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Annual Report
2003-2004



Catholic Syrian Bank



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Board of Directors adopting the Annual Accounts for 2003-04



Shri V. Krishnamurthy, Banking Ombudsman for Kerala and Lakshadweep, along with other dignitaries at the unveiling of the Bank's new logo & colour scheme on the 84th Foundation Day.

Chairman Shri N.R. Achan, handing over the keys of the vehicle sponsored by the bank towards the rural medical service programme of Jubilee Mission Medical College, Thrissur

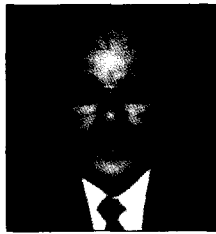


Catholic Syrian Bank



The Catholic Syrian Bank Limited
 Registered Office : P.B. No. 502, "College View"
 St. Mary's College Road, Thrissur - 680 020.
www.csb.co.in

BOARD OF DIRECTORS



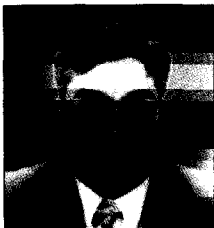
Sri. N.R. ACHAN
 Chairman & CEO



Sri. C.F. JOE



Sri. V. VENUGOPAL



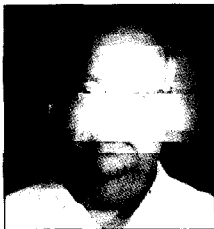
Sri. R. SOUNDARARAJAN



Sri. ASHOK KAPOOR



Dr. A.M. MICHAEL



Sri. K.R. THOMAS



Sri. TONY JOE PULIKKEN



Sri. GEORGE CHEMMANUR



**Dr. TONY JOHN
 AKKARA**



Sri. JOS C CHAKKO



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

EXECUTIVES

General Managers

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

Deputy General Managers / Zonal Managers

Sri. Ramalingam R.
 Sri. Sreenivasan R.
 Sri. Surendran C.
 Sri. Iswardas V.P.
 Sri. Francis C.T.
 Dr. Giridharan U.R.

Assistant General Managers / Zonal Managers

Sri. Jacob C.J.
 Sri. Jose V. Kavalakatt
 Sri. Johnson M.D.
 Sri. Thomas O.J.
 (Principal, Staff Training College)
 Sri. Joseph Bernard Mathew
 Sri. Baby Joseph Alappatt
 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. George Thomas Thengummoottil
 Sri. Joseph C. Varghese
 Sri. Narayanan M.
 Smt. Tessy Sebastian
 Sri. Poulose A.K.
 Sri. Sundaresan C.V.
 Sri. Vivekanandan K.K.

Company Secretary

Sri. Mohana Kumar K.P.

Chairman's Message

CSB's journey in pursuit of excellence is on course and I am extremely happy to report the robust performance of the Bank for the year ended 31st March 2004-the third year in succession. Details of the performance must add enchanting music to the ears of every CSB family member.

In fact, the sterling performance of the Bank for 2003-04 is a story of excellent team work and dedicated efforts backed by dogged determination and resilience of CSB team.

Net profit has increased to a record level of Rs.56.50 crore from Rs.45.16 crore the year before. The Capital to Risk Assets Ratio (CRAR) has, as per the audited accounts as on 31-03-04, improved to 11.23% as against the RBI stipulated ratio of 9.00%. The Net NPA level has declined to 4.65% of Net Advances as on 31-03-04. Further, Return on Assets has improved to 1.31%.

In November 2003, we adopted a NEW LOGO and Colour Scheme for the Bank, adding a new Brand Image to CSB and declaring our serious intent to be a national player. In that direction, we opened our branches at Greater Kailash in New Delhi, Chandigarh, Ludhiana, Noida and Faridabad. Our network has now 300 branches, 34 Extension Counters and 31 ATMs.

The Bank has entered into a tie-up with M/s. MoneyGram Inc; USA for providing money transfer service and introduced "Instant Cash Money Transfer System" of Wall Street Exchange Centre, LLC, Dubai. Performance of the Bank in Life Insurance distribution under the tie-up with M/s. Birla Sun Life Insurance Company has been very promising and under the same tie-up the Bank introduced two Savings Bank Account products; Viz; CSB Jeevan and CSB Punnya Yathra

About the Bank's future plans, we propose to increase the branch network to 350 by the end of December 2005, increase total business by Rs.1500 crore in 2004-05 and give thrust to the marketing and technology initiatives of the Bank. A new Product Development Centre has been set up at Chennai to strengthen the various computerization programmes of the Bank. Networking of branches using leased lines and VSATS will be the thrust area in the coming years in order to provide value added services like Anywhere Anytime Banking facilities. Internally, we have generated the right conditions to excel. The stakeholders of the Bank-the shareholders, bondholders customers and employees can definitely continue the journey with renewed vigour and commitment in order to fulfill the vision of CSB.

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

Let us make success a way of life.

15th May, 2004

N.R. ACHAN
Chairman

THE CATHOLIC SYRIAN BANK LIMITED

Registered Office : Thrissur.

Directors' Annual Report - 2003-'04

The Directors are pleased to present the 83rd Annual Report together with the audited Balance Sheet and Profit & Loss Account of the Bank for the year ended 31st March 2004.

NATIONAL ECONOMIC SCENARIO

With inflation at 4 to 4.5 per cent, the Country is banking on a record GDP growth of 8.1% for the 2003-'04 fiscal, which is primarily on account of the splendid growth in agriculture and allied sectors. The annual growth in Money Supply (M_3) was 16.4%. The Country's Forex reserves crossed US\$ 113 billion in end-March 2004 and it continues to be on the upswing. A combination of moderate inflation, declining interest rates and healthy capital market has set our Economy on the path of accelerated growth.

PERFORMANCE HIGHLIGHTS OF THE BANK

As on 31st March 2004, the Bank's deposits stood at Rs. 3880 crores as against Rs. 3506 crores as on 31st March 2003, registering an increase of 10.67% (previous year increase 9.87%). The share of low cost deposits to total deposits increased from 20.82% to 25.98%. The total NRI deposits stood at Rs. 1158 crores, which constituted 29.83% of the total deposits of the Bank. The average cost of deposits for the year was 6.41% as against 7.61% for the previous year.

As on 31st March 2004, the Bank's total advances stood at Rs. 1898 crores as against Rs. 1471 crores as on 31st March 2003, registering an increase of 29.07% (previous year increase 21.45%). Total priority sector deployment was Rs. 597 crores, which is 33.66% of the adjusted net bank credit. The average yield on Advances for the year was 10.19% (previous year 10.82%). The Bank's Credit Deposit Ratio (after netting interest suspense and provisions) improved to 48.92% from 41.95% as on 31st March 2003.

As on 31st March 2004, the Bank's total investments stood at Rs. 1819 crores showing a marginal increase of 0.53% over the previous year figure of Rs. 1809 crores. This is because of the conscious diversion of deployable funds from treasury to lending operations. Consequently, the total income from treasury operations for the year decreased marginally by 3.73% to Rs. 264 crores as against Rs. 274 crores for the previous year. The average yield on investments for the year was 8.92% as against 9.80% for the previous year.

WORKING RESULTS AND APPROPRIATIONS

On the operational front, the Bank could post excellent results for the year under report. The Bank's total income increased to Rs. 476 crores from Rs. 472 crores for the previous year while the total expenditure including provisions and contingencies decreased to Rs. 419 crores from Rs. 427 crores for the previous year. The operating profit for the year recorded an increase of 10.29% from Rs. 111.77 crores for 2002-'03 to Rs. 123.27 crores for 2003-'04. The Bank could also record an improved net profit of Rs. 56.50 crores for the year, after making the requisite and necessary provisions under the Prudential Accounting norms and other usual provisions and after absorbing in full the balance initial liability of Rs. 9.87 crores on account of Pension Scheme to employees. With the balance of profit amounting to Rs. 0.60 crore brought forward from the previous year, the total amount available for appropriation is Rs. 57.10 crores from which the following appropriations have been made: -

Directors' Annual Report 2003-'04

| | |
|--------------------------------|--------------------|
| Capital Reserve | : Rs. 0.28 crore |
| Statutory Reserve | : Rs. 16.95 crores |
| General Reserve | : Rs. 21.13 crores |
| Investment Fluctuation Reserve | : Rs. 15.68 crores |
| Charity Fund | : Rs. 0.05 crore, |

leaving a balance of Rs. 3.01 crores to be carried forward to Balance Sheet for payment of dividend.

DIVIDEND

The Board of Directors have recommended payment of a dividend at the rate of 25% for the year ended 31st March 2004, which has been approved by the Reserve Bank of India.

NET WORTH AND CAPITAL ADEQUACY

As on 31st March 2004, the net worth of the Bank stands increased to Rs. 172 crores. The Capital to Risk weighted Assets Ratio (CRAR) as assessed by the Bank as on 31st March 2004 is 11.23% as against the minimum CRAR of 9% stipulated by the Reserve Bank of India.

SUBORDINATED DEBT ISSUE

Under the general permission granted by the Reserve Bank of India, the Bank has, during the year under report, made issue of Unsecured Redeemable Non-convertible Subordinated Bonds in the nature of Debentures- "CSBL Bonds-2003" under Series-I and Series-II, aggregating Rs. 11.10 crores on private placement basis towards augmenting Tier-II Capital Funds and the allotments were made in the months of January and March 2004. The Directors thank all the subscribers to the Bond Issue.

CREDIT DISPENSATION AND NPA MANAGEMENT

With more emphasis on advances under retail and small segments, there was improved credit growth during the year without compromising on the quality of credit. In order to facilitate credit augmentation, the Bank has recently engaged 19 'Representatives - Retail Products' on contract basis at prominent centres particularly for marketing of Retail Products. The Bank's lending philosophy is governed by the comprehensive credit policy adopted by it, which is being periodically reviewed and attuned to the prevailing lending climate. The Bank has been very aggressive in the matter of NPA recovery/reduction. There was considerable progress in recovery through measures under SARFAESI Act, 2002. 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. The Credit Monitoring Department set up at Head Office ensures the health of advance accounts by pre-lending risk assessment of large advance proposals of Rs. 3 crores and above as well as by constant monitoring and follow-up of all irregular accounts for their timely up gradation and to prevent their slippage into the impaired category. The total NPA reduction for the year amounted to Rs. 65 crores as against Rs. 57 crores for the previous year. The percentage of net NPAs to net advances could be brought down substantially to 4.65% from 7.90% as on 31st March 2003.

ANNUAL REPORT 2003-2004**5****Directors' Annual Report 2003-'04****ASSET LIABILITY MANAGEMENT (ALM) AND RISK MANAGEMENT (RM)**

The technique of ALM is put to effective use in the Bank. The Asset Liability Committee (ALCO) meets regularly inter alia to analyse and review the structural liquidity and interest rate sensitivity positions and suggests measures to rectify the mismatches apart from addressing the issues relating to market risks. The functioning of ALCO is supervised by the Risk Management Committee (RMC) of the Board and periodical reports are submitted to the Board of Directors.

The Bank has in place a sound Risk Management structure. The Credit Risk Management Committee (CRMC) is functioning which addresses the issues relating to credit risks and is supervised by the RMC. The Bank has documented appropriate ALM and Risk Management policies. Moving towards the concept of Risk Based Supervision as per RBI guidelines, the Bank has started implementing Risk Based Internal Inspection and credit audit of large Individual/ Group advance exposures at branches. The Bank also undertakes internal self-assessment and compilation of its own overall 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. 7209 crores for 2003-'04 as against Rs. 5881 crores for 2002-'03. The total export bills turnover increased from Rs. 622 crores to Rs. 642 crores for 2003-'04. The total income from forex business for the year was Rs. 19.78 crores compared to Rs. 19.44 crores for the previous year.

To facilitate remittances by NRIs, during the year the Bank entered into Drawing Arrangements with 6 more Exchange Companies in the Middle East, taking the total number of Exchange Companies with which the bank has drawing arrangements to 14.

NEW BUSINESS ACTIVITIES

The Bank is already doing the marketing and distribution of life insurance products of Birla Sun Life Insurance Company Limited (BSLI) under Corporate Agency mode, as part of the strategy for augmenting fee-based income. The arrangement is progressing with satisfactory level of growth. Negotiations with New India Assurance Company Limited for marketing of their general insurance products are in advanced stages of finalisation. The Bank has also entered into a tie-up arrangement with Money Gram Inc., USA for providing money transfer service. Besides, the Bank also proposes to shortly enter into the business of marketing of various mutual fund products, issuance/marketing of credit cards etc. in association with reputed Mutual Funds/Banks. In view of the diversified activities and to have a more focussed approach, it has been decided to bifurcate the Planning & Development Department at Head Office into two Departments viz. 'Premises & Development Department' and 'Planning & Marketing Department'.

BRANCH EXPANSION

During the year the Bank opened 13 new branches, of which 8 were by up gradation of Extension Counters. As on 31st March 2004, the Bank had 300 branches, 34 Extension Counters and 8 Zonal Offices. Licences have already been obtained from RBI for opening of 2 new branches and up gradation of 4 more Extension Counters. These would be opened/upgraded very soon. The Bank has also identified 16 new centres for opening of branches during the current year and has decided to create a new Zone at New Delhi comprising branches in the Northern States and the Eastern State of West Bengal. The process of obtaining necessary RBI permission for the same is on.



Catholic Syrian Bank



Directors' Annual Report 2003-'04

LAUNCH OF NEW LOGO

The Bank's new logo, colour scheme and slogan were launched at a colourful function held on the 84th foundation day of the Bank on 26th November 2003. The new logo denotes harmony, stability and continuity and is reflective of the Bank's progressive nature and its urge to globalise the operations. The new logo is expected to boost up the image of the Bank in public perception in tune with its present standing and tradition.

INFORMATION TECHNOLOGY (IT)

Implementation of the Business Intelligence System (BIS) project continued during the year which is in the final stages of completion. Installation of modified versions of 'BIS' software has helped to improve quality of the data transmitted by branches to the Centralised Data Warehouse. As part of implementing the WAN (Wide Area Network) project, networking has been established at branches in 33 major cities/towns through leased lines and it has enabled more branches to provide Electronic Fund Transfer (EFT) and Any Branch Banking (ABB) facilities. In order to strengthen the Bank's computerisation programme, 30 professionally qualified IT officers were recruited during the year and have been given different assignments. System designing of software for Head Office Departments has been completed. The Bank is in the process of creating a Product Development Centre at Chennai under the IT Department. Besides, the Department has also embarked on a prestigious ATM project covering installation of 50 ATMs in the first phase, of which 32 ATMs have already been installed. The functioning of the Bank's IT Department and implementation of the various IT related projects are being closely monitored and guided by the Sub-Committee of the Board on IT.

CUSTOMER SERVICE

Customer service remains the in-thing in today's personalised Banking. Newer versions of software added to the 'BIS' programme and implementation of the 'WAN' project have enabled provision of better and wider services especially in the e-age facilities already available viz. Casy-e-Money, Casy-e-Flash and Casy-e-Fast. In the first phase covering 50 ATMs, the Bank has already installed 32 ATMS at select centres. Maximum attention is paid to quicker redressal of customer complaints and grievances. The Bank has implemented recommendations of the Goiporia Committee on customer service and progress of implementation is being closely monitored.

PERSONNEL

As a tool of employee motivation, during the year the Bank promoted 65 clerical staff to officers' cadre. A total of 116 officers in different grades were also promoted. The Bank also recruited 37 specialist officers in IT and Law specialities to strengthen the respective Departments. The Bank had a total staff strength of 2932 as on 31st March 2004 comprising 1041 officers, 1343 clerks, 506 sub-staff and 42 permanent part-time employees. During the year, the Bank's Staff Training College and EDP Centre conducted 34 programmes exposing 1146 of our staff at different levels to various trainings, while 171 employees participated in training programmes conducted by other Institutions/Agencies. The per employee business of the Bank improved to Rs. 182.16 lakhs from Rs. 164.94 lakhs as on 31st March 2003.



ANNUAL REPORT 2003-2004**7****Directors' Annual Report 2003-'04****INSPECTION AND VIGILANCE**

The Bank has in place a sound and well-structured system of inspection of branches and other offices. As on 31st March 2004, 81 branches and 2 Head Office Departments are covered by concurrent audit by External Auditors covering 50% of the Deposits portfolio and 70% of the Advances portfolio. The Bank exercises preventive vigilance at all levels. The Bank has also constituted a special Sub-committee of the Board for exclusive monitoring and follow-up of large value fraud cases, as per RBI directive though the instances of fraud cases are only very few.

CORPORATE GOVERNANCE

The Bank follows the best Corporate Governance practices in the interest of all stakeholders. Transparency is the kingpin of the Bank's Corporate Governance philosophy. The Board of Directors of the bank comprises twelve Directors including the Chairman & CEO and the Nominee Additional Director appointed by the Reserve Bank of India. Except the Chairman & CEO, the rest of the Directors are non-executive Directors. None of the Directors except the Chairman & CEO, was paid any remuneration other than the sitting fees for the meetings of the Board and the Committees attended by them. Further, the composition of the Board is in compliance with Sec. 10A(2) of the Banking Regulation Act, 1949. The Board of Directors is functioning in a professional and transparent manner.

There were 18 Board Meetings during the year under report. The Sub-committees of the Board in place and the number of meetings held are (i) Audit Committee - 11 Meetings (ii) Credit Committee - 18 Meetings (iii) Management Committee - 16 Meetings (iv) Shareholders'/Investors' Grievance Committee - 4 Meetings (v) Information Technology Committee - 16 Meetings (vi) Risk Management Committee - 10 Meetings (vii) Executives' Performance Review Committee - 4 Meetings and (viii) Committee on Large Value Frauds - Nil Meetings (constituted on 23.02.2004). 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.

Resolutions put to General Body Meetings of Shareholders were decided on show of hands. There was no related party transaction in the Bank, which was 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 five Directors including four elected Directors, viz. Sri. V. Venugopal, Sri. C.F. Joe, Dr.A.M. Michael, Dr. Tony John Akkara 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 inter-action 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' Annual Report 2003-'04**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, if any;
- 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 83rd Annual General Meeting of the Bank. They have been holding office as Statutory Central Auditors of the Bank for the last four consecutive years beginning from 2000-'01 and hence, are not eligible for re-appointment for the ensuing year 2004-'05 as per the RBI's policy of rotation and resting of Auditors. Appointment of new Auditors has to be made at the ensuing Annual General Meeting in place of the retiring Auditors.

The Board places on record their deep sense of appreciation of the valuable services rendered by M/s. Abraham & Jose, Chartered Accountants, Thrissur as the Statutory Central Auditors of the Bank.

AUDIT REPORT

Explanations for Auditors' comments in their Report: -

Auditors' Comments:

Sub-para (f)

- * Effect of items pending elimination in inter-branch accounts:
Note No. 1 of the Notes on Accounts, in this regard is self-explanatory.
- * Non-provision of disputed income-tax liability:
Note No. 2(ii) of the Notes on Accounts, in this regard is self-explanatory.

BOARD OF DIRECTORS

Since the date of the last year's Report, the retiring directors Sri. K.R. Thomas, Sri. Ashok Kapoor and Dr. A.M. Michael were re-appointed at the Annual General Meeting held on 18th September 2003. Sri. Tony Joe Pulikken who vacated the casual vacancy appointment, was also re-appointed at the Meeting. Sri. George Sebastian K and Sri. Jose K Francis vacated office on 21st October 2003 and 20th January 2004 respectively and in the resulting casual vacancies Dr. Tony John Akkara and Sri. Jos C Chacko respectively were co-opted to the Board effective from the said dates.