31st March 2021.

Life Insurance

The Bank is providing a wide range of insurance products to its customers on protection, wealth accumulation, education, retirement and above all efficient schemes covering the future needs of our customers. Presently, Bank as a corporate agent has partnered with three Life Insurance companies - M/s. Edelweiss Tokio Life Insurance Company Limited, M/s. ICICI Prudential Life Insurance Co. Ltd. and M/s. HDFC Life Insurance Co. Ltd. In FY 2020-21, overall Life Insurance grew by 108% with a premium of ₹ 76.11 Crore against ₹ 37.36 Crore in the corresponding previous Financial Year. The Life Insurance income grew by 73% over the previous year with a revenue of ₹ 19.39 crore against ₹ 11.18 crore in the corresponding previous financial year.

Non-Life Insurance

The Bank had tied up with M/s Go Digit General Insurance Co. Ltd. as our third General Insurance partner in FY 2020-21. We provide our customers varied Non-Life Insurance options ranging from SFSP, Motor, Health, Marine, Asset, Travel Insurance etc. Presently, the Bank has partnered with three companies – M/s. ICICI Lombard General Insurance Company Ltd., M/s. Reliance General Insurance Company Ltd. and M/s Go Digit General Insurance Co. Ltd. for offering new and innovative products to our customers. In FY 2020-21, overall Non-Life Insurance grew by 69% with a premium of ₹ 5.42 Crore against ₹ 3.20 Crore in the corresponding previous Financial Year. The Non–Life insurance income grew by 83% over the previous year with a revenue of ₹ 0.44 crore against ₹ 0.24 crore in the corresponding previous financial year.

Overall Bancassurance income grew by 73.64% over the previous year with a revenue of ₹ 19.83 crore as against ₹ 11.42 crore in the corresponding previous Financial Year.

FINANCIAL PERFORMANCE WITH RESPECT TO THE OPERATIONAL PERFORMANCE

During the fiscal 2020-21, the Interest income rose to ₹ 1,872.29 crore as against ₹ 1,509.89 crore of previous fiscal, reflecting growth of 24.00%. Interest expenses stood at ₹ 930.91 crore as against the previous year figure of ₹ 917.60 crore showing a marginal growth of 1.45%. The Net Interest Income increased to ₹ 941.39 crore from ₹ 592.29 crore y-o-y growth of 58.94%. Non-Interest Income increased by ₹ 179.21 crore (80.87% Growth) from ₹ 221.61 crore in FY20 to ₹ 400.82 crore in FY21.

Your Bank reported an Operating Profit of ₹ 613.21 crore compared to ₹ 280.58 crore in the previous fiscal, reported an increase of 118.55%. The increase was primarily due to increase in the net interest income, non-interest income.

Operating Revenue of your Bank reported a y-o-y growth of 31.28% and stood at ₹ 2,273.11 crore as against previous year figure of ₹ 1,731.50 crore. The operating expenses increased to ₹ 729.00 crore from ₹ 533.32 crore recording an increase of 36.69% mainly on account of increase in staff cost and depreciation.

For the year ended the Net Interest Margin of the Bank rose by 107 basis points from 3.74% to 4.81%, compared to the previous fiscal. The Bank has posted a Net Profit of ₹ 218.40 crore in FY 2020-21 as against Net Profit of ₹ 12.72 crore in FY 2019-20. The increase in profit was mainly on account of increased yield on advance, treasury profits, recovery in written off accounts, other non-interest income and decrease in cost of deposits.

The Return on Assets was 0.99 % at the end of the fiscal under report as against 0.07 % in the previous fiscal.

The Earning per Share (EPS) and Book value of share as on 31.03.2021 stood at ₹ 12.59 and ₹ 125.7 respectively as against ₹ 0.88 and ₹ 113.04 as on 31.03.2020. The Bank's Return on Equity was 12.48% as against 0.99 % for the previous fiscal FY 20.

Income

Interest income of the Bank has increased by ₹ 362.41 crore and stood at ₹ 1872.29 crore as on 31st March 2021. Net Interest Income of the Bank increased to ₹ 941.39 crore from ₹ 592.29 crore registering a growth of 58.94%. Yield on advances increased to 10.97% from 10.56% and Yield on investment increased in line with the market trends from 6.41% to 6.81%.

Non-Interest Income grew by 80.87%, y-o-y from ₹ 221.61 crore to ₹ 400.82 crore.

Expenditure

The interest expenditure increased from ₹ 917.60 crore in FY 2020 to ₹ 930.91 crore in FY 2021, registering slight increase of 1.45%. Operating expenses increased from ₹ 533.32 crore in FY 2020 to ₹ 729.00 crore in FY 2021 mainly on account of increase in staff cost and depreciation on fixed assets. Cost of Deposits decreased to 5.07% in FY 2021 from 5.91% in FY 2020. Increase of Net Interest Margin (NIM) from 3.74 % in FY 2020 to 4.81% in FY 2021.

Key Financial Ratio

(a) Details of significant changes (i.e. change of 25 % or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor or sector specific equivalent ratios, as applicable are given below:

Particulars	March 31st 2021	March 31st 2020
Capital Adequacy Ratio (CRAR)% Basel – III	21.37	22.46
Earnings per share (in ₹)	12.59	0.88
Book value per share (in ₹)	125.7	113.04
Net Interest Margin%	4.81	3.74
Cost–Income Ratio%	54.31	65.53
Return On Assets (ROA)%	0.99	0.07
Return On Equity (ROE)%	12.48	0.99
Gross NPA %	2.68	3.54
Net NPA %	1.17	1.91
Leverage Ratio	8.11	8.87
Interest Income as a % to working funds	8.51	8.15
Operating profits as a % to working funds	2.79	1.51

CRAR ratio decreased from 22.46% as on March 31, 2020 to 21.37% as on March 31, 2021 due to increase of ₹ 1995.63 crore in Credit Risk Weighted Assets during the year.

Net interest margin increased due to improved yield on advances and reduced cost of deposits. Increased net interest income, treasury profits, recovery in write off accounts and reduction in cost of deposits had contributed to increased profits. Resultant to which the EPS, ROA, ROE and Operating profit as a % of working funds have progressed upward. This also improved the cost to income ratio of the current year even though the operating costs have risen by 36.69%. Upsurge in asset quality and recovery contributed to reduced Gross NPA %. In addition to the reduced Gross NPA, the increased provision towards NPA contributed to reduction in Net NPA %.

(b) Details of any change in Return on Net worth as compared to the immediately previous financial year along with a detailed explanation thereof.

Return on net worth increased to 12.48% from 0.99% of the previous year on account of increase in profit from ₹ 12.72 crore as on March 31, 2020 to ₹ 218.40 crore as on March 31, 2021.

DISCLOSURE OF ACCOUNTING POLICY

The significant accounting policy of the Bank is mentioned in Schedule 17 of the financial statements. There is no change in the accounting policy having financial impact during the FY 2020-21.

NPA MANAGEMENT

Indian banks had a challenging FY21 in the wake of the Covid-19 pandemic, with much of the year clouded by uncertainty on both growth and asset quality. The outbreak of the pandemic has impacted the lives and businesses drastically than anyone expected. It has severely impaired the debt servicing capacity of the borrowers leading to a sharp spike in bad loans.

The recovery climate was also adversely affected by factors like misconception of the loan moratorium as loan waivers and the consequent defaults, restrictions imposed by the State Governments / District Administrations and Courts on initiation of recovery actions, non-recognition of NPAs on an ongoing basis in view of the Hon'ble Supreme Courts directions, etc. The unwinding of the measures taken to combat the impact of Covid-19 has also added to the woes of the banks in the form of increase in stressed loans.

Despite the impediments referred to above, your bank paid focussed attention in improvement of asset quality by putting in place an effective credit monitoring mechanism. Relief measures in accordance with the Covid-19 Regulatory Package like extending moratorium on loan repayment for 6 months, re-scheduling / restructuring of loans, sanction of additional facilities under Emergency Credit Line, Funded Interest Term Loans, etc., were also made available to the needy borrowers to enable them to pursue their business activities and in the process protect the asset quality.

Through effective persuasion, encouraging compromise/ one time settlements and initiating recovery actions wherever possible, the bank could upgrade / recover substantial amounts locked up in Non-Performing Assets during the year.

The various initiatives taken resulted in cash recovery of ₹ 69.23 Crore and up gradation of NPAs to the tune of ₹ 12.05 Crore. The Gross NPA level of the bank as on March 31, 2021 stood at a level of ₹ 393.49 Crore as compared to ₹ 409.43 Crore in the corresponding period of the previous financial year. The Gross NPA and Net NPA ratios are at 2.68% and 1.17% respectively as against 3.54% and 1.91% respectively in the previous financial year. The provision coverage ratio as on March 31, 2021 improved to 84.89% from the level of 80.02% in the previous year.

Further, during the period under review, your bank could recover ₹ 73.01 Crore from the prudentially written off portfolio. Interest recovery during the period amounted to ₹ 19.42 Crore.

During the current financial year also, your bank's focus would be on arresting fresh delinquencies through close monitoring and recovery of NPAs by initiating appropriate and timely recovery steps.

OUTLOOK & BUSINESS STRATEGY

The recovery from the COVID-19 induced recession-phase I- was managed with great difficulties and economic activity is expected to recover in 2021-22 only. On the other hand, new mutations of the COVID-19 virus, second/ third waves of, local lockdowns, shortage of vaccine at places, indifferent attitude to vaccination drive by few, etc., pose real threats to the recovery. The evolving COVID-19 trajectory, severity of second wave and progress on vaccination will be the key drivers of economic rebound globally and in India.

Coming to the banking industry, the situation is putting lot of pressure on customers, the increased reliance on digital channels pressurise the technology & resources and ultimately there is pressure on the financial performance and capital base. The slowdown of economic activities negatively impact the house hold income and SMEs in particular. Relief can be expected in few sectors like pharma, health, automobile, agri& allied industries, etc. Customers will expect flexibilities in terms of interest waivers, charge reversals, repayment deferrals, etc., which will ultimately result in lower margins. Cost and Provisions will increase. Straight through processing will become imperative.

On the retail front, the short term strategy would be to focus on customer acquisition while continue to build gold and TW portfolios. In the medium term, the endeavour should be to be ready with full product suite and prepare for the scale & desired geo reach in the long term. Pushing the customer to alternate channels will be one of the key agendas. Wealth Management and Credit Card tie ups are likely to happen shortly. As regards liabilities, NR and TASC will be the two segments that will be focussed for volume build up. In the long run, the Bank would target to position itself as an SME bank. In whole sale banking, the Bank will follow a relationship model with few select sectors wherein the attempt would be to develop deep understanding resulting in better risk management and customer satisfaction.

Strategy

Bank aims to

- Deliver long term value for the shareholders,
- Grow with the aspirations of our customers,
- Provide employees with a meritocratic work environment,
- Meet the regulatory expectations.

Through

- Branch Distribution Strategy
- Building a large Customer Franchise
- Stabilising the existing Verticals and formation of new verticals as required
- Building the right performance culture
- Improved focus on non-Gold Retail Portfolio
- Maintaining robust capital and liquidity base
- Building strong balance sheet
- Better Compliance Culture

RISK MANAGEMENT

A robust risk management system will ensure long term financial security, stability and success of the Bank. The risk management objective of the Bank is geared towards balancing the trade-off between risk and return and optimising risk-adjusted return on capital. We have in place robust ICAAP Policy. The purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to inform the Board of the ongoing assessment of the bank's risks, how the Bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors. Of the various types of risks the Bank is exposed to, the most important are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The risk management measures are undertaken with the objective that all risks are identified, prioritised, quantified, controlled and mitigated to achieve an optimal risk-reward profile. Integrated Risk Management framework comprising functionaries headed by Assistant General Managers of Credit Risk, Operations Risk, Market Risk and CISO are reporting to Chief Risk Officer (CRO). During the year, the Bank has taken steps to strengthen its risk management framework to keep pace with requirements in terms of RBI guidelines and Basel prescriptions. A new dedicated team to manage and monitor Cyber Fraud is formed under the name Fraud Risk Monitoring Team reporting under IRMD.

Risk and Concerns

Risk management is created with the objective of achieving compatibility in risk and business policies and to ensure their simultaneous implementation in a consistent manner. Risk management encompasses setting up of enterprise-wide risk governance framework based on Bank's risk culture, risk appetite and risk limits.

Risk management involves:

a) Identification of Risks

b) Measurement of Risks

c) Monitoring & Control of Risks

d) Mitigation of Risks

The Bank has policies for identification, measurement and management of major risks - credit risk, operational risk, market risk, liquidity risk and cyber risk. The functional efficiency of these policies are regularly assessed and the policies are refined, keeping in view the dynamic business environment and emerging risks.

Risk Appetite and Risk Management Practices:

The overall responsibility of setting the Bank's risk appetite and effective risk management policies and strategies rests with the Board of Directors. The Bank has put in place a vibrant Risk Appetite Framework. In tune with the guidelines of RBI, the Board has constituted a Risk Management Committee of the Board (RMC). The major risks namely Credit, Market, Liquidity and Operational risk are managed through following Sub Committees of RMC namely; Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC), Asset Liability Management Committee (ALCO) and IT Security Committee. The Committees described above work within the overall guidelines and policies approved by the Board. Several meetings of Risk Management Committee (RMC) and executive-level risk committees have been conducted during the year.

Compliance With Basel II And Basel III Framework:

Implementation of Basel II norms in the Bank commenced in the financial year 2007–08. The Bank has been calculating capital ratios every quarter as per Basel III norms, along with Basel II norms, since April 1, 2013. The Bank has also been in line with the regulatory guidelines on Pillar I of Basel II and III Norms. It has computed the capital charge for credit risk as per the Standardized Approach and for market risk by the Standardized Duration Method. The capital charge for operational risk has been as per the Basic Indicator Approach. The Bank has also computed Expected Credit Losses as per IFRS norms every quarter.

To address the requirements of Pillar II of Basel Norms in its Internal Capital Adequacy Assessment Process

(ICAAP), the Bank analyses various other risks in addition to the Pillar 1 risks and the additional capital requirements thereon. Our Bank has put in place a robust Stress Testing Framework. It consists of a series of sensitivity and scenario tests on various risk areas like default risk, credit concentration risk, interest rate risk in the banking book, and market risk, among others.

Credit Risk:

Credit risk is defined as "the possibility that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms". Credit Risk, therefore, arises from the Bank's dealings with or lending to a corporate, individual, another bank, financial institution or a country.

Mitigation: The Credit Risk Management policy is intended for establishing a suitable environment for augmenting credit with quality, operating under a sound credit granting process, maintaining an efficient credit administration, measurement and monitoring process.

Credit Rating is mandatory for non-retail exposure of above ₹ 25 Lakhs having a valid Audited Balance Sheet. Scorecards are being used to evaluate retail loans such as educational loans, personal loans and loan against property. The major part of the internal rating is carried out by expert rating models provided/vetted by CRIS, the subsidiary of CRISIL.

Segment-wise and borrower category-wise exposure limits are fixed and monitored by the Bank to address the risk of concentration. Rating migration studies and default rate analysis based on the credit risk rating of the borrowers are undertaken periodically to analyse the changes in the credit risk profile of the borrowers and to provide input for policy and strategic decisions. Retail portfolio analysis of various products/industries, covering multiple credit quality indicators are being carried out periodically for identifying portfolio trends and generating portfolio level MIS.

Discretion for sanctioning of SME & Corporate loans is vested with various levels of Credit Approving Committees/ Management Committee/Board etc. To manage Credit Risk, the Bank's Credit Risk Management Department undertakes Industry/Product/Loan profile studies and makes them available for credit operations. The Bank has also set down industry/ sector-wise prudential exposure ceilings to contain/monitor the risk of credit concentration. The Bank has in place various credit risk mitigation measures such as exposure limits to single borrower and group borrowers, exposure limit for sensitive sectors, benchmark financial ratios, hurdle rate, etc.

During the FY 2020-21, Bank has introduced Altman's Z score results to know the strength and weakness of different internal rating models. Further, the external rating of the borrowers also compared with Z score to check the relevance of the Z score for the particular group of borrowers.

In the backdrop of volatility of gold price in the recent past, Credit Risk Management department has been sending daily alerts to Gold department and top management on LTV breaches and MTM analysis.

Market Risk:

Market risk addresses the risk that the value of 'on' or 'off' balance sheet positions that will be adversely affected by changes in market interest rates, currency exchange rates, equity and commodity prices and the possibility of resultant loss to the Bank. The focal point of market risk management is to assist the business verticals in maximizing risk adjusted return by providing analytics driven inputs regarding market risk exposures, portfolio performance vis-à-vis risk exposures and comparable benchmarks.

Mitigation: The Bank has laid down comprehensive policies, framework and procedures to manage Market risk holistically. Various tools like stress testing, duration, modified duration, VaR, etc., are used to measure and control interest rate risk, liquidity risk and other market-related risks. The MRM Policy along with Investment policy of the Bank, encompass the risk arising out of Investment/Market operations and monitors and controls the risks to optimise the return from Treasury Operations. An independent Mid-office reporting to Market Risk Management Department closely monitors the risk positions and transactions against policy prescribed limits. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking book, trading book and off-balance sheet exposures.

The Bank has a healthy Contingency Funding Plan (CFP) for taking action to ensure that the bank has adequate liquid financial resources to meet its liabilities as they fall due. CFP is also periodically reviewed.

Liquidity & Interest Rate Risk:

Liquidity risk is the potential inability to fund an increase in assets, decrease in liabilities or meet obligations as they fall due, without incurring unacceptable losses. Interest rate risk is the chance that a change in interest rates will negatively impact value of an investment.

Mitigation: The Asset Liability Management Policy (ALM) & Liquidity Management Policy of the Bank stipulates broad framework for liquidity risk management and interest rate risk management to ensure that the Bank is in a position to manage its daily liquidity requirements and to withstand stress situations stemming from, bank-specific factors, market-specific factors or a combination of both. The core objective of the ALM policy adopted by Asset Liability Management Committee (ALCO) is to ensure planned and profitable growth in business through appropriate management of the liquidity risk and interest rate risk. The Bank is also adhering to the Basel III Regulatory Standards of Liquidity by monitoring the Liquidity Coverage Ratio daily and Net Stable Funding Ratio monthly.

The Bank has also put in place Stress Testing policy wherein sensitivity / scenario analysis are carried out to know the impact on PBT and Net-worth of the Bank. Back testing of stress tested results ensure efficacy of Stress Testing Model.

All the mandated Policies of Market Risk Management Dept are reviewed annually and Board approval obtained.

During the FY 2020-21 we have introduced new model to compute various Pillar II risks to facilitate evaluation of Pillar II capital.

Introduction of Risk Appetite framework after incorporating Risk appetite statements encompassing Business and Risk parameters.

We have also automated generation of Regulatory Liquidity report viz Liquidity Coverage Ratio report and Structural Liquidity Statement.

We have also introduced Liquidity Coverage Ratio Dash Board whereby the Top Management is made to gauge the liquidity position of the Bank comprising availability of High quality liquid assets and likely outflow of funds.

We have also provided Market Risk report before various investments are placed by our Integrated Treasury Dept under TLTRO scheme of RBI, IPO participation.

Operational Risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk includes legal risk, but excludes reputational risks. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as ordinary damages in civil litigation, related legal costs and private settlements.

Mitigation: In conformity with RBI guidelines, our Bank has evolved a robust Operational Risk Management Policy. This policy provides the framework to identify, assess, monitor, control and report operational risks, which arise out of the failure of internal processes, people and systems and on account of external events. The policy is implemented in an uninterrupted, reliable and comprehensive manner across the entire Bank. The Bank also has a board-approved Business Continuity and Disaster Recovery policy to manage disruptions to its operations. Risk Management Department vets all new products and processes and thus ensures that all risks involved in new products and processes are documented and adequate procedures and controls are implemented before the product/ process is launched. To ensure sufficient and timely identification, measurement, monitoring, control and mitigation of reputation risk posed by banking operations at the business line and firm-wide levels, a Board-approved Reputation Risk Management Policy is put in place. Risk drivers for reputation risk are identified and monitored yearly. Quantification of reputation risk is accomplished through Reputation risk scorecard and is undertaken on a half-yearly basis. Further, the Bank has a framework to compute the strategic risk score as per the risk drivers identified in the strategic risk policy approved by the Board. Quantitative and qualitative risk drivers are considered to arrive the strategic risk score.

Bank has rolled out Risk matrix based on 25 KRIs covering Credit Risk, Cyber Risk, Market Risk and Operational Risk.

Cyber Risk:

Cyber Risk can be defined as the risk of financial loss, disruption or reputational damage to an organisation resulting from the failure of its IT systems. These episodes include malicious cyber incidents (cyber-attacks) where the threat actor intends to do harm (e.g. ransomware attacks, hacking incidents or data theft by employees).

It pertains to online business activity such as Internet Banking, Mobile Banking, Electronic Systems and storage of sensitive Information over computer networks. Common categories of Cyber Risk include inter-alia, Hacker Attacks, Data Breach, Virus / Malware transmission and Cyber Extortion. Financial gain continues to be a primary driver of the most sophisticated criminal offences and presents evolving challenges as criminal networks reinvest the revenue they generate into developing more advanced capabilities.

Cyber Risk can drive up costs and impact revenue. It can harm an organisation's ability to innovate and to gain and maintain customers. Cyber risk pose commercial losses and public relations problems, disruption of operations and the possibility of extortion, cyber- attacks. It also exposes an organisation to negligence claims, the inability to meet contractual obligations and a damaging loss of trust among customers. Protecting key information assets is of critical importance to the sustainability and competitiveness of business today due to which financial institutions like banks are taking front foot in terms of their cyber preparedness.

Mitigation: To safeguard the Bank from cyber threats, the Bank has set up the cyber security framework and follows multi-layered architecture for cyber defence mechanism starting from end point security to perimeter security. Bank is having a strong incidence response team to detect and respond to cyber incidents. Bank is taking continuous efforts to create cyber security awareness among employees and customers.

Cyber Security Framework

Cyber security risks are products of three elements: threat, vulnerability and impact. The Bank has the holistic risk picture based on periodic vulnerability assessment and threat intelligence from advisory bodies such as CERT-In (Indian Computer Emergency Response Team) and

IB-CART (Indian Banks – Centre for Analysis of Risks and Threats). The Bank has invested in advanced systems such as antivirus / anti-malware, threat protection, WAF, Anti-DDOS, PIM, NAC, Next Gen firewalls and Web application firewalls. Bank continues to invest in enhancing the overall effectiveness of the Bank's security posture to enable the Bank to prioritise and align its resources to detect and respond to cyber incidents quickly and prevent emerging cyber security risks.

Information Security Management department is headed by Chief Information Security Officer (CISO) to address cyber security risks. As part of the cyber security framework, proactive security measures adopted by the Bank are Managed Security Operations Centre, advanced anti-phishing, anti-malware and anti-rogue services, Privileged Identity Management Solution, Web Application Firewall, Intrusion Detection and Prevention System for protecting network-level threats and for preventing unwanted and malicious network transmissions, Network Access Control which will allow only authorised users to connect to banks network, Data Leakage Prevention solution to prevent data leakage, through email, web and endpoints, DDoS mitigation service to prevent Denial of services, DMARC &SPF protection to enhance the email security standards, Vulnerability Assessment and Penetration Testing, with dedicated VAPT tools like Tenable and Burfsuit, SSL encryption for data transfers, Deep Server Security to enhance security at server levels, API gateway Security Solution to authenticate and provide secure API connections, Email Security Solutions to enhance email security, Artificial Intelligence based SIEM, User Behaviour analysis based End Point Detection and Response (EDR) solution and dedicated VPN solution with security controls, etc. The Bank is continuing to invest on advanced technologies to enhance the systems to mitigate Zero day threats.

Bank is conducting VAPT by an external agency every quarter to identify the vulnerabilities and mitigate the same. Information Security Audit are conducted by an external agency every year to identify the vulnerabilities/ bugs in various IT applications and mitigate the same. Source code audit of critical applications are done by an external agency to identify the vulnerabilities in the applications and necessary steps are taken to mitigate the same. To evaluate Banks preparedness against cyber-attacks, Bank participates in the cyber–drill conducted by IDRBT. The Bank has always taken continuous steps to create cyber security awareness among employees and customers through training/Newsletter/SMS/Emails. Information security team is conducting red team exercises like Phishing campaigns related to Ransomware etc., to create and gage the incident response and awareness among employees. Special cyber security awareness programs are conducted for Executives of the bank (AGM and above) and banks IT Team. Dedicated Fraud Risk Monitoring team is available to monitor customer transactions and report frauds in the customer accounts.

As part of Bank's Cyber Security Policy and Cyber Crisis Management Plan, Bank has availed Cyber Risk Insurance, to cover any losses arising from cyber risks/ threats.

Disclosures

In compliance with the Reserve Bank of India guidelines on Basel II – Pillar III – Market Discipline, the Bank has put in place a Disclosure Policy duly approved by the Board of Directors and the disclosures on quarterly / Half yearly / Annual basis, as per the policy are displayed on the Bank's Website / Annual Report.

Compliance Risk:

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.

Compliance laws, rules and standards have various sources, including primary legislation, rules and standards issued by legislators and supervisors, market conventions, codes of practice promoted by industry associations, and internal codes of conduct applicable to the staff members of the Bank will be the important sources for compliance laws, rules and standards. These rules and standards may go beyond what is legally binding.

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice. They also include specific areas such as the prevention of money laundering, terrorist financing and must contain transparency and disclosure norms and may extend to tax laws that are relevant to the structuring of banking products or customer advice.

The Compliance Function envisages strict observance of all statutory provisions contained in various legislations such as Banking Regulation Act, Reserve Bank of India Act, Foreign Exchange Management Act, Prevention of Money Laundering Act, etc., as well as to ensure observance of other regulatory guidelines issued from time to time; standards and codes prescribed by IBA, FEDAI, FIMMDA, BCSBI, etc., and also Bank's internal policies and fair practices code.

Mitigation: A good Compliance Culture is built to maintain the reputation and win the trust of customers, investors and regulators. Such culture is an essential element in the safe and sound functioning of the Bank and if not followed effectively, may adversely affect the Bank's risk profile. Compliance with core elements like following the laws, rules, regulations, and various codes of conducts and also to be in adherence with fair practice codes, managing conflict of interest and treating customers fairly to assist build a true Compliance Culture, is ensured.

The Bank promotes awareness of compliance obligations and ethical values to maintain an appropriate compliance culture throughout its businesses. Compliance is not to be seen as an activity of the Compliance Department alone but as a culture that shall pervade across the Bank. As a part of the Compliance framework of the Bank, it is envisaged to embed compliance in every department of the Bank in an effective way as a part of the corporate culture that emphasizes standards of honesty and integrity. The organization holds itself to high standards when carrying on business and, at all times, strive to observe the spirit as well as the letter of the law.

Bank developed Compliance Risk assessment model in FY 2021.

Reputation Risk:

Reputational risk, is a risk of loss resulting from damages to a firm's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the company is not found guilty. Adverse events typically associated with reputation risk include ethics, safety, security, sustainability, quality, and innovation.

Mitigating and Managing Reputational Risk: Preserving a strong reputation revolves around effectively communicating and building solid relationships. Communication between the Bank and its stakeholders can be the foundation for a strong reputation. Timely and accurate financial reports, informative newsletters, and excellent customer service are important tools for reinforcing credibility and obtaining the trust of its stakeholders.

Reputational risk is managed through strong corporate governance. Setting a tone of strong corporate governance starts at the top; the institution's board of directors and senior management should actively support reputational risk awareness by demanding accurate and timely management information.

The following are just a few examples of key elements for managing reputational risk:

Maintaining timely and efficient communications among shareholders, customers, boards of directors, and employees, reinforcing a risk management culture by creating awareness at all staff levels, responding promptly and accurately to Bank regulators, oversight professionals (such as internal and external auditors), and law enforcement, etc.

Employee Risk:

Employees are bank's resources from the point of view of risk management. Such resources have knowledge and experience of different problems, situations and the ability to change such risks.

Key personnel employees are those who possess a unique ability essential to the continued success of an organization. Persons with relevant knowledge, creativity, inspiration, reputation and / or skills are essential to the viability or growth of an organization (Bank), and the loss of whom could paralyze the Bank's activities.

Key personnel, given the unique ability that they possess, throw various risks as a result of non-availability to organization due to voluntary or involuntary reasons associated with their exit.

High cost of replacement due to unique skill sets to suit the job profile, non-availability of equal skill sets either within or outside the organization, negative impact among colleagues on work environment and employee morale within the organization, time for new incumbent integration with existing employees, etc., are the effects of key personnel risks.

Key employee's losses are critical for the long-term health and success of the Company. Key employees guarantee customer satisfaction, business growth, satisfied colleagues and reporting staff.

Bank has put in place a Key Personnel Risk and HR policy, which address identification of Key employees, documentation of key processes and procedures, talent pool creation and retention, succession planning, job rotation, restriction on group travel, well defined work place support, etc.

BUSINESS CONTINUITY PLAN

The Bank is having a comprehensive Business Continuity Plan (BCP) to ensure continuity of critical business operations of the Bank (identified through criticality assessment using Business impact analysis (BIA) at times of disruptions. In line with the Business Continuity Plan, Bank has constituted a BCP Committee incorporating the heads of all major departments to exercise, maintain and invoke business continuity plan as needed. A core team called Emergency Operation Team is also in place to act immediately upon a crisis and for the supervision of recovery under alternative operations arrangements during a disaster and the team ensures that the business functions are back to normalcy with minimum delay. During the pandemic, bank was able to work seamlessly as bank has BCP plans in place with defined BCP locations and resources for critical applications. Secured Work from home facilities are provided for critical teams. Disaster Recovery drill for the core banking system (CBS) and critical systems of the Bank is conducted at regular intervals to ensure the competence of the same during emergencies apart from undertaking periodical testing of recovery speed of critical applications from alternate locations.

INTERNAL CONTROL, INTERNAL AUDIT

A well-established independent audit system and structure is required to ensure, not only adequate internal control for safe and sound operations but also compliance to regulatory guidelines.

Your Bank's Internal Audit Department performs independent and objective assessment to ensure adequacy, effectiveness and adherence to internal control systems and procedures laid down by the management, in safeguarding its assets and compliance of extant regulations. Internal Audit directly reports to the Audit Committee of the Board, which comprises of Independent directors. Key issues emanating from Audit Reports are discussed in the Audit Committee of the Board after discussing compliance and design level controls in the Audit Committee of Executives. ACB provides guidance and direction on improving the controls across the organisation.

Internal Audit is carried out as per Risk Based Internal Audit (RBIA) as envisaged under Risk Based Supervision of RBI with focus on assessment of risks on the basis of inherent business risk and internal control mechanism. RBIA lays greater emphasis on the internal auditor's role in mitigating various risks while at the same time continuing the traditional risk management and control methods involving transaction testing, etc. RBIA not only offers suggestions to the management for mitigating current risks but also on potential future risks, thus playing a vital role in the risk management process of the Bank.

Your Bank had conducted the Risk Based Internal Audit (RBIA) across the various units / businesses / branches as per the audit plan approved by the ACB. Your Bank subjects its operations to Concurrent Audit by a large and experienced Chartered Accountant Audit firm to complement its Internal Audit function. Concurrent Audit of selected branches are done by Audit firm taking into account risk perception besides also covering critical functions, viz Integrated Treasury Operations, Retail Forex, Trade and Centralised Processing Cells for the various business units, transactions monitoring across the Bank. Synopsis of Concurrent Audit Reports for the entire Bank are placed before the Audit Committee of the Board.

Besides RBIA and Concurrent audits, your Bank also conducts Gold loan audits to ensure quality, purity and availability of adequate gold as per approved guidelines. During FY 20-21, your Bank conducted 591 Gold loan audits to ensure adequate controls are in place.

Additionally, Bank has a system of re-appraisal of jewels pledged under jewel loan portfolio on a sample basis by panel of appraisers covering the various branches under Jewel Loan portfolio.

Currency chests of the Bank are subjected to inspection at periodical intervals as per extant guidelines of RBI besides Concurrent Audit.

Information System audits of critical areas in Information Technology including IT Governance, IT security, Critical applications, Vulnerability Assessments and Penetration Testing are outsourced to expert firms.

VIGILANCE FUNCTION

The Bank has a dedicated Vigilance Department to control the frauds happening in the Bank. Functions of Vigilance Department covers both prevention as well as investigation of frauds. Actual or suspected instances of fraud are detected through regular Internal Inspections, Surprise Inspections, Offsite Surveillance, Revenue Audits, Concurrent Audits, Preventive Vigilance Audits and Complaints from customers and other sources. Once it is reported to Vigilance Department, a detailed investigation is conducted into such incidents with the permission of Managing Director & CEO. The synopsis of the investigation report will be placed to the Managing Director & CEO for further action. If element of fraud is recognized / suspected, the incident will be reported to RBI as fraud / suspected fraud. The Bank will also initiate actions to book the culprit and recover the amount. The Department will analyse the root cause of the fraud and suggests corrective measures for improving the systems & controls to avoid similar frauds in future. If lapses are observed on the part of bank staff, explanations will be called from such employees. Examination of staff accountability is conducted after obtaining reply from the concerned staff. If disciplinary proceedings are to be initiated against the staff, the file will be transferred to the HR Department. If third parties such as gold appraisers, Chartered Accountants, valuers, legal advisors, etc., are involved in the fraud or lapses are observed on their part, explanations will be called from them. If their reply are found not satisfactory and they are found accountable, they will be immediately removed from Bank's approved panel. In applicable cases, their names will be referred to IBA to include them in the Caution List of IBA.

Bank has appointed a Part time Advisor for advising the Bank in all Vigilance & Departmental proceedings related matters including processing of individual Vigilance and disciplinary proceedings cases. Advisor, Vigilance will also act as Chief of Internal Vigilance (CIV) of the Bank.

Vigilance Department plays a dynamic role in prevention of frauds. Preventive measures include spreading awareness on potential fraudulent activities and instigating a compliant environment among all employees of the Bank. Effectiveness of fraud prevention mechanism is ensured by conducting Preventive Vigilance Audits. Wherever deficiencies are observed, the same will be intimated to the respective branches and Zonal Offices for rectification and to avoid recurrence of similar deficiencies. In cases where there are severe deficiencies, explanations will be called from those responsible for such deficiencies. If their reply are not found satisfactory, the file will be transferred to the HR Department for initiating disciplinary proceedings against them.

Vigilance Department also issue caution advises on a regular basis on modus operandi of various frauds in the banking industry including that has happened in our Bank. This will enable the Branches / Offices to prevent similar kind of fraudulent attempts in future.

BRANCH EXPANSION PROGRAMME

Despite the challenges posed by the pandemic, the Bank could open the targeted 101 branches in FY 21 which is the 101st year of bank's existence. In line with Bank's strategy to expand beyond the home state, 92 branches were opened outside Kerala predominantly in Tamilnadu, AP and Telengana and Western India. Though 64% of these branches could be opened in Q4 only, the newly opened branches could contribute to a total business of more than ₹ 300 Crores. The performance of these branches is closely monitored for earliest break even. The main focus of Rural & Semi urban branches is on retail liabilities, agri and gold whereas the new branches in Urban/Metro locations are focussing on all businesses including SME and Corporate banking. The Metro branches are expected to break even in 18 months and other category branches in 12 months. In line with our strategy to expand, the Bank plans to open close to 200 branches targeting the locations with CASA, Gold, Agri and MSME focus in FY 2021-22.

ATM NETWORK

During the year, your Bank installed 18 more new ATMs making the total to 318 onsite and off-site ATMs. For increasing the Security Controls at ATMs and for securing card transactions, multiple layers of security features were incorporated and EMV roll out has been completed in all Diebold and Vortex ATMs. With this 100% of our ATMs have become EMV complied. The Bank has implemented One Time Combination Lock in 130 ATMs and implementation is in progress in the remaining ATMs also. The newly opened ATM Kiosks are aesthetically designed with colour code and special ambience to increase customer pride, footfall and loyalty.

BRANCH NETWORK

As on March 31, 2021, the Bank has 518 branches including 3 service branches, 3- Asset Recovery Branches and 318 ATMs spread across 16 states and 4 union territories.

The Bank's branch and ATM network as on March 31, 2021 is given below:

Area	Branches*	% to Total	ATMs	% to Total
Metro	95	19	62	19
Rural	45	9	18	6
Semi- Urban	264	52	159	50
Urban	108	21	79	25
Total	**512**	**100**	**318**	**100**

**Excluding: 3 – Service Branch & 3- Asset Recovery Branch*

CURRENCY CHEST

Bank's currency chests are situated at Ernakulum and at Coimbatore Singanallore for providing adequate cash supply to branches & ATMs. Currency Chests play a vital role in providing effective customer service at branches and help the branches to adhere to Clean Note Policy of RBI.

Currency Chests help the branches to accept soiled & mutilated notes from general public and from customers over the cash counters. Apart from conducting Soiled Note Melas at the chest attached branches, lower denomination currencies and coins are distributed to customers and general public by the Currency Chests through our various branches.

TECHNOLOGY ADOPTION

Being one of the oldest Private Sector banks in India, your Bank has been the frontrunner in adapting new technologies to deliver quality service to customers and other stakeholders. The Bank has maintained the entire technology platform without any breakdown. Bank also has a dedicated Disaster Recovery Site to ensure business continuity.

As part of improving cyber security posture, Bank has implemented Security Operation Centre (SOC), Privileged Identity Management (PIM) Solution, Network Access Control (NAC), Data Leakage Prevention System, Web Application Firewall, Deep Server Security, DDOS mitigation appliance, API Gateway, Link Load balancer at DC and DR, Encryption of data at rest, in-transit and Backup, Ansible tool for auto updation of patches in Servers, VAPT remediation and Server hardening. Also have taken steps to improve the end point security by implementing End point Detection & Response Solution, Active Directory Services, AntiVirus solution, blocked USB /RDP port /PowerShell, White listing of Applications. Conducting internal VAPT on a continuous basis using Tenable and BurfSuit tools.

For improving security in card present and not present transactions, replaced all existing magnetic stripe debit cards with EMV chip cards. Debit Card ON/OFF facility for ON/OFF any channel – ATM, POS and E-commerce implemented in Mobile Banking, Internet banking and through Branches. Also implemented various controls suggested by RBI on Swift System and ATM terminals. The ATM Switch used by the Bank is also PCIDSS Compliant. As per Bit Sight Security Report, your Bank score is 760 out of 900 and is rated as "Advanced" and Scored "A" rating in many parameters.

Continuous efforts are taken to create Cyber Security Awareness among employees and customers through training programs, Red team exercises, newsletters, emails, SMS, etc.

During the year we shifted our Data Centre (DC) to a State of Art Tier 3 DC. Implemented Software Defined

Network (Network centric) at the new DC, replacing all old Servers, Network equipment, Security tools with the latest Servers, Network equipment and Security tools. Implemented Disaster Recovery Centre (DR) for all the Applications during the year. Also implemented Near Disaster Recovery centre (NDR) for zero data loss in case of any disaster at DC. Data between DC and DR is replicated in Asynchronous mode and data between DC and NDR is replicated in Synchronous mode. With these implementations, your Bank has robust infrastructure at DC, DR and NDR ensuring 100% data backup, data safety and security. Also implemented new Backup solutions at DC and DR ensuring 100% back-up of data on tapes at DC and DR on a daily basis and backup process is completely automated. To avoid a single point of failure and high availability, redundant systems are installed for all critical Servers and equipment. During the year there was no outage at our DC, DR and NDR. Periodical DR drills are being conducted to test the preparedness to switch over operations to DR in case of any disaster at DC.

The Bank is leveraging its technology platform to bring most processes on to a centralized platform to improve the overall efficiency and reduce turnaround time. The Bank has implemented several new features / functionality in Mobile Banking and Internet banking to enable customers to pay online for various services. All banking delivery channels comprising of branches, ATMs, internet, Mobile Banking, Mobile Apps, etc., are considered as part of the Bank's core business and are given the highest priority for 100% uptime of these channels.

The following list demonstrates a few of the IT initiatives/ solutions that the Bank has launched during the year to serve its customers in a better and efficient way.

1. **Digital Account Opening**

   Bank has launched a Digital Account Opening platform for on-boarding of new Savings and NR accounts. The account opening form is taken digitally along with KYC documents, which gets verified instantly and thus enables the Bank to on-board new customers on the same day, within a few hours. This platform also helps in reduction of manual data entry errors, reduces physical paper storage and also helps in digital archiving of the documents.

2. **Enhancements in Retail Net Banking:**

   Standing Instructions, Mini Statement, Debt ASBA, Sovereign Gold Bonds and E-deposit for Joint Clients are enabled in Retail Net banking.

3. **RTGS 24X7**

   Implemented RTGS 24X7 with effect from 13th Dec, 2020. Customers can initiate RTGS transactions 24X7 without any time limit. Also Implemented N10 message to send positive confirmation message containing the date and time of credit to beneficiary account for RTGS transactions.

4. **Gold Loan:**

   Implemented Gold Loan Origination System for automation of entire life cycle of Gold Loan. Besides improving the efficiency, Gold loan LOS aims at standardizing the credit process.

   Bank launched Kanakadhara Term Loan product with 6 months and 12 months tenure. For Quarterly interest servicing Product is offered at lower rate of interest. Also tied up with Unimoni and IIFL for disbursement of Gold Loans for our Bank customers.

5. **Card ON/OFF facility**

   Card ON/OFF facility has been implemented through Mobile Banking, Internet banking, Call Centre and Branch. Customers can enable or disable, any channel – ATM/POS/E-commerce, as per their choice.

6. **E-KYC Solution.**

   Bank implemented Central Know Your Customer (CKYC) solution of OSPYN for capturing KYC details of the customer from Core Banking Solution and uploading the same in CKYC India site along with ID Proof and Address proof and generate CKYC No.

7. **Setting/re-setting of mPIN or Password for Mobile banking & Internet banking**

   Bank already implemented self-user creation option for Registering for Mobile Banking and Net banking using Debit Card and PIN and OTP. However, to help the customers not having a Debit card to Register for Internet banking and Mobile Banking, option is provided on the website for generation of Login and Transaction Password for Net Banking and mPIN for Mobile Banking. The facility can be used for generation of mPIN or password, in case the customer forget the same.

Gopalakrishna Committee Recommendations on IT Governance/Information Security/ IT operations / IS Audit/ Cyber Fraud/ BCP (Business Continuity Planning)

As per the Gopalakrishna Committee Recommendations, the following measures have been initiated:

- Effective measures have been taken to address the identified gaps in each areas such as IT Governance, Information Security, IT Service outsourcing, IS Audit, IT Operations, Cyber Frauds, Business Continuity Plan (BCP),Customer Education and Legal issues.
- The IT Organization setup has been redrawn to suit the functions/roles specified in the recommendations with segregation of duties. IT Strategy Committee of the Board has been meeting every quarter to review IT Strategy of the Bank, the implementation of various IT projects, IT Policies, implementation of Information Security controls and Advisory issued by RBI. IT Steering Committee has been meeting periodically to review the status of

implementation of IT projects/ Customisations and also the new IT projects to be taken up. IT Security Committee reviewed Cyber Incidents, Assessment of SOC, Domain Security Parameters and Patch updation and Bank's IT Security. Chief Information Security Officer (CISO) has been reporting to IT Strategy Committee and the Board about the emerging Cyber threats and bank's preparedness in these aspects.

Cyber Security Framework in Banks vide notification dated 2nd June, 2016 issued by RBI.

As per the Cyber Security Frameworks in Banks, the Bank implemented the following measures:

- The Bank has also formulated Cyber Security Policy and Cyber Crisis Management Plan. The policy will highlight the risks from cyber threats and the measures to address/mitigate these risks. These policies are reviewed by the Board in Dec 2020.
- The Bank has also identified the inherent risks and the controls in place to adopt appropriate cyber-security framework.
- To improve the Security posture of the Bank, implemented Security operation centre, Anti-phishing, Anti-malware and Anti-Rogue services, PIM (Privileged Identity Management) solution, Active Directory, Intrusion Detection and Prevention System, DDoS (Distributed Denial of Service) mitigation services, Network Access Control, Data leakage Prevention system, Deep Server Security, End Point Detection and Response, DDOS Mitigation Appliance, Refreshed internal and external firewalls at DC and DR with next generation Firewalls, Implemented Link load Balancers for Internet leased lines at DC and DR, Upgrade of Link Load Balancer for replication links at DC and DR, etc.
- Conducting VAPT by an external agency every half year to identify the vulnerabilities and mitigating them. Conducting Information Security Audit by an external agency every year to identify the vulnerabilities/bugs in various IT applications and mitigating them. Conducting Source code audit of critical applications by an external agency to identify the vulnerabilities in the applications and mitigating them. Internal team is also conducting vulnerability assessment of servers and the vulnerabilities identified are mitigated by regularly patching the system.
- Bank Implemented Security Operation Centre (SOC) and logs are collected from all critical systems to correlate and identify the cyber-attacks. All the critical alerts generated from SOC are being reviewed and appropriate action is being initiated to close the alerts regularly.
- All Public facing applications traffic is routed through Web Application Firewall and any malicious traffic is quarantined.
- Bank is continuously educating bank staff and customers on precautions to be taken while performing online transactions through SMS/emails/ Newsletters, etc. Red team exercises are being conducted to test the Cyber Security awareness among the employees and also guiding the employees on Do's and Don'ts.

STRATEGY FOR DIGITAL PENETRATION AND CUSTOMER ENGAGEMENT

The recent pandemic crisis has driven the importance of digital banking solutions, especially in the Banking sector. Keeping in view of the emergent situation, your Bank has implemented a slew of products for an alternate mode of Banking. Digital Banking products have played a vital role in providing convenient and cost effective 24×7 banking facility to the customers and thereby providing customer stickiness to brand CSB. Your Bank has been introducing a bundle of Digital Products from time to time, ranging from full-fledged Internet Banking Suite, RuPay Cards, QR Payments, POS, Prepaid Cards, UPI, e-Passbook, Missed Call Balance Enquiry, up-gradation of Mobile Banking Application with more security and value-added features. Card Control Tools, ASBA, UPI enabled payment services, Scan & Pay, Quick payments, Mini statements, Zero Cost fund transfers, etc., are the highlights of the new CSBMobile+ app. The Bank has also provided the best-in-class facilities like WhatsApp Banking and ATM Green PIN based support to its customers.

In terms of growth in digital transactions, Bank has fared very well this year when compared to previous years. As on March 2020, the total Digital transaction penetration when compared to branch transactions was 68%. It has now improved to 81.1% as on March 2021. Customers are migrating to Digital Channels thereby contributing to a reduction in operating costs. As a Bank, our focus has been predominantly to introduce digital solutions that are easy, fast, secured and also cost-effective.

The key initiatives in the financial year 2020 - 21 are as under:

1. **Launch of CSBMobile+** for iOS platforms as well as for android platform with enhanced security feature and Debit Card Control Functionality, keeping in view the safety concerns of the application and providing our customers with a seamless banking solution with high-end security features with robust security enhancements and in addition a Debit Card Control functionality has also been implemented complying with RBI directives. Other new features included are Mini Statements, RD Repayments, and Optimized ASBA.

2. **Launch of CSB WhatsApp Banking** - With banks rewiring their branch banking services in favour of digital alternatives during the on-going pandemic crisis, WhatsApp Banking has rapidly proved to be an innovative platform to engage customers. Fuelled by this idea, CSB Bank's 1st ever AI (Artificial Intelligence enabled) personal banking assistant was launched.

3. **Mobile Token** - For ensuring better security in online transactions done through Online Banking, using a bank provided dedicated Mobile Token App, customers will be able to securely generate a random token which they can utilize to complete a transaction which ordinarily required an SMS OTP.

4. **CSB Wink** - Online account opening portal during this digital era, most of the customers will not prefer to visit any bank branch for their day-to-day banking needs as they will rely mostly on digital platform to save time and money. Irrespective of the age, customers are always looking for safe, quick and convenient solutions. In order to cater the needs of the customers who rely mostly on digital platform in order to save time and money and to keep pace with the emerging industry trends in acquisition and on-boarding of new to bank customers, CSB Bank has made a paradigm shift from the conventional way of account opening, to the online mode. With a view to increase our penetration in the digital banking space and position CSB Bank better in the digital market place, we have launched CSB-Wink Savings Account that facilitates on-boarding through selfie digital mode, where customers can open accounts with CSB at the convenience and comfort of their home. It enables resident individuals who owns PAN and AADHAAR to instantly open and activate an instant digital Savings Account.

5. **Virtual Account Number** - To cater the business needs of corporate customers, we have launched CSB Virtual Account Number facility as an innovative solution, which facilitates corporates to easily collect and keep track of receivables from their vendors. This facility serves as a huge advantage to corporates where the number of vendors is large.

ONLINE BROKING SERVICES

Demat and Trading facility is being extended to CSB customers through 3-in-1 tie up with four broking firms namely M/s Geojit Financial Services Ltd., M/s Acumen Capital Market Ltd (formerly Celebrus Capital Ltd.), M/s IDBI Capital Markets and Securities Ltd and M/s IIFL Securities Ltd.

Under the 3-in-1 tie up, the current/savings account is maintained with CSB while demat and trading account facility are provided by the third-party service providers. Fund transfer from customers CA/SA accounts to the trading account is enabled through the net banking platform of the Bank through API integration whereas the fund transfers from trading account to customer's bank account with CSB is executed by the brokerage, based on customer instruction. Under the referral arrangement, the leads generated by CSB branches are passed on to the brokerage firms for on boarding the customer.

COMPLIANCE FUNCTION

Compliance means "the adherence to laws, regulations, rules, related self-regulatory organization standards and codes of conduct in matters concerned observing proper standards of market conduct, managing conflicts of interest and specifically dealing with matters such as prevention of money laundering and terrorist financing, and investigations of alleged breaches and fraudulent behaviour". The Bank has a full-fledged Compliance Cell that envisages strict observance of all statutory provisions contained in various legislations such as the Banking Regulation Act, Reserve Bank of India Act, Foreign Exchange Management Act, PMLA Act, etc. It also ensures observance of other regulatory guidelines issued from time to time, standards and codes prescribed by IBA, BCSBI, etc., as well as the Bank's internal policies. The scope of Compliance includes the ability to assist, support and advise the management in fulfilling its compliance responsibilities, advise any employee with respect to their compliance obligations, Identify, assess, and monitor the compliance risks faced by the Bank, help bank to carry out business in conformity with external, internal standards and regulations and to develop a system that represents a set of management processes and tools, including reporting, which is used in execution of business activities, in order to mitigate compliance risk. Compliance Officers have been appointed at all Departments/Offices so as to effectively ensure compliance and report to the Chief Compliance Officer through the appointed Principal Officer of the Bank. The Chief Compliance Officer is the nodal point of contact between the Bank and the Regulator and in turn assists the top management in effectively managing the AML & Compliance risks faced by the Bank and will also be a participant in the quarterly informal discussions held with RBI. He will ensure that all new products are subjected to intensive monitoring for the first six months of introduction by the concerned departments and that the indicative parameters of compliance risk are adequately monitored. The compliance function shall aim to measure compliance risk by using performance indicators during compliance risk assessment. They shall use quantitative and qualitative criteria as a gauge to check the adequacy of compliance within the bank. The risks shall be classified into high, medium and low categories based on agreed parameters to mitigate them by appropriate level of attention of the management. Appropriate software's have also been put in place to monitor compliance of regulations and submission of returns effectively. Apart from the routine KYC/AML/CFT training conducted, the Compliance Cell also imparts annual training on compliance functions to the compliance officers. Compliance department of the bank shall re-emphasize the need to comply with instructions meticulously among all the staff in the bank through continuous and mandatory training to all staff on compliance aspects, appropriate disciplinary measures through staff accountability framework/ policies for non-compliance, etc. The Bank shall not see compliance as an activity of the compliance department alone but as a culture that pervades across the banks. Bank has put in place a Board approved policy and procedural guidelines on Know Your Customer (KYC) / Anti Money Laundering (AML)/Combating of Financing of Terrorism (CFT) measures in line with the guidelines issued by Reserve Bank of India, Prevention of Money laundering Amendments and the FATF. This Policy ensures that the appropriate AML procedures are implemented effectively, including customer acceptance policy, customer due diligence, record-keeping, ongoing monitoring, timely reporting of suspicious transactions and combating the financing of terrorism. It also ensures that all employees are aware of the reporting institution's AML measures, including control policies, control mechanism and the channel of reporting. A dedicated PMLA Cell is functioning at the Head Office to oversee the compliance of KYC/AML/CFT norms and the Bank has comprehensive AML software that processes all transactions and indicative trends handled by our branches on a day to day basis and suspicious transactions/trends found if any, will be reported to FIU-IND, New Delhi. The Managing Director & CEO is the Designated Director and the Head of the PMLA Cell is the Principal Officer for the purpose of KYC/AML/CFT compliance and FATCA/CRS reporting in the Bank. To ensure that the employees are kept abreast on the subject, necessary training on Compliance/KYC/AML/CFT is imparted to all members in coordination with Bank's Institute of Learning and Development on an ongoing basis. Members' awareness is also effectively enhanced through General E-learnings, Targeted Online Trainings, Circulars, FAQ's, etc., and the Staff members are also encouraged to undertake Subject awareness Quiz programmes, Certification courses in KYC/AML/CFT by granting incentives/benefits upon passing the programmes/certifications.

CUSTOMER SERVICE

The Bank has put in place a well-defined Customer Grievances Redressal System, wherein customers can approach Bank through multiple channels for redressal of their grievances – Bank's Branches, 24 X 7 Call Centre or register their complaints online on Bank's Complaint Management System. Your Bank ensures that customer complaints received through various sources are resolved within the shortest possible time and to the best satisfaction of the customers.

Customer Satisfaction Surveys is another exercise to identify gaps, initiating corrective action and improving customer experience. Feedback from the survey is a source for evaluating customer's rating of services extended, ways and means for improving customer service, providing infrastructure at branches, and greater awareness on Bank's products and facilities. During the year, the bank conducted a pilot project for revamped customer survey to record the customer feedback and analyse the ratings given by them. This will be proliferated to more branches during the ensuing financial year.

Imbibing new technologies and the many ways they can be used to offer more convenient, secure and simply better service to their customers, your Bank is committed to reaching out to the customers. Keeping abreast with the latest trends in Banking, your Bank has launched a number of products and services that are aimed at satisfying specific needs of its clientele.

Your Bank has already constituted a sub-committee of the Board, (known as the Customer Service Committee of the Board) in line with RBI directives, besides having an Executive Level Committee on Customer Service which has representation from customer groups. The functions of the sub- committee of the Board include, inter alia, suggesting, implementing and reviewing measures for enhancing the quality of customer services and improving the level of satisfaction for all the categories of clientele at all times. To ensure constant focus, the Board of Directors periodically reviews the functioning of this sub-committee. Additionally, the Bank also has constituted a Standing Committee on Customer Service, which has representation from customer groups. The customer service committee of the board meets every quarter during the year, as required.

In order to carry the message of importance of customer service to the employees, especially the frontline staffs, efforts are taken for sensitizing staff members at branches, through proper training. Redressals of customer complaints mostly starts at branch level. Only cases which are beyond the purview of branch are forwarded to the Nodal Officer at Zonal Office. And those even beyond the purview of the Zonal Office are escalated to Branch Service Department at Head Office headed by a Principal Nodal Officer under Banking Ombudsman Scheme.

RBI has introduced Internal Ombudsman Scheme, and in line with this, your Bank has appointed an Internal Ombudsman. The Internal Ombudsman examines customer complaints which are in the nature of deficiency in service that are partly or wholly being rejected by the bank. The Bank internally escalates all complaints which are not fully redressed to the Internal Ombudsman, before communicating the final decision to the customer.

Disposal statistics of Customer Complaints (Other than ATM) for the FY under review is given below:

Complaints Status	31.03.2021	31.03.2020
a) No. of complaints pending at the beginning of the year	134	30
b) No. of complaints received during the year	3,313	4,221
c) No. of complaints redressed during the year	3,350	4,117
d) No. of complaints pending at the end of the year	97	134

The resolution of customer complaints improved to 97% in the current year compared to 96% in the previous year.

HUMAN RESOURCE - AN OVERVIEW

HR Department of the Bank plays a pivotal role in ensuring effective utilisation of its Human Resources who are considered to be the backbone of the Organization as a whole. The HR function assumes a critical role in enhancing employee performance and leveraging their potential in order to achieve the desired business outcomes. HR Department's role is to act as a driving force, ensuring balance and synergy between the Organization's vision and the interests of the workforce.

The Bank through its HR Department strives hard to ensure efficient as well as effective management of its Human Resources. As our Bank is going through a transition wherein the entire work philosophy is shifting towards a modernized and automated approach, it is the duty of HR Department to develop effective HR frameworks and programs with a 360° view on all aspects of Human Resource Management.

In the FY 2021, our Bank has made a huge stride forward in developing HRMS software with the help of 'Peoplestrong' group. Leave module, HRIS, Attendance module and PMS module have already gone live. New modules such as Training, Confirmation, Transfer, Promotion, Exit, Recruitment, On Boarding, Reimbursements of Business Claims, etc., have been introduced during this fiscal. Additionally, a feature for internal communication viz., 'Zippie' and a chat bot named 'Jinie' have also been launched.

Further, the Bank encourages all employees to express any grievance related to their work life or personal life. Disassociation from work desk has been made compulsory to maintain a healthy work life balance as part of imbibing compliance culture.

As a long term strategy, our Bank plans on expanding its branch banking network beyond the present borders and affirm its presence Pan India. In order to achieve our goal, talents have been pooled Pan India and qualified candidates matching each job role have been hired after rigorous recruitment process. These candidates are recruited on Cost to Company (CTC) basis and their remuneration is fixed on par with the Industry standards. More recruitment is on the cards, in alignment with the organization's requirements.

HR Policy - Facts and Figures

HR Policies are formal rules and procedures that dictate as to how certain matters should be addressed in the workplace including employee rights and duties. HR Policies are tied to employment laws. To avoid non-compliance and penalties from the government, employer must adhere to HR policies.

Our HR Policies cover the entire gamut of Human Resource processes in the Bank, including and not limited to Recruitment Policy, Lateral Recruitment Policy, Internal Hiring Policy, Succession Planning Policy, Induction, Granting of Incentives/ Benefits to Staff, Training and Development, Prohibition of Sexual Harassment of Women at Workplace, Transfer Policy, Promotion Policy, Performance Appraisal Policy, Welfare Aspects of HRM Policy in the Bank, Reward Recognition System, Management of Industrial Relations, Work Culture Effectiveness Policy, Employee Grading and Banding Policy, Mediclaim Policy, Leave and Working Hours Policy, The Buddy programme Policy and Staff Exit Policy.

A Social Media Policy educates Bank's employees, customers, stakeholders & general public about the do's and don'ts to be kept in mind while putting a comment, post, idea or concern on social media.

The total number of employees in the Bank during the end of FY 2021 is 4180 compared to 3204 in the previous financial year end. Rigorous talent acquisition in the recent years, especially in the fields of Sales portfolios such as CASA, Gold, etc., has contributed towards the increase in total employee count.

Financial Year	No. of employees recruited in the FY		No. of branches including Service and Recovery branches
	Operations	Sales	
2021	224	1592	518

The total hiring for the Financial Year is as follows:

Sl No	Cadre	No. of New Recruits
1	Officers (Including RSM/ASM/RE) etc.	654
2	Direct Selling Agents (BDE's, RME's, CRE's/CRO's)	1160
3	Others	2

Welfare Aspects of Human Resource Management

The Bank offers various perquisites to its staff which include staff loans at concessional rate of interest, viz. Housing Loan, Overdraft, Motor Vehicle Loan, etc. Such loans are considered to be secure and ensures prompt repayment. Concessional rate of interest is offered to employees for availing Educational Loan for their children for higher studies.

Facilities such as medical reimbursement and cashless hospitalisation are provided to all employees. The scheme undertaken by the Indian Banks' Association under arrangement with National Insurance Co. Ltd has been implemented and maintained successfully for IBA Employees. All Officers irrespective of their grade are covered for a Sum insured of ₹ 4,00,000/- and all Award Staff are covered for a Sum Insured of ₹ 3,00,000/-. Insurance Premium is paid by the Bank.

CTC Employees' insurance is administered by ICICI Lombard. All officers with grade of Assistant Managers and above are covered for a sum insured of ₹ 4,00,000/- and other officers like BDE/CRE/RE etc., are covered for a sum insured of ₹ 3,00,000/-.

Apart from the medical insurance cover extended to employees by the Bank at its cost, we have also introduced Voluntary Parental Medical Insurance cover for all CTC employees, the premium for which comes at a very attractive rate and borne by the employees.

All IBA officers of the Bank, who have attained the age of 40 years, are eligible for reimbursement of expenses incurred for medical check-up once in a financial year, even without hospitalisation. Medical reimbursement and cashless hospitalisation is offered to CTC employees under arrangement with ICICI Lombard.

Children of employees who excel in their studies are provided with scholarship. Course fee and incentives are given to employees for passing various examinations/ courses conducted by the Indian Institute of Banking & Finance (IIBF).

Learning and Development

Learning is fundamental and remains at the core of all our functions and processes. In line with RBI's Capacity Building Policy, the Bank had made it mandatory to qualify a Certificate Course for Officers working in specialized functional areas like Treasury Operations, Risk Management, Credit Management and Accounting. Learning support, in the form of incentives and reimbursement of the course fee, is also provided to those employees who are taking up certifications in these areas.

Training and development is a significant part of the Human Resource Management. Employees are entrusted with different roles and responsibilities in the Bank. Training enables them to carry out these roles and responsibilities efficiently. It also helps employees acquire new knowledge and skills thus preparing them to take up higher responsibilities in the future. Imparting training to the right person, at the right time, on the right subject/area is the need of the day. The Bank has "Institute of Learning and Development" (ILD) at Ollur, Thrissur. Training is provided to officers and workmen in this establishment as per the Annual Training Plan. Newly recruited employees are taken through orientation programmes before joining the Bank. Besides, the Bank avails of training programmes offered by renowned institutions like National Institute of Bank Management, Pune; IDRBT, Hyderabad; Southern India Banks' Training College (SIBSTC), Bangalore; etc. Due to the threat of Covid-19, classroom trainings had to be suspended. However, our ILD was fully equipped to handle this and training programmes were conducted through online mode instead. Arrangements were made so that employees could attend the training sessions from their own locations.

Updates from Learning & Development Department

CSB Bank believes that the quality of our employees makes us stand above the crowd, and our L&D Department's mission is to develop the bank into a Learning Organisation. World over, organisations are moving to facilitating learning, rather than training.

The Financial Year 2020-21 was one with special challenges and opportunities. The spread of Covid 19 virus to pandemic proportions brought physical classroom training to a grinding halt. Restrictions on travel and stay in hotels prevented the movement of our employees to the CSB Institute of Learning & Development (CSBILD) to attend training programs.

This challenge was converted into an opportunity as the CSBILD made a seamless transition from the classroom teaching mode to online virtual classes and e-learning methodology, thereby successfully overcoming the challenges thrown up by the Covid pandemic.

Looking for innovation and technological improvements was also a major area of focus in 2020-21.

The L&D Department achieved a remarkable milestone by getting the ISO 9001:2015 certification awarded during the year.

Another significant step in the L&D area was the decision to set up a training centre under the Deen Dayal Upadhyay Grameen Kaushalya Yojana (DDUGKY) scheme of the Government of India. Through this initiative, the Bank is looking forward to receiving trained and work ready young employees on a regular basis.

Role based certification of key role holders has already commenced, with a blend of E-Lessons and online Tests for ensuring the provision of realistic Balanced Score Card entries related to Learning.

Branch Heads, Relationship Managers/ Relationship Officers / Relationship Executives, Branch Operations Managers, Business Development Executives, Gold Loan Officers, and other role holders were covered by training during the year. In all, 141 E-Lessons were uploaded, and 128 Online programs, 14 physical programs and 73 external programs were conducted, ensuring a staff coverage of well over 100% at 6066 during the year, an increase of 24% Year on Year.

HR Verticalisation

The organization has embarked on the path to improve customer experience, without compromising on quality and efficiency of existing processes. To ensure that this happens HR jointly with all senior management is transforming existing businesses into vertical structures, which is contemporary to current outlook in the industry and is backed by technology. This is being done in order to create higher efficiency and reduced operational / credit risk, without compromising on customer service and responsiveness and indeed trying to achieve and create better benchmarks on an ongoing basis.

In the structure being introduced, monitoring and review is also being done with the help of Performance Score Cards for assessment at individual, Unit, Business / Functional level. Education /Communication with regards to creating clarity on expectations is being delivered through regular/ objective feedback to employees/units/functions and feedback from them during appraisals which will also enable the organization to change what is needed for aiding faster growth. HR is also ensuring that all its effort is directed towards attaining the said objectives, creating a winning solution for all stake holders.

Industrial Relations

The Bank is having 4180 employees on its fold as on 31/03/2021. Out of 4180 employees, 1544 employees both officers and Award Staff are governed under IBA pay structure. Whereas 2528 employees are governed under Cost to Company basis. Bank has been deploying retired officers from Nationalised Banks in identified areas to improve the necessary skill set and expertise in the Bank. The number employees deployed under contract basis in the bank is 108. The average age of the employees of the Bank is 34 years.

Financial Year	Total No. of Employees				Average Age (in Years)
	As on 31.03.2021	IBA	CTC	Contract Basis	
2020-21	4180	1544	2528	108	34
2019-20	3204	1805	1238	161	37

The officers in Scale I to III under IBA pay structure 909 are affiliated to Officers' Associations. There are two Officers' Associations functioning in the Bank. There are three trade unions representing the Award Staff members (Clerks, Sub Staff and Part- time Sweepers) of the Bank.

Barring a strike call given by one of the Officers' Association & employees' unions during the month of March 2021, demanding implementation of 11th Bi-Partite Settlement, Bank has had a cordial industrial relations scenario during the last financial year.

By Order of the Board

Sd/-
Madhavan Aravamuthan
Chairman
(DIN: 01865555)

Place: Thrissur
Date : July 05, 2021