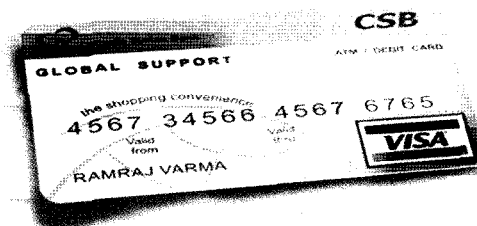


Annual Report
2004 - 2005



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Catholic Syrian Bank





Board of Directors adopting the Annual Accounts for 2004-05



General Manager (Operations) Sri. P.C. Varghese and other executives with the Prime Minister Sri. Manmohan Singh on the occasion of the handing over of the Bank's contribution for Tsunami relief to the Prime Minister's Relief Fund.

Chairman Sri. N.R. Achan and other dignitaries at the formalization of the Bank's tie-up with The New India Assurance Company Ltd.



The Catholic Syrian Bank Limited

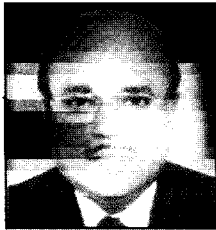
Registered Office : P.B. No. 502, "College View"

St. Mary's College Road, Thrissur - 680 020.

Telephone : 0487-2333020

www.csb.co.in

BOARD OF DIRECTORS



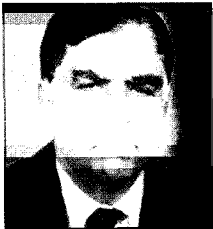
Sri. N.R. Achan
Chairman & CEO



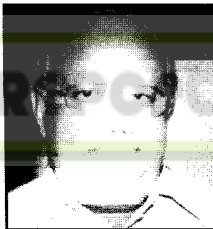
Sri. R. SOUNDARARAJAN



Sri. ASHOK KAPOOR



Dr. A.M. MICHAEL



Sri. K.R. THOMAS



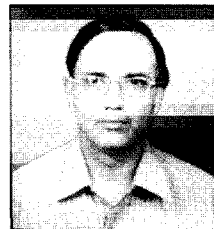
Sri. TONY JOE PULIKKEN



Sri. GEORGE CHEMMANUR



Dr. TONY JOHN AKKARA



Sri. S. SWAMINATHAN



Sri. C.F. JOHN



Sri. M. SANJAYA
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. Poulouse A.K.

Sri. Sundaresan C.V.

Sri. Vivekanandan K.K.

Company Secretary

Sri. Mohana Kumar K.P.



Catholic Syrian Bank



Chairman's Message

The financial year 2004-05 presented a canvas of diverse colours, both bright and sober. The interest rate cycle, after reaching historically low levels in the previous years, took an unexpected upward turn during the year, heralding a shift to a bearish phase for the bond market. Sensing further hardening of yields in the bond market and consequent valuation losses, we transferred Rs. 794.38 crores of investments in HFT & AFS categories to HTM category on 11.09.2004, thereby insulating the portfolio from further depreciation. Besides this, a redeployment of funds from investments to advances was initiated. Recovery of Non-Performing loans was given added thrust and new avenues for fee based income explored. The combined effect of these proactive measures has enabled us to post a double-digit profit of Rs. 10.66 crore, which is a commendable achievement in the prevailing scenario.

As on 31.03.05, the bank's Capital Adequacy ratio was at an all time high of 11.35%. It is remarkable that the same has been achieved despite a growth of about Rs. 400 crore in advances during the year. The year 2004-05 also recorded the lowest Net NPA % in the history of the bank at 3.80%.

*We foresee the year ahead for us to be promising and fruitful. In line with our technology initiatives to enhance customer value, we have tied up with **VISA**, for issue of Debit cards which can be used around the globe. Stretching our resolve to enhance customer convenience we plan to add 26 more ATMs immediately.*

In my message to you last year, I had placed on record our serious intent to be a national player. In tandem with our intentions we have commenced business at Jaipur, Margao and Gurgaon besides upgrading Extension Counters at metros and other cities. Opening of branches at Jalandhar, Bhubaneswar etc is also on the anvil.

The forthcoming Basel II regime puts a premium on Retail and Small & Medium Scale Enterprises and we are putting extra focus on this segment where we have traditional strengths. We look forward to a smooth changeover to the Basel II regulatory regime.

I take this opportunity to thank the Reserve Bank of India for their continued guidance and support. I also extend my gratitude to my colleagues in the Board, shareholders, bondholders, customers, employees and well wishers for their patronage and support.

N.R.ACHAN
Chairman

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THE CATHOLIC SYRIAN BANK LIMITED

Registered Office: Thrissur

Directors' Annual Report - 2004 - '05

The Directors are pleased to present the 84th Annual Report together with the audited Balance Sheet and Profit & Loss Account of the Bank for the year ended 31st March 2005.

MACROECONOMIC SCENARIO

With real GDP growth at 6.9% in 2004-'05, the Country's macroeconomic performance turned out to be strong. Inflationary conditions firmed up in 2004. The rate of inflation was hovering around 5% in March '05 whereas the average rate of inflation for the year was 6.40%. The annual growth in Money Supply (M3) was 12.8%. The Country's Forex reserves rose to US\$ 141.5 billion as on March 31, 2005. Stage is set for the Economy to grow at a faster pace during the current fiscal.

THE BANK'S PERFORMANCE

As on 31st March 2005, the Bank's deposits stood at Rs. 4021 crores as against Rs. 3880 crores as on 31st March 2004, registering a nominal increase of 3.63% (previous year increase 10.67%). The share of low cost deposits to total deposits was 26.95% (previous year 25.98%). The total NRI deposits stood at Rs. 1027 crores, which constituted 25.55% of the total deposits of the Bank. The average cost of deposits for the year was 5.45% as against 6.41% for the previous year.

As on 31st March 2005, the Bank's total advances stood at Rs. 2289 crores as against Rs. 1898 crores as on 31st March 2004, registering an increase of 20.60% (previous year increase 29.07%). Total priority sector deployment was Rs. 814 crores, which was 33.01% of the adjusted net bank credit. The average yield on Advances for the year was 9.39% (previous year 10.19%). The Bank's Credit Deposit Ratio (after netting interest suspense and provisions) improved to 56.93% from 48.92% as on 31st March 2004.

As on 31st March 2005, the Bank's total investments stood at Rs. 1323 crores as against Rs. 1819 crores as at the end of the previous year. The excess SLR investment were offloaded with a view to shift the deployable funds from Investments to lending. The Bank's strategy was to have a balanced investment portfolio while focussing more on core business of banking. The average yield on investments for the year was 7.97% as against 8.92% for the previous year.

WORKING RESULTS AND APPROPRIATIONS

In the backdrop of hardening of interest rates and inspite of fall in value of investments and the resultant negative impact on income, the Bank could post satisfactory results for the year under report. The Bank's total income decreased to Rs. 414 crores from Rs. 476 crores for the previous year while the total expenditure including provisions and contingencies decreased to Rs. 404 crores from Rs. 419 crores for the previous year. The Bank's total income from treasury operations for the year was Rs. 164 crores as against Rs. 274 crores for the previous year. The total income from other banking operations increased to Rs. 250 crores from Rs. 202 crores for the previous year. The operating profit for the year was Rs. 78.58 crores as against Rs. 123.27 crores for the previous year. The Bank could record a net profit of Rs. 10.66 crores for the year, after making the requisite and necessary provisions under the Prudential Accounting norms and other usual provisions. With the balance of profit amounting to Rs. 12380/- brought forward from the previous year and write back of excess amount available in Investment Fluctuation



Catholic Syrian Bank



Directors' Annual Report - 2004 - '05

Reserve amounting to Rs.32.49 crores, the total amount available for appropriation is Rs.43.14 crores from which the following appropriations have been made: -

Capital Reserve	Rs. 4.05 crores
Statutory Reserve	
– From Current year 's profit : Rs. 2.66 crores	
– Draw down from IFR : Rs.32.49 crores	Rs. 35.15 crores
General Reserve	Rs. 1.32 crores
Investment Fluctuation Reserve	Rs. 0.77 crore
Charity Fund	Rs. 0.01 crore
Proposed Dividend (including Dividend Tax)	Rs. 1.83 crores

leaving a balance of Rs. 0.01 crore to be carried forward to Balance Sheet.

DIVIDEND

As per the general permission granted by the Reserve Bank of India vide Circular No. DBOD.No.BP.BC.88/21.02.067/2004-05 dated May 4, 2005, the Board of Directors have recommended payment of a dividend of 15 (Fifteen) percent on equity shares for the year ended 31st March, 2005. The dividend is tax-free in the hands of the recipients.

NET WORTH AND CAPITAL ADEQUACY

As on 31st March 2005, the net worth of the Bank stands increased to Rs. 185 crores. The Capital to Risk weighted Assets Ratio (CRAR) as assessed by the Bank as on 31st March 2005 is 11.35% as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The CRAR works out to 11.13% even after considering Capital charge for Market Risk on AFS category Investments which has been prescribed mandatory by RBI only from 31st March 2006.

SUBORDINATED DEBT ISSUE

As per the general permission granted by the Reserve Bank of India, the Bank, during the year under report, made issue of Unsecured Redeemable Non-convertible Subordinated Bonds in the nature of Debentures– 'CSBL Bonds-2004 (Series-I)' and 'CSBL Bonds-2004 (Series-II)', aggregating Rs. 41.70 crores on private placement basis towards augmenting Tier-II Capital Funds and the allotments were made in the months of June and November 2004. These Bonds were listed on the National Stock Exchange of India Limited (NSE). The issue of CSBL Bonds-2004 (Series-II) amounting to Rs. 31.70 crores was rated 'A' by CARE. Instruments with this rating are considered upper medium grade instruments and have many favourable investment attributes indicating adequate safety for principal and interest. During the year, the Bank also redeemed on maturity Subordinated Bonds aggregating Rs. 16.60 crores earlier issued in the year 1999 (CSBL Bonds-1999).

REVALUATION OF FIXED ASSETS

In order to represent the true value of immoveable assets owned by the Bank, the Bank undertook revaluation of Land and Buildings by professional valuer, as on 31st March, 2005. The total value of Land and Buildings revalued as per the valuation is Rs.25.51 crores as against their book value of Rs.15.32 crores. The appreciation on revaluation amounting to Rs.10.19 crores stands credited to Revaluation Reserve Account.



Catholic Syrian Bank



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Directors' Annual Report - 2004 - '05**CREDIT AND NPA MANAGEMENT**

The Bank continued its focus on lending to retail and small segments under competitive pricing. The Bank exercises constant vigil on asset quality. All credit exposures of Rs. 300 lakhs and above are subjected to internal credit rating and risk evaluation. About 65% of the Bank's ratable net credit exposure is covered by internal credit rating. There is constant improvement in credit quality. The Bank's credit policy is being periodically reviewed and attuned to suit the prevailing lending climate.

The bank continued its aggressive NPA recovery campaign during the year within the framework of the Recovery Policy adopted by the Bank. Compromise settlement of NPA Accounts and recovery steps taken under the SARFAESI Act, 2002 have yielded tangible results. The total NPA recovery for the year amounted to Rs. 73 crores as against Rs. 65 crores for the previous year. The percentage of net NPAs to net Advances could be brought down to 3.80% from 4.65% as on 31st March, 2004.

ASSET LIABILITY MANAGEMENT (ALM) AND RISK MANAGEMENT (RM)

Asset Liability Management is gaining increased role in the Bank's day-to-day operations particularly in determining interest rates on deposits and advances, investment portfolio evaluation and management. The Asset Liability Committee (ALCO) meets regularly, analyses and reviews the liquidity and sensitivity positions and suggests suitable corrective measures to rectify the mismatches. The Risk Management Committee (RMC) is the central pillar of the Bank's Risk Management structure. The Bank has well-documented ALM and Risk Management Policies. Going by the concept of Risk Based Supervision (RBS), the Bank is implementing Risk-Based Internal Audit (RBIA) and Credit Audit. The Bank introduced RBIA in selected 50 branches side by side with the regular Internal Inspection exercise. A Risk Based Internal Audit Policy is under finalisation. 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. 7441 crores for 2004-'05 as against Rs. 7209 crores for the previous year. The total export bills turnover increased from Rs. 642 crores to Rs. 714 crores for 2004-'05. The total income from forex business for the year was Rs. 19.72 crores compared to Rs. 19.78 crores for the previous year. The Bank entered into Drawing Arrangement with one more Exchange Company in the Middle East during the year under report, taking the total number of Institutions with which the Bank has drawing arrangements, to 17 (2 Banks and 15 Exchange Houses).

NEW BUSINESS ACTIVITIES

The Bank has tie up arrangements with Birla Sunlife Insurance Company Limited (BSLI) and New India Assurance Company Limited for marketing of their life insurance and general insurance products respectively. The arrangements are progressing with satisfactory level of growth and income generation. The Bank has also tied up with SBI Mutual Fund for marketing of their mutual fund products. The Bank provides money transfer services in tie up arrangements with Wall Street Finance Ltd. and Money Gram Inc., USA. The Bank has also finalised similar arrangements with UAE Exchange and Financial Services Ltd. The Bank has tied up with VISA for issue of VISA Debit Card. Negotiations are progressing with reputed Banks for issue of co-branded credit cards.



Catholic Syrian Bank



Directors' Annual Report - 2004 - '05**BRANCH EXPANSION**

During the year, the Bank opened 6 new branches, of which 4 were by up-gradation of Extension Counters. Besides, a new Zonal Office at New Delhi, a Product Development Centre (IT) at Chennai and a RTGS Centre at Mumbai were also opened. As on 31st March 2005, the Bank had 306 branches, 30 Extension Counters and 9 Zonal Offices. Licences have been obtained from RBI for opening of 8 new branches, of which three new branches at Margao, Gurgaon and Mancheri have since been opened. The remaining branches also will be opened shortly. Besides, the Bank has identified 23 potential centres for opening of new branches for which the licensing formalities are being pursued.

INFORMATION TECHNOLOGY (IT)

As part of expanding the Wide Area Network, during the current year, 7 branches, 2 Service Branches, 6 Zonal Offices and IBD have been brought into the network. Installation of all the 50 ATMs planned has been completed. The Bank is in the process of commissioning more ATMs during the year. As part of increasing the ATM customer base, 20 more branches will be brought under the ATM network very soon. With this, the number of ATM networked branches will increase to 101. A product Development Centre has been set up in Chennai in June 2004 with a view to develop in-house the software required by the bank. A team of professionally qualified officers posted at the Centre has developed a software to automate the functioning of the departments at the Head Office. The software implementation is under way. The Bank is in the process of computerising the activities of Zonal Offices for which system study has been completed. The RTGS Centre set up by the Bank in Mumbai went live since August 2004. All the inter-bank settlements are done through RTGS and for facilitating customer transactions, 11 branches have been enabled for customer transactions. The Board of Directors have adopted a comprehensive IT Policy, which encompasses MIS Policy also. Functioning of the Bank's IT Department and implementation of various IT related projects are being closely monitored and guided by the Sub-committee of the Board for IT. The Bank has positioned itself ready for implementation of pilot project of cheque truncation for the purpose of clearing operations announced by the Reserve Bank of India.

CUSTOMER SERVICE

In a service oriented industry like Banking, customer service is the key to success. The Bank aims and attempts to provide the best in service to its clientele. The e-age facilities already offered by the Bank viz. Casy-e-Money, Casy-e-Flash and Casy-e-Fast have been made more customer friendly by adding new versions of software to the existing programme. There is also a mechanism in place for prompt and quick redressal of customer grievances. The recommendations of the Goiporia Committee on Customer Service have been implemented by the Bank. The Bank has constituted a Sub-committee of the Board on Customer Service as well as an Ad-hoc Committee at the Executive level, to bring about ongoing improvements in the quality of customer service provided and for improving the level of customer satisfaction for all categories of clientele. The Bank has also formed an Advisory Council viz. "Honorary Advisory Council of CSB" drawing eminent persons from the society, to advise the Board and Management on specific matters relating to business, operations and customer service.

PERSONNEL

To boost employee morale and as a tool of motivation, during the year, the Bank promoted 32 sub-staff to clerical cadre and 61 clerical staff to officers' cadre. A total of 105 officers in different grades were also promoted. The Bank had a total staff strength of 2900 as on March 31, 2005 comprising 1027 officers, 1368 clerks, 468 sub-staff



Catholic Syrian Bank



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Directors' Annual Report - 2004 - '05

and 37 permanent part-time employees. During the year, the bank's Staff Training College and EDP Centre/Product Development Centre (IT) conducted 43 programmes exposing 1053 of our staff at different levels to various trainings, while 157 employees participated in training programmes conducted by other Institutions/Agencies. The per employee business of the Bank improved to Rs. 215.97 lakhs from Rs. 182.16 lakhs as on 31st March, 2004. The Bank has also formulated a Human Resource Management Policy governing selection, recruitment, training, promotion etc. of staff members.

INSPECTION AND VIGILANCE

Internal Inspection of branches and other offices is conducted according to the prescribed periodicity. As on 31st March, 2005, 82 branches and 2 Head Office Departments are brought under the purview of concurrent audit by External Auditors covering 51% of the Deposits Portfolio and 63% of the Advances Portfolio. In the computerised environment, the Bank has also formulated an Information System Audit Policy. The Bank exercises preventive vigilance at all levels. There is a special Sub-committee of the Board for exclusive monitoring and follow-up of large value fraud cases, if any.

CORPORATE GOVERNANCE

The Bank follows the best Corporate Governance practices founded on the principle of transparency, in the interest of all stakeholders. The Board of Directors of the bank presently comprises eleven 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.

Based on the Ganguly Committee Report on Corporate Governance in Banks and as per advice of the Reserve Bank of India, the Bank has formed a Nomination Committee of the Board for conduct of due diligence on appointment/continuation of appointment of Directors on the Board as per RBI guidelines. The prescribed due diligence exercise has been carried out by the Bank in respect of all Directors holding office as on 31st March, 2005.

There were 17 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 - 13 Meetings (ii) Credit Committee - 21 Meetings (iii) Management Committee - 20 Meetings (iv) Shareholders'/Investors' Grievance Committee - 4 Meetings (v) Information Technology Committee - 15 Meetings (vi) Risk Management Committee - 10 Meetings (vii) Executives' Performance Review Committee - 1 Meeting (viii) Committee on Large Value Frauds - 5 Meetings (ix) Nomination Committee - 5 Meetings and (x) Customer Service Committee - 1 Meeting. 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 Meeting of Shareholders were decided on show of hands. 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 are not listed on Stock Exchange. Bonds issued by the Bank [CSBL Bonds-2004 (Series-II)] are listed on National Stock Exchange of India Limited (NSE). 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.



Catholic Syrian Bank



Directors' Annual Report - 2004 - '05

Though not mandatory on the Bank, the Bank has adopted most of the Corporate Governance practices specified in clause 2.18 of the listing agreement for Bonds with NSE.

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. S. Swaminathan (Chartered Accountant – Chairman of the Committee), Dr. A.M. Michael, Dr. Tony John Akkara and the RBI Nominee Director – Sri. M. Sanjaya. 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 13 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, 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. Patel Mohan Ramesh & Co, Chartered Accountants, Chennai retire at the ensuing 84th Annual General Meeting of the Bank, and are eligible for re-appointment.

BOARD OF DIRECTORS

Since the date of the last year's Report, Sri. V. Venugopal vacated office on 10th August, 2004 and in the resulting casual vacancy, Dr. K.A. Menon was co-opted to the Board on 7th September, 2004. At the Annual General Meeting held on 24th September, 2004, Dr. K.A. Menon ceased to be a Director by virtue of Sec. 262(2) of the Companies Act, 1956. Retiring Director Sri. C.F. Joe was re-appointed at the Annual General Meeting. Director Sri. George Chemmanur who vacated the casual vacancy appointment, was also re-appointed at the Meeting. Sri. Jos C. Chakko who was holding casual vacancy appointment, vacated office on 15th October, 2004. Sri. S. Swaminathan and Sri. C.F. John were co-opted to the Board as Additional Directors u/s 260 of the Companies Act, 1956 effective from 19th January, 2005 and 8th February, 2005 respectively. Upon completing the continuous tenure of 8 years on the Bank's Board, Sri. C.F. Joe vacated office on 10th February, 2005 and Shri.R.Soundararajan vacates office on 16th June, 2005.



Catholic Syrian Bank

