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. S.SANTHANAKRISHNAN
Chairman

Sri. V.P. ISWARDAS
Managing Director & CEO

Sri. T.S. ANANTHARAMAN

Sri. N.R. ACHAN

Sri. AJAY LAL

Sri. C. BOBBY JOS

Sri. C.K. GOPINATHAN

Sri. K. IPE PETER

Sri. C.F. JOHN

Sri. SUBRAHMANYA SARMA

Sri. SUMEER BHASIN

Sri. VENKATARAMAN KRISHNAMURTHY

Sri. RAKESH MATHUR
Addl. Director, RBI Nominee

Sri. V. SESHADRI
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.

ASST. GENERAL MANAGERS/ ZONAL MANAGERS

Smt.Tessy Sebastian
Sri.Paulose A.K.
Sri.Mohan Menon T.
Sri.Poulose K.C.
Sri.Vincy Louis Pallissery
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.
Sri. Subodh Chandra Mishra
Sri Surendranadh P.V.

COMPANY SECRETARY

Sri.Sijo Varghese

Catholic Syrian Bank

CSB

From the CEO's Desk

Dear Shareholders,

At the outset let me thank all of you for the smooth completion of the Rights Issue process which has seen an addition of ₹147 crore to shareholders' funds in 2010-11. This capital infusion, apart from fuelling our growth engine, has enabled the bank to post a Capital Adequacy Ratio of 11.22% and has taken our net worth to the level of ₹470 crore.

2010-11 has been a truly historic year for the bank. Our beloved institution has completed 90 years of exalted existence – a momentous milestone for any institution any where in the world. Being 90 years young, in 2010-11 our business figure has crossed ₹15,000 crore with deposits surging at 25% and advances at 39%. Bank could grow in a single year a third of what it grew over 89 years.

Thanks to the combined effects of growth in assets, conscious strategy of re-deployment of lendable surplus to advances and demonstration of pricing power on advance portfolio, the Net Interest Income of the bank has zoomed by 102% - From ₹122.80 crore in 2009-10 to ₹248.15 crore in 2010-11. This has enabled the bank to absorb the committed costs relating to industry level employee wage settlement (which has caused the staff cost to increase by 71%) without any hiccup. Net Profit has increased by 636% to ₹12.18 crore from ₹1.65 crore and the bank is now back in dividend paying mode.

We could achieve the quantum leap in business without adding any new branches to our network in 2010-11. In 2011-12 we have already obtained approval to open 41 branches. After the opening of these branches, we will be delivering the CSB brand of customer service in many more States & Union Territories.

On technology front our bank is moving swiftly to implement real time on line banking and will be launching internet banking & mobile banking in a few weeks time.

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

V.P.Iswardas

June 16, 2011 Managing Director & CEO

The Catholic Syrian Bank Limited

(Registered Office : Thrissur)

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Ninetieth Annual Report of your Bank with the audited Balance Sheet and Profit & Loss Account for the financial year ended March 31, 2011.

GLOBAL ECONOMY

The global economy is transitioning from a rapid, bounce-back phase of recovery in early 2010, to a slower, more sustainable-paced phase towards the end of the fiscal 2011. Growth in both the advanced economies and emerging/ developing economies outpaced initial expectations. In particular, the robust growth in India and China has provided an impetus to the ongoing recovery of the world economy. The global manufacturing Purchasing Managers' Index (PMI) for February 2011 was close to a record high. The global services PMI recorded its fastest pace of expansion in almost five years. The risk of double dip recession has also receded.

However, uncertainty remains with significant sovereign and banking sector default risks prevailing in parts of Europe. The state of the economies of many developed countries continues to be a cause of concern. The Euro Zone is the most vulnerable as global rating agencies continue to downgrade the sovereign debt rating of many countries in this region. Projected growth for the year 2011 is likely to decelerate in advanced economies due to waning of impact of fiscal stimulus, and high oil and other commodity prices. Growth in Emerging Market Economies (EMEs) is also expected to decelerate on account of monetary tightening and rising of commodity prices.

INDIAN ECONOMY

During the period under review, the Indian Economy saw acceleration in the pace of its growth. There was a rebound in rural income with an increase in agricultural production. Industrial and service sectors' growth too were good. After dipping to 7.4% in 2009-10, the GDP growth of the Indian economy is estimated around 8.5 percent during 2010-11. It remains one of the fastest growing economies of the world.

India's foreign exchange reserves during 2010-11 increased by US $ 20.1 billion to reach US $ 299.2 billion as at the end of March 2011. This was against US $ 279.1 billion by the end of March 2010. The year-on-year inflation in terms of Wholesale Price Index is 8.82 per cent for the month of March 2011, compared to 9.90 per cent in March 2010. Money supply (M3) increased by 15.9 percent year on year in 2010-11, as against 16.9 percent in 2009-10. This was due to slow deposit growth and acceleration in currency growth.

While the growth outlook remains strong in the near term, there are a number of challenges facing our economy. These include high level of inflation, widening trade deficit, deceleration in corporate spending and hardening of global energy prices. Concerted and coordinated monetary, fiscal and policy measures are required to tackle these challenges head on. Notwithstanding these challenges, in the medium to long term, India has many positive factors in its favour to strengthen its emergence as a global economic powerhouse.

INDIAN BANKING DEVELOPMENTS

The Indian Banking Sector remains the primary channel of financial intermediation, keeping in line with real sector economic activity. It witnessed upward trends in its activities, especially in advances segment during the period.

During this period, the bank credit increased by 21.4 per cent compared to an increase of 16.7 per cent during the corresponding period of last year. The non-food credit also recorded an increase of 21.2 per cent as compared to an increase of 16.7 per cent during the corresponding period of last year. However, the financial year growth in aggregate deposits with SCBs as on March 31, 2011 was 15.8 per cent as against an increase of 17 per cent in the corresponding period of last year.

PERFORMANCE HIGHLIGHTS

The financial performance of your Bank for the fiscal 2010-11 is given below:

₹ in Crore

Key Parameters	March 31, 2011	March 31, 2010
Deposits	8,725.67	6,978.35
Gross Advances	6,302.55	4,544.51
Total Business	15,028.22	11,522.86
Total Assets	9,829.07	7,689.25
Net Interest Income (NII)	248.15	122.80
Operating Profit	33.62	7.70
Net Profit	12.18	1.65
Net Worth	470.14	308.83

Thanks to the impressive growth in its core business, the Bank's Net Interest Income has increased by 202% in 2010-11 compared to 2009-10. This has enabled the Bank to absorb the increase in staff costs because of increased salary levels, second option for pension and increase in gratuity limit. Operating profit of the Bank has increased to ₹ 33.62 crore in 2010-11, compared to ₹7.70 crore in 2009-10. The net profit has surged to₹12.18 crore in 2010-11 from ₹ 1.65 crore in 2009-10.

APPROPRIATIONS

		₹ in crore
Transfer to Capital Reserve	:	0.61
Transfer to Statutory Reserve	:	3.05
Transfer to General Reserve	:	1.16
Transfer to Special Reserve	:	3.74
Transfer to Investment Reserve	:	0.05
Transfer to Charity Fund	:	0.03
Proposed Dividend Including Dividend Tax	:	3.67

DIVIDEND

The Board of Directors have recommended payment of a dividend of 10 (ten) percent on Equity Shares for the year ended 31st March 2011. This will, however, be subject to the approval of the shareholders in the Annual General Meeting. On the recommendation of Reserve Bank of India, the Government of India, in exercise of the powers conferred by Sub-Section (1) of Section 53 of the Banking Regulation Act, 1949, declared that the provisions of Sub-Section (1) of Section 15 of the Banking Regulation Act, 1949, shall not apply to the Bank in respect of un-amortised liability relating to pension option and enhanced gratuity benefits being carried forward. Hence, there is no restriction on the Bank for payment of dividend as per Sub-Section (1) of Section 15 of the Banking Regulation Act, 1949.

PAID-UP CAPITAL AND RESERVES

The Paid-up Capital of the Bank increased to ₹ 31.35 crore as on March 31, 2011 from ₹ 18.93 crore as on March 31, 2010. The free reserves and surplus went up to ₹ 337.30 crore as on March 31, 2011 from₹ 200.55 crore as on March 31, 2010.

AUGMENTATION OF SHARECAPITAL

During the year, the Bank received ₹ 147.40 crore (including premium of ₹ 134.98 crore) as allotment money and call money towards the shares allotted on rights basis in the year 2009, and call money on shares allotted in the earlier years.

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 2011, is 11.22% as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I CRAR stood at 9.42%, well above the minimum of 6%.

DEPOSIT MOBILISATION

The total deposits of the Bank have grown by ₹ 1,747 crore to ₹ 8,725.67 crore as on March 31, 2011 from ₹ 6,978.35 crore in March 31, 2010, thereby, an impressive growth of 25.04% has been registered as against average banking industry growth of 15.8%. During this period, the CASA deposits grew by 11.32%. Low cost deposits constituted 22.36% of the total deposits of the Bank.

COMPOSITION OF RESOURCES OF FUNDS

₹ in Crore

Particulars	Financial year ended March 31, 2011	Financial year ended March 31,2010
Deposits	8,725.67	6,978.35
Borrowings	323.82	92.87

CREDIT DEPLOYMENT

Your Bank has registered an impressive credit growth of 39.25% as compared to 21.26% in the previous year as also against the average banking industry growth of 21.4 % in the same period. The growth of credit has been marked by a broad-based expansion across all the sectors during this period. The Bank has changed to 'Base Rate' linked lending regime from Bench-Mark Prime Lending Rate (BPLR) from July 1, 2010.

The credit operations function was also strengthened during the year through implementation of speedier processing and appraisal of credit proposals. Your Bank has continued its prudent approach in expanding quality credit assets.

During the year, your Bank has adopted a number of strategies to achieve sustainable credit growth with a thrust on asset quality. Thereby, it ensured higher earnings. The CD ratio of the Bank, as on March 31, 2011, stood at a very comfortable level of 71.28% as against 64.01% in the previous year.

DEPLOYMENT OF FUNDS

The position of deployment of funds for the period under review is as follows:

Particulars	Financial year ended March 31, 2011 ₹ in Crore	Financial year ended March 31,2010 ₹ in Crore	Growth (%) Year under Report	Growth (%) Previous Year
Advances	6,220.02	4,466.94	39.25	21.26
Investments	2,690.26	2,289.41	17.51	4.83

PRIORITY SECTOR LENDING

Priority Sector advances extended by your Bank stood at ₹ 2,175.05 crore at the end of March 2011, constituting 47.86% of Adjusted Net Bank Credit as on the previous year March. This is against the mandated target of 40%, as prescribed by Reserve Bank of India.

Total Agricultural Advances stood at ₹ 928.52 crore at the end of March 2011, constituting 20.43% of Adjusted Net Bank Credit as on the previous year March. This is against the mandated target of 18%, as prescribed by the RBI.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

The Bank continued its emphatic thrust on recovery of Non-Performing Assets during this period. As part of this, your Bank has focussed more on arresting fresh slippage of NPAs by ensuring close monitoring and other control measures, invocation of SARFAESI Act, Compromise/Settlement, thrust on up-gradation of fresh NPAs, restructuring of accounts and so on.

There was good performance in NPA Recovery Management during the financial year under review. Notwithstanding these coordinated and sustained efforts, the Net NPA level to Net Advances has marginally increased to 1.74% in the financial year under review from 1.58% in the corresponding previous financial year, the increase level being 0.16%.

Asset Quality: (₹ in Crore) Advance Type (Gross including provisions)	Financial year ended March 31, 2011		Financial year ended March 31,2010	
	Amount	% of Total	Amount	% of Total
Loss	8.73	0.13	8.58	0.19
Doubtful	102.59	1.63	103.89	2.29
Sub-Standard	81.13	1.29	36.82	0.81
Gross NPA (net of Interest Suspense)	192.45	3.05	149.29	3.29
Standard	6110.10	96.95	4395.22	96.71
Total Loan Assets	6302.55	100.00	4544.51	100.00

The share of the Standard Assets to total Loan Assets has increased marginally to 96.95% during the financial year 2010-11 from 96.71% in the corresponding previous year. The Bank's NPA provision coverage ratio is 61.53% as on 31st March 2011.

Cash Recovery of NPAs amounted to ₹ 34.73 crore and up-gradation of NPA accounts aggregated to ₹ 21.23 crore during the year. The Bank could also recover a sum of ₹ 9.51 crore from the written off accounts.

RISK MANAGEMENT & BASEL II COMPLIANCE

The Basel II norms are being implemented in your Bank with effect from the financial year 2007-08. Your Bank is adopting and implementing an integrated approach to risk management. It has evolved a suitable risk management architecture. The Board of Directors remains at the helm of all risk management policies and strategies. 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, the Bank's Credit Risk Management Department undertakes Industry/Product/Loan profile studies and makes them available for credit operations. Proposals of ₹ 25 lakh and above are subjected to Credit Risk evaluation and credit rating. All proposals with an aggregate limit of ₹ 5.00 crore and above are being routed through the Credit Approving Committee. The Bank has also laid down exposure caps in various industries/sectors to monitor the concentration of Credit Risk on an ongoing basis.

Currently, your Bank is adopting a Standardised Approach for arriving at the capital charge for Credit Risk. It is in the process of moving towards Internal Rating-Based Approach. Towards this end, a bi-dimensional Credit Risk Assessment Model has been evolved including Facility Rating. The new model has been put into effect from April 1, 2011.

As regards the management of market risk, your bank has put in place an Asset Liability Management System in line with the RBI Guidelines. The ALCO (Asset Liability Management Committee) meets periodically to discuss the product pricing of deposits and advances and maturity profiles of assets and liabilities. The ALCO also articulates the interest rate view of the Bank, funding policy, transfer pricing policy and balance sheet management. The structural liquidity and interest rate sensitivity gap reports are prepared in line with the RBI Guidelines to monitor the liquidity and interest rate risk. They 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.

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 and market risk, among others.

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. This is 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).

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

FOREX BUSINESS AND TREASURY OPERATIONS

With the global economic recovery broadly on track and the Indian economy continuing to outperform most emerging markets, merchant activity and trading volumes in forex business of the Bank have made significant improvements. The export turnover for the year has increased to ₹ 907 crore as against ₹ 754 crore recorded during the year 2009-10. As a result, the total income from forex business for the year increased to ₹ 30.82 crore from ₹ 23.64 crore in the previous year. To facilitate remittance by NRIs, the Bank has drawing arrangements with 16 Exchange Houses and one Bank.

During the year, the Bank's Integrated Treasury has continued to be an active player in the Inter-Bank Foreign Exchange market. With the US Dollar forward premium ruling high, the cost of US Dollar denominated foreign currency loans have moved up substantially during the year. As a result, the demand for such loans remained low during the year. As a result, your Bank deployed the funds in other profitable avenues including rupee assets. Due to the persistent upward bias in interest rates and liquidity tightness, the G Sec market too remained lacklustre for most part of the fiscal. Further, the stock market remained volatile and lost much of the gains shortly after peaking in November 2010. Despite the adverse conditions, your Bank made a trading profit of ₹ 5.21 crore. The yield on treasury investments has improved from 5.49% in 2009-2010 to 6.33% in 2010-2011.

NEW BUSINESS ACTIVITIES

The Any Branch Banking (ABB) facility was introduced with the intention of leveraging technology for providing better service to customers. For the convenience of our customers, the business hours of all the branches were increased by 1 hour. Select branches have been catering to the needs of the customers from 8.00 am to 8.00 pm.

For providing instant fund transfer from the Middle East, a technology-based product CSBINSTAREMIT was launched. On the amount being credited, the exchange company generates through CSB an SMS, which is sent both to the beneficiary and to the remitter. Considering the low interest rate on NRE and FCNR deposits, the Bank has introduced a deposit product CSB NREPLUS for enabling NRIs to earn higher returns on their investments. The product helps non-residents to earn a higher interest rate on their deposits by effective use of the forward cover mechanism.

CSB Support Line, a product more of a personal banking nature, provides customers on a phone call the privilege of enjoying various facilities like doctor and ambulance on call, ticket and hotel bookings, organising events like marriages and birthday parties, payment of taxes and utility bills and so on.

BANCASSURANCE BUSINESS

The Bank has Corporate Agency Tie-up arrangements with Birla Sunlife Insurance Company for life insurance business, the New India Assurance Company for general insurance business and Export Credit Guarantee Corporation of India (ECGC) for Export Credit Guarantee Insurance business.

The Bank is also having Tie-up arrangements with leading Asset Management Companies for providing wealth management solutions through mutual funds.

BRANCH NETWORK

The Bank's branch network as on 31st March 2011 is as under:

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

The Bank has 1 Circle Office and 9 Zonal Offices.

TECHNOLOGY ADOPTION

Technology continues to be a key enabler in every sphere of your Bank's operations. It reinforces our position and sustains competitive strength. All branches of the Bank are functioning under the platform of Core Banking Solution. Your Bank has been implementing the planned change at a measured pace towards realising its vision without losing sight of its cherished values and ethos. Technology-encompassed Business Transformation Programme is being implemented by the Bank with a view to provide the customer convenience banking. It deploys the Core Banking Solution, which seamlessly integrates all delivery channels such as branches, ATMs, Internet, Phones and Mobiles, among others.

IT INITIATIVES

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

- Total number of ATMs across the country increased to 159 from 150 as on date of the last Report
- All branches brought under ATM network
- Debit Card base enlarged to reach around 2.50 lakh
- Instant remittance services introduced for Exchange House TT remittance

MISSION AND BUSINESS STRATEGY

Your Bank is continuing its momentum of growth, as envisaged in the financial year under review, in the ensuing financial year also. It is implementing an aggressive growth strategy with high quality customer service without compromising on asset quality. Besides introducing products that are best suited to the growing customer needs, it also continues marketing efforts to mobilise low-cost deposits.

As part of strengthening the financials, the Bank continues to focus on effective deployment of funds and ensuring financial discipline.

The Bank intends to open branches across the country to ensure a Pan India presence. On the technology front, your Bank innovates and constantly reinvents the technology platform. It enables development of new products and channels and cross selling and reduction of operating costs as well as the turnaround time. Thus, it seamlessly integrates the IT strategy with the business strategy.

The Bank has plans to improve the para-banking business, especially in selling insurance and mutual fund products.

CUSTOMER SERVICE

Your bank's endeavour is always to maintain standards of high-quality customer service. Customer service and redressal of complaints and grievances continues to receive the highest focus of the Bank. For this, the Bank has in place a well-defined Customer Grievances Redressal Mechanism. Under it, customers can approach bank personnel at various levels for redressal of their grievances. The Bank also ensures that customer complaints received through various sources are resolved within the shortest possible time. Your Bank strongly believes that customer service will continue to be the most important factor in maintaining and improving its role in the Indian Banking Industry.

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. It improves the level of satisfaction for all categories of clientele at all times. The Board of Directors periodically reviews the functioning of the Sub-Committee. Besides, the Bank is having a Standing Committee on Customer Service, which has representation from customer groups also.

HUMAN RESOURCES

The Bank accords prime importance for developing human capital in tune with its quest to emerge as a Top Class Bank, which is benchmarked against the global best standards. Initiatives have been taken for capacity building of human resources by focusing on their competencies and maximising their potential in critical and functional areas.

During the financial year under review, the Bank made direct recruitments to the officers’ cadre. In the same period, the promotions also took place in various cadres including executives.

The Bank believes that learning is an ongoing process. Towards this end, the Bank has built a training infrastructure, which seeks to upgrade skills across grades and functions through a combination of in-house and external programmes. During the year 2010-11, 49 training programmes were conducted at the Bank’s Staff Training College. 1,045 staff members at different levels were exposed to various trainings. 173 staff were sent for external training programmes.

As at the end of the fiscal, the total staff strength of the Bank stood at 2,820 comprising 1,391 officers, 1,100 clerks, 242 sub-staff and 87 permanent part-time employees.

INSPECTION AND VIGILANCE

The Bank has in place a systematic, sound and well-structured system of inspection of branches and other offices of the Bank. This is in line with the Risk-Based Supervision Approach of the Reserve Bank of India. The Inspection Department has carried out Risk-Based Internal Audit of all branches during the financial year 2010-11.

The Concurrent Audit in the Bank covered 112 branches and two departments. It comprised 58.05% of Deposit Portfolio, 68.86% of Advance Portfolio and 100% of Investment Portfolio.

Qualified external auditors conducted the Information System Audit in four Administrative Offices and 6 Branches. Internal inspectors audited the remaining offices as part of the Bank’s Information System Audit Policy based on the RBI Guidelines.

Active implementation of various preventive vigilance measures has helped your Bank in keeping a check on the incidents of frauds. It has been your Bank’s endeavour to train, equip and enable the operating-level staff, as also those at the controlling offices, to exercise due care and caution when taking preventive and detecting measures. A Sub-Committee of the Board functions exclusively to initiate preventive steps and review cases of Large Value Frauds, if any.

FORMATION OF PMLA CELL

In light of recent developments in the global scenario, there has been an increasing recognition among financial institutions about the need to strengthen the financial system. This is to prevent the system’s misuse for laundering the proceeds of criminal activities.

Your Bank has set up a Prevention of Money Laundering Act Cell [PMLA CELL]: (1) For addressing issues related to financing of terrorism involving Financial Intelligence Unit, Suspicious Transactions Reporting and so on.