Management Discussion and analysis

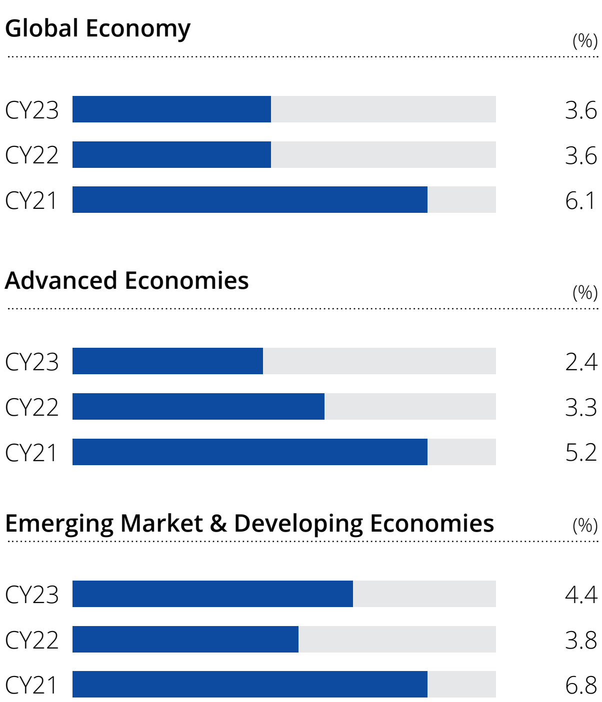
GLOBAL ECONOMY

In the beginning of year 2021, the global economy was on a path to recovery. But recurring Covid-19 waves acted as hurdles on the way. The second wave of the pandemic led to lockdowns and travel restrictions leading to supply chain disruptions and asynchronous growth in most part of the world. Developed and developing economies seemed to be on an opposite trajectory of recovery in 2021 as the developed economies started to come out of the pandemic on the back of good vaccination rates and fiscal support. The emerging and low-income countries faced public health challenges when the highly transmissible second wave hit their economy. As per the earlier estimates of IMF, developed economies are expected to bounce back to almost pre-pandemic levels of growth. The developing economies are expected to lag by around 5% than pre-pandemic levels.

However, the war in Ukraine has triggered a costly geopolitical crisis. The economic damage from the conflict has triggered cost escalation across constituents of the food chain. Since the beginning of the war, fuel and food prices have increased rapidly hitting the vulnerable populations across the world and developing economies. Further, the World economy is also facing supply hit as China battles Covid again. Since the Omicron variant of the coronavirus arrived in China, a two-month lockdown in Shanghai, and sporadic lockdowns elsewhere have hampered assembly lines, trapped workers, snarled logistics and confined millions of consumers to their homes. The global economy already struggling with war in Ukraine and the stagflation risks it's fanning, is bracing for greater disruption as China scrambles to contain its worst outbreak of Covid-19.

IMF in January, 2022 had expected global growth to moderate from 5.9 percent in 2021 to 4.4 percent in 2022 but in April 2022 the forecast has been downwardly reversed to 3.6 percent in 2022 and 2023, mainly due to Russia-Ukraine conflict. War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging markets and developing economies—1.8 percent and 2.8 percentage points higher than projected in January 2022.

World Economic Outlook IMF April 2022



GLOBAL BANKING SCENARIO

The pandemic did not trigger the expected harmful financial effects on the global banking industry. On the other side, it had plenty of positive outcomes such as accelerated digital banking, reduced cash transactions, increased savings, remote working, and focus on environment and sustainability. The global banking system is at least as solid as it was before the pandemic—and much healthier than after the last crisis.

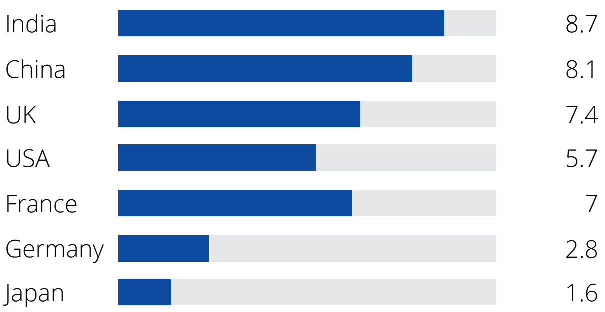
In Year 2022 so far, in response to the ongoing conflicts central banks across the world took varied positions on interest rate hike. Central banks of some large economies including US and UK have increased interest rate following higher inflation and steady macroeconomic data.

The US Fed raised the Feds fund rate by 50 bps to 0.75-1%, the largest increase since early 2000s. It also laid down the map to start running down its balance sheet by USD 47.5 bn beginning June 2022 and then increasing it to USD 95 bn from September onwards. Central banks of many countries including European Central Bank and Bank of Japan (BoJ) had followed suit and increased the rate.

Going forward, Central Banks are likely to take a combative stand looking at the inflation data points amid ongoing geopolitical issues. Further supply disruptions due to Covid-19 related lockdowns in China would be important variable for further policy action. Apart from hike in the policy rates, market would be tracking the impact of expected liquidity tapering, which is likely to have direct impact on equity valuations.

INDIAN ECONOMY IN FY22

Annual GDP Growth Rate (%)



IMF Projections. FY22 for India and CY21 for other countries

After a subdued growth in FY21 due to the pandemic, the Indian economy was heading towards a comeback in FY22. The GDP had contracted by 7.3% for FY21. As per the advance estimates released by NSO on 14 February 2022, the country is expected to witness real GDP growth of 8.9 % in FY22. Index of Industrial Production (IIP) for the manufacturing sector grew at 12.9% year on year during April-Feb FY2022 as compared to negative growth of 12.5 percent during the same period, last year. Mining and electricity also witnessed year on year growth during the same period. Purchasing Managers' Index-Manufacturing, a widely used growth indicator has been in the expansionary zone since January 2021 with the exception of one month during the second wave.

Agriculture slowed to 3% in FY22 compared to a growth of 3.3% in last fiscal. India's merchandise exports and imports rebounded strongly and surpassed pre-COVID levels during FY22. Services accounts for more than half of the Indian economy, was the highest impacted sector especially activities dependent on contact such as retail, hospitality and logistics. Sub components such as Finance/ Real Estate and the Public Administration segments surpassed pre-COVID levels while segments like Travel, Trade and Hospitality are on the path to recovery.

The overall GDP growth recorded for the financial year 2021-22 is estimated at 8.7% as against the contraction of 6.6% in FY21. The Gross monthly GST collections have crossed 1 lakh crore consistently since July 2021 which points that the Government will comfortably meet its targets for the year while maintaining the support, and ramping up capital expenditure which can be seen as supply and demand enhancing initiative.

Two years of BoP surplus has allowed RBI to accumulate US$ 634 billion as on Dec'21 which is equivalent to 13.2 months of merchandise imports and is higher than the country's external debt.

Challenges: India is a large consumer of oil much of which is imported, the impact of higher oil prices will be visible not only on trade deficit and currency but also will trigger inflation and affect fiscal situation adversely. Rupee has come under pressure due to higher oil prices. Higher oil prices lead to burgeoning trade deficit and hence adversely impact the external stability leading to currency depreciation.

Opportunities: The Western world's reduced dependence on Russia and China, could open newer avenues for India.

Russia and Ukraine together have a 25% share in the global wheat market. Since the war, the world is looking at India to fill the void in the global wheat demand.

Currently EU accounts for only 4% of India's total exports. According to a Forbes Report, EU is dependent on imports from Russia for 83 commodities and India has the competitive advantage in supplying these commodities to the world market. These 83 commodities are currently estimated to constitute 25% of India's exports.

However, most of the war triggered opportunities are temporary and could change on easing of the crises.

BANKING AND FINANCE – DOMESTIC

In FY2022 the banking sector continued to be resilient. The banking sector was cushioned against the disruptions caused by the pandemic by adequate liquidity support and various regulatory dispensations provided by the Reserve Bank of India.

Banks bolstered their capital to augment risk absorbing capacity, aided by continued recapitalisation plan of the Government of India and as part of the plan, the Government has infused ₹ 4,600 crore in FY 2021-22 in case of public sector banks (PSBs) along with capital raising from the market and retention of profits by both PSBs and private sector banks. The gross non-performing assets (GNPA) ratio of all scheduled commercial banks (SCBs) moderated to its lowest level in six years, aided by due efforts towards recoveries and technical write-offs. Bank credit growth has begun to pick up to track nominal GDP growth and banks are regaining bottom lines.

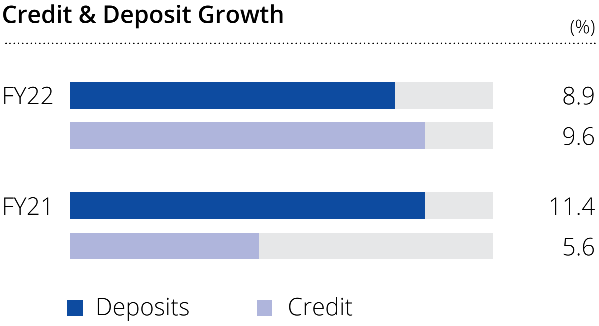
The future performance of the banking system hinges quite clearly on the recovery of the economic performance in FY23 and beyond.

Stepping into FY23 Govt of India as well as Reserve Bank of India (RBI) responded to the inflationary pressures. RBI has been obliged to raise policy interest rates twice to contain inflation. The rationale behind this decision was the upside risks to India's inflation trajectory. On 21st May, the RBI hiked the cash reserve ratio by 50 basis points, to 4.5 per cent of net demand and time liabilities. Further on 8th June, RBI hiked the rates 50 basis points thereby taking the repo rate to 4.90 per cent.

Consequently, the standing deposit facility (SDF) rate stands adjusted to 4.65 per cent and the marginal standing facility (MSF) rate and the bank rate to 5.15 per cent. The MPC also voted unanimously to remain focused on the withdrawal of accommodation to ensure that inflation remains within range going forward, while supporting growth the twice rate increase will indeed have an impact on interest rates across loan portfolios however during such unforeseen situations repo rate increase is expected and considered as the most pragmatic way of dealing with the inflationary pressures.

Indian banking sector is fully capable of surmounting geo political impacts as the banks are prudently monitoring the NPA levels very closely. The collection efficiencies have improved across banks. Banks have raised substantial capital during Covid and going forward, various banks have their capital raising programmes.

Credit & Deposit Growth



Credit scenario

Overall Bank credit grew 7.9 per cent to 115.45 lakh crore in FY22. 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. Growing credit drives the economic growth of the country. Non-food bank credit grew 9.7 per cent in March 2022 as compared to a rise of 4.5 per cent reported a year ago. Credit growth to micro and small industries accelerated to 19.9 per cent to ₹4.84 lakh crore; Credit to large industries recorded a marginal growth of 0.5 per cent against a contraction of 0.6 per cent during the same period.

As per the estimates of NABARD, banks and cooperatives have disbursed ₹ 17.09 trillion worth of agriculture credit during 2021-22 against a target of ₹ 16.5 trillion. The share of crop loans is about ₹ 10 trillion and the remaining ₹ 7 trillion is disbursed for agri-infra and other long-term projects. However, NPAs in agriculture stood at ₹ 6,573 crore in FY22 up by 15% YoY mainly due to erratic and prolonged rainfall. The NPA share from crop loans is estimated to be ₹ 2,808 crore and agriculture loans at ₹ 3,764 crore during FY22.

Deposit Scenario:

Bank deposits stood at ₹164.7 lakh crore - an increase of 13.5 lakhs crore during FY22. Deposit growth however slowed to 8.9% in FY22 as against 11.4% growth in FY21.

MONETARY POLICY AND OTHER KEY INITIATIVES

Policy Rates

In the financial year 2021-22, the RBI Repo Rate was 4%, The impact of the revision will be felt across banks on the interest rates.

On May 4, 2022, RBI announced a 40-basis point hike in the repo rate to 4.40 per cent. On 21st May, the RBI hiked the cash reserve ratio by 50 basis points, to 4.5 per cent of net demand and time liabilities. Further on 8th June, RBI hiked the rates 50 basis points thereby taking the repo rate to 4.90 per cent. The central bank also announced a 0.50 per cent increase in the cash reserve ratio (CRR). RBI attributed this increase in rates to increasing prices across commodities and global inflation. Going forward, the RBI has given clear indication of further increase in the rates.

MSME relief measures

Budget Allocation for FY 2021-22 for the MSME had more than doubled to ₹15700 crore vis a vis ₹7572 crore in 2020-21. Further, the Finance Minister in the FY 2022-23 budget speech has announced extension of Emergency Credit Line Guarantee Scheme (ECLGS) to March 2023. The 2022-23 budgetary allocation for MSMEs has been increased to ₹ 21,422 crore up by 26.71%.

Capital Expenditure

Effective capital expenditure of the Central Government is estimated at ₹ 10.68 lakh crore in 2022-23, which is about 4.1 percent of GDP. The ₹ 10.68 lakh crore allocated for 2022-23 is 27 percent higher than the revised estimate of ₹ 8.4 lakh crore spent in 2021-22.

Central Bank Digital Currency

In a way to boost the digital economy, Government has proposed RBI to launch digital rupee starting 2022-23 using blockchain and other technology which would lead to efficient and cheaper currency management system.

OPPORTUNITIES AND THREATS

Opportunities

- Revival of domestic economy from the pandemic induced contraction, is expected to witness improved credit growth and stronger balance sheets in FY 23 with the support of entire ecosystem which is aligned for supporting growth.

- Continued expansion mode in both manufacturing and services sector with optimism on further growth in demand.
- Expansion in the job landscape in the context of business revival, is stimulating further growth prospects.
- Budgetary priorities of the Government of India for boosting economic activities as given below will open up tremendous opportunities for banking sector.
- The master plan envisaged under PM Gatishakti scheme for world class modern infrastructure will give banks decent funding opportunities.
- Resilient growth seen in the Agriculture and Food Processing segment despite the pandemic and the brighter outlook and focus on the sector will help in massive expansion.
- Identification of MSME as a key segment for accelerated growth and banks will have a major role to play.
- The tremendous drive to the Education sector can be encashed by the Education Loans vertical, with a view to building smart India with quality skills.
- The thrust of focus in Health segment will give opportunities for banks to cater to the financial needs of this segment by carving out a separate HCF vertical on a larger scale.
- Enhanced digital push including setting up of digital banking units (DBUs)/digital currency will create a win-win situation for banks and customers in terms of experience and costs.
- The nimble, proactive and well-timed actions from the Central bank towards rebalancing liquidity conditions, managing inflation and ensuring growth will support the expansion of the domestic economy in the desired direction.
- The decision on enhancing the existing HTM limit will support the banks in improving the treasury incomes.
- The portfolio stress and provisions have reduced considerably due to growth and rebound of economy, leading to improved profitability.
- Fintech enabled banking sector growth is decreasing unbanked population in the country. Banks can leverage the Fintechs to create mobility platform on which customers will have better service and better on the flight products. Banks will benefit from these Fintech's transaction volumes, which are ever increasing. Partnering with Fintechs will also increase the customer franchise base for the Banks.

Threats

- The resurgence of COVID-19 infections in some major economies in March and the associated lockdowns run the risk of further aggravating the global supply bottlenecks and input cost pressures.
- Economic activity is hovering barely over its pre-pandemic levels and has not fully recovered.
- The geopolitical unrest and the resultant sanctions are causing supply disruptions and impacting the commodity as well as financial markets across the globe.
- Risk aversion towards assets of emerging market economies (EMEs) has increased, leading to large capital outflows and a depreciating bias in their currencies, resulting in heightened Inflationary pressures and adversely impacting the output across geographies.
- The possibility of economy plunging into stagflation owing to compression in spreads.

OUTLOOK & BUSINESS STRATEGY

When the global economy seemed to be taking a rebound after leaving the worst of the COVID-19 pandemic behind, the geo political unrest creeped in. The consequent financial sanctions and political pressures pushed the commodity prices with unpredictable and undesired implications on the global financial system and economy. Investors are shoring up their money into safer-haven assets while equity markets in emerging countries are witnessing heavy capital outflows. Many countries relooked at their growth projections and revised it downwards. There is little visibility into how long the conflict will last; but could hurt future growth.

In 2022-23, India's GDP is expected to rise above 7%, owing to broad vaccine coverage, gains from supply-side reforms and regulatory ease, healthy export growth, and the availability of fiscal space to ramp up capital spending. Despite the third wave of COVID-19, overall economic activity remained stable, as India could cope with virus-related restrictions. In addition, the Union Budget commitment to asset creation (public infrastructure development) in 2022-23 will re-energize the virtuous cycle of investment and crowd in private investment with huge multiplier effects, boosting inclusive and sustainable growth. Consumption will rise up sharply once the uncertainty and worry caused by the Covid-19 virus has passed, and the demand rebound will allow the private sector to step in with investments to boost production to satisfy the rising demand. This scenario should play out well for the Indian economy in 2022-23.

The focus for the Bank would be to catch up on the volume front with retail and SME leading the growth. Sustain, Build and Scale will be the strategy followed by the Bank. All efforts will be taken to build a profitable franchise and to sustain the same. New platforms as required for growth will be built and the business will be scaled up with the required guardrails in place. In the retail front, the task would be to ensure last mile connectivity in product launches, process improvements and digitization drives. For asset growth, the Bank will adopt a strategy that focusses on leveraging our Branch distribution along with partnership tie-ups with simplified processes and technology enablement.

Our vision is to become the Bank of the future – a full service Bank-with the right business mix, technology architecture, customer centricity, governance, compliance culture, partnerships, digitization, digital eco system, etc.

BUSINESS SEGMENT/PRODUCT OVERVIEW

Retail Banking

Your Bank offers a wide range of deposits, loans, wealth management products and services to domestic and NRI customers, under retail banking business. In the retail loan segment, the Bank offers need based products ranging from personal to business requirements 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, Non-Resident 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 bank account and demat and trading account will be provided by the partner.

SME Banking

Bank is committed towards offering timely, adequate and hassle free business solutions to SME sector and in this connection has a specialized SME team to strengthen marketing in order to source additional SME business and drive further penetration.

In our vision to make the Bank as one of the best SME friendly bank of the Country, we have been working on various strategic initiatives to streamline the products, process and implementing such initiatives on ground to improve SME business. The Bank has focused on leveraging Branch channel to reach out to potential customers. Bank has created a hub and spoke model and identified 42 key hub branches which can be termed as SME Branches and linked to 220 respective spoke branches. In addition to this, one key aspect of the strategy is to work on simplifying policy and process through technology enablement.

Bank has a specialized SME team to strengthen marketing in order to source additional SME business and drive further penetration.

The SME franchise of the Bank plans to focus on product per customer so as to improve the client level profitability by working closely with customers through a robust relationship management structure that would focus on portfolio Hygiene and wallet share.

Wholesale Banking

The Wholesale Banking Segment caters to corporate clients, primarily medium-sized enterprises. Wholesale Banking comprises of Corporate Lending, Capital Markets, Securitisation and Supply Chain Finance divisions.

Your Bank offers a range of Commercial Banking products and services such as Working Capital Financing, Corporate Loans, Term Loans, Trade Credit, Bill Financing, Supply Chain Financing, Securitisation Transactions, TReDS, etc. The division also provides banking services to Financial Institutions, viz. NBFCs, Banks, Insurance Companies, Mutual Funds, Brokers, etc.

Treasury Management

Bank's treasury operations primarily consist of statutory reserves management, asset liability management, liquidity management, investment and trading in fixed income securities and money market instruments and foreign exchange operations. Treasury operations are aimed at maintaining an optimum level of liquidity, while complying with the RBI mandated CRR and SLR. Bank maintains 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. In addition, the portfolio is churned to optimize yield and reap benefit from price movements. Apart from sovereign debt instruments, Treasury also invests and trades in commercial papers, bonds and debentures, mutual funds, alternate investment funds, pass through certificates, certificates of deposits and equity to manage short-term surplus liquidity and to further optimize yield and generate profits thereon.

REVIEW OF PERFORMANCE

Total Business

Total business of the Bank stood at ₹ 36,931 crore as on March 31, 2022, as against ₹ 34,528 crore a year before, registering a y-o-y growth of 6.96%.

Total Assets

Total Assets have increased by ₹ 2,018.92 crore and stood at ₹ 25,356.27 crore as on March 31, 2022 as against ₹ 23,337.35 crore as on March 31, 2021, registering a growth of 8.65 % on an annual basis.

Total Deposits

Total deposits of the Bank crossed ₹ 20,000 mark and stood at ₹ 20,188 crore as on March 31, 2022, compared to previous year level of ₹ 19,140 crore, registering a growth of 5.50% on a y-o-y basis.

CASA Position

During the period under review, CASA has reached a figure of ₹ 6795.17 crore as on March 31, 2022, from ₹ 6161.80 crore as on March 31, 2021, registering a growth of 10.28 % on an annual basis and ₹ 633.37 crore in absolute terms.

CASA ratio has improved from 32.19% in the previous financial year 2021 to 33.66% at the end of Financial Year 2022.

The aggregate NRI deposits of the Bank at the end of FY22 stood at ₹ 4525.47 crore, compared to previous year level of ₹ 4,308.50 crore, registering a moderate growth of 5.03%.

CASA Stratgey

The Branch Banking Vertical is focused on Deposits (including low cost deposits) and cross selling to existing customer products including insurance, money transfer and all other asset products of the Bank. Revamping of products has been initiated like recurring deposit to garner granular retail long-term deposit. Current account acquisition has been the key focus post restrictions imposed by RBI on opening Current Accounts by borrowers resulting in large reduction in Current Accounts base. Bank has initiated key alliances with companies like Worldline India Pvt Ltd, Pine labs Private Ltd and Digit Insurance Company for products like POS, QR code and general insurance. POS and QR code product solution has resulted in 5000 plus activation of CA customers. Recurring Deposit has been re-launched with minimum amount of ₹5,000/- for 1 year with complimentary accidental insurance being offered by Digit Insurance to the customers of the Bank. Retail Forex transaction as a strategy has been initiated towards increasing fee income as well as enhancing CA balances.

Over the year, the Bank has introduced new products and propositions and focused on digitization of its processes with a view to improve the quality. Demat and Trading facility is being extended to CSB customers through 3-in-1 tie up with M/s IIFL Securities Ltd. CSB Bank customers can open IIFL trading account digitally in just 3 minutes. Under this arrangement, the CA/SA account is maintained with CSB Bank while demat and trading account facility are provided by M/s IIFL Securities Ltd. Fund transfer from customers CA/SA account 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 Bank is executed by the brokerage, based on customer instruction. Under the referral arrangement, the leads generated by CSB Bank branches are passed on to M/s IIFL Securities Ltd for on-boarding the customer.

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. On-boarding of customers has been revamped to enhance customer experience and CRM solution as a tool, is actively used by customer interfacing staff which helps in increasing the sales productivity effectively. The sales and customer relationship team comprising of Business Development Executives, Relationship Managers/ Officers and Customer Relationship Executives as customer interfacing staff have been strengthened to achieve the sales and service objectives of the Bank. Bank is aggressively focussing on acquiring High net worth customers and high value accounts to build premium CASA franchise.

Bank has received Agency bank license from RBI to undertake general banking businesses of central and state governments as per the guidelines framed by RBI. Specialized teams are built up for key growth segments including Government business, TASC and other potential growth segments.

₹ **6795** crore

CASA (+10.28 YoY)

Classification Of Deposits Portfolio (₹ In Cr)

	FY 21	FY 22	Growth	Growth %
Demand Deposits	1192.37	1336.32	143.95	12.07%
Savings Deposits	4969.43	5458.85	489.42	9.85%
CASA	**6161.80**	**6795.17**	**633.37**	**10.28%**
Term Deposits	12978.24	13393.13	414.89	3.20%
Total Deposits	**19140.04**	**20188.30**	**1048.26**	5.48%

Advances

Bank's total advances (gross) stood at ₹ 16,742 crore as on March 31, 2022, as against ₹ 15,388 crore as on March 31, 2021, registering a growth of 8.80%.

The gross CD ratio of the Bank improved from 80.40% to 82.93% in the financial year 2021-22.

Advances

(₹ crore)

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 with identifying the right target segments and keeping the associated risks under control.

Your Bank have a strong retail credit management function which focuses on growth and maintenance of a healthy retail asset portfolio with a balance striking between risk and return. Along with robust underwriting practises, our credit risk management team also evaluates the internal scoring models for determining the acceptability of risk and the maximum exposure ceiling prescribed. Large exposures within retail segment are independently evaluated by the respective higher Credit Committees whereas small, template driven exposures are apprised and sanctioned as per Board approved policies on various products.

Gold Loans

Gold Loan Portfolio of your Bank as on March 31, 2022, stood at ₹ 6570 crore from ₹ 6131 crore as on March 31, 2021, registering a growth of 7.16 % on a y-o-y basis.

Sudden drop in gold prices and shift in LTV from 90% to 75%, as per regulatory norms had certain impact in portfolio growth during the first half of financial year 21-22. However, CSBs proven strategies of new client acquisition has helped us to grow our client base by 27% and gold loan portfolio during the second half of the financial year. Gold Loans continue to be the mainstay for the Bank on the advances side and continues to constitute over 39.24 % of total advances as on March 31, 2022.

Bank has engaged different entities as Business Correspondents to penetrate the rural and other markets dominated by unorganised players.

Gold Loans

(₹ crore)

Other Retail Loans (Excluding Gold Loans)

The other Retail Loan portfolio of the Bank (excluding gold) stood at ₹ 1049 crore as on March 31, 2022, as compared to ₹ 1,201 crore as on 31st March 2021. This book largely comprises of loans to two wheelers, advances under Agri & MFI sector and MSME loans.

Two Wheeler Loans

Two-wheeler sales continued to remain under pressure, especially at the entry-level motorcycle segment, due to the sharp rise in acquisition costs after the transition to BS VI emission norms and the economic impact of the second wave of the pandemic in rural markets. Two-wheeler sales fell 10.90% to 134. 66 lakh units last fiscal - the lowest volumes recorded in the last 10 years. The steep increase in commodity prices such as aluminium, copper, zinc, etc., along with supply issues related to electronic components, pose challenge for the industry.

Since formation of a separate vertical in 2018, the Bank has acquired 39,604 customers and disbursed ₹ 314.65 crores. In the fiscal year of 2021-22, 10,995 new customers were added with a disbursement of ₹ 90.09 crores. Two Wheeler Loans book of the Bank stood at ₹ 175 crore as on 31st March 2022, compared to ₹ 171 crore as on 31st March 2021.

Portfolio quality of the book is satisfactory with robust collection capabilities. Bank had entered into an agreement with one of the leading credit bureau companies for development of score card based approval for two wheeler loans and the same is expected to be implemented in FY 2023.

Agri/MFI Banking

Agriculture and allied sectors are playing a major role in the economy of India, which is the largest livelihood provider, where more than 50% of the work force is engaged in. The most resilient sector during the COVID pandemic was Agriculture. It continues to contribute a significant figure to the Gross Domestic Product. Sustainable agriculture, in terms of food security, rural employment, and environmentally sustainable technologies such as soil conservation, sustainable natural resource management and biodiversity protection, are essential for holistic rural development.

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 using customised proposition across product segments. The Bank meets the credit related requirements of its agriculture customers through its unique set of products such as Kisan Credit Cards, Investment credit, Financing Agri Allied activities and Agri Ancillary units. These initiatives are designed to support the farmers engaged in agri & allied activities for maximization of their agricultural income by ensuring optimum utilization of their farm assets.

The increased presence of the Bank's branches in rural and semi-urban areas provides a great opportunity to your Bank for improving its exposure to Agriculture and Priority sector. The Agri & MFI vertical could grow from ₹ 567 crore in FY 2021 to ₹ 1064 crore in FY 2022, registering a growth of ₹ 497 crore in absolute terms or 88% on a y-o-y basis.

Your Bank has a variety of tailor-made schemes to meet emerging market demands and for better credit delivery. Bank has deployed a handful of specialized Relationship Managers and Agricultural Officers to cater to the needs of our valued farmer clients at their doorsteps. Your Bank is committed to continue the growth in this portfolio with improved vigour and increase its contribution in the upward trajectory of Bank's business.

MSME Loans

MSME sector being the backbone of our country's economy, there are a large number of entrepreneurs and workers who are part of these micro, small and medium enterprises. Equity and debt 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.

MSME Loans (₹ crore)

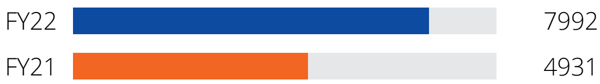
The Bank offers Micro, Small and Medium Enterprise loans to various businesses various parts of India. The Existing Product offering is in the form of term loan, cash credit and overdraft against collateral to self-employed businesses.

The MSME advances of the Bank stood at 210.15 crore as on March 31, 2022, as compared to 178.29 crore as on March 31, 2021, clocking a growth of 17.87% during FY 22.

Priority Sector Loans (PSL)

Your Bank also plays a vital role in priority sector lending, meant for the overall development of the economy. Lending to the vital players of the economy such as farmers, micro & small enterprises, education, housing, social infrastructure, etc., as part of priority sector lending, is the core strength of your Bank. Bank adopted various measures with reinforced focus on lending to small & marginal farmers, micro enterprises and weaker sections of the Country. Separate verticals are formed to cater to these segments with the support of experienced and specialised teams under the verticals.

PSL as on 31st March, 2022 (₹ crore)



Quarterly Average PSL (₹ crore)

Achievement (Quarterly average) (%)

Priority sector advance improved by 62.08% compared to 2021. Disbursement of Priority sector loans are achieved at 50.85 % 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 ₹ 700.00 crore, PSLC Small & Marginal Category to the tune of ₹ 850.00 crore and purchased PSLC Micro Enterprise category to the tune of ₹ 650 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. It also strives to achieve more inclusive growth by making finance available to the poor in particular by bringing the low income groups within the perimeter of formal banking sector. The financial inclusion initiatives of the banks provide access to formal credit system and provide credit support for consumption and investment and thereby leading to strong and sustainable livelihood for individuals and households. The implementation of Financial Inclusion Schemes is a national priority and banks are playing a vital role in achieving these objectives of government. RBI has formalised National Strategy for Financial Inclusion to achieve these objectives across the country. The vision of National Strategy for Financial Inclusion is Universal Access to Financial Services, Providing Bouquet of Financial Services, Effective Coordination, Customer Protection and Grievance Redressel, Financial Literacy and Education and Access to Livelihood and Skill Development.

Through the methods like Financial Literacy and Credit Counselling Centres (FLCCs) and by extending the banking outreach through Business Correspondents, your Bank has enabled the channels for encouraging the savings of the unserved population of the country and offers new business avenues for lending to this group.

Your Bank has 46 Rural Branches and 7 FLCC's to strengthen the financial literacy activities at the field level. As part of financial inclusion initiative, your Bank has reached out to approx. 130000 families to extent small value credit through micro finance loans.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Bank has 161513 BSBDAs (Basic Savings Bank Deposit Accounts), 2102 KCC Accounts (Kisan Credit Card) outstanding as on 31.03.2022. Out of the BSBDA accounts opened, 77430 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 7992 PMJJBY, 30360 PMSBY and 4744 APY accounts outstanding as on March 31, 2022.

Business Through Business Correspondent (BC) Model

As part of the commitment towards sustainable 'inclusive growth' in the rural and semi-urban segment, your Bank has always focused on key partnerships to create viable business models, while providing 'access to finance' to the bottom-of-the-pyramid (BOP) customers. In this background, your Bank has developed sustainable livelihood programmes to provide financial and non-financial services through business correspondents. The model developed is to empower financially excluded class of people. It also promotes socio-economic development at the grass root level through community-based approach, through Self Help Groups (SHG) and Joint Liability Groups (JLG).

During the period under review, the Bank has extended credit to 81000 women borrowers through the micro lending programmes through Business Correspondents model. Your Bank has reached out to more than 130000 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 2022, in Micro Finance business under BC model is ₹300 Crores.

Corporate Lending

The Corporate Banking Segment caters to corporate clients, primarily medium sized enterprises, offering range of products to meet the working capital requirements of corporate customers. Bank also take active participation in funding capex requirements of its customers by extending term loans and project finance. The product offerings are suitably structured taking into account of client's risk profile and specific needs specified by them.

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

Managed by small tight-knit, inter-disciplinary PAN-India teams with great success, Wholesale Banking Division has achieved an overall growth of 15% in asset book, closing at ₹ 6180 crore as on March 31, 2022 as compared to ₹ 5378 crore as on March 31, 2021.

Corporate Loan Book

(₹ crore)

The Bank's corporate book closed at ₹ 4089 crore as on March 31, 2022, as compared to ₹ 3873 crore as on March 31, 2021, registering a y-o-y growth of 5.58% and the corporate non-fund based book grew by 106% to ₹ 760 crore as on March 31, 2022 from ₹ 368 crore as on March 31, 2021.

While the funded book has grown by 8%, achieving around ₹3500 crores of business through medium-ticket sized transactions with loyal set of legacy customers as well as several newly on-boarded clients, growth was offset by heavy run-downs due to anticipated repayments and prepayment in our funded loan-heavy portfolio.

Direct Assignment & Securitisation business has also witnessed a 48% increment this Financial Year.

As we enter into year three of living with the constantly-evolving pandemic and recent ongoing war in Ukraine, we anticipate growth in the economy and corporate sectors to pick up at an uneven pace. We intend to build value through customer-centric focus on maintaining existing portfolio quality, and through identification of key focus sectors for calculated market development and penetration to ensure sustainable asset growth and profitability. We are also constantly looking to streamline and improve the quality of our business credit underwriting, disbursement processes and operations to improve TAT and experience. We continue to focus on Mid-Market enterprises as a key segment for corporate lending to maintain granular ticket size and better Net Interest Margin. We intend to focus on rapid increase in manpower to cater to our steadily increasing client base and diversified focus in sub-segments, building strength in our regional teams while also attempting to roll out new corporate product offerings to cater to the diverse needs of our valued customers.

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 focused on products mainly TReDS-Trade Receivables e-Discounting System. TReDS 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 TReDS 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 ₹ 101 crore as on March 31, 2022, as against ₹ 109 crore during previous financial year.

LCBD portfolio de-grew by 28% in FY 2021-22 to ₹ 277 crore as compared to ₹ 383 crore as on 31st March 2021, mainly due to market conditions.

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 grew by 48% in FY 2021-22 to ₹ 954 crore as compared to ₹ 645 crore as on 31st March 2021.

Cash Management Services:

Your Bank offers Cash / Cheque Collection facility for all clients. This facility helps in timely depositing 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 is committed towards offering timely and hassle free business solutions to SME sector with a specialized team focused on driving further penetration by sourcing additional [SME] business and strengthening its core.

With a vision to become one of the best SME friendly banks in the country, Bank is working on various strategic initiatives such as streamlining our products and processes, and thereby, implementing such ascendancies. The Bank has simultaneously focused on reaching out to all the potential customers by leveraging branch channel(s).

Bank has also created a hub-and-spoke model, thereby identifying 42 key [hub] branches which can be collectively termed as 'SME Branches' linking 220 spoke branches respectively. In addition to this, one key aspect of the strategy is to work on simplifying the policies and processes through advanced technological enablement.

The SME franchise of the Bank plans to focus on 'product per customer' so as to improve the client level profitability by working closely with all customers through a robust relationship management structure that would focus on portfolio Hygiene and wallet share.

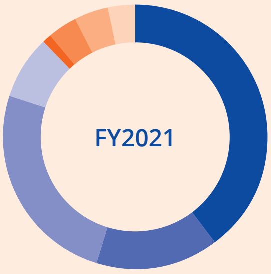
With India emerging as one of the leading economies of the world aiming to become a US$ 5 trillion economy, major impetus is being given to strengthen the SME sector.

Bank's SME business has a traditional sourcing model driven through RM – SME, Portfolio Managers – SME and Relationship Executive – SME. This structure is steered by SME Cluster Heads/ Regional heads. SME business are driven in 42 SME hubs primarily through 220 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.

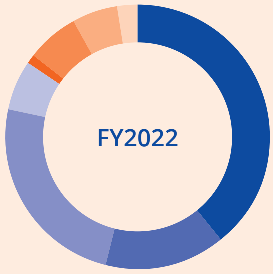
Broadly Bank's SME strategy and initiatives are getting revolved around few major areas as shown below:

- Leverage Branch distribution channel to increase SME business penetration and align with market.
- Focus on building market aligned Products and processes to deliver hassle free financing to SMEs.
- Providing superior Customer experience by continuing to work on simplifying processes and

Classification of Gross Advances Portfolio (₹ in crore)



FY2021	Segment	FY2022
6,131	Gold +7%	6,570
2,308	SME (Including MSME*) +7%	2,463
3,873	Corporate* +6%	4,089
1,201	Retail* -13%	1,049
171	Two Wheeler +3%	175
567	Agri & MFI +88%	1,064
645	Assignments +48%	954
492	LCBD & TReDS -23%	378



*Figures for FY 21 post re-classification

improving the overall ecosystem through adoption of class leading technology solutions.

- Segment & industry based lending approach.
- Create robust analytics & data support to help business.
- Focus on increasing wallet share and profitability at Customer level by offering customized solutions through superior relationship management.

Your Bank continues to stay committed to bring in new product and processes for supporting SMEs and some of recent initiatives in the front are shown as below:

- Parameterized products with segment and industry approach.
- Bank has launched Shubh Mangal Credit, a parameterized fast-track loan product with 3 variants: Smart OD, GST OD and Flexi OD to provide hassle free loan to small business including traders and manufacturers.
- Offering sector/industry specific business solution through partnering with industry trade bodies/ associations.
- Process improvement initiatives through technology enablement to enhance operational efficiency and improve turn-around time and ensure faster delivery to Customers.

The SME advances of the Bank (including MSME) stood at 2463 crore as on 31.03.2022 as compared to 2308 crore as on 31.03.2021, clocking a growth of 7 % during FY 22.

Integrated Treasury Operations

Domestic market transactions

During the first half of this financial year, domestic financial markets remained vibrant, mostly on account of easy liquidity conditions, accommodative monetary policies and forward guidance promising continuation of these policies despite the deadly impact of the virulent second wave of the pandemic in April. The Benchmark 10-year G-sec yield touched a low of 6.10 % in July aided by a lower than expected inflation print for June. During the second half of the financial year, G-sec yields started hardening driven by higher international crude oil prices, domestic inflation and rise in government bond yields in major economies including the US. During the end of the Second half year, yield firmed up further on higher-than-expected indicative calendar of market borrowings of State Governments/Union Territories and the planned market borrowings by the Centre indicated in the Union Budget 2022-23. Sharp rise in US yields and soaring international crude oil and other commodity prices over escalating geopolitical tensions also impacted yields. The cancellation of two consecutive central government bond auctions in March, however, mildly tempered the domestic yields and 10 year Bench mark closed at 6.84%.

Equity market scaled new highs in the first half, lifted by the gradual normalisation of economic activity post the second wave, strong corporate earnings, and pick-up in the vaccination drive. The exuberance in the equity market was also reflected in the IPO segment. Domestic equity markets corrected marginally in second half on account of high volatility triggered by the outbreak of the

Omicron variant of COVID-19, hawkish monetary policy stances of global central banks, elevated crude oil prices and escalating geopolitical tensions. Domestic equities witnessed sharp selloffs in the second half of February and early March 2022 over Ukraine-Russia tensions but recovered in the second half of March. The BSE Sensex gained 18.29% in FY 22 to close at 58,568 and NIFTY gained 18.89 % to close at 17,464 levels.

During these challenging market situations, Bank's Integrated Treasury at Mumbai 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 actively traded in Government securities, Certificates of Deposits, Commercial Paper, Corporate Bonds & Debentures and Alternate Investment Instruments maximising the Bank's trading profit. In view of rising inflationary trends and consequently upward movement in the interest rate, the Bank has repositioned its investment portfolio to take advantage of the expected spike in yield leading to a gradual increase in interest income and also resulting in avoiding provisioning requirement on the investment portfolio.

The Equity desk undertook equity trading operations and participated actively in select IPOs and contributed to Banks revenue. Treasury has raised low cost resources through borrowings from money markets, including issuance Certificate of Deposits. Arbitrage opportunities in Money markets and Forex markets were also utilised which further added to Bank's revenue.

Bank made a profit of ₹ 17.77 crore on sale of investments during the FY 2021-22.

Foreign exchange transactions

The Indian rupee (INR) exhibited two-way movements in first half where it traded with a depreciating bias in April 2021 and touched INR 75.32 per US dollar on April 15 amidst FPI outflows and appreciation of the US dollar. The depreciating bias quickly reversed as FPI flows rebounded with a sharp fall in domestic COVID-19 cases and a weakening US dollar. By May 28, the INR appreciated to INR 72.31. In the following months, Rupee depreciated amidst FPI outflows, the strengthening US dollar, increasing market expectations of a faster than anticipated monetary policy normalisation by the US Fed, rise in crude oil prices and escalating geopolitical tensions, touching a low of INR 76.97 per US Dollar on March 7, 2022. The INR reversed some of these losses in the subsequent days with the correction in crude oil prices and closed at INR 75.79 on March 31, 2022. The forward premia have largely remained stable and closely aligned to the interest rate differential.

Forex Merchant Desk of the Integrated Treasury provided centralised cover operations for exchange positions originating from branches and also extended advisory services to Corporates, 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 major currencies. The desk also utilises arbitrage opportunities available between domestic and overseas markets augmenting Bank's revenue.

During the financial year 2021-22, the Bank earned an income of ₹ 11.82 crore from foreign exchange operations. Of the total income earned, exchange profit accounted for ₹ 8.71 crore and commission from forex transactions accounted for ₹ 3.11 crore.

Bancassurance

Bancassurance provides the customers with a complete financial solution based their specific need. It provides a one stop solution to the customers wherein they can get their insurance products along with a combination of other financial services under one roof. Providing integrated financial services strengthens customer relationships and builds better customer loyalty and retention levels. Bancassurance further generate risk-free income for the banks in the form of the commissions from insurers. The Bank has Corporate Agency tie ups with seven insurers for distribution of Life insurance, General insurance and Standalone Health insurance, as per the open architecture.

Life Insurance

The Bank is providing a wide range of insurance products across various segments of the customers. Various life insurance products help in catering to different requirements of policy holders, helping them to cover for risk of loss of life, along with long-term savings, goal-based planning and tax savings benefit. The Bank acts as a Corporate Agent with M/s. Edelweiss Tokio Life Insurance Company Limited, M/s. ICICI Prudential Life Insurance Co. Ltd. and M/s. HDFC Life Insurance Co. Ltd. for life insurance. In FY 2021-22, overall Life Insurance grew by 84% with a premium of ₹ 140.15 Crore against ₹ 76.11 Crore in the corresponding previous Financial Year. The Life Insurance income grew by 69% over the previous year with a revenue of ₹ 32.72 crore against ₹ 19.39 crore in the corresponding previous financial year.

Non-Life Insurance

The Bank has tied up with M/s Aditya Birla Health Insurance Co. Ltd. as our Standalone Health Insurance partner in FY 2021-22. The Bank is providing our customers varied Non-Life Insurance options ranging from Fire and Allied Perils, Motor, Health, Marine, Asset, Travel Insurance, etc. The Bank acts as a Corporate Agent with M/s. Reliance General Insurance Company Ltd., M/s Go Digit General Insurance Co. Ltd., M/s. ICICI Lombard General Insurance Company Ltd., for offering new and innovative general insurance products and M/s Aditya Birla Health Insurance Co. Ltd. for health insurance. In FY 2021-22, overall Non-Life Insurance grew by 119% with a premium of ₹ 11.86 crore against ₹ 5.42 crore in the corresponding previous Financial Year. The Non–Life insurance income grew by 73% over the previous year with a revenue of ₹ 0.76 crore against ₹ 0.44 crore in the corresponding previous financial year.

Overall Bancassurance income grew by 69% over the previous year with a revenue of ₹ 33.48 crore as against ₹ 19.83 crore in the corresponding previous Financial Year.

FINANCIAL PERFORMANCE WITH RESPECT TO THE OPERATIONAL PERFORMANCE

Pursuant to the requirement of Master Direction on Financial Statements - Presentation and disclosure issued by RBI dated August 30, 2021, 'Provision for Depreciation on Investments' hitherto classified as part of 'Provisions and Contingencies' have been netted off in 'Profit on Revaluation of investment' under 'Other Income'. Bank has also changed the classification of recoveries from written off accounts included as part of 'Other Income' as a credit to 'Provisions and Contingencies' and there is no change in the Net Profit for the previous period. Accordingly previous year's figures have been regrouped and reclassified wherever necessary to conform to current year's presentation.

During the fiscal 2021-22, the Interest income rose to ₹ 2,038.31 crores as against ₹ 1,872.29 crores of previous fiscal, reflecting growth of 8.87%. Interest expenses decreased by 4.93% and stood at ₹885.01 crore as against the previous year figure of ₹930.91 crore. Even though there is increase in the amount of deposit, the decreased cost of deposit resulted in reduction in interest expense. The Net Interest Income increased to ₹1153.30 crore from ₹941.39 crore y-o-y growth of 22.51%. Non-Interest Income decreased from ₹303.13 crore to ₹246.80 crore in FY22 due to decrease in treasury income. Non-interest income other than treasury income increased by 16.97% from 201.17 crore to 235.30 crore for the year ended March 31, 2022.

For the year ended March 31, 2022 the Net Interest Margin of the Bank rose by 46 basis points from 4.81% to 5.27%, compared to the previous fiscal.

Your Bank reported an Operating Profit of ₹613.72 crore compared to ₹ 515.52 crore in the previous fiscal, reported an increase of 19.05%. The increase was primarily due to increase in the net interest income.

Operating Revenue of your Bank reported a y-o-y growth of 5.04% and stood at ₹ 2,285.11 crore as against previous year figure of ₹ 2,175.42 crore. The operating expenses increased to ₹786.38 crore from ₹729.00 crore reporting an increase of 7.87% mainly on account of increase in expenses under business correspondent (MFI) tie ups.

Your Bank has posted a Net Profit of ₹ 458.49 crore in FY 2021-22 as against Net Profit of ₹218.40 crore in FY 2020-21. The increase in profit was mainly on account of increased yield on advance and decrease in cost of deposits.

Cost Income ratio of the Bank improved to 56.17% in the year ended March 31, 2022 compared to 58.58% of the previous year.

The Return on Assets was 1.90 % at the end of the fiscal under report as against 0.99 % in the previous fiscal.

The Earning per Share (EPS) and Book value of share as on March 31, 2022, stood at ₹26.43 and ₹152.83 respectively as against ₹12.59 and ₹125.67 as on March 31, 2021. The Bank's Return on Equity improved to 21.28% as against 12.48 % for the previous fiscal FY 21.

Income

Total income of the Bank has increased by ₹109.69 crore and stood at ₹2285.11 crore as on March 31, 2022. Net Interest Income of the Bank increased to ₹ 1,153.30 crores from ₹941.39 crores registering a growth of 22.51%. Yield on advances increased to 11.21% in FY 2022 from 10.97% in FY 2021 and cost of deposit decreased from 5.07% in FY 2021 to 4.31% in FY 2022.

Non-Interest Income decreased from ₹303.13 crore to ₹246.80 crore in FY22 due to decrease in treasury income. Non-interest income other than treasury income increased by 16.97% from 201.17 crore to 235.30 crore for the year ended March 31, 2022.

Expenditure

The interest expenditure reduced from ₹930.91 crore in FY 2021 to ₹885.01 crore in FY 2022, registering decline of 4.93%. The decline in cost of deposit resulted in reduced interest expenses even though the total amount of deposit has increased in the FY 2022 on comparison with FY 2021. Operating expenses increased from ₹729.00 crore in FY 2021 to ₹786.38 crore in FY 2022 mainly on account of increase in expenses under business correspondent (MFI) tie ups. Cost of Deposits decreased to 4.31% in FY 2022 from 5.07% 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 2022	March 31st 2021
Capital Adequacy Ratio (CRAR)% Basel – III	25.90	21.37
Earnings per share (in ₹)	26.43	12.59
Book value per share (in ₹)	152.83	125.67
Net Interest Margin%	5.27	4.81
Cost–Income Ratio%	56.17	58.58
Return On Assets (ROA)%	1.90	0.99
Return On Equity (ROE)%	21.28	12.48
Gross NPA %	1.81	2.68
Net NPA %	0.68	1.17
Leverage Ratio	9.12	8.11
Interest Income as a % to working funds	8.47	8.51
Operating profits as a % to working funds	2.55	2.34

Capital Adequacy ratio increased to 25.90% compared to 21.37% due to increase in capital fund from ₹ 2100.58 crores to ₹2581.39 crore.

Net Interest Income (NII) increased from ₹ 941.39 crore to ₹1153.30 crore due to improved yield on advances and reduced cost of deposits. Improvement in net interest margin contributed to improved net profits. Resultant to which the EPS, ROA, ROE, Leverage ratio and Book value per Share have progressed upward. Increase in NIM also helped to reduce the cost to income ratio of the current year even though the operating costs have risen by 7.87%. Growth in standard advances and recovery of Non Performing Advances contributed to reduced Gross NPA % and 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 21.28% from 12.48% of the previous year on account of increase in net profit from ₹218.40 crore as on March 31, 2021 to ₹458.49 crore as on March 31, 2022.

DISCLOSURE OF ACCOUNTING POLICY

The significant accounting policy of the Bank is mentioned in Schedule 17 of the financial statements.

The Bank has followed the same accounting policies in the preparation of these financial results as followed in the annual financial statements for the year ended March 31, 2021, except policy on NPA recovery and policy related to accounting of the share-linked instruments, issued under the employee stock option scheme of the Bank.

Previously, recovery in NPA was first appropriated towards interest and balance, if any, towards principal, except in the case of Suit Filed Accounts, sale to Asset Reconstruction Companies and accounts under one time settlement where recovery was appropriated based on the court decree/terms of agreement. From May 01, 2021, the Bank amended the policy on NPA recovery to appropriate recovery on all NPA first towards principal and balance if any towards interest. Impact of the above change in the financial results for the quarter and year ended March 31, 2022, is not material.

Reserve Bank of India, vide its clarification dated August 30, 2021, on Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers and Control Function Staff, advised all the banks that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ending March 31, 2021. Accordingly, the Bank has changed its accounting policy from the Intrinsic Value Method to the Fair Value Method for all share-linked instruments granted after March 31, 2021. The fair value of the stock-based compensation is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period. The Bank granted 6,18,286 stock options since April 1, 2021, under its Employee Stock Option Scheme, 2019 and as a result, provision for 'Employees cost' for the year ended March 31, 2022, is higher by ₹2.47 Crore and with a consequent reduction in profit before tax by the said amount.

NPA MANAGEMENT

Covid-19 has led to significant structural and behavioural changes in the form of social distancing, drive for economic rejuvenation and increased regulatory and government interventions. These changes, such as disruptions to physical operations, impact on asset quality and liquidity have posed challenges to the Indian banks across key functions.

However, our Banks have remained resilient amid the pandemic recording an improved asset quality and a decline in NPA ratios. According to an RBI report, the asset quality of Indian banks is strong enough to mitigate and handle future shocks arising out of any future outbreaks of Covid 19 variants. The probability of a decline in bad loans still remains high since banks have been able to manage stress in their asset portfolio to a great extent in the worst possible circumstances.

Your Bank's increased focus on prevention of fresh slippages and recovery of NPAs through intensive recovery actions despite the adversities have paid rich dividends in the area of NPA recovery and containment. Through effective persuasion, encouraging compromise/ one time settlements, initiating and taking forward recovery steps to the extent possible, the bank could upgrade / recover substantial amounts locked up in Non-Performing Assets during the year.

The initiatives taken by the Bank have resulted in cash recovery and upgradation of NPAs to the tune of ₹82.12 Crore and ₹45.63 Crore respectively during the year. The Gross NPA level of the Bank as on March 31, 2022, stood at a level of ₹289.51 Crore as compared to ₹393.49 Crore in the corresponding period of the previous financial year. The Gross NPA and Net NPA ratios are at 1.81% and 0.68% respectively as against 2.68% and 1.17% respectively, in the previous financial year. The Provision Coverage Ratio (PCR) as on March 31, 2022, improved to 89.65% from the level of 84.89% in the previous year.

Further, during the period under review, your Bank could recover ₹77.14 Crore from the prudentially written off portfolio. Interest recovery during the period amounted to ₹18.13 Crore.

Your Bank would continue to focus on arresting fresh slippages through close monitoring and recovery of NPAs by initiating appropriate and timely recovery steps.

RISK MANAGEMENT

Overview –

A robust risk management system ensures long-term financial security and stability. The overall responsibility of setting our risk appetite and effective risk management rests with our Bank's Board.

The Board focuses on

- Approving and relooking Risk Management Framework and policies, which are subjected to review and up-gradation on an ongoing basis, in tune with regulatory guidelines and best practices in the Industry.
- Assessing the effectiveness of the risk mitigation plan implemented by the Integrated Risk Management Department.
- Providing strategic guidance on various initiatives undertaken / to be undertaken by us towards management and mitigation of various risks.

The Integrated Risk Management Department is headed by a Chief Risk Officer who coordinates various risk management functions of the Bank. The Bank has a well-experienced risk management team with specialized knowledge in various areas to handle the risk management functions. Our team of professionals possess relevant industry expertise in varied verticals, which are paramount to our Bank.

The objective of risk management is to have an optimum balance between risk and return. The Risk Management functions of the bank focus on taking a risk by choice rather than by chance. The Bank has aligned its business strategies to a Risk Appetite Framework to maximise return on capital. A risk related pricing structure has thus been made operative to handle the pricing of loans to evaluate returns vis-à-vis risks assumed. The Bank has put in place a robust Risk Appetite Framework and has various business tolerance levels in sync with Business plans. The framework ensures business heads operate within the guardrails of risk management. The major risks are credit and market risks, including the interest rate and liquidity, information and cyber security, and other operational risks. Bank has established robust policies, procedures, methodologies, and frameworks to manage material risks systematically.

The Bank has a proactive approach to risk management. Its risk philosophy involves developing and maintaining a healthy portfolio within its risk appetite and regulatory framework. The Bank has policies and procedures to measure, assess, monitor, and manage risks systematically across all its portfolios. The Bank is committed to creating an environment of increased risk awareness at all levels. It also aims at constantly upgrading risk controls and security measures, including cyber security measures, to ensure avoidance or mitigation of various risks.

The Chief Risk Officer reports directly to the MD & CEO / Risk Management Committee (RMC) of the Board. Risk Management is a Board driven function in the Bank with the Risk Management Committee (RMC) at the apex level supported by operational level committees of top executives for managing various risks.

The Board of Directors of the Bank approves the Risk appetite and Risk policies for the Bank. The RMC supervises the implementation of the risk strategy and policies, reviews the level and direction of risk, prudential ceilings, and portfolio diversification and monitors the risk reporting. The risk strategy and policies are effectively communicated to all branches and offices of the Bank.

The Integrated Risk Management Department coordinates and administers the risk management functions in the Bank. The Risk Department has four divisions for managing the main risk streams, Credit Risk, Market Risk, Operational Risk and Information Security Risk. Dedicated teams within the divisions are responsible for assessing, monitoring, and reporting various material risks.

Credit Risk:

Credit Risk is managed through a Board-approved framework that sets out policies, procedures and reporting in line with international best practices.

Mitigation:

The Credit Risk Management Committee (CRMC) oversees the credit risk function in the Bank. In line with its asset quality management objective, Bank strives to maintain a strong asset quality through disciplined credit risk management. Bank has a well-defined credit appraisal mechanism and risk assessment practices for identification, measurement and monitoring. Bank has various instruments for credit risk management, including credit risk management policies, Credit approval Committee, Prudential exposure limits, Risk Rating system, Risk-based pricing and Portfolio Management.

Bank has a well-defined internal rating /scoring models for SME, MSME, Retail and Corporate Credit Risk Assessment. 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 concentration risk. Bank has a standardised and well-defined approval process for all advances and adopts a committee approach for credit sanctions, and has approval committees at various levels.

The Bank has various credit risk mitigation measures such as exposure limits for single and group borrowers, exposure limits for sensitive sectors, benchmark financial ratios, hurdle rates, etc.

Bank has also put in place Altman's Z score models to know the strength and weaknesses of credit proposals.

The Bank is implementing Centralized Rating Solutions by CRISIL (CRISIL RAM), hosting rating models in a web-based solution and revamping rating models. The upgrade will enable the bank to smoothen the rating process and adopt the best industry practices.

Market Risk:

Market risk arises mainly from Bank's statutory reserve management and trading activity in interest rate instruments, equity and forex markets. The Bank has a well-developed framework comprising Board-approved policies and established practices for managing market risk. The Bank has set its risk appetite and Value-at-Risk limits to measure and control interest rate, equity price, forex, liquidity, and other market-related risks.

Market risk addresses the risk that the value of 'on' or off-balance-sheet positions 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 maximising risk-adjusted return by providing analytics-driven inputs regarding market risk exposures, portfolio performance vis-à-vis risk exposures and comparable benchmarks.

Bank to measure and control market risk, interest rate risk, equity price risk and forex risk, the bank uses various tools like stress testing, modified duration, PVBP, VaR, position limits, stop-loss limits, NOOP limits, AGL etc. Bank has established an independent Mid-Office at the floor of Treasury, as part of Market Risk Management Division, which reports directly to the Head of Market Risk and functions as the risk control unit for the treasury activities.

Mitigation:

The Mid Office scrutinises the treasury deals and transactions from the market and operational risk perspectives. The Bank has put vibrant policies for the smooth conduct of businesses exposed to market risk and effective management of all market risk exposures.

The policies and practices also monitor and control liquidity risk arising out of its banking book, trading book, and off-balance sheet exposures.

The capital charge for market risk is currently computed under the Standardized Duration Approach. Value-at-Risk (VaR) is used to monitor Bank's trading portfolio risk. According to Bank's policy prescriptions, the VaR and Stressed VaR for market portfolios are monitored periodically.

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 the value of an investment. Liquidity risk is monitored through Liquidity Coverage Ratio (LCR), Structural Liquidity Statements, Dynamic Liquidity Monitoring, Liquidity Ratio Analysis, prudential limits for negative gaps in various time buckets etc.

Interest rate risk is the risk where changes in market interest rates affect our earnings through changes in our net interest income (NII) and the market value of equity through changes in the economic value of our interest rate sensitive assets, liabilities and off-balance sheet positions. Interest rate risk on Trading Portfolios is monitored daily through Market Risk Measurement tools such as VaR, PV01, etc.

Mitigation:

- Our Asset Liability Management Policy provides a framework for managing liquidity risk and interest rate risk. The Bank has approved risk appetite limits and other liquidity and interest rate risk tolerance limits. Further, our Bank has the necessary framework to manage intraday liquidity risk.
- Bank's Asset Liability Management Committee (ALCO) is responsible for monitoring adherence to liquidity risk and interest rate risk limits.
- While the maturity gap and stock ratio limits help manage liquidity risk, assessing the impact on the net interest income and economic value of equity help to mitigate interest rate risk. This is

complemented by a stress testing program covering liquidity and interest rate risk.

- Bank also undertakes various studies to assess the behavioral pattern of non-contractual assets and liabilities and embedded options available to customers, which are used while managing maturity gaps.
- Liquidity Coverage Ratio (LCR), a global standard to assess an organization's ability to meet its payment obligations, is used to measure a bank's liquidity position. LCR level ensures that we have adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash quickly and immediately to meet the liquidity needs under a 30-day liquidity stress scenario. Based on Basel III norms, RBI has mandated banks to maintain a minimum LCR of 100 % from Jan 1, 2019.
- 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.
- RBI has also mandated a minimum Net Stable Funding Ratio (NSFR) of 100 % from Oct 1, 2021. NSFR indicates that the Bank maintains a stable funding profile regarding the composition of its assets and off-balance sheet activities. As a prudent risk management practice, the Bank has monitored this ratio and is adequately prepared to adhere to RBI mandated requirements.

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

During FY 2021-22, we have introduced a new model to assess the behavioural pattern of non-maturity deposits. Other features include automation of bucketing of Off-Balance sheet exposures based on data analytics and behaviour, Regulatory reporting of NSFR as per RBI mandated template.

Our Bank's Liquidity Coverage Ratio Dash Board throws light on the Top Management to gauge the Bank's liquidity position comprising availability of High-quality liquid assets and likely outflow of funds.

Operational Risk:

The Bank has a well-defined Operational Risk Management framework for effective management of Operational Risk in the organisation, whose implementation is supervised by the Operational Risk Management Committee (ORMC) and reviewed by the Risk Management Committee (RMC) of the Board.

Mitigation:

In conformity with RBI guidelines, the Bank has evolved a robust Operational Risk Management Policy. This policy provides the framework to identify, assess, monitor, control, and report operational risks arising from the failure of internal processes, people, systems and external events.

Key elements of the Bank's Operational Risk Management, among others, include timely Incident reporting, ongoing review of Systems and Controls, enhancing risk awareness through Risk & Control Self-Assessment (RCSA), and monitoring of Key Risk Indicators (KRIs) and aligning Risk Management activities with Business Strategy. The Bank created a repository of Internal Loss Data as part of Operational Risk Management and carried out Root Cause Analysis.

The Bank has a detailed Business Continuity Plan (BCP) to ensure continuity of operations at the Branches and Offices during disruptions. BCP enabled us to ensure minimum business disruption during the year's natural disasters, such as the floods in the southern part and the disruption caused by the COVID-19 pandemic.

As part of the Change Management framework, all new/modified products/processes are screened through the Product/Process Evaluation Committee (PEC), mainly from Compliance, Legal, Information Technology/Security, Accounts, Inspection & Audit and Risk point of view.

Climate Risk:

Climate change risk has become a crucial challenge to the financial industry. The Bank is committed to reducing the impact of climate change risk. It is consciously working towards sustainable development of its banking operations to achieve economic growth while maintaining the quality of environmental and social ecosystems.

Mitigation:

As a policy matter, to reduce the greenhouse effect, the Bank does not finance borrowers for setting up new units producing/consuming Ozone Depleting Substances (ODS) and small/medium scale units engaged in the manufacturing of aerosol units using Chlorofluorocarbons (CFC) which enables a reduction in the greenhouse effect.

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 harm (e.g. ransom ware attacks, hacking incidents, or employee data theft).

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. It presents evolving challenges as criminal networks reinvest their revenue into developing more advanced capabilities.

Cyber Risk can drive up costs and impact revenue. It can harm an organisation's ability to innovate and gain and maintain customers. Cyber risk poses commercial losses and public relations problems, disruption of operations and the possibility of extortion. Cyber-attacks also expose an organisation to negligence claims, the inability to meet contractual obligations and a damaging loss of trust among customers. A data breach will affect the Bank's brand name and influence the customer's confidence in the Bank. Protecting key information assets is critical to the sustainability and competitiveness of business today. Financial institutions like banks are taking the front foot regarding their cyber preparedness.

Third-party risk and supply chain risk are also adding to cyber risk. Third-party risk is the potential threat to employee and customer data, financial information and operations from the organization's supply chain and other outside parties that provide products and services and have access to privileged systems. This is especially significant since often, these external parties do not have the same security standards and protection as our Bank holds and, as a result, are used as a conduit into the organization. Cybercriminals have become highly sophisticated and specific when targeting banks and their users. They often work to identify weak links that will enable access to highly confidential data, such as financials and customer data. Repeatedly organizations are breached due to the security weaknesses introduced by third parties that possess sensitive information or are granted access to systems.

Managing this risk is a crucial component of protecting companies' data and must be a continuous, real-time process that includes review, monitoring, and management of vendors throughout the entirety of the relationship.

Mitigation:

To safeguard the Bank from cyber threats and supply chain attacks, the Bank has set up the cyber security framework and follows multi-layered architecture for cyber defence mechanisms starting from endpoint security to perimeter security. The Bank has a strong incidence response team to detect and respond to cyber incidents. The Bank is continuously creating cyber security awareness among employees and customers. Risk assessment of IT assets and the third party is done regularly and gaps identified are fixed in a time-bound manner. Senior management and board-level meetings are conducted every quarter to analyse the Bank's security posture and mitigate the identified gaps.

Cyber Security Framework

Cyber security risks are products of three elements: threat, vulnerability and impact. The Bank has a holistic risk picture based on periodic vulnerability assessments 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, NextGen firewalls, Web application firewalls, Email Security, Anti-APT with sandbox, DNS Security, API gateways and Endpoint detection and response in all the endpoints which have user behaviour analytics. 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. The bank is assessing the Bank's security posture by third parties like BitSight and STORMS. They have given an excellent rating for Banks' cyber security posture. Bank's IT, Information Security and data centres are ISO 27001:2013 certified.

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 avoid the 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 strengthen email security using Anti –APT solution with sandboxing, Artificial Intelligence based SIEM, User Behaviour analysis based End Point Detection and Response (EDR) solution and dedicated VPN solution with security controls, Hard disk encryption and data leakage protection solutions at endpoint, network and email to vent data leakage etc. The Bank continues to invest in advanced technologies to enhance the systems to mitigate Zero-day threats.

The Bank is conducting VAPT by an external agency to identify the vulnerabilities and mitigate them. Information Security audits are conducted by an external agency every year to determine the vulnerabilities/ bugs in various IT applications and mitigate them. An external agency does source code audits of critical applications to identify the vulnerabilities in the applications and necessary steps to minimise the same. To evaluate Bank's preparedness against cyber-attacks, Bank participated in the cyber–drill conducted by IDRBT.

To assess the security posture and incident response bank is conducting red team exercises to penetrate the systems by third party. Table top exercise related to Ransom ware is undertaken to determine the preparedness against ransom attacks, and necessary steps are taken to mitigate the same. Necessary measures are taken to assess third party and supply chain risk, and actions are taken to minimise the same. The Bank has always taken continuous steps to create cyber security awareness among employees and customers through training/ Newsletters/SMS/Emails. The information security team is conducting red team exercises like Phishing campaigns related to Ransom ware etc., creating and gauging the incident response and awareness among employees. Special cyber security awareness programs are conducted for Executives of the Bank (AGM and above) and the Bank's IT Team. Necessary communications for creating cyber awareness among customers are done through SMS/ Email and videos. A dedicated Fraud Risk Monitoring team is available to monitor customer transactions and report frauds in the customer accounts.

As part of the Bank's Cyber Security Policy and Cyber Crisis Management Plan, Bank has availed of 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 3 – Market Discipline, the Bank has put in place a Disclosure Policy duly approved by the Board of Directors and the disclosures on a 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 of reputation which a bank may suffer due to its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

Compliance laws, rules and standards have various sources, including primary legislation, regulations 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 critical 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 preventing money laundering and terrorist financing. They must contain transparency and disclosure norms and may extend to tax laws relevant to structuring of banking products or customer advice.

The Compliance Function 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, 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 conduct and being 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 effectively as a part of the corporate culture that emphasises standards of honesty and integrity. The organisation holds itself to high standards when carrying on business and, at all times, strives to observe the spirit as well as the letter of the law.

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:

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.

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.

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 sound internal audit function plays an important role in contributing to the effectiveness of the internal control system. The audit function should provide high quality counsel to Board of Directors and Management on the effectiveness of risk management and internal controls including regulatory compliance by the Bank.

Internal Audit Department (IAD) 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.

In line with the latest RBI Guidelines related to Strengthening the Governance arrangements with regard to RBIA framework, Head Internal Audit reports directly to ACB. IAD which represents the third line of defence in the Internal Control system is independent of Business and Risk functions.

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 carries out Risk Based Internal Audit of Branches / businesses / support functions as envisioned under Risk Based Supervision of RBI redirecting the scope of Internal Audit to assess the appropriateness and effectiveness of risk management processes and internal control systems in banks. While focusing on effective risk management and controls, in addition to appropriate transaction testing, the risk-based internal audit would offer suggestions for mitigating current risks and play an important role in protecting the bank from various risks.

Risk Based Internal Audit (RBIA) is conducted across the various units / businesses / branches as per the audit plan approved by the ACB. Bank's operations are subjected 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 like Treasury, Compliance, CPC - General, Credit Monitoring, Asset recovery and business functions like Two Wheeler finance, Retail Advances, Advances under SME & MSME ensuring coverage of all areas as prescribed by RBI. Synopsis of Concurrent Audit Reports for the entire Bank are placed before the Audit Committee of the Board.

Considering the high risk nature of Gold Loan, Gold loan audits were nearly doubled to 1271 in FY: 2021-2022 as against 555 Gold Loan Audits in FY: 2020 – 2021. These Audits identify gaps in appraisal & monitoring processes for prompt corrective actions are taken by management.

Internal Audit has helped to initiate offsite surveillance in six Business / line / Support verticals besides IAD also reviewing these areas. IAD has also carried out thematic audits of Critical ratios, NPA and Income Recognition norms and Internal Office Accounts during the year. Outsourced Vendors and Currency Chests of the Bank are also subjected to audit at periodic intervals as per the extant guidelines.

Information System audits of critical areas in Information Technology including IT Governance, IT security, Critical applications, Vulnerability Assessments and Penetration Testing are also conducted periodically.

VIGILANCE FUNCTION

Vigilance Department of the Bank control the incidents of fraud in the Bank. The department covers the functions of preventive vigilance as well as investigations related matters. The frauds 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. Vigilance Department conduct a detailed investigation into the incidents with the permission of Managing Director & CEO. The synopsis of the investigation report will be submitted to the Managing Director & CEO for further action. If an 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 for further action. 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 is 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.

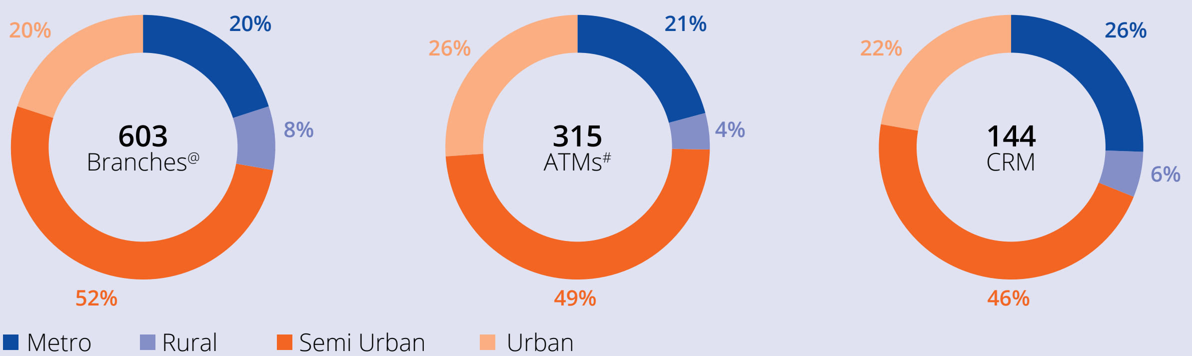
Vigilance Department plays a dynamic role and has implemented various steps in prevention of frauds. Preventive measures include spreading awareness on potential fraudulent activities and instigating a compliant environment among all employees of the Bank. Vigilance Department has started effective fraud prevention mechanism 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 AND ATM NETWORK STATUS

In the Financial year 2021-22, Bank has expanded its outreach to the customers by opening 100 new branches and 144 ATMs/CRMs at various locations, pan India. As on 31.03.2022, the Bank has 609 branches including 3 service branches, 3- Asset Recovery Branches and 459 ATMs/CRMs spread across 16 states and 4 union territories.

The Bank's branch and ATM network as on March 31, 2022 is given below:



@Excluding: 3 – Service Branch & 3- Asset Recovery Branch | 9 - Branches Merged in the FY 2021-22
#34 ATM's were re-located in the FY 2021-22

BRANCH EXPANSION PROGRAMME

As part of the branch expansion strategy/ plan of the Bank, your Bank has opened 100 branches in the financial year 2022. The Bank also had opened 100 more branches in the previous financial year as part of the same strategy.

96 out of the 100 branches opened were outside Kerala predominantly in Tamil Nadu, Andhra Pradesh and Telengana states and parts of Western India as part of the strategy of the Bank to expand beyond the home state to reduce the concentration risk. Newly opened branches since FY 21 have contributed to a total business of more than ₹1,750 Crores as on 31st March, 2022.

In addition to 100 new branches opened in 2021-22, as part of expanding network to cover more geographies and provide a national presence, the plans are afoot to open another set of new branches PAN India, targeting the locations with CASA, Gold, Agri and SME/MSME focus and the same is expected to be completed by the end of FY 2022-23.

WIDENING OF ATM NETWORK

During the year, your Bank installed 144 more new ATM/CRMs making the total to 459 onsite and off-site ATM/CRMs. 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, all ATMs of the Bank have become EMV complied. The Bank has implemented One Time Combination Lock for all ATMs. The newly opened ATM Kiosks are aesthetically designed with colour code and special ambience to increase customer pride, footfall and loyalty.

BRANCH AND ATM RATIONALISATION STATUS

During the financial year, your Bank has merged 9 existing branches with nearby branches as part of its rationalisation strategy and further re-located 34 ATM's in the same period of which 32 were replaced with CRM's and 2 ATM's were re-located due to low hits.

CURRENCY CHEST

Bank's Currency Chests are situated in Market Road, Ernakulam and Singanellur, Coimbatore. These chests are providing adequate support by supply of cash to branches and ATMs. The role of currency chest in providing effective and timely customer service is phenomenal.

Currency Chests play a vital role in adhering to Clean Note Policy of RBI and help branches to accept soiled and mutilated notes from general public and from customers over the cash counters.

TECHNOLOGY ADOPTION

As part of Digital Banking initiatives, your Bank has successfully completed many new Projects and Enhancements in the current financial year. Listed are a few of the major projects and change requests of the year 2021-22, and also provided a quick glance on some of the important projects which were taken up in the current financial year and work is in progress.

1. **Video KYC based Account Opening**

   Video KYC / V-CIP is an alternate method of Customer Identification / KYC verification with facial recognition and the application also has account opening feature, where the customers can open a full KYC compliant account – without visiting the branch. Solution is deployed in Bank's own server. Application interacts with core banking using the API integration. Solution went live in Q4 and will be used widely across the Bank in FY23.

2. **CSB Bank e-Mandate (NACH) solution**

   Our customers can authorize their NACH mandates (EMI requests) electronically through Debit Card/Net Banking (Both Sponsor & Destination module). NACH application Integrates with NPCI and uses banks debit card/net banking application for authorization by using API integration. We are the first Bank in the industry to go live with the new flow of E-Mandate registration through Debit card authentication i.e., the card details are captured in the NPCI page itself, instead of redirecting to the destination Bank's webpage for debit card authentication, thus significantly reducing the cycle time for the E-Mandate setup.

3. **Neo Account Opening application**

   This is digital customer account opening solution. This is key account opening solution for the bank. We are opening approximately 700-900 accounts per day using this application. About 1.3 lac accounts have been opened so far using the Neo account opening application.

4. **Multifactor authentication for fund transfer in Retail net banking**

   To enhance the security of fund-transfer in retail net banking, multi factor authentication has been introduced – where an OTP will be sent to customer's mobile number for validating the transaction during fund transfer.

5. **Recent and Favourite transactions in net banking**

   We have launched a new feature in net banking for doing the fund transfer in just 2 clicks, which will allow the customers to complete the transaction faster. Customer can choose the recently performed transactions or they also have an option to mark some transactions as favourite. Rest, it is just two more clicks for entering the transaction password and OTP to complete the transaction.

6. **Intra Bank Fund Transfer in ATM**

   Intra Bank Fund transfer (IFT) is enabled in CSB Bank ATMs, which can be used for sending money with in CSB Bank account holders.

7. **IMPS in ATM**

   We have the IMPS fund transfer feature already available in mobile and internet banking. Now it is extended to one more channel – ATM. Customers can instantly transfer money to beneficiary using any of the CSB ATM through IMPS.

8. **STOP CHEQUE in ATM**

   Stopping issued cheque is now easy as customers have one more option for stopping the issued cheque using any of the CSB ATMs. Customers need to provide the reason of stopping the cheque like stolen/lost/incorrect entry/insufficient funds, etc.

9. **Cardless Cash Withdrawal in ATM**

   CSB customers can withdraw cash from CSB ATM, without carrying the physical card by enabling cardless withdrawal transaction in CSB mobile banking. Withdrawal transaction can be performed with Reference number and secret key.

10. **CASH Deposit**

    Now CSB customer can deposit money using Cash Recycler machine. This is one of value added services for our customer to reduce waiting time in branch.

11. **Quick Pay in Mobile Banking**

    Customers will be able to do the fund transfer without adding the beneficiary. Maximum up to 2000/- is allowed to transfer in a single instance.

12. **Card Tokenization**

    Using this mandate service, card details will not be saved anywhere for E-Commerce transaction. Customer can save the card using token value and do the secured E-Commerce transaction.

13. **Rupay E-Commerce with BEPG (Bharath E-Commerce Payment Gateway)**

    BEPG is one of the NPCI Mandate project, which will pass Secured E-Commerce transaction details to bank Network with Merchant Name, Amount and Currency code. This is server-to-server communication to avoid transaction failure in Redirection Methods.

14. **IIFL Gold Loan**

    We have provided the solution for opening gold loan accounts in CSB, which are sourced in the IIFL platform. Account opening happens using the Gold Loan APIs, which are hosted in Datapower.

15. **Online Dispute Resolution system**

    A system for online dispute registration is developed in house as per the RBI mandate, the portal brings the transactions from the core banking and allows the customer to mark a specific transaction from the list as fraud. Data will be passed to automatic reconciliation system developed by AGS using API.

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 annually.
- 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 Managed-Security operation centre, Anti- phishing, Anti-malware and Anti-Rogue services, PIM (Privileged Identity Management) solution, Active Directory, Intrusion Detection and Prevention System, Network Access Control, Data leakage Prevention system, Deep Server Security, End Point Detection and Response, DDOS (Distributed Denial of Service) 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, implemented email security with Barracuda gateway and Anti-APT solution, implemented DDI solution(DNS, DHCP, and IPAM), API gateway security solution is implemented, Hard Disk encryption to prevent data leakage, 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.

- Red team exercises are conducted frequently by external agency to assess the security posture and incident response of the Bank. Table top exercise related to Ransom ware is conducted to assess the ransom ware preparedness of the Bank and necessary action plans are defined to mitigate the gaps.
- Bank is participating in the cyber drills conducted by IDRBT to assess the security preparedness of the Bank.
- Bank has taken cyber insurance to mitigate the residual risk.
- Bank implemented Managed 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 its staff and customers on precautions to be taken while performing online transactions through SMS/ E-mails/Newsletters, etc. Phishing exercises are being conducted to test the Cyber Security awareness among the employees and also guiding the employees on DO's and Don'ts.
- Role based cyber security training programs are conducted. Separate training programs are done for executives of the Bank (AGM and above).
- Bank's Senior executives and directors have attended cyber security program conducted by IDRBT.
- Bank is assessing the security posture by external rating agencies like Bitsight and STORMs and agency has given excellent rating to the Bank based on their assessment.
- Bank security controls are in alignment with CIS controls

STRATEGY FOR DIGITAL PENETRATION AND CUSTOMER ENGAGEMENT

Digital Banking products have played a key 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 Debit Cards, ATM/Cash Deposit Machines, Internet Banking Suite, 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 like Card Control Tools, ASBA, UPI enabled payment services, Scan & Pay, Quick payments, Mini statements, Zero Cost fund transfers, etc. The Bank has also provided best in class facilities like WhatsApp Banking and Green PIN based options 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 2021, the total **Digital Transaction** penetration when compared to branch transactions was **78.70%.** This Financial Year, it has improved to **86.89%** as on March 2022. Customers are migrating to Digital Channels thereby contributing to a reduction in operating costs.

ONLINE BROKING SERVICES

Demat and Trading facility is being extended to the Bank's customers through 3-in-1 tie up with broking firm namely M/s IIFL Securities Ltd.

Under the 3-in-1 tie up, the current/savings account is maintained with the Bank 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 the Bank's 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 behavior". 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 purpose of the compliance function is to assist the Bank in managing its compliance risk which can be defined as "*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*". Strong compliance culture is a pre-requisite for an effective compliance function. It is very important for the Bank to demonstrate a good Compliance Culture to maintain the reputation and win the trust of customers, investors and regulators. Such culture is essential element in the safe and sound functioning of the Bank and if not followed effectively may adversely affect the Bank's risk profile. Bank will ensure to be in 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. 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.

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 softwares 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 Bank. 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

Customer satisfaction always plays an important role in the growth of any organization, especially in a service industry like banking. In the present day competitive environment, customers have umpteen number of choices and customer retention is a challenging task. It is a well-known fact that satisfied customers will give word of mouth publicity, which will help in the customer acquisition efforts of a Bank. Success of any business depends upon the fast and prompt service rendered to the customers. It is needless to mention that success of a service industry like banking is largely dependent on the level of customer satisfaction.

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. Your Bank has always endeavoured to provide excellent service to customers and focused on keeping up with the industry trends.

The advances in technology has brought in a paradigm shift in the way banking business is conducted. Leveraging on the technology platform, there has been a manifold increase in the penetration, productivity and efficiency of banking products and services. Technology has also transformed the way in which Banks approach customer service. With multifarious modes of communication and 24*7 availability towards understanding customer issues and improving the customer experience, the Bank has put in place a well-defined Customer Grievances Redressel System, wherein customers can approach Bank through multiple channels for redressel of their grievances – Bank's Branches, 24*7 Call Centre or register their complaints online on Bank's Complaint Management System.

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 always been receptive to Customer feedback and has fine-tuned the products and services to a very large extent. Customer service will continue to be the focal point in maintaining and improving the Bank's role within the Banking Industry.

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.

Customer Satisfaction Surveys is an 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. Your Bank has also introduced NPS system to identify the satisfaction level of services.

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. Redressel 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. Head of Branch Service Department is the Nodal Officer for Customer Grievances Redressal. Bank also identified a senior most officer as 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.

All efforts are taken to address any kind of customer complaints and immediate resolution for the same. Your Bank believes that, satisfied customer is the Brand Ambassador of the Bank and CSB Bank will always ensure and deliver Customer Service at its Best.

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

		31.03.2022	31.03.2021
a)	No. of complaints pending at the beginning of the year	97	134
b)	No. of complaints received during the year	5478	3313
c)	No. of complaints redressed during the year	5513	3350
d)	No. of complaints pending at the end of the year	62	97

The resolution of customer complaints improved to 98% in the current year compared to 97% 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 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.

Bank had implemented various modules under HRMS through software vendor M/s PeopleStrong. Most of the modules are stabilised during the FY 2021-22 due to continuous improvements made basis feedback from various stakeholders. New modules like Training, Transfer, Exit, Recruitment, On-boarding, Reimbursement etc., are being used extensively and has resulted in reduced manual work and reduced use of papers. Consolidated single app named "SuperApp" with improved look and feel has been introduced, eliminating the need to install multiple Apps for multiple modules. There is improved user experience after implementation of SuperApp. The Bank is also planning to migrate the employee queries to the chatbot named "Jinie". The day to day queries made by employees to HR have been fed to Jinie along with answers. Jinie will be fed with new questions and answers on an ongoing basis depending upon un-answered queries from the employees.

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 and Selection Policy, Internal Hiring Policy, Succession Planning Policy, Policy on Employment of Relatives, Background Verification Policy, Employee referral Policy, Induction Policy, Compensation Policy, Policy on Granting of Incentives/ Benefits to Staff, Policy on Training and Development, Policy on disassociation from work desk, Travel Policy, Policy on POSH (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 Exit Policy, Code of conduct for Employees while using social media, Employee Grading and Banding Policy, Mediclaim Policy, Leave and Working Hours Policy, Dress Code Policy, the Buddy programme Policy and Staff Exit Policy.

The Policy on Code of Conduct while using Social Media 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 Policy on Employment of Relatives lays down procedures to effectively manage potential Conflict of Interest involving relatives employed in the Bank and also restricts new hiring of relatives of Employees.

The total number of employees in the Bank during the end of FY 2022 is 4663 compared to 4180 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	
2022	344	1920	609

The Total Hiring for the Financial Year is as follows:

Sl No	Cadre	No. of New Recruits
1	Officers (Including RSM/ASM/RE) etc.	944
2	Direct Selling Agents (BDE's, RME's, CRE's/CRO's)	1320
	Total	2264

Welfare Aspects of Human Resource Management

Staff Loans:

The Bank offers various perquisites to its staff which include staff loans at concessional rate of interest, viz. Housing Loan, 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.

POSH for Women:

Women Employees are offered protection against sexual harassment at workplace, in accordance with the provisions of POSH Act passed by the Government of India in the year 2013.

Covid Prevention:

In view of the Employees' well-being, Covid Vaccination Campaigns were conducted at various locations in coordination with Hospitals in those locations at Bank's expense. The Outsourced Employees and contract Staff also got vaccinated through these campaigns. Sanitizers and Masks were facilitated to Employee. Those infected with the disease are sanctioned with special leave for a period of seven days.

Health Insurance and Term Policies:

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. Option available for both IBA & CTC Employee to opt for top-up of the sum insured if desired, wherein the premium amount for such portion is collected from the Employees' salary. The scheme cover the Employees and their dependents.

Group Insurance scheme is facilitated for IBA Employees with a death cover of ₹2.00 lakh for accidental death and ₹1.00 Lakh otherwise. One of the group schemes facilitate death cover only, whereas the scheme GSLI, facilitates survival benefit where in the Employees are reimbursed with a certain sum at the time of exit from the organization.

Officers in IBA of Grade IV and above are covered under a Group personal accident policy for a sum insured of ₹7.50 lakh, for which the premium amount is borne by the Bank.

CTC Employees' Group Medical Insurance is administered by New India Assurance Company Limited. Graded Sum Insured is ₹ 3.00 lakh/ ₹4.00 lakh covering Employee + Spouse + 4 dependent Children. 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, with premium at a very attractive rate, borne by the employees.

We have also introduced a Voluntary Top-up option on the Group Medical Insurance Policy for additional coverage at very competitive premium borne by the employees.

All CTC employees, irrespective of their age have also been extended comprehensive annual health check-up package without any additional cost. This offer has been extended to the Bank by Family Health Plan Insurance TPA limited which is also the TPA (Third Party Administrator) for the Group Medical Insurance with New India Assurance Company Limited.

All Employees of the Bank are covered under a term Policy offered by Bajaj Allianz Life Insurance Co. Ltd. with a life cover of 2 times of CTC with a ceiling of ₹20.00lakh

Medical Check-up:

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.

Education Scholarship:

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).

National Pension Scheme:

The Bank promotes National Pension Scheme shortly known as NPS, a social security initiative by the Central Government, encouraging people to invest in a pension account at regular intervals during the course of Employment. During the year 2021-22, an online solution has been introduced for Employees to instantly open their PRAN accounts under this scheme.

ID Cum debit card:

The Employees are provided with an ID card which also features an ATM debit card linked to their salary account.

LEARNING AND DEVELOPMENT

Learning in the Bank has undergone a radical redesign during the Financial Year 2021-22. Every L&D initiative is now linked to the Bank's business priorities. This is ensured through the framing of *learning objectives* that explicitly reflect the direct impact on business related performance that is being targeted. The efficacy of L&D is now measured by the achievement of these incremental changes, known as *Deltas*.

This year too, as per RBI's Capacity Building Policy, the Bank had made it mandatory for officials in Top and Senior Management and Board Members to qualify a Certificate Course. The course on Certification in IT & Cyber Security, conducted by IDRBT, was completed successfully by the mandated numbers of CXOs, Senior Management, and Board Members.

Training programs were designed for specific role holders and it was ensured that the program objectives were relevant to their activities. The Bank has its "Institute of

Learning and Development" (ILD) at Ollur, Thrissur. Due to the Covid19 pandemic, only a few training programs, requiring physical presence of participants, could be organized at the CSBILD. Instead, a majority of programs were held via online meeting platforms. Arrangements were made so that employees could attend the training sessions from their own locations.

E Learning has stabilized and a number of E Courses, along with assessment tests have been assigned to employees during the year.

Newly recruited employees are taken through induction programs immediately on joining the Bank. The Bank also avails of training programs offered by renowned institutions like National Institute of Bank Management, Pune; Indian Institute of Banking & Finance, Institute for Development and Research in Banking Technology, Hyderabad; Southern India Banks' Training College, Bangalore; etc.

Corporate Goals

CSB Bank is continuously engaged in improving the focus of its employees on linking their actions with the corporate goals. Our L&D Department's mission is to develop the Bank into a Focused Learning Organization. CSBILD has achieved its highest coverage of employees during the year, through online virtual classes and e-learning methodology. We are constantly on the look-out for innovation and technological improvements. The L&D Department has retained its ISO 9001:2015 certification obtained during the previous year.

Our proposed setting up of a training centre under the Deen Dayal Upadhyay Grameen Kaushalya Yojana (DDUGKY) scheme of the Government of India is awaiting the recommencement of awarding of projects by the State Government. Meanwhile, the Bank has already begun efforts to recruit apprentices under the Government of India's Apprentice Act.

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.

A certification program on compliance was held over a 13 day window, with 3303 employees clearing the assessment.

Branch Heads, Senior Relationship Managers/ Relationship Managers/ Customer Relationship Officers, Branch Operations Managers, Business Development Executives, Gold Loan Officers, and other role holders were covered by training during the year. In all, 200 E-Lessons were uploaded and assigned to 4675 employees, and 195 Online programs with 16,141 participants, 9 physical programs with 129 participants, and 46 external programs with 113 participants were conducted, ensuring a staff coverage of many times over 100%, and an increase of 164% in participation, Year on Year. Employee strength as on 19/3/2022 was 4688.

A new initiative of L&D for disseminating daily nuggets of learning through WhatsApp Broadcast channels, under the brand "Sparks", has become immensely popular within the Bank.

The L&D Department co-creates the annual training calendar through discussions with the different Business Verticals and other departments agreeing on the training objectives and related deltas. In this manner, L&D acts as a partner to the Business Verticals in facilitating achievement of their goals.

H R 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, improvement on customer service as well as 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. Clear and concise Job descriptions are available for 73% unique job roles; 82% of the Bank employees are covered under scorecard based performance evaluation.

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 enables the organization to change what is needed for aiding faster growth. PMS workshops were conducted for supervisors to enable them to conduct fair and objective appraisals. Performance Improvement Program (PIP) process along with quarterly and mid-year reviews were introduced to strengthen the Banks performance management processes.

HR is also ensuring that all its effort is directed towards attaining the said objectives, creating a winning solution for all stake holders. In furtherance of this objective, monthly virtual HR Connect sessions were introduced in October 2021, to facilitate smooth on-boarding of new joiners at various levels.

Industrial Relations

The Bank is having 4663 employees on its fold as on 31/03/2022. Out of 4663 employees, 1349 employees both officers and Award Staff are governed under IBA pay structure. Whereas 3283 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 of employees deployed under contract basis in the Bank is 31. The average age of the employees of the Bank is 33.94 years.

Financial Year	Total No. of Employees				Average Age (in Years)
	End of FY	IBA	CTC	Contract Basis	
2020-21	4180	1544	2528	108	34
2021-22	4663	1349	3283	31	33.94

The officers in Scale I to III under IBA pay structure 786 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.

Last financial year, the Officers' Association and Employees' Union have been demanding unconditional implementation of the 11th Bi-Partite Settlement/ 8th Joint Note. The Management called for bilateral discussions and suggested for wage revision on the basis of the achievement of certain business parameters. The suggestion put forth by the Management has been declined by the Officers' Association and Employees' Union. They conducted strike for 14 days demanding unconditional implementation.

Workforce Protection

The Bank continues to take all measures for the employee safety. Across its branches the employee response to safety guidelines is being monitored. After the second wave, with lock down imposed in most parts of the country, work from home facility has been provided to employees to the extent as feasible without much discomfort to the Customers. To encourage minimal workforce at branches, staggered work shifts are also provided to the extent as possible.

Covid Impact on the workforce (As on March 31, 2022)

Total Work force	Tested positive	Recovered	Deaths
4663	964	961	3

By Order of the Board

Sd/-
Madhavan Aravamuthan
Chairman
(DIN: 01865555)

Place: Thrissur
Date : June 28, 2022