



*CSB... Support all the way*



Board of Directors of the Bank



Tamilnadu Deputy Chief Minister  
Shri. M.K. Stalin flagging off  
the Bank's mobile ATM on  
the occasion of World Tamil  
Conference at Coimbatore

## The Catholic Syrian Bank Limited

Registered Office : P.B. No.502, CSB Bhavan  
St.Mary's College Road, Thrissur - 680 020.  
Telephone : 0487 - 2333020  
www.csb.co.in

### BOARD OF DIRECTORS



**Sri. V.P. ISWARDAS**  
Managing Director & CEO



**Sri. AJAY LAL**



**Sri. S. SWAMINATHAN**



**Sri. PRAKASH G. TOLE**



**Sri. C.F. JOHN**



**Sri. JOS C. CHAKKO**



**Sri. C.K. GOPINATHAN**



**Sri. N.R. ACHAN**



**Sri. S. SANTHANAKRISHNAN**



**Sri. K. IPE PETER**



**Sri. T.S. ANANTHARAMAN**



**Sri. SUMEER BHASIN**



**Sri. RAKESH MATHUR**  
Addl. Director  
RBI Nominee



**Sri. G. SREEKUMAR**  
Addl. Director  
RBI Nominee

### EXECUTIVES

#### GENERAL MANAGERS

Dr.Giridharan U.R.  
Sri Francis C.T.  
Sri Jacob J. Arakal

#### DEPUTY GENERAL MANAGERS/ ZONAL MANAGERS

Sri.Joseph Bernard Mathew  
Sri.Paul Perincherry  
Sri.Cherian George  
Sri.Joseph C.Varghese  
Sri. Ajith Prabhakar  
Sri. Antony P.V.  
Sri. Bhaskaran V.P.  
Sri. Radhakrishnan A.  
Sri. Abdul Rahiman A.

#### ASSISTANT GENERAL MANAGERS/ ZONAL MANAGERS

Sri Narayanan M.  
Smt.Tessy Sebastian  
Sri.Paulose A.K.  
Sri. Mohan Menon T.  
Sri. Poulose K.C.  
Sri.Vincy Louis Palliserry  
Sri.Achuthan M.  
Sri.Baby P.V.  
Sri.Joseph A.J.  
Sri.Paul George P.  
Sri. Chacko George Veerampully  
Sri. Davies M.P.  
Sri. Ganesan V.  
Sri. Kurian George  
Sri. Paul C.J. (Manathil)  
Sri. Subodh Chandra Mishra  
Sri Surendranadh P.V.  
Sri Varghese E.O.

#### COMPANY SECRETARY

Sri. Sijo Varghese



Catholic Syrian Bank



## From the CEO's Desk



Dear Shareholders,

This is my first address to you as MD & CEO of this illustrious institution and let me at the outset thank you for giving me this opportunity. I assure you of my dedication to our guiding principles of integrity and quality in customer service, innovation in everything we do and commitment to add value to shareholders.

2009-10 had been a tumultuous year for the bank and we had to face a plethora of challenges, both micro and macro, to stay in business and continue uninterrupted our 90 year old passion for serving our customers better and better. Against all odds, we could grow our loan book by 21.26% while containing our Net NPAs to 1.58%. Overall business grew by Rs. 1400 crores. Aided by these factors, we could preserve the bank's uncommon legacy of profitability since inception.

Foundations for future profitable growth are well in place. Looking forward, our focus will be to secure both top line and bottom line growth without compromising on asset quality. We are targeting a quantum leap in the business volumes by 31.03.2011 so as to attain the required critical mass.

In 2010-11, our branch expansion strategy is geared towards expanding our geographical reach in Central and Northern India. On Convenience Banking front, we will be offering internet and mobile banking services to our customers. As to new delivery channels, apart from 49 new offsite ATMs in metro, urban and semi-urban centres, we will be opening banking kiosks and POS terminals.

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

V.P. Iswardas

Managing Director & CEO



Catholic Syrian Bank



# The Catholic Syrian Bank Limited

(Registered Office : Thrissur)

## DIRECTORS' REPORT

**Dear Members,**

Your Directors have great pleasure in presenting the Eighty ninth Annual Report of your Bank with the audited Balance Sheet and Profit & Loss Account for the financial year ended March 31, 2010.

### ECONOMIC ENVIRONMENT

The impact of the global economic crisis which felt throughout the financial year 2008-09 with growth slowing down in all economies including India had passed off and a global economic recovery is under way. The international economic situation had improved in the financial year 2009-10, most economies exhibiting acceleration in recovery on the background of revival in world trade and industrial production due to the large unprecedented interventions by governments. The speed of global recovery, however, now seems to be multi-paced, led by the Emerging Market Economies (EMEs), especially those in Asia. Going forward, both advanced and emerging market economies are expected to exhibit stronger recovery in 2010, though the speed would remain divergent across the countries. Stronger economic frameworks and rapid policy responses have helped many emerging economies to mitigate the impact of the unprecedented external shocks.

Despite the signs of renewed activity in all fields, the prospects of economic recovery in Europe is now clouded by the acute fiscal strains in some countries. Inflation in major advanced economies is still moderate as the output gap persists and unemployment remains high.

### INDIAN ECONOMY

Indian economy witnessed improvement with the recovery seen in the global economy as reflected in the turnaround in industrial output, service sector, exports, buoyancy in capital inflows and further accretion to the country's foreign exchange reserves. The recovery and resilience shown by the Indian economy during this period was a broadbased one, reflecting the buoyant growth prospects of the Indian economy. The combination of a stable and sound financial system, effective regulatory oversight and a prompt and appropriate policy stimulus response helped the economy to withstand much of the adverse impacts of the global slowdown.

After experiencing a distinct moderation in growth to 6.7 per cent in 2008-09, down from an average of 9.5 percent in the previous three financial years, the GDP growth for 2009-10 has been estimated at 7.4 per cent, showing the sign of improvement in the Indian economy. All the sectors, especially Industrial sector, which were affected by the cyclical slowdown recovered substantially in 2009-10. The recovery could have been even swifter and broader, had agricultural output not been adversely affected by deficit rainfall. India's foreign exchange reserves during 2009-10 increased by US\$ 27.1 billion to reach US\$ 279.1 billion as at end-March 2010 as against US\$ 252.0 billion by end-March 2009. The BSE Sensex witnessed large swings during the year with the intra-year peak of 17793 and trough of 9546.

However, the Year-on-year inflation in terms of Wholesale Price Index is 9.90 per cent for the month of March 2010, compared to 1.20 per cent in March 2009. During this period, Money Supply (M3) increased by 16.9 per cent, compared to 19.1 per cent during the corresponding period of the last year.

### INDIAN BANKING DEVELOPMENTS

During the financial year 2009-10, keeping with the trend in real sector economic activity, there was moderation in the banking sector developments in India. During this period, the bank credit increased by 16.7 per cent compared to an increase of 17.5 per cent during the corresponding period of last year. The Non-Food credit also recorded an increase of 16.7 per cent as compared to an increase of 17.8 per cent during the corresponding period of last year. The financial year growth in aggregate deposits with SCBs as on March 31, 2010 was 17.0 per cent as against an increase of 19.9 per cent in the corresponding period of last year.

### WORKING RESULTS AND APPROPRIATION

Despite highly volatile interest rates, extra commitment due to salary revision of employees, increased delinquency rates and strain on margins faced by the banks in general, your bank has been able to maintain its profitability track record during the

period under review. Total expenditure including provisions and contingencies amounted to Rs.650 crore as against Rs. 619 crore in the previous financial year. Bank's total income from Treasury operations and from other banking operations for the year amounted to Rs.165 crore and Rs.486 crore respectively as against Rs. 188 crore and Rs. 468 crore respectively in the previous financial year. Operating profit of the Bank for the year amounted to Rs.7.69 crore as against Rs. 78.80 crore in the previous financial year. The Bank's Net profit for the year after providing for an amount of Rs.15.39 crore towards incremental liability in respect of employee benefits as per AS 15 and after making the requisite and necessary provisions under Prudential Accounting norms and other usual provisions, amounted to Rs.1.65 crore as against Rs. 37.19 crore in the previous financial year. With the balance profit amounting to Rs.0.01 crore brought forward from previous year and the transfer of Rs.0.07 crore from the Investment Reserve Account, the total amount available for appropriation is Rs.1.74 crore, from which the following appropriations have been made: -

		Rs. in crore
Capital Reserve	:	0.36
Statutory Reserve	:	0.41
General Reserve	:	0.06
Investment Reserve	:	0.89
Charity Fund	:	0.02

In view of inadequate profits for the period under review, the Board of Directors has not recommended any dividend on the Bank's equity shares for the year ended 31st March 2010, to the ensuing Annual General Meeting of shareholders of the Bank.

#### CAPITAL ADEQUACY

As per the Basel II capital adequacy framework, the capital to Risk Weighted Assets Ratio (CRAR) as assessed by the Bank as on 31st March 2010 is 10.82% as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I CRAR stood at 8.07%, well above the minimum of 6 %.

#### AUGMENTATION OF SHARECAPITAL

During the period under review, the bank allotted 149714 equity shares of Rs. 10 each at a premium of Rs.110 per share to a few individuals, being their entitlements to the shares offered on Rights basis in the year 2007 and kept in abeyance as per Section 206 (A) (b) of the Companies Act, 1956, since the transfer of original shares in which the rights offered were pending quite a long time and were effected in their respective names in the same period.

The Board of Directors of the bank at their meeting held on March 8, 2010 decided to call the balance amount of the shares offered on Rights basis in the year 2007 and fixed April 30, 2010, July 31, 2010 and September 30, 2010 respectively as the last dates for making payment of Allotment Money, First Call and Final Call Money. The last date for payment of Allotment Money has since been extended upto June 30, 2010.

#### RESOURCE MOBILISATION

The Bank's aggregate deposits rose by Rs.645.52 crore to Rs.6978.35 crore as on March 31, 2010, from Rs. 6332.83 crore in March 2009 recording an increase of 10.19%. Low cost deposits constituted 25.12 % of total deposits. During this period, CASA deposits registered a growth of 6.34 %.

#### COMPOSITION OF RESOURCES OF FUNDS

(Rs. in Crore)

Particulars	Financial year ended March 31, 2010	Financial year ended March 31, 2009
Deposits	6978.35	6332.83
Borrowings	0.07	0.13

### DEPLOYMENT OF FUNDS

During this period, your Bank has registered an impressive credit growth of 21.26 percent as compared to 11.17 percent over the previous year. The credit operations function was also strengthened during the year through implementation of speedier processing and appraisal of credit proposals. The CD ratio of the bank as on March 31, 2010 stood at comfortable level of 64.01% as against 58.17 % in the previous year. The Bank continues its thrust on improving its yield on advance and asset quality.

The position of deployment of the fund for the period under review is as follows ;

Particulars	Financial year ended March 31, 2010	Financial year ended March 31, 2009	Growth (%) Year under Report	Growth (%) Previous year
Advances	4466.94	3683.84	21.26	11.17
Investments	2289.41	2183.96	4.83	20.04

### PRIORITY SECTOR LENDING

Priority Sector advances extended by your Bank stood at 1650.70 crores by the end of March 2010, constituting 44.38 % of Adjusted Net Bank Credit as on the previous year March against the mandated target of 40%, prescribed by Reserve Bank of India.

Total Agricultural Advances (including RIDF) stood at Rs.688.72 crores by the end of March 2010, constituting 18.52 % of Adjusted Net Bank Credit as on the previous year March against the mandated target of 18%, prescribed by Reserve Bank of India.

### ASSET QUALITY MANAGEMENT

Your bank continued its vigorous efforts for efficient management of NPAs during the period under review. In this period, your bank has focused more on arresting slippage of standard assets to NPA category. In this regard, the bank took timely action, by identifying and monitoring such probable accounts.

There was good performance in NPA recovery Management during the financial year under review. The net NPA level to Net Advances has decreased to 1.58 % in Financial year 2009-10 from 2.39% in Financial Year 2008-09, a level decrease of 0.81% .

Asset Quality : (Rs. In Crore) Advance Type (Gross including provisions)	Financial year ended March 31, 2010		Financial year ended March 31, 2009	
	Amount	% of Total	Amount	% of Total
Loss	8.58	0.19	7.28	0.19
Doubtful	103.89	2.29	111.57	2.96
Sub-Standard	36.82	0.81	52.93	1.41
Gross NPA (net of Interest Suspense)	149.29	3.29	171.78	4.56
Standard	4395.22	96.71	3592.46	95.44
Total Loan Assets	4544.51	100.00	3764.24	100.00

Consequent upon decrease in the NPA level, the share of the Standard Assets to total Loan Assets has increased to 96.71% during the financial year 2009- 10 from 95.44% in the corresponding previous year. The Bank's NPA provision coverage

ratio is at a level of 70.96 % as on 31st March 2010.

Cash Recovery of NPAs amounted to Rs.44.53 crore and upgradation of NPA accounts aggregated to Rs.24.08 crore during the year. The Bank could also recover a sum of Rs. 4.42 crore from the written off accounts.

### **RISK MANAGEMENT & BASEL II COMPLIANCE**

Your Bank has implemented the Basel II norms effective from the financial year 2007-08. The Bank is adopting and implementing an integrated approach to risk management and has evolved suitable risk management architecture. The Board of directors remains at the helm of all risk management policies and strategies and it is supported by the Sub Committee of the Board for Risk management, which, in turn is supported by Executive Level Committees. In order to manage the Credit Risk, Bank's Credit Risk Management Department undertakes Industry/Product/Loan profile studies and makes them available for credit operations. Borrowers are risk rated to provide support for credit decisions. Proposal of Rs. 1.00 crore and above are subjected to CRMD Risk evaluation. In order to strengthen the risk management functions, your bank is having a separate committee called 'Credit Approving Committee'. All proposals with an aggregate limit of Rs. 3.00 crore and above are routed through the committee. The Bank has also laid down exposure caps in various industries/sectors to monitor the concentration of Credit Risk on an ongoing basis. Your bank also does rating migration studies to ascertain the movement of exposures along with rating categories to evaluate the effectiveness of the rating system.

Your bank is adopting Standardised Approach for arriving capital charge for Credit Risk and is in the process of moving towards Internal Rating Based Approach.

As regards management of market risk, your bank has put in place Asset Liability Management System in line with RBI guidelines. The ALCO (Asset Liability Management Committee) meets periodically to discuss the product pricing of deposits and advances, maturity profiles of assets and liabilities, articulating interest rate view of the Bank, funding policy, transfer pricing policy and balance sheet management of the Bank. The structural liquidity and interest rate sensitivity gap reports are prepared in line with RBI guidelines to monitor the liquidity and interest rate risk and are also reported to RBI on a regular basis. To analyse the impact of interest rate movements on economic value of equity, the bank conducts modified duration gap analysis on a monthly basis.

To deal with risks arising out of failed internal processes, people and systems and on account of external events, your Bank has in place a robust Operational Risk Management policy based on RBI's latest guidelines. The policy provides the framework to identify, assess, monitor, control and report operational risk in a consistent and comprehensive manner across the bank. A distinct Operational Risk Management function is in place to independently support business units in the management of operational risks.

Towards assessing the operational risk profile of the Bank and for improving the operational risk management process, the Bank has implemented the Risk and Controls Self Assessment (RCSA) framework across the bank. An assessment of your Bank's Operational Risk area indicates stability and soundness in your Bank's operations. Bank is adopting Basic Indicator Approach for arriving at capital charge for operational risk in compliance with RBI guidelines.

Your Bank has already prepared Mapping Policy and Road Map for moving to Standardised Approach for Operational Risk and is in the process of building database for moving to Advanced Approaches.

Your bank has put in place a robust stress testing framework consisting of a series of sensitivity and scenario tests on various risk areas like default risk, credit concentration risk, interest rate risk in the banking book, market risk, etc.

To address the requirements of Pillar 2 of Basel II guidelines, the bank periodically assesses the internal risk capital required by the bank. In its Internal Capital Adequacy Assessment Process (ICAAP) the bank computes capital for interest rate risk in the banking book, in addition to the capital required for credit risk, market risk in the trading book and operational Risk (covered in Pillar-1, Minimum Capital Requirement).

Bank has made the necessary disclosures in the Annual Report and Website in compliance with the requirement of Pillar-3 Market Discipline.

In tune with the Basel II Guidelines, your Bank has migrated to Standardized Approach for Credit Risk and Basic Indicator Approach for Operational Risk. Having regard to the necessary up-gradation of risk management framework as also capital efficiency likely to accrue to the Banks by adoption of the advanced approaches envisaged under the Basel II frame work and the



emerging international trend in this regard, RBI has considered it desirable to lay down framework for implementation of the advanced approaches in India. Accordingly, RBI has stipulated the earliest date of making application by Banks to RBI for migrating to advanced approaches. Your Bank is developing capabilities and making arrangements to submit the application for migrating to advanced approaches.

### FOREX BUSINESS AND TREASURY OPERATIONS

The global economic slowdown and the resultant contraction in demand impacted the Forex business operations of the Bank. The Forex business turnover of the bank was Rs.9416 crore for the financial year 2009-10 as against Rs. 11306 crore for 2008-09. During this period, the total export bills turnover was Rs. 754 crore as against Rs. 949 crore in the previous year. As a result the total income from forex business for the year registered a fall to Rs.23.64 crore from Rs. 24.98 crore in the previous year. To facilitate remittance by NRIs, the Bank has drawing arrangement with 16 institutions (1 Bank and 15 Exchange houses).

During the year, Bank's Integrated Treasury has continued to be an active player in the Inter-Bank Foreign Exchange market. The rate of interest on US dollar denominated Foreign Currency Loans remained lower than those on rupee borrowings, even on a fully hedged basis. Hence, the demand for such loans remained high and your Bank could deploy its foreign currency resources profitably. As part of managing the risk associated with Treasury Operations, your Bank has taken a number of proactive measures in strengthening the risk management process.

### BANCASSURANCE BUSINESS

The Bank has Corporate Agency Tie up Arrangement with Birla Sunlife Insurance Company for life insurance business and the New India Assurance Company for general insurance business.

The Bank is also having Tie up Arrangement with leading Assets Management Companies for providing wealth management solution through mutual funds.

### NEW BUSINESS ACTIVITIES

During the period under review, your bank has launched a slew of customized loan schemes. With the intention of liberating individuals from the clutches of private money lenders, a gold loan product viz. 'CSB Ezee Gold' was introduced. To cash upon the higher income levels of people and demand for gold as an investment option, a scheme viz. 'CSB....Swarna Nidhi' has been introduced for providing loans for the purchase of gold ornaments including gold coins.

Your bank has transformed itself into a financial supermarket by providing various financial services through its branches, in addition to the traditional banking services. This strategy helps the bank for augmenting fee based income. Bank's Debit cum-Shopping Card 'CSB... Global Support' is accepted at more than a million ATM locations and more than 24 million Merchant Establishments where the VISA Logo is exhibited. Besides, CSB Upahaar , VISA enabled gift card, provides multiple use facilities with three years validity and the same is accepted at all VISA associated merchant locations.

### BRANCH NETWORK

The Bank's branch network as on 31st March, 2010 was as under:

Area	Branches	% to total
Metro	49	14
Urban	91	25
Semi urban	182	50
Rural	42	11
<b>Total</b>	<b>364</b>	<b>100</b>

The Bank has 1 Circle Office and 9 Zonal Offices.

## TECHNOLOGY ADOPTION

Technology is one of the key enablers for business and IT enabled a scalable, robust and function-rich platform to deliver business for the customers. Towards this, your Bank has embarked on a major transformation programme to align its business and processes with customer needs and expectations. The Bank has been implementing the planned change in a measured pace towards realizing its vision without losing sight of its cherished values and ethos. The business transformation programme, encompassing technology, is being implemented by the Bank with a view to provide the customer convenience banking through deployment of Core Banking Solution, which will seamlessly integrate all delivery channels such as branches, ATMs, Internet, Phones, Mobiles etc.

## IT INITIATIVES

With a view to provide greater convenience and alternative delivery channels to the customers, your Bank launched a slew of IT initiatives during the financial year under review, inter alia;

- ❖ All the 364 branches of the Bank migrated to Core Banking Solution.
- ❖ Total Number of ATMs across the country increased to 150 from 140 as on date of the last Report.
- ❖ All branches brought under ATM network.
- ❖ Enlarging the Debit Card base to reach around 2.00 lakh.
- ❖ Foreign Inward remittance facility in all branches through 'Xpressmoney/Moneygram and Wallstreet Instant Cash'.

## MISSION AND BUSINESS STRATEGY

Our mission is to be a top class Bank benchmarked against the global best standards in product suite, service delivery, technology, risk management, corporate citizenship and market discipline, while ensuring all the way,

- ❖ Customer ecstasy across various customer groups.
- ❖ Enhanced value to shareholders, employees and the society at large.

Our business strategy puts emphasis on the following:

- ❖ Double our market share in deposits and advances in 3 years time by implementing an aggressive growth strategy with high quality customer service without compromising on asset quality.
- ❖ Leverage our wide network of branches and well endowed human capital to provide a comprehensive and competitive product suite to match rising customer expectations, expand the branch network to 400 by the end of this fisc by recruiting professionals and fresh talents from campuses.
- ❖ Innovate and constantly reinvent our technology platform to enable development of new products and channels, to cross sell and to reduce operating costs and turnaround time and thus to integrate IT strategy to our business strategy.

## CUSTOMER SERVICE

Customer service and redressal of complaints/ grievances continued to receive the highest focus during this year also. Your Bank strongly believes that the customer service will continue to be the most important factor in maintaining and improving its role in India's Banking industry. As a part of this, the Bank offered various schemes and launched a number of products to cater to the specific needs of its customer clientele. In order to provide more convenience to its customers, your bank had launched number of Mobile ATMs. During the period under review, your Bank has also installed number of on site and off site ATMs.

Your bank's endeavour is always to maintain high standards of customer quality. Towards this, your Bank has in place a Customer Grievances Redressal Mechanism, where customers can approach our various levels for redressal of their grievances. The Bank also ensures that customer complaints received through various sources are resolved within the shortest possible period.

The "Customer Service Committee", a sub-committee of the Board constituted pursuant to the RBI directives, has been inter alia, suggesting, implementing and reviewing the measures for enhancing the quality of customer services and improving the level of satisfaction for all the categories of clientele, at all times. The functioning of the Sub-Committee is being periodically



Catholic Syrian Bank

