All things Bright and Orange

ANNUAL REPORT, 2013 - 2014

Catholic Syrian Bank

CSB

THE CATHOLIC SYRIAN BANK LIMITED

Registered Office: 'CSB Bhavan', St.Mary's College Road,
Post Box No. 502, Thrissur, Kerala-680 020
Corporate Identity Number: U65191KL1920PLC000175
Tel: +91 487 2333020; Fax: +91 487 2338764
Website: www. csb.co.in ; E-mail: board@csb.co.in

Board of Directors


Sri. S. SANTHANAKRISHNAN
Chairman


Sri.RAKESH BHATIA
Managing Director & CEO


Sri.AJAY LAL


Sri.T.S.ANANTHARAMAN

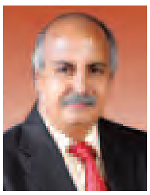

Sri.C.BOBBY JOS

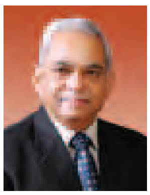

Sri.C.K.GOPINATHAN


Sri.K.IPE PETER


Sri.M. MADHAVAN NAMBIAR


Smt.RADHA UNNI


Sri.S.RAMAKRISHNAN


Sri.K.SUBRAHMANYA SARMA


Sri.SUMEER BHASIN


Sri. K. NEETHI RAGAVAN
Addl. Director,
RBI Nominee


Sri.V.SESHADRI
Addl. Director,
RBI Nominee

General Managers

Bhaskaran V P
Poulose K C

Executives

Anand Krishnamurthy
Bharath Mani
Sekhar Rao
Subhasis Banerjee

Chief Financial Officer

Antony P V

Additional General Managers

Ajith Prabhakar
Mohan Menon T
Kurian George

Deputy General Managers

Davies M P
Ganesan V
Paul C J
Paul George P
Subodha Chandra Mishra
Baby P V
Jiz P Kottukappally
Maheswari V
Rajesh M
Thomas K George

Company Secretary

Sijo Varghese

Board of Directors

Sitting from Left to Right : Sri. T.S. Anantharaman, Sri. K. Subrahmanya Sarma, Smt. Radha Unni, Sri. S. Santhanakrishnan, Sri. Rakesh Bhatia, Sri. K. Neethi Ragavan, Sri. V.Seshadri.
Standing from Left to Right : Sri. M. Madhavan Nambiar, Sri. C.K. Gopinathan, Sri. S Ramakrishnan, Sri. Sumeer Bhasin, Sri. K. Ipe Peter, Sri. Ajay Lal, Sri. C. Bobby Jos

Senior Executives with MD & CEO

Sitting from Left to Right: Sri.Mohan MenonT., Sri.Poulose K.C., Sri Rakesh Bhatia, Sri. Bhaskaran V.P., Sri.Anand Krishnamurthy. Standing from Left to Right: Sri. Bharath Mani, Sri. Sekhar Rao, Sri. Antony P.V.

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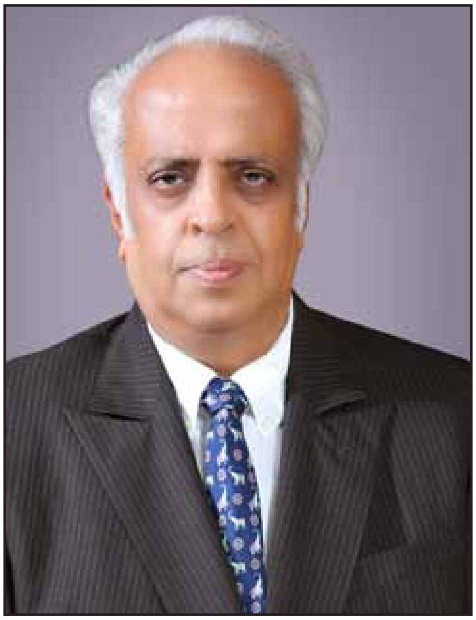
Chairman's Communiqué

Dear Shareholders,



It gives me great pleasure to write to you as the Chairman of your esteemed institution which has a tradition spanning nine decades of existence.

On behalf of my colleagues on the Board, I place on record my heartfelt appreciation for the support and trust you have extended to the Bank. It is my endeavor to share with you our Bank's performance for the year ended 31st March 2014 through this annual report and also the developments in the economy to help understand our progress in a bigger context.

Global growth, after decelerating for the last three years has strengthened during the second half of 2013. The activity is expected to improve further in 2014–15, largely on account of recovery in the advanced economies. A major impulse to global growth came from USA. Global growth is now projected to be slightly better in 2014, at around 3.7 percent. But downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks remain.

The financial year 2013-14 was a challenging one in many ways for the Indian Economy. The growth in the Indian economy continued to be moderate in FY14 as reflected by the advance estimates of GDP growth at 4.9%, marginally higher than the 4.5% of FY13. The slowdown has been quite broad based and has impacted almost all major sectors of the economy. Inflation continued to be a concern for the economy. Inflation and inflationary expectations were elevated for most part of the year.

However, the latest Industrial Outlook Survey by Reserve Bank of India reported that business confidence has started to rebuild. Improvement in economic environment is expected in the near term future which in turn is expected to improve performance in all major sectors of the economy.

The banking sector was severely hampered with low credit demand, pressure on asset quality which led to decline in income and increase in provisions. There was also an increase in the restructured assets in the banking book in sectors which got impacted severely in this economic slowdown. Despite these challenges, the Indian banking sector has displayed a high level of resiliency and thereby improving overall performance. Going forward, the improvement in economic environment is expected to reduce the stress on the asset quality of banks and reduce the pace of NPA addition, which in turn is expected to improve profitability of the banks.

Against this macroeconomic backdrop, our bank could post a net profit of ₹ 26.88 Crore, compared to ₹ 32.67 Crore in the corresponding previous period. Our Capital Adequacy Ratio at 11.25% is well above the minimum prescribed by RBI . Bank's total business rose by ₹ 1188.08 Crore to ₹ 22,381.22 Crore as on March 31, 2014 , *from ₹ 21,193.14 Crore as on March 31, 2013. In the lending front, our Bank had followed a cautious approach by selecting a few good quality customers in SME segment so as to achieve sustainable credit growth thereby ensuring higher earnings with a thrust on asset quality.*

Our Bank had opened 40 new branches and 29 ATMs across the country during the financial year.

In the technology front, our Bank will continue to provide special focus to create enhanced efficiencies and impart better service to customers. Your bank continues to be among the banks with the lowest number of customer complaints per branch in India and is relentlessly maintaining high standards of customer service.

Your bank is sworn to high standards of Corporate Governance and upholds fairness, integrity & trust in all its dealings with stakeholders.

Looking forward, I feel that Indian economy is poised for a spell of long and sustained growth given the positive business sentiments sloshing across sectors and the sighting of green shoots in the lead indicator sectors. Your bank is now in the process of transformation and in its new Avatar it will be well positioned to ride the India growth story, delivering sustainable value additions to all our stakeholders, making you proud of your bank.

As part of regulatory compliance in the backdrop of Basel III guidelines and the requirement to fuel our growth engine so as to set ourselves better placed and poised to meet your return expectations, your bank will be bolstering its capital base through the preferential issue of shares and IPO.

The Companies Act, 2013 makes it mandatory that certain specified categories of companies has to compulsorily spend at least 2 % of the average net profits for the Corporate Social Responsibility (CSR) activities. As a responsible organization, your bank has put in place a slew of measures for fulfillment of its commitment to the society as a whole.

On behalf of my colleagues on the board, I once again take this opportunity to place on record my heartfelt thanks for the support and trust extended by all the stakeholders of the bank. I also place on record my gratitude for the support and guidance extended by the Government of India, RBI, SEBI, IBA and other regulatory authorities.

I place on record my sincere appreciation to the contribution of all our employees and continue to remain indebted to them for their commitment and dedication. I am sure to have their continued wholehearted co-operation in taking this institution to stellar heights in the coming years.

(S.Santhanakrishnan)
Chairman

From the CEO's Desk

Dear Shareholders,

It's a privilege to write to you in the first year of my journey with CSB...... this year has been an interesting ride for the economy as a whole and we were no exception. Indian economy and banking sector had to face several challenges like slower GDP growth, high inflation, tight liquidity conditions, volatile interest rates, recalcitrant exchange rates and choppy gold prices and increasing NPA. These conditions and the resultant narrowing of spreads,spike in delinquency rates, valuation losses and hike in wage costs tracking the inflation indexposed a formidable challenge to the profitability position of banks.

On the business front we faced challenges in our traditional three growth segments- the credit concentration risk of corporate loans, heightened market risk of gold loans and relatively higher liquidity & interest rate risk of the wholesale deposits. These challenges required quick and effective mitigation.In the interest of long term sustainability, we took the conscious decision to de-risk all these portfolios by reducing our reliance on them.Business strategy was geared towards building our SME loan book on the asset side and enhancing the NRI franchise and CASA (low cost deposits)on the liability side.Based on our strategy shift, while our gold loans, corporate loans and wholesale deposit portfolios decreased, our SME loan book grew by 16% in FY 13-14 and the NRI business by 43%.

Timely exit from some exposures, judicious timing of G Sec yield curve and a few strategic&well timed loan sales have ensured us achieve profit before tax of ₹40.73 Crore (PY ₹41.89 Crore) and profit after tax of ₹ 26.87 Crore(PY ₹ 32.67 Crore) in FY 14 even after providing for substantially higher credit costs from NPAs and for salary escalation on account of expected industry level wage settlement. Our Net worth has crossed ₹600 Crore mark in FY 14 and our capital adequacy position remainscomfortable. Underlying our commitment to a more inclusive banking, we have opened 34 branches in the unbanked rural areas of our traditional support base viz. Thrissur District. This will allow us to open 50+ new branches in Metro/urban centres in the coming years.

Over the year we have developed a clear business strategy and have communicated the same across the organization. This strategy has been backed up with a new organizational structure with emphasis on key growth verticals. These verticals are headed by senior executives with good exposure and experience in the respective segments and over time we plan to develop them into Strategic Business Units.

On the technological front, we have upgraded the hardware and migrated to a better infrastructure to enable us to render quick high quality customer service. New software installations for centralization and automation of various processesthat will result in enhancing customer experience are now in progress.

Our credit appraisal standards have been scaled up with formation of regional credit hubs which have resulted in significant reduction in turnaround times.

People remain our biggest asset. We have been infusing fresh talent on a continuous basis and are getting the right balance of the youth and the experienced. Investment in the development of our people will continue to be one of the key focus areas for us.

The year ahead is full of both opportunities and challenges. The positive business momentum is generating growth opportunities all over. We will be completing preferential allotment in a month's time and this together with the proposed IPO will provide us with the resources to chase our dreams and propel our esteemed institution to an entirely new orbit of sustainable growth. This will power a virtuous cycle of business growth, fuelling our earnings growth - which in turn will allow us to expand our business further. We are committed towards bringing about what we refer to as 2B2P transformations viz. Branch Transformation, Brand Transformation, People transformation and Process transformation. Our objective is to make our bank a vibrant, modern and strong institution.

I thank you for your unstinted support & unwavering faith and look forward for your continued support and guidance for the journey ahead.

With warm regards,
(Rakesh Bhatia)
Managing Director & CEO

Well Begun is Half Done

"We believe in the saying: 'Well begun is half done!!' When we started business in 1989, we needed a perfect banker who can play a pivotal role in the growth of our business and cater to our various credit facility requirements. Carefully we chose CSB who supported us from the beginning and played a vital role in our growth & success".

Mr. C. Subramaniam,
Managing Director, Gomuki Spinning Mills.

Need Based And Customised Banking Solutions

CSB... Support all the way

SME @ CSB

DIRECTORS' REPORT

Dear Members,

We, the Directors of Catholic Syrian Bank, take great pride in presenting the 93rd Annual Report of your Bank along with the Audited Balance Sheet as at March 31, 2014 and Profit and Loss Account for the financial year ended March 31, 2014.

GLOBAL ECONOMIC REVIEW

Global growth, after decelerating for the last three years had improved in second half of 2013 with deterministic impetus from the advanced economies. Economic expansion in the US is gaining firmer footing and will aid recovery in global activity and trade. Recovery in large Emerging Markets and Developing Economies (EMDEs) could stay moderate as supply side constraints, tight monetary policies and tightening of financial conditions with tapering by the US could act as a drag on growth acceleration. However, we also need to be cautious of the uncertainties that may arise from certain actions to unwind unconventional monetary policies and possibility of a renewed deflation in the euro area.

Inflation has continued to be low in Advanced Economies (AEs) aided by high unemployment and large spare capacities. Among the emerging economies, monetary policy was tightened further by Indonesia, India, and Brazil, confronted by high inflation and pressures on their exchange rates. Inflation risks for EMDEs are likely to continue in the near-term owing to structural factors and demand pressures emanating from narrowing output gap.

As the uncertainty arising from the US tapering have diminished, the global policy makers have shifted their focus to tackle the residual risks on growth and inflationary pressures faced mainly by EMDEs. The International Monetary Fund (IMF) in its January 2014 World Economic Outlook update has projected that the global growth shall be higher in 2014, at 3.7 per cent as compared with 3.0 per cent in 2013. However, the latest projection attributes more to the improved growth outlook for US and AEs.

INDIAN ECONOMIC REVIEW

The growth in Indian economy has been subdued for two successive years reflecting global developments and domestic supply constraints. Indian economy witnessed sustained slowdown across all the sectors. India's economic activity, as captured by GDP at factor cost for the fiscal was marginally higher at 4.7% compared to 4.5 % in the corresponding period of the previous year. It is still far away from nearly 8% growth witnessed during most parts of 2004 to 2011. The slight recovery in 2013-14 as compared to 2012-13 is largely contributed by revival in agriculture growth due to a steady monsoon. Inflationary pressures and structural bottlenecks were some of the factors weighing down the growth process.

During this period, there have been unprecedented volatility in the value of rupee vis-à-vis the USD causing concerns. However, the Reserve Bank of India and the Ministry of Finance to bring in sweeping changes in the foreign exchange market that stabilized the value of our currency. Headline Inflation, as measured by the Wholesale Price Index (WPI) moderated to an average of 6.0 % in 2013-14 from 7.4 % in the corresponding previous year. Money supply (M3) growth, which was around 14.0 per cent at the beginning of the financial year 2013–14 had averaged to 14.5 % (y-o-y) by the end of March 2014, above the revised indicative trajectory of 13.0 per cent of Reserve Bank of India. India's forex reserves as at March 28, 2014 were at US $ 303.67 billion as against US $ 293.36 billion in the corresponding date in the previous period.

Latest Industrial Outlook Survey by Reserve Bank of India reported that business confidence has started to rebuild and sentiments on economic activity appear to be reviving with incoming data suggesting a firming up of industrial growth and exports. Indian economy's outlook for growth and price stability at this juncture looks promising. However, a moderating paced recovery is likely to shape with support from rural demand, pick-up in exports and some turnaround in investment demand. 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 pressures 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. This would have the dual advantage of encouraging investment and positively impacting growth.

INDIAN BANKING DEVELOPMENTS

During the period 2013-14, the operating environment for the banking system continued to be challenging due to high inflation, reduced industrial / service sector growth, concerns over growing non-performing assets and a high incidence of assets being restructured. Despite these challenges, the Indian banking sector has displayed a high level of resilience and thereby improving overall performance. In order to stimulate the economy and support the growth of banking sector, the Reserve Bank of India (RBI) adopted a slew of policy measures such as increasing the key monetary policy rates and tightening provisioning requirements and so on. Besides, the penetration of banks in rural areas has increased manifold due to the progress made under the Financial Inclusion Plans of banks. RBI has already initiated steps for implementation of the Basel III norms in a phased manner embedded with provisions and guidelines for higher capital adequacy norms for adoption and implementation by Banks in India. Indian 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.

During this period, the bank credit had marginally increased to 14.3 % in 2014 compared to 14.1 % during the corresponding period of the last year. The Non-food Credit growth for the fiscal was 14.2% as against 14.0 % at end of March 2013. The financial year growth in aggregate deposits with SCBs as on March 31, 2014, was 14.6 per cent as against 13.5 per cent in the corresponding period of last year. The credit deposit ratio of the banking system marginally declined to 77.69% as on 21.03.2014 from 77.95% as on 22.03.2013.

Amidst this economic scenario, the key challenge for the Indian banking system continues in improving their operational efficiency and implement prudent risk management practices. However, Indian banking in future is expected to grow exponentially supported by technology intensive processes and customer friendly models with focus on convenience and cost effectiveness.

Going forward, the regulatory changes have opened up newer opportunities for Banks. Emergence of new channels for banking services will drive the growth of banking industry exponentially in future by increasing productivity and acquiring new customers. Besides, the growth of the Indian Banking industry is closely linked with the growth of the overall economy. With green shoots visible in the revival of the economy as seen from narrowing current account deficit, relatively strong currency, inflow of FIIs and positive sentiment in the security markets, economy is poised to bounce back sooner than later and banking sector will have a larger share in this turnaround. At the same time, the Reserve Bank of India, as the regulator, is also continuously monitoring the macroeconomic environment to formulate its policies and directions in keeping with domestic and international developments.

PERFORMANCE HIGHLIGHTS

The financial performance of your Bank for the fiscal 2013–14 is as given:

₹ in Crore

Key Financial Parameters	March 31, 2014	March 31, 2013
Deposits	13,673.86	12,341.63
Advances	8,707.36	8851.52
Total Business	22,381.22	21,193.15
Total Assets	15,315.55	13,620.12
Net Interest Income (NII)	379.20	339.22
Operating Profit	95.34	101.98
Net Profit	26.88	32.67

Net Interest Income of the Bank for the period increased to ₹ 379.20 Crore from ₹ 339.22 Crore in the corresponding previous period. Net Interest Margin of the Bank for the year stood at 2.58 % as against 2.64 % in the corresponding previous period. However, the Operating Profit of the Bank has decreased to ₹ 95.34 Crore in this period, compared to ₹ 101.98 Crore in 2012-13. The Net Profit has decreased to ₹ 26.88 Crore, compared to ₹ 32.67 Crore in the corresponding previous period. The profit available for appropriation was ₹ 26.88 Crore.

APPROPRIATIONS

₹ in Crore

Transfer to Capital Reserve	13.26
Transfer to Statutory Reserve	6.72
Transfer to General Reserve	1.58
Transfer to/(from) Investment Reserve	(1.58)
Transfer to Charity Fund	0.03
Proposed Dividend Including Dividend Tax	4.90
Balance carried over to Balance Sheet	1.97
Total	26.88

KEY PERFORMANCE INDICATORS

Particulars	2013–14	2012–13
Capital Adequacy Ratio (CRAR) % Basel -II	11.25	12.29
Capital Adequacy Ratio (CRAR) % Basel –III	11.00	NA
Earnings per share (in ₹)	6.42	8.76
Book value per share (in ₹)	184.01	181.03
Cost-Income Ratio %	80.80	76.49
Return On Assets (ROA) %	0.18	0.25
Return On Equity (ROE) %	4.49	6.14

DIVIDEND

The Board of Directors has recommended payment of a dividend of 10 (Ten) percent on Equity Shares for the year ended 31st March 2014. This will, however, be subject to the approval of the shareholders at the Annual General Meeting.

The dividend distribution would result in a cash outflow of ₹ 4.90 Crore including tax on dividend of ₹ 0.71 Crore as per section 115(O) of the Income Tax Act, 1961.

PAID-UP CAPITAL AND FREE RESERVES

As on March 31, 2014, the Paid-up Equity Capital of the Bank stood at ₹ 41.84 Crore consisting of 41847125 shares of ₹ 10/- each.

The free reserves and surplus stood at ₹ 430.67 Crore as on March 31, 2014 as against ₹ 423.90 Crore as on March 31, 2013.

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 2014, is 11.25%. This is as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I CRAR stood at 9.26%, well above the minimum of 6%.

As per the Basel III Capital Adequacy Framework, the Capital to Risk Weighted Assets Ratio (CRAR), as assessed by the Bank as on 31st March 2014, is 11.00%. This is as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I and Common Equity CRAR stood at 9.07%, well above the minimum of 6.5% and 5%.

ISSUE OF SHARES ON PREFERENTIAL ALLOTMENT BASIS

As part of the capital augmentation plans , the Bank had sought and obtained approval of the shareholders vide postal ballot date July 7, 2014 for offer ,issue and allotment of 8744090 equity shares of ₹ 10 each at a premium of ₹ 170/- per equity share aggregating an amount of ₹ 157.39 Crore . Now the Bank is in the process of completing the rest of the formalities as prescribed under the Companies Act, 2013 and relevant rules to allot the shares to the respective investors.

EMPLOYEES STOCK OPTION SCHEME (ESOS)

Pursuant to the approval accorded by the shareholders at the 92nd Annual General meeting of the Bank held on 23.09.2013 to frame the stock option scheme, the Bank formulated a stock option scheme called "CSB Employees Stock Option Scheme 2013"("ESOS 2013" or "Scheme"). The maximum number shares to be allotted under the scheme shall not exceed 5% of issued equity shares of the Bank from time to time.

Pursuant to Section 62 (1)(b) read with the Companies (Share Capital and Debentures) Rules, 2014, the Bank vide postal ballot notice dated July 7, 2014 has sought the shareholders approval for the scheme and obtained the approval .

REDEMPTION OF CSBL BONDS

During the period under review, three series of CSBL bonds aggregating ₹ 60 Crore were due for redemption and the same were redeemed on the respective due dates.

DEPOSIT MOBILISATION

Bank's aggregate deposits rose by ₹ 1332 Crore to ₹ 13,673.63 Crore as on March 31, 2014, from ₹ 12,341.63 Crore in March 2013 recording an increase of 10.79%. Out of this, the total NRI Deposits stood at ₹ 2,362crore (17.35 % of total deposits). Low cost deposits constituted 16.97% of total deposits. During this period, CASA deposits registered a growth of 9.05 % as against 5.62% in the corresponding previous period.

COMPOSITION OF RESOURCES OF FUNDS

₹ in Crore

Particulars	Financial year ended March 31, 2014	Financial year ended March 31, 2013
Deposits	13,673.86	12,341.63
Borrowings	555.54	199.41
Total	14229.40	12541.04

CREDIT DEPLOYMENT

During the year 2013-14, your Bank has brought in modifications in the organizational structure of credit management for qualitative improvement. Credit Hubs have been set up at various locations, as a separate vertical, for objective credit analysis. This keeps the function of credit risk analysis of individual borrowers at arm's length from the sourcing and sanctioning points which are duty-bound to meet volume targets.

During this period, Bank's net advances declined to ₹ 8707.36 Crore as against ₹ 8851.52 Crore in the corresponding previous period. This decline was mainly due to the cautious approach of the Bank to lend to a few selective good quality customers so as to achieve sustainable credit growth thereby ensuring higher earnings with a thrust on asset quality. The CD Ratio of the Bank had stood at 63.68 % as against 71.72% in the corresponding previous year.

DEPLOYMENT OF FUNDS

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

Particulars	Financial Year Ended March 31, 2014 (₹ in Crore)	Financial Year Ended March 31, 2013 (₹ in Crore)	Growth (%) Year Under Report	Growth (%) Previous Year
Advances	8707.36	8851.52	(1.63)	15.50
Investments	5131.65	3301.05	55.45	4.96

TOTAL BUSINESS OF THE BANK

Bank's total business rose by ₹ 1188.08 Crore to ₹ 22,381.22 Crore as on March 31, 2014 , from ₹ 21,193.14 Crore as at March 31, 2013.

PRIORITY SECTOR LENDING

Your Bank has continued to give special emphasis on lending to priority sector, thereby being in conformity with the prescribed guidelines. Priority Sector Advances extended by your Bank stood at ₹ 3135.34 Crore at the end of March 2014, constituting 34.23% of Adjusted Net Bank Credit as on the previous year March. This is against the mandated target of 40%, as prescribed by the Reserve Bank of India, Total Agricultural Advances stood at ₹ 766.45 Crore at the end of March 2014 constituting 8.37% 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 (NPAs) MANAGEMENT

During the period, your Bank has been able to contain the Non-performing assets to a large extent despite slow down in the economy. In this connection, your Bank continued its special focus on improving the quality of assets , with an emphatic thrust on recovery of Non-Performing Assets. As part of this, your Bank has focused more on reduction of NPAs by ensuring close monitoring and other control measures, invocation of SARFAESI Act, compromise/settlement, thrust on up-gradation of fresh NPAs to standard assets, strategic asset sale to ARCs and so on.

There was remarkable achievement in NPA Recovery Management during the financial year under review. Your Bank had recovered an aggregate amount of ₹ 267.67 Crore during the financial year 2013-14, of which ₹ 157.26 Crore was from sale to ARCs , ₹ 65.15 Crore out of cash recovery, ₹ 44.67 Crore by way of upgradation and ₹ 0.59 Crore by write off. Despite the co-ordinated and sustained efforts, the gross NPA level of the Bank had gone up to ₹ 333.55 Crore as on 31.03.2014 from the previous year figure of ₹ 210.86 Crore due to slippage of a few corporate accounts due to the prevailing adverse market conditions. The increase in Gross NPA Ratio and Net NPA Ratio could be limited at 3.77% and 2.22% respectively against the previous year ratios of 2.34% and 1.12%.

Asset Quality: (₹ In Crore) Advance Type (Gross Including Provisions)	Financial Year Ended March 31, 2014		Financial Year Ended March 31, 2013	
	Amount	% of Total	Amount	% of Total
Loss	5.78	0.07	5.78	0.10
Doubtful	233.89	2.64	115.68	1.46
Sub-Standard	93.88	1.06	89.40	0.80
Gross NPA	333.55	3.77	210.86	2.36
Standard	8520.47	96.23	8765.11	97.64
Total Loan Assets	8854.02	100.00	8975.97	100.00

The provision coverage ratio decreased to 49.28% as on 31.03. 2014 as against the previous year position of 63.28%.

RISK MANAGEMENT & BASEL II COMPLIANCE

The risk management objective of the Bank is geared towards balancing the trade-off between risk and return and optimizing risk-adjusted return on capital.

Of the various types of risks the bank is exposed to, the most important are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The risk management measures are undertaken with the objective that all risks are identified, prioritised, quantified, controlled and mitigated in order to achieve an optimal risk-reward profile.

The Bank is adopting and implementing an integrated approach to risk management. For the purpose, 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 (RMC), which, in turn, is supported by Executive Level Committees, such as the Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability Management Committee (ALCO). These Committees ensure adherence to implementation of various risk management policies.

Implementation of Basel II norms in your Bank commenced in the financial year 2007–08. Your Bank has been calculating capital ratios on a quarterly basis as per Basel III norms, along with Basel II norms since April 1, 2013. The Bank has been in tune with the regulatory guidelines on Pillar I of Basel II and III Norms. It has computed the capital charge for credit risk as per the Standardised Approach and for market risk in accordance with the Standardised Duration Method. The capital charge for operational risk has been as per the Basic Indicator Approach.

In order to manage 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 Lakhs and above are subjected to Credit Risk Evaluation and Credit Rating. To ensure strict separation of risk and return, credit hubs are formed in Head Office and Zonal Offices. All proposals above the discretion of Zonal Managers are being routed through Credit Approving Committee at Head Office.The Bank has also set down industry/sector-wise prudential exposure ceilings to contain/monitor the risk of credit concentration on an ongoing basis.

The ALCO articulates the interest rate view of the Bank, the funding policy and the transfer pricing policy, apart from carrying out the 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. To analyse the impact of interest rate movements on the economic value of equity, the Bank conducts modified duration gap analysis on a monthly basis. The Bank is also adhering to the Basel III Regulatory Standards of Liquidity by monitoring the Liquidity Coverage Ratio and Net Stable Funding Ratio on a monthly basis.

In conformity with RBI guidelines, your Bank has evolved a robust Operational Risk Management Policy. This policy provides the framework to identify, assess, monitor, control and report operational risks, which arise out of the failure of internal processes, people and systems and on account of external events. The policy is implemented in an uninterrupted, reliable and comprehensive manner across the entire Bank.

To address the requirements of Pillar II of Basel Norms in its Internal Capital Adequacy Assessment Process (ICAAP), the Bank analyses various other risks in addition to the Pillar 1 risks and maintains additional capital wherever required. Your Bank has put in place a solid Stress Testing Framework. It consists 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.

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

DISCLOSURE

In compliance with the Reserve Bank of India guidelines on Basel II – Pillar 3 – Market Discipline, the Bank has put in place a Disclosure Policy duly approved by the Board and the disclosures on quarterly / Half yearly / Annual basis, as per the policy are displayed on the Bank's Website / Annual Report.

FOREX BUSINESS AND TREASURY OPERATIONS

In 2013-14, the markets opened on a positive note in the backdrop of strong rate cut expectations, comfortable liquidity, lower than expected core inflation, falling international oil and gold prices and news about cut in tax on FII interest income. By June, the bond yields hardened and the rupee slid anticipating a sell-off by FIIs. FII exit damaged the rupee's prospects in July and RBI reacted to the rupee depreciation by introducing several measures in the currency and money markets with major repercussions in the bond markets also. Market sentiments became very negative in August following the rupee's plunge to ₹ 68.8 to the USD, skepticism about the impact of measures taken by the Govt. to contain the Current Account Deficit [CAD] and fears of FIIs turning away from the bond market due to RBI's capital control measures.

Setting up of a separate dollar window for oil marketing companies, freezing of the HTM SLR reductions, another option to transfer to HTM and permission for staggered absorption of marked-to-market losses on the banking book however soothed the markets. The completely unexpected decision to abstain from tapering bond purchase by FOMC and drop in International oil prices led to more positive sentiment in September. The second half was by and large peaceful for the markets. The rupee strengthened below 60 levels and bond yields were stable at 8.8% when the financial year closed.

On the whole, the financial year 2013-14 was historic for the bond, currency and money markets. With the ten year bond yields ranging from as low as 7.11% in May to as high as 9.48% in August, debt markets were the source of both gain and pain. Despite these, your bank made a profit of ₹ 44.10 Crore from the sale of investments as against ₹ 22.89 Crore in the previous financial year. At a time when many banks suffered huge marked-to market losses, your bank, through a combination of active and passive investment strategies made sure that the MTM losses were negligible. On account of these, the total yield on treasury investments could be enhanced from 7.58% in 2012-13 to 8.41% in 2013-14. Your Bank made a profit of ₹ 44.10 Crore from treasury operations in 2013- 14 as against ₹ 22.89 Crore in the corresponding previous year.

Global trade gradually recovered and India's exports benefited from a weak Rupee and a moderate recovery in major advanced economies. The Rupee depreciated sharply, after the US Federal Reserve announced its reduction in the pace of monthly asset purchases in May 2013. The total export bill turnover of your bank increased to ₹ 1165.66 Crore during the year 2013–14 as against ₹ 939.48 Crore during the corresponding previous year. The total income from forex business for the year decreased to ₹ 36.05 Crore from ₹ 41.41 Core for the previous year.

NEW BUSINESS ACTIVITIES

1. EMV Chip based ATM cum debit cards

EMV Chip Card is a new ATM/Debit card with enhanced security features, for mitigating fraudulent transactions at ATM/POS terminals. Chip cards use secure chip technology and are designed and manufactured with features that help to deter counterfeiting and thwart tampering.

2. New Personal Loan Scheme – CSB…Property Encash

In order to expand the bank's retail credit portfolio in a remunerative manner with adequate collateral coverage, the bank has launched a new personal loan scheme in the name and style of "CSB… Property Encash". Tenure is maximum 8 years. Repayment is in equated monthly installments (EMIs) including interest. Loan is to be secured by Immovable property of adequate value

3. CSB Instapay Bill payment.

CSB Instant pay is a utility bill payment system through a payment gateway interface. This facility is available to all internet banking customers of CSB and payment will be processed and is reflected in customer's account within 2 working days time.

BANCASSURANCE BUSINESS

1. LIFE INSURNACE BUSINESS

The Bank has bancassurance tie-up with M/s Edelweiss Tokio Life Insurance Company Limited (ETL) for sourcing and selling their Life Insurance Products. The Bank's approach is to help its customers by providing them innovative insurance products that have been designed with the Indian customers in mind. The company's product portfolio addresses six key needs of the prospective customers – Protection, Wealth Accumulation, Wealth Enhancement, Education, Income Replacement and Retirement.

2. GENERAL INSURANCE BUSINESS

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

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

OPENING OF NEW BRANCHES

During the period under review, the Bank has opened 40 new branches and 29 ATMs across the country. The Bank plans to open more branches and ATMs in the current financial year as part of its business strategy.

BRANCH NETWORK

The Catholic Syrian Bank has, over the past nine decades, been systematically expanding its presence across India. You will be proud to learn that, today, our branch network has an impressive all-India presence, covering 17 States and 2 Union Territories.

The Bank's branch network as on 31st March 2014 is as given:

Area	Branches	% to total
Metro	55	13
Urban	102	24
Semi-Urban	225	52
Rural	48	11
Total	430	100

TECHNOLOGY ADOPTION

The Bank, young in its 90's is always in the forefront in adopting and implementing new technologies in Technology field. Technology adds significant value in every aspect of our business. We are often the prime bank in introducing new initiatives to render quality service to our customers and other stakeholders.

All CSB branches are interconnected so as to provide online, real-time transactions to the customers. Centralised data enables effective service delivery to customers by permitting them to transact freely from any branch of their convenience.

Technology advancement elevates our ranking in the industry in all fronts. All CSB branches are functioning under the platform of Core Banking Solution. Newly opening branches starts functioning in CBS, from day-1 itself. During the year, we have successfully upgraded the hardware infrastructure at our Data Centre in Chennai. The state- of-the- art technology ensures a smooth and hinder-free operation to all the branches thereby enhancing customer satisfaction.

A new dedicated Disaster Recovery is hosted at Bangalore to ensure business continuity. This also forms part of regulatory compliance. In software front, more modules such as locker are incorporated in our Core Banking Solution in order to provide quick service to customers. Online lead management and tracking system is introduced in order to reduce the turnaround time in processing loan/advance requests from customers.

During the year your bank started issuing EMV cards which ensures security and boosts confidence of the user. Integration with more payment gateway was made thereby enabling our customers to reach more merchant outlets. Insta card pay is the system in which non-personalised debit cards are instantly issued to the account holders.

All banking delivery channels which comprises branches, ATMs, internet etc. are considered as part of our core business and given priority in our Core Banking Solution for seamless integration/upgradation to provide more customer satisfaction.

Bank is in the process of implementing various measures towards complying with the requirements outlined in RBI Circular dated 29th April 2011 on the working group recommendations on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds. In the light of the guidelines, the Bank has reviewed the Information Technology Policy as well as the Information Security Policy. The services of a professional have been engaged to conduct a gap study in the specified areas.

INFORMATION TECHNOLOGY (IT) INITIATIVES

During this financial year under review, 29 new ATMs were installed taking the total strength of ATMs to 230.

The Bank has tie-ups with VISA, NFS (National Financial Switch), DFS (Discover Financial Services) to increase the accessibility of ATMs across the world. The Bank is in the process of having a tie up with the Master Card.

Debit card issuance has improved. As on the year end date, your Bank has issued 5.80 lakh cards. Upahaar card, a highly welcomed product of the bank relieves our customers from the task of selecting an appropriate gift for various occasions.

International EMV Chip and PIN based cards of VISA, facilitates highly secure international card transactions. All our NRI customers are provided with EMV cards and domestic account holders are provided this card up on their request in order to perform more secure transactions abroad.

It is our promise to you that efforts will continue in order to leverage technology to create enhanced efficiencies and provide superlative customer service.

BUSINESS STRATEGY

Our business strategy puts emphasis on the following:

- To leverage the franchise capabilities of our institution and to blend it with a more modern approach to build a stronger, healthier, vibrant, sustainable and well accepted brand over a period of time.
- Keen focus on SME including agricultural lending , NRI business and CASA which have significant impact on overall growth strategy of the bank.
- 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.
- To focus on effective deployment of funds and ensuring financial discipline, thereby enhancing value to its shareholders, employees and the society at large.
- To open branches at potential centres across the country with endowed human capital to provide a comprehensive and competitive product suite to match rising customer expectations.

CUSTOMER SERVICE

Your Bank has put in place well-defined Customer Grievances Redressal Machinery System, where customers can approach at our various levels for redressal of their grievances. Your Bank ensures that customer complaints received through various sources are resolved within the shortest possible time . Your bank has always endeavoured to provide customers superlative service and focused on keeping up with the winds of change over the past nine decades. We will continue to look for avenues that will enable us to reach out to our customers in the most cost effective and efficient way.

Your Bank always believes in reaching out to the customers. As part of this, your Bank offered various schemes and launched a number of products to cater to the specific needs of its customer clientele. Your Bank strongly believes that customer service will continue to be the most important factor in maintaining and improving the Bank's role within the Indian Banking Industry.

Pursuant to the RBI directives, your Bank has already constituted a sub-committee of the Board, known as the "Customer Service Committee of the Board", besides having an Executive Level Committee on Customer Service which has representation from customer groups. The functions of the sub-committee of the Board include, inter alia, suggesting, implementing and reviewing measures for enhancing the quality of customer services and improving the level of satisfaction for all the categories of clientele at all times. To ensure constant focus, the Board of Directors periodically reviews the functioning of this Sub-Committee. Besides, the Bank is also having a Standing Committee on Customer Service, which also has representation from customer groups.

HUMAN RESOURCES

Human Resources (HR) agenda of the bank aims to create a team of empowered employees to realize the Bank's vision. Towards this, the bank is committed to create a congenial working environment where there is mutual trust and respect duly recognizing the talents, rights and dignity of every employee. The Bank continued its effort to strengthen the human resource practice. Your Bank is having a well structured Human Resource Department which is playing a major role in the performance of the bank. The Bank has also a well structured Human Resource Management Policy governing selection, recruitment, training, promotion etc. of staff members.

Your bank realises that its real strength is its people. People define the experience of the customer and people etch out the growth curve of the bank. Your bank's total staff strength of 2,896 at the end of the fiscal. This comprises 1,549 officers, 1,154 clerks, 137 sub-staff and 56 permanent part-time employees.

During the year under report, in order to meet the requirements of business growth, branch network expansion, attrition and retirements, Bank has recruited 94 officers and 99 clerks and 1 peon across the country. In the same period, the promotions also took place in various cadres including at executive level.

The Bank makes extensive use of training resources of its Training College with a view to providing specialized training in newer areas of skills and also to providing wider exposure to executives and officers.During the year, 44 training programmes had been conducted at the Bank's Staff Training College exposing 967 of our staff members at different levels to various trainings and 157 staff had been sent for external training programmes in different functional, managerial and behavioral areas. The Bank continues to focuson imparting training to its employees to upgrade the knowledge base and skill.

INSPECTION AND VIGILANCE

A well organized Inspection and Audit machinery provides adequate support to the management in exercising the required control of a Bank. With the diversification of functions, appropriate control and supervision is vital for the growth and development of any Bank. Your bank has an effective, reliable and a well-structured system of inspection of branches, administrative and other offices. Inspection Department of your bank functions independently and ensures that there is systematic and sound mechanism on an ongoing basis to check adherence to the Bank's policies, systems and procedures. While ensuring a healthy business growth, Inspection Department also aims for an undiluted internal control. This includes, assisting and guiding all the Branches and Departments in complying with various rules and guidelines as applicable to the Bank. The Inspection Department manages various types of audits like Risk Based Internal Audit (RBIA), Information System Audit, KYC Audit, Concurrent Audit, Currency Chest Audit and Management Audit of Zonal Offices and various departments. Professionally qualified Chartered Accountant firms conduct the Concurrent Audits. As on March 31, 2014, 109 branches, International Banking Division and Treasury & Investment Department of the Bank were covered by Concurrent Audit. The Audit Committee of the Board regularly meets to review the functioning of the audit system and to approve policies and guidelines for the audit function of the Bank, as required from time to time.

Off-site surveillance mechanism has been identified as a powerful tool in the current CBS environment for the internal control of branches and offices. It has been strengthened for detecting and rectifying the irregularities and also to guard against potential losses, on an ongoing basis.

The Vigilance Department of your Bank is headed by Chief of Internal Vigilance (CIV). In compliance with RBI guidelines, the Board has designated Deputy General Manager (Inspection, Audit & Vigilance) as Chief of Internal Vigilance. The Department operates as a channel for providing inputs to the Top Management for carrying out investigation into vigilance related complaints and to suggest corrective measures for improving the control systems and compliance of laid down procedures. It also carries out snap inspection in vigilance angle at branches, Zonal Offices and various departments whenever felt necessary, with focus on preventive vigilance.

FINANCIAL INCLUSION

Financial Inclusion denotes delivery of financial services at an affordable cost to the vast sections of the low income and disadvantaged groups. To provide financial services to low income and disadvantaged groups of the society either through branch banking or branchless banking by using business correspondent / facilitator model and Information and Communication Technology (ICT) devices. In line with the Government of India and Reserve Bank of India initiatives for ensuring greater financial inclusion and increasing the outreach of the banking sector, the Bank has adopted 6 villages, one village in Kerala and five villages in Tamil Nadu and appointed Business Correspondents for providing banking services in these villages. The Bank has installed Biometric ATMs in the two villages for the benefit of the customers from these villages. The Bank has 105381 BSBDA's (Basic Savings Bank Deposit Accounts), 696 KCC Accounts (Kisan Krishi Card) and 255 GCC Accounts serviced through our branches and through Business Correspondent outlets.

KYC AND ANTI-MONEY LAUNDERING

Your Bank has put in place a Prevention of Money Laundering Cell for addressing issues & obligations related to Know Your Customer/ Anti-Money Laundering / Combating Financing of Terrorism guidelines ie; The Prevention of Money-laundering Amendment Rules, 2009. Unlawful Activities (Prevention) Act, 1967 The Cell thereby prevents the Bank from being used intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The procedure under these guidelines also enables the Bank to know/understand customers and their financial dealings better which in turn helps to manage the Bank's financial & reputational risks prudently. The Cell also reports to the Financial Intelligence Unit, New Delhi any transactions that are suspicious, through the STR/CTR/CCR/NTR/CBTR etc;. The review of the compliance of KYC and AML and CFT guidelines of the Bank as a whole is put up by the PMLA Cell to the Audit Committee of the Board at quarterly/yearly intervals.

The Cell also imparts the importance of KYC Norms to the employees through trainings & issuance of Branch Circulars, FAQ's and other publications so that the employees of the Bank will conduct themselves in accordance with the highest ethical standards and in accordance with the extant regulatory requirements and laws.

As part of its ongoing efforts to address bank supervisory issues and enhance sound practices in banking organizations, your Bank has also formed a Compliance Cell under the PMLA Cell which envisages strict observance of all statutory provisions contained in various legislations such as Banking Regulation Act, Reserve Bank of India Act, Foreign Exchange Management Act, Prevention of Money Laundering Act etc. as well as to ensure observance of other regulatory guidelines issued from time to time; standards and codes prescribed by IBA, FEDAI, FIMMDA etc; and also bank's internal policies and fair practices code.

CORPORATE GOVERNANCE

The Corporate Governance Philosophy of the Bank is to promote corporate fairness, transparency and accountability so as to maximise long-term value for all stakeholders. This philosophy is realised through the Bank's endeavour in working towards portfolio, operational and reputation excellence. Your Bank believes that sound corporate governance is critical to enhance and retain investor confidence. The Bank always seeks to follow the best practices in international corporate governance. The Bank recognises the fact that they are the custodians of public money and in order to fulfil its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and goodwill of the public at large.

The Board of Directors of the Bank comprises 14 Directors, including the Non-Executive Chairman, Managing Director & CEO, and two Additional Directors appointed by the Reserve Bank of India. Except the Managing Director & CEO, the rest of the Directors are Non-Executive Directors. None of the Directors including Chairman, except the Managing Director & CEO, are paid any remuneration other than the sitting fees for attending the meetings of the Board and its various Committees. Further, the composition of the Board is in compliance with Section 10A (2) of the Banking Regulation Act, 1949. Based on the Ganguly Committee Report on Corporate Governance in Banks and as per the advice of the Reserve Bank of India, the Bank has in place a Nomination Committee of the Board for conducting due diligence on appointment and continuation of Directors on the Board. The prescribed due diligence exercise has been carried out by the Bank in respect of all Directors holding office as on 31st March 2014. They have all satisfied the 'Fit and Proper' norms.

During the year under report, there were 7 Board Meetings. The Sub-Committees of the Board and their number of meetings held were: (i) Audit Committee – 9 Meetings, (ii) Credit Committee – 12 Meetings (iii) Management Committee – 9 Meetings, (iv) Shareholders'/Investors' Grievance Committee – 3 Meetings, (v) Risk Management Committee – 4 Meetings, (vi) Committee for Monitoring Large Value Frauds – 3 Meetings, (vii) Nomination Committee – 3 Meetings, (viii) Customer Service Committee – 2 Meetings (ix) NPA Management Committee – 8 Meetings (X) Committee for Exercising the powers of the Managing Director & CEO- 1 meeting (XI) Capital raising Committee – 1 Meeting and (XII) IT Strategy Committee – 1 Meeting.

The compliance of Statutory and Regulatory requirements by the Bank has been prompt and up to date. The major means of communication with the shareholders are individual correspondence and newspaper releases. As part of the 'Green Initiative in Corporate Governance' programmes organised by the Ministry of Corporate Affairs (MCA), the Bank has already put in place mechanism for sending all notices/documents including notice of the shareholders' meeting, Balance Sheet, Profit & Loss Account, Auditors' Report, Directors' Report and so on in electronic form.

The Bank's shares can be held either in physical or in dematerialised format, though not listed in any Stock Exchanges. However, Bonds issued by the Bank [CSBL Bonds 2004 – Series –II and Option- II and CSBL Bonds – 2012 - Series I] are listed in the National Stock Exchange. The shares of the Bank are widely held. Compliance of 'Fit and Proper' norms is ensured for major shareholders. The instructions of the RBI with regard to Corporate Governance Standards are complied with to the extent applicable to the Bank.

The Bank has voluntarily adopted most of the Corporate Governance practices specified in the Listing Agreement for Bonds with NSE though they are not mandatory.

CEO/CFO CERTIFICATION

The certification by Managing Director & CEO and Chief Financial Officer on the financial statements and internal controls relating to financial reporting has been obtained.

AUDIT COMMITTEE OF THE BOARD

The Committee discharges the functions laid down in the Companies Act, and those prescribed by the Reserve Bank of India. It also discharges the functions delegated by the Board of Directors from time to time. The ACB, which held nine 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. It has also interacted with the Auditors. The ACB acts as an effective tier to the Board in the matter of inspection, audit and internal control systems. It offers useful suggestions in the conduct and management of your Bank's business.

The Audit Committee of the Board (ACB) as on the date of the report consists of six members including two Additional Directors- RBI Nominees. The Committee is chaired by one Non-Executive Independent Director, who is also a Chartered Accountant. All the members of the Committee are Non-Executive Independent Directors of the Bank. The Chairman of the Board is a Special Invitee to the Committee.

REGISTRAR & SHARE TRANSFER AGENTS

M/s. SKDC Consultants Ltd., Coimbatore, is the Registrar & Share Transfer Agent of the Bank's shares. The shareholders may lodge their requests/complaints either with the Registrar and Share Transfer Agents or with the Bank in the following address:

SKDC Consultants Ltd., Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 006. Ph:0422 – 2539835, 2539836 E-mail: info@skdc-consultants.com	The Company Secretary, Catholic Syrian Bank Limited, P. B. No. 502, CSB Bhavan, St. Mary's College Road, Thrissur – 680 020. Ph:0487 – 2333020, 6451640 E-mail: board@csb.co.in

DEMATERIALISATION OF SHARES

Dematerialisation facility is available for Bank's shares with both the depositories; i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 679A01013. Members may opt for availing the benefits of electronic holding/transferring of the shares held by them. The shareholders can lodge their shares with M/s. SKDC Consultants Ltd. through Depository Participants (DPs) for dematerialisation. However, the shares of the Bank have not been listed in any Stock Exchange/s.

STATUS OF DEMATERALSIATION OF SHARES

As on March 31, 2014, 43.82 % of Bank shares were in demat mode as per the statement given below:

Category	No. of shares	% of the holding
Physical Mode	23509224	56.179
Demat Mode		
NSDL	10920751	26.097
CDSL	7417150	17.724
Total	41847125	100.00

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Bank has always had a deep sense of responsibility towards the community. In this regard, the Bank has initiated a slew of measures during the period under review in line with Reserve Bank of India and Ministry of Corporate Affairs guidelines on Corporate Social Responsibility. As part of this initiative and to have a special attention on the CSR activities of the Bank, your Bank has formed a trust viz. "CSB WELFARE TRUST" for advancement of education, medical relief, relief to the poor, environment protection and for such other ancillary objectives.

The Companies Act , 2013 makes it mandatory to the Bank to form a Committee viz. Corporate Social responsibility Committee of the Board and the Bank has formed the said committee comprising four directors as per the extant laws and rules. The Corporate Social Responsibility Committee shall (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 (b) recommend the amount of expenditure to be incurred on the activities as part of the CSR activities of the Bank and (c)monitor the Corporate Social Responsibility Policy of the Bank from time to time.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the Annual Accounts for the year ended March 31, 2014:

i) The applicable Accounting Standards have been followed along with proper explanations relating to material departures, if any;

ii) The Directors had selected the accounting policies and had applied them consistently. They made judgements and estimates that are reasonable and prudent. They give a true and fair view of the state of affairs of the Bank as at the end of the financial year as well as the profit of the Bank for the year ended March 31, 2014;

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 the Banking Regulation Act, 1949, as applicable, thus safeguarding the assets of the Bank and preventing and detecting fraud and other irregularities;

iv) The Directors have prepared the Annual Accounts on a going concern basis; and

v) Proper systems are in place to ensure compliance of all laws applicable to the Bank.

AUDITORS

The Joint Statutory Central Auditors Viz. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai and M/s. Varma & Varma, Chartered Accountants, Kochi, who were appointed at the 92nd Annual General Meeting held on September 23, 2013 are retiring at the ensuing Annual General Meeting, and are eligible for re-appointment as per the guidelines of Reserve Bank of India (RBI).

BOARD OF DIRECTORS

At the 92nd Annual General Meeting of the Bank held on September 23, 2013, Shri. K.Subrahmanya Sarma, Shri. Bobby Jos.C, Shri. S.Ramakrishnan were re-appointed as Directors of the Bank.

Shri. M. Madhavan Nambiar was appointed as Director of the Bank at the 92nd Annual General Meeting of the Bank held on September 23, 2013, liable to retire by rotation.

Shri. S.Santhanakrishnan was re-appointed by the Board in their meeting held on July 17, 2014 as Director in the non-retiring category, i.e. Director not liable to retire by rotation, effective from September 29, 2014 and for a period up to January 15, 2017 pursuant to Article 129(ii) of the Articles of Association of the Bank and as per provisions of Sec. 152(6)(b) of the Companies Act, 2013. His present tenure of appointment as Part-time Chairman of the Bank is up to 16/08/2015. For having uniformity in both the appointments as Director as well as Part-time Chairman, the Board re-appointed him as Part-time Chairman of the Bank for a period up to January 15, 2017. The extension of the period as Chairman is subject to approval of Reserve Bank of India under Sections 10-B (1-A) of the Banking Regulation Act, 1949.

In accordance with the provisions of Companies Act and the Articles of Association of the Bank, Non-Executive (Non-Independent) Director Shri.C.K.Gopinthan, retires by rotation and is eligible for re-appointment.

Pursuant to Section 149, 150 and 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and pursuant to Sec 10 A (2A) of the Banking Regulation Act,1949, approval of the shareholders have been sought for the appointment of Smt. Radha Unni, Shri. K. Ipe Peter, Shri. Sumeer Bhasin, Shri. S. Ramakrishnan, Shri. Boby Jos C and Shri. M. Madhavan Nambiar, as Independent Directors not liable to retire by rotation for a period of two years effective from the date of the ensuing Annual General Meeting.The performance of the Independent Directors is subject to evaluation as per the Section 149(8) of the Companies Act, 2013 and Schedule IV to the said Act.

Director Shri. K.Subrahmanya Sarma has attained the maximum age limit prescribed by Reserve Bank of India. However, he will hold the office of the Director till the time he has to retire as per the provisions of the Companies Act, 2013 subject to further approval from Reserve Bank of India. Hence, the approval of the shareholders have not been sought for appointing him as Independent Director even though he meets the criteria prescribed for being appointed as Independent Director of the Bank as per Section 149 of the Companies Act, 2013.

The detailed profile of all the directors recommended for appointment in the ensuing Annual General Meeting are mentioned in the notice of Annual General Meeting for the benefit of shareholders as per the provisions of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

The Statement containing particulars of employees as required under the provisions of Sec 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report (Annexure-I).

STATUTORY DISCLOSURES

Considering the nature of activities of the Bank, the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to conservation of energy and technology adoption, are not applicable to the Bank. But they are still being constantly pursued and all-out efforts are being made by the bank to achieve the desired goals as contained in the Act and Rules.

a) Conservation of Energy

All attempts are being made to reduce energy consumption to the maximum extent possible. As part of these measures, a few branches of the Bank have been switched over to solar power which is aimed at optimum utilisation of power in a cost efficient manner.

b) Technology Absorption

The required technology absorption is being made considering the nature of activities.

c) Foreign Exchange Earnings and Outgo

Being an Authorised Dealer in Foreign Exchange, the Bank has been taking all possible steps to augment export credit.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Ministry of Corporate Affairs and other government and regulatory authorities for their continued support and guidance.

The Board acknowledges with thanks its esteemed shareholders, bondholders and business associates for their encouragement, support and assistance.

The Board of Directors wishes to place on record its appreciation for the dedicated services rendered by the members of staff at all levels. The Board looks forward to their continued dedicated and sincere services to take the Bank to greater heights.

The Directors wish to record their deep sense of obligation and gratitude to all the customers and well wishers of the Bank for their patronage and look forward to continuing this mutually supportive relationship in future as well.

As a bank, we must remain committed to charge ahead with complete vigor and in full throttle right from the beginning to ensure attainment of our goals set for the coming years. The strategies that we have embarked on will definitely pave the way as well as give direction for us to move forward and achieve what we desire. We promise you excellent long term prospects and sustained growth.

By order of the Board

Sd/-
S.Santhanakrishnan
Chairman

Thrissur
August 21, 2014

Statement Pursuant to Section 217(2A) of the Companies Act, 1956 &
The Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report

Name & Designation	Qualification	Age (in years)	Remuneration		Experience (No. of Years)	Date of Commencement of Employment	Last Employment
			Gross(₹)	Net (₹) #			
Rakesh Bhatia, MD& CEO	B.Com (Hons), PGDBM (IIM- Ahmedabad), AISSCE(Cambridge School, New Delhi)	51	75,00,000/-	54,90,700/-	26	01.04.2013	Senior Executive, Special Projects, Latin America-HSBC, Hong Kong

Net of tax paid

Big Wins

"The laurels of unwavering trust bestowed upon us by our customers could only be attributed to the consistent quality and reliability of the services we have delivered. Same reason we opted CSB to bank with".

Mr. K. P. Yusuf,
Chairman, Kelath Industries.
Winner of Safety Award by Factories Dept., Kerala Govt.

Customer's Wins Are Our Wins

CSB... Support all the way

SME @ CSB

CEO/CFO Certification for the year 2013-14

The Board of Directors,
The Catholic Syrian Bank Ltd,
Thrissur.

Dear Sirs,

We hereby certify that:-

a. We have reviewed financial statements and the cash flow statement for the year 2013-2014 (Consolidated) and that to the best of our knowledge and belief:

   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading:

   ii. These statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit committee.

   i. Significant changes in internal control over financial reporting during the year.

   ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and

   iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

Sd/-	Sd/-
(P.V.Antony)	(Rakesh Bhatia)
Chief Financial Officer	Managing Director & CEO

Thrissur,
26.06.2014

Supporting Life

"At Punarjani our motto is 'Health for sure with love and care'. To serve this noble cause, we needed a banker who has a deep sense of responsibility towards the community. CSB has supported us with their prompt services to scale up our hospital infrastructure, which helped us to deliver world class treatment to all strata of the society".

Dr. V. Satheesh Kumar, Chairman.
Dr. Sweety, Managing Director, Punarjani Hospital.

Socially Responsible Banker

CSB... Support all the way

SME @ CSB

INDEPENDENT AUDITORS' REPORT

To

The Shareholders of
The Catholic Syrian Bank Limited

Report on the Financial Statements:

1. We have audited the accompanying financial statements of The Catholic Syrian Bank Limited, which comprise the Balance Sheet as at 31st March, 2014, the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information contained in the notes to accounts. Incorporated in these financial statements are the returns of 28 branches/offices audited by us and 419 branches/offices audited by branch auditors.

Management's responsibility for the financial statements

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act and the guidelines of Reserve Bank of India issued from time to time. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the over all presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as The Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) In the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2014;

   ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

   iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to Note no.3.3 to the financial statements, which describes deferment of pension and gratuity liability of the bank to the extent of ₹ 12.10 Crore pursuant to the exemption granted by the Reserve Bank of India to the bank, from the application of the provisions of Accounting Standard (AS) 15 relating to employee benefits vide its circular no. DBOD. BP BC 80/21.04.018/2010-11 dated 09.02.2011 and RBI letter DBOD.BP BC 15896/21.04.018/2010-11 dated 08.04.2011 on reopening of pension option to employees of the bank and enhancement in gratuity limits-Prudential Regulatory Treatment.

Report on Other Legal and Regulatory Matters

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

9. We report that:

   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.

   (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

   (c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of The Companies Act, 1956 read with the general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.

11. We further report that:

    (i) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account and the returns.

    (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

    (iii) the reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us.

    (iv) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.

For Sundaram & Srinivasan
Chartered Accountants
FRN No.004207 S

Sd/-
C.Naresh
Partner
M.No.28684

For Varma & Varma,
Chartered Accountants
FRN No 004532 S

Sd/-
C.Pankajakshan
Partner
M No. 012948

Thrissur
26.06.2014

BALANCE SHEET AS ON 31ST MARCH, 2014

(₹ in thousand)

	SCHEDULE	AS ON 31.03.2014	AS ON 31.03.2013
CAPITAL AND LIABILITIES			
Capital	1	41 , 89 , 94	41 , 89 , 94
Reserves and Surplus	2	728 , 12 , 73	715 , 65 , 16
Deposits	3	13673 , 86 , 17	12341 , 62 , 58
Borrowings	4	555 , 54 , 30	199 , 40 , 63
Other Liabilities and Provisions	5	316 , 11 , 61	321 , 53 , 71
TOTAL		15315 , 54 , 75	13620 , 12 , 02
ASSETS			
Cash and balances with Reserve Bank of India	6	623 , 90 , 24	629 , 25 , 72
Balances with banks and money at call and short notice	7	450 , 39 , 89	435 , 76 , 13
Investments	8	5131 , 65 , 29	3301 , 05 , 17
Advances	9	8707 , 36 , 15	8851 , 51 , 83
Fixed Assets	10	173 , 33 , 50	169 , 21 , 82
Other Assets	11	228 , 89 , 68	233 , 31 , 35
TOTAL		15315 , 54 , 75	13620 , 12 , 02
CONTINGENT LIABILITIES	12	1138 , 05 , 17	856 , 70 , 44
Bills for collection		72 , 12 , 90	80 , 92 , 04
Significant Accounting Policies	17		
Notes to Accounts	18		

The schedules referred to above form an integral part of the Balance Sheet.

Sd/-
S Santhanakrishnan, *Chairman*

Sd/-
S Ramakrishnan, *Chairman-Audit Committee*

Sd/-
T. S. Anantharaman, *Director*

Sd/-
Bobby Jos C, *Director*

Sd/-
C.K. Gopinathan, *Director*

Sd/-
K.Ipe Peter, *Director*

Sd/-
Radha Unni, *Director*

Sd/-
K. Subrahmanya Sarma, *Director*

Thrissur
26.06.2014

Sd/-
Rakesh Bhatia, *Managing Director & CEO*

Sd/-
Sijo Varghese, *Company Secretary*

Sd/-
V P Bhaskaran
General Manager (Operations)

Sd/-
K C Poulose, *General Manager (HR)*

Sd/-
P.V.Antony , *Chief Financial Officer*

As per our report of even date
For Sundaram & Srinivasan
Chartered Accountants
FRN No:004207 S

Sd/-
C Naresh
Partner
(M. No. 28684)

For Varma & Varma
Chartered Accountants
FRN No.004532 S

Sd/-
C Pankajakshan
Partner
(M.No.12948)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2014

(₹ in thousand)

		SCHEDULE	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
I	INCOME			
	Interest earned	13	1503 , 97 , 75	1320 , 86 , 42
	Other Income	14	117 , 33 , 19	94 , 58 , 28
	TOTAL		1621 , 30 , 94	1415 , 44 , 70
II	EXPENDITURE			
	Interest expended	15	1124 , 77 , 34	981 , 64 , 79
	Operating expenses	16	401 , 19 , 83	331 , 82 , 02
	Provisions and contingencies		68 , 45 , 82	69 , 31 , 26
	TOTAL		1594 , 42 , 99	1382 , 78 , 07
III	PROFIT			
	Net profit for the year		26 , 87 , 95	32 , 66 , 63
	Excess Dividend provided reversed		NIL	5 , 62
	Profit brought forward from previous year		NIL	NIL
	TOTAL		26 , 87 , 95	32 , 72 , 25
IV	APPROPRIATIONS			
	Transfer to Capital Reserves		13 , 26 , 33	8 , 14 , 03
	Transfer to Statutory Reserves		6 , 71 , 99	8 , 16 , 66
	Transfer to General Reserves		1 , 57 , 78	1 , 32 , 29
	Transfer to Special Reserve (under Section 36 (1) (viii) of IT Act,1961)		NIL	8 , 36 , 17
	Transfer from Investment Reserve		(1 , 57 , 78)	(64 , 28)
	Transfer to Charity Fund		3 , 00	3 , 00
	Provision for Proposed Dividend		4 , 18 , 47	6 , 27 , 70
	Provision for Tax on Dividend		71 , 12	1 , 06 , 68
	Balance carried over to Balance Sheet		1 , 97 , 04	NIL
	TOTAL		26 , 87 , 95	32 , 72 , 25
	Basic and diluted Earnings Per Equity Share (₹) (Face value ₹ 10 per share)		6.42	8.76
	Significant Accounting Policies	17		
	Notes to Accounts	18		

The schedules referred to above form an integral part of the Profit and Loss account

Sd/-
S Santhanakrishnan, *Chairman*

Sd/-
S Ramakrishnan, *Chairman-Audit Committee*

Sd/-
T. S. Anantharaman, *Director*

Sd/-
Bobby Jos C, *Director*

Sd/-
C.K. Gopinathan, *Director*

Sd/-
K.Ipe Peter, *Director*

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Radha Unni, *Director*

Sd/-
K. Subrahmanya Sarma, *Director*

Thrissur
26.06.2014

Sd/-
Rakesh Bhatia, *Managing Director & CEO*

Sd/-
Sijo Varghese, *Company Secretary*

Sd/-
V P Bhaskaran
General Manager (Operations)

Sd/-
K C Poulose, *General Manager (HR)*

Sd/-
P.V.Antony , *Chief Financial Officer*

As per our report of even date
For Sundaram & Srinivasan
Chartered Accountants
FRN No:004207 S

Sd/-
C Naresh
Partner
(M. No. 28684)

For Varma & Varma
Chartered Accountants
FRN No.004532 S

Sd/-
C Pankajakshan
Partner
(M.No.12948)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2014

(₹ in thousand)

PARTICULARS	Year ended 31.03.2014	Year ended 31.03.2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	407374	418946
Adjustments for:		
Depreciation on Fixed Assets	59982	53661
Amortisation of Intangible Assets	14342	21276
Provisions and Contingencies	546003	600844
Interest Paid on Tier II Bonds	110674	111026
Others	(32186)	71112
Operating Profit before Working Capital Changes	1106189	1276865
Adjustments for:		
Investments	(18351643)	(1571742)
Advances	911476	(12344998)
Other Assets	(50620)	(503094)
Deposits	13322359	17367553
Borrowings	3661367	(3600589)
Other Liabilities	31361	(28786)
Cash generated from Operating Activities	630489	595209
Direct Taxes Paid (Net of refunds)	(95966)	8876
Net Cash flow from Operating Activities (A)	534523	604085
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Intangible Assets	(159964)	(127853)
Sale of Fixed Assets	2381	2295
Net Cash Used in Investing Activities (B)	(157583)	(125558)

C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Share Capital	Nil	104831
Proceeds from Share Premium	Nil	682241
Redemption of Tier II Bonds	(100000)	(160000)
Interest Paid on Tier II Bonds	(110674)	(111026)
Dividend paid (including Tax on Dividend)	(73438)	(54491)
Net Cash (used)/generated from financing activities (C)	(284112)	461555
D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	92828	940082
Cash and Cash Equivalents at the Beginning of the Year	10650185	9710103
Cash and Cash Equivalents at the End of the Year	10743013	10650185
Net increase as disclosed as above	92828	940082

Sd/-
S Santhanakrishnan, *Chairman*

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S Ramakrishnan, *Chairman-Audit Committee*

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Rakesh Bhatia, *Managing Director & CEO*

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Sijo Varghese, *Company Secretary*

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V P Bhaskaran
General Manager (Operations)

Sd/-
K C Poulose, *General Manager (HR)*

Sd/-
P.V.Antony , *Chief Financial Officer*

As per our report of even date

For Sundaram & Srinivasan
Chartered Accountants
FRN No:004207 S

Sd/-
C Naresh
Partner
(M. No. 28684)

For Varma & Varma
Chartered Accountants
FRN No.004532 S

Sd/-
C Pankajakshan
Partner
(M.No.12948)

Thrissur
26.06.2014

(₹ in thousand)

	As on 31.03.2014		As on 31.03.2013	
SCHEDULE 1 - CAPITAL				
Authorized Capital :				
10,00,00,000 (Previous year 10,00,00,000) Equity shares of ₹ 10/- each		100 , 00 , 00		100 , 00 , 00
20,00,000(Previous year 20,00,000) Preference Shares of ₹ 100/-each		20 , 00 , 00		20 , 00 , 00
		120 , 00 , 00		120 , 00 , 00
Issued and Subscribed Capital				
41847125 (Previous year 41847125) equity shares of ₹ 10/- each		41 , 84 , 71		41 , 84 , 71
Called-up Capital				
41847125 (Previous year 41847125) equity shares of ₹10/- each		41 , 84 , 71		41 , 84 , 71
Add: Forfeited Shares		5 , 23		5 , 23
		41 , 89 , 94		41 , 89 , 94
SCHEDULE 2 - RESERVES AND SURPLUS				
I Statutory Reserves				
Opening balance	139 , 64 , 73		131 , 48 , 07	
Additions during the year	6 , 71 , 99		8 , 16 , 66	
Deductions during the year	Nil	146 , 36 , 72	Nil	139 , 64 , 73
II Capital Reserves				
Opening balance	39 , 70 , 58		31 , 56 , 55	
Additions during the year	13 , 26 , 33		8 , 14 , 03	
Deductions during the year	Nil	52 , 96 , 91	Nil	39 , 70 , 58
III Revaluation Reserves				
Opening balance	126 , 71 , 21		38 , 76 , 58	
Additions during the year	Nil		89 , 18 , 08	
Deductions during the year	1 , 40 , 12	125 , 31 , 09	1 , 23 , 45	126 , 71 , 21
IV Share Premium				
Opening balance	290 , 66 , 60		222 , 44 , 19	
Additions during the year	Nil		68 , 22 , 41	
Deductions during the year	Nil	290 , 66 , 60	Nil	290 , 66 , 60
V Revenue and other Reserves		Nil		Nil
a) General Reserves				
Opening balance	93 , 53 , 07		92 , 20 , 78	
Additions during the year	1 , 57 , 78		1 , 32 , 29	
Deductions during the year (Refer Note 5.3 of schedule 18)	8 , 07 , 67	87 , 03 , 18	Nil	93 , 53 , 07
b) Investment Reserve				
Opening balance	1 , 57 , 78		2 , 22 , 06	
Additions during the year	Nil		Nil	
Deductions during the year	1 , 57 , 78	Nil	64 , 28	1 , 57 , 78
c) Special Reserve (under Section 36 (1)(viii) of ITax Act, 1961)				
Opening balance	23 , 76 , 19		15 , 40 , 02	
Additions during the year	Nil		8 , 36 , 17	
Deductions during the year	Nil	23 , 76 , 19	Nil	23 , 76 , 19
VI Contingency Reserve		5 , 00		5 , 00
VII Balance in Profit and Loss Account		1 , 97 , 04		Nil
TOTAL		728 , 12 , 73		715 , 65 , 16

(₹ in thousand)

	As on 31.03.2014		As on 31.03.2013	
SCHEDULE 3 - DEPOSITS				
A. I. Demand Deposits				
[i] From banks	53 , 24		38 , 78	
[ii] From others	330 , 91 , 31		328 , 96 , 74	
		331 , 44 , 55		329 , 35 , 52
II. Savings Bank Deposits		2029 , 53 , 79		1834 , 03 , 97
III. Term Deposits				
[i] From banks	498 , 90 , 92		459 , 46 , 06	
[ii] From others	10813 , 96 , 91		9718 , 77 , 03	
		11312 , 87 , 83		10178 , 23 , 09
TOTAL [I,II, and III]		13673 , 86 , 17		12341 , 62 , 58
B [i] Deposits of branches in India		13673 , 86 , 17		12341 , 62 , 58
[ii] Deposits of branches outside India		Nil		Nil
TOTAL		13673 , 86 , 17		12341 , 62 , 58
SCHEDULE 4 - BORROWINGS				
I. Borrowings in India				
[i] Reserve Bank of India		419 , 00 , 00		Nil
[ii] Other banks		Nil		Nil
[iii] Other institutions and agencies		29 , 04 , 30		81 , 90 , 63
TOTAL OF I		448 , 04 , 30		81 , 90 , 63
II. Borrowings outside India		Nil		Nil
TOTAL (I and II)		448 , 04 , 30		81 , 90 , 63
Secured borrowings included in I and II		Nil		Nil
III. Capital Instruments				
Subordinated debts raised for Tier II Capital		107 , 50 , 00		117 , 50 , 00
TOTAL (I,II and III)		555 , 54 , 30		199 , 40 , 63
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I. Bills payable		14 , 78 , 28		18 , 36 , 41
II. Inter-office adjustments (net)		21 , 76 , 07		14 , 50 , 38
III. Interest accrued		64 , 10 , 73		54 , 90 , 19
IV. Others(including provisions) *		215 , 46 , 53		233 , 76 , 73
TOTAL		316 , 11 , 61		321 , 53 , 71
* Includes: Contingent provision against standard assets		42 , 89 , 08		46 , 47 , 12
SCHEDULE 6 -CASH AND BALANCES WITH RESERVE BANK OF INDIA				
I. Cash in hand(including foreign currency notes)		72 , 02 , 07		84 , 67 , 96
II Balances with Reserve Bank of India				
[i] in Current Accounts	551 , 88 , 17		544 , 57 , 76	
[ii] in Other Accounts	Nil		Nil	
		551 , 88 , 17		544 , 57 , 76
TOTAL (I AND II)		623 , 90 , 24		629 , 25 , 72

(₹ in thousand)

	As on 31.03.2014		As on 31.03.2013	
SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE				
I. In India				
[i] Balances with banks				
(a) in Current Accounts	13 , 73 , 55		14 , 78 , 64	
(b) in Other Deposit Accounts	350 , 05 , 00		382 , 50 , 00	
		363 , 78 , 55		397 , 28 , 64
[ii] Money at call and short notice				
(a) with banks	Nil		Nil	
(b) with other Institutions	Nil	Nil	Nil	Nil
TOTAL (i and ii)		363 , 78 , 55		397 , 28 , 64
II. Outside India				
(i) in Current Accounts	86 , 61 , 34		38 , 47 , 49	
(ii) in Other Deposit Accounts	Nil		Nil	
(iii) Money at call and short notice	Nil		Nil	
TOTAL		86 , 61 , 34		38 , 47 , 49
GRAND TOTAL (I and II)		450 , 39 , 89		435 , 76 , 13
SCHEDULE 8 - INVESTMENTS				
I. Investments in India (Gross)		5139 , 78 , 42		3304 , 61 , 99
Less Provision for depreciation		8 , 13 , 13		3 , 56 , 82
Net Investment in India		5131 , 65 , 29		3301 , 05 , 17
BREAK - UP				
[i] Government securities	3525 , 34 , 20		2954 , 87 , 14	
[ii] Other approved securities	Nil		Nil	
[iii] Shares	1 , 20 , 05		1 , 72 , 13	
[iv] Debentures and Bonds	198 , 24 , 61		90 , 48 , 83	
[v] Subsidiaries and/or joint ventures	Nil		Nil	
[vi] Others [Including RIDF, Certificate of Deposits,SR etc]	1406 , 86 , 43		253 , 97 , 07	
TOTAL		5131 , 65 , 29		3301 , 05 , 17
II. Investments outside India		Nil		Nil
GRAND TOTAL (I and II)		5131 , 65 , 29		3301 , 05 , 17
SCHEDULE 9 - ADVANCES				
A [i] Bills purchased and discounted	474 , 25 , 27		254 , 76 , 66	
[ii] Cash credits, overdrafts and loans repayable on demand	5713 , 23 , 40		6367 , 95 , 82	
[iii] Term loans	2519 , 87 , 48		2228 , 79 , 35	
TOTAL		8707 , 36 , 15		8851 , 51 , 83

(₹ in thousand)

	As on 31.03.2014		As on 31.03.2013	
B [i] Secured by tangible assets (Includes advances against book debts)	7896 , 92 , 66		8282 , 79 , 01	
[ii] Covered by Bank/Government guarantees	491 , 96 , 33		256 , 73 , 60	
[iii] Unsecured	318 , 47 , 16		311 , 99 , 22	
TOTAL		8707 , 36 , 15		8851 , 51 , 83
C. I. Advances in India				
[i] Priority sector	2557 , 99 , 21		1913 , 81 , 65	
[ii] Public sector	279 , 52 , 82		287 , 77 , 29	
[iii] Banks	Nil		4 , 00 , 79	
[iv] Others	5869 , 84 , 12		6645 , 92 , 10	
TOTAL		8707 , 36 , 15		8851 , 51 , 83
II. Advances outside India		Nil		Nil
GRAND TOTAL (C.I and II)		8707 , 36 , 15		8851 , 51 , 83
SCHEDULE 10 - FIXED ASSETS				
1. Premises				
At cost as on 31 st March of the preceding year	6 , 89 , 56		6 , 83 , 55	
Appreciation on revaluation	135 , 02 , 66		135 , 02 , 66	
Additions during the year	5 , 09		6 , 01	
Deductions during the year	Nil		Nil	
Depreciation to date	13 , 21 , 53	128 , 75 , 78	11 , 63 , 46	130 , 28 , 76
II. Other Fixed Assets (including furniture and fixtures)				
At cost as on 31st March of the preceding year	102 , 57 , 70		93 , 20 , 10	
Additions during the year	11 , 81 , 29		11 , 27 , 61	
Deductions during the year	3 , 57 , 40		1 , 90 , 01	
Depreciation to date	66 , 23 , 87	44 , 57 , 72	63 , 64 , 64	38 , 93 , 06
TOTAL (I, and II)		173 , 33 , 50		169 , 21 , 82
SCHEDULE 11 - OTHER ASSETS				
I. Interest accrued		117 , 67 , 88		71 , 36 , 82
II. Tax paid in advance/tax deducted at source (Net of provisions)		28 , 10 , 46		18 , 51 , 59
III. Stationery and stamps		1 , 09 , 09		1 , 05 , 66
IV. Non-banking assets acquired in satisfaction of claims		16 , 47 , 15		11 , 90 , 37
V. Others *		65 , 55 , 10		130 , 46 , 91
TOTAL		228 , 89 , 68		233 , 31 , 35

* Includes deferred tax asset of ₹ 18.24 Crore (Previous Year ₹ 40.17 Crore)

(₹ in thousand)

		As on 31.03.2014		As on 31.03.2013
SCHEDULE 12 - CONTINGENT LIABILITIES				
I. Claims against the bank not acknowledged as debts		5 , 60 , 11		5 , 22 , 57
II. Liability for partly paid investments		Nil		Nil
III. Liability on account of outstanding forward exchange contracts		833 , 59 , 81		529 , 40 , 79
IV. Guarantees given on behalf of constituents				
(a) In India		208 , 10 , 15		249 , 63 , 06
(b) Outside India		Nil		Nil
V. Acceptance, endorsements and other obligations		81 , 26 , 22		62 , 15 , 63
VI. Other items for which the bank is contingently liable		9 , 48 , 88		10 , 28 , 39
TOTAL		1138 , 05 , 17		856 , 70 , 44

		Year ended 31.03.2014		Year ended 31.03.2013
SCHEDULE 13 - INTEREST EARNED				
I. Interest/discount on advances / bills		1138 , 69 , 69		1074 , 34 , 50
II. Income on investments		330 , 40 , 88		226 , 25 , 92
III. Interest on balances with Reserve Bank of India and other inter -bank funds		31 , 98 , 38		20 , 12 , 08
IV Others		2 , 88 , 80		13 , 92
TOTAL		1503 , 97 , 75		1320 , 86 , 42
SCHEDULE 14 - OTHER INCOME				
I. Commission, Exchange and Brokerage		16 , 69 , 26		16 , 25 , 97
II. Profit on sale of investments	44 , 29 , 80		22 , 88 , 80	
Less: Loss on sale of investments	20 , 14	44 , 09 , 66	Nil	22 , 88 , 80
III. Profit on revaluation of investments	Nil		Nil	
Less: Loss on revaluation of investments	Nil	Nil	Nil	Nil
IV. Profit on sale of land, buildings and other assets	37 , 15		72 , 56	
Less: Loss on sale of land, buildings and other assets	26 , 85	10 , 30	25 , 06	47 , 50
V. Profit on exchange transactions (Net)		12 , 53 , 48		13 , 07 , 26
VI. Income earned by way of dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India		Nil		Nil
VII. Miscellaneous Income (includes recovery of Bad debts written off in earlier years ₹ 3.44 Crore; previous year ₹ 3.86 Crore)		43 , 90 , 49		41 , 88 , 75
TOTAL		117 , 33 , 19		94 , 58 , 28

(₹ in thousand)

	Year ended 31.03.2014	Year ended 31.03.2013
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	1094 , 23 , 99	950 , 22 , 70
II. Interest on Reserve Bank of India/ inter -bank borrowings	11 , 53 , 16	7 , 34 , 30
III. Others	19 , 00 , 19	24 , 07 , 79
TOTAL	1124 , 77 , 34	981 , 64 , 79
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	287 , 76 , 13	233 , 90 , 54
II. Rent, taxes and lighting	38 , 38 , 43	32 , 34 , 06
III. Printing and Stationery	3 , 69 , 76	3 , 29 , 63
IV. Advertisement and publicity	1 , 07 , 71	1 , 81 , 10
V. Depreciation on bank's property (including amortisation / write off of intangible assets)	7 , 43 , 24	7 , 49 , 37
VI. Directors' fees, allowances and expenses	71 , 44	80 , 70
VII. Auditors' fees and expenses (including branch auditors)	1 , 66 , 99	1 , 70 , 24
VIII. Law charges	83 , 74	71 , 26
IX. Postages, Telegrams, Telephones etc.	6 , 24 , 45	5 , 48 , 13
X. Repairs and maintenance	6 , 11 , 54	6 , 00 , 96
XI. Insurance	12 , 86 , 07	10 , 00 , 56
XII. Other expenditure	34 , 40 , 33	28 , 25 , 47
TOTAL	401 , 19 , 83	331 , 82 , 02

SCHEDULE 17 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

a) The financial statements have been prepared in accordance with the requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements confirm to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India and referred to in the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry Of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 so far as they apply to the Bank and practices generally prevalent in the banking industry in India.

b) Historical cost convention and Accrual basis of accounting have been consistently applied while preparing and presenting the financial statements, unless otherwise stated.

2. USE OF ESTIMATES

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent liabilities at the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

3. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

a) Monetary assets and liabilities including contingent liabilities have been translated at the exchange rates prevailing at the close of the year as advised by FEDAI and the effect is accounted in Profit & Loss Account.

b) Income and Expenditure items denominated in foreign currencies have been accounted at the exchange rates prevailing on the date of transaction.

c) Outstanding foreign exchange forward contracts are revalued at the rates applicable on the closing date as advised by FEDAI. The resultant profit/loss is taken into Profit and Loss Account.

d) Contingent Liabilities on guarantees, letters of credit, acceptances and endorsements are reported at the exchange rates prevailing at the close of the year.

4. INVESTMENTS

a) Accounting and classification

All Investments are accounted for on settlement dates.In terms of RBI guidelines, the entire investments portfolio has been classified under three categories for valuation purpose, viz., “Held to Maturity”, “Available for sale” and “Held for Trading” at the time of its purchase. However, for disclosure in the Balance Sheet, investments are classified under six groups – Govt. Securities, Other Approved Securities, Shares, Debentures and Bonds, Subsidiaries/Joint Venture and Others.

b) Cost of acquisition

Costs such as brokerage pertaining to investments, paid at the time of acquisition are charged to the profit and loss account.

c) Basis of Classification

Securities that are held principally for resale within 90 days from the date of purchase are classified under the HFT category. Investments that the bank intends to hold till maturity are classified under the HTM category. Securities which are not classified in the above categories are classified under the AFS category.

d) Transfer between categories

Reclassification of investments from one category to the other, if done, is in accordance with the RBI guidelines. Transfer of scrips from AFS/HFT category to HTM category is made at the lower of book value or market value. In the case of transfer of securities from HTM to AFS/HFT category, the investments held under HTM at a discount are transferred to AFS/HFT category at the acquisition price and investments placed in the HTM category at a premium are transferred to AFS/HFT at the amortized cost.

Transfer of investments from AFS to HFT or vice versa is done at the book value. Depreciation carried, if any, on such investments is also transferred from one category to another.

e) Valuation of Securities:

i) Investments in "Held to Maturity" category are accounted for at acquisition cost or at amortised cost, if acquired at a premium. In case the cost is higher than the face value, the premium is amortised over the period remaining to maturity using Constant Yield Method. Such amortisation of premium is adjusted against income under the head "Income on Investments". Where the face value is higher than the cost, the discount is ignored and is accounted only on maturity date of the instrument.

ii) Securities classified as "Available for Sale" are marked to market scrip-wise on a quarterly basis and net depreciation in each category is provided for, while net appreciation is ignored.

iii) Individual scrips in "Held for Trading" category are marked to market at daily intervals and net depreciation in each category is provided for, while net appreciation is ignored.

iv) Treasury Bills and Certificate of Deposits are valued at carrying cost.

v) Security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company/Securitisation Company.

vi) Profit on sale of investments in 'Held to Maturity' category is recognised in the Profit and Loss Account and an equivalent amount net of taxes and transfer to Statutory Reserves is appropriated to Capital Reserve.

vii) Investments are also classified as Performing and Non Performing as per the guidelines of RBI and provisions on Non Performing investments are made as per the provisioning norms of RBI.

5. ADVANCES

a) Advances are classified as Performing and Non Performing based on the relevant RBI guidelines. The amount of advances shown in the Balance Sheet is net off provisions and interest suspense.

b) Provision on Standard Assets is maintained as per RBI guidelines and the same is included in Item No. IV 'Others', of Schedule 5 – Other Liabilities & Provisions.

c) Amounts recovered against debts written off in earlier years are recognised as revenue.

d) The sale of financial assets (including Non Performing Advances) to Reconstruction Company (RC)/ Securitisation Company (SC) are accounted as per the extant guidelines of Reserve Bank of India from time to time.

6. FIXED ASSETS AND DEPRECIATION

a) Fixed Assets other than premises are carried at cost less accumulated depreciation. Cost includes cost of purchase and all directly attributable costs of bringing the asset to its working condition for its intended use.

b) Premises are stated at revalued amount. Appreciation on revaluation of premises is credited to Revaluation Reserve. The additional depreciation on the revalued portion of buildings is charged to Profit and Loss account and an equivalent withdrawal is made from Revaluation Reserve Account.

c) Subsequent expenditure incurred on fixed assets put to use is capitalized only when it represents an improvement which increases the future benefits from the existing asset beyond its previously assessed standard of performance or an extension which becomes an integral part of the asset.

d) Depreciation on additions to fixed assets is provided on pro rata basis.

e) Depreciation rates and method for various categories of Fixed Assets are as follows

Type of Fixed Asset	Depreciation Rate (p.a.)	Depreciation Method
Building	5.00%	Written Down Value
Motorcars	25.89%	Written Down Value
Furniture & Fixtures	6.33%	Straight Line
Plant & Machinery	4.75%	Straight Line
Computers	33.33%	Straight Line
ATMs	12.50%	Straight Line

f) Depreciation on assets costing 5000 or less is depreciated at 100%.

7. INTANGIBLE ASSETS

Accounting and amortisation of Computer Software are in accordance with the provisions of Accounting Standard 26 – Intangible Assets, issued by Institute of Chartered Accountants of India (ICAI).

a) Application Software purchased is amortised over a period of 5 years on pro rata basis under Straight Line Method.

b) Internally Generated Application Software is accounted as an intangible asset and is amortised over a period of 5 years on pro rata basis under Straight Line Method from the date the software becomes Available for Use. If the software is still in the development phase and has not become Available for Use, no amortisation is charged to Profit & Loss Account.

8 . NON BANKING ASSETS

In the case of Non Banking Assets, diminution in value, if any, is provided for.

9. EMPLOYEE BENEFITS

9.1 Short Term Employee Benefits

The undiscounted amount of short-term employee benefits which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

9.2 Long term Employee Benefits

a) Defined Contribution Plan

Provident Fund and New Pension Scheme (Contributory) are the defined contribution plans of the bank. In addition to contribution for the year, shortfall, if any, in the Income and Expenditure account of the Provident Fund is charged to Profit and Loss Account of the bank.

b) Defined Benefit Plans

Liabilities towards Gratuity, Pension and Leave benefits to employees are defined benefit obligations and are provided for on the basis of actuarial valuation made at the end of each financial year. Projected Unit Credit Method is used by the actuary for valuing the obligations in case of Pension, Gratuity and Long term Compensated Absences and other long term employee benefits. Discount rate used to arrive at the present value of estimated future cash flows is arrived at by reference to market yields on balance sheet date on government bonds of term consistent with estimated term of the obligations as per para 78 of AS 15 Employee Benefits. Actuarial Gains/Losses are immediately taken to the profit and loss account and are not deferred.

Brief description of the defined benefit plans:

i) Pension. Pension is payable to the employees who have specifically opted for the same. For becoming eligible for pension, the employee should have served the bank for a minimum period of 10 years in the case of retirement on superannuation and 20 years in other cases. At the time of retirement or death of the pension eligible employee, the pension trust purchases annuity from insurance company, out of the contributions made by the bank.

ii) Gratuity. Gratuity is payable to all employees on termination of employment due to retirement, death or resignation, provided that the employee has served the bank for a minimum period of 5 years.

The net liability arising out of reopening of pension option to employees and enhancement in gratuity limits is amortised in 5 years commencing from 2010-11as per approval of RBI (vide the RBI Circular DBOD.No. BP. BC.80/21.04.018/2010-11 dated February 9, 2011 and RBI letter DBOD.No.BP.BC.15896/21.04.018/2010-11 dated April 08, 2011)

iii) Long term compensated absences and other long term employee benefits.

a. Privilege Leave

b. Sick leave on half pay

c. Carry forward of unavailed casual leave

d. Leave fare concession

10. RECOGNITION OF REVENUE AND EXPENDITURE

Revenue is recognised to the extent it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured.

a. Interest/discount on advances/bills is recognised on accrual basis except on non-performing assets in which case the income is recognised as per prudential norms issued by RBI.

b. Exchange, Brokerage, Commission & Rent on lockers are recognised on cash basis.

c. Income on Investments (other than dividend on equity shares & mutual funds and income on non performing investments) is recognised on accrual basis. Dividend income is recognised when the right to receive payment is established.

d. Recovery in Non Performing Assets is first appropriated towards interest and the balance, if any, towards principal, except in the case of Suit Filed Accounts, sale to Asset Reconstruction Companies and accounts under One Time Settlement.

e. Legal expenses incurred on suit filed accounts are expensed in profit and loss account as per RBI guidelines. Such amount when recovered is treated as income.

11. TAXES ON INCOME

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The impact of changes in the deferred tax assets and liabilities is recognized in the Profit and Loss Account.

Deferred tax assets are recognized and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realized against future profits.

12. SEGMENT INFORMATION

Bank has adopted RBI's revised guidelines on segment reporting issued in April 2007 and accordingly 4 business segments viz. Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations have been considered as reportable segments. Advances classified as corporate as per Basel II norms are grouped in Corporate/Wholesale Banking assets while all other advances are grouped as Retail Banking Assets. Deposits of ₹ 1 Crore and above are classified as corporate/ wholesale banking liabilities (to conform to ALM classification adopted by the bank) and all other deposits are grouped as retail banking liabilities. Deposits of borrowers classified as corporate as per Basel II norms are treated as wholesale deposits regardless of amount. For arriving at segment results, income and expenditure that cannot be directly identified with a particular segment are allocated on appropriate basis.

13. IMPAIRMENT OF ASSETS

Impairment losses, if any, on Fixed Assets (including revalued assets) are recognized in accordance with the Accounting Standard 28 'Impairment of Assets' issued by Institute of Chartered Accountants of India (ICAI) and charged to Profit and Loss Account.

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As per the Accounting Standard 29, 'Provisions, Contingent Liabilities and Contingent Assets', issued by the Institute of Chartered Accountants of India (ICAI), the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

Contingent assets are not recognized in the financial statements.

15. EARNINGS PER SHARE

The bank reports basic and diluted Earnings per equity share in accordance with the Accounting Standard 20 on "Earnings per share". The Bank reports basic and diluted earnings per equity share in accordance with AS 20, "Earnings per share" prescribed by the Companies (Accounting Standards)

Rules, 2006. Basic Earnings per share (EPS) reported is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti dilutive.

16. NET PROFIT

The net profit disclosed in the Profit & Loss Account is after

(i) provision for taxes

(ii) provision for standard and non performing assets as per the prudential norms.

(iii) provision for depreciation on investments

(iv) other usual and necessary provisions.

SCHEDULE 18 - NOTES TO ACCOUNTS

1. General

1.1 Capital Funds

As per the directions of Reserve Bank of India (RBI), Siam Vidhya Group (holding 13.13% of the paid up share Capital of the bank as on 31.03.2014) was required to divest shares in excess of 10% of the Paid up Capital before 31.12.2013. Since their divestment has not been completed within the time limit prescribed by RBI, the Siam Vidhya Group sought extension of time from RBI upto June 30, 2014 and with the approval of RBI ,their share holding has been brought down to 9.98% of the paid up capital on 06.06.2014 .

1.2 Investments

a) The profit on sale of investments under Held to Maturity category amounting to ₹ 26.79Crore (previous year ₹ 16.07Crore) has been taken to Profit and Loss account and a sum of ₹ 13.26 Crore (previous year ₹ 8.14Crore), being net of taxes and net of transfer to Statutory Reserve of such profit, has been appropriated to Capital Reserve Account.

b) In respect of Investments in Held to Maturity category, the amount of amortisation of excess of acquisition cost over face value is ₹ 16.14Crore (previous year ₹ 14.84 Crore) which is netted against Income on Investments (Schedule 13, Item II).

c) Provision for depreciation on investments in the Available for Sale category amounting to ₹ 4.56 Crore is debited to the Profit & Loss Account (Previous year ₹ 1.27 Crore). As permitted by RBI Guidelines, a sum of ₹ 1.58 Crore (previous year ₹ 0.64 Crore) (net of taxes and transfer to Statutory Reserves) was transferred from investment reserve to Profit & Loss Account.

d) During 2013-14, the bank has transferred securities from Held to Maturity category to Available for Sale category amounting to ₹ 774.75 Crore between categories. (previous year Nil).

1 .3 Reconciliation

Reconciliation of inter-bank and inter-branch transactions has been completed up to 31stMarch 2014. Steps for elimination of outstanding entries are in progress. Since the outstanding entries to be eliminated are insignificant, no material consequential effect is anticipated.

1.4 Taxation

Claims against the bank not acknowledged as debt under contingent liabilities(Schedule 12) include disputed income tax liabilities of ₹ 9.21 Crore (Previous Year ₹ 10.06 Crore) which has been paid/ adjusted and included under other assets (Schedule 11). In respect of these claims,provision for tax is not considered necessary based on various judicial decisions on such disputes. Management does not envisage any liability in respect of such disputed issues.

Provision for income tax for the year is arrived at after due consideration of the various judicial decisions on certain disputed issues.

1.5 Wage settlement

Pending settlement of wage revision with effect from 1-11-2012, provision of ₹ 21.48 Crore has been created during the current year on the basis estimated by the management. Bank has also created provision of ₹ 10.00 Crore towards expected escalation in retirement benefit costs pursuant to such revision.

1.6 Draw Down from Counter Cyclical Provisioning Buffer

(a) In terms of RBI circular DBOD.No.BP.95/21.04.048/2013-14 Dated February 7, 2014, Banks are permitted to utilize up to 33% of countercyclical provisioning buffer/floating provisions held by them as on March,2013 for making specific provisions for non-performing assets,as per the policy approved by their Board of Directors. Accordingly the bank has utilized an amount of ₹ 5.88 Crore for making specific provision for non-performing assets as per the policy approved by the Board of Directors in this regard.

(b) Also in terms of RBI circular DBOD.BP.BC.No.98 / 21.04.132/2013-14 dated February 26, 2014, banks are permitted to use the balance of countercyclical provisioning bufferafter adjustments made as mentioned in (a) above, for meeting any shortfall on sale of Non Performing Assets. Accordingly the bank has utilized an amount of ₹ 9.42 Crore out of the balance remaining in counter cyclical provisioning buffer for meeting shortfall that arose on sale of Non Performing Assets to Assets Reconstruction Company.

(c) Balance in counter cyclical provisioning buffer after aforementioned drawals is ₹ 2.54 Crore.

2. Disclosures in terms of Reserve Bank of India Guidelines

2.1 Capital

Particulars	BASEL III
	31.03.2014
i) Common Equity Tier 1 capital ratio (%)	9.07
ii) Tier 1 Capital ratio (%)	9.07
iii) Tier 2 Capital ratio (%)	1.93
iv) Total Capital ratio (CRAR) (%)	11.00
v) Percentage of the shareholding of the Government of India in public sector banks	Nil
vi) Amount of equity capital raised (during the year)	Nil
vii) Amount of Additional Tier 1 capital raised (during the year) ; of which	
PNCPS	Nil
PDI	Nil
viii) Amount of Tier 2 capital raised (during the year) ; of which	
Debt capital instrument:	Nil
Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	Nil

Particulars	BASEL II	
	31.03.2014	31.03.2013
i) Common Equity Tier 1 capital ratio (%)	9.26	9.62
ii) Tier 1 Capital ratio (%)	9.26	9.62
iii) Tier 2 Capital ratio (%)	1.99	2.67
iv) Total Capital ratio (CRAR) (%)	11.25	12.29
v) Percentage of the shareholding of the Government of India in public sector banks	Nil	Nil
vi) Amount of equity capital raised during the year	Nil	Nil
vii) Amount of Additional Tier 1 capital raised (during the year); of which		
PNCPS:	Nil	Nil
PDI	Nil	Nil
viii) Amount of Tier 2 capital raised (during the year) ; of which		
Debt capital instrument:	Nil	Nil
Preference Share Capital Instruments: [Perpetual CumulativePreference Shares (PCPS) / Redeemable Non-CumulativePreference Shares (RNCPS) / Redeemable CumulativePreference Shares (RCPS)]	Nil	Nil

2.2 Investments

(₹in Crore)

Items	31.03.2014	31.03.2013
(1) Value of Investments		
(i) Gross Value of Investments	5139.78	3304.62
(a) In India	5139.78	3304.62
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation	8.13	3.57
(a) In India	8.13	3.57
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments	5131.65	3301.05
(a) In India	5131.65	3301.05
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	3.57	2.30
(ii) Add: Provisions made during the year	4.56	2.63
(iii) Less: Write-off/ write-back of excess provisions during the year	NIL	1.36
(iv) Closing balance	8.13	3.57

2.2.1 Repo Transactions (In Face Value terms)

(₹in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2014
Securities sold under repo				
i. Government Securities	Nil	314.00	88.59	314.00
ii Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo				
i. Government Securities	Nil	30.00	1.36	Nil
ii Corporate debt securities	Nil	Nil	Nil	Nil

Note: The figures relate to LAF Repo/Term Repo/Reverse Repo only. There have been no market repo/reverse repo transactions during the year.

2.2.2 Non-SLR Investment Portfolio

i) Issuer composition of Non SLR investments

(₹ in Crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	160.81	130.75	Nil	38.75	130.75*
(ii)	FIs	3.00	3.00	Nil	Nil	Nil
(iii)	Banks	953.07	296.52	Nil	Nil	Nil
(iv)	Private Corporate	13.62	8.47	0.78	4.00	4.79
(v)	Subsidiaries/ Joint Ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Others (RIDF, RHF, MSME Fund,SRS)	500.88	120.65	Nil	120.65	120.65
(vii)	Provision held towards depreciation	(7.95)	XXX	XXX	XXX	XXX
	Total	1623.43	559.39	0.78	163.40	256.19

* Includes securities issued by the government of Rajasthan amounting to ₹ 17.12 Crore.

ii) Non performing Non-SLR investments

(₹in Crore)

Particulars	31.03.2014	31.03.2013
Opening balance	0.08	0.08
Additions during the year	4.78	Nil
Reductions during the above period	Nil	Nil
Closing balance	4.86	0.08
Total provisions held	4.86	Nil

Note: Previous year figures recast to confirm to current classification.

2.2.3 Sale and transfers to/from HTM Category

The value of sales during the year from HTM category exceeds 5 per cent of the book value of investments held in HTM category at the beginning of the year requiring the following disclosures:

(₹in Crore)

Market value of investments held in the HTM Category :	2976.67
Excess of book value over market value for which provision is not required to be made as per RBI guidelines	249.54

2.3. Derivatives: Nil

2.3.1 Forward Rate Agreement/ Interest Rate Swap: Nil

2.3.2 Exchange Traded Currency and Interest Rate Derivatives:Nil

2.3.3 Disclosures on risk exposure in derivatives:Nil

2.3.4 Qualitative & Quantitative Disclosure: Not Applicable

2.4. Asset Quality

2.4.1 Non-Performing Asset

(₹in Crore)

Particulars	31.03.2014	31.03.2013
(i) Net NPAs to Net Advances (%)	2.22%	1.12%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	210.86	182.93
(b) Additions during the year	390.36	171.31
(c) Reductions during the year	267.67	143.38
(d) Closing balance	333.55	210.86
(iii) Movement of Net NPAs		
(a) Opening balance	99.25	84.21
(b) Additions during the year	320.09	142.69
(c) Reductions during the year	226.10	127.65
(d) Closing balance	193.24	99.25
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	91.02	78.06
(b) Provisions made during the year	65.50	39.18
(c) Write-off/ write-back of excessprovisions	21.38	26.22
(d) Closing balance	135.14	91.02

2.4.2 Particulars of Accounts Restructured/Rescheduled as on 31.03.2014

(₹ in Crore)

Sl. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
	Details																					
1	Restructured Accounts as on April 1 of the FY (opening figure)	No. of borrowers	7	NIL	NIL	NIL	7	NIL	NIL	NIL	NIL	NIL	84	6	14	NIL	104	91	6	14	NIL	111
		Amount outstanding	271.54	NIL	NIL	NIL	271.54	NIL	NIL	NIL	NIL	NIL	278.67	2.93	2.22	NIL	283.82	550.21	2.93	2.22	NIL	555.36
		Provision thereon	14.25	NIL	NIL	NIL	14.25	NIL	NIL	NIL	NIL	NIL	1.28	0.057	0.0035	NIL	1.34	15.53	0.057	0.0035	NIL	15.59
2	Fresh restructuring during the year.	No. of borrowers	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	5	NIL	1	NIL	6	5	NIL	1	NIL	6
		Amount outstanding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	8.76	NIL	0.62	NIL	9.38	8.76	NIL	0.62	NIL	9.38
		Provision thereon	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	0.11	NIL	0.03	NIL	0.14	0.11	NIL	0.03	NIL	0.14
3	Upgradations to restructured standard category during the FY.	No. of borrowers	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	1	NIL	NIL	NIL	1	1	NIL	NIL	NIL	1
		Amount outstanding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	0.03	NIL	NIL	NIL	0.03	0.03	NIL	NIL	NIL	0.03
		Provision thereon	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	0.00	NIL	NIL	NIL	0.00	0.00	NIL	NIL	NIL	0.00

4	Restructured standard advances which cease to attract higher provisioning and / or addtional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY.	No. of borrowers											10				10	10				10
		Amount outstanding											5.91				5.91	5.91				5.91
		Provision thereon											0.06				0.06	0.06				0.06
5	Downgradations of Restructured accounts during the FY.	No. of borrowers	NIL	NIL	1	NIL	1	NIL	NIL	NIL	NIL	NIL	NIL	1	NIL	NIL	1	NIL	1	1	NIL	2
		Amount outstanding	NIL	NIL	45.99	NIL	45.99	NIL	NIL	NIL	NIL	NIL	NIL	5.64	NIL	NIL	5.64	NIL	5.64	45.99	NIL	51.63
		Provision thereon	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
6	Write-offs of Restructured accounts during the FY.	No. of borrowers	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
		Amount outstanding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
7	Restructured accounts as on March 31 of the FY (closing figures*)	No. of borrowers	5	NIL	1	NIL	6	NIL	NIL	NIL	NIL	NIL	67	1	12	NIL	80	72	1	13	NIL	86
		Amount outstanding	169.99	NIL	45.99	NIL	215.98	NIL	NIL	NIL	NIL	NIL	189.22	5.64	1.62	NIL	196.48	359.21	5.64	47.61	NIL	412.46
		Provision thereon	8.43	NIL	0.00	NIL	8.43	NIL	NIL	NIL	NIL	NIL	0.48	0.00	0.071	NIL	0.55	8.91	0.00	0.071	NIL	8.98

*Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)

2.4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

	Particulars	2013-14	2012-13
(i)	No. of accounts	112.00	Nil
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	136.42	Nil
(iii)	Aggregate consideration	127.00	Nil
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v)	Aggregate gain/(loss) over net book value	(9.42)	Nil

2.4.4 Details of non-performing financial assets purchased/soldfrom/to other banks

Nil.

2.4.5 Provisions on Standard Assets

(₹in Crore)

Particulars	31.03.2014	31.03.2013
Provisions held towards Standard Assets	42.89	46.47

2.5 Business Ratio

Particulars	31.03.2014	31.03.2013
(i) Interest Income as a percentage to Working Funds	10.25	10.27
(ii) Non-interest income as a percentage to Working Funds	0.80	0.74
(iii) Operating Profit as a percentage to Working Funds	0.65	0.79
(iv) Return on Assets (%)	0.18	0.25
(v) Business (Deposits plus advances) per employee	₹ 771 Lac	₹ 736 Lac
(vi) Profit per employee	₹ 0.94 Lac	₹ 1.16 Lac

2.6 Asset Liability Management

Maturity pattern of certain items of assets and liabilities(as compiled by the management and relied upon by the auditors)

(₹in Crore)

As on 31.03.2014	Day 1	2-7 Days	8 - 14 Days	15 to 28 days	29 days to 3 months	Over 3 months & up to 6 months	Over 6 months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	44.66	91.50	162.60	182.76	644.45	955.40	1103.97	3103.90	358.40	7026.22	13673.86
Advances	22.98	105.85	148.79	160.20	746.70	680.25	1881.16	3672.47	541.00	747.96	8707.36
Investments	Nil	48.61	Nil	247.24	208.69	540.19	473.33	341.54	1061.19	2210.86	5131.65
Borrowings	Nil	334.00	Nil	40.00	10.00	97.75	28.35	3.65	41.79	Nil	555.54
Foreign Currency assets	95.78	1.91	2.83	1.36	11.11	10.32	3.66	1.81	18.08	Nil	146.86
Foreign Currency liabilities	18.88	1.32	0.26	0.98	8.55	13.03	24.50	36.68	41.92	Nil	146.12

Note: Deposits have been classified as per behavioural maturity.

2.7 Exposures

2.7.1 Exposure to Real Estate Sector

(As compiled by the management and relied upon by the auditors) (₹in Crore)

Category	31.03.2014	31.03.2013
a) Direct exposure		
(i) Residential Mortgages		
a. Priority sector	241.18	255.27
b. Non priority sector	127.31	103.72
(Of which staff housing loans)	(71.03)	(70.67)
c. Total	368.49	358.99
(ii) Commercial Real Estate	407.25	320.59
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	Nil	Nil
b. Commercial Real Estate.	Nil	Nil
b) Indirect Exposure		
Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil
Total Exposure to Real Estate Sector	775.74	679.58

2.7.2 Exposure to Capital Market

(As compiled by the management and relied upon by the auditors) (₹in Crore)

Sl No	Items	31.03.2014	31.03.2013
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	0.13	0.13
2	Advances against shares/bonds/debentures of other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds	0.13	0.14
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	Nil	0.01
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	Nil	Nil
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	0.02	0.64
6	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	Nil	Nil
7	Bridge loans to companies against expected equity flows/ issues	Nil	Nil
8	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	Nil	Nil
9	Financing to stock brokers for margin trading	Nil	Nil
10	All exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
	Total Exposure to Capital Market	0.28	0.92

2.7.3 Risk category wise country exposure

(As compiled by the management and relied upon by the auditors) (₹in Crore)

Risk Category	Exposure (Net) as at 31.03.2014	Provision held as at 31.03.2014	Exposure (Net) as at 31.03.2013	Provision held as at 31.03.2013
Insignificant	35.51	Nil	43.27	Nil
Low	15.23	Nil	13.10	Nil
Moderate	5.88	Nil	2.85	Nil
High	0.21	Nil	0.48	Nil
Very High	0.08	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	56.91	Nil	59.70	Nil

The bank is not having exposure to any country where the net funded exposure is 1 percent or more of the total assets and hence no provisioning is necessary for country risk, in accordance with the RBI guidelines.

2.7.4 Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the bank.

(₹in Crore)

Sl No	Name of Borrower	As on 31.03.2014		
		Advance Exposure	Investment Exposure	Total Exposure
1	Ajmer Vidyut Vitran Nigam Limited	101.11	48.84	149.95
2	TANGEDCO	82.74	38.75	121.49

2.7.5 Unsecured Advances

Total amount of advances for which intangible securities such as charge over the rights, licenses, authorisation etc. are available to the bank is Nil.

2.8 Miscellaneous

Amount of Provisions made for Income-tax during the year (₹in Crore)

	31.03.2014	31.03.2013
Provision for Income Tax(including Deferred Tax& wealth tax)	13.86	9.23

2.8.1 Disclosure of Penalties imposed by RBI Nil.

3. Disclosures as per Accounting Standards where RBI has issued Guidelines in respect of items for 'Notes to Accounts'

3.1 Accounting Standard 5 – Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies

There are no material prior period income/expenditure requiring disclosure.

3.2 Accounting Standard 9 – Revenue Recognition

Income of certain items are recognized on cash basis the effect of which on the financial statements are not considered to be material.

3.3 Accounting Standard 15 (Revised) –Employee Benefits

During financial year 2010-11, the bank re opened pension for those employees who had not opted for the pension scheme earlier. Further during the same year the limit of gratuity payable to the employees was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. In accordance with the RBI Circular DBOD.No. BP. BC.80/21.04.018/2010-11 dated February 9, 2011 and RBI Letter DBOD.No.BP.BC.15896/21.04.018/2010-11 dated April 08, 2011 the Bank had amortized the pension and enhanced gratuity (in the cases mentioned above) for a period of 5 years commencing from 31.03.2011. Accordingly ₹ 12.10 Crore (representing 1/5th of ₹60.48 Crore(Pension ₹ 39.74 Crore and Gratuity ₹ 20.74 Crore)) has been charged to the Profit and Loss account during the year. The balance amount carried forward for future amortization is ₹12.10 Crore (previous year ₹ 24.19 Crore). Had such a circular not been issued by the RBI and accounting had been done in terms of Accounting Standard 15, the profit after tax of the Bank for the year would have been higher by ₹ 7.99 Crore and Reserves and Surplus would have been lower by ₹ 7.99 Crore.

3.3.1 Disclosures for Defined Contribution Plans – Provident Fund&New Pension Scheme (Contributory)

Contributions to employee provident fund and new pension scheme (contributory), debited to Profit & Loss Account during the year amount to ₹ 2.81 Crore (previous year ₹ 2.02 Crore). There is no deficit in the Income & Expenditure of the provident fund (previous year also no deficit).

3.3.2 Disclosures for Defined Benefit Plans – Pension, Gratuity & Long term Compensated Absences (Privilege Leave)

3.3.2.1 Amount recognised in Balance Sheet and Profit & Loss Account

The amount recognised in the balance sheet is as follows: (₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Present Value of Obligations - Closing	280.23	249.10	81.93	81.30	49.48	52.83
Fair Value of Plan Assets - Closing	261.22	170.01	76.82	65.57	N.A.	N.A.
Funded Status	19.01	79.09	5.12	15.73	49.48	52.83
Unrecognised Actuarial Gains	Nil	Nil	Nil	Nil	Nil	Nil
Less Amount unamortised and carried forward as per RBI letter DBOD. No.BP. BC. 15896/21.04.018/2010-11 dated April 08, 2011	7.95	15.89	4.15	8.30	N.A.	N.A.
Net Liability recognised in Balance Sheet (included in Item No. IV. Others of Schedule 5 – Other Liabilities & Provisions)	11.06	63.20	0.96	7.43	49.48	52.83

The amount recognised in the statement of profit and loss account is as follows:

(₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Current Service Cost	55.86	51.85	4.02	3.46	3.38	3.05
Past Service Cost	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Interest Cost	19.02	16.62	6.76	6.15	4.39	3.33
Expected Return on Plan Assets	(16.36)	(12.59)	(5.95)	(4.94)	N.A.	N.A.
Net Actuarial Loss/(Gain) recognised in the year	20.00	7.32	1.95	2.76	(3.49)	10.93
Total, (included in Item I. "Payment to and provisions for employees" of Schedule 16 – Operating Expenses)	78.52	63.20	6.78	7.43	4.28	17.31

3.3.2.2 Changes in Fair Value of Plan Assets

(₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Fair Value of Plan Assets at the beginning of the year	170.01	148.15	65.57	58.14	N.A.	N.A.
Expected Return on Plan Assets	16.36	12.59	5.95	4.94	N.A.	N.A.
Contributions	138.61	58.56	17.40	11.09	7.63	7.32
Benefits Paid	67.82	54.16	11.65	10.25	7.63	7.32
Actuarial (Loss)/Gain	4.06	4.87	(0.45)	1.65	N.A.	N.A.
Fair value of plan assets at the end of the year	261.22	170.01	76.82	65.57	N.A.	N.A

3.3.2.3 Changes in Present Value of Obligations (₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Present Value of Obligations at the beginning of the year	249.10	222.60	81.30	77.52	52.83	42.84
Interest Cost	19.02	16.62	6.76	6.15	4.39	3.33
Current Service Cost	55.86	51.85	4.02	3.46	3.38	3.05
Past Service Cost	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Benefits Paid	67.82	54.16	11.65	10.25	7.63	7.32
Actuarial Loss/(Gain)	24.07	12.19	1.50	4.42	(3.49)	10.93
Present Value of Obligations at the end of the year	280.23	249.10	81.93	81.30	49.48	52.83

3.3.2.4 Movement in Net Liability Recognised in Balance Sheet (₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Net Liability at the beginning of the period	63.20	50.61	7.43	6.94	52.83	42.84
Add Expenses Charged to Profit & Loss Account	86.47	71.15	10.93	11.58	4.28	17.31
Less Contributions	138.61	58.56	17.40	11.09	7.63	7.32
Net Liability at the end of the period	11.06	63.20	0.96	7.43	49.48	52.83

3.3.2.5 Actual Return on Plan Assets (₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Expected Return on Plan Assets	16.36	12.59	5.95	4.94	N.A.	N.A.
Actuarial Gain (Loss)	4.06	4.87	(0.45)	1.65	N.A.	N.A.
Actual Return on Plan Assets	20.42	17.46	5.50	6.59	N.A.	N.A.

3.3.2.6 Actuarial Assumptions

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Discount Rate (p.a.)	8.84%	8.50%	8.96%	8.50%	8.96%	8.50%
Expected Return on Plan Assets (p.a.)	9.62%	8.50%	9.07%	8.50%	N.A.	N.A.
Future Salary Increases (p.a.)	5.50%	5.00%	5.50%	5.00%	5.50%	5.00%
Mortality	In accordance with the standard table LIC (1994-96).		In accordance with the standard table LIC (1994-96).		In accordance with the standard table LIC (1994-96).	

3.3.2.7 Investment Percentage maintained by Pension & Gratuity Trust

	Pension		Gratuity	
	As on 31.03.2014	As on 31.03.2013	As on 31.03.2014	As on 31.03.2013
Life Insurance Companies	74.42%	47.12%	49.36%	31.49%
Central Govt. Securities	5.96%	16.70%	21.72%	28.75%
State Govt. Securities	7.20%	12.30%	11.34%	13.79%
Other Trust Securities (PSU)/ Deposits with Banks etc.	12.42%	23.88%	17.58%	25.97%
Total	100.00%	100.00%	100.00%	100.00%

3.3.2.8 Experience Adjustments

(₹ in Crore)

	Pension		Gratuity	
	2013-14	2012-13	2013-14	2012-13
On Benefit Obligation (Gain+/Loss-)	-31.30	-12.19	-7.99	-4.41
On Plan Assets (Gain+/Loss-)	+2.16	+4.87	-0.83	+1.65

3.3.2.9 Expected Contributions

Bank's best estimates of contributions to the funds in 2014-15 are as follows:

Pension: ₹ 110.00 Crore

Gratuity: ₹ 10.00 Crore

3.3.3 Other Long term Employee Benefits

As on 31.03.2014 the Bank holds provision of ₹ 0.39 Crore (previous year ₹ 0.38 Crore) towards provision for Leave Fare Concession based on actuarial valuation.

3.4 Accounting Standard 17 – Segment Reporting

(As compiled by the management and relied upon by the auditors)

Part A: Business Segments (₹ in Crore)

Business Segments →	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Business		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Revenue	410.09	276.79	290.80	386.51	905.12	737.91	15.30	14.24	1621.31	1415.45
Result	(106.01)	(91.82)	5.66	57.24	192.75	133.21	2.94	3.35	95.34	101.98
Unallocated expenses									Nil	Nil
Operating profit									95.34	101.98
Provisions other than tax									54.60	60.08
Provision for Tax									13.86	9.23
Extraordinary profit/ loss									Nil	Nil
Net profit									26.88	32.67
OTHER INFORMATION										
Segment assets	5187.48	3591.16	3049.44	2982.97	6455.63	6365.17	5.94	5.78	14698.49	12945.08
Unallocated assets									617.06	675.04
Total assets									15315.55	13620.12
Segment liabilities	518.47	38.39	3927.04	4611.26	10622.96	8710.64	14.78	18.37	15083.25	13378.66
Unallocated liabilities									232.30	241.46
Total liabilities									15315.55	13620.12

Part B: Geographic segments
The Bank has no branches outside India.

3.5 Accounting Standard 18 – Related Party disclosures

Name of the Party	Nature of Relationship
Sri.Rakesh Bhatia (Managing Director and CEO)	Key Management Personnel

Note: In accordance with the RBI Guidelines on compliance with Accounting Standards by the Banks, the details of transactions with parent, subsidiaries, associates, jointly controlled entity and relatives of Key Management Personnel have not been disclosed since there is only one entity in the respective category of the Key Management Personnel.

3.6 Accounting Standard 22 – Accounting for Taxes on Income

Net Deferred Tax Asset as on 31.03.2014, computed in compliance with the Accounting Standard 22 on Accounting for Taxes on Income, amounts to ₹18.24Crore, which is included in Item No.5 "Others" of Schedule 11-Other Assets.

Components of Net Deferred Tax Asset as on 31.03.2014 are as follows: (₹ in Crore)

	31.03.2014	31.03.2013
Deferred Tax Asset		
Provision for Employee Benefits	16.95	18.09
Provision for Standard Assets	14.58	15.80
Counter Cyclical Provisioning Buffer	Nil	4.27
Carry Forward Loss	29.38	Nil
Others	4.09	6.13
Total Deferred Tax Asset	65.00	44.29
Deferred Tax Liability		
Depreciation on Fixed Assets	4.76	4.12
Interest accrued but not due	33.93	Nil
Special Reserve u/s 36 (1)(viii)	8.07	Nil
Total Deferred Tax Liability	46.76	4.12
Net Deferred Tax Asset	18.24	40.17

3.7 Accounting Standard 25 – Interim Financial Reporting

Bank has complied with the disclosures in connection with the half yearly review prescribed by RBI.

4 Other Accounting Standards

4.1 Accounting Standard 10 – Accounting for Fixed Assets

The land and buildings owned by the bank were revalued in 1990-91,1993-94,1998-99, 2004-05,2006-07,2007-08& 2012-13 and appropriation credited to revaluation reserve.Depreciation for the 12 month period on the net addition to value on revaluation of assets of ₹1.40Crore (Previous year ₹1.23 Crore) has been transferred from Revaluation Reserve to Profit and Loss Account.

4.2 Accounting Standard 19 – Leases

The Properties taken on lease/rental basis are renewable/cancelable at the option of the Bank.

4.3 Accounting Standard 20 – Earnings per Share

Particulars	2013-14	2012-13
EPS-Basic/Diluted	₹ 6.42	₹ 8.76
Amount used as numerator- Profit after Tax (in Crore)	₹ 26.88	₹ 32.67
Nominal value per Equity Share	₹ 10	₹ 10
Weighted Average Number of Equity Shares used as denominator	41847125	37309480

4.4 Accounting Standard 26 – Intangible Assets

The bank has complied with AS 26 (Intangible Assets) and the disclosures required under the Standard are as follows:

(₹ in Crore)

	31.03.2014	31.03.2013
a) Acquired Application Software		
Opening Balance at cost	5.84	5.18
Add Additions during the year	3.34	0.66
Less Disposals during the year	Nil	Nil
Less Amortisation to date	5.11	4.24
Net Carrying Amount*	4.07	1.60
b) Internally Generated Software		
Opening Balance at cost	9.05	8.26
Add Additions during the year	0.80	0.79
Less Disposals during the year	Nil	Nil
Less Amortisation to date	8.20	7.62
Net Carrying Amount*	1.65	1.43
Total Carrying Amount	5.72	3.03

*The Net carrying amount of acquired application software and internally generated application software are included in item No.5 "Others" of Schedule 11 – Other Assets.

4.5 Accounting Standard 28 - Impairment of Assets

In the opinion of the Bank's management, there is no material impairment to the fixed assets as at 31.03.2014 requiring recognition in terms of Accounting Standard 28 – Impairment of Assets.

4.6 Accounting Standard 29- Provisions, Contingent Liabilities and Contingent Assets

Movements in significant provision heads have been disclosed at appropriate places in the Notes forming part of the accounts.

4.6.1 Description of Contingent Liabilities

a) Claims against the bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by Income tax and other statutory authorities and disputed by the bank.

b) Guarantee given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligation.

c) Acceptances, endorsements and other obligations

These include documentary credit issued by the bank on behalf of its customers and bills drawn by the Bank's customers and accepted or endorsed by the Bank.

5. Additional Disclosures as per RBI Guidelines

5.1 Details of provisions and contingencies debited in Profit and Loss Account during the year

(₹ in Crore)

		31.03.2014	31.03.2013
a	Provisions towards NPA/write offs	74.91	39.18
b	Drawal from Counter Cyclical Provisioning Buffer	(15.30)	Nil
c	Depreciation and write off of investments	4.56	1.27
d	Provision for Income tax (Including Deferred Tax and Wealth Tax)	13.86	9.23
e	Provision for Standard Assets	(3.58)	12.67
f	Provision for diminution on Restructured Advances	(6.60)	7.34
g	Other provisions	0.61	(0.38)
	Total	68.46	69.31

5.2 Floating Provisions

a) Opening Balance in floating provisions account	Nil
b) Quantum of floating provisions made in the accounting year	Nil
c) Purpose & amount of draw down made during the accounting year	Nil
d) Closing balance in floating provisions account	Nil

5.3 Draw Down from Reserves

The bank creates Special Reserve by appropriation of profits, in order to avail tax deductions as per section 36 (1) (viii) of the Income Tax Act, 1961. The Reserve Bank Of India through its circular DBOD No. BP.BC.77/21.04.018/2013 -14 dated December 20, 2013 on Deferred Tax Liability on Special Reserve created under section 36 (1) (viii) of the Income Tax Act, 1961 had advised banks to create deferred tax liability on the amount outstanding in Special Reserve as a matter of prudence. In accordance with the above said circular the bank has transferred ₹ 8.07 Crore from General Reserves and created deferred tax liability for the periods upto 31.03.2013. Had this amount been charged to Profit & Loss account, the amount of profit for the year would have been lower by such amount.

5.4 Disclosure of complaints

A. Customer Complaints (Other than ATM)

a) No. of complaints pending at the beginning of the year	5
b) No. of complaints received during the year	62
c) No. of complaints redressed during the year	60
d) No. of complaints pending at the end of the year	7

B. ATM Complaints

a) No. of ATMs complaints pending at the beginning of the year	Nil
b) No. of ATMs complaints received during the year	3245
c) No. of ATMs complaints redressed during the year	3245
d) No. of ATMs complaints pending at the end of the year	Nil

C. Awards passed by the Banking Ombudsman

a) No. of unimplemented Awards at the beginning of the year	Nil
b) No. of Awards passed by the Banking Ombudsmen during the year	2
c) No. of Awards implemented during the year	2
d) No. of unimplemented Awards at the end of the year	Nil

5.5 Disclosure of Letter of Comforts (LOCs) issued by banks

Not applicable since the bank has no subsidiaries.

5.6 Provisioning Coverage Ratio

	As on 31.03.2014	As on 31.03.2013
Provisioning Coverage Ratio	49.28%	63.28%

5.7 Income from Bancassurance (₹ in Crore)

Sl.No.	Nature of Income	2013-14	2012-13
1.	From Selling Life Insurance Policies	0.93	0.34
2.	From Selling Non Life Insurance Policies	0.61	0.52
3.	From Selling Mutual Fund Products	0.03	0.04
4.	Others	Nil	Nil
5.	Total	1.57	0.90

5.8 Concentration of Deposits, Advances, Exposures and NPAs

5.8.1 Concentration of Deposits

	As on 31.03.2014	As on 31.03.2013
Total Deposits of twenty largest depositors (₹ in Crore)	2036.94	2037.04
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	14.90%	16.51%

5.8.2 Concentration of Advances

	As on 31.03.2014	As on 31.03.2013
Total Advances to twenty largest borrowers (₹ in Crore)	1156.73	1180.65
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	11.40%	11.53%

5.8.3 Concentration of Exposures

	As on 31.03.2014	As on 31.03.2013
Total Exposures to twenty largest borrowers/customers (₹ in Crore)	1314.15	1188.33
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	12.53%	11.50%

5.8.4 Concentration of NPAs

(₹ in Crore)

	As on 31.03.2014	As on 31.03.2013
Total Exposures to top four NPA Accounts	143.05	53.26

5.9 Sector wise NPAs

Sl.No.	Sector	Percentage of NPAs to Total Advance in that Sector	
		As on 31.03.2014	As on 31.03.2013
1.	Agriculture & allied activities	0.52%	1.13%
2.	Industry (Micro & small, Medium and Large)	3.94%	1.30%
3.	Services	4.85%	1.99%
4.	Personal Loans	4.92%	0.47%

5.10 Movement of NPA

(₹ in Crore)

Particulars	2013-14	2012-13
Opening Balance of Gross NPA	210.86	182.93
Additions (Fresh NPAs) during the year	390.36	171.31
Sub-total (A)	601.22	354.24
Less:-		
(i) Upgradations	44.67	65.29
(ii) Recoveries (excluding recoveries made from upgraded accounts)	222.41	52.52
(iii) Technical/ Prudential Write-offs	Nil	24.93
(iv) Write-offs other than those under (iii) above	0.59	0.64
Sub-total (B)	267.67	143.38
Closing balance of Gross NPA (A – B)	333.55	210.86

5.11 Movement of technical write offs and recoveries:

(₹ in Crore)

Particulars	2013-14	2012-13
Opening balance of technical/prudential written off accounts	59.46	38.26
Add: Technical/Prudential write-offs during the year	Nil	24.93
Sub-total(A)	59.46	63.19
Less-Recoveries made from previously technical/Prudential written offs accounts during the year (including sale to ARCs) (B)	12.04	3.73
Closing balance (A-B)	47.42	59.46

5.12 Overseas Assets, NPAs and Revenue

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Total Assets (Deposits with banks outside India)	86.61	38.47
Total NPAs	Nil	Nil
Total Revenues (Interest on Deposits with banks outside India)	0.03	0.01

5.13 Off-balance Sheet SPVs sponsored

(which are required to be consolidated as per accounting norms)

Nil

5.14 Unamortised Pension and Gratuity Liabilities

(₹ in Crore)

Particulars	2013-14	2012-13
Unamortised Pension Liability	7.95	15.89
Unamortised Gratuity Liability	4.15	8.30
Total	12.10	24.19

5.15	Disclosure on Remuneration
(a)	Information relating to the composition and mandate of the Remuneration Committee. Composition The Remuneration & Compensation Committee of the Board consist of five members. All the members of the Committee are independent directors. Function and mandate The Remuneration and Compensation Committee of the Board would oversee framing, review and implementation of the compensation policy on behalf of the Board. The Committee would ensure that the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy. Process The Remuneration and Compensation Committee works in close co-ordination with the Risk Management Committee of the Board to review the compensation practices every year in order to achieve effective alignment between remuneration and risks. The Remuneration and Compensation Committee will study the business and industry environment, analyze and categorize the risks and streamline the components of the compensation plan like proportion of the total variable compensation to be paid to MD & CEO,WTD's and Senior executives to ensure financial stability of the organization. The Committee would also analyze various factors to ascertain whether cost/ income ratio supports the remuneration package provided to MD & CEO, WTD's and Senior Executives consistent with maintenance of sound capital adequacy ratio. Authority to invoke clawback arrangement The Remuneration and Compensation Committee of the Board also have the authority to ascertain whether the decision taken by the MD & CEO, WTD, Senior executives (above Chief General Manager) have brought forth a negative contribution to the Bank. The Committee will be vested with the powers to invoke the clawback arrangement, after taking into account relevant statutory and regulatory stipulations as applicable. Objectives The objectives of the remuneration policy are four fold: • To align compensation with prudent risk taken. • To ensure effective governance of the compensation in the organization. • To ensure effective supervisory oversight and stakeholder engagement in compensation. • To attract and retain talent.

	Key features • To actively oversee the compensation systems design and operation. • To monitor and review the compensation system to ensure that the system operates as intended. • Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the firm. Supervisory review of compensation practices must be rigorous and sustained and deficiencies must be addressed promptly with supervisory action. Firms must disclose clear comprehensive and timely information about their compensation practices to facilitate constructive engagement by all stakeholders.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks. For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the institution are arranged under the following four categories. 1) MD & CEO/Whole time directors 2) Senior Executives (Risk control and compliance staff) - Non IBA Package 3) Senior Executives (Chief General Manger) - Non IBA Package 4) Other officers and staff -on IBA package Clawback Arrangement/Compensation Recovery A clawback arrangement or a compensation recovery is provided in the policy [MD & CEO ,WTD's and Senior Executives- above Chief General Manager) which will entail the Bank to recover proportionate amount of variable compensation paid to the functionaries on account of an act or decision taken by the official which has brought forth a negative contribution to the bank at a prospective stage. The clawback arrangement is subject to the relevant statutory and regulatory stipulations as applicable. Limit on variable pay The variable compensation offered to an official would not exceed 70% of the total fixed compensation. Severance pay and guaranteed bonus Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the organization except in those cases where it is mandatory by statute. Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options.

	<u>Hedging</u> No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement. <u>Committees to mitigate risks caused by an individual decision</u> In order to further balance the impact of market or credit risks caused to the organization by an individual decision taken by a senior level executive, MD & CEO or a whole time director, the bank, as a promoted practice, has constituted various committees to take decisions on various aspects. Credit limits are sanctioned by committee at different levels. Investment decisions of the Bank are taken and monitored by Investment Committee and there is an upper limit cut in treasury dealings where individual decisions can be taken. Interest rates on Asset and liability products for different buckets are decided and monitored by the ALCO. Banks' exposure to liquidity risk are also monitored by ALCO. <u>Compensation of risk control staff</u> Members of staff engaged in financial and risk control would be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. The mix of fixed and variable compensation for control function personnel should be weighted in favour of fixed compensation.
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. <u>Compensation of MD & CEO, whole time directors and senior executives (Non IBA), performance linkage</u> The compensation paid out to the referred functionaries is divided into two components 1. The fixed compensation is determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span. 2. The variable compensation for MD & CEO and senior executives on Non – IBA package basis are fixed based on performance and responsibility in the bank. The Bank's performance is based on the various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance. Approval from RBI is obtained to decide compensation for MD & CEO and whole time directors. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to the Bank's Articles of Association read with the Section 309 (1) of the Companies Act, 1956.

	<u>Compensation paid to Other Officers and staff members on IBA package</u> The compensation paid to other officials that include Award staff, Officers coming under Scale I to III and Senior executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Bank Association. The variable compensation paid to functionaries is based on the Performance Linked incentive scheme which has been formulated on the basis of performance parameters.
(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting. <u>Deferred compensation and Performance Linkage (Non-IBA)</u> In the event variable compensation paid to MD & CEO, WTD's, Senior executives (above Chief General Manger), the deferred period should not be less than three years. Compensation payable under deferral arrangements should vest no faster than on a pro rata basis. <u>Clawback and deferral arrangements</u> The provisions of clawback and deferral arrangements applicable to the referred functionaries (above Chief General Manger) are subject to relevant statutory and regulatory stipulations as applicable.
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms. Bank uses an optimum mix of cash, ESOPS and variable PLI to decide the compensation to MD & CEO /WTD and senior executives on Non – IBA package. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments. Bank has to formulate a ESOP plan/scheme. The Officers in Scale I-VII as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. The variable compensation paid to functionaries is based on the Performance Linked incentive scheme which has been formulated on the basis of performance parameters as may be prescribed from time to time.

		Quantitative disclosures (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer / Other Risk Takers)	Current Year	Previous Year
(g)		Number of meetings held by the Remuneration & Compensation Committee during the financial year and remuneration paid to its members.	Nil Nil	2 ₹ 40,000
(h)	(i)	Number of employees having received a variable remuneration award during the financial year.	NI	1
	(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	1
	(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(i)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil	Nil
	(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(j)		Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (on payment basis).	₹ 75,00,000(F) Nil	₹ 14,95,000(F) ₹ 4,50,000(V)
(k)	(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
	(ii)	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil	Nil
	(iii)	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil

5.16 Disclosures relating to Securitisation

Not applicable to the Bank at this stage.

5.17 Credit Default Swaps

Nil

6. Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2 October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

7. Comparative Figures

Previous year's figures have been regrouped and recast wherever necessary to conform to current year's classification.

Sd/-
S Santhanakrishnan, *Chairman*

Sd/-
S Ramakrishnan, *Chairman-Audit Committee*

Sd/-
T. S. Anantharaman, *Director*

Sd/-
Bobby Jos C, *Director*

Sd/-
C.K. Gopinathan, *Director*

Sd/-
K.Ipe Peter, *Director*

Sd/-
Radha Unni, *Director*

Sd/-
K. Subrahmanya Sarma, *Director*

Sd/-
Rakesh Bhatia, *Managing Director & CEO*

Sd/-
Sijo Varghese, *Company Secretary*

Sd/-
V P Bhaskaran
General Manager (Operations)

Sd/-
K C Poulose, *General Manager (HR)*

Sd/-
P.V.Antony , *Chief Financial Officer*

As per our report of even date

For Sundaram & Srinivasan
Chartered Accountants
FRN No:004207 S

Sd/-
C Naresh
Partner
(M. No. 28684)

For Varma & Varma
Chartered Accountants
FRN No.004532 S

Sd/-
C Pankajakshan
Partner
(M.No.12948)

Thrissur
26.06.2014

Long Lasting Relationships

"The only way for a relationship to last long is when you feel the relationship as a place that you go to give, but not a place that you go to take. We have been banking with CSB for almost two and a half decades and we have experienced the warmth of a great relationship throughout the span".

Mr. Mahesh Kumar,
Partner, Balu Exports.

Reciprocating Relationships

CSB... Support all the way

SME @ CSB

Enriching Life

"The Bank has a very important role in the smooth running of a business, i.e. various credit facilities and quality customer service to move on. We chose CSB as our reliable partner. At Mount Moria, we believe that this relationship is the vital force behind our success".

Mr. Manoj K
Proprietor, Mount Moria Cashews.

Enriching Business With Customised Banking Solutions

CSB... Support all the way

Basel III Pillar 3 Disclosures

1. Scope of Application

The Catholic Syrian Bank Ltd is a commercial bank formed on 26th November 1920 with Registered Office at Thrissur. In August 1969, the Bank was included in the Second Schedule to the Reserve Bank of India Act 1934.The bank has no subsidiaries.

2 Capital Structure

Qualitative Disclosures:

Bank's capital structure consists of Tier 1 and Tier 2 capital. The major components of Tier 1 capital are equity share capital, equity share premium, statutory reserves, general reserves, net of tax amount of special reserve (Section 36(i)(viii) of Income Tax Act) and capital reserves (other than revaluation reserves). Tier 2 capital consists of subordinated debt (Lower Tier 2), revaluation reserves and provision for standard assets. Bank has not issued any Upper Tier 2 bonds or perpetual debt or other innovative instruments.

Quantitative Disclosures:

The break up of capital funds is as follows:

(₹million)

	As on 31.03.2014
Tier 1 Capital	
Paid up Share capital	418.99
Share Premium	2,906.66
Statutory Reserves	1,463.67
Capital Reserves	529.69
Special Reserve (36 (i) (viii))	237.62
Other eligible reserves	870.82
Total Tier 1 Capital (Gross)	6,427.45
Add: Credit balance in Profit and Loss account	19.70
Less Deferred Tax Assets and Other Intangible Assets	251.65
Less unamortised pension gratuity	121.00
Total Tier 1 Capital (Net) [A]	6,074.50
Tier 2 Capital	
Subordinated debt (eligible for inclusion in Lower Tier 2 capital)	1,075.00
(Of which amount raised during the current year)	Nil
Less Discount	740.60
Subordinated debt eligible to be reckoned as capital funds	334.40
Revaluation Reserves after discounting	563.90
Provision for Standard Assets	428.91
Investment Reserve	Nil
Less reciprocal cross holding	40.00
Total Tier 2 Capital (Net) [B]	1,287.21
Total Eligible capital [A] + [B]	7,361.71

3. Capital Adequacy

Qualitative Disclosures:

In accordance with the guidelines of RBI, the bank has adopted standardized approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk for computing capital adequacy. Basel III Capital regulations are applicable to Banks in India from 1st April, 2013 and will be fully phased in by 31st March, 2018. Detailed guidelines on Basel III Capital Regulations and Guidelines on Composition of Capital Disclosure Requirements are issued by RBI and consolidated under the Master Circular – Basel III Capital Regulations July 2013.

The transitional arrangements for minimum Basel III capital ratios are given below.

Transitional Arrangements-Scheduled Commercial Banks
(Excluding LABs and RRBs)

(% of RWAs)

Minimum Capital ratios	April 1 2013	March 31 2014	March 31 2015	March 31 2016	March 31 2017	March 31 2018	March 31 2019
Minimum Common Equity Tier 1 (CET1)	4.5	5	5.5	5.5	5.5	5.5	5.5
Capital conservation buffer (CCB)	–	–	–	0.625	1.25	1.875	2.5
Minimum CET 1+CCB	4.5	5	5.5	6.125	6.75	7.375	8
Minimum Tier 1 Capital	6	6.5	7	7	7	7	7
Minimum Total Capital*	9	9	9	9	9	9	9
Minimum Total Capital +CCB	9	9	9	9.625	10.25	10.875	11.5
Phase-in of all deductions from CET1 (in%)#	20	40	60	80	100	100	100

* The difference between the minimum total capital requirement of 9% and the Tier 1 requirement can be met with tier 2 and higher forms of capital;

The same transition approach will apply to deductions from Additional Tier 1 and Tier 2 capital

Regulatory Capital Adequacy position (as per Basel II & Basel III norms as made applicable by RBI) is assessed periodically. Besides, the bank also assessed its own internal estimate of risk capital based on its Board approved ICAAP policy and Stress Testing Policy to cover the Pillar 2 risks. Risks are assumed in line with the Bank's risk bearing capacity and capability in order to generate yields, taking risk-return frontier into account. This aims to ensure that risks that could jeopardize the Bank's existence are avoided.

Quantitative Disclosures:

a) Capital Requirement for Credit Risk – Standardised Approach (₹Million)

Portfolios	Gross Exposure As on 31.03.14	Capital Requirement As on 31.03.14
On Balance Sheet		
Cash & Balance with RBI	6,239.02	–
Inter Bank Deposits	4,503.99	104.46
Investments (HTM)	36,064.43	349.70
Advances	87,073.61	4,076.79
Fixed Assets & Other Assets	4,022.32	215.09
Total	137,903.38	4,746.03
Off Balance Sheet		
Letter of Credit & Guarantees	2,904.82	53.41
Undrawn Credit Commitments	11,242.93	173.71
Forward Exchange Contracts	8,335.98	7.20
Total	22,483.73	234.31
Total On & Off Balance Sheet	160,387.10	4,980.35

b) Capital Requirement for Market Risk – Standardised Duration Approach (₹ Million)

	As on 31.03.14	
Type of Market Risk	Gross Exposure	Capital Requirement
Interest Rate Risk	15,306.78	403.59
Foreign Exchange Risk	122.06	10.98
Equity Risk	12.00	3.24
Total	15,440.84	417.82

c) Capital Requirement for Operational Risk – Basic Indicator Approach (₹ Million)

	As on 31.03.14
Capital Requirement	627.55
Equivalent Risk Weighted Assets	6972.83

d) Total Capital Requirement (As on 31.03.2014) (₹ Million)

Type of Risk	Capital Requirement	Risk Weighted Assets
Credit Risk	4,980.35	55,337.17
Market Risk	417.82	4,642.43
Operational Risk	627.55	6,972.83
Total	6,025.72	66,952.43

Total Net Tier 1 Capital	6074.50
Tier 1 Capital Ratio	9.07%
Tier 2 Capital Ratio	1.93%
Total CRAR	11.00%

4. Credit Risk: General Disclosure

Qualitative Disclosures

a) Definition of past due and impaired loans

Bank strictly adheres to RBI norms regarding definitions of past due and impaired loans, as under (in brief):

i) interest and or installment of principal remain overdue for a period of more than 90 days in respect of term loan accounts

ii) the account remains 'out of order' (the outstanding balance remains continuously in excess of the sanctioned limit/drawing power, in cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period) in respect of Overdraft/Cash credit accounts. If the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as NPA.

iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted

iv) the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops.

v) the instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

b) Credit Risk Management Policy

The bank has in place a Credit Risk Management Policy which is reviewed periodically to bring in refinements triggered by evolving concepts and actual experience.

The Executive level committee – Credit Risk Management Committee (CRMC) which reports to Risk Management Committee (RMC) of the Board, is responsible for the management and mitigation of credit risk in the bank. Credit Risk Management Department and Credit Monitoring Department at Head Office level act as the secretariat of CRMC.

Credit approvals are subject to a well established and time tested system of competencies, which act as a framework within which decision making individuals or committees are authorised to enter into lending transactions. Responsibility for the approval of loans is dependent on size, security and type of the loan.

Credit rating system is in force using various CRA formats, developed by the Bank to measure the risk involved in each borrowal account. All borrowers with an aggregate credit limit of ₹ 25 lakh and above are subjected to borrower rating. Gold loans, Loans against Deposit Receipts, Housing Loans, Loans against NSC & Insurance policies and staff loans are subjected to portfolio rating. Limits above ₹ 2 Crore are subject to Facility Rating in addition to borrower rating.

Operations in all credit exposures of ₹ 50 lakh and above are monitored on a monthly basis by Credit Monitoring department to detect delinquency signals at an early date and nurse the account.

Rating migration studies are conducted at regular intervals.

Pricing of corporate exposures is subjected to RAROC analysis based on bank's Board approved Risk Adjusted Return On Capital (RAROC) policy.

Both regulatory capital and economic capital requirements are assessed at the time of credit appraisal of corporate exposures.

Quantitative Disclosures

a) Gross Credit Risk Exposure – Banking Book

(₹ Million)

	As on 31.03.14	
	Loans	Investments
Fund Based	87,073.61	36,064.43
Non Fund Based	2,904.82	Nil
Total	89,978.43	36,064.43

b) Industry type distribution – Banking Book

(₹ Million)

	Advances,Letter of Credit & Guarantees	Investments
Central Government	Nil	30,092.07
State Governments	Nil	1,869.48
Public Sector	2,804.99	300.55
Manufacturing Industries		
a) Cotton Textiles	5,740.93	Nil
b) Other Textiles	969.90	Nil
c) Chemicals	2,606.44	Nil
d) All Engineering	1,233.68	Nil
e) Food Processing	1,900.76	Nil
f) Other Industries	12,865.47	Nil
Agriculture	4,283.20	Nil
Residential Mortgage	2,974.78	Nil
Commercial Real Estate	3,473.21	Nil
Consumer Credit	26,218.11	Nil
Students	1,600.60	Nil
Wholesale & Retail Trade	12,294.98	Nil
Banks	Nil	Nil
RIDF, RHF, MSME Fund	Nil	3,802.33
NBFCs	689.61	Nil
Own Staff	2,044.31	Nil
All Others	8,277.47	Nil
	89,978.43	36,064.43

c) Residual contractual maturity breakdown of assets

(₹ Million)

	Cash & Balance with RBI	Balance with banks and Money at Call & Short Notice	Advances	Investments	Fixed Assets & Other Assets
	As on 31.03.14	As on 31.03.14	As on 31.03.14	As on 31.03.14	As on 31.03.14
Day 1	720.2	106.5	229.8	400.0	Nil
2-7 days	Nil	621.5	1,058.5	2,754.0	52.1
8-14 days	Nil	500.0	1,487.9	1,000.0	84.4
15-28 days	147.3	500.0	1,602.0	600.0	196.6
29d-3Mon	271.3	2,769.0	7,467.0	2,060.3	416.2
3-6 Mon	384.3	Nil	6,802.5	5,382.4	260.6
6M-1Yr	467.2	Nil	18,811.6	4,202.9	64.2
1-3Years	1,266.8	0.7	36,724.7	534.0	18.2
3-5 Years	165.0	Nil	5,410.0	1,560.0	Nil
> 5 Yrs	2,816.9	6.3	7,479.5	32,822.9	2,930.1
Total	6,239.0	4,504.0	87,073.6	51316.5	4,022.3

d) Disclosures regarding Non Performing Assets

(₹ Million)

	As on 31.03.2014
Amount of NPAs (Gross)	
Substandard	938.78
Doubtful 1	979.39
Doubtful 2	1017.46
Doubtful 3	342.14
Loss	57.77
Total Gross NPAs	3335.54
Net NPAs	1932.41
NPA Ratios	
Gross NPAs to Gross Advances	3.77%
Net NPAs to Net Advances	2.22%
Movement of NPAs (Gross)	
Opening balance	2108.69
Additions	3903.60
Reductions	2676.74
Closing balance	3335.54
Movement of provisions for NPAs	
Opening balance	910.25
Provisions made during the period	655.00
Write-off & Write back of excess provisions	213.85

	As on 31.03.2014
Closing balance	1351.43
Amount of Non-Performing Investments	48.62
Amount of provisions held for non performing investments	48.62
Movement of provisions for depreciation on investments	
Opening balance	35.68
Provisions made during the period	45.63
Write-off & Write back of excess provisions	Nil
Closing balance	81.31

5. Credit Risk: Disclosures for portfolios subject to standardised approach

Qualitative Disclosures

In accordance with RBI guidelines, the bank has adopted standardised approach for computation of capital for credit risk.

Bank Loan Ratings of CRISIL, CARE, ICRA and India Ratings are considered for arriving at the capital requirement.

Bank extends external rating of other issues of the borrower to unrated claims only when the issue specific rating maps to Risk Weight higher than that of the unrated exposure.

Quantitative Disclosures

Risk weight wise classification of exposures (₹ Million)

	As on 31.03.2014		
	Gross Credit Exposure	Capital Deductions	Exposure after Capital Deductions
	(A)	(B)	(C) = (A) – (B)
Advances, Letter of Credit & Guarantees			
Below 100% risk weight	38,238.66	Nil	38,238.66
100% risk weight	20,993.61	Nil	20,993.61
More than 100% risk weight	30,746.16	Nil	30,746.16
Total	89,978.43	Nil	89,978.43
Investments			
Below 100% risk weight	32,262.10	Nil	32,262.10
100% risk weight	3,802.33	Nil	3,802.33
More than 100% risk weight	Nil	Nil	Nil
Total	36,064.43	Nil	36,064.43

6. Credit Risk Mitigation: Disclosures for standardised approaches

Qualitative Disclosures

A Credit Risk Mitigation and Collateral Management Policy, addressing the Bank's approach towards the credit risk mitigants used for capital calculation is in place.

Following items are considered for on and off balance sheet netting:

a) Deposits with specific lien to the facility

b) Subsidies received (for priority sector advances)

c) Claims received (for NPA accounts)

Of the eligible financial collaterals, the types of collateral taken by the bank are gold ornaments and bank's own deposit receipts. Gold ornaments are accepted as collateral by branches after due scrutiny and are marked to market value on a daily basis. Bank has made an assessment of market liquidity risk involved in liquidating gold ornaments and is considering a holding period of 21 days for advance against pledge of gold ornaments. In Pillar 1 capital adequacy computations, bank considers a haircut of 22% (after scaling up the standard supervisory haircut of 15% to a 21 day holding period). In addition to this, bank is maintaining extra capital for its gold loan portfolio in Pillar 2 capital computations.

The types of guarantees recognized for credit risk mitigation are guarantee by central government, state government, ECGC and banks (in the form of bills purchased/discounted under Letter of credit).

Collaterals other than financial collaterals that secure the credit portfolio of the bank are land & building, plant & machinery and current assets of the counter party. Land and Building includes commercial building, residential property and vacant land.

Quantitative Disclosures

a) Exposures Covered by Eligible Financial Collateral (After Haircuts)

(₹ Million)

	As on 31.03.2014
Corporate	655.64
Regulatory Retail	6,348.21
Personal Loans	24,109.68
Total	31,113.53

b) Exposures Covered by Guarantee

(₹ Million)

	As on 31.03.2014
Corporate	2,734.30
Regulatory Retail	4,131.14
Total	6,865.44

7. Securitisation

No exposure of the bank has been securitised.

8. Market Risk in the Trading Book

Qualitative Exposures

Bank has put in place Board approved Market Risk Management Policy, Investment Policy and Foreign Exchange Policy for effective management of market risk of the bank.

Bank's Integrated Treasury manages the trading book. Proprietary trading is done in government securities, equity shares and foreign exchange. Adherence to limits is reported on a monthly basis to the Executive level Asset Liability Committee (ALCO) and Risk Management Committee (RMC) of the Board.

Modified Duration and Value at Risk (weighted historic simulation approach) are the tools used to track market risk in the trading book for interest rate related instruments. For equity exposures bank uses Value at Risk and Portfolio Beta.

Stress tests are conducted on a daily basis on securities in the trading book.

Portfolios covered by standardised approach are government securities, other trustee securities, Non SLR bonds & debentures, Certificate of Deposits and Equity Shares.

Quantitative Disclosures

Capital Requirement for Market Risk

(₹ Million)

	As on 31.03.14	
Type of Market Risk	Gross Exposure	Capital Requirement
Interest Rate Risk	15,306.78	403.59
Foreign Exchange Risk	122.06	10.98
Equity Risk	12.00	3.24
Total	15,440.84	417.82

9. Operational Risk

Qualitative Disclosures

The Executive level committee - Operational Risk Management Committee (ORMC) which reports to Risk Management Committee (RMC) of the Board, is responsible for the management and mitigation of operational risk in the bank. The bank has framed Operational Risk Management Policy duly approved by the Board. Other policies approved by the board that deal with the different facets of operational risk are Inspection Policy, Human Resource Management Policy, IT Policy, Compliance Policy, Business Continuity & Disaster Recovery Plan and Outsourcing policy.

Bank has obtained Bankers' Indemnity Policy to cover the risk of cash in transit and cash and securities including gold ornaments kept at branches. Risk Based Internal Audit (RBIA) is operational at all the branches.

Bank is adopting Basic Indicator Approach for arriving at capital charge for operational risk in compliance with RBI guidelines and is in the process of building database for moving to Advanced Approaches.

10. Interest Rate Risk in the Banking Book

Qualitative Disclosures

The Executive Level Committee - Asset Liability Committee (ALCO) has the overall responsibility of managing the interest rate risk in the banking book of the bank. ALCO fixes the deposit and lending rates of the bank and directs the investment activities of the bank in line with its interest rate view. Limits are fixed from both Earnings and Economic Value Perspective in board approved Market Risk Management Policy and adherence monitored on a monthly basis. Interest Rate Risk from Earnings Perspective is measured through Earnings at Risk (EaR) approach (which computes the impact on NII of various interest rate changes) on a monthly basis. Interest Rate Risk from Economic Value Perspective is measured using

Modified Duration Gap Approach on a monthly basis.

The Risk Management Committee of the Board oversees the ALM process of the bank and reviews the decisions taken by the ALCO.

Key Assumptions for IRRB calculations

a) Bulk of the advance portfolio to reprice within 12 months.

b) Maturity of deposits considered after adjusting empirically observed premature closure rates.

c) Core portion of Savings Bank Deposits slotted in 7 to 10 year time bucket.

d) Core portion of Current Deposits slotted in Above 15 years time bucket for Modified Duration Gap Analysis (For Earnings at Risk Analysis, Current Deposits are treated as interest non sensitive).

Quantitative Disclosures

Interest Rate Risk – Earnings Perspective

1 Year Change in Market Rates (Parallel Shift)	Impact (₹ Million) as on 31.03.14
+200 basis points	+276.1
-200 basis points	-276.1

Interest Rate Risk – Economic Value Perspective

1 Year Change in Market Rates (Parallel Shift)	Impact (₹ Million) as on 31.03.14
+200 basis points	-670.9
-200 basis points	+670.9

11. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before final settlement of the transaction's cash flows. An economic loss would occur if the transaction or portfolio of transactions with the counterparty has a positive economic value for the Bank at the time of default. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement in underlying market factors.

Capital is maintained on the exposure to CCR as per regulatory guidelines on Capital adequacy computation. The exposure is calculated using Current Exposure Method.

The MTM on client exposures are monitored periodically. The Bank does not recognize bilateral netting for capital computation.

(₹ Million)

	As on 31.03.14	
	Notional Amount	Credit Equivalent
Forward Exchange Contracts	8,335.98	250.41

Detailed Capital Disclosure Template

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)

			Amounts Subject to Pre-Basel III Treatment	Ref No
	Common Equity Tier 1 Capital: Instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	3325.65		a1+a2
2	Retained earnings	3121.50		b1+b2+ b3+b4+b6+b7
3	Accumulated other comprehensive income (and other reserves)			
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			
6	Common Equity Tier 1 capital before regulatory adjustments	6447.16		
	Common Equity Tier 1 Capital: regulatory adjustments			
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles	69.26		e1-e2
10	Deferred tax assets	182.40		e2
11	Cash-flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitisation gain on sale			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets			
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity			
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			

22	Amount exceeding the 15% threshold			
23	of which: significant investments in the common stock of financial entities			
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments (26a+26b+26c+26d)	121.00		
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries			
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries			
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank			
26d	of which: Unamortised pension funds expenditures of which: Unamortised gratuity funds expenditures	79.50 41.50		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	Total regulatory adjustments to Common equity Tier 1	372.65		
29	Common Equity Tier 1 capital (CET1)	6074.50		
	Additional Tier 1 capital: Instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)			
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)			
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)			
33	Directly issued capital instruments subject to phase out from Additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	of which: instruments issued by subsidiaries subject to phase out			
36	Additional Tier 1 capital before regulatory adjustments	Nil		
	Additional Tier 1 capital:Regulatory Adjustments			
37	Investments in own Additional Tier 1 instruments	Nil		
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			

40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments (41a+41b)			
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries			
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
43	Total regulatory adjustments to Additional Tier 1 capital			
44	Additional Tier 1 capital (AT1)			
44a	Additional Tier 1 capital reckoned for capital adequacy			
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	6074.50		
	Tier 2 capital: Instruments & Provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus			
47	Directly issued capital instruments subject to phase out from Tier 2	334.40		d
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which: instruments issued by subsidiaries subject to phase out			
50	Provisions	992.81		c1+c3+c4
51	Tier 2 capital before regulatory adjustments	1327.21		
	Tier 2 capital:Regulatory Adjustments			
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments	40.00		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments (56a+56b)			
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries			
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment			

	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]			
	of which: [INSERT TYPE OF ADJUSTMENT			
57	Total regulatory adjustments to Tier 2 capital	40.00		
58	Tier 2 capital (T2)	1287.21		
58a	Tier 2 capital reckoned for capital adequacy	1287.21		
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	Nil		
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	1287.21		
59	Total capital (TC = T1 + T2) (45 + 58c)	7361.71		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which: [INSERT TYPE OF ADJUSTMENT]			
	of which: …			
60	Total risk weighted assets (60a + 60b + 60c)	66950.75		
60a	of which: total credit risk weighted assets	55335.49		
60b	of which: total market risk weighted assets	4642.43		
60c	of which: total operational risk weighted assets	6972.83		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.07%		
62	Tier 1 (as a percentage of risk weighted assets)	9.07%		
63	Total capital (as a percentage of risk weighted assets)	11.00%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	5.00%		
65	of which: capital conservation buffer requirement	0.00%		
66	of which: bank specific countercyclical buffer requirement	Nil		
67	of which: G-SIB buffer requirement	Nil		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.07%		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.00%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	6.50%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities			
73	Significant investments in the common stock of financial entities			
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			

Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	428.91		c3+c4
77	Cap on inclusion of provisions in Tier 2 under standardised approach	836.88		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements	512.46		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	Nil		

Notes		
Row No. of the template	Particular	(₹in million)
10	Deferred tax assets associated with accumulated losses	Nil
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	182.40
	Total as indicated in row 10	182.40
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	NA
	of which: Increase in Common Equity Tier 1 capital	
	of which: Increase in Additional Tier 1 capital	
	of which: Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	NA
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	NA
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	428.91
	Eligible Revaluation Reserves included in Tier 2 capital	563.90
	Total of row 50	992.81
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	Nil

Composition of Capital: Reconciliation Requirements Step 1

₹ million

		Balance sheet as in financial statements	Balance Sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
A	Capital & Liabilities		
i	Paid-up Capital	418.99	
	of which: Amount eligible for CET1	418.99	
	of which: Amount eligible for AT1	Nil	
	Reserves & Surplus	7281.27	
	Minority Interest	Nil	
	Total Capital	7700.27	
ii	Deposits	136738.62	
	of which: Deposits from banks	4994.42	
	of which: Customer deposits	131744.20	
	of which: Other deposits (pl. specify)	Nil	
iii	Borrowings	5555.43	
	of which: From RBI	4190.00	
	of which: From banks	Nil	
	of which: From other institutions & agencies	290.43	
	of which: Others (pl. specify)	Nil	
	of which: Capital instruments	1075.00	
iv	Other liabilities & provisions	3161.16	
	of which: DTLs related to goodwill	Nil	
	of which: DTLs related to intangible assets	Nil	
	Total Capital & Liabilities	153155.48	
B	Assets		
i	Cash and balances with Reserve Bank of India	6239.02	
	Balance with banks and money at call and short notice	4503.99	
ii	Investments	51316.53	
	of which: Government securities	35253.42	
	of which: Other approved securities	Nil	
	of which: Shares	12.00	
	of which: Debentures & Bonds	1982.46	
	of which: Subsidiaries / Joint Ventures / Associates	Nil	
	of which: Others (Commercial Papers, Mutual Funds etc.)	14068.64	
iii	Loans & Advances	87073.62	
	of which: Loans and advances to banks	Nil	
	of which: Loans and advances to customers	87073.62	
iv	Fixed assets	1733.35	
v	Other Assets	2288.97	
	of which: Goodwill and intangible assets	251.65	
	Out of which:		
	Goodwill	Nil	
	Other intangibles (excluding MSRs)	251.65	
	of which: Deferred tax assets	182.40	
vi	Goodwill on consolidation	Nil	
vii	Debit balance in Profit & Loss account	Nil	
	Total Assets	153155.48	

Composition of Capital: Reconciliation Requirements Step 2

₹ million

		Balance sheet as in financial statements	Balance Sheet under regulatory scope of consolidation	Ref No
		As on reporting date	As on reporting date	
A	Capital & Liabilities			
i	Paid-up Capital	418.99		a1
	Reserves & Surplus	7281.27		
	of which:			
	Share premium	2906.66		a2
	Statutory Reserves	1463.67		b1
	Capital Reserves	529.69		b2
	General Reserves	870.32		b3
	Special Reserve (Tax): After Tax Portion	237.62		b4
	Special Reserve (Tax): Tax Element (not considered as part of capital funds)	Nil		b5
	Contingency Reserves	0.50		b6
	Credit balance in Profit and Loss account	19.70		b7
	Current Period profits not reckoned for capital adequacy purpose	Nil		
	Revaluation Reserve reckoned as Tier II Capital	563.90		c1
	Revaluation Reserve not reckoned as Tier II Capital (55% discount)	689.21		c2
	Investment Reserve	Nil		c3
	Minority Interest	Nil		
	Total Capital	7700.27		
ii	Deposits	136738.62		
	of which: Deposits from banks	4994.42		
	of which: Customer deposits	131744.20		
	of which: Other deposits (pl. specify)	Nil		
iii	Borrowings	5555.43		
	of which: From RBI	4190.00		
	of which: From banks	Nil		
	of which: From other institutions & agencies	290.43		
	of which: Others (pl. specify)	Nil		
	of which: Capital instruments: Tier II Bonds	1075.00		
	of which Eligible Amount after discounting	334.40		d
iv	Other liabilities & provisions	3161.16		
	of which: Provision for Standard assets	428.91		c4
	Total Capital & Liabilities	153155.48		

B	Assets			
i	Cash and balances with Reserve Bank of India	6239.02		
	Balance with banks and money at call and short notice	4503.99		
ii	Investments	51316.53		
	of which: Government securities	35253.42		
	of which: Other approved securities	Nil		
	of which: Shares	12.00		
	of which: Debentures & Bonds	1982.46		
	of which: Subsidiaries / Joint Ventures / Associates	Nil		
	of which: Others (Commercial Papers, Mutual Funds etc.)	14068.64		
iii	Loans & Advances	87073.62		
	of which: Loans and advances to banks	Nil		
	of which: Loans and advances to customers	87073.62		
iv	Fixed assets	1733.35		
v	Other Assets	2288.97		
	of which: Goodwill and intangible assets	251.65		
	Out of which:			
	Goodwill	Nil		
	Other intangibles (excluding MSRs)	251.65		e1
	of which: Deferred tax assets	182.40		e2
vi	Goodwill on consolidation	Nil		
vii	Debit balance in Profit & Loss account	Nil		
	Total Assets	153155.48		

Main Features of Regulatory Capital Instruments

1	Issuer	THE CATHOLIC SYRIAN BANK LTD.			
2	Unique identifier (eg. CUSIP, ISIN or Bloomberg identifier for private placement)	INE679A08067	INE679A08083	INE679A08091	INE679A08109
3	Governing Laws(s) of the instruments	Indian Law	Indian Law	Indian Law	Indian Law
	Regulatory treatment				
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds	Sub-ordinated Tier 2 Bonds	Sub-ordinated Tier 2 Bonds	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier 2 Debt Instrument	Tier 2 Debt Instrument	Tier 2 Debt Instrument	Tier 2 Debt Instrument
8	Amount recognized in regulatory capital (₹ In million, as of most recent reporting date)	Nil	Nil	Nil	₹ 334.4 Million
9	Par value of instrument	₹ 1 Million	₹ 1 Million	₹ 1 Million	₹ 1 Million
10	Accounting classification	Liability	Liability	Liability	Liability
11	Original date of issuance	30.06.2004	08.11.2004	21.12.2005	31.03.2012
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original Maturity date	30.06.2014	08.11.2014	21.04.2014	31.03.2019
14	Issuer call subject to prior supervisory approval	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	7.35% p.a.	8.00% p.a.	8.75% p.a.	11.70% p.a.
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA

27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	NA	NA	NA	NA
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument)	All depositors and other creditors	All depositors and other creditors	All depositors and other creditors	All depositors and other creditors
36	Non-complaint transitioned features	NO	NO	NO	NO
37	If yes, specify non-complaint features	NA	NA	NA	NA

Full Terms and Conditions of Regulatory Capital Instruments

Instruments	Full Terms and Conditions			
Unsecured Redeemable Non-Convertible Subordinated Bonds in the nature of Debentures	INE679A08067 Issue Size: ₹ 1000 Million Date of Allotment: 30.06.2004 Date of Redemption: 30.06.2014 Par Value: ₹ 1 Million Put and call option: None Rate of Interest and Frequency: @ 7.35 p.a. payable annually.	INE679A08083 Issue Size: ₹ 1570 Million Date of Allotment: 08.11.2004 Date of Redemption: 08.11.2014 Par Value: ₹ 1 Million Put and call option: None Rate of Interest and Frequency: @ 8.00 p.a. payable annually.	INE679A08091 Issue Size: ₹ 4000 Million Date of Allotment: 21.12.2005 Date of Redemption: 21.04.2014 Par Value: ₹ 1 Million Put and call option: None Rate of Interest and Frequency: @ 8.75 p.a. payable half yearly.	INE679A08109 Issue Size: ₹ 4180 Million Date of Allotment: 31.03.2012 Date of Redemption: 31.03.2019 Par Value: ₹ 1 Million Put and call option: None Rate of Interest and Frequency: @ 11.70 p.a. payable half early.

High Power Relations

"From a simple beginning, CSB's powerful support helped us to make rapid strides to become a multi crore company today".

Mr. Christo George Kattukkaran,
Chairman & MD, HYKON Group.

Empowering Entrepreneurs

CSB... Support all the way

SME @ CSB

HIGHLIGHTS

(₹ in Crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Capital & Reserves	389.82	545.05	565.55	757.55	770.02
Deposits	6978.35	8725.67	10604.87	12341.63	13673.86
Advances	4466.94	6220.02	7663.54	8851.52	8707.36
Investments	2289.41	2690.26	3145.15	3301.05	5131.65
Net Profit	1.65	12.18	25.90	32.67	26.88
Branches	364	364	372	390	430
Staff	2696	2820	2729	2882	2896
Capital Adequacy Ratio	10.82%	11.22%	11.08%	12.29%	11.25%

THE CATHOLIC SYRIAN BANK LIMITED
Registered Office: 'CSB Bhavan', St.Mary's College Road,
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Tel: +91 487 2333020; Fax: +91 487 2338764
Website: www. csb.co.in ; E-mail: board@csb.co.in

Catholic Syrian Bank

CSB