



Annual Report

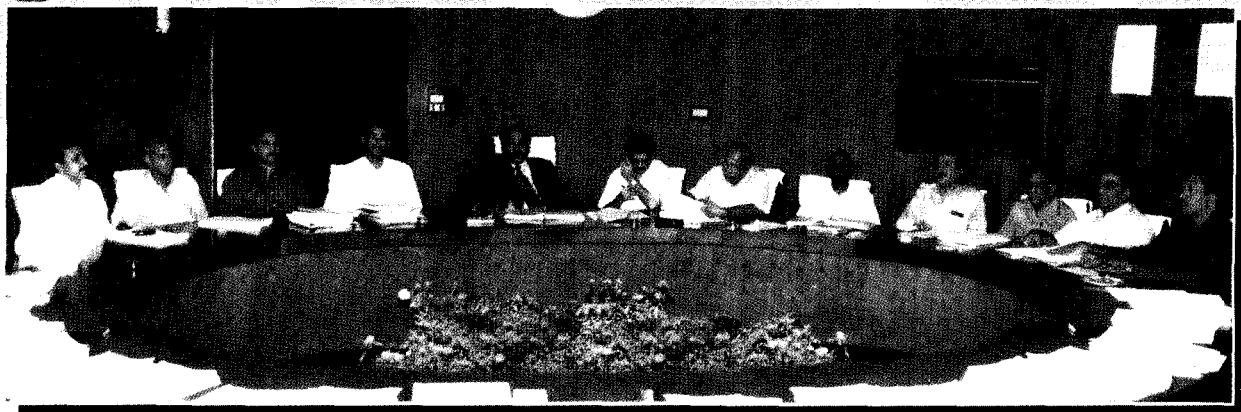
2002-2003



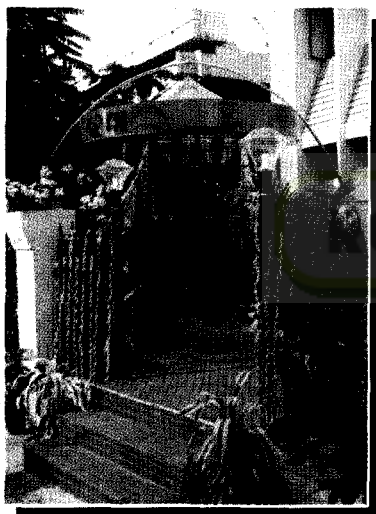
The Catholic Syrian Bank Limited



The Catholic Syrian Bank Limited



Board of Directors adopting the Annual Accounts for 2002 - 03



A view of the ATM
at Head Office premises



Inauguration of ATM facility at Head Office premises



Sri. O. Rajagopal, Union Minister &
Sri. N.R. Achan at the inauguration
of ATM at New Delhi



Sri.G. Gopalakrishna, Regional Director, RBI,
Thiruvananthapuram, lighting the lamp on
the occasion of the launch of e-age products



Sri. N.R. Achan, Chairman & Sri. Nani Javeri, CEO,
Birla Sun Life Insurance at the formalization
of Bancassurance tie-up

The Catholic Syrian Bank Limited

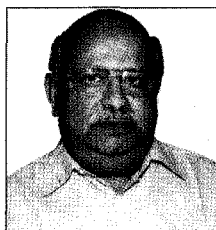
Registered Office : P.B. No. 502, "College View"
St. Mary's College Road,
Thrissur - 680 020.



BOARD OF DIRECTORS



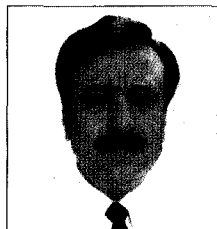
Sri. N.R. ACHAN
Chairman & CEO



Sri. K.R. THOMAS



Dr. A.M. MICHAEL



Sri. ASHOK KAPOOR



Sri. V. VENUGOPAL



Sri. C.F. JOE



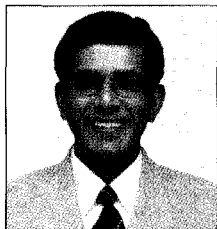
Sri. K. GEORGE SEBASTIAN



Sri. JOSE K. FRANCIS



Sri. R. SOUNDARARAJAN



Sri. TONY JOE PULIKKEN



Sri. GEORGE CHEMMANUR



Sri. S. PANCHAPAGESAN
(Additional Director - RBI Nominee)

EXECUTIVES

General Managers

Sri. Naganathan N.
Sri. Varghese P.C.

Deputy General Managers

Sri. Ramalingam R.
Sri. Srinivasan R.
Sri. Surendran C.
Sri. Iswardas V.P.

Assistant General Managers

Sri. Jacob C.J.
Sri. Jos V. Kavalakkat
Sri. Francis C.T.
Sri. Johnson M.D.
Sri. Thomas O.J.
Sri. Joseph Bernard Mathew
Dr. Girdharan U.R.
Sri. Baby Joseph Alappat
Sri. Jacob J. Arakkal
Sri. John Davis Thottan
Sri. Joseph T.B.R.
Sri. Paul Perincherry
Sri. Anto M.A.
Sri. Bhaskaran V.P.
Sri. Cherian George
Sri. Narayanan M.
Smt. Tessy Sebastian
Sri. Joseph C. Varghese
Sri. George Thomas Thengummoottil

Company Secretary

Sri. Mohana Kumar K.P.



The Catholic Syrian Bank Limited

Chairman's Message

Every one associated with the Catholic Syrian Bank family has all reasons to cheer about the progress achieved by the Bank during the year ended 31st March, 2003. Net profit has increased to a record level of Rs.45.16 crores from Rs.37.12 crores the year before. Capital to Risk Assets Ratio (CRAR) as on 31.03.2003 as per the audited returns is 9.66% as against 9.57% as at the end of the previous year. As per the latest Reserve Bank of India guidelines regarding the inclusion of Investment Fluctuation Reserves in Capital Funds, CRAR now stands strengthened to 10.58%. Net NPA level has declined substantially to 7.90% from 9.92% as at the end of the previous year.

Moreover, the Bank has been launched into an altogether different orbit of growth and progress. The gross total business has crossed Rs.5000 crores, which is the first milestone of the plan "Resolve 2004-05" which envisages a total business of Rs.10000 crores by the end of the year 2004-05. The Bank has brought out a slew of e-age products for fast collection, electronic fund transfer and any branch banking. Two ATMs with inter-connectivity have already been commissioned at New Delhi and Thrissur. We will be installing 48 more ATMs during the current year. Plans are afoot to open branches at centres like Greater Kailash-New Delhi, Chandigarh, Faridabad, Ludhiana, etc. These branches will definitely expand the reach of the Bank and add more colour to its national character.

With a view to widening the service lines and income streams, the Bank has already forayed into Bancassurance by concluding a tie-up with Birla Sun Life Insurance Company for the life insurance business. Reports indicate that the initial market response to this venture is highly encouraging. Entry into the non-life insurance sector is in the offing.

Business plan of the Bank for the current year lays stress on its traditional strengths – expanding the retail business base. Towards achieving this goal, interest rates on Housing Loans, Motor Vehicle Loans, Advances to Retail Traders, etc. have considerably been reduced in tune with the market trends. On the deposits front, the strategy is to increase the low cost deposits so that the cost of funds can be further brought down.

Thus for the Bank it has been a fructifying journey in pursuit of excellence. Having charged ourselves to beat our own records, we cannot now look back but only gallop to the victory post. On 27th June, 2003 I will be entering into the third year of my togetherness with the CSB family, and I thank all my fellow-travellers in the Bank in this journey towards excellence.

I also place on record my immense gratitude to the Reserve Bank of India for their guidance and support. My thanks are also due to the shareholders, bondholders, customers, well-wishers and directors for their patronage and support.

N.R. ACHAN

Chairman

7th June, 2003

The Catholic Syrian Bank Limited

Registered Office : Thrissur



Directors' Annual Report – 2002-'03

The Directors are pleased to present the 82nd Annual Report together with the audited Balance Sheet and Profit and Loss Account of the Bank for the year ended 31st March 2003.

NATIONAL ECONOMIC PERFORMANCE

Despite the continuing sluggishness in global economic recovery, the country registered a real growth of 4.4% in GDP, net of inflation, for the year 2002-'03. The growth rates of industry at 5.8% and services at 7.1% were encouraging while the exports grew by a healthy 20.4%. The rate of inflation remained benign for most part of the year though it touched a high of 6% by the end of the financial year from less than 2% at the beginning of the year. The price situation remained more or less under control. The annual growth in money supply (M3) was 15%, which is marginally higher compared to the previous year growth of 14.2%. The Country's forex reserves crossed US \$ 75 bn, which marked the highest ever build up of US \$ 21.3 bn in a single year.

THE BANK'S PERFORMANCE

As on 31st March 2003, the Bank's deposits stood at Rs. 3506 crores as against Rs. 3191 crores as on 31st March 2002, registering an increase of 9.87% (previous year increase 14.95%). The low cost deposits constituted 20.82% of the total deposits. The total NRI deposits increased to Rs. 1165 crores from Rs. 1077 crores as on 31st March 2002, which constituted 33.23% of the total deposits of the Bank. The average cost of deposits for the year was brought down to 7.61% from 8.59% for the previous year.

As on 31st March 2003, the Bank's total advances stood at Rs. 1471 crores as against Rs. 1211 crores as on 31st March 2002, registering an increase of 21.45%. Total priority sector deployment was Rs. 391 crores, which is 32.27% of the adjusted net bank credit. The average yield on advances for the year was 10.82% (Previous year 11.75%). With added thrust on retail advances, the Bank's Credit Deposit Ratio (after netting interest suspense and provisions) improved to 41.95% from 37.94% as on 31st March 2002.

As on 31st March 2003, the Bank's total investments stood at Rs. 1809 crores showing an increase of 33.30% over the previous year figure of Rs. 1357 crores. Total income from treasury operations for the year amounted to Rs. 274 crores as against Rs. 226 crores for the previous year, registering an increase of 21.24%. The average yield on investments for the year was 9.80% as against 11.09% for the previous year.

WORKING RESULTS AND APPROPRIATIONS

In operational performance, the Bank could post excellent results during the year under report. The Bank's total income increased to Rs. 472 crores from Rs. 436 crores for the previous year. The operating profit for the year recorded an impressive increase of 23.58% from Rs. 90.44 crores for 2001-'02 to Rs. 111.77 crores for 2002-'03. The Bank could also post an improved net profit of Rs. 45.16 crores for the year, after making the requisite and necessary provisions under the Prudential Accounting norms and other usual provisions apart from absorbing fully the compensation amount of Rs. 4.82 crores paid to employees retired under the Voluntary Retirement Scheme (VRS) and making up-to-date provision in full amounting to Rs. 14.47 crores towards liability on account of leave encashment entitlements of employees. With the balance of profit amounting to Rs. 0.23 crore brought forward from the previous year and transfer of Rs. 0.11 crore from Investment Fluctuation Reserve, the total amount available for appropriation is Rs. 45.50 crores from which the following appropriations have been made: -



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Capital Reserve	:	Rs. 0.80 crore
Statutory Reserve	:	Rs. 13.55 crores
General Reserve	:	Rs. 15.56 crores
Investment Fluctuation Reserve	:	Rs. 12.56 crores
Charity Fund	:	Rs. 0.04 crore,

leaving a balance of Rs. 2.99 crores to be carried forward to Balance Sheet for payment of dividend at the rate as may be approved.

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NET WORTH AND CAPITAL ADEQUACY

As on 31st March 2003, the net worth of the Bank stands increased to Rs. 116 crores. The Capital to Risk weighted Assets Ratio (CRAR) as assessed by the Bank as on 31st March 2003 is 9.66% as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. Taking into account the removal of ceiling on Investment Fluctuation Reserve for CRAR purposes, as announced in the Annual Credit Policy for the year 2003-'04, the CRAR of the Bank, subsequent to the Balance-Sheet date, stands further improved to 10.58%.

CREDIT & NPA MANAGEMENT

The Bank continued to adopt a cautious and restrictive strategy in the matter of credit expansion though thrust was given to retail and small segments. The Bank aims at promoting quality advances with minimum risk within the framework of the comprehensive credit policy adopted by it. The Credit Policy of the Bank is also being reviewed to make it in tune with the prevailing competitive environment in lending. The Bank continued its vigorous efforts for NPA recovery/reduction during the year. In the case of NPA advances above Rs. 2 lakhs, recovery proceedings were initiated under the Securitisation Act. Recovery suits filed in DRTs and other Civil Suits were being closely pursued. Out of Court compromise settlements of NPA accounts were also being encouraged within the framework of the comprehensive Recovery Policy adopted by the Bank. Equal stress was also being laid on arresting slippage of Performing Advances into impaired category, by timely monitoring and follow-up. The total NPA reduction for the year amounted to Rs. 57 crores as against Rs. 48 crores for the previous year. The percentage of net NPAs to net advances could be brought down to 7.90% as on 31st March 2003.

ASSET LIABILITY MANAGEMENT (ALM)

The ALM concept is put into effective use in the Bank. The Executive Level Committee (ALCO) meets regularly to analyse and review the structural liquidity and interest rate sensitivity positions and suggests corrective measures to rectify the mis-matches. The functioning of ALCO is supervised by a Sub-committee of the Board and periodical reports are submitted to the Board of Directors.

RISK MANAGEMENT

The concepts of Risk Management and Risk Based Supervision (RBS) are being implemented in the Bank in tune with the RBI guidelines. A Board level Risk Management Committee (RMC) has been constituted

The Catholic Syrian Bank Limited



Directors' Annual Report 2002 - '03

with a view to devise the policy and strategy for Internal Risk Management containing various risk exposures including Credit Risk. The Bank has undertaken an internal self-assessment and compilation of its own risk profile based on the standardised risk profile templates developed by RBI.

FOREX BUSINESS AND INTERNATIONAL BANKING

The Bank's total Forex business turnover was Rs. 5881 crores for 2002-'03 as against Rs. 4732 crores for 2001-'02. The total export bills turnover increased from Rs. 531 crores to Rs. 622 crores for 2002-'03. The total income from forex business for the year was low at Rs. 19.44 crores compared to Rs. 23.53 crores for the previous year mainly because of reduction in international interest rates and exchange margin.

To facilitate remittances by NRIs, during the year the Bank entered into Rupee/Draft drawing arrangements with 3 more Exchange Companies in the Middle East, taking the total number of Exchange Companies with which the bank has drawing arrangements to 8.

MARKETING OF INSURANCE PRODUCTS

As part of our strategy for augmenting fee-based income, and on the basis of the 'in principle' approval received from Reserve Bank of India, our Bank has entered into a tie-up arrangement with Birla Sun life Insurance Company Ltd. (BSLI) for distribution and marketing of their life insurance products under 'Corporate Agency' mode. The process of obtaining necessary licence from the Insurance Regulatory & Development Authority (IRDA) in this regard is under way. Arrangements for entering into marketing of general insurance products would be finalised in the current year. Setting up of the necessary infrastructure, training to staff and creation of a separate 'Insurance' Department at Head Office for the aforesaid business, are under process.

BRANCH NETWORK

During the year, the Bank opened 3 new branches by up-gradation of Extension Counters. One new Extension Counter was also opened. As on 31st March 2003, the Bank had 287 Branches, 42 Extension Counters and 8 Zonal Offices. The Bank has received permission from Reserve Bank of India for up-gradation of 2 more Extension Counters and for opening of 6 new branches in select centres.

INFORMATION TECHNOLOGY (IT)

Establishment of Business Intelligence System (BIS) through a Centralised Data Warehouse is in the final stages of completion with almost all the branches transmitting data to the Warehouse on a daily basis. Instant availability and access to the data will enable real time business monitoring and planning besides improving the MIS. The Bank's IT Department vigorously pursues implementation of the 'BIS' programme and other connected projects. At the branch level, efforts are being made to put in place single window concept.

Considering the importance of IT in present day banking, an IT Sub-Committee of the Board has been formed to advise the Management on the overall functioning of the Bank's IT Department and on implementation of the various IT related projects. The Committee shall also review the status of absorption of IT in the different operations and areas of the Bank's functioning and suggest measures to maximise the use of IT for better Customer Satisfaction, MIS and internal controls.

**CUSTOMER SERVICE**

Customer service remains the key to successful banking. With the implementation of the 'BIS' programme, the Bank could launch three e-age facilities viz. 'Casy-e-Money' (Any Branch Banking), 'Casy-e-Flash' (Electronic Fund Transfer) and 'Casy-e-Fast' (Fast Collection Service) which have been well received by the customers. The Bank has already installed 2 ATMs and more number of ATMs will be installed in select centres very shortly.

PERSONNEL

The Bank had a total staff strength of 2922 as on 31st March 2003 comprising 955 officers, 1415 clerks, 506 sub-staff and 46 permanent part-time employees. During the year, the Bank's Staff Training College and EDP Centre conducted 26 programmes exposing 749 of our staff at different levels to various trainings, while 154 employees participated in training programmes conducted by other Institutions/Agencies. The per employee business of the Bank improved to Rs. 164.94 lakhs from Rs. 140.98 lakhs as on 31st March 2002. During the year, the Bank introduced a one-time Voluntary Retirement Scheme (VRS) for employees above the age of 55 years and 111 employees have opted to retire under the scheme. The Bank is in the process of recruiting a total of 37 specialist officers in IT and Law specialities to strengthen the respective Departments.

HOUSE-KEEPING

The Bank attaches top priority to internal house-keeping, balancing of books and timely reconciliation, elimination and adjustment of items under Inter-Branch transactions, Clearing, Suspense Receipts, Advance Payments etc.

INSPECTION AND VIGILANCE

The Bank has in place a well chalked out system of Internal Inspection of branches and other offices, Surprise Inspections, visits by Zonal AGMs etc. As on 31st March 2003, 74 branches and 2 Head Office Departments are covered by Concurrent Audit by External Auditors covering 51% of the Deposits portfolio and 66% of the Advances portfolio. The Bank continues to exercise strict preventive vigilance at all levels.

CORPORATE GOVERNANCE

The Bank strives to adopt and implement the best Corporate Governance practices in the interest of all stakeholders. The Bank maintains utmost transparency at all levels. The Board of Directors of the Bank comprises twelve Directors, of which five Directors including the Chairman are Professional Directors, six Directors are Promoter Directors and one Director is a Nominee Additional Director appointed by the Reserve Bank of India. The Bank held 17 Board Meetings during the year under report. The Board of Directors is functioning in a professional and transparent manner. The Sub-committees of the Board in place and the number of meetings held are (i) Audit Committee - 11 Meetings (ii) Credit Committee - 16 Meetings (iii) Management Committee - 15 Meetings (iv) Shareholders'/Investors' Grievance Committee (formed on 02.07.2002) - 3 Meetings. To strengthen the Corporate Governance standards, the Bank has recently constituted three new Sub-committees of the Board viz. Information Technology Committee (formed on 27.03.2003), Risk Management Committee (formed on 17.03.2003) and Executives' Performance Review Committee (formed on 27.03.2003). Attendance of Board, Committee and General Meetings, by the Directors were regular. All the information as per statutory requirements and as per the approved Calendar of Items were placed before the Board/Committee Meetings.

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Resolutions put to General Body Meetings of Shareholders were decided on show of hands. There were no related party transactions in the Bank, which were material in nature. The compliance by the Bank of all Statutory and Regulatory requirements has been timely and upto date. The major means of communication with the shareholders are individual correspondence and newspaper releases. The Bank has adequate internal control systems and procedures in place. The Bank's shares/bonds are not listed on Stock Exchange. The Bank has in house system for transfer of shares/bonds. For Bonds in the demat form, the Bank has appointed S.K.D.C. Consultants Ltd., Coimbatore as Depository Registrar. The shares of the Bank are widely held. The instructions of the Reserve Bank of India with regard to Corporate Governance Standards are complied with to the extent applicable.

AUDIT COMMITTEE OF THE BOARD

The Audit Committee of the Board (ACB) in the Bank presently comprises four Directors including three elected Directors, viz. Sri.V.Venugopal, Sri.R.Soundararajan, Sri.Ashok Kapoor, and the RBI Nominee Director – Sri. S. Panchapagesan. The ACB discharges the functions laid down in the Companies Act, 1956 and those prescribed by the Reserve Bank of India apart from discharging those functions delegated by the Board of Directors from time to time. The ACB which had 11 meetings during the year, has been closely overseeing and monitoring the internal control systems and procedures, inspection and audit functions including follow-up and compliance of inspection/audit reports and interaction with the Auditors. The ACB acts as an effective tier to the Board in the matter of inspection, audit and internal control systems, and offers useful suggestions in the conduct and management of the business of the Bank.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state as under: -

- i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) The directors had selected such accounting policies and applied them consistently and made judgements 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;
- iii) The directors have taken proper and sufficient care for ensuring the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and/or the Banking Regulation Act, 1949 as are applicable, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- iv) The directors have prepared the Annual Accounts on a going concern basis.

AUDITORS

The Statutory Central Auditors M/s. Abraham & Jose, Chartered Accountants, Thrissur retire at the ensuing 82nd Annual General Meeting of the Bank, and are eligible for re-appointment.

AUDIT REPORT

Explanations for Auditors' comments in their Report:-



Auditors' Comments:

Sub-para (f)

- (i) Effect of items pending elimination in inter branch accounts, advance payments, clearing and suspense receipts etc:

Note No. 1 of the Notes on Accounts, in this regard is self-explanatory.

- (ii) Non-provision of disputed income-tax liability:

Note No. 3(a) of the Notes on Accounts, in this regard is self-explanatory.

- (iii) Non-provision of initial liability towards Gratuity Fund and Pension Scheme:

The initial net liability on account of Gratuity after setting up the Bank's own Gratuity Fund, is funded in 5 equal annual instalments as per terms and conditions of approval of the fund by the Income-tax Department [Accounting Policy No: 6(a)]. The initial net liability towards Pension Scheme is accounted over a period of 10 years, as per expert opinion, which is consistently being followed by the Bank. [Accounting Policy No: 6(c)].

- (iv) Recognition of income on IVPs, UTI Scheme:

For an even and equitable distribution of income over the period of the investments, the Bank is consistently following the method of income recognition on IVPs and UTI MIP (Growth Scheme) by apportioning the incremental face value/maturity value of the investments over the book value equally over the period of maturity (Accounting Policy No: 7).

BOARD OF DIRECTORS

Since the date of the last year's Report, the retiring director Sri. R. Soundararajan was re-appointed at the Annual General Meeting held on 30th July 2002. Sri. George Sebastian K and Sri. Jose K Francis, who vacated the casual vacancy appointments, were also re-appointed at the Meeting. Sri. Vincent Chemmanur vacated office on 20th January 2003 and in the resulting casual vacancy, Sri. George Chemmanur was co-opted to the Board on the same date.

Dr. K.A. Menon ceased to be Additional Director appointed by the Reserve Bank of India, effective from 21st February 2003 and in his place Sri. S. Panchapagesan was appointed by the Reserve Bank of India. Sri. M. Radhakrishnan ceased to be Alternate Additional director appointed by the Reserve Bank of India, effective from 1st April 2003 on account of his retirement from RBI service.

Directors Sri. K.R. Thomas, Dr. A.M. Michael and Sri. Ashok Kapoor retire by rotation at the ensuing 82nd Annual General Meeting and are eligible for re-appointment. Director Sri. Tony Joe Pulikken, who was appointed in casual vacancy, also vacates office at the ensuing Annual General Meeting by virtue of Sec. 262(2) of the Companies Act, 1956.

The Board place on record their high appreciation of the commendable services and guidance rendered by Sri. Vincent Chemmanur, Dr. K.A. Menon and Sri. M. Radhakrishnan.