

# ANNUAL REPORT 2015 - 2016

## Tradition for the NewGen

A perfect blend of traditional service and  
new age technology





## THE CATHOLIC SYRIAN BANK LIMITED

Registered Office: "CSB Bhavan", St.Mary's College Road,  
Post Box No. 502, Thrissur - 680 020, Kerala.  
Corporate Identity Number : U65191KL1920PLC000175  
Tel: 0487 - 2333020 Fax: 0487 - 2338764  
Website: www.csb.co.in Email: investors@csb.co.in

## Board of Directors



**S. Santhanakrishnan**  
Chairman



**Anand Krishnamurthy**  
Managing Director & CEO



**T.S. Anantharaman**  
Non-executive Director



**Sumeer Bhasin**  
Independent Director



**K. Subrahmanya Sarma**  
Non-executive Director



**Bobby Jos C**  
Independent Director



**S. Ramakrishnan**  
Independent Director



**Radha Unni**  
Independent Director



**M. Madhavan Nambiar**  
Independent Director



**Ashish Ahluwalia**  
Non-executive Director



**Alok Kochhar**  
Non-executive Director



**V.G. Venkatachalapathy**  
Additional Director -RBI Nominee



**Ravinder Bhookya**  
Additional Director -RBI Nominee

## Senior Management

**Antony P V**  
Chief Financial Officer & Head - Risk

**Jiz P Kottukappally**  
Head - Operations

**Kurian George**  
Business Head Kerala &  
Overall charge - Chennai & Coimbatore Zone

**Prem Kumar Thampi**  
Head - Wholesale Banking

**Bharath Mani**  
Head - Retail Banking (Assets & Liabilities)

**Sekhar Rao**  
Head - Strategy & Change Management

**Mohan Menon T**  
Head - HR

**Ajit Kumar K**  
Chief Credit Officer

**Baby P V**  
Chief Compliance Officer

**Thomas K George**  
D G M - Inspection, Audit & Vigilance

**Sijo Varghese**  
Company Secretary



## Board of Directors



Board of Directors on the date of approval of the Annual Financial Statements for 2015-16

**Seated, from left to right:** Mr. M. Madhavan Nambiar, Mr. K. Subrahmanya Sarma, Mr. Anand Krishnamurthy, Mr. S. Santhanakrishnan, Mrs. Radha Unni, Mr. Ravinder Bhookya

**Standing, from left to right:** Mr. S. Ramakrishnan, Mr. V. G. Venkatachalapathy, Mr. Sumeer Bhasin, Mr. C. K. Gopinathan, Mr. Bobby Jos C., Mr. T. S. Anantharaman, Mr. Ashish Ahluwalia

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## CHAIRMAN'S MESSAGE



Dear Shareholders,

On behalf of my colleagues on the Board, I place on record our heartfelt appreciation for the support and trust you have extended to the Bank. Details of the performance and initiatives taken by your Bank are provided in the enclosed Annual Report for the year 2015-16. Before I deliberate on the Bank's performance, I would like to share with you the economic and banking environment in which your Bank performed during the year 2015-16.

The global economy advanced at a moderate pace in 2015-16 with great dissimilarities across various economies. During the year, the world economy has struggled on a path to uniform and widespread economic stability. Global GDP growth remained passive during 2015-16 and is expected to face sustained challenges going forward.

India's growth story in the current year especially when compared to other developing countries, has been good. However, it has not translated itself into performance in the banking sector. Overall, improved business environment, lower oil prices and progressive policy measures helped the economy to gain momentum towards the latter part of the year. It

is poised to recover further with industrial production gaining momentum in the current year.

During the period under review, Indian Banking Sector has undergone significant turbulence and the operating environment continued to be difficult. The year under review has been a challenging one for your Bank in line with the Industry. As a one time measure, your board had decided to accelerate the provisioning for certain losses ahead of the time granted by the Reserve Bank of India. This would help the bank to show better results in the coming period. While one can take the comfort that the requirements for NPA provisioning and the level of NPA were lower than in many banks, it has eroded the bank's profitability considerably. Your Bank has a great history of over 95 years. Often perceiving challenges as opportunities, it has weathered many a storm during this long journey and consequently built a reputation for bouncing back from the difficulties on each occasion with greater strength and determination. The Bank has substantially recovered from the risk of further NPA provisioning and stands on the threshold of a new era geared to battle challenges of the market place with renewed vigour and confidence. The bank could not proceed with the IPO as the prevailing market conditions were



not conducive for bank stocks. This has curtailed the growth aspirations of the bank during the current year. The positive news is that the bank could raise over ₹ 100 Crores by way of issue of shares on preferential allotment basis to strengthen the capital base.

During the period under review, several steps were initiated in the organisation to recalibrate and consolidate our strengths. Persistent emphasis is being made towards building forward looking and technology aware Human Resources, who are aligned with the Digital Age in the twenty first century. CSB has always evolved with time to embrace new challenges and changing consumer attitudes. Your Bank also realises that modern banking is all about connecting people to their money more accurately and efficiently than ever before. The Bank is squarely focussed on the demands and aspirations of its existing and prospective customers, committed to embracing and evolving a digital business model, to provide an immersive experience over a multitude of channels, information and interaction stations and an excellent Call-Centre, for any assistance. The Bank's online banking platform provides robust and customer friendly net banking services to its retail and corporate customers. In providing banking through Mobile Phones, our customers are given low cost, round-the-clock, real time banking services focussed on convenience and security. Your Bank has launched its new corporate website to widen and strengthen its relationship with customers. Your bank has also provided an excellent ambience along with well-skilled teams of officials to serve the NRI customers.

As stated earlier, entire industry was under stress and your bank is not an exception and hence the

increase in NPA provisioning and the muted credit growth, adversely affected our profitability. However, compared to other banks, the loss reported is minimal and is already contained. We believe that the downward spiralling is over and Bank is already on the trajectory of growth. We are confident that with infusion of fresh capital, the Bank can meet the projections set for the coming year and to achieve a higher trajectory of growth in the years to come and consolidate its position.

In CSR front, your Bank has implemented a slew of measures during the period under review. Your Bank is committed to increase its CSR reach and will spend over the coming years, supplemented by its continued focus towards sustainable development and responsible banking.

Your Bank continues to maintain high standards of Corporate Governance and upholds fairness, integrity & trust in all its dealings with stakeholders.

On behalf of my colleagues on the board, I place on record our gratitude for the support and guidance extended by the Government of India, RBI, SEBI, FIPB, IBA and other regulatory authorities. I would also like to place on record my appreciation to all employees, unions, our esteemed customers, shareholders and other stakeholders, for their dedication and support. Your Bank is committed to improving the efficiencies in its operations and differentiating itself in the market-place through customer focussed innovations in products and services, so as to build a stronger and sustainable future for your Bank.

**S. Santhanakrishnan**  
Chairman

## MANAGING DIRECTOR'S MESSAGE



Dear Shareholders,

FY 2016, a year has passed by!

It is my privilege to connect with you once again.

During the last year Indian economy continued to exhibit its resilience and strength. Led by growth in manufacturing and allied activities in the primary sector, and policy push towards public investments, India's GDP growth in FY 2015-16 is estimated by the government to move higher to 7.6% from 7.2% in FY 2014-15. Further the anti-inflationary stance and the quality fiscal consolidation measures helped the Reserve Bank of India to contain core inflation below 5% levels.

For the Banking Industry, FY 16 was a tough year owing to a number of developments; most relevant of which was the incidence of NPAs. In FY 16, the industry witnessed an unprecedented surge in levels of NPAs –with most banks being impacted.

### **The year under review for CSB**

As regards our business goals, we continued our focus on key areas like CASA, NRI business, SME, Retail, Fee income & NPA recovery.

Our CASA deposits registered a growth of 12% during FY 16. Our NR deposits have increased from ₹ 2,872 Cr to ₹ 3,362 Crs showing a 17% increase. We could also bring in substantial reduction in high cost bulk deposits and consolidate our retail deposits base. Though we deliberately attrited high cost bulk deposits to the extent of ₹ 1007 Cr, Bank's aggregate deposit position is almost

stable with a marginal decrease of ₹ 36 Cr over FY 15.

The Retail loans business has been identified as a key growth area for the Bank. The said portfolio registered a growth of 16.69% in FY 16. The incremental business during this financial year was mainly added from the secured mortgage business. Other retail products including Education loans and Vehicle loans also contributed to the business growth during the year.

Priority Sector Advances extended by our Bank stood at ₹ 4,518.69 Crore at the end of March 2016, constituting 46.19% of Adjusted Net Bank Credit as on 31.03.2015. This is well above the target of 40% prescribed by Reserve Bank of India.

With strong partners in place, i.e. Edelweiss Tokio Life Insurance for life and ICICI Lombard for non-life, we could show a robust growth in Bancassurance business as is evident from the increase in the related commission income by 43% y-o-y.

We ended the year with a total Gross NPA number of ₹ 447 Cr which came to a gross NPA ratio of 5.62%. We are one among the few banks whose absolute NPA figure has come down. This is largely owing to efforts undertaken to rehabilitate accounts, effect cash recoveries and through sale of NPAs to asset reconstruction companies.

Our gross advances came down by 17% mainly due to the de-growth in gold portfolio by 31%, which was an industry wide phenomenon and can be attributed to adverse market conditions, LTV pressures and gold price volatility. On the SME front as well, pricing and



cyclical issues impacted growth. Also as a conscious call, we wanted to strengthen underwriting & monitoring capabilities before pushing forward aggressively and growing our book so our approach to lending has been more cautious

Board and the management had taken decisive steps to recognize stressed and non-performing assets so that the bank can move forward more confidently in the future. Accordingly we opted to accelerate a few provisions/write offs like loss on sale of assets, provisioning on NPA/Fraud etc. As a result, the loss before tax for FY 16 was higher by approximately ₹ 79 Cr than would have been the case the normal course. The main motivation for this exercise was to put this legacy behind us so that we could emerge stronger and be able to focus on the future rather than the past. This was absolutely critical so that CSB can effectively exploit business opportunities.

We were however successful in raising ₹ 114 Cr through private placement during Q4 FY 16, which was the result of sustained effort by the Board and Senior Management team to keep the bank adequately capitalized on a continued basis. It is also a reflection of the confidence of investors in CSB at this crucial juncture. We were aiming to conclude the IPO in 2015-16. But pursuant to the discussions with the BRLMs evaluating the market conditions and other relevant factors, we have decided not to proceed with the IPO for the time being. However we will be exploring the various options for Capital raising in 2016-17 as well.

We should bear in mind that the banking environment in India is changing rapidly – posing a number of opportunities as well as threats. There is new competition emerging from newly licensed institutions and on-tap licensing norms that have been issued recently opens up the possibilities even further. However, CSB's relative strengths are that we have proceeded considerably on the path to cleaning up balance sheet compared to some existing players and also our franchise of loyal customers and an established network will help us face emerging competition.

With likely positive economic tailwinds and a clear strategy, I believe that CSB is well poised to grow and succeed to the benefit of all our stakeholders.

### **Where are we on the transformation journey?**

In line with our strategy of Consolidate, Transform and Grow, we are substantially through with the consolidation phase which is very fundamental in any transformational journey. Now we are in the critical transformation phase of setting right platforms for growth. In this phase, technology will play a critical role in revitalizing our

Bank. We look forward to significant up-gradation of our capabilities in re-engineering and automating core business process, data management, risk management & reporting and improving capability in the alternate channel space.

It's been our endeavour to continuously benchmark our offerings vis-à-vis peer group and to work on plugging gaps in our products/processes in order to ensure better customer experience. The launch of CASA Graded Products, with enhanced features, is a big step forward for the bank. On the process front, we have appointed CRISIL Risk and Infrastructure Solutions Limited to advise us on improving our capability with respect to credit underwriting, credit administration and monitoring/recovery and this project is now in an advanced stage of implementation.

We are also in the process of implementing Loan Origination System (LOS) to further bolster the credit origination & underwriting across both SME & Retail portfolios. LOS for major retail products has already been rolled out. We have come a long way in culling out non value-added activities from the branches by way of centralization and making branches "sales & service outlets" of the bank. In the last 15 months, CSB also witnessed roll out of a few other key initiatives such as upgrade of internet banking, launch of full fledged mobile banking, launch of full-fledged call centre, e-learning module, tie up with Chillr payment app, introduction of Point of Sale & Unified Payment Interface pilot launch.

### **Road Ahead**

As we move into FY 17, our focus will be on implementing all the planned initiatives, completing critical projects that are underway, while ensuring that the business numbers are on track as well. Some of the critical areas of action will be Capital Raising, Technology, Centralization of Process, expansion of product range, strengthening the brand & Upgrading the Branch infrastructure.

Our belief is that we are moving in the right direction wherein we will be focusing on growing our business sensibly for long-term benefits. I have the confidence that with the support, co-operation and encouragement from all stakeholders, CSB would achieve its organizational goals through a successful transformational journey.

I take this opportunity to extend my gratitude to Board members, shareholders, bondholders, customers, employees and all other stakeholders and well-wishers for their tremendous support.

**Anand Krishnamurthy**  
Managing Director & CEO

## DIRECTORS' REPORT

Dear Members,

We, the Directors of The Catholic Syrian Bank Limited present herewith the 95th Annual Report of our Bank along with the Audited Financial Statements for the financial year ended 31st March, 2016.

### Global Economic Review

Global economic growth in 2015 continued to falter in advanced economies. While there is considerable divergence of performance across emerging market and developing economies, their overall growth remains below potential. Global economic prospects, weakness in the global economy has persisted and risks have become more pronounced. Among emerging market and developing economies (EMDEs), the divergence in economic conditions between commodity exporters and importers has widened. Some of the downside risks identified in this regard have materialized, including softer-than-expected growth in advanced economies and further decline in commodity prices that have only partially reversed in the end of the year. These developments have been accompanied by heightened political uncertainties, concerns about the effectiveness of monetary policy stimulus in some advanced economies, the pace of monetary policy normalization in the United States, and policy makers' ability or willingness to use expansionary fiscal policy if needed. In addition, for oil importers, the sizable positive terms of trade shock represented by falling prices has not translated into the large boost to growth initially expected, as other headwinds and uncertainties have held back activity. Subdued economic activity amid disinflationary conditions prompted many key central banks to further ease monetary policy through a combination of conventional tools. While few major central Banks extended their quantitative and credit easing measures, some of them like the European Central Bank and the Bank of Japan also pushed their monetary policy rate into negative territory.

Global growth this year is likely to remain unchanged relative to the disappointing pace of 2015. Growth for 2016 is now forecast at 2.4 percent by the World Bank, down 0.5 percentage point from earlier projections. EMDEs account for about half of this downward revision, in large part due to a significant downgrade to the growth forecasts for commodity exporters, amid heightened domestic uncertainties and a more challenging external environment. Advanced economies are expected to expand by 1.7 percent in 2016, 0.5 percentage point below January projections. Investment continues to be soft amid weaker growth prospects and elevated policy uncertainty, while export growth has slowed reflecting subdued external demand. Despite an expected boost from lower energy prices, and the ongoing improvement in labor markets, growth is projected to level off in 2016 rather than accelerate. The impact of UK's exit from the European Union and its cascading effect on the world's major economies will drag down global growth further.

### Indian Economic Review

During the period under review, Indian economy continued to consolidate the gains achieved in the FY 2014-15 and exhibited resilience and its strength. That this has been attained, despite the highly tentative global economic environment that has not shown credible signs of improvement and despite sub-par monsoon rains that for the second year in succession resulted in low growth in agriculture sector, is an encouraging development. The improvement in India's economic fundamentals has accelerated with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices. The economic growth appears to be recovering, albeit at varying speeds across sectors. As per the Central Statistical Organization's advance estimate, the GDP for the FY16 is estimated to improve to 7.60% from 7.20% in FY15. At the sectoral level, the growth rate for agriculture & allied sectors, industry

and services sector for FY16 are estimated to be 1.1%, 7.3% and 9.2% respectively.

Headline inflation, as measured by the Wholesale Price Index (WPI), remained in the negative territory throughout, averaging at -2.6 % during April-February 2015-16 vis-a' vis 2.5 % during April-February 2014-15. The Central Bank's anti-inflationary stance and quality fiscal consolidation bode well for core inflation, which remained below 5 % through the course of the year. India's forex reserves as on 25th March 2016 were at USD 355.56 billion compared to USD 341.38 billion as on 27th March 2015.

Economists in general express the view that the Indian Economy is set for further sustained growth in coming years IMF in its latest report has stated that India is expected to grow at 7.5% in the current financial year, underpinned by strong domestic consumption and lower energy prices. The government's push to boost capital spending could help crowd in private sector investments, which will help to accelerate the growth further. The economy is said to be on an accelerated path thanks to positive business sentiments, improved consumer confidence, controlled level of inflation and lower fiscal deficit. Downside risks include poor monsoon, possible increase in crude price, infrastructure bottlenecks and adverse global economic conditions.

### Developments in the Indian Banking Sector

Indian Banking Sector has undergone significant turbulence during the period under review in view of mounting non-performing assets and a high incidence of assets being structured which dented the profitability of the Banks across, barring a very few. Despite these challenges, the Indian banking sector has displayed a high level of resilience by improved operational efficiency and effectiveness. Reserve Bank of India (RBI), in order to stimulate the economy and support the growth of banking sector, adopted a slew of policy measures. On the monetary front, the RBI has reduced repo rate by a cumulative of 75 bps to 6.75% during the course of FY 2015-16, after reducing it by 50bps in Q4 FY 2014-15. In the current financial year the central Bank opted for another cut

of 25 bps in the repo rate to 6.5 % in April 2016. In the regulatory front, RBI has taken a number of steps in 2015-16. Some of them are stringent capital and liquidity measures for Commercial Banks and steps to build up Capital Conservation Buffers (CCB) and implementation of the Liquidity Coverage Ratio (LCR). RBI has also asked banks to Implement Marginal Cost based Lending Rate (MCLR), from 1st April, 2016, to benchmark the lending rate for the new borrowers. The role of the Indian Government in expanding the banking sector is noteworthy. It is expected that the new guidelines issued by RBI will curb practices of impish borrowers and streamline the loan system in the country. In the coming years, India could see a rise in the number of banks in the country, a shift in the style of operation, which could also evolve by incorporating modern technology in the industry. The Information Technology Industry spend in BFSI vertical is expected to increase exponentially, as technology is seen as a driver of business value. Indian banking industry is expected to witness the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

In FY16, the growth rate of deposits and advances of the banking system have declined. Growth in aggregate deposits of the banking system declined to a historic low of 9.9% in FY16 (for the fortnight ended 18 March, 16), compared to 10.7% in FY15 (fortnight ended 20 March, 15). While, credit grew at a higher rate of 11.3% in FY16 (18 March, 16), compared to 9.0% in FY15 (20 March, 15), the incremental lending during the financial year has been mostly to the personal loan segment.

The banking industry is challenged by competitive pressures, changes in customer loyalty, stringent regulatory environment and entry of new players, all of which are pressuring the organizations to adopt new business models, streamline operations and improve processes. Public as well as private sector banks are underlining the importance of technology infrastructure, in order to improve customer experience and gain a competitive edge. Utilizing

the popularity of internet and mobile banking, banks are increasingly adopting an integrated approach for asset–liability match, credit and derivatives risk management.

### Financial Summary

The financial performance of the Bank for the fiscal 2015-16 is as given below:

(₹ in Crore)

Particulars	March 31st, 2016	March 31st, 2015
Deposits	14438.40	14474.49
Borrowings	41.80	45.45
Advances	7852.65	9469.40
Total Assets/Liabilities	15651.94	15759.71
Net Interest Income (NII)	323.61	355.98
Non Interest Income	104.68	127.34
Operating Profit/(Loss)	(3.75)	50.08
Provisions and Contingencies (Other than tax)	224.53	132.24
Profit / (Loss) before Tax	(228.28)	(82.16)
Provision for taxes	(78.56)	(28.99)
Net Profit / (Loss)	(149.72)	(53.17)
Add: Surplus/(Deficit) brought forward from last period	(67.01)	1.42
Amount available for appropriation	(216.73)	(51.75)
<b>Appropriation</b>		
Statutory Reserve u/s 17 of the Banking Regulation Act, 1949.	-	-
Capital Reserve	2.34	15.26
Balance carried over to Balance Sheet	(219.07)	(67.01)
<b>Key Performance Indicators</b>		
Capital Adequacy Ratio (CRAR)% Basel – II	10.59	11.05
Capital Adequacy Ratio (CRAR)% Basel – III	10.55	11.00
Earnings per share (in ₹)	(23.98)	(10.50)
Book value per share (in ₹)	124.50	147.25
Net Interest Margin%	1.99	2.27
Cost-Income Ratio%	100.87	89.64
Return on Assets (ROA)%	(0.92)	(0.34)
Return on Equity (ROE)%	(23.56)	(8.18)

There is no change in the nature of business of the Bank for the year under review.

### Dividend

In view of the loss reported for the period under review, the Board of Directors of the Bank express their inability to recommend a dividend for the same period.

### Transfer to Reserve

The Bank has transferred the following amounts to various reserves during the financial year ended March 31st, 2016.

(₹ in Crore)

Amount transferred to	March 31st, 2016	March 31st, 2015
Statutory Reserve	-	-
Capital Reserve	2.34	15.26

### Material Changes and Commitments affecting the Financial Position of the Bank

There are no material changes and commitments, affecting the financial position of the bank which has occurred between the end of the financial year of the Bank i.e. March 31<sup>st</sup>, 2016 and the date of the Directors' Report i.e. June 29, 2016.

### Paid-up Capital and Reserves

As on March 31<sup>st</sup>, 2016, the Paid-up Equity Capital of the Bank stood at ₹ 71.71Crore consisting of 7,17,07,982 shares of ₹ 10/- each.

The reserves and surplus stood at ₹ 821.03 Crore as on March 31<sup>st</sup> 2016 as against ₹ 828.10 Crore as on March 31<sup>st</sup>, 2015.

During the period under review, an amount of ₹ 2.74 Crore has been appropriated from the share premium account to write-off the expenses incurred in connection with the issue of shares in the same period. The appropriation from share premium was made as per Section 17(2) of the Banking Regulation Act, 1949 and Section 52(2)(c) of the Companies Act, 2013 and the same was reported to Reserve Bank of India.



### Capital Adequacy

As per the Basel II Capital Adequacy Framework, the Capital to Risk Weighted Assets Ratio (CRAR), as assessed by the Bank as on 31st March 2016, is 10.59%. This is as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I CRAR stood at 9.76%, well above the minimum of 6%. As per the Basel III Capital Adequacy Framework, the Capital to Risk Weighted Assets Ratio (CRAR), as assessed by the Bank as on 31st March 2016, is 10.55%. This is as against the minimum CRAR plus capital conservation buffer of 9.63 % stipulated by the Reserve Bank of India. The Tier I and Common Equity CRAR stood at 9.76%, well above the minimum of 7% and 6.13%.

### Further Issue of Share Capital

#### Issue of Shares on Preferential Allotment Basis as Pre-IPO placement

On January 12, 2016, the Bank had allotted 55,00,000 Equity Shares @ ₹ 100/- per share (inclusive of premium of ₹ 90/- per share), aggregating ₹ 55,00,00,000/- to four investors, being the first allotment under Pre-IPO Placement.

On February 3, 2016, the Bank had allotted 48,00,325 Equity Shares @ ₹ 100/- per share (inclusive of premium of ₹ 90/- per share), aggregating ₹ 48,00,32,500/- to five investors, being the second allotment under Pre-IPO Placement.

On February 18, 2016, the Bank had allotted 10,70,032 Equity Shares @ ₹ 100/- per share (inclusive of premium of ₹ 90/- per share), aggregating ₹ 10,70,03,200/- to three investors, being the third and final allotment under Pre-IPO Placement.

The above share allotments were made pursuant to the special resolution passed by postal ballot on December 15, 2015 and with the requisite permission / approval of the Reserve Bank of India, the Securities and Exchange Board of India and the Foreign Investment Promotion Board of Government of India.

The Bank has utilised the proceeds of the issue of equity shares to augment the long term Tier I capital base of the Bank to meet future capital adequacy requirements which are expected to arise out of

growth in the Bank's assets, primarily loans/ advances and investment portfolio and to ensure compliance with Basel III and other RBI guidelines.

#### Initial Public Offering (IPO) and Listing of Shares

The Bank had filed a draft red herring prospectus dated March 30, 2015 ("DRHP") with the Securities and Exchange Board of India ("SEBI") in connection with the proposed initial public offering of its equity shares and for which the SEBI had issued observations vide its letter bearing reference No. SRO/RA/OW/17196/2015 dated June 23, 2015.

Pursuant to discussions with the Book Running Lead Managers evaluating the market conditions and considering other relevant factors, the Board of Directors have decided not to proceed with the IPO for the time being and accordingly withdrew the DRHP filed by duly intimating SEBI in this regard. Bank, in future, after assessing the market conditions and other relevant factors, will take steps again once the bank decides on the new dates for IPO.

#### Issue of Equity Shares with Differential Voting Rights

As on the date of this Report, your Bank has not issued any equity shares with differential voting rights.

#### Issue of Sweat Equity Shares

As on the date of this Report, your Bank has not issued any sweat equity shares.

#### Employees Stock Option Scheme

CSB Employees Stock Option Scheme 2013 ("ESOS 2013" or "Scheme") will be administered by the Nomination & Remuneration Committee of the Board of Directors.

As on March 31st, 2016, 8,20,000 options have been granted under the Scheme, and all the options were granted during the financial year 2015-16 only. All options were granted for a term of 10 years (including vesting period) and an equal number of equity shares will be allotted to the beneficiary upon exercise of the option, within said period. As on date, no options vested have been exercised by the beneficiaries.

No stock options have so far been granted/ issued to the directors of the Bank.



The disclosure required as per rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 in respect of the stock options granted by the Bank forms part of this report as Annexure - I.

### **Buy-Back of Shares or Provision of Financial Assistance for purchase of the Bank's Shares.**

The Bank has not effected any buy-back of its shares or provided any financial assistance for purchase/ subscription of its shares, to any persons including directors and employees of the Bank in terms of Section 67 of the Companies Act, 2013.

### **CSBL Bonds**

Bonds issued by the Bank [CSBL Bonds 2004 – Series –II and Option- II and CSBL Bonds – 2012 - Series I] are listed in the National Stock Exchange.

The Bank has appointed M/s. Indian Overseas Bank, Merchant Banking Division, Anna Salai, Chennai-600 002 as debenture trustees to the above said bonds.

During the period under review, there were no bonds falling due for redemption.

### **Subsidiary Company**

The Bank does not have any subsidiaries, joint ventures or associate companies.

### **Business Overview and State of the company's affairs**

#### **Total Deposits**

Aggregate deposits of the Bank at the end of FY16 stood at ₹ 14,438.40 Crore, registering a negative growth to the tune of ₹ 36.09 Crore, compared to previous year level of ₹ 14474.49.

The negative growth is attributable to the conscious de-risking policy adopted by the Bank in FY16 of shedding high cost corporate deposits to the tune of ₹ 1006.70 Crore. The growth in retail deposits during the year under review was ₹ 968.40 Crores.

#### **NR Deposits**

NR deposits grew by ₹490.20 Crores in FY 16, to reach the level of ₹3362.20 Crores, which forms 23.39% of the total deposit mix, compared to 19.84% in the previous fiscal.

### **CASA position**

CASA has grown by ₹ 306.70 Crores, registering 11.95% growth YoY, compared to ₹ 237.60 Crores in FY15 (10.20% YoY). CASA ratio has improved from 17.80% in FY15 to 19.98% at the end of FY16, showing an improvement of 2.18% YoY.

Being a banking company, the disclosures required as per Rule 8(5)(v)&(vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable to our Bank.

### **Credit Portfolio**

During this period, the Bank's net advances decreased to ₹ 7,852.65 Crore against ₹ 9,469.40 Crore in the previous period. During this period, our Bank followed a cautious approach to lend to select, good quality customers to achieve sustainable credit growth. The CD Ratio of the Bank stood at 54.39% against 65.42% in the corresponding previous year.

### **Retail Assets Performance**

The Retail Loans business has been identified as a key growth area for the Bank. This portfolio stands at ₹ 1100 Crore and comprises 13.50% of the Bank's total advances as on March 31, 2016. During this financial year, the retail business has shown a growth compared to the previous year by adding an incremental net volume of ₹ 157 Crore registering a growth rate of 16.69%. The incremental business during this financial year was mainly added from the secured mortgage business. Other retail products including Education Loans and Vehicle Loans also contributed to the business growth during the year. The retail portfolio is almost evenly spread across all ten Zones of the Bank and has an average yield of 12.29%.

Our Gold Loan book de-grew by 30.57% from ₹ 2,536.90 Crore as on March 31, 2015 to ₹ 1,761.40 Crore as on March 31, 2016 primarily on account of gold price volatility and general market conditions.

### **SME Lending**

SME Business portfolio stands at ₹ 3806.5 Crores as on March 31, 2016, equal to 47% of the bank's total advance.

SME strategy continues to focus on balanced growth and maintenance of asset quality. Further, its growth has been driven by new customer acquisition along with increasing product penetration to existing customers. In the FY 2015-16, the portfolio has witnessed stress due to slow down in the economy though it is to be noted that the overall portfolio continues to remain well collateralised.

The business has many relationships that have lasted many decades and has been able to deliver consistent personalised service. The bank intends to build on this service platform by bringing in newer products, improved processes and a more focussed approach.

### Priority Sector Lending

Our Bank focuses on priority sector lending in adherence to the prescribed guidelines. Priority Sector Advances extended by our Bank stood at ₹ 4518.69 Crore at the end of March 2016, constituting 46.19% of Adjusted Net Bank Credit. This is against the mandated target of 40% prescribed by Reserve Bank of India. Total Agricultural Advances stood at ₹ 1597.73 Crore at the end of March 2016, constituting 16.33% of Adjusted Net Bank Credit for the previous year. This is against the mandated target of 18% as prescribed by RBI.

### Financial Inclusion

Financial Inclusion denotes delivery of financial services at an affordable cost to the vast sections of the low income and disadvantaged groups. The Bank supports this initiative either through branch banking or branchless banking by using the business correspondent/facilitator model and Information and Communication Technology (ICT) devices. In line with the Government of India and Reserve Bank's initiatives for ensuring greater financial inclusion and increasing the outreach of the banking sector, the Bank appointed 19 Business Correspondents and 7 Financial Literacy and Credit Counselling Centers (FLCCs) in Kerala and Tamil Nadu.

### Business Correspondents

The Bank has adopted 6 villages, one in Kerala and five in Tamil Nadu and has appointed Business

Correspondents for providing banking services in these villages. The Bank also signed an MoU with M/s. CSC e-Governance India Ltd., Department of IT, Government of India on September 26, 2014. Akshaya Centres, functioning under the Kerala State IT Mission, have been appointed as Banking Correspondents (BC)/ Kiosk Operator (KO) and have been provided with biometric devices. BCs will act as a micro unit of CSB and will be opening 'No Frill' SB accounts. 13 centres in Thrissur and Ernakulam have been activated so far.

### Financial Literacy and Credit Counselling Centres

Financial Literacy and Credit Counselling Centres (FLCCs) have been set up in 7 blocks in Kerala to provide free financial literacy/education and credit counselling. The Bank has 49 rural branches and is in the process of strengthening financial literacy activities at the branch level.

### Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Hon'ble Prime Minister launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 15, 2014, to strengthen the country's existing Financial Inclusion Programme and bring all households in the country within the fold of the banking sector.

The Bank has 1,61,812 BSBDA (Basic Savings Bank Deposit Accounts), 601 KCC Accounts (Kisan Credit Card) and 529 GCC (General Credit Card) Accounts serviced through our branches and through Business Correspondent outlets. Out of the BSBDA accounts opened, 56409 accounts are opened under Pradhan Mantri Jan Dhan Yojana.

### PMJJBY, PMSBY and APY

Three new 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. We have opened 6835 PMJJBY, 20383 PMSBY and 785 APY accounts.

### Integrated Treasury Operations

In FY 2015-16, global market turmoil triggered bouts of volatility in the Indian financial markets. The

devaluation of Chinese currency and slump in crude oil prices to twelve year lows triggered a massive portfolio rebalancing across emerging markets and Indian equity and foreign exchange markets were largely impacted by the same. Although, the financial year witnessed the first rate hike by the US Federal Reserve in almost a decade, the Reserve Bank of India continued the accommodative monetary policy stance in the backdrop of declining inflation. Interest rates in the economy moved along the downward trajectory proving effective monetary policy transmission. There was a steep fall in the profits of Banks mainly on account of higher NPA provisioning. Liquidity conditions in the system remained comfortable during the year.

The reduction in policy rates by the Central Bank and the assurance of fiscal discipline by the Government in the Union Budget supported lower bond yields and the Benchmark 10 year bond closed at 7.46% in March 2016. Our Bank made a profit of ₹ 5.69 Crore from the domestic treasury operations during the financial year compared to ₹ 39.22 Crore in the previous year.

### **International Banking**

The global economic landscape is currently chartering a rough and uncertain terrain characterised by weak growth of world output, turbulent financial markets and volatile exchange rates. Major reasons for these include gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, lower prices for energy and other commodities and a gradual tightening in monetary policy in the United States. India's merchandise exports during the financial year 2015-16 at 261.11 billion dollar were 15.85% lower compared to the same period last year and imports registered a negative growth of 15.28%. Banks foreign exchange business was also lower compared to previous review period. The total income from Banks foreign exchange business was ₹ 33.70 Crores compared to ₹ 37.73 Crores during the previous year.

The International Banking Division initiated several measures to improve the foreign exchange business of the Bank. The forex sales and service initiative

viz. the Corporate Desk, is working closely with the customer facing teams at Branches and Zones. Forex Trade Hub initiative, intended to promote export and import business is providing technical guidance and transaction processing support to branches. Centralised processing of foreign exchange transactions is planned keeping in mind the objectives of controlling operations risk, providing better customer service, ensuring better internal controls & compliance and relieving branches from work load so that they can concentrate on bringing more forex business.

### **NPA Management**

The year under review continued to be a challenging one for the banking sector. Growth across all sectors in the economy remained subdued which severely impacted the overall profitability. This led to delinquencies in loan repayment which resulted in the increase in Non-Performing Assets (NPAs) for all banks. Our Bank continued its focus on improving the quality of assets, with an emphatic thrust on the recovery of NPAs by ensuring close monitoring and other control measures including invocation of the SARFAESI Act, compromise/ settlement, thrust on upgradation of NPAs to standard assets, strategic asset sale to ARCs. In addition, our Bank has set up special Monitoring and Recovery teams to reduce NPAs, arrest fresh slippages, enhance monitoring. Our Bank recovered an aggregate amount of ₹ 302.50 Crore of which ₹ 155.31 Crore was from sale to ARCs, ₹ 57.35 Crore was by way of cash recovery and ₹ 89.84 Crore was by way of upgradation of accounts. Due to the coordinated and sustained efforts, the gross NPA level of the Bank decreased to ₹ 446.91 Crore as on March 31, 2016 from ₹ 474.81 Crore in the previous year. During the current financial year, bank's advance portfolio witnessed a de-growth due to economic slowdown which resulted in an increase in the Gross NPA ratio and Net NPA ratio to 5.62% and 4.40%, respectively as against 4.96% and 3.85% respectively in the previous year. The provision coverage ratio increased to 48.63% as on March 31, 2016 against the previous year's position of 42.25%.

## Bancassurance Business

### Life Insurance Business

The Bank has a Bancassurance tie-up with M/s. Edelweiss Tokio Life Insurance Company Limited (ETL) for sourcing and selling their life insurance products. The Bank's approach is to help its customers by providing them innovative insurance products that have been designed with Indian customers in mind. The company's product portfolio addresses six key needs of the prospective customers – Protection, Wealth Accumulation, Wealth Enhancement, Education, Income Replacement and Retirement.

### General Insurance Business

For the general insurance business, the Bank presently has corporate agency arrangement with ICICI Lombard GIC to meet various general insurance requirements of our customers and to secure the loans and advances.

The Bank has received new Certificate of Registration as required by the new IRDAI (Registration of Corporate Agents) Regulations 2015, to act as Corporate Agent (Composite) for life insurance and non life insurance, which is valid for 3 years from 01.04.2016.

### Branch Network

The Bank has been systematically expanding its presence across India, over the past nine decades. The Bank's branch network has a presence across 18 states and 2 Union Territories.

The Bank's branch and ATM network as on March 31, 2016 is given below:

Area	Branches	% to total	ATMs	% to total
Metro	55	13	43	18
Urban	100	23	88	37
Semi-Urban	225	53	106	44
Rural	49	11	3	1
Total	429	100	240	100

### Technology Adoption and IT initiatives

Being one of the oldest Private Sector banks in India, we have been the frontrunner in adapting and implementing new technologies, delivering quality service to customers and other stakeholders Presently,

all our branches are interconnected to provide online, real-time transaction facilities to customers. The Bank continues to adopt and implement new technologies adding significant value to various aspects of business and rendering quality service to customers and other stakeholders.

The focus of the bank is on adding more technology initiatives in the areas of improving turn around times in bank's processing, meet regulatory and business continuity needs and enhance customer experience and convenience.

The Bank is in the process of implementing various measures towards complying with the requirements outlined in RBI circular dated April 29, 2011, on the Working Group recommendations on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds. In the light of these regulations, the Bank has reviewed its information Technology and Information Security Polices.

During the financial year, the following initiatives have been undertaken for the benefit of the customers:

#### 1. CSB Mobile Banking

CSB Mobile Banking was launched to public during the month of August 2015 and is available on all major mobile OS. It has the latest IMPS facility through which fund transfer and receipt is possible, 24 x 7.

#### 2. CSB ePassbook

CSB ePassbook is a digital version of our conventional passbook with smart updates and multi-language support that facilitates users to access their accounts from anywhere, anytime through their smart phones, both online & offline.

#### 3. Call Centre

CSB is only a call away with the launch of our call centre. Our call centre works from 8 a.m. to 8 p.m. on all days. At present, our call centre addresses / assists all inquiries/queries from customers in English, Malayalam & Tamil.

#### 4. Door Step Banking Services (DSBS)

In order to increase the number of relationships, we have come up with Door Step Banking Services. The

services like pick up or delivery of cash/ cheque / draft can be offered at the address which has been explicitly mentioned in the agreement.

### **Risk Management Policy**

The Bank has a comprehensive policy framework which contains separate policies for identification, measurement and management of all material risks including but not limited to credit, market, operational, liquidity and other Pillar-II risks. The Bank has put in place an integrated risk management policy, which ensures independence of the risk governance structure. The policy is implemented in an uninterrupted, reliable and comprehensive manner across the entire Bank.

### **Risk Management and Basel II & III Compliance**

The risk management objective of the Bank is geared towards balancing the trade-off between risk and return and optimising risk-adjusted return on capital. Of the various types of risks the Bank is exposed to, the most important are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The risk management measures are undertaken with the objective that all risks are identified, prioritised, quantified, controlled and mitigated in order to achieve an optimal risk-reward profile.

The Bank is adopting and implementing an integrated approach to risk management. For this purpose, it has evolved a suitable risk management architecture. The Board of Directors remains at the helm of all risk management policies and strategies. It is supported by the Sub-committee of the Board for Risk Management (RMC), which in turn, is supported by Executive Level Committees, such as the Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability Management Committee (ALCO). These Committees ensure adherence to implementation of various risk management policies. The implementation of Basel II norms in our Bank commenced in FY 2007–08. Our Bank has been calculating capital ratios on a quarterly basis as per Basel III norms, along with Basel II norms since April 1, 2013. The Bank has also been in tune with the regulatory guidelines on Pillar I of Basel II and III norms.

### **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.

### **Vigil Mechanism**

The Bank has in place a Whistle Blower / Vigil Mechanism to report concerns about unethical behavioural, actual or suspected fraud and others As per the Mechanism, Directors and employees of the Bank, customers, stakeholders, Non Governmental Organizations (NGO) and members of general public can lodge complaints/disclosures under the scheme.

Besides, the Audit Committee of the Board shall oversee the vigil mechanism through the Committee processes and the Chairman of Audit Committee shall directly hear grievances of victimisation of employees and directors, who used vigil mechanism to report genuine concerns. The Bank affirms that no employee has been denied access to the Audit Committee of the Board under the Whistle Blower/Vigil Mechanism of the Bank. Preventive measures for enhancing awareness of fraud risk and for promoting a culture of compliance among the employees, preventive vigilance audits, vigilance workshops, circulation of modus operandi of frauds occurred in banking industry etc., are being taken/implemented.

### **Customer Service**

Our Bank has put in place a well-defined Customer Grievances Redressal Machinery System, where customers can approach various levels for redressal of their grievances. Our Bank ensures that customer complaints received through various sources are resolved within the shortest possible time. Our Bank has always endeavoured to provide excellent service to customers and focuses on keeping up with industry trends. It will continue to look for avenues that will enable it to reach out to customers in the most cost effective and efficient way.

Our Bank strongly believes that customer service will continue to be the most important factor in



maintaining and improving the Bank's role within the Banking sector.

Pursuant to RBI directives, our Bank has already constituted a sub-committee of the Board, (known as the Customer Service Committee of the Board) 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. Besides, the Bank also has a Standing Committee on Customer Service, which has representation from customer groups.

Our Bank is wholly committed to adopt both the BCSBI codes viz. Code of Bank's Commitment to Customers as well as Code of Bank's Commitment to Micro and Small Enterprises. We are fully committed to implement the provisions of both codes. The area of Customer Service is given due importance by sensitizing our staff members through proper training especially to the front line staff at branches. Branches attempt to redress customer complaints at the first level and only if the complaint is beyond their purview, the matter is referred to the next level viz. the Nodal Officer at Zonal Office. If it is still beyond the purview of the Nodal Officer at Zonal Office, the matter is escalated to Branch Service Department at Head Office headed by a Principal Nodal Officer under Banking Ombudsman Scheme.

### Human Resources

The Human Resources (HR) agenda of the Bank aims to create a team of empowered employees to realize the Bank's vision. Towards this aim, the Bank is committed to creating a congenial working environment where there is mutual trust and respect, duly recognizing the talents, rights and dignity of every employee. It is a continuous effort of the Bank to strengthen its HR practice. The well-structured HR Department of the Bank plays a major role in the performance of the Bank. The Bank also has a well-defined HR Management Policy governing selection, recruitment,

training and promotion of staff members. Our Bank realizes people are its real strength, whether it is an insider (employee) or an outsider (customer and the public at large). People play a key role in enhancing the growth curve of the Bank. The total staff strength of our Bank at the end of FY 2015-16 is 2,906; comprising 1,679 officers, 1,068 clerks, 118 sub-staff and 41 permanent part-time employees. To meet the requirements of business growth, branch network expansion, attrition and retirements, the Bank has recruited 87 officers and 41 clerks across the country, over the past year. Lateral recruitment of 4 executives has also been made during the year. To recognize the efficiency of the employees and to meet the requirements at various levels, a promotion process of officers was also conducted during the year under review, for which the effective date of promotion was fixed as the first day of the current financial year.

The Staff Training College of the Bank, situated at Ollur, Thrissur, provides specialized training in newer areas of skills and wider exposure to executives and officers. The appointment of new incumbents at various levels calls for extensive training requirements. During the year, 53 training programmes were conducted at the Bank's Staff Training College exposing 1183 staff members at different levels to various trainings while 89 staff members were sent for external training programmes in different functional, managerial and behavioral areas. The Bank continues to lay added focus on imparting training to its employees to upgrade the knowledge base and skill in tune with the changing times and business requirements. Employees who qualify in certificate examination in KYC/AML conducted by IIBF are rewarded appropriately.

### Inspection and Vigilance

A well organised Inspection and Audit machinery provides adequate support to the management in exercising the required control of a bank. With the diversification of functions, appropriate control and supervision is vital for the growth and development of any bank. Our Bank has an effective, reliable and a well structured system of inspection of branches, administrative and other offices. The Inspection Department of our Bank functions independently

and ensures that there is a systematic and sound mechanism on an ongoing basis to check adherence to the Bank's policies, systems and procedures. While ensuring healthy business growth the Inspection Department also aims for robust internal control. This includes, assisting and guiding all the Branches and Departments in complying with various rules and guidelines as applicable to the Bank. The Inspection Department manages various types of audits like Risk Based Internal Audit (RBIA), Information System Audit, KYC Audit, Concurrent Audit, Currency Chest Audit, Gold Loan Audit and Management Audit of Zonal Offices and various departments. Professionally qualified Chartered Accountant firms conduct the Concurrent Audits. The Audit Committee of the Board regularly meets to review the functioning of the audit system and to approve policies and guidelines for the audit function of the Bank, as required from time to time.

Off-site surveillance mechanism has been identified as a powerful tool in the current CBS environment for the internal control of branches and offices. For this purpose, a separate cell is functioning under the Inspection Department, which focuses on prompt detection and rectification of irregularities, revenue leakage, violations of rules and procedures in order to safeguard the bank from potential losses.

The Vigilance Department of our Bank is headed by the Chief of Internal Vigilance (CIV). In compliance with RBI guidelines, the Board has designated a Deputy General Manager (Inspection, Audit & Vigilance) as Chief of Internal Vigilance. The Department operates as a channel to provide inputs to senior management by investigating vigilance related complaints and to suggest corrective measures for improving the control systems and compliance of the procedures laid down. It also carries out snap vigilance inspections at Branches, Zonal Offices and various Departments whenever required, with a focus on preventive vigilance.

### **KYC / Anti-Money Laundering / Combating Financing of Terrorism**

The 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. A dedicated Compliance & PMLA Cell is functioning at the Head Office to oversee the compliance of KYC/AML/CFT measures. Internal Auditors and Concurrent Auditors, verify compliance of KYC norms as per instructions issued from time to time. With a view to implement and support quality monitoring of transactions, the Bank has acquired appropriate software which is processing all transactions handled by all branches of the Bank, on a day to day basis. Suspicious transactions are reported to FIU-IND wherever felt necessary. The Managing Director is the Designated Director and the Head of the Department, Compliance & PMLA Cell is the designated Principal Officer for the purpose of KYC/AML/CFT compliance in the Bank. KYC Nodal Officers have been appointed at all Branches so as to effectively implement the guidelines related to KYC/AML/CFT. Training on KYC/AML/CFT is being imparted on an ongoing basis in the Banks Staff Training College. Staff awareness is also effectively enhanced through e-learning, Circulars, FAQ's etc.

The Compliance & PMLA Cell also 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, etc. ensuring their effectiveness and compliance. It also ensures observance of other regulatory guidelines issued from time to time, standards and codes prescribed by IBA, FEDAI, FIMMDA, etc; as well as the Bank's internal policies and fair practices code. Compliance Officers have been appointed at all Departments/Offices so as to effectively ensure compliance and report to the Chief Compliance Officer of the Bank.

### **Internal Financial Control Systems and their Adequacy**

The Bank has implemented adequate procedures and internal control systems which provide reasonable assurance regarding reliability of financial reporting and preparation of financial statements. The Bank also ensures that internal controls are operating effectively.

### Particulars of Loans, Guarantees or Investments by the Bank

Not applicable being a banking company.

### Particulars of contracts or arrangements with related parties

All transactions with related parties are in the ordinary course of business and on arm's length basis; and there are no material contracts or arrangements or transactions which are not on an arm's length basis and requiring disclosure in form AOC-2. Further, there were no related party transactions entered into by the Bank with Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank.

### Corporate Social Responsibility (CSR)

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Bank has constituted the Corporate Social Responsibility (CSR) Committee.

The Corporate Social Responsibility Committee shall (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 (b) recommend the amount of expenditure to be incurred on the activities as part of the CSR activities of the Bank and (c) monitor the Corporate Social Responsibility Policy of the Bank from time to time.

The statutory disclosures with respect to the CSR Committee and an Annual Report on CSR activities form part of this report as Annexure- II.

### Auditors

#### a) Statutory Auditors

The Statutory Central Auditors viz. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, who were appointed at the 94<sup>th</sup> Annual General Meeting held on September 22nd, 2015 are retiring at the ensuing Annual General Meeting. They are due for a change according to the RBI's policy of rotation and resting of Auditors upon completing a four years' continuous tenure as Statutory Central Auditors. Appointment of

new auditors has to be made at the ensuing Annual General Meeting in place of the retiring auditors.

The Board places on record their appreciation and gratitude for the valuable services of M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, as Statutory Central Auditors of the Bank.

There are no Audit qualifications in the Statutory Auditors' Report, which is annexed elsewhere in this Annual Report.

#### b) Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Companies Act 2013, the Bank appointed M/s. SVJS & Associates, Company Secretaries, Kochi, as its Secretarial Auditors to conduct the secretarial audit of the Bank for the FY 2015-16. The Report of Secretarial Auditor for the FY 2015-16 is annexed to this report as Annexure III.

There are no Audit qualifications in the Secretarial Audit Report.

#### Investor Education and Protection Fund (IEPF)

As per Section 205 A(5) of the Companies Act, 1956, dividend transferred to Unpaid Dividend account and remaining unpaid or unclaimed for a period of seven years from the date of such transfer, has to be transferred to Investor Education and Protection Fund. On October 28, 2015, the Bank had transferred ₹ 12, 80,040/- to the above Fund, being the unclaimed dividend for the financial year 2007-08.

#### Nomination Policy

On the recommendation of the Nomination & Remuneration Committee, the Board of Directors of the Bank has adopted policies for appointment of Part-time Chairman, Managing Director & CEO, Directors, Key Managerial Personnel and Senior Management team in the Bank. As per the Policy, the Nomination & Remuneration Committee decides/recommends on the directors'/KMPs' appointment, remuneration including criteria for appointment /re-appointment. The appointment of Directors is subject to due diligence process in compliance with the Banking Regulation Act, 1949, Reserve Bank of India directives on Fit & Proper Criteria, all other applicable provision of the Companies Act, 2013 including any amendments from time to time and Nomination Policy of the Bank.

The disclosures as per Section 178(3) and (4) of the Companies Act, 2013 are as given below:

**(A) Appointment Criteria, Qualifications and Positive Attributes**

1. Subject to the extent of RBI Guidelines as applicable, the Nomination & Remuneration Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. The Bank shall not appoint or continue the employment of any person as Whole-time Director, Managing Director or Manager who has attained the age of seventy years.
4. The Bank shall not appoint or re-appoint any person as Director if he/she has attained the age of seventy years.
5. The Bank shall appoint or re-appoint any person as its Part-time Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
6. Any other factors as the Committee may deem fit and in the best interests of the Bank and its stockholders.

**(B) Criteria for determining Independence of a director**

The Criteria of Independence of a director is determined based on conditions as laid down in the Companies Act, 2013. The independent director shall at the first meeting of the Board in which he/she participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any

change in the circumstances which may affect his/her status as an independent director, give a declaration that he/she meets the criteria of independence.

**(C) Disqualification/Conflicts of Interest**

1. The Bank's Directors shall be subject to the disqualifications/ prohibitions contained in the Companies Act 2013 and the Banking Regulation Act, 1949 with respect to directorship of companies in general or banking companies in particular.
2. Director shall not be a director of any other company, or partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential conflicts of interest as a Director of the Bank. A Director shall promptly inform the Board/Committee of any actual or potential conflicts of interest with respect to any matter that may come up for the consideration of the Board or of any committee of which he is a member, and shall refrain from participating in a discussion on the matter.
3. The terms and conditions of appointment of Independent Directors is disclosed on the website of the Bank and a web link thereto is <http://www.csb.co.in/investor relations>

**Compensation/ Remuneration Policy**

The Bank has an approved Compensation Policy which deals the Compensation & Benefits of the employees of the Bank and Whole-time Directors including Part-time Chairman, Managing Director & CEO, Executive and Non-Executive Directors. The objectives of the remuneration policy are four fold:

- To align compensation with prudent risk taken.
- To ensure effective governance of the compensation in the organisation.
- To ensure effective supervisory oversight and stakeholder engagement in compensation.
- To attract and retain talent.

While formulating the Policy, the Committee has strived to ensure that -

- I. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the bank successfully;
- II. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- III. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

#### **Remuneration of Managing Director & CEO / Executive Directors**

The remuneration payable to Managing Director and Executive Directors is subject to prior approval of the Reserve Bank of India (RBI). Therefore, payment of remuneration or any revision in remuneration to Executive Directors requires approval from RBI. The remuneration payable to Managing Director and Executive Directors is also subject to approval of the shareholders as per section 196 of the Companies Act, 2013 and as per the Articles of Association of the Bank.

The Bank does not pay any commission/share of profits to the Managing Director.

#### **Remuneration of Part-time Chairman**

The N&RC recommends the remuneration of the non-executive Chairperson to the Board which is considered and approved by the Board in the same manner subject to Shareholders' and regulatory approvals.

The remuneration payable to the Chairperson is subject to prior approval of the Reserve Bank of India (RBI). Therefore, payment of remuneration or any revision in remuneration of the Chairperson requires approval from RBI. The remuneration payable to the Part-time Chairman is also subject to approval of the shareholders as per section 196 of the Companies Act, 2013 and as per the Articles of Association of the Bank.

Our Bank is not paying any honorarium to the present Chairman Shri. S. Santhanakrishnan. However, the Bank

is paying sitting fees to him for attending meetings of the Board and Committees thereof.

#### **Remuneration of Non-Executive Directors/ Independent Directors**

The Non-Executive Directors are paid sitting fees for attending each meeting of the Board of Directors or any committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013 and other regulatory guidelines, as amended from time to time. Any change in sitting fees within the permissible limit shall be approved by the Board of Directors of the Bank.

The NEDs are entitled to reimbursement of expenses for participation in the meeting of the Board and Committee thereof.

The Bank does not pay any commission on profit to the Non-Executive Directors. The Bank also does not grant any Stock Options to any Non-Executive Directors.

#### **Remuneration of Key Managerial Personnel and Executives (IBA and Non-IBA Package) and other officers and staff (IBA Package) of the Bank**

The remuneration of all Key Managerial Personnel and Executives (IBA and Non-IBA Package) and other officers and staff (IBA Package) of the Bank are also governed by the Compensation Policy.

The remuneration paid to the Directors and Key Managerial Personnel during the year ended 31.03.2016 is given in the extract of the Annual Return (Form MGT-9 – para no.6) appended to and forming part of the Directors' Report.

#### **Corporate Governance**

The Corporate Governance Philosophy of the Bank is to promote corporate fairness, transparency and accountability so as to maximise long-term value for all stakeholders. This philosophy is realised through the Bank's endeavour in working towards portfolio, operational and reputation excellence. Our Bank believes that sound corporate governance is critical to enhance and retain investor confidence. The Bank always seeks to follow the best practices in corporate governance and in tune with the regulatory prescriptions. The Bank recognises the fact that they are the custodians of public money and in order to



fulfil its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and goodwill of the public at large. This approach will be central to the day-to-day functioning of our Bank and in implementation of its business strategy.

The compliance of Statutory and Regulatory requirements by the Bank has been prompt and up to date. The major means of communication with the shareholders are individual correspondence and newspaper releases. As part of the 'Green Initiative in Corporate Governance' programmes organised by the Ministry of Corporate Affairs (MCA), the Bank has already put in place mechanism for sending all notices/documents including notice of the shareholders' meeting, Balance Sheet, Profit & Loss Account, Auditors' Report, Directors' Report and so on in electronic form.

The Bank's shares can be held either in physical or in dematerialised format, though not listed in any Stock Exchanges. However, Bonds issued by the Bank [CSBL Bonds 2004 – Series –II and Option- II and CSBL Bonds – 2012 - Series I] are listed in the National Stock Exchange. The shares of the Bank are widely held. Compliance of 'Fit and Proper' norms is ensured for major shareholders. The instructions of the RBI with regard to Corporate Governance Standards are complied with to the extent applicable to the Bank.

The Bank has complied with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extend as applicable to the Bank.

### **Board of Directors**

Our Bank has a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013 and in accordance with best practices in Corporate Governance. The Board functions as the governing body and also through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals, evaluation of performance and control functions vest with the Board. The Committees have oversight of operational and supervisory issues assigned to them by the Board, from time to time.

The Bank, as on March 31, 2016, has a non-executive Part-time Chairman, Managing Director & CEO, and

eleven (11) other directors on its Board including 2 RBI Nominee Directors of the total directors on Board, 1 Director is an Executive Director, 5 directors are Non-Executive Non-Independent Directors including Part-time Chairman, 5 Directors are Non-Executive Independent Directors and 2 are RBI Nominee Directors.

### **Re-appointment of Directors**

At the 94th Annual General Meeting of the Bank held on September 22, 2015, Shri. T.S. Anantharaman (DIN: 00480136) (Non-Executive Non-Independent category) was re-appointed as Director of the Bank liable to retire by rotation. In the said meeting, Shri. Ashish Ahluwalia (DIN:03514036)(Non-Executive Non-Independent category) was appointed as Director of the Bank liable to retire by rotation.

### **Appointment of Part-time Chairman**

Shri. S. Santhanakrishnan (DIN : 00032049) was appointed as Part-time Chairman of the Bank for a period of one year effective from December 1, 2015 as his earlier tenure as Part-time Chairman ended on August 16, 2015. The said appointment was approved by Reserve Bank of India vide letter dated October 13, 2015.

### **Appointment of Managing Director & CEO**

The tenure of appointment of Shri. Anand Krishnamurthy (DIN : 01514838) as Managing Director & CEO of the Bank was revised to two years with effect from July 4, 2015, as against the appointment originally made for a one year tenure, with the approval of the Reserve Bank of India. Further, as part of austerity measures implemented and considering the lower profitability of the Bank, the remuneration of Managing Director & CEO was revised and re-fixed at a lower level with effect from February 1, 2016. The said revision of tenure of appointment of the Managing Director & CEO, and the revised lower remuneration payable to him, have been approved by the Reserve Bank of India vide letter dated March 3, 2016.

### **RBI Nominee Directors**

The Reserve Bank of India has appointed Shri. Ravinder Bhookya (DIN - 07557054) as Additional Director (RBI Nominee) on the Board of the Bank with effect

from May 13, 2016 in place of Shri. Neethi Ragavan K (DIN: 06617935) who was Additional Director (RBI Nominee) on the Board since May 23, 2013.

The Board places on record its appreciation of the valuable guidance and support extended by Shri. Neethi Ragavan K (DIN: 06617935), during his tenure as Additional Director (RBI Nominee).

#### **Appointment of Additional Directors**

Shri. Alok Kochhar (DIN 07336899) has been appointed as Additional Director (Non-Executive) effective from May 27, 2016. As per Section 161(1) of the Companies Act, 2013, he can hold the office only up to the date of the forthcoming Annual General Meeting of the Bank. He is, however, eligible for appointment as Director of the Bank at the Annual General Meeting subject to and in compliance of section 160 of the Companies Act, 2013.

Mr. Alok Kochhar is a Chemical Engineer from IIT, Delhi. He has also a Post Graduate Diploma in Management (MBA) from Indian Institute of Management, Ahmadabad. He has a long career spanning more than three decades in Bank of America Merrill Lynch, and is well experienced in all areas of banking.

#### **Appointment of Independent Directors**

The following persons hold office as independent directors of the Bank, who were appointed for a tenure of two years at the 93<sup>rd</sup> Annual General Meeting of the Bank held on September 26, 2014, pursuant to the provisions of section 149(4) of the Companies Act, 2013.

1. Shri. Bobby Jos C,
2. Shri. S. Ramakrishnan,
3. Smt. Radha Unni,
4. Shri. Sumeer Bhasin
5. Shri. M. Madhavan Nambiar

The performance of the Independent Directors is subject to evaluation as per Section 149(8) of the Companies Act, 2013 and read with Schedule IV to the said Act.

All Independent Directors have confirmed having complied with the criteria of independence as provided in 149(7) of the Companies Act, 2013.

#### **Woman Director**

In terms of the provisions of Section 149(1) of the Companies Act, 2013, the Bank is required to have at least one woman Director on the Board. Our Bank has appointed Ms. Radha Unni (DIN: 03242769) as a Director on the Board of the Bank since September, 2011.

#### **Directors Retiring by Rotation**

In terms of Section 152 of the Companies Act, 2013, Directors, Shri. K. Subrahmanya Sarma (DIN: 01505787) and Shri. C.K. Gopinathan (DIN: 01236752), being longest in office since their last re-appointments, shall retire at the ensuing Annual General Meeting. Shri. K. Subrahmanya Sarma, having completed 70 years of age, is not eligible for re-appointment as Director in terms of the extant RBI guidelines, and hence, is not seeking re-appointment on the Board. Shri. C.K. Gopinathan has also expressed his intention of not seeking re-appointment as Director as he would be completing the permissible tenure of a continuous period of eight years on the Bank's Board (vide section 10A (2A) (I) of the Banking Regulation Act, 1949) on September 25, 2016.

#### **Appointment/ Changes in Key Managerial Personnel**

Shri. Anand Krishnamurthy, Managing Director & CEO, Shri. P.V. Antony, Chief Financial Officer and Shri. Sijo Varghese, Company Secretary of the Bank are the Key Managerial Personnel as per the provisions of the Companies Act, 2013.

There were no changes in the Key Managerial Personnel since the date of last year's report.

#### **Board and Its Committees**

##### **Number of Meetings of the Board**

Regular meetings of the Board are held to discuss and decide on various business policies, strategies and other businesses. Due to business exigencies, certain decisions are taken by Board through circulation from time to time. The Board met sixteen (16) times (which includes four adjourned meetings) during the FY 2015-16.

## Committees of the Board

The Bank has various sub-committees of the Board which have been formed as part of the best corporate governance practices and/or in compliance with the requirements of the relevant provisions of applicable laws and the regulatory prescriptions.

The Bank has the following Sub-Committees of the Board:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Corporate Social Responsibility Committee
4. Risk Management Committee
5. IT Strategy Committee
6. Stakeholders Relationship Committee
7. Customer Service Committee
8. Credit Committee
9. Management Committee
10. NPA Management Committee
11. IPO & Capital Raising Committee
12. Committee for Monitoring Large Value Frauds (CMF)

The details with respect to the compositions, terms of reference, etc. of the committees, formed under the Companies Act, 2013 are given below:

### Audit Committee

The Committee discharges the functions laid down in the Companies Act, and those prescribed by the Reserve Bank of India. It also discharges the functions delegated by the Board of Directors from time to time. The ACB, which held twelve meetings during the year, has been closely overseeing and monitoring the Internal Control System and Procedures, Inspection and audit functions including follow-up and compliance of inspection/audit reports. It has also interacted with the Auditors. The ACB acts as an effective tier to the Board in the matters of inspection, audit and internal control system. It offers useful suggestions in the conduct and management of our Bank's business.

The composition of the Committee is in line with Section 177 of the Companies Act, 2013. The Committee consists of six members including two Additional Directors – RBI Nominees. The Committee

is chaired by one Non-Executive Independent Director, who is also a Chartered Accountant. All the members of the Committee, other than RBI Nominee directors, are Non-Executive Independent Directors of the Bank.

The members of the Committee as on March 31, 2016 are:

Name of the Director	Category
Mr. S Ramakrishnan, Chairman	Non-Executive Independent Director
Mr. Bobby Jos C	Non-Executive Independent Director
Mr. Sumeer Bhasin	Non-Executive Independent Director
Mr. M Madhavan Nambiar	Non-Executive Independent Director
Mr. K Neethi Ragavan	Additional Director - RBI Nominee
Mr. V G Venkatachalapathy	Additional Director - RBI Nominee

During the year under review, there were no instances of non-acceptance of the recommendations of the Audit Committee, by the Board of Directors.

### Stakeholders Relationship Committee

The Stakeholders' Relationship Committee was originally constituted as the shareholders' / investors' grievance committee. It was subsequently reconstituted and re-designated as the Stakeholders' Relationship Committee pursuant to a resolution of our Board dated February 19, 2015. The Committee discharges the functions laid down in the Companies Act, inter alia, looks into the redressal of security holders' complaints like transfer of shares, non-receipt of Balance Sheet, non- receipt of dividend etc. This Committee enables to focus attention on security holders' grievances and sensitise the management to the redressal of the same.

The composition of the Committee is in line with Section 178 of the Companies Act, 2013. The members of the Committee as on March 31, 2016 are:

Name of the Director	Category
Mr. Bobby Jose C	Non-Executive Independent Director
Mr. Sumeer Bhasin	Non-Executive Independent Director
Mr. M Madhavan Nambiar	Non-Executive Independent Director

## Nomination & Remuneration Committee

### Terms of reference

Nomination & Remuneration Committee, inter-alia, looks after the due diligence and recommendation process for appointment/re-appointment of Directors, evaluation of performance of Directors, fix remuneration to Part-time Chairman, Director, MD & CEO and other Key Managerial Personnel of the Bank, monitoring of the compensation policy of the Bank, etc. CSB Employees Stock Option Scheme 2013 (“ESOS 2013” or “Scheme”) will be administered by the Nomination & Remuneration Committee of the Board of Directors.

The composition of the Committee is in line with Section 178 of the Companies Act, 2013. The members of the Committee as on March 31, 2016 are:

Name of the Director	Category
Mr. S Ramakrishnan, Chairman	Non-Executive Independent Director
Mr. S Santhanakrishnan	Part time Chairman, Non-Executive Non-Independent Director
Mr. K Subrahmanya Sarma	Non-Executive Non-Independent Director
Mr. Bobby Jos C	Non-Executive Independent Director
Mr. Ashish Ahluwalia	Non-Executive Non-Independent Director
Ms. Radha Unni	Non-Executive Independent Director

The details with respect to the compositions, terms of reference, etc. of the Corporate Social Responsibility (CSR) Committee of the Board are incorporated in the Annexure –II, which forms part of this report.

### Meeting of the Independent Directors

Pursuant to the provisions of the Companies Act, 2013, the performance of non-independent Directors and the Board as a whole is to be reviewed by the independent directors.

### Terms of Reference:

- Review the performance of non-independent directors and the Board as a whole;
- Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

- Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The Committee met once during the year and all Independent Directors attended the meeting.

### Declaration given by Independent Directors

All the Independent Directors have given the necessary declarations to the Bank as required under sub section (7) of Section 149 of the Companies Act, 2013.

### Board Level Performance Evaluation

The Bank has laid down criteria for performance evaluation of individual Directors, Chairperson, Managing Director & CEO, Board Level Committees and the Board as a whole, and also the evaluation process for the same.

The performances of the members of the Board other than independent Directors and the Board as a whole were reviewed at the meeting of the Independent Directors.

The performance of the independent Directors will be evaluated by the Board as provided for under Section 149(8) read with Schedule IV of the Companies Act, 2013.

The Statement indicating the manner in which formal annual evaluation of the Directors and the Board are given below:

### The process for performance evaluation is as under:

- Independent Directors review the performance of Non-Independent Directors including Chairman of the Bank and the Board as a whole.
- The Board evaluates the performance of the Independent Directors, excluding the director being evaluated and submit its report to the Nomination & Remuneration Committee. On the basis of the report of the performance evaluation, it would be determined whether to extend or continue the term of appointment of Independent Directors.
- The Board evaluates the performance of Board level committees.
- Nomination & Remuneration Committee recommends the appointment / reappointment / continuation of Directors on the Board. Based on the

recommendation of Nomination & Remuneration Committee, Board will take appropriate decision / action.

**The criteria for performance evaluation are as under:**

**Performance Evaluation of Non-Executive Directors, MD & CEO and Chairman**

Attendance at the meetings; Participation and contribution; Responsibility towards stakeholders; Contribution in Strategic Planning; Compliance and Governance; Participation; Updation of Knowledge; Performance of the Bank; Recognition and awards to the Bank; Leadership; Relationships and Communications; Resources; Conduct of Meetings.

**Performance Evaluation of Independent Directors**

Attendance at meetings of the Board and Committees, Knowledge & ethics, understanding of the roles, responsibilities and duties as Director/Chairman of the Committees; Contributions at Board/Committee meetings including on strategy and risk management, professional conduct, adherence to standards and fulfillment of responsibilities as laid down in the Code for independent directors as per Schedule IV to the Companies Act, 2013.

**Performance Evaluation of Board**

Composition and Diversity; Committees of the Board; Board & Committee meetings; Understanding of the business of the Bank and Regulatory environment; Contribution to effective corporate governance and transparency in the Company's Operations; Deliberations/decisions on the Company's strategies, policies, plans and guidance to the Executive Management; Monitoring the implementation of the strategies and the executive management's performance and Quality of Decision making and Board's Communication with all stakeholders.

**Performance Evaluation of the Board Level Committees**

The performance and effectiveness of the Committee; Frequency and duration; Spread of talent and diversity in the Committee; Understanding of regulatory environment and developments; Interaction with the board.

The flow of information to the Board and its Committees is generally good.

**Registrar & Share Transfer Agents**

M/s. SKDC Consultants Ltd., Coimbatore, is the Registrar & Share Transfer Agent of the Bank's shares. The shareholders may lodge their requests/complaints either with the Registrar and Share Transfer Agents or with the Bank in the following address:

**SKDC Consultants Ltd.,**  
Kanapathy Towers, 3rd Floor, 1391/A-1,  
Sathy Road, Ganapathy, Coimbatore – 641 006.

Ph: 0422 – 2539835, 2539836

E-mail: info@skdc-consultants.com

Fax: 0422 2539837

**The Company Secretary**

The Catholic Syrian Bank Limited,  
P. B. No. 502, CSB Bhavan,  
St. Mary's College Road, Thrissur – 680 020.

Ph: 0487 – 2333020, 6451640

E-mail: investors@csb.co.in

Fax: 0487 2338764

**Dematerialisation of Shares**

Dematerialisation facility is available for Bank's shares with both the depositories; i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 679A01013. Members may opt for availing the benefits of electronic holding/transferring of the shares held by them. The shareholders can lodge their shares with M/s. SKDC Consultants Ltd. through Depository Participants (DPs) for dematerialisation. However, the shares of the Bank have not been listed in any Stock Exchange/s.

As on 31st March, 2016, 55.51 % of Bank shares were in demat mode as per the statement given below:

Category	No. of Shareholders	No. of Shares	% of holding
Physical Mode	24263	31,902,003	44.49
Demat Mode			
NSDL	1115	28,085,316	39.17
CDSL	554	11,720,663	16.34
Total	25932	71,707,982	100.00



**General body meetings held during the last three years**

No. of Meeting	Date of Meeting	Venue	Special Resolution passed
92nd AGM	Monday, 23rd September, 2013 at 10:00 AM	Kousthubham Auditorium, Shoranur Road, Thrissur – 680 001	1. Issue of shares pursuant to Employees Stock Option Scheme. 2. Scheme Proposal to make further issue of shares by way of public issue.
93rd AGM	Friday, 26th September, 2014 at 10:00 AM	Kousthubham Auditorium, Shoranur Road, Thrissur – 680 001	Nil
EGM	Thursday, 19th February, 2015 at 10:00 AM	Kousthubham Auditorium, Shoranur Road, Thrissur – 680 001	1. Adoption of new set of Articles of Association 2. Re-classification of the Authorised Capital 3. Increase in the limits of investment by FIIs/ registered FPIs/ QFIs to 49% of the paid up equity share capital of the Bank 4. Increase in the limits of investment by NRIs to 24% of the paid up equity share capital of the Bank 5. Increase of Subscribed Capital by issue of further shares on Rights Basis 6. Issue of Bonds/ Non-Convertible Debentures (NCD) on a Private Placement basis 7. Further issue of shares
94th AGM	Tuesday, 22nd September 2015 at 10:00 AM	Kousthubham Auditorium, Shoranur Road, Thrissur – 680 001	Nil

**Postal Ballot**

During the year under report, a postal ballot resolution was passed pursuant to section 110 of the Companies Act, 2013 granting approval of the share holders by means of special resolution for Issue and allotment of Equity Shares on preferential basis as per Section 42 and 62 of the Companies Act, 2013 read with relevant Rules thereunder.

The date of passing of the postal ballot resolution –December 15, 2015

No Resolution in the notice of the proposed 95th Annual General Meeting is proposed to be passed by Postal Ballot.

**CEO/CFO Certification**

The certification by CEO and CFO on the financial statements and internal controls relating to financial reporting has been obtained.

**Compliance with Mandatory Requirements**

The Compliance of Statutory and Regulatory requirements by the Bank has been prompt and up-to-date. The instructions of the RBI with regard to Corporate Governance Standards are complied with to the extent applicable to the Bank.

**Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

Considering the nature of activities of the Bank, with respect to the provisions of Section 134 (3) (m) of the Companies Act, 2013 relating to conservation of energy and technology adoption, the Bank is constantly pursuing and making all-out efforts to achieve the desired goals as contained in the Act.

**a) Conservation of Energy**

All attempts are being made to reduce energy consumption to the maximum extent possible. As

part of these measures, a few branches/offices of the Bank have been using solar power, which is aimed at optimum utilisation of power in a cost-effective manner.

#### b) Technology Absorption

The required technology absorption is being made considering the nature of activities.

#### c) Foreign Exchange Earnings and Outgo

Foreign Exchange earnings and outgo are part of the normal banking business of the Bank. Being an Authorised Dealer in Foreign Exchange, the Bank has been taking all possible steps to augment export credit.

#### Disclosures

1. The Bank has not entered into any materially significant transaction during the year, which could have a potential conflict of interest between the Bank and its directors, management and/or their relatives, etc. other than the transactions carried out in the normal course of business.
2. During the last 3 years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market activities.
3. There are no relationships between the Directors of the Bank, inter-se.

#### Other Disclosures

- a) No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Bank's operations in future.
- b) Number of cases filed, if any, and their disposal under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Our Bank has zero tolerance towards any action on the part of any employee which may fall under the

ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the dignity of every woman working in the Bank. As per the Act, we have taken steps for prevention of sexual harassment and protection of women from sexual harassment at the workplace and for prevention and for redressal of such complaints.

Number of complaints pending as on the beginning of the financial year	Nil
Number of complaints filed during the financial year	Nil
Number of complaints disposed of during the year	Nil
Number of complaints pending as on the end of the financial year	Nil

- c) During the year under report, there were no instances of frauds reported / reportable by the Auditors, to the Audit Committee, the Board of Directors or the Central Government under Section 143(12) of the Companies Act, 2013.

#### Extracts of Annual Return

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return as on March 31st, 2016 forms part of this report as Annexure IV.

#### Directors' Responsibility Statement

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, it is hereby confirmed that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of

the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for that period.

- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
- d) The directors have prepared the annual accounts on a going concern basis.
- e) The directors have laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively.
- f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Acknowledgements

The Board of Directors places on record its gratitude to the Reserve Bank of India, Ministry of Corporate Affairs, The Securities and Exchange Board of India, and other Government and regulatory authorities for their continued support and guidance.

The Board of Directors wishes to place on record its gratitude to the share holders, bondholders and all business associates for their unstinted support to the Bank. The Directors wish to pledge that they would continue to work so as to enhance and deliver value for the stakeholders.

The Board of Directors wishes to place on record its appreciation for the dedicated services rendered by the members of the staff at all levels. Our resilience to meet challenges was made possible by their hard work, solidarity, co-operation and support. The Board looks forward to their continued dedicated and sincere services to take the Bank to greater heights.

The Directors wish to record their deep sense of obligation and gratitude to all the customers and well-wishers of the Bank for their patronage and look forward to serving them to their utmost satisfaction in the days ahead.

Going forward, we as the Board, are confident that the downward spiraling is over and Bank is already on the trajectory of growth. We are confident that with infusion of fresh capital, the Bank can meet the projections set for the coming year and achieve a higher trajectory of growth in the years to come and consolidate its position. The Bank resolves to achieve versatile growth by making effective use of the strength and strategies amidst the competitive and challenging environment in the industry, in order to expand our market share and to improve values and returns to our customers, shareholders and employees.

By Order of the Board

Sd/-

**S. Santhanakrishnan**

Chairman

(DIN: 00032049)

Chennai  
June 29, 2016

## ANNEXURE I

### Statutory Disclosure Regarding Employees Stock Option Scheme

Details of stock options granted, vested, exercised and lapsed as per “CSB Employees Stock Option Scheme 2013” during the period under review are as follows:

No. of options as at beginning of Fiscal Year	Nil			
Options granted during the year	8,20,000			
Total options vested	Nil			
Options exercised	Nil			
Total number of Equity Shares arising as a result of options	8,20,000			
Options lapsed	Nil			
Exercise price of options (in ₹)	147.25			
Variations in terms of options	Nil			
Money realized by exercise of options (in ₹)	Nil			
Total no. of options in force	8,20,000			
Employee wise details of options granted to :				
(i) Key Managerial Personnel	NIL *			
(ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.	Sl. No	Name	No. of Options Granted	% of option granted
	1	Mr. Sekhar Rao Head - Strategy & Change Management	1,15,000	14.02
	2	Mr. Bharath Mani Head - Retail Banking (Assets & Liabilities)	1,40,000	17.07
	3	Mr. Rabin Rajeev Stephen Head - SME Strategy	1,40,000	17.07
(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	NIL			

\*Nomination & Remuneration Committee on July 4, 2015 granted 3,50,000 options to Mr. Anand Krishnamurthy, present Managing Director & CEO, which is pertaining to the period he was holding the post of Head of Wholesale Banking & Treasury.

## ANNEXURE II

### The Annual Report on CSR Activities

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

#### (a) CSR policy

The CSR policy of the Bank aims to identify and support all projects/programs undertaken as part of the Bank's Corporate Social Responsibilities within the framework of Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The policy will serve as a guiding document to help identify, execute and monitor CSR projects in keeping with the spirit of the policy.

#### (b) Overview of projects or programs proposed to be undertaken

The Bank will undertake projects/programs in line with Schedule VII of the Act as detailed below.

1. Empowering through Sustainable Livelihood Initiatives (SLI)
2. Financial Literacy and Inclusion
3. Promoting Education
4. Skill Training and Livelihood Enhancement
5. Promoting Blood Donation
6. Environmental Sustainability
7. Eradicating Poverty
8. Rural Development
9. Slum Area Development
10. Training to Promote Rural Sports

#### (c) Web-link to the CSR policy

<http://www.csb.co.in/sites/default/files/CSR%20Policyfinal%20version.pdf>

### 2. The Composition of the CSR Committee

The Bank has constituted a Corporate Social Responsibility Committee (CSR) to monitor the CSR activities. Members of the committee as on the date of the report are:

1	Shri. T. S. Anantharaman	Chairman of the Committee (Non Independent Director)
2	Shri. Anand Krishnamurthy	Managing Director & CEO
3	Shri. C. K. Gopinathan	Non-Independent Director
4	Shri. M. Madhavan Nambiar	Independent Director

### 3. Average Net Profit before tax of the Bank for the Last 3 Financial Years

₹ 0.16 Crore

### 4. Prescribed CSR Expenditure (2% of the amount as in item 3 above)

₹ 0.32 Lakhs

### 5. Details of CSR spent during the financial year.

- a) Total amount to be spent for the financial year : ₹ 0.32 Lakhs
- b) Amount unspent, if any : Nil



c) Manner in which the amount spent during the financial year is detailed below.

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) Local area or other 2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Subheads: 1) Direct Expenditure on projects 2) or programs Overheads	Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency *
1	Setting up homes for socially and economically backward groups in the society including for women and orphans	Slum area development	Local Area, Thrissur District, Kerala	₹6.5 Lakhs	₹6.5 Lakhs	₹6.5 Lakhs	Implementing agency - Slum Service Centre, Archdiocese of Thrissur, Kerala
2	Sponsoring the purchase of tables and cots for the inmates of the special school for the mentally challenged	Promoting Education	Local Area, Thrissur District, Kerala	₹0.20 Lakhs	₹0.20 Lakhs	₹0.20 Lakhs	Implementing agency - St. Joseph's School for mentally challenged, Cheroor, P.O., Thrissur-680 008
3	Sponsoring the training - to promote rural sports.	Training to Promote Rural Sports	Local Area, Thrissur District, Kerala	₹0.50 Lakhs	₹0.50 Lakhs	₹0.50 Lakhs	Implementing agency - M/s. Parapur Sports & Educational Trust, Thrissur

\* Bank contributed to the project undertaken by the respective Implementing agency.

**6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.**

CSR spend during the period under review met the minimum requirement to spend as per the policy adopted by the Bank and as per Section 135 of the Companies Act, 2013.

As part of the CSR initiative, the Bank will take steps to identify projects / proposals from institutions with an established track record of at least 3 financial years in undertaking similar projects or programs. Besides, the Bank is in the process of identifying more projects/ activities covered under Schedule VII, as part of the CSR policy adopted by the Bank.

Having spent towards CSR as detailed above as per Section 135 of the Companies Act, 2013, the Bank remains committed to increase its CSR reach and spend over the coming years, supplemented by its continued focus towards sustainable development and responsible banking.

**7. The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with CSR objectives and the policy of the Bank.**

Sd/-  
**Anand Krishnamurthy**  
 Managing Director & CEO  
 (DIN: 01514838)

Sd/-  
**T. S. Anantharaman**  
 (Chairman-CSR Committee)  
 (DIN: 00480136)

**ANNEXURE III****Form No. MR-3****SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31.03.2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members,  
**THE CATHOLIC SYRIAN BANK LTD.**  
 Head Office, "CSB Bhavan",  
 Post Box No.502, St. Mary's College Road,  
 Thrissur -680020.

We, SVJS & Associates, Company Secretaries, have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. The Catholic Syrian Bank Ltd. [CIN: U65191KL1920PLC000175]** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the **M/s. The Catholic Syrian Bank Ltd.**'s books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31.03.2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **M/s. The Catholic Syrian Bank Ltd.** ("the Company") for the financial year ended on 31.03.2016 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made there under;

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder to the extent applicable;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, to the extent applicable.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 to the extent applicable.
  - (b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.
  - (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (to the extent applicable);
- (vi) As informed to us, the following other laws are specifically applicable to the Company.
  1. The Banking Regulation Act, 1949 and Banking Regulation (Companies) Rules, 1949.
  2. Reserve Bank of India Act, 1934.
  3. The Bankers' Books Evidence Act, 1891.
  4. The Banking Companies (Period of Preservation of Records) Rules, 1985.

5. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and The Security Interest (Enforcement) Rules, 2002.
6. The Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.
7. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013.
8. The Industrial Disputes (Banking and Insurance Companies) Act, 1949.
9. The Information Technology Act, 2000.
10. The Deposit Insurance and Credit Guarantee Corporation Act, 1961 and The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961.
11. The Recovery of Debts Due to Banks and Financial Institutions Act, 1993.
12. Credit Information Companies (Regulation) Act, 2005

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Company with National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that

took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions of the board were unanimous and the same was captured and recorded as part of the minutes.

**We further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period there were no instances of public issue or rights issue of securities or preferential issue of debentures/sweat equity, redemption or buy back of securities, major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013, Merger / amalgamation / reconstruction, or Foreign technical collaborations.

During the period, the following issues have taken place:

Sl. No	Method of Issue	Mode of Approval	Date of publication of results	Number of shares issued/Amount
1	Preferential Issue/offer	Postal Ballot	Date of publication of results: 17.12.2015	12,500,000 equity shares (Actual shares allotted:11,370,357)

For SVJS & Associates  
Company Secretaries

Kochi  
27.06.2016

Sd/-  
**CS. Sivakumar P.**  
Managing Partner  
CP No:2210, FCS:3050

**ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE**

To

The Members,  
THE CATHOLIC SYRIAN BANK LTD.  
Head Office, "CSB Bhavan",  
Post Box No.502, St. Mary's College Road,  
Thrissur -680020

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of the Secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March 2016 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

Kochi  
27.06.2016

For SVJS & Associates  
Company Secretaries

Sd/-

**CS. Sivakumar P.**  
Managing Partner  
CP No:2210, FCS:3050

## ANNEXURE IV

### Form No. MGT-9

**EXTRACT OF ANNUAL RETURN as on the financial year ended on 31st March, 2016**  
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12 (1) of the Companies  
(Management and Administration) Rules, 2014]

### I. Registration and Other Details

i)	CIN	U65191KL1920PLC000175
ii)	Registration Date	November 26 <sup>th</sup> , 1920
iii)	Name of the Company	The Catholic Syrian Bank Limited
iv)	Category / Sub-Category of the Company	Public Company Limited by Shares
v)	Address of the Registered Office and contact details	'CSB Bhavan', St. Mary's College Road, Post Box No. 502, Thrissur – 680 020, Kerala, India. Tel.: 0487 2333020 Fax: 0487 2338764 Email: investors@csb.co.in Website: www.csb.co.in
vi)	Whether listed company Yes / No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	S.K.D.C. Consultants Limited Category I Registrars and Share Transfer Agents CIN: U74140TZ1998PLC008301 Kanapathy Towers, 3 <sup>rd</sup> Floor, 1391/A1, Sathy Road, Ganapathy, Coimbatore – 641 006 Tel.: 0422 6549995, 2539835-836 Fax: 0422 2539837 Email: info@skdc-consultants.com Website: www.skdc-consultants.com

### II. Principal Business Activities of the Company

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sr. No	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	BANKING	64191	100%

### III. Particulars of Holding, Subsidiary and Associate Companies

Sr. No	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
<b>Not Applicable</b>					



## IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

### i. Category-wise Share Holding

Category of shareholders	No. of Shares held at the beginning of the year (As on 01.04.2015)				No. of Shares held at the end of the year (As on 31.03.2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
(a) Individual/HUF	-	-	-	-	-	-	-	-	-
(b) Central Govt	-	-	-	-	-	-	-	-	-
(c) State Govt(s)	-	-	-	-	-	-	-	-	-
(d) Bodies Corp.	-	-	-	-	-	-	-	-	-
(e) Banks/ FI	-	-	-	-	-	-	-	-	-
(f) Any Other.	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1)</b>	-	-	-	-	-	-	-	-	-
(2) Foreign									
(a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
(b) Other Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corp.	-	-	-	-	-	-	-	-	-
(d) Banks/ FI	-	-	-	-	-	-	-	-	-
(e) Any Other.	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	-	-	-	-	-	-	-	-	-
<b>B. Public Shareholding</b>									
(1) Institutions									
(a) Mutual Funds	-	-	-	-	-	-	-	-	-
(b) Banks/ FI	2785661	-	2785661	4.62	2785661	-	2785661	3.89	(0.73)
(c) Central Govt	-	-	-	-	-	-	-	-	-
(d) State Govt(s)	-	-	-	-	-	-	-	-	-
(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f) Insurance Companies	-	-	-	-	1000000	-	1000000	1.39	1.39
(g) FIs and QFI	-	-	-	-	2500000	-	2500000	3.49	3.49
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others	-	-	-	-	-	-	-	-	-
(a) Foreign Portfolio Investors	-	-	-	-	-	-	-	-	-
(b) Trust	-	-	-	-	-	-	-	-	-
<b>Sub-total (B) (1)</b>	<b>2785661</b>	-	<b>2785661</b>	<b>4.62</b>	<b>6285661</b>	-	<b>6285661</b>	<b>8.77</b>	<b>4.15</b>
(2) Non-Institutions									
(a) Bodies Corp.									
(i) Indian	15094825	1290621	16385446	27.15	15515657	1254707	16770364	23.40	(3.75)
(ii) Overseas	-	6256179	6256179	10.37	-	10752536	10752536	14.99	4.62
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	1394758	8523239	9917997	16.44	1795577	8139509	9935086	13.85	(2.59)
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	7538609	2276249	9814858	16.26	7690826	1754930	9445756	13.17	(3.09)
(c) Others (specify)									
(c-i) Trusts	-	265144	265144	0.44	-	265144	265144	0.37	(0.07)
(c-ii) Directors & Relatives	3521439	66733	3588172	5.95	3965610	64645	4030255	5.62	(0.33)
(c-iii) Non Resident Indians	2261211	9004557	11265768	18.67	4502471	9670532	14173003	19.76	1.09
(c-iv) Hindu Undivided Families	58400	-	58400	0.10	50177	-	50177	0.07	(0.03)
<b>Sub-total (B) (2)</b>	<b>29869242</b>	<b>27682722</b>	<b>57551964</b>	<b>95.38</b>	<b>33520318</b>	<b>31902003</b>	<b>65422321</b>	<b>91.23</b>	<b>(4.15)</b>
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	<b>32654903</b>	<b>27682722</b>	<b>60337625</b>	<b>100.00</b>	<b>39805979</b>	<b>31902003</b>	<b>71707982</b>	<b>100.00</b>	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>32,654,903</b>	<b>27,682,722</b>	<b>60,337,625</b>	<b>100.00</b>	<b>39,805,979</b>	<b>31,902,003</b>	<b>71,707,982</b>	<b>100.00</b>	-

**ii. Shareholding of Promoters**

Not applicable since our Bank does not have an identifiable promoter.

**iii. Change in Promoters' Shareholding (please specify, if there is no change)**

Not applicable since our Bank does not have an identifiable promoter.

**iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No	For Each of the Top 10 Shareholders Name, Date & Reason for change			Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>YUSUFF ALI M.A.</b>			3007722	4.985	3007722	4.985
	Add	03.02.2016	Pre IPO Placement of shares	510000	0.722	3517722	4.980
	Add	18.02.2016	Pre IPO Placement of shares	64000	0.089	3581722	4.995
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			-	-	3581722	4.995
2	<b>AGNUS CAPITAL LLP</b>			2081854	3.450	2081854	3.450
	Add	12.01.2016	Pre IPO Placement of shares	1000000	1.519	3081854	4.681
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			-	-	3081854	4.298
3	<b>THE FEDERAL BANK LIMITED</b>			2785661	4.617	2785661	4.617
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			-	-	2785661	3.885
4	<b>BRIDGE INDIA FUND</b>			Nil	N.A	Nil	N.A
	Add	12.01.2016	Pre IPO Placement of shares	2500000	3.797	2500000	3.797
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			-	-	2500000	3.486
5	<b>AIF CAPITAL DEVELOPMENT LTD</b>			2085393	3.456	2085393	3.456
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			N.A	N.A	2085393	2.908
6	<b>GPE III MAURITIUS DIRECT INVESTMENT LTD</b>			2085393	3.456	2085393	3.456
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			N.A	N.A	2085393	2.908
7	<b>SIGULER GUFF BRIC MAURITIUS</b>			2085393	3.456	2085393	3.456
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			N.A	N.A	2085393	2.908
8	<b>BRIGHTNESS CAPITAL AND ADVISORY SERVICES PTE LTD</b>			Nil	N.A	Nil	N.A
	Add	03.02.2016	Pre IPO Placement of shares	1693968	2.398	1693968	2.398
	Add	18.02.2016	Pre IPO Placement of shares	306032	0.427	2000000	2.789
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			-	-	2000000	2.789
9	<b>EDELWEISS FINANCE AND INVESTMENTS LTD</b>			1913452	3.171	1913452	3.171
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			N.A	N.A	1913452	2.668
10	<b>A T INFOFIN INDIA PVT LTD</b>			2498229	4.140	2498229	4.140
	Less	26.06.2015	Sale of shares	600000	0.994	1898229	3.146
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			-	-	1898229	2.647

## v. Shareholding of Directors and Key Managerial Personnel

Sl. No	For Each of the Directors and Key Managerial Personnel - Name, Date & Reason for change	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<b>S. Santhanakrishnan</b>	9066	0.015	9066	0.015
	At the end of the year ( or on the date of separation, if separated during the year) (31.03.2016)			9066	0.013
2	<b>Anand Krishnamurthy, Managing Director &amp; CEO</b>	444444	0.737	444444	0.737
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			444444	0.620
3	<b>S.Ramakrishnan</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			Nil	N.A
4	<b>C.K.Gopinathan</b>	2370724	3.929	2370724	3.929
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			2370724	3.306
5	<b>Bobby Jos C</b>	18156	0.030	18156	0.030
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			18156	0.025
6	<b>T.S.Anantharaman</b>	331520	0.549	331520	0.549
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			331520	0.462
7	<b>Sumeer Bhasin</b>	27000	0.045	27000	0.045
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			27000	0.038
8	<b>K.Subrahmanya Sarma</b>	10730	0.018	10730	0.018
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			10730	0.015
9	<b>Radha Unni</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			Nil	N.A
10	<b>M. Madhavan Nambiar</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			Nil	N.A
11	<b>Ashish Ahluwalia</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			Nil	N.A
12	<b>V.G Venkatachalapathy, Addl. Director - RBI Nominee</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			Nil	N.A
13	<b>K.Neethi Ragavan, Addl. Director - RBI Nominee</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			Nil	N.A
14	<b>Ajay lal</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year) (resigned on 10.06.2015)			Nil	N.A
15	<b>PV Antony, Chief Financial Officer</b>	533	0.001	533	0.001
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			533	0.001
16	<b>Sijo Varghese, Company Secretary</b>	Nil	N.A	Nil	N.A
	At the end of the year ( or on the date of separation, if separated during the year)(31.03.2016)			Nil	N.A

## V. Indebtedness

₹ in crore

	Secured Loans excluding Deposits	Unsecured Loans	Deposits*	Total Indebtedness	
<b>Indebtedness at the beginning of the financial year</b>					
i	Principal Amount	-	45.45	-	45.45
ii	Interest due but not paid	-	-	-	-
iii	Interest accrued but not due	-	3.28	-	3.28
<b>Total</b>		-	<b>48.73</b>	-	<b>48.73</b>
<b>Change in Indebtedness during the financial year</b>					
	Addition	-	1.61	-	1.61
	Reduction (net)	-	3.65	-	3.65
<b>Net Change</b>		-	<b>(2.04)</b>	-	<b>(2.04)</b>
<b>Indebtedness at the end of the financial year</b>					
i	Principal Amount	-	41.80	-	41.80
ii	Interest due but not paid	-	-	-	-
iii	Interest accrued but not due	-	4.89	-	4.89
<b>Total</b>		-	<b>46.69</b>	-	<b>46.69</b>

\*Deposits received by the Bank in the ordinary course of business does not amount to deposits in terms of the provisions of the Companies Act, 2013, hence, not included here in above.

## VI. Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sr. No	Particulars of Remuneration	Total Amount
	<b>Name of Managing Director &amp; CEO : Mr.Anand Krishnamurthy *</b>	
1	<b>Gross Salary</b>	(₹)
(a)	Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	4,795,819.35
(b)	Value of perquisites u/s 17(2) Income Tax Act, 1961	Nil
(c)	Profits in lieu of salary under section 17(3) Income Tax Act, 1961	Nil
2	Stock Option (Nos)	Nil
3	Sweat Equity	Nil
4	Commission - as % of profit - Others, specify	Nil
5	Others - LFC - PF	Nil 306,116.13
	<b>TOTAL</b>	<b>5,101,935.48</b>
Ceiling as per the Act	Being a banking company under the Banking Regulation Act, 1949, the relevant provisions on managerial remuneration under the Companies Act, 2013 are not applicable.	

\* For the period from 04.07.2015 to 31.03.2016.

**B. Remuneration to other directors:**

(₹)

Sr. No	Particulars of Remuneration	Name of Directors	Total Amount
1	<b>Independent Directors</b>		
	• Fee for attending Board/ Committee Meetings	Sri. Bobby Jos C	530,000
		Sri. Sumeer Bhasin	370,000
		Smt. Radha Unni	800,000
		Sri. S Ramakrishnan	550,000
		Sri. Madhavan Nambiar M	440,000
	• Commission		-
• Others, please specify		-	
	<b>TOTAL (1)</b>		<b>2,690,000</b>
2	<b>Other Non-Executive Directors</b>		
	• Fee for attending Board/ Committee Meetings	Sri. S Santhanakrishnan	720,000
		Sri. Ajay Lal ( Up to 10.06.2015)	50,000
		Sri. T.S. Anantharaman	600,000
		Sri C.K Gopinathan	500,000
		Sri. K. Subrahmanya Sarma	510,000
		Sri. Ashish Ahluwalia (From 21.08.2015)	150,000
		Sri. K. Neethi Ragavan (Addl. Director - RBI Nominee)	-
		Sri. V.G. Venkatachalapathy (Addl. Director - RBI Nominee)	-
	• Commission		-
• Others, please specify		-	
	<b>TOTAL (2)</b>		<b>2,530,000</b>
<b>TOTAL (B) = (1)+(2)</b>			<b>5,220,000</b>
<b>Total Managerial Remuneration (A)+(B)</b>			<b>10,321,935.48</b>
Overall Ceiling as per the Act	Being a banking company under the Banking Regulation Act, 1949, the relevant provisions on managerial remuneration under the Companies Act, 2013 are not applicable.		

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

Sr. No	Particulars of Remuneration	CFO	Company Secretary	Total Amount
1	<b>Gross Salary</b>	(₹)	(₹)	(₹)
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	2,202,911.64	1,489,698.29	<b>3,692,609.93</b>
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option (Nos)	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- Others, specify	-	-	-
5	Others, please specify			
	Incentive	25,000	25,000	50,000
	<b>TOTAL</b>	<b>2,227,911.64</b>	<b>1,514,698.29</b>	<b>3,742,609.93</b>



**VII. Penalties / Punishment/ Compounding of Offences:**

Type	Section of the Companies Act	Brief Description	Details of Penalties / Punishment/ Compounding fees imposed	Authority [RD/ NCLT/COURT]	Appeal made, if any (give details)
<b>A. Company</b>					
Penalty					
Punishment			NIL		
Compounding					
<b>B. Directors</b>					
Penalty					
Punishment			NIL		
Compounding					
<b>C. Other officers in default</b>					
Penalty					
Punishment			NIL		
Compounding					

## CEO / CFO CERTIFICATION

The Board of Directors,  
The Catholic Syrian Bank Ltd,

Dear Sirs

We, Anand Krishnamurthy, Managing Director & CEO and P V Antony, Chief Financial Officer, of The Catholic Syrian Bank Limited hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 and that to the best of our knowledge and belief:
- i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
  - ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee,
- d) We have indicated, to the Auditors and the Audit Committee:
- i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Sd/-

**Anand Krishnamurthy**  
Managing Director & CEO  
DIN: 01514838

Sd/-

**P. V Antony**  
Chief Financial Officer

Place: Chennai  
Date: 27.05.2016

## INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
The Catholic Syrian Bank Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of The Catholic Syrian Bank Limited, ('the bank') which comprise the Balance Sheet as at 31 March 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information contained in the notes to accounts. Incorporated in these financial statements are the returns of 29 branches/offices audited by us and 427 branches/offices audited by the branch auditors

### Management's Responsibility for the Financial Statements

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

operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Bank including its branches in accordance with Standards on Auditing ('the Standards') specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the

overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Bank as at 31<sup>st</sup> March, 2016, and its loss and its cash flows for the year then ended.

### Report on Other Legal and Regulatory Requirements

The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

As required by sub section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

Further, as required by section 143(3) of the Act, we further report that:

- i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches.
- iii. The reports on the accounts of the branch offices audited by branch auditors of the Bank under section 143(8) of the Companies Act 2013 have been sent to us and have been properly dealt with by us in preparing this report.
- iv. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches.
- v. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI.
- vi. On the basis of written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- vii. With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- viii. With respect to the other matters to be included in the Auditor's Report in accordance with Rule

11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- (a) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note no 4.6.1 of Schedule 18 – Notes to Accounts
- (b) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including

derivative contracts -Refer Note no. 9 of Schedule 18 – Notes to Accounts

- (c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For Sundaram & Srinivasan  
Chartered Accountants  
(Firm's Registration No. 004207S)

Sd/-

**C. Naresh**

Partner

Membership Number: 28684

Chennai  
27.05.2016



## Annexure A to the Independent Auditor's Report of Even Date on The Catholic Syrian Bank Limited

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

We have audited the internal financial controls over financial reporting of The Catholic Syrian Bank Limited ('the Bank') as at 31st March 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

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

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

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

The reports on the adequacy of internal financial controls over financial reporting at the branch offices of the Bank audited by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted

accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

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

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial

controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2016, based on "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI".

For Sundaram & Srinivasan  
Chartered Accountants  
(Firm's Registration No. 004207S)

Sd/-

**C. Naresh**

Partner

Chennai  
27.05.2016

Membership Number: 28684

**BALANCE SHEET**

As on 31st March, 2016

(₹ in thousand)

		Schedule No अनुसूची	As on 31.03.2016	As on 31.03.2015
<b>पूंजी और देयताएँ</b>	<b>CAPITAL AND LIABILITIES</b>			
पूंजी	Capital	1	71,76,02	60,38,99
आरक्षितियाँ और अधिशेष	Reserves and Surplus	2	821,03,27	828,10,23
निक्षेप	Deposits	3	14438,40,49	14474,48,65
उधार	Borrowings	4	41,80,00	45,44,77
अन्य देयताएँ और प्रावधान	Other Liabilities and Provisions	5	278,94,39	351,28,59
<b>योग</b>	<b>Total</b>		<b>15651,94,17</b>	<b>15759,71,23</b>
<b>संपत्तियाँ</b>	<b>ASSETS</b>			
नकदी और भारतीय रिज़र्व बैंक में जमाराशियाँ	Cash and Balances with Reserve Bank of India	6	676,43,45	688,47,04
बैंकों में जमाराशियाँ और माँग तथा अल्प सूचना पर प्राप्त धनराशि	Balances with banks and money at call and short notice	7	49,85,77	110,11,91
निवेश	Investments	8	5986,68,93	4427,08,16
अग्रिम	Advances	9	7852,64,56	9469,39,99
स्थिर संपत्तियाँ	Fixed assets	10	215,09,34	175,10,71
अन्य संपत्तियाँ	Other assets	11	871,22,12	889,53,42
<b>योग</b>	<b>Total</b>		<b>15651,94,17</b>	<b>15759,71,23</b>
<b>आकस्मिक देयताएँ</b>	<b>CONTINGENT LIABILITIES</b>	12	832,15,18	839,55,72
संग्रहण के लिये बिल	Bills for collection		76,29,02	77,03,04
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा सम्बन्धी टिप्पणियाँ	Notes to Accounts	18		
अनुसूचीयाँ ऊपर बैलेंस शीट का एक अभिन्न अंग के रूप में	The Schedules referred to above form an integral part of the Balance Sheet			

Sd/  
**S. Santhanakrishnan**, Chairman  
(DIN : 00032049)

Sd/  
**Anand Krishnamurthy**  
Managing Director & CEO  
(DIN : 01514838)

As per our report of even date  
For Sundaram & Srinivasan  
Chartered Accountants  
FRN No:004207 S

Sd/  
**S. Ramakrishnan**, Chairman-Audit Committee  
(DIN : 02255401)

Sd/  
**Sijo Varghese**  
Company Secretary

Sd/  
**C Naresh**  
Partner  
(M. No. 28684)

Sd/  
**Ashish Ahluwalia**, Director  
(DIN : 03514036)

Sd/  
**P.V.Antony**  
Chief Financial Officer

Sd/  
**C. Bobby Jos**, Director  
(DIN : 03270042)

Sd/  
**C.K. Gopinathan**, Director  
(DIN : 01236752)

Sd/  
**K. Subrahmanya Sarma**, Director  
(DIN : 01505787)

Chennai  
27.05.2016

## PROFIT & LOSS ACCOUNT

For the year ended 31st March, 2016

(₹ in thousand)

		Schedule No अनुसूची	Year Ended 31.03.2016	Year Ended 31.03.2015
<b>I. आय</b>	<b>I. INCOME</b>			
अर्जित ब्याज	Interest earned	13	1482 , 88 , 54	1544 , 55 , 43
अन्य आय	Other income	14	104 , 68 , 10	127 , 34 , 13
<b>योग</b>	<b>Total</b>		<b>1587 , 56 , 64</b>	<b>1671 , 89 , 56</b>
<b>II. व्यय</b>	<b>II. EXPENDITURE</b>			
व्ययकिया गया ब्याज	Interest expended	15	1159 , 27 , 15	1188 , 57 , 64
परिचालन व्यय	Operating expenses	16	432 , 04 , 11	433 , 23 , 58
प्रावधान और आकस्मिक व्यय	Provisions and contingencies		145 , 97 , 82	103 , 24 , 85
<b>योग</b>	<b>Total</b>		<b>1737 , 29 , 08</b>	<b>1725 , 06 , 07</b>
<b>III. लाभ / हानि</b>	<b>III. PROFIT/LOSS</b>			
वर्ष के लिए शुद्ध लाभ / (हानि)	Net Profit/(Loss) for the period / year		(149 , 72 , 44)	(53 , 16 , 51)
पिछले अवधि / वर्ष के अग्रणीत लाभ / (हानि)	Profit/(Loss) brought forward from previous period/ year*		(67 , 01 , 10)	1 , 41 , 52
<b>योग</b>	<b>Total</b>		<b>(216 , 73 , 54)</b>	<b>(51 , 74 , 99)</b>
<b>IV. विनियोजन</b>	<b>IV. APPROPRIATIONS</b>			
पूंजीगत आरक्षितियों को अन्तरण	Transfer to Capital Reserve		2 , 33 , 47	15 , 26 , 11
वैधानिक आरक्षितियों को अन्तरण	Transfer to Statutory Reserve		Nil	Nil
राजस्व आरक्षितियों को अन्तरण	Transfer to General Reserve		Nil	Nil
विशेष आरक्षितियों को अन्तरण (आय-कर अधिनियम, १९६१ की धारा ३६(१)(viii))	Transfer to Special Reserve (Section 36 (1) (viii) of IT Act,1961)		Nil	Nil
विनिधान आरक्षित खाते को अन्तरण	Transfer to Investment Reserve		Nil	Nil
दान कोष अन्तरण	Transfer to Charity Fund		Nil	Nil
प्रस्तावित लाभांश के लिए प्रावधान	Provision for Proposed Dividend		Nil	Nil
प्रस्तावित लाभांश पर कर के लिए प्रावधान	Provision for tax on dividend		Nil	Nil
तुलनपत्र में ले जाई गई शेषराशि	Balance carried over to Balance Sheet		(219 , 07 , 01)	(67 , 01 , 10)
<b>योग</b>	<b>Total</b>		<b>(216 , 73 , 54)</b>	<b>(51 , 74 , 99)</b>

		Schedule No अनुसूची	Year Ended 31.03.2016	Year Ended 31.03.2015
प्रति शेयर अर्जन (रु) (अंकित मूल्य रु १०/- प्रत्येक)	Basic and diluted Earnings Per Equity Share (₹) (Face value ₹ 10 per share)		(23.98)	(10.50)
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting policies	17		
लेखा सम्बन्धी टिप्पणियाँ	Notes to Accounts	18		
अनुसूचीयाँ ऊपर लाभ हानि लेख के एक अभिन्न अंग के रूप में	The Schedules referred to above form an integral part of the Profit and Loss account			
* शुद्ध रु ५५५२/- प्रतिनिधित्व करता है; ०१.०४.२०१४ को जिन स्थिर संपत्तियों को जीवन-काल नहीं है, उनके सम्बन्धी कंपनी अधिनियम, २०१३, अनुसूची II के अन्तर्गत परिवर्तित समायोजन	* Net of ₹ 5552 representing transitional adjustment in respect of fixed assets which have no remaining useful life as on 01.04.2014 as per Schedule II of the Companies Act, 2013			

Sd/  
**S. Santhanakrishnan**, Chairman  
(DIN : 00032049)

Sd/  
**Anand Krishnamurthy**  
Managing Director & CEO  
(DIN : 01514838)

As per our report of even date  
For Sundaram & Srinivasan  
Chartered Accountants  
FRN No:004207 S

Sd/  
**S. Ramakrishnan**, Chairman-Audit Committee  
(DIN : 02255401)

Sd/  
**Sijo Varghese**  
Company Secretary

Sd/  
**C Naresh**  
Partner  
(M. No. 28684)

Sd/  
**Ashish Ahluwalia**, Director  
(DIN : 03514036)

Sd/  
**P.V.Antony**  
Chief Financial Officer

Sd/  
**C. Bobby Jos**, Director  
(DIN : 03270042)

Sd/  
**C.K. Gopinathan**, Director  
(DIN : 01236752)

Sd/  
**K. Subrahmanya Sarma**, Director  
(DIN : 01505787)

Chennai  
27.05.2016



## CASH FLOW STATEMENT

For the year ended 31st March, 2016

(₹ in thousand)

	Year Ended 31.03.2016	Year Ended 31.03.2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT BEFORE TAX</b>	<b>(228 , 27 , 59)</b>	<b>(82 , 16 , 10)</b>
Adjustments for:		
Depreciation on Fixed Assets	11 , 51 , 73	9 , 30 , 50
Amortisation of Intangible Assets	2 , 18 , 56	1 , 63 , 69
Provisions and Contingencies	224 , 52 , 96	132 , 24 , 44
Interest Paid on Tier II Bonds	5 , 02 , 61	6 , 19 , 39
Others	41 , 20	(85 , 91)
<b>Operating Profit before Working Capital Changes</b>	<b>15 , 39 , 47</b>	<b>66 , 36 , 01</b>
<b>Adjustments for:</b>		
Investments	(1574 , 44 , 44)	311 , 34 , 03
Advances	1430 , 14 , 45	(905 , 84 , 12)
Other Assets	72 , 22 , 95	(222 , 23 , 51)
Deposits	(36 , 08 , 16)	800 , 62 , 48
Borrowings	(3 , 64 , 77)	(444 , 39 , 53)
Other Liabilities	(65 , 49 , 54)	36 , 06 , 44
<b>Cash generated from Operating Activities</b>	<b>(161 , 90 , 04)</b>	<b>(358 , 08 , 20)</b>
Direct Taxes Paid (Net of refunds)	(3 , 61 , 02)	1 , 84 , 13
<b>Net Cash flow from Operating Activities (A)</b>	<b>(165 , 51 , 06)</b>	<b>(356 , 24 , 07)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and Intangible Assets	(13 , 14 , 66)	(16 , 44 , 95)
Sale of Fixed Assets	42 , 66	25 , 12
<b>Net Cash Used in Investing Activities (B)</b>	<b>(12 , 72 , 00)</b>	<b>(16 , 19 , 83)</b>

	Year Ended 31.03.2016	Year Ended 31.03.2015
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Share Capital	11, 37, 04	18, 49, 05
Proceeds from Share Premium	99, 58, 90	155, 02, 65
Redemption of Tier II Bonds	Nil	(65, 70, 00)
Interest Paid on Tier II Bonds	(5, 02, 61)	(6, 19, 39)
Dividend paid (including Tax on Dividend )	Nil	(4, 89, 59)
<b>Net Cash (used)/generated from Financing Activities (C)</b>	<b>105, 93, 33</b>	<b>96, 72, 72</b>
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		
	(72, 29, 73)	(275, 71, 18)
Cash and Cash Equivalents at the Beginning of the Year	798, 58, 95	1074, 30, 13
Cash and Cash Equivalents at the End of the Year	726, 29, 22	798, 58, 95
<b>NET INCREASE AS DISCLOSED ABOVE</b>	<b>(72, 29, 73)</b>	<b>(275, 71, 18)</b>
Notes to Cash Flow Statement		
1. The Cash Flow Statement has been prepared under the Indirect Method and figures has been regrouped wherever necessary		
2. Cash and Cash equivalents includes Cash in Hand, Balance with RBI & Other Banks and Money at Call and Short Notice		
<b>BREAKUP OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Cash and Balances with Reserve Bank of India (Refer Schedule 6)	676, 43, 45	688, 47, 04
Balances with Banks and Money at Call and Short Notice (Refer Schedule 7)	49, 85, 77	110, 11, 91
Cash and cash equivalents at the end of the year	726, 29, 22	798, 58, 95

Sd/  
**S. Santhanakrishnan**, Chairman  
(DIN : 00032049)

Sd/  
**S. Ramakrishnan**, Chairman-Audit Committee  
(DIN : 02255401)

Sd/  
**Ashish Ahluwalia**, Director  
(DIN : 03514036)

Sd/  
**C. Bobby Jos**, Director  
(DIN : 03270042)

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**C.K. Gopinathan**, Director  
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**K. Subrahmanya Sarma**, Director  
(DIN : 01505787)

Sd/  
**Anand Krishnamurthy**  
Managing Director & CEO  
(DIN : 01514838)

Sd/  
**Sijo Varghese**  
Company Secretary

Sd/  
**P.V.Antony**  
Chief Financial Officer

Chennai  
27.05.2016

As per our report of even date  
For Sundaram & Srinivasan  
Chartered Accountants  
FRN No:004207 S

Sd/  
**C Naresh**  
Partner  
(M. No. 28684)

## SCHEDULES

### to Balance Sheet

(₹ in thousand)

	As on 31.03.2016		As on 31.03.2015	
<b>SCHEDULE 1 - CAPITAL</b>				
Authorized Capital :				
12,00,00,000 (Previous year 12,00,00,000)				
Equity shares of ₹ 10/- each		120 , 00 , 00		120 , 00 , 00
Issued Capital				
7,17,07,982 (Previous Year 6,03,37,625)				
equity shares of ₹ 10/- each fully paid - up		71 , 70 , 79		60 , 33 , 76
Subscribed, Called up and Paid - up Capital				
7,17,07,982 (Previous Year 6,03,37,625)				
equity shares of ₹ 10/- each fully paid - up		71 , 70 , 79		60 , 33 , 76
Add: Forfeited Shares (1,93,743 Number of shares forfeited)*		5 , 23		5 , 23
		<b>71 , 76 , 02</b>		<b>60 , 38 , 99</b>

<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>				
<b>I Statutory Reserves</b>				
Opening balance		146 , 36 , 72		146 , 36 , 72
Additions during the year		-		-
sub total		146 , 36 , 72		146 , 36 , 72
Deductions during the year		-		-
		<b>146 , 36 , 72</b>		<b>146 , 36 , 72</b>
<b>II Capital Reserves</b>				
Opening balance		68 , 23 , 02		52 , 96 , 91
Additions during the year		2 , 33 , 47		15 , 26 , 11
sub total		70 , 56 , 49		68 , 23 , 02
Deductions during the year		-		-
		<b>70 , 56 , 49</b>		<b>68 , 23 , 02</b>
<b>III Revaluation Reserves</b>				
Opening balance		123 , 97 , 97		125 , 31 , 09
Additions during the year		43 , 06 , 58		-
sub total		167 , 04 , 55		125 , 31 , 09
Deductions during the year		1 , 26 , 45		1 , 33 , 12
		<b>165 , 78 , 10</b>		<b>123 , 97 , 97</b>
<b>IV Share Premium</b>				
Opening balance		445 , 69 , 25		290 , 66 , 60
Additions during the year		102 , 33 , 32		155 , 95 , 22
sub total		548 , 02 , 57		446 , 61 , 82
Deductions during the year		2 , 74 , 42		92 , 57
		<b>545 , 28 , 15</b>		<b>445 , 69 , 25</b>
<b>V Revenue and other Reserves</b>				
<b>a) General Reserves</b>				
Opening balance		87 , 03 , 18		87 , 03 , 18
Additions during the year		1 , 26 , 45		-
sub total		88 , 29 , 63		87 , 03 , 18
Deductions during the year		-		-
		<b>88 , 29 , 63</b>		<b>87 , 03 , 18</b>

## SCHEDULES

### to Balance Sheet

(₹ in thousand)

	As on 31.03.2016		As on 31.03.2015	
b) Investment Reserve				
Opening balance	-		-	
Additions during the year	-		-	
sub total	-		-	
Deductions during the year	-		-	
		-		-
c) Special Reserve (Section 36 (1)(viii) of IT Act,1961)				
Opening balance	23,76,19		23,76,19	
Additions during the year	-		-	
sub total	23,76,19		23,76,19	
Deductions during the year	-		-	
		<b>23,76,19</b>		<b>23,76,19</b>
<b>VI Contingency Reserve</b>				
Opening balance	5,00		5,00	
Additions during the year	-		-	
sub total	5,00		5,00	
Deductions during the year	-		-	
		<b>5,00</b>		<b>5,00</b>
<b>VII Balance in Profit and Loss Account</b>				
Opening balance	(67,01,10)		1,41,52	**
Additions during the year	(149,72,44)		(53,16,51)	
sub total	(216,73,54)		(51,74,99)	
Deductions during the year	2,33,47		15,26,11	
		<b>(219,07,01)</b>		<b>(67,01,10)</b>
<b>TOTAL</b>		<b>821,03,27</b>		<b>828,10,23</b>

\* 2,19,520 shares were forfeited and 25,777 shares have been reissued.

\*\* Net of Rs.5552 representing transitional adjustment in respect of fixed assets which have no remaining useful life as on 01.04.2014 as per Schedule II of the Companies Act, 2013

	As on 31.03.2016		As on 31.03.2015	
<b>SCHEDULE 3 - DEPOSITS</b>				
<b>A. I. Demand Deposits</b>				
[i] From banks	48,28		30,91	
[ii] From others	385,19,20		375,99,88	
		<b>385,67,48</b>		<b>376,30,79</b>
II. Savings Bank Deposits		<b>2506,35,24</b>		<b>2229,33,77</b>
III. Term Deposits				
[i] From banks	76,91,47		412,77,77	
[ii] From others	11469,46,30		11456,06,32	
		<b>11546,37,77</b>		<b>11868,84,09</b>
<b>TOTAL [I,II, and III]</b>		<b>14438,40,49</b>		<b>14474,48,65</b>
<b>B [i] Deposits of branches in India</b>		<b>14438,40,49</b>		<b>14474,48,65</b>
[ii] Deposits of branches outside India		-		-
<b>TOTAL</b>		<b>14438,40,49</b>		<b>14474,48,65</b>

## SCHEDULES

### to Balance Sheet

(₹ in thousand)

	As on 31.03.2016		As on 31.03.2015	
<b>SCHEDULE 4 - BORROWINGS</b>				
I. Borrowings in India				
[i] Reserve Bank of India	-		-	
[ii] Other banks	-		-	
[iii] Other institutions and agencies	-	-	3,64,77	
<b>TOTAL of I</b>		-		<b>3,64,77</b>
II. Borrowings outside India		-		-
<b>TOTAL ( I and II)</b>		-		<b>3,64,77</b>
Secured borrowings included in I and II		-		-
III. Capital Instruments				
Subordinated debts raised for Tier II Capital		41,80,00		41,80,00
<b>TOTAL ( I,II and III)</b>		<b>41,80,00</b>		<b>45,44,77</b>

<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>				
I. Bills payable		15,98,76		14,70,06
II. Inter-office adjustments (net)		5,72,48		7,31,28
III. Interest accrued		66,84,70		66,16,49
IV. Contingent provisions against standard assets		41,82,26		49,58,06
V. Others		148,56,19		213,52,70
<b>TOTAL</b>		<b>278,94,39</b>		<b>351,28,59</b>

<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>				
I. Cash in hand (including foreign currency notes)		71,82,36		76,99,65
II. Balances with Reserve Bank of India				
[i] in Current Account	604,61,09		611,47,39	
[ii] in Other Accounts	-		-	
		604,61,09		611,47,39
<b>TOTAL ( I AND II)</b>		<b>676,43,45</b>		<b>688,47,04</b>

<b>SCHEDULE 7 - BALANCES WITH BANKS &amp; MONEY AT CALL AND SHORT NOTICE</b>				
I. In India				
[i] Balances with banks				
(a) in Current Accounts	11,64,88		10,95,37	
(b) in Other Deposit Accounts	-		-	
		11,64,88		10,95,37
[ii] Money at call and short notice				
(a) with banks	-		-	
(b) with other Institutions	-		49,91,81	
		-		49,91,81
<b>TOTAL (i and ii)</b>		<b>11,64,88</b>		<b>60,87,18</b>
II. Outside India				
(i) in Current Accounts	38,20,89		49,24,73	
(ii) in Other Deposit Accounts	-		-	
(iii) Money at call and short notice	-		-	
<b>TOTAL</b>		<b>38,20,89</b>		<b>49,24,73</b>
<b>GRAND TOTAL (I and II)</b>		<b>49,85,77</b>		<b>110,11,91</b>