



**Coastal Local Area Bank Ltd.,**  
Corporate Office :: Vijayawada

**SUPPLEMENTARY NOTICE OF THE ANNUAL GENERAL MEETING**

In continuation to the Notice of the Annual General Meeting along with the business proposed to be transacted dated 11th June, 2016, sent to you on 6th September 2016, we are hereby detailing the additional Special business to be transacted in the AGM:

**SPECIAL BUSINESS:**

To consider and, if thought fit, to pass, with or without modification, the following Resolution by the requisite majority as provided under Section 44A of the Banking Regulation Act, 1949:

**Item No.1.**

**“RESOLVED** that pursuant to the provisions of Section 44A of the Banking Regulation Act, 1949 and Reserve Bank of India’s guidelines for merger/amalgamation of private sector banks dated April 21, 2016 (hereinafter referred to as the **“RBI Guidelines”**), the Memorandum and Articles of Association of Coastal Local Area Bank Limited (hereinafter referred to as the **“Transferee Bank”**), any other applicable provisions of any other law for the time being in force, and any directions, guidelines or regulations, if any, of Reserve Bank of India (hereinafter referred to as **“RBI”**) and of all other relevant authorities from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions of all appropriate authorities, institutions or bodies, if required and to the extent applicable, and subject to such terms and conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, which the Board of Directors of the Transferee Bank (hereinafter referred to as **“the Board”**, which expression shall be deemed to include any Committee(s) constituted/to be constituted or any other person authorised/to be authorised by the Board/Committee to exercise its powers including the powers conferred by this Resolution) is hereby authorised to accept the consent and approval of the Members of the Transferor Bank be and is hereby consent is accorded to the amalgamation of Krishna Bhima Samruddhi Local Area Bank Limited, (hereafter termed as **Transferor Bank**) with Coastal Local Area Bank Limited (hereinafter referred to as the **“Transferee Bank”**) in accordance with a Scheme of Amalgamation (hereinafter referred to as **“the Scheme”**) as sanctioned by the RBI.

**RESOLVED FURTHER** that pursuant to the provisions of Section 44A of the Banking Regulation Act, 1949 and the RBI Guidelines and in accordance with the matters stated in the aforesaid Resolution:

I. The draft of the Scheme circulated to the Members with the Notice for this Meeting, be



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and is hereby approved.

II. The Board be and is hereby empowered and authorised to, acting jointly with the Board of Directors of the Transferor Bank (including any Committee or any person authorized by it or otherwise), make modifications and alterations to the Scheme including those as may be required or suggested by the relevant authority/authorities and to do all acts, matters, deeds and things and to take all steps and give such directions as may be necessary, expedient, incidental, ancillary or desirable as the Board in its absolute discretion may deem fit for giving effect to the Scheme or for its implementation including any required regulatory applications and negotiation, finalisation and execution of any agreements or documents incidental or ancillary to the Scheme and modifications/alterations thereto and also to settle any questions or difficulties that may arise in such manner as the Board in its absolute discretion may deem fit and to take all steps which are incidental and ancillary thereto in this connection”.

**Item No. 2.**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as a special resolution:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules and Regulations made thereunder, for the time being in force, applicable provisions of the Banking Regulation Act, 1949, RBI regulations and directives, if any, and subject to necessary approval, if any, from the competent authorities, the Articles of Association of the Company be amended as follows:

The following clause be deleted:

“22 b. To issue or transfer shares of 5% and above in the total paid up capital of the Bank to any person shall be with the prior approval of the Reserve Bank of India.

The following clause be inserted:

“22 b. Notwithstanding anything contained in any of the articles, any acquisition of shares by/ transfer of shares to any individual(s)/entity(s)/group which would take his/its holding to a level of 5% or more of the total paid up capital of the Bank (or such other percentage as may be prescribed by the Reserve Bank from time to time) would be in accordance to the provisions of section 12B of the Banking Regulation Act and guidelines/directions of the Reserve Bank of India for the time being



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in force on prior approval for acquisition of shares or voting rights in private sector banks.  
And the Non Resident Indian (NRI) shareholding can be up to 24% of the total paid-up capital of the Bank both on repatriation and non-repatriation basis, subject to the approval of the Reserve Bank of India.”

”RESOLVED FURTHER THAT the necessary e-forms prescribed under the Companies Act, 2013 be filled along with the altered Articles of Association with the Ministry of Corporate Affairs, only after approval to this amendment to the Articles of Association is obtained from the competent authority(ies), if any, when this resolution is actually effective.

”RESOLVED FURTHER THAT Company Secretary be and is hereby authorized to perform all such acts, deeds and things and to sign all such documents, papers and writings as may be necessary to give effect to the resolution.”

**Notes:**

1. An explanatory statement pursuant to Section 102 of the Companies Act, 2013, setting out material facts concerning the above Item of the Notice dated September 6, 2016 is annexed hereto.
2. A MEMBER, AS ON THE DATE OF THE ANNUAL GENERAL MEETING, IS ENTITLED TO ATTEND AND VOTE AT THE MEETING AND IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
3. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
4. The instrument appointing a Proxy, to be effective, must be duly filled, stamped and signed and must reach the Bank’s Registered Office not later than 48 hours before the commencement of the Meeting. The Proxy form for the EGM is enclosed herewith.
5. During the period of beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the company.
6. Members/proxies should bring the duly filled Attendance slip enclosed herewith to attend the meeting.



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7. The Notice of the AGM along with the Attendance slip and Proxy form is being sent by Registered Post to all members whose address are registered with the Bank/Depository Participant(s).
8. Members may also note that the Notice of an AGM will be available on the Bank's website, [www.coastalareabank.com](http://www.coastalareabank.com).

The Notice will also be available at the Bank's Registered Office for inspection during the normal business hours on working days.

**By Order of the Board**

**T Eswara Chandra Rao**  
**Managing Director**

Place : Vijayawada,  
Date : 6<sup>th</sup> September, 2016.



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**Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013:**

1. An Annual General Meeting of the Members of Coastal Local Area Bank Limited is being convened for the purpose of considering and, if thought fit, approving, with or without modifications, the proposed Scheme of Amalgamation, as contained herein (hereinafter referred to as “**the Scheme**”) of Krishna Bhima Samruddhi Local Area Bank Limited (hereinafter referred to as “**the Transferor Bank**”) with Coastal Local Area Bank Limited (hereinafter referred to as “**the Transferee Bank**”). The Scheme has been approved by the Board of Directors of the Transferee Bank at their Board Meeting Held on 6<sup>th</sup> September, 2016.
2. The Transferor Bank and the Transferee Bank believe the consolidation proposed through this Scheme will leverage significant complementarities that exist between both the banks, particularly relating to branch network, product offerings and customer segments. This revenue synergy led and growth oriented amalgamation, adopting best practices of banking, governance and prudence from both banks, is expected to result in a superior platform benefitting from efficiencies of size and scope over time for all stakeholders such as shareholders, customers, and employees.
3. Background of the Transferor Bank and the Transferee Bank:
  - a. The Transferor Bank was incorporated under the Companies Act 1956 on 19<sup>TH</sup> February, 1999 and has its Registered Office at No.7-5-108/B, 1<sup>st</sup> Floor, Venkateswara Colony, Mahbubnagar, Telangana 509002. The Transferor Bank has a network of 19 branches and 40 Business Correspondent Centres as of March 31, 2016.
  - b. The primary object of the Transferor Bank is banking business as set out in its Memorandum of Association.
  - c. The Transferee Bank was incorporated on May 12, 1999 under the Companies Act, 1956 and has its Registered Office at No.59-14-2A, Shanti Plaza, Gayathrinagar, Vijayawada-520008. The Transferee Bank has a network of 39 branches and 11 BC Centres as of March 31, 2016.
  - d. The primary object of the Transferee Bank is banking business as set out in its Memorandum of Association.
  - e. The authorized, issued, subscribed and paid-up share capital of the Transferor Bank and the Transferee Bank as at August 31, 2016 are as set out in Clause 5 of the Scheme.
  - f. KBS Bank, the Transferor bank, has been serving the poor and downtrodden segments of Society in the underdeveloped and drought prone districts of Mehbubnagar, Ranga Reddy, Raichur,



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Gulbarga, Yadagiri and Prakasam districts of erstwhile Andhra Pradesh and Karnataka States successfully with enviable exposure to these segments. At present it has 24 branches across these six districts supported by another 40 Business Correspondence Centres.

- g. It has a total and dedicated staff strength of more than 375 persons most of whom are field level functionaries focusing on growth of Micro Finance in hundreds of villages in its operational districts.
- h. It has been managed by a thoroughly experienced and well qualified Board of Directors where each one of the present five Directors is a specialist in their field of operations.
- i. It has been operating in six contiguous districts of Telangana, Karnataka and Andhra Pradesh states with a clientele base of more than 2,15,000.
- j. Its main business model focuses on Financial Inclusion and it has Micro Finance as a major delivery channel of financial service to the clients and its main business model is carved around Micro Finance and it has its own niche products in that segment and has established itself in that domain.
- k. It has been making continuous net profits for the last several years and the figures for the last two year being Rs.3.54 cr for 2014-15 and Rs.3.60 cr for 2015-16.
- l. It has a reasonably strong Capital base with an authorized capital of Rs.25.00 cr and Rs.13.42 cr of issued and fully paid up capital. The capital consists of 1.34 crores of Rs.10/- fully paid up shares each.
- m. Its CRAR stood at 22.80% which is quite comfortable.
- n. It has been fully computerized and its total operations are under CBS platform.
- o. The total business as at 31.3.2016 was Rs.328.85 cr consisting of Deposits of Rs.185.96 cr and Advances of Rs.142.89 cr. It has a very healthy Priority Sector exposure of more than 82% as at March 2016 and has a CD ratio of 76.84% which is very satisfactory.
- p. KBS Bank has shown good credit monitoring and recovery performance and its net NPA is at 0.63% as at 31.3.2016 which is quite good.

Its future business plans are essentially in tune with our bank's plans for Financial Inclusion and Micro Finance as verticals and there is a good chance of the merged entity performing excellently in these segments with rich current experience of KBS Bank.

The merger per se will open up huge opportunities in the form of extended operational area, extended and varied clientele base, different and multiple products addressed to the poor and downtrodden people, serving in the unbanked and under banked areas etc.



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The scaling up of operations will be to the advantage of the combined entity and our Bank does not need any special efforts to make a mark in the operational areas of present KBS Bank. The staff are by and large homogeneous and are mostly speaking common languages and it will enhance the customer reach.

The synergies involved are mutually beneficial and the proven track record of good performance by both the banks should help increase the market share of the combined entity.

The presence of very good and cordial atmosphere in human relations in both banks should augur well for the combined entity also.

**REASONS FOR CONSIDERING MERGER:**

The present Local Area Bank concept has been though working well in normal uniform curve, it does not provide for exponential growth and improved performance growth opportunities owing to its limitations in the extent and area of operations. Besides, it can prove to be bearer of concentration risk, should some natural calamity strike these limited districts and disrupt the normal economy thereby the financial viability of LABs. Hence it is high time to move into a more advanced regimen and area wherein it is possible to have a better and wide area of operational network, preferably a complete State or two to provide a level playing field.

But, the Local Area Banks, despite their contribution to the financial inclusion in the true sense and maintaining good asset quality, have been facing significant challenges due to absence of level playing field. Some of the constraints faced are

- Non applicability of liberalized branch licensing policy
- Lack of refinance facilities
- Lack of scheduled status
- Unavailability of Interest subvention for Agricultural advances
- Unavailability of CGFTMSE cover
- Risk of geographical concentration etc.

Though the performance of our Bank over the years has been very encouraging and profitable, the scope for desired expansion in business levels is hard to come by because of the restricted area of only five districts to operate in. So, any scheme or plan to widen the area and to spread our wings is desirable.

KBS Bank being positioned in the similar slot of LABs and performing consistently in line with our bank given its size will be a better partner to merge with and take our business plans forward.

Post merger the combined footprint and profile of the merged entity would be highly significant with adequate exposures to the Priority sectors like Micro Finance, Financial Inclusion, MSME, Small and retail business besides huge exposure under Agricultural sector.



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The combined entity would give immediate possibility to achieve a minimum net worth of Rs.100.00 cr by April 2017 to meet the expansion plans. The merger also would give us wider scope for expansion of branch network, mobilization of resources and using them for the development of lower rung of population as envisaged.

4. The amalgamation of the Transferor Bank with the Transferee Bank will be effected in accordance with Section 44A of the Banking Regulation Act, 1949 (hereinafter referred to as the “said Act”) and Reserve Bank of India’s guidelines for merger/amalgamation of private sector banks dated April 21, 2016 (hereinafter referred to as “RBI Guidelines”) and the Memorandum and Articles of Association of the Transferor Bank and the Transferee Bank and other applicable provisions of laws for the time being in force.
5. In terms of Section 44A of the said Act and the RBI Guidelines, which govern the amalgamation of banking companies, a resolution is required to be passed in favour of amalgamation by a majority in number representing two-thirds in value of the Members of the Transferor Bank and the Transferee Bank, present either in person or by proxy at the respective general meetings of the Members of the Transferee Bank and the Transferor Bank. In view of the above, e-voting facility would not be facilitated.
6. As both the Transferor Bank and Transferee Bank are banking companies duly licensed under the provisions of the said Act, the amalgamation of the Transferor Bank with the Transferee Bank is exclusively governed by the provisions of Section 44A of the said Act and the RBI Guidelines which constitute a composite and complete code governing amalgamation of banking companies and the provisions of the scheme of amalgamation and the matters incidental and ancillary thereto, and as such the said amalgamation would require the sanction of the Scheme by Reserve Bank of India (hereinafter referred to as “RBI”) for the Scheme coming into effect, and accordingly the provisions of the Companies Act, 2013 relating to amalgamation and matters incidental or ancillary thereto are not applicable. The Scheme is not required to be submitted for approval to any stock exchange, the Securities and Exchange Board of India or any High Court(s)/Company Courts/the National Company Law Tribunal.
7. Salient features of the Scheme and valuation:
  - (a) The Appointed Date of the Scheme is April 1, 2017 or such other date as may be fixed mutually by the Transferor Bank and the Transferee Bank and sanctioned by the RBI. The Scheme envisages that upon coming into effect of the Scheme on the “Effective Date” (being the date specified by the RBI which would be a date after fulfillment/waiver of certain conditions and on or after the Appointed Date) the entire undertaking of the Transferor Bank including all its assets and liabilities shall (whether or not such assets or liabilities were held by the Transferor Bank on the Appointed Date) stand transferred to and/or deemed to be transferred to and vested in the Transferee Bank from the Appointed Date.





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- (b) Swap Ratio: Equity shares of Rs. 10/- (Rupees Ten only) each, credited as fully paid up, in the ratio of 1 (One) equity share of the face value of Rs. 10/- (Rupees ten only) each in the Transferee Bank for every 1 (one) equity share of the face value of Rs. 10/- (Rupees ten only) each held in the Transferor Bank shall stand automatically issued and allotted to the equity shareholders of the Transferor Bank whose names are recorded in the Register of Members of the Transferor Bank as of the Record Date.
- (c) The equity share exchange ratio has been arrived at by independent valuers on the basis of a relative equity valuation of the Companies based on the various methodologies and various qualitative factors relevant to each Company and the business dynamics and growth potentials of the businesses of the Companies, having regard to the information base, underlying assumptions and limitations. The Swap Ratio has been approved separately and independently by the Boards of Directors of both the Transferor Bank and Transferee Bank. Further, the same has been approved as being a fair exchange ratio after considering the independent valuation made by M/s. Walker Chandiook & Co. LLP, Hyderabad, a unit of M/s. Grant Thornton Ltd., Mumbai, who were appointed as the independent valuers by the Transferor Bank and also the Transferee Bank for this purpose.
- (d) No fractional shares shall be issued by the Transferee Bank in respect of fractional entitlements, if any to the members of the Transferor Bank. The Board of the Transferee Bank shall, instead consolidate all such fractional entitlements and thereupon issue and allot equity shares in lieu thereof to a trust or a director or an officer of the Transferee Bank or such other person as the Transferee Bank shall appoint in this behalf who shall hold the equity shares in trust on behalf of the members entitled to fractional entitlements with the express understanding that such trust, director(s) or officer(s) or person shall sell the same in the market at such time or times, no later than 60 days from the date of allotment, and at such price or prices in the market and to such person or persons, as it/he/they deem fit, and pay to the Transferee Bank, the net sale proceeds thereof, whereupon the Transferee Bank shall distribute such net sale proceeds to the members in proportion to their respective fractional entitlements.
- (e) The employees of the Transferor Bank who are in service on the Effective Date shall become the employees of the Transferee Bank without any break or interruption in service on terms and conditions as to remuneration, emoluments or perquisites not less favourable than those subsisting with reference to the Transferor Bank on the said date.
- f) The services of all employees of the Transferor Bank who are in service on the Effective Date shall be taken into account for the purposes of all benefits to which the said employees may be eligible, including in relation to the level of remuneration and contractual and statutory benefits, incentive plans, ESOP plans (subject to Clause 10 of the Scheme), terminal benefits



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gratuity plans, provident fund plans, superannuation plans and any other retirement benefits and accordingly, shall be reckoned therefore from the date of their respective appointments in the Transferor Bank.

- (g) The existing provident fund, gratuity fund, pension and/or superannuation fund or trusts created by the Transferor Bank or any other special funds created or existing for the benefit of the employees of the Transferor Bank shall be transferred to the relevant funds of the Transferee Bank. In the event that the Transferee Bank does not have its own funds with respect to any such matters, the Transferee Bank shall create its own funds to which the contributions pertaining to the employees of the Transferor Bank shall be transferred. It is clarified that the services of the employees of the Transferor Bank will be treated as having been continued for the purposes of the aforesaid fund or schemes or provisions.
- (h) The accounting treatment in respect of assets, liabilities and reserves and surplus of the Transferor Bank in the books of the Transferee Bank shall be in accordance with "Pooling of Interest Method" of accounting as per accounting standards as notified under the applicable law. All assets and liabilities, including reserves, of the Transferor Bank shall be recorded in the books of account of the Transferee Bank as at the Appointed Date at their existing carrying amounts and in the same form as appearing in the books of Transferor Bank.
- (i) The Transferee Bank shall invite an individual who was a director of the Transferor Bank immediately prior to the Scheme coming into effect to join the Board of the Transferee Bank. The appointment of such person as a director of the Transferee Bank shall be subject to applicable law.
- (j) The Transferor Bank and the Transferee Bank acting jointly may, pending sanction of the Scheme by the RBI, mutually agree in writing, from time to time, to any modifications or amendments to the Scheme or to any conditions or limitations which the Reserve Bank of India or any other relevant or concerned authority under law may direct or impose or which may otherwise be considered necessary, and may do and execute all acts, deeds, instruments, matters and things necessary for putting the Scheme into effect, or for the purpose of better structuring and effective implementation of the Scheme.
- (k) As specified in paragraph 24 of the Scheme, the Scheme is specifically conditional upon and subject to, inter alia:
- (i) consent by a majority in number representing two-thirds in value of the members of the Transferor Bank and members of the Transferee Bank in their respective meetings, present in person or by proxy, at a meeting called for the purpose;
- (ii) Sanction of the RBI pursuant to Section 44A of the Banking Regulation Act, 1949 (BR



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Act) and RBI Guidelines;

(iii) if required, receipt of approval from the Foreign Investment Promotion Board for increasing foreign investment in the Transferee Bank to at least the level necessitated by the implementation of the Scheme.

- (l) The Transferor Bank and the Transferee Bank have agreed that the Scheme may be withdrawn before the Effective Date in certain limited circumstances such as upon the occurrence of a material adverse effect or breaches of representations or obligations.
- (m) Either of the Transferor Bank or the Transferee Bank shall be entitled to take requisite steps to withdraw the Scheme, in the event that the Scheme has not come into effect on or before the Long Stop Date (September 30, 2017) and each of the Transferor Bank and the Transferee Bank shall bear their respective costs, charges and expenses incurred in connection with this Scheme.
- (n) Any member of the Transferor Bank or member of the Transferee Bank, as the case may be, who votes against the Scheme at the meeting of the Transferor Bank or the Transferee Bank, as the case may be, or gives notice in writing at or prior to the meeting of the Transferor Bank or the Transferee Bank, as the case may be, or to the presiding officer of the meeting of either the Transferor Bank or the Transferee Bank, as the case may be, that he dissents from the Scheme, shall be entitled, in the event of the Scheme being sanctioned by the RBI under Section 44A of the Banking Regulation Act, 1949 to claim from the Transferor Bank or the Transferee Bank, as the case may be, in respect of equity shares held by him in the Transferor Bank or the Transferee Bank, as the case may be, their value as determined by the RBI when sanctioning the Scheme.
- (o) Such dissenting share holders shall compulsorily tender the said shares held by them in the Transferor Bank or the Transferee Bank, as the case may be, to the Transferor Bank or the Transferee Bank, respectively, for cancellation thereof and to that extent, without any further act, instrument or deed, the equity share capital of the Transferor Bank or the Transferee Bank, as the case may be, shall stand reduced or be deemed to have been reduced, by such number of the said shares as held and tendered by such Member of the Transferor Bank or Member of the Transferee Bank, on the date immediately preceding the Effective Date. The determination by the Reserve Bank of India as to the value of the equity shares to be paid to the dissenting Member of the Transferor Bank or Member of the Transferee Bank shall be final for all purposes.



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The aforesaid being only some of the salient features of the Scheme, the Members are requested to read the entire text of the Scheme to get better acquainted with the provisions thereof, as stated above.

**Miscellaneous**

8. The Transferor Bank and the Transferee Bank have also entered into an implementation agreement to ensure parties cooperation in relation to the merger and related matters such as business continuity and cooperation in relation to existing technology or credit arrangements required for seamless merger of the Transferor Bank with the Transferee Bank. Pursuant to the same, the business of the Transferor Bank and the Transferee Bank until the Effective Date would be carried out in ordinary course consistent with past practice and in accordance with applicable law, and accordingly, the Transferee Bank and the Transferor Bank have both undertaken exclusivity obligations and restrictions in relation to change in capital structure, payment of dividend, change in key policies, sale of properties etc. until the Effective Date.
9. In order to give effect to the Scheme under the provisions of law, both the Transferor Bank and the Transferee Bank are required to obtain the consent and approval of their members to the proposed Scheme under the provisions of Section 44A of the said Act. The consent of the members of the Transferor Bank and the Transferee Bank is sought to be obtained for this purpose through separate general meetings and for transferee Bank it is to be conducted on 30<sup>th</sup> September, 2016.
10. The Directors and Key Managerial Personnel of the Transferor Bank and their respective relatives may be deemed to be concerned and/or interested in the Scheme to the extent of their shareholdings in the Transferor Bank. None of the Promoters, Directors and Key Managerial Personnel of the Transferor Bank hold any equity shares of the Transferee Bank
11. The following documents will be open for inspection between 10.00 A.M. and 5.00 P.M. at the Registered Office of the Transferee Bank on all working days till the date of the Meeting:
  - (a) Memorandum and Articles of Association of the Transferor Bank;
  - (b) Audited accounts of the Transferor Bank for the year ended March 31, 2016;
  - (c) Scheme of Amalgamation;

The Directors recommend the Resolution for the approval of the members.



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**Item No:2**

In view of the guidelines contained in the Reserve Bank of India's Circular DBOD.No.PSBS.BC.64/16.13.100/2003-04 dated February 3, 2004 read with Circular DBOD. No. PSBS. BC. 182/16.13.100/99-2000 dated May 31, 2000 regarding seeking Prior acknowledgement of the Reserve Bank of India before affecting transfer /acquisition of shares equivalent to five percent (5%) and more of the paid-up capital the Articles of association of the company was amended pursuant to the resolution passed at the Annual General Meeting of the Company held on June 29, 2011 by inserting a clause no 22 b.

Subsequently, the RBI vide circular dated November 19, 2015 has prescribed the guidelines on Prior Approval for acquisition of shares or voting rights in Private Sector Banks.

In order to align with the extent guidelines issued by Reserve Bank of India the Resolution in Item No.2 has been proposed to be passed as a special resolution for alteration of the Articles of Association of the Bank.

The Directors and Key Managerial Personnel of the Bank and their respective relatives may be deemed to be concerned and/or interested in the resolution to the extent of their shareholdings in the Bank.

The Directors recommend the Resolution for the approval of the members.

By Order of the Board

Place : Vijayawada,  
Date : September 6, 2016

**Managing Director**

**Registered Office:**  
Coastal Local Area Bank Ltd.,  
No.59-14-2A, Shanti Plaza,  
Gayathrinagar, Benz Circle  
Vijayawada-520008 (A.P)



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**SCHEME OF AMALGAMATION OF**

**KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK LIMITED..... TRANSFEROR BANK**

**WITH**

**COASTAL LOCAL AREA BANK LIMITED..... TRANSFEREE BANK**

**PART I**

**GENERAL**

1. This Scheme of Amalgamation (“the Scheme” or “this Scheme”) provides for the amalgamation of **Kirshna Bhima Samruddhi Local Area Bank Limited**, a company incorporated under the Companies Act, 1956 and licensed as a banking company under the provisions of the Banking Regulation Act, 1949 (hereinafter referred to as the “BR Act”), having its registered office at No.7-5-108/B, 1<sup>st</sup> Floor, Venkateswara Colony, Mahabubnagar, Telangana 509002 (hereinafter referred to as the “Transferor Bank” or “KBSB”) with Coastal Local Area Bank Limited, a company incorporated under the Companies Act, 1956 and licensed as a banking company under the provisions of the BR Act, having its registered office at No.59-14-2A, 3<sup>rd</sup> Floor, Shanti Plaza, Ring Road, Gayathrinagar, Vijayawada, Andhra Pradesh-520008 (hereinafter referred to as the “**Transferee Bank**” or “CLAB”), pursuant to Section 44A and other relevant provisions of the BR Act and the Reserve Bank of India’s guidelines for merger and amalgamation of private sector banks dated April 21, 2016 (hereinafter referred to as the “**RBI Guidelines**”).
2. The Transferor Bank and the Transferee Bank believe the consolidation proposed through this Scheme is founded on leveraging of the significant complementarities that exist between both the banks, particularly relating to branch network, product offerings and customer segments. This revenue synergy led and growth oriented amalgamation, adopting best practices of banking, governance and prudence from both banks, is expected to result in a superior platform benefitting from efficiencies of size and scope over time for all stakeholders such as shareholders, customers and employees.
3. In this Scheme, unless inconsistent with the subject or context, the following words or expressions shall have the following meaning:
  - (i) ‘Appointed Date’ means April 1, 2017 or such other date as may be fixed mutually by KBSB and CLAB and sanctioned by the Reserve Bank of India.
  - (ii) ‘Assets’ shall mean and include:
    - (a) all properties (whether movable or immovable, tangible or intangible, including buildings and structures) including but not limited to the freehold immovable properties (including land and buildings) more particularly set out in **Annexure A** hereto, investments of all kinds including but not limited to securities (marketable or



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not), investments in securitised assets, receivables, security receipts, all cash balances (including with the Reserve Bank of India and other banks), money at call and short notice, loans, advances, contingent rights or benefits, funds, benefits of all agreements, benefits of leases, deferred tax assets, CENVAT credit balances, branches, offices, hire purchase contracts, benefits of any security arrangements, allotments, reversions, powers, consents, registrations, engagements, titles, interests, agreements, rights, contracts, entitlements, permits, licenses including branch or other licenses, quotas, approvals, incentives, subsidies, claims, tenancy rights, liberties, rehabilitation schemes, special status, arrangements and all other assets, privileges and benefits and advantages of every kind, nature and description of whatsoever and wheresoever situate, belonging to or in ownership, power or possession or in control of or vested in or granted in favour of or enjoyed by or conferred upon or held or availed of by, the Transferor Bank or to which the Transferor Bank may be entitled and include, but without being limited to, trade and service names and service marks and other intellectual property of any nature whatsoever, permits, authorisations, rights to use and avail of telephone, telex, facsimile, email, internet, leased line connections and installations, utilities, electricity and other services including all rights and benefits that have accrued to business, activities and operations of the Transferor Bank; and

- (b) without prejudice to generality of (a) above, it shall include all necessary records, files, papers, computer programs, manuals, data, catalogues, sales and advertising materials, lists and other details of present and former customers, suppliers, employees, customer information including credit information, customer pricing information and other records in connection with or relating to the Transferor Bank and all other interests of whatsoever nature belonging to or in the exclusive ownership of the Transferor Bank.
- (iii) 'Board of the Transferee Bank' shall mean the board of directors of the Transferee Bank, any committee/s constituted / that may be constituted by the board of directors of the Transferee Bank or any other person authorised / to be authorised by the board or its committee/s to exercise its powers including the powers in terms of this Scheme.
- (iv) 'Board of the Transferor Bank' shall mean the board of directors of the Transferor Bank, any committee/s constituted / that may be constituted by the board of directors of the Transferor Bank or any other person authorised / to be authorised by the board or its committee/s to exercise its powers including the powers in terms of this Scheme.
- (v) 'BR Act' shall bear the meaning ascribed to the term in Clause 1 hereof.
- (vi) 'Effective Date' shall mean a date specified by the Reserve Bank, which is (a) after the fulfillment or waiver of the conditions specified in Clause 24 and (b) on or after the Appointed Date. References in the Scheme to the 'coming into effect of the Scheme' or the 'Scheme becoming effective' shall mean the Effective Date.
- (vii) 'KBSB ESOP' shall mean any outstanding employee stock options issued by the Transferor Bank, if any, whether vested or unvested, as on the Effective Date.
- (viii) 'Legal Proceedings' shall bear the meaning ascribed to the term in Clause 7(vii) hereof.



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- (ix) 'Liabilities' shall mean all debts, demand deposits, saving bank deposits, term deposits, certificate of deposits, time and demand liabilities, borrowings whether in rupee or foreign currency, payment obligations (whether accrued, due or contingent), bills payable, interest accrued, statutory and other reserves, provisions, contingent liabilities, tax liabilities (including deferred tax liabilities), and all other liabilities, duties and undertakings and obligations of the Transferor Bank of every kind, nature and description of whatsoever, whether or not contingent or disputed or the subject matter of any court, arbitration, tribunal, forum or other proceedings including before any statutory, governmental or regulatory authority.
- (x) 'Long Stop Date' shall mean September 30, 2017.
- (xi) 'Members' shall bear the meaning ascribed to the term in Clause 11 hereof.
- (xii) 'Original Exercise Price' shall bear the meaning ascribed to the term in Clause 17 hereof.
- (xiii) 'Original Number' shall mean the number of equity shares of the Transferor Bank that would have resulted from an exercise of a KBSB ESOP.
- (xiv) 'RBI Guidelines' shall bear the meaning ascribed to the term in Clause 1 hereof.
- (xv) 'Record Date' shall mean the date to be fixed by the Board of the Transferor Bank and the Board of the Transferee Bank for the purpose of determining the equity shareholders (members) of the Transferor Bank, to whom fully paid up equity shares of the Transferee Bank will be allotted pursuant to this Scheme.
- (xvi) 'Revised Exercise Price' shall bear the meaning ascribed to the term in Clause 17 hereof.
- (xvii) 'Revised Number' shall bear the meaning ascribed to the term in Clause 17 hereof.
- (xviii) 'Swap Ratio' shall bear the meaning ascribed to the term in Clause 11 hereof.
- (xix) 'the Scheme' or 'this Scheme' shall mean this scheme of amalgamation of the Transferor Bank with the Transferee Bank as approved by the shareholders of the Transferor Bank and the Transferee Bank including the Swap Ratio specified in Part VI of the Scheme and as sanctioned by the Reserve Bank of India under Section 44A of the BR Act.
- (xx) 'Transferee Bank' shall bear the meaning ascribed to the term in Clause 1 hereof.
- (xxi) 'Transferor Bank' shall bear the meaning ascribed to the term in Clause 1 hereof.
- (xxii) 'Transferor Stock Option Schemes' shall mean
- (1) the KBSB Employees Stock Option Scheme, **if any**
- (xxiii) 'Undertaking' shall mean all the undertakings and entire business of the Transferor Bank as a going concern, and includes without limitation, all Assets, Liabilities, and Legal Proceedings.

**PART II**

**DATE OF TAKING EFFECT AND OPERATIVE DATE**

4. On and from the Effective Date, this Scheme shall take effect from the Appointed Date.





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### PART III

#### SHARE CAPITAL

5. (i) The share capital of the Transferee Bank as of August 31, 2016 is as under:

**Authorised Capital**

3,00,00,000 equity shares of Rs. 10/- each

**Issued, Subscribed and Paid-up Capital**

2,34,51,057 equity shares of Rs. 10/- each—Issued

2,30,19,173 equity shares of Rs.10/- Subscribed and Paid-up.

The equity shares of the Transferee Bank are not listed.

Further shares may be issued pursuant to the exercise of employee stock options granted by the Transferee Bank, if any, in accordance with applicable law.

- (ii) The share capital of the Transferor Bank as of August 31, 2016 is as under:

**Authorised Capital**

2,50,00,000 Equity Shares of Rs. 10/- each

**Issued & Subscribed Capital**

1,34,22,262 Equity Shares of Rs. 10/- each\*

**Issued, Subscribed & Paid-up Capital**

1,34,22,262 Equity Shares of Rs. 10/- each\*

Further shares may be issued pursuant to the exercise of employee stock options granted by the Transferor Bank, if any, in accordance with applicable law.

- (iii) To the fullest extent permitted under applicable laws, as an integral part of the Scheme and upon coming into effect of the Scheme, the authorized share capital of the Transferee Bank shall be automatically and without the need for any further act or deed and without any further payment of stamp duty or filing/registration fees be increased by the amount of the authorised share capital of the Transferor Bank. Thereafter, the Transferee Bank shall file the requisite forms with the Registrar of Companies for alteration of its authorized share capital.

### PART IV

#### TRANSFER & VESTING

6. Upon the Scheme becoming effective, with effect from the Appointed Date, the entire



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Undertaking of the Transferor Bank including all its Assets and Liabilities shall (whether or not such Assets or Liabilities were held by the Transferor Bank on the Appointed Date), under the provisions of the BR Act and RBI Guidelines, pursuant to the order of the Reserve Bank of India sanctioning the Scheme, without any further act or deed, stand transferred to and/or deemed to be transferred to and vested in the Transferee Bank.

7. Without prejudice to generality of Clause 6 above, upon the Scheme becoming effective, on and from the Appointed Date:

(i) The Assets of the Transferor Bank shall, without any further act, instrument or deed, be and stand transferred to and vested in, or be deemed to have been transferred to and vested in the Transferee Bank as a going concern so as to become the properties, estates, assets, rights, title, interest and authorities of the Transferee Bank. For the avoidance of doubt, without prejudice to provisions of this sub-clause (i):

- (a) in respect of such of the Assets of the Undertaking as are movable in nature or are otherwise capable of transfer by delivery or by endorsement and/or delivery, the same may be so endorsed and/or delivered by the Transferor Bank to the Transferee Bank on or after the Effective Date, and shall, upon such delivery, become the properties, estates, assets, rights, title, interests and authorities of the Transferee Bank;
- (b) all the licenses, permits, quotas, approvals, incentives, subsidies, rights, claims, leases, tenancy rights, liberties, rehabilitation schemes, special status and other benefits or privileges enjoyed or conferred upon or held or availed of by and all rights and benefits that are available to the Transferor Bank on the Effective Date shall, without any further act, instrument or deed, however subject to respective contractual terms, obligations thereof, be and stand transferred to and vest in or be deemed to be transferred to and vested in and be available to the Transferee Bank, so as to become the estates, assets, rights, title, interests and authorities of the Transferee Bank and shall remain valid, effective and enforceable on the same terms and conditions to the extent permissible under law and contract; and
- (c) all contracts, deeds, bonds, agreements, arrangements and other instruments (including all tenancies, leases, licenses and other assurances in favour of the Transferor Bank or powers or authorities granted by or to it) of whatsoever nature, to which the Transferor Bank is a party or to the benefit of which the Transferor Bank may be eligible, and which are subsisting or having effect immediately on or before the Effective Date, shall, without any further act, instrument or deed, be in full force and effect in favour of or against the Transferee Bank, as the case may be, and may be enforced as fully and effectually as if, instead of the Transferor Bank, the Transferee Bank had been the original party or beneficiary or obligee thereto.

(ii) All Liabilities shall, without any further act, instrument or deed be and stand transferred to and vested in or be deemed to stand transferred to and vested in, the Transferee Bank so as to



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become the liabilities of the Transferee Bank, and it shall not be necessary to obtain the consent of any person concerned with the Liabilities in any capacity whatsoever, or any person who is a party to any contract or arrangement by virtue of which such Liabilities have arisen, in order to give effect to the provisions of this Scheme.

- (iii) Loans and other obligations (including any guarantees, letters of credit, letters of comfort or any other instrument or arrangement which may give rise to a contingent liability in whatever form), due or which may at any time in future become due between the Transferor Bank and the Transferee Bank, if any, shall stand discharged and there shall be no liability in that behalf on either party.
- (iv) Securities, debentures or notes issued by the Transferor Bank and held by the Transferee Bank, and vice versa, if any, shall, unless sold or transferred by the Transferor Bank or the Transferee Bank, as the case may be, at any time prior to the Effective Date, be deemed to have been cancelled, and shall be of no effect, and the Transferor Bank or the Transferee Bank, as the case may be, shall have no further obligation outstanding in that behalf.
- (v) Any security interest created in favour of or for the benefit of the Transferor Bank, whether such security interest be over immovable, movable, tangible or intangible property, and whether by way of mortgage, hypothecation, pledge, lien or any other form or mode of creation of security interest, and all guarantees, letters of comfort, letters of credit or similar instruments in favour of or for the benefit of the Transferor Bank, shall without any further act, deed, instrument or thing, be transferred to and vested in the Transferee Bank or be deemed to have been transferred to and vested in the Transferee Bank, and shall continue to be in full force and effect and may be enforced as fully and effectually as if instead of the Transferor Bank, the Transferee Bank had been the beneficiary or a party thereto, and the benefit shall be available to the Transferee Bank as if such same were ab initio created in favour of the Transferee Bank and it shall not be necessary to obtain the consent of any person concerned therewith in any capacity whatsoever or of the person who created such security in order to give effect to the provisions of this Clause.
- (vi) All debit mandates or negotiable instruments including post-dated cheques that are issued in favour of the Transferor Bank, or which are drawn on the Transferor Bank, shall be payable to or by the Transferee Bank, as the case may be, without any further act, deed, instrument or thing and may be enforced as fully and effectually as if instead of the Transferor Bank, the Transferee Bank had been the beneficiary or obligor specified therein.
- (vii) All suits, applications, actions and legal and other proceedings by or against the Transferor Bank pending and/or arising on or before the Effective Date ("Legal Proceedings") shall be transferred in the name of the Transferee Bank and shall be continued and be enforced by or against the Transferee Bank as effectually and in the same manner and to the same extent as if the same had been pending and/or arisen by or against the Transferee Bank.



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8. From the Appointed Date up to and including the Effective Date:
- (i) Any of the liabilities and obligations of the Transferor Bank that have been discharged by the Transferor Bank shall be deemed to have been for and on account of the Transferee Bank.
  - (ii) All loans raised and utilised and all debts, duties, undertakings, liabilities and obligations incurred or undertaken by the Transferor Bank in relation to or in connection with the Undertaking, shall be deemed to have been raised, used, incurred or undertaken for and on behalf of the Transferee Bank, and to the extent they are outstanding on the Effective Date, shall, without any further act, instrument or deed be and stand transferred to or vested in or be deemed to be transferred to and vested in the Transferee Bank and shall become the liabilities and obligations of the Transferee Bank which shall meet, discharge and satisfy the same.
  - (iii) All properties, estates, assets, rights, title, interests and authorities accrued to and/or acquired by the Transferor Bank shall have been deemed to have been accrued to and/or acquired for and on behalf of the Transferee Bank, subject to respective contract and law and shall, without any further act, instrument or deed be and stand transferred to or vested in or be deemed to be transferred to or vested in the Transferee Bank to that extent and shall become the properties, estates, assets, right, title, interests and authorities of the Transferee Bank.
  - (iv) The Transferor Bank shall carry on and shall be deemed to have carried on all the business and activities as hitherto and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Undertaking on account of, and in trust for, the Transferee Bank.
  - (v) All the profits or income accruing or arising to the Transferor Bank, or expenditure or losses arising or incurred (including the effect of taxes, if any, thereon) by the Transferor Bank shall, for all purposes, be treated and be deemed to be and accrue as the profits or income or expenditure or losses or taxes of the Transferee Bank, as the case may be.
9. Upon the coming into effect of the Scheme, the Transferee Bank may, if so required under any law or otherwise, execute deeds of confirmation or any other writings in favour of any other party to any contract or arrangement to which the Transferor Bank is a party or is subject to, in order to give formal effect to any provision of the Scheme as may be necessary. At all times following the Effective Date, the Transferee Bank shall be authorised or be deemed to be authorised to execute any such writings in the name of the Transferor Bank and to implement, carry out or perform all such formalities or compliances to be implemented, carried out or performed on part of the Transferor Bank.



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## PART V

### EMPLOYEES

10. Upon the coming into effect of this Scheme, with effect from the Appointed Date,
- (i) the employees of the Transferor Bank who are in service on the Effective Date shall become the employees of the Transferee Bank on such date without any break or interruption in service and on terms and conditions as to remuneration, emoluments or perquisites not less favourable than those subsisting with reference to the Transferor Bank on the said date.
  - (ii) the services of all employees of the Transferor Bank who are in service on the Effective Date shall be taken into account for the purposes of all benefits to which the said employees may be eligible, including in relation to the level of remuneration and contractual and statutory benefits, incentive plans, ESOP plans (subject to Clause 18 hereof), terminal benefits, gratuity plans, provident fund plans, superannuation plans and any other retirement benefits and accordingly, shall be reckoned therefore from the date of their respective appointments in the Transferor Bank.
  - (iii) the existing provident fund, gratuity fund, pension and/or superannuation fund or trusts created by the Transferor Bank or any other special funds created or existing for the benefit of the employees of the Transferor Bank shall be transferred to the relevant funds of the Transferee Bank. In the event that the Transferee Bank does not have its own funds with respect to any such matters, the Transferee Bank shall create its own funds to which the contributions pertaining to the employees of the Transferor Bank shall be transferred. It is clarified that the services of the employees of the Transferor Bank will be treated as having been continued for the purposes of the aforesaid fund or schemes or provisions.

## PART VI

### REORGANISATION OF CAPITAL

11. Simultaneous with the coming into effect of this Scheme, and in consideration of the transfer of and vesting of the Undertaking of the Transferor Bank in the Transferee Bank in terms of this Scheme, and subject to the provisions of this Part VI of the Scheme, and without any further application, act, instrument or deed, equity shares of Rs. 10/- (Rupees Ten only) each, credited as fully paid up, in the ratio of **1 (One) equity share of the face value of Rs.10/- (Rupees Ten only) each in the Transferee Bank for every 1(One) equity share of the face value of Rs. 10/- (Rupees Ten only) each held in the Transferor Bank shall** stand automatically issued and allotted to the equity shareholders of the Transferor Bank whose names are recorded in the Register of Members of the Transferor Bank as of the Record Date (the "Members"). The requisite action and formalities for dispatch of share certificates and the crediting of



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dematerialized shares of the Transferee Bank pursuant to the issuance and allotment as per this Clause 11, shall be completed within seven (7) days of the Record Date.

The above ratio in which the equity shares of the Transferee Bank are to be allotted to the Members of the Transferor Bank by the Transferee Bank, is hereinafter referred to as the "Swap Ratio".

12. The share certificates in relation to the equity shares held by the said Members in the Transferor Bank shall be deemed to have been automatically cancelled and be of no effect on and from the Effective Date, without any further act, instrument or deed. The form of issuance of shares of the Transferee Bank to the Members, i.e. either in the form of share certificates or in dematerialized form, shall be determined by the form in which the shares of the Transferor Bank are held by the respective Members on the Record Date.
13. No fractional shares shall be issued by the Transferee Bank in respect of fractional entitlements, if any, to any Member.

The Board of the Transferee Bank shall, instead consolidate all such fractional entitlements and thereupon issue and allot equity shares in *lieu* thereof to a trust or a director or an officer of the Transferee Bank or such other person as the Transferee Bank shall appoint in this behalf who shall hold the equity shares in trust on behalf of the Members entitled to fractional entitlements with the express understanding that such trust, director(s) or officer(s) or person shall sell the same in the market at such time or times, no later than sixty (60) days from the date of allotment, and at such price or prices in the market and to such person or persons, as it/he/they deem fit, and pay to the Transferee Bank, the net sale proceeds thereof, whereupon the Transferee Bank shall distribute such net sale proceeds to the Members in proportion to their respective fractional entitlements.

14. Equity shares issued and allotted by the Transferee Bank in terms of Clause 11 above shall be subject to the provisions of the Articles of Association of the Transferee Bank and shall rank *pari passu* in all respects and shall have the same rights attached to them as the then existing equity shares of the Transferee Bank, including, in respect of dividends, if any, that may be declared by the Transferee Bank, on or after the Effective Date.
15. Equity shares to be issued by the Transferee Bank pursuant to Clause 11 above in respect of such equity shares of the Transferor Bank as are subject to lock-in pursuant to applicable law, shall be locked-in for the remaining duration of such lock-in.
16. Equity shares to be issued by the Transferee Bank pursuant to Clause 11 above in respect of such equity shares of the Transferor Bank, the allotment or transfer of which is held in abeyance under applicable law shall, pending allotment or settlement of dispute by order of the appropriate court or otherwise, also be kept in abeyance in like manner by the Transferee Bank.



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## 17. Stock Options

- (i) From the Effective Date, the term “Company” as defined in Transferor Stock Option Schemes shall mean the Transferee Bank and all obligations of the Transferor Bank there under shall become obligations of the Transferee Bank as amended hereby.
- (ii) From the Effective Date, entitlements to receive shares of the Transferor Bank under KBSB ESOPs shall automatically become entitlements to receive shares of the Transferee Bank as follows:
  - (a) **For every 1 (one) equity share** of the Transferor Bank that each KBSB ESOP holder is **entitled to, such holder shall be entitled to receive 1 (one) equity share of the Transferee Bank (“Revised Number”) upon exercise;**
  - (b) The exercise price (per resulting equity share) of each KBSB ESOP (“**Original Exercise Price**”) shall be amended into the following (“**Revised Exercise Price**”):  
(Original Number \* Original Exercise Price)/ Revised Number;
  - (c) Fractional entitlements to equity shares of the Transferee Company, if any, arising pursuant to this Clause, shall be rounded off to the nearest higher integer; and
  - (d) Fractional Revised Exercise Prices determined in accordance with the above shall be rounded off to the nearest lower integer.
- (iii) From the Effective Date, the Nomination and Remuneration Committee of the Transferee Bank shall exercise all powers vested in the “Compensation Committees” in relation to the Transferor Stock Option Schemes.
- (iv) No further approval of the shareholders of the Transferee Bank or of the Transferor Bank would be required to give effect to any provision of the Transferor Stock Option Schemes as modified pursuant to this Scheme.

## PART VII

### ACCOUNTING TREATMENT

#### 18. Upon the coming into effect of the Scheme:

- (i) The books of the Transferor Bank shall be closed and balanced and its balance sheet prepared as at the close of business on the date immediately preceding the Effective Date taking into account all incomes, expenses, assets and liabilities received, paid, accrued, incurred, acquired or sold till such date, including expenses with respect to the amalgamation to be borne by the Transferor Bank, and the balance sheet shall be audited and certified by a chartered accountant or a firm of chartered accountants.
- (ii) The Transferee Bank shall account for the amalgamation of the Transferor Bank in its books of account with effect from the Appointed Date.



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- (iii) The accounting treatment in respect of assets, liabilities and reserves and surplus of the Transferor Bank in the books of the Transferee Bank shall be in accordance with normal standards of accounting as per accounting standards as notified under the applicable law.
- (iv) In case of any differences in accounting policy between the Transferee Bank and the Transferor Bank, the impact of the same till the Appointed Date will be treated in accordance with the applicable accounting standards notified under applicable law.
- (v) All assets, liabilities and reserves and surplus, of the Transferor Bank shall be recorded in the books of account of the Transferee Bank as at the Appointed Date at their existing carrying amounts and in the same form as appearing in the books of Transferor Bank.
- (vi) The difference between the amount recorded as share capital issued by the Transferee Bank (plus any additional consideration in the form of cash or other assets) and the amount of share capital of the Transferor Bank will be adjusted in reserves in the financial statements of the Transferee Bank.
- (vii) All inter-corporate deposits, loans and advances, outstanding balances or other obligations between the Transferor Bank and the Transferee Bank as at the Appointed Date, shall be cancelled and there shall be no obligation/outstanding in that behalf.

## PART VIII

### GENERAL TERMS AND CONDITIONS

19. The Transferor Bank and the Transferee Bank have agreed that during the period between the approval of the Scheme by the Board of the Transferor Bank and the Board of the Transferee Bank and the Effective Date, the business of the Transferor Bank and the Transferee Bank and that of their respective subsidiaries shall only be carried out in ordinary course consistent with past practice and in accordance with applicable law.
20. The Transferee Bank shall invite an individual who was a director of the Transferor Bank immediately prior to the Scheme coming into effect to join the Board of the Transferee Bank. The appointment of such person as a director of the Transferee Bank shall be subject to applicable law.
21. The Transferor Bank and the Transferee Bank have agreed that:
  - (a) The Transferor Bank shall not declare or pay any interim dividend or final dividend until the Effective Date, provided however that, in the event the Effective Date has not occurred prior to the long stop date, the Transferor Bank and the Transferee Bank may consultatively agree on any changes to this requirement; and
  - (b) The Transferee Bank shall not further declare or pay any (A) interim dividend until the Effective Date, or (B) final dividend except in accordance with past practice.





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22. The Transferor Bank and the Transferee Bank acting jointly may, pending sanction of the Scheme by the Reserve Bank of India, mutually agree in writing, from time to time, to any modifications or amendments to the Scheme or to any conditions or limitations which the Reserve Bank of India or any other relevant or concerned authority under law may direct or impose or which may otherwise be considered necessary, and may do and execute all acts, deeds, instruments, matters and things necessary for putting the Scheme into effect, or for the purpose of better structuring and effective implementation of the Scheme.
23. Upon and any time after the coming into effect of the Scheme, and for the purpose of giving effect to the Scheme as sanctioned by the Reserve Bank of India, the Board of the Transferee Bank may take all such actions and give such authorizations as are necessary, expedient, incidental, ancillary or desirable including for settling or removing any question of doubt or difficulty that may arise with regard to the procedural aspects of implementation of the Scheme, only, in so far as the same are not prejudicial to the shareholders of the Transferee Bank, who were before the Effective Date the Members of the Transferor Bank and such determination or directions, as the case may be, shall be binding on all persons connected herewith or otherwise interested in the Scheme in the same manner as if the same were specifically incorporated in the Scheme.
24. This Scheme is specifically conditional upon and subject to:
  - (i) consent to this Scheme by a majority in number representing two-thirds in value of the Members of the Transferor Bank and members of the Transferee Bank in their respective meetings, present in person or by proxy, at a meeting called for the purpose;
  - (ii) Sanction of the Reserve Bank of India of this Scheme by an order in writing passed in this behalf pursuant to Section 44A of the BR Act and RBI Guidelines;
  - (iii) if required, receipt of approval from the Foreign Investment Promotion Board and Reserve Bank of India for increasing foreign investment in the Transferee Bank to at least the level necessitated by the implementation of the Scheme.
25. The Transferor Bank and the Transferee Bank have agreed that this Scheme may be withdrawn before the Effective Date in certain limited circumstances such as upon the occurrence of a material adverse effect and breaches of representations or obligations etc.
26. Any Member of the Transferor Bank or member of the Transferee Bank, as the case may be, who has voted against the Scheme at the meeting of the Transferor Bank or the Transferee Bank, as the case may be, or has given notice in writing at or prior to the meeting of the Transferor Bank or the Transferee Bank, as the case may be, or to the presiding officer of the meeting of either the Transferor Bank or the Transferee Bank, as the case may be, that he dissents from the Scheme, shall be entitled, in the event of the Scheme being sanctioned by the Reserve Bank of India under Section 44A of the BR Act, to claim from the Transferor Bank or the Transferee Bank, as the case may be, in respect of equity shares held by him in the Transferor Bank or the Transferee Bank, as the case may be, their value as determined by the Reserve Bank of India



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when sanctioning the Scheme, and such Member of the Transferor Bank or member of the Transferee Bank shall, in consideration thereof, compulsorily tender the said shares held by him in the Transferor Bank or the Transferee Bank, as the case may be, to the Transferor Bank or the Transferee Bank, respectively, for cancellation thereof and to that extent, without any further act, instrument or deed, the equity share capital of the Transferor Bank or the Transferee Bank, as the case may be, shall stand reduced or be deemed to have been reduced, by such number of the said shares as held and tendered by such Member of the Transferor Bank or member of the Transferee Bank, on the date immediately preceding the Effective Date. The determination by the Reserve Bank of India as to the value of the equity shares to be paid to the dissenting Member of the Transferor Bank or member of the Transferee Bank shall be final for all purposes.

27. Upon satisfaction of the said conditions, obtaining the said sanctions and approvals, and passing of the said order or orders referred to in Clause 24 hereinabove or waiver of any conditions specified in Clause 24 to the extent permitted under this Scheme, the Transferor Bank or the Transferee Bank, as the case may be, shall, for all purposes, including for giving effect to the Scheme, under all laws for the time being in force, be deemed to be in compliance thereof.
28. Upon and any time after the coming into effect of the Scheme and Part VI of this Scheme being given effect to, if any other provision of this Scheme is held to be invalid or unenforceable, then such other provision shall (so far as it is invalid or unenforceable) be given no effect and shall be deemed not to be included in this Scheme without invalidating any of the remaining provisions of this Scheme including Part VI of this Scheme.
29. Pursuant to receipt of an order in terms of sub-clause (ii) of Clause 24 hereinabove, the Reserve Bank of India may, by a further order in writing under sub-section 6A of Section 44A of the BR Act, direct that on such date as may be specified therein, the Transferor Bank shall cease to function and shall stand dissolved on such date notwithstanding anything to the contrary contained in any other law.
30. An order in terms of sub-clause (ii) of Clause 24 hereinabove and sub-section 6C of Section 44A of the BR Act shall be conclusive evidence that all requirements of Section 44A of the BR Act, RBI Guidelines, and any applicable provisions of any other law relating to amalgamation, provisions set forth in the Scheme and matters incidental or ancillary thereto have been complied with, and a copy of the said order certified in writing by an officer of the Reserve Bank of India to be a true copy thereof, shall in all legal proceedings (whether in appeal or otherwise, and whether instituted before or after the commencement of Section 19 of the Banking Laws (Miscellaneous Provisions) Act, 1963), be admitted as evidence to the same extent as the original order and the original scheme.
31. Either of the Transferor Bank or the Transferee Bank shall be entitled to take requisite steps to withdraw the Scheme, in the event that the Scheme has not come into effect on or before the Long Stop Date and each of the Transferor Bank and the Transferee Bank shall bear their



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respective costs, charges and expenses incurred in connection with this Scheme.

32. Upon and any time after the coming into effect of the Scheme, all costs, charges and expenses in relation to or in connection with this Scheme and incidental to the completion of the amalgamation of the Transferor Bank in pursuance of this Scheme shall be borne and paid by the Transferee Bank.
33. Non Resident Indian (NRI) shareholding may be allowed up to 24% of the total paid-up capital of the Bank both on repatriation and non-repatriation basis, subject to the approval of the Reserve Bank of India.
34. The rights and obligations of the parties to the Scheme shall be subject to applicable law.

**ANNEXURE A**

**DETAILS, AS ON August 31, 2016 OF CERTAIN IMMOVABLE PROPERTIES OF THE  
TRANSFEROR BANK**

Sr. No.	Name	Address	Units	Carpet Area/Built up Area (in S.ft.)	Residential / Commercial	WDVas on September 30, 2014 (Rs in Lakhs)
1		<b>NIL</b>				
2						
3						
4						
5						