



Annual Report 2011-12

CSB... Support all the way



Board of Directors



Glimpse of Annual General Meeting

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. AJAY LAL



Sri. T.S. ANANTHARAMAN



Sri. C. BOBBY JOS



Sri. C.K. GOPINATHAN



Sri. K. IPE PETER



Smt. RADHA UNNI



Sri. S. RAMAKRISHNAN



Sri. K. SUBRAHMANYA
SARMA



Sri. SUMEER BHASIN



Smt. RANJANA SAHAJWALA
Addl. Director, RBI Nominee



Sri. V. SESHADRI
Addl. Director, RBI Nominee

EXECUTIVES

GENERAL MANAGER

Dr. Giridharan U.R.

DEPUTY GENERAL MANAGERS/ ZONAL MANAGERS

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.
Sri. Mohan Menon T.
Sri. Poulose K. C.

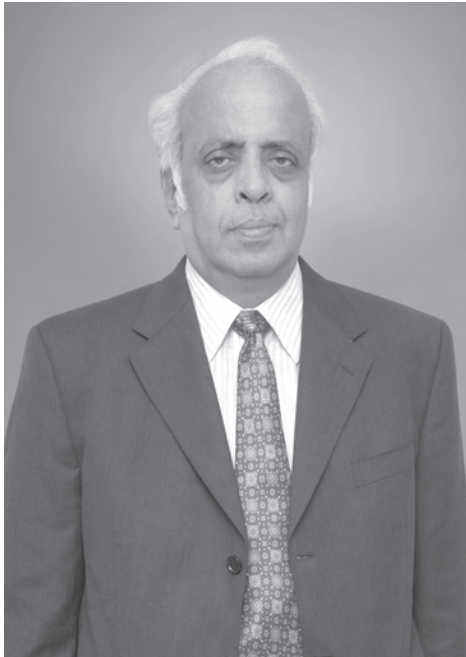
ASSISTANT GENERAL MANAGERS/ ZONAL MANAGERS

Smt. Tessy Sebastian
Sri. Paulose A. K.
Sri. Vincy Louis Palliserry
Sri. Achuthan M.
Sri. Baby P. V.
Sri. Paul George P.
Sri. Chacko George Veerampully
Sri. Davies M. P.
Sri. Ganesan V.
Sri. Kurian George
Sri. Paul C. J.
Sri. Subodha Chandra Mishra
Sri. Surendranadh P.V.
Sri. Antony K. A.
Sri. Jiz P. Kottukappally
Sri. Joby John K.
Sri. Joseph Alappat
Sri. Joseph Manjakadambil
Sri. Kurian E. J.
Sri. Rajesh M.
Sri. Shajahan B.
Sri. Soby Francis
Sri. Thomas M. O.

COMPANY SECRETARY

Sri. Sijo Varghese

Chairman's Communiqué



My Dear Shareholders,

As I write this annual communiqué, Indian economy is going through testing times. The GDP growth rate has reached a nine-year low. Inflation remains above the comfort zone, prompting analysts to express fears about stagflation. However, one should not lose sight of the fact that our GDP growth rate, though lower by our own standards, continues to be high when it comes to global levels. Given our economy's track record, strong fundamentals and the high potential of its entrepreneurial talent, I am sure we will be bouncing back to 8%+ growth trajectory within a short span of time.

It was indeed a challenge for us to ensure a sustained growth of our bank, given the backdrop of global slowdown and its implications on the Indian economy as a whole and banking industry in specific. On the global front, there are growing concerns, such as the downgrading of the US credit rating, and the Euro crisis due to the recent credit downgrading of

Spain and Greece. The growth rates in the BRIC nations are also not too rosy. On the domestic front too, the scenario is not so bright consequent on S&P's threat of downgrading India's rating. As you can understand, all these have a multiplier effect on the domestic economy.

Despite such odds, I am proud to say, your bank has posted overall improvement in its performance metrics and has meritoriously come out of the tough times with valour and vigour. There is a steady growth in business volumes, revenues and profits in spite of slow economy, tight liquidity, and increased delinquency and elevated interest rates. Also, we have steadfastly remained committed to the regulatory compliance in the backdrop of Basel III guidelines. Your Bank has devised a clear strategy for the next five years and is marching ahead towards its growth prospects.

Further, I am proud to say that your bank continues to function as a socially responsible and responsive bank. The Bank has formulated special schemes to cater to the diverse credit needs of small scale industries, road transport operators, agriculturists, and other self employed entrepreneurs. As socially responsible Corporate Citizen, your Bank has over 75% of its clientele belonging to small and economically weaker strata of Society and has a strong rural base with around 80% of the branches in rural and semi-urban areas. Board continues to focus on sound governance framework that encourage the balance and support the long term sustainable creation. It remains an active participant in the financial inclusion drive. As part of it, it has adopted a few villages under the financial inclusion programme.

Also, your bank has continued its commitment to high standards of Corporate Governance. It has upheld fairness, integrity and trust in all its dealings with its stakeholders. Significantly, Catholic Syrian Bank

is among those banks with the lowest number of customer complaints per branch in India. This is because it has religiously maintained high standards of customer service.

With the objective of positioning itself as one of the premium private sector banks in the country, your Bank has reoriented its management policy and also decided to upgrade the technological capabilities to provide better services to the existing customers and also attract new customers.

In keeping with the times, your bank has also successfully launched Internet and Mobile Banking Services. These are part of the bank's continued commitment to ensure quick delivery of services to its customers at low cost. At present, your Bank has a network of 379 branches and 186 ATMs across India and also plans to open more number of branches in a phased manner.

Looking ahead, your bank visualises exciting opportunities in the financial sector of the country. It is committed to maintaining a sustainable growth in its top line and bottom line, while leveraging on its innate strengths. Also, as part of fuelling our growth engine so that we are better placed in meeting your return expectations, your bank will be bolstering its capital base. I am sure that you will enthusiastically support us in this endeavour.

I am very confident about the growth of your bank in next five-year term and we would be achieving such operative levels of efficiency, which would make everyone of you- the shareholders, and the employees proud of your bank.

On behalf of my colleagues on the board, I take this opportunity to place on record our sincere appreciation for the support and trust extended by all the stakeholders of the bank, including its most valuable customers. I also place on record our gratitude for the support and guidance extended by the Government of India, RBI, SEBI and other regulatory authorities.

Last, but not the least; we place on record our pride over the exemplary commitment and dedication of our employees, who are the corner stone for the sustained growth of the bank. I look forward to their continued commitment in taking the bank to newer heights in the coming years.

Thank you, one and all.

(S. Santhanakrishnan)
Chairman

From the CEO's Desk



Dear Shareholders,

Despite the various challenges faced by the banking industry in 2011-12, we could sustain our growth momentum with deposits pacing at 21.54% and advances at 23.21%, taking our business figure to ₹18,268 crore. Major chunk of the growth in business has happened in retail area i.e. retail deposits and retail advances. In spite of factors like increase in interest rate for Savings Deposits, Deregulation of Interest rates on NRE deposits & consequent increase in cost of such deposits, we could protect our interest margin and our Net Interest Income has grown at a healthy 23.72%. Cost Income Ratio has improved to 76.16% from 89.58% and Operating profit has increased by 178.14% to ₹ 93.40 crore. Braving the whirlwinds of increased provisioning rates for NPAs & Standard Restructured Advances and the need to build Counter Cyclical Provisioning Buffer, our Net Profit has zoomed by 112.72% to ₹ 25.90 crore.

Over the past 3 years, advances have grown at a CAGR of 28%, but this has not been achieved at the cost of asset

quality as testified by our historically low Gross NPA (2.36%) and Net NPA Ratios (1.10%).

We could post significant gains on Employee Productivity front as is evidenced by our business per employee figure which stands at ₹ 6.75 crore as on 31.03.2012 as against ₹ 3.74 crore as on 31.03.2009 i.e. almost doubled in a span of three years.

Though there has been significant asset growth with total assets crossing ₹ 12,000 crore, the Capital Adequacy Ratio remains comfortable at above 11% level.

On technology front, our bank has embraced real time on line banking with the launch of internet banking & mobile banking.

Looking ahead, there is more work to do and more challenges to face, but today we are better placed to serve our customers; to offer customers more reasons to do more business with us; to generate more revenue in the process and to deliver more value to the shareholders.

I extend my gratitude to the Chairman and the other esteemed members of the Board, shareholders, bondholders, customers, employees and well wishers for their valuable 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
Managing Director & CEO

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the 91st Annual Report of your Bank along with the Audited Balance Sheet and Profit & Loss Account for the financial year ended March 31, 2012.

GLOBAL ECONOMY

The developments over the last year in major economies of the world have not been encouraging. There is an apprehension that the process of global economic recovery, which began after the financial crisis of 2008, is beginning to stall. The sovereign debt crisis in the Euro zone area may persist for a while. Besides, political uncertainties in some Middle East and North African countries have been another source of uncertainty owing to obvious implications with regard to oil prices.

As a result, in the short run, the global economy is being buffeted by multiple shocks emanating from various sources – economic, social, and geopolitical. Gross Domestic Product (GDP) growth in advanced economies declined to 1.6 per cent in 2011, compared to 3.2 per cent in 2010. It is expected to be even lower at 1.2 per cent in 2012. Growth in emerging economies slowed to 6.2 per cent in 2011, compared to 7.3 per cent in 2010. It is projected to be a still lower 5.4 per cent in 2012. The lower global growth forecast by the IMF for most countries in 2012 perhaps reflects the repeated bouts of uncertainty arising from these diverse sets of factors.

Going forward, even though the global environment is likely to remain an area of concern, there also appears a continuing phase of multi-speed growth. Growth in emerging markets, especially China and India, is slowing beyond what was anticipated. Still, these two economies are likely to provide some support for global recovery. In sum, in spite of a dip in growth, the world economy is unlikely to lapse into another recession.

INDIAN ECONOMY

The Indian economy saw moderation in economic activity during fiscal 2012, largely due to uncertain global economic factors as well as domestic factors like tightening of the monetary policy. The interest rate has been high along with inflation. The rupee has been in a free fall, with slower investment and declined industrial activities. The Central Statistical Organisation has estimated the GDP growth for fiscal 2012 at 6.5%, compared to 8.4% in fiscal 2011. The growth in real GDP for fiscal 2012 has been the lowest in nine years.

During this period, the growth rate of investment in the economy is estimated to have registered a significant decline. The industrial sector grew by 3.3% compared to 7.0% in the corresponding period of the previous year. The services sector grew by 8.8%, similar to the growth in the previous year, while the agriculture sector grew by 3.2% compared to 6.8%.

Inflation as measured by the Wholesale Price Index (WPI) has been high during most of the current fiscal year, though by year's end, there has been a clear slowdown. Average inflation for fiscal 2012 has been 8.8%, as compared to 9.5% in fiscal 2011. However, WPI inflation has been 6.9% in March 2012, consistent with the Reserve Bank of India's projection of 7%. Money supply (M3) growth, which was 17 per cent at the beginning of the financial year 2011–12 moderated to about 13% by the end of March 2012, lower than the Reserve Bank's indicative trajectory of 15.5 per cent. This mirrors both a tight primary liquidity and lower credit demand during most part of the year. Equity markets remained volatile during fiscal 2012 due to global and domestic events. India's forex reserves during 2011–12 decreased to USD 294.397 million from USD 299.2 million in 2010–11.

Comparatively, the Indian economy's outlook for growth and price stability at this juncture looks promising. There are signs from some high frequency indicators that the weakness in economic activity has bottomed out and a gradual upswing is imminent. Moreover, with the easing of inflationary pressure in the months to come, there could be reduction in policy rates by RBI, which would encourage investment that could have a positive impact on growth.

INDIAN BANKING DEVELOPMENTS

The Indian banking system has successfully passed through various phases of reforms. It has also faced the stress tests posed by the global financial crisis in the recent past. This suggests that the Indian financial system has become even stronger. The financials of the banking system have grown in size as well as in quality. There have been some important reforms also in the year, such as deregulation of interest rates on Saving Bank Deposits and NRE deposits. The banks have complied with these and various other regulatory requirements. Banks have also been proactive in adapting to the changes, which are coming their way in the emerging banking space, both on domestic and international fronts. Besides, the penetration of banks in rural areas has increased manifold due to the progress made under the Financial Inclusion Plans of banks.

During this period, the bank credit decreased to 19.3 per cent compared to 21.4 per cent during the corresponding period of last year. The Non-Food Credit Growth decelerated from 22.1 per cent at end of March 2011 to 16.8 per cent by the end of March 2012, higher than the indicative projection of 16 per cent by the Reserve Bank of India. The financial year growth in aggregate deposits with SCBs as on March 31, 2012, was 15.3 per cent as against 15.8 per cent in the corresponding period of last year.

In a nutshell, the Indian banking industry is poised to grow exponentially, indicating the good health of the country's economy. Indian banks have proved their mettle time and again. They have aligned their regulations with the international standards while remaining conventional in their approach. At the same time, the Reserve Bank of India, as the regulator, has also continuously monitored the macroeconomic environment to formulate its policies and directions in keeping with domestic and international levels.

PERFORMANCE HIGHLIGHTS

The financial performance of your Bank for the fiscal 2011-12 is as given:

₹ in Crores

Key Financial Parameters	March 31, 2012	March 31, 2011
Deposits	10,604.87	8,725.67
Gross Advances	7,767.69	6,302.55
Total Gross Business	18,372.56	15,028.22
Total Assets	12,047.07	9,829.07
Net Interest Income (NII)	307.03	248.15
Operating Profit	93.50	33.62
Net Profit	25.90	12.18

During fiscal 2012, there has been moderation in economic activities due to an uncertain economic environment, highly volatile interest rates, increased delinquency rates and strain on margins faced by banks in general. Still, your bank has continued to show steady growth in business and earnings during the referred period. The Operating Profit of the Bank has increased by almost three fold to ₹93.50 Crores in this period, compared to ₹33.62 Crores in 2010-11. The Net Profit doubled to ₹ 25.90 Crores, compared to ₹12.18 Crores in the corresponding previous period.

APPROPRIATIONS

₹ in Crores

Transfer to Capital Reserve	0.45
Transfer to Statutory Reserve	6.48
Transfer to General Reserve	7.66
Transfer to Special Reserve	5.52
Transfer to Investment Reserve	0.96
Transfer to Charity Fund	0.03
Proposed Dividend Including Dividend Tax	5.50

KEY PERFORMANCE INDICATORS

Particulars	2011-12	2010-11
Capital Adequacy (CRAR) %	11.08	11.22
Earnings per share (in ₹)	8.25	4.65
Book value per share (in ₹)	154.91	149.97
Cost-Income Ratio	76.16	89.58
Return On Assets (ROA) %	0.24	0.14
Return On Equity (ROE) %	5.41	3.13

DIVIDEND

The Board of Directors have recommended payment of a dividend of 15 (fifteen) percent on Equity Shares for the year ended 31st March 2012. This will, however, be subject to the approval of the shareholders in the Annual General Meeting.

PAID-UP CAPITAL AND RESERVES

The Paid-Up Capital of the Bank stood at ₹ 31.41 Crores as on March 31, 2012 as against ₹ 31.35 Crores as on March 31, 2011. The free reserves and surplus stood at ₹ 346.21 Crores as on March 31, 2012 as against ₹ 337.30 Crores as on March 31, 2011.

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 2012, is 11.08%. This is as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I CRAR stood at 8.83%, well above the minimum of 6%.

FORFEITURE OF SHARES

Pursuant to Article 42 of the Articles of the Bank, the Board of Directors had forfeited 2,19,520 shares on May 2, 2012 due to non-payment of allotment/call monies in respect of shares allotted in the year 2009 and the earlier years. Accordingly, the issued and subscribed shares of the Bank has decreased to 3,13,59,567 shares from 3,15,79,087 shares. Correspondingly, the paid up capital has decreased to ₹ 31.36 Crores from ₹ 31.41 Crores effective from the date of forfeiture.

ISSUE OF LOWER TIER II BONDS

For augmenting Tier-II Capital, during the year under report, the Bank issued on private placement basis, 418 Unsecured, Redeemable, Non-Convertible, Subordinated Lower Tier II Bonds in the nature of Debentures – 'CSBL Bonds -2012 – Series-I', having face value of ₹10 Lakhs per bond, aggregating to ₹ 41.80 Crores as per the general permission granted by the Reserve Bank of India. The Bonds were listed on the National Stock Exchange of India Limited (NSE).

DEPOSIT MOBILISATION

Total Deposits of the Bank registered a growth of 21.54%, as against average banking industry growth of 13%, to reach ₹ 10,604.87 Crores as at March 31, 2012. This is as against ₹ 8,725.67 Crores in March 31, 2011. In accordance with the strategic focus, the Bank's core deposits registered a significant growth during the period. Low cost deposits (CASA) constitute 19.32% of the total deposits.

COMPOSITION OF RESOURCES OF FUNDS

(₹ in Crores)

Particulars	Financial year ended March 31, 2012	Financial year ended March 31, 2011
Deposits	10,604.87	8,725.67
Borrowings	575.46	323.82
Total	11,180.33	9,049.49

CREDIT DEPLOYMENT

Total Advances of the Bank registered a growth of 23.21%, as against average banking industry growth of 16.83%, to reach ₹ 7,663.54 Crores as at March 31, 2012. This is as against ₹ 6,220.02 Crores in March 31, 2011. The Bank stepped up credit to all major productive segments of the economy with a thrust on asset quality.