Annual Report
2010 -11

CSB... Support all the way

Catholic Syrian Bank

CSB

Board of Directors

Go Green Initiatives and Navathi Souvenir release
by the then Kerala Chief Minister Sri V.S. Achuthanandan

The Catholic Syrian Bank Limited

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

BOARD OF DIRECTORS

Sri. S.SANTHANAKRISHNAN
Chairman

Sri. V.P. ISWARDAS
Managing Director & CEO

Sri. T.S. ANANTHARAMAN

Sri. N.R. ACHAN

Sri. AJAY LAL

Sri. C. BOBBY JOS

Sri. C.K. GOPINATHAN

Sri. K. IPE PETER

Sri. C.F. JOHN

Sri. SUBRAHMANYA SARMA

Sri. SUMEER BHASIN

Sri. VENKATARAMAN KRISHNAMURTHY

Sri. RAKESH MATHUR
Addl. Director, RBI Nominee

Sri. V. SESHADRI
Addl. Director, RBI Nominee

EXECUTIVES

GENERAL MANAGERS

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

DEPUTY GENERAL MANAGERS/ ZONAL MANAGERS

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

ASST. GENERAL MANAGERS/ ZONAL MANAGERS

Smt.Tessy Sebastian
Sri.Paulose A.K.
Sri.Mohan Menon T.
Sri.Poulose K.C.
Sri.Vincy Louis Pallissery
Sri.Achuthan M.
Sri.Baby P.V.
Sri.Joseph A.J.
Sri.Paul George P.
Sri.Chacko George Veerampully
Sri. Davies M.P.
Sri. Ganesan V.
Sri. Kurian George
Sri. Paul C.J.
Sri. Subodh Chandra Mishra
Sri. Surendranadh P.V.

COMPANY SECRETARY

Sri.Sijo Varghese

Catholic Syrian Bank

CSB

Dear Shareholders,

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

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

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

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

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

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

V.P.Iswardas
Managing Director & CEO

June 16, 2011

The Catholic Syrian Bank Limited

(Registered Office : Thrissur)

DIRECTORS' REPORT

Dear Members,

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

GLOBAL ECONOMY

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

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

INDIAN ECONOMY

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

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

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

INDIAN BANKING DEVELOPMENTS

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

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

PERFORMANCE HIGHLIGHTS

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

₹ in Crore

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

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

APPROPRIATIONS

₹ in crore

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

DIVIDEND

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

PAID-UP CAPITAL AND RESERVES

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

AUGMENTATION OF SHARECAPITAL

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

CAPITAL ADEQUACY

As per the Basel II Capital Adequacy Framework, the Capital to Risk Weighted Assets Ratio (CRAR), as assessed by the Bank as on 31st March 2011, is 11.22% as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I CRAR stood at 9.42%, well above the minimum of 6%.

DEPOSIT MOBILISATION

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

COMPOSITION OF RESOURCES OF FUNDS

₹ in Crore

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

CREDIT DEPLOYMENT

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

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

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

DEPLOYMENT OF FUNDS

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

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

PRIORITY SECTOR LENDING

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

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

NON-PERFORMING ASSETS (NPA) MANAGEMENT

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

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

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

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

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

RISK MANAGEMENT & BASEL II COMPLIANCE

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

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

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

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

Your Bank has put in place a robust Stress Testing Framework consisting of a series of sensitivity and scenario tests on various risk areas like default risk, credit concentration risk, interest rate risk in the banking book and market risk, among others.

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

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

FOREX BUSINESS AND TREASURY OPERATIONS

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

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

NEW BUSINESS ACTIVITIES

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

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

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

BANCASSURANCE BUSINESS

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

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

BRANCH NETWORK

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

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

The Bank has 1 Circle Office and 9 Zonal Offices.

TECHNOLOGY ADOPTION

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

IT INITIATIVES

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

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

MISSION AND BUSINESS STRATEGY

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

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

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

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

CUSTOMER SERVICE

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

The “Customer Service Committee”, a Sub-Committee of the Board constituted pursuant to the RBI directives, has been inter alia suggesting, implementing and reviewing the measures for enhancing the quality of customer services. It improves the level of satisfaction for all categories of clientele at all times. The Board of Directors periodically reviews the functioning of the Sub-Committee. Besides, the Bank is having a Standing Committee on Customer Service, which has representation from customer groups also.

HUMAN RESOURCES

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

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

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

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

INSPECTION AND VIGILANCE

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

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

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

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

FORMATION OF PMLA CELL

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

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

(2) Reviewing guidelines issued to banks on 'Know Your Customer (KYC)' and 'Cash Transactions' (3) Imparting training to the staff members on Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) activities.

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 emulate the best practices in international corporate governance. Thereby, it attains the bank's performance standards with integrity.

The Board of Directors of the Bank comprises 14 Directors including the Non-Executive Chairman, Managing Director & CEO, and two Nominee 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, except the Managing Director & CEO were paid any remuneration other than the sitting fees for the meetings of the Board and the Committees attended by them. Further, the composition of the Board is in compliance with 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 2011. They have all satisfied the 'Fit and Proper' norms.

During the year under report, there were 14 Board Meetings. The Sub-Committees of the Board and their number of meetings held were: (i) Audit Committee – 8 Meetings, (ii) Credit Committee – 14 Meetings (iii) Management Committee – 11 Meetings, (iv) Shareholders'/Investors' Grievance Committee – 4 Meetings, (v) Special Purpose Committee – 2 Meetings, (vi) Risk Management Committee – 5 Meetings, (vii) Committee for Monitoring Large Value Frauds – 4 Meetings, (viii) Nomination Committee – 2 Meetings, (ix) Customer Service Committee – 3 Meetings, (x) Remuneration Committee – 1 Meeting and (xi) NPA Recovery Committee – 8 Meetings.

The compliance by the Bank of Statutory and Regulatory requirements has been prompt and up to date. The major means of communication with the shareholders are individual correspondence and newspaper releases. The Bank's shares can be held either in physical or in dematerialised format, though not listed in any Stock Exchange. However, Bonds issued by the Bank [CSBL Bonds – 2004 (Series-II) and CSBL Bonds – 2005] are listed on 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.

The Bank has adopted most of the Corporate Governance practices specified in the listing agreement for Bonds with NSE, though it is not mandatory.

AUDIT COMMITTEE OF THE BOARD

The Audit Committee of the Board (ACB) in the Bank discharges the functions laid down in the Companies Act, 1956, 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 eight meetings during the year, has been closely overseeing and monitoring the internal control systems and procedures and 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 the business of the Bank.

REGISTRARS & SHARE TRANSFER AGENT

M/s. SKDC Consultants Ltd., Coimbatore, is the Registrar and Share Transfer Agent of the Bank's shares for both Physical as well as Demat segments. The shareholders can lodge their shares with M/s. SKDC Consultants Ltd. through Depository Participants (DPs) for dematerialisation. Besides, SKDC Consultants Ltd. also acts as the Depository Registrar for Bonds in the demat form.

The shareholders may lodge their requests/complaints either with the Registrar and Share Transfer Agent or with the Bank at 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 E-mail : board@csb.co.in

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the Annual Accounts for the year ended March 31,2011:

i) The applicable Accounting Standards have been followed along with proper explanation 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 at the end of the financial year as well as the profit of the Bank for the year ended March 31, 2011;

iii) The Directors have taken proper and sufficient care for ensuring the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, and/or the Banking Regulation Act, 1949, as applicable, thus safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;

iv) The Directors have prepared the Annual Accounts on a going concern basis; 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. Essveeyar, Chartered Accountants, Chennai, and M/s. Abraham & Jose, Chartered Accountants, Thrissur, retire at the ensuing 90th Annual General Meeting of the Bank. They are eligible for re-appointment.

BOARD OF DIRECTORS

At the 89th Annual General Meeting of the Bank held on September 30, 2010, Sarvasree Venkataraman Krishnamurthy, K. Subrahmanya Sarma and Bobby Jos C. were appointed as directors of the Bank.

At the conclusion of the Annual General Meeting, Directors Sarvasree Jos C. Chakko, Prakash G. Tole and S. Swaminathan ceased to be directors of the Bank in view of their decision not to seek re-appointment in the said Meeting.

Reserve Bank of India has appointed Shri. V. Seshadri as Additional Director on the Board with effect from January 24, 2011 in place of Shri. G. Sreekumar, who ceased to be Additional Director (RBI Nominee) after completion of the period of appointment on January 23, 2011.

The Board places on record its appreciation of the commendable services and guidance rendered by Directors Sarvasree Jos C. Chakko, Prakash G. Tole and S. Swaminathan during their tenure as Directors of the Bank. The Board also places on record its appreciation for the proper guidance and support extended by Shri. G. Sreekumar during his tenure as Additional Director (RBI-Nominee).

INVESTOR EDUCATION AND PROTECTION FUND

During the year, the Bank had transferred the unclaimed dividend for the year 2002-03, an amount of ₹ 4,77,309 to the Investor Education and Protection Fund (IEPF) constituted under Section 205 C of the Companies Act,1956.

PARTICULARS OF EMPLOYEES

There were no employees who were in receipt of remuneration within the limits prescribed under Section 217 (2A) of the Companies Act, 1956. Hence, the particulars, as to be disclosed under the Companies (Particulars of Employees) Rules, 1975, are not applicable.

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 to achieve:

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 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 & 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, and other government and regulatory authorities for their continued strong 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 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 co-operation and association.

By order of the Board

Sd/-

Thrissur

June 16, 2011

S.Santhanakrishnan

Chairman

AUDITORS' REPORT TO THE MEMBERS OF THE CATHOLIC SYRIAN BANK LIMITED

1. We have audited the accompanying financial statements of the Catholic Syrian Bank Limited, which comprise the Balance Sheet as at 31st March, 2011 and the Statement of Profit and Loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 39 branches/offices audited by us, 343 branches/offices audited by branch auditors and unaudited returns of NIL branches/offices.
2. The Management is responsible for the preparation of these financial statements in accordance with Banking Regulation Act 1949. 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.
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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 overall 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.
6. Without qualifying our opinion, we draw attention to Note no 8.3.2 to the financial statement, which describes deferment of pension and gratuity liability of the bank to the extent of ₹ 48.38 crores 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 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.
7. 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 in terms of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of 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, 2011;

(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 cash flows for the year ended on that date.

8. 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.

9. 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.

10. We further report that :

a. The Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.

b. 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.

c. 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.

d. 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, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

THRISSUR 25.05.2011	For ESSVEEYAR Chartered Accountants FRN NO 000808S	For ABRAHAM & JOSE Charterd Accountants FRN NO 000010S
	K.SEKAR (Partner) (M.NO.028562)	JOSE POTTOKARAN (Partner) (M.NO.012056)

BALANCE SHEET AS ON 31ST MARCH, 2011

(₹ 000s omitted)

	SCHEDULE NO	AS ON 31.03.2011	AS ON 31.03.2010
CAPITAL & LIABILITIES			
Capital	1	31 , 34 , 81	18 , 92 , 59
Reserves & Surplus	2	513 , 70 , 64	370 , 89 , 59
Deposits	3	8725 , 66 , 98	6978 , 35 , 09
Borrowings	4	323 , 81 , 90	92 , 87 , 28
Other Liabilities and Provisions	5	234 , 52 , 71	228 , 20 , 92
TOTAL		9829 , 07 , 04	7689 , 25 , 47
ASSETS			
Cash and balances with Reserve Bank of India	6	587 , 14 , 13	585 , 63 , 66
Balances with banks and money at call & short notice	7	112 , 94 , 84	119 , 96 , 57
Investments	8	2690 , 25 , 78	2289 , 41 , 09
Advances	9	6220 , 02 , 46	4466 , 93 , 80
Fixed Assets	10	75 , 07 , 31	79 , 15 , 63
Other Assets	11	143 , 62 , 52	148 , 14 , 72
TOTAL		9829 , 07 , 04	7689 , 25 , 47
CONTINGENT LIABILITIES	12	874 , 74 , 75	710 , 84 , 89
Bills for collection		72 , 52 , 80	79 , 27 , 70

Sd/-
P.V.Antony
DGM (Accounts & Risk Management)

Sd/-
Jacob.J.Arakal
General Manager [Operations]

Sd/-
C.T.Francis
General Manager [Credit]

Sd/-
V.P.Iswardas
Managing Director & CEO

DIRECTORS:

S Santhanakrishnan, Chairman	Sd/-
T.S.Anantharaman	Sd/-
N.R.Achan	Sd/-
Ajay Lal	Sd/-
C. Bobby Jos	Sd/-
C. K.Gopinathan	Sd/-
K. Ipe Peter	Sd/-
C. F.John	Sd/-
K. Subrahmanya Sarma	Sd/-
Sumeer Bhasin	Sd/-
Rakesh Mathur, Addl. Director, RBI Nominee	Sd/-
V.Seshadri, Addl. Director, RBI Nominee	Sd/-

As per our report of even date

For Essveeyar
Chartered Accountants

Sd/-
K.Sekar
Partner
(M. No. 028562)

For Abraham & Jose
Chartered Accountants

Sd/-
Jose Pottokaran
Partner
(M.No.012056)

Thrissur
25.05.2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2011

(₹ 000s omitted)

	SCHEDULE NO	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
I INCOME			
Interest earned	13	762 , 13 , 27	577 , 95 , 64
Other Income	14	74 , 50 , 68	73 , 96 , 46
TOTAL		836 , 63 , 95	651 , 92 , 10
II EXPENDITURE			
Interest expended	15	513 , 97 , 90	455 , 15 , 49
Operating expenses	16	289 , 04 , 35	189 , 07 , 49
Provisions and contingencies		21 , 44 , 10	6 , 03 , 72
TOTAL		824 , 46 , 35	650 , 26 , 70
III PROFIT/LOSS			
Net profit for the year		12 , 17 , 60	1 , 65 , 40
Profit brought forward		Nil	1 , 05
Transfer from Investment Reserve		13 , 22	7 , 45
TOTAL		12 , 30 , 82	1 , 73 , 90
IV APPROPRIATIONS			
Transfer to Capital Reserves		61 , 16	36 , 14
Transfer to Statutory Reserves		3 , 04 , 40	41 , 35
Transfer to General Reserves		1 , 15 , 84	5 , 98
Transfer to Special Reserve (Section 36(1) (viii) of IT Act)		3 , 74 , 00	Nil
Transfer to Investment Reserve		5 , 40	88 , 93
Transfer to Charity Fund		3 , 00	1 , 50
Proposed Dividend (Including Dividend Tax)		3 , 67 , 02	Nil
TOTAL		12 , 30 , 82	1 , 73 , 90
Summary of Significant Accounting Policies	17		
Notes to Accounts	18		

Sd/-
P.V.Antony
DGM (Accounts & Risk Management)

Sd/-
Jacob.J.Arakal
General Manager (Operations)

Sd/-
C.T.Francis
General Manager (Credit)

Sd/-
V.P.Iswardas
Managing Director & CEO

DIRECTORS:

S Santhanakrishnan, Chairman	Sd/-
T.S.Anantharaman	Sd/-
N.R.Achan	Sd/-
Ajay Lal	Sd/-
C. Bobby Jos	Sd/-
C. K.Gopinathan	Sd/-
K. Ipe Peter	Sd/-
C. F.John	Sd/-
K. Subrahmanya Sarma	Sd/-
Sumeer Bhasin	Sd/-
Rakesh Mathur, Addl. Director, RBI Nominee	Sd/-
V.Seshadri, Addl. Director, RBI Nominee	Sd/-

As per our report of even date

For Essveeyar
Chartered Accountants

Sd/-
K.Sekar
Partner
(M. No. 028562)

For Abraham & Jose
Chartered Accountants

Sd/-
Jose Pottokaran
Partner
(M.No.012056)

Thrissur
25.05.2011

(₹ 000s omitted)

	As on 31.03.2011		As on 31.03.2010	
SCHEDULE 1 - CAPITAL				
Authorized Capital :				
8,00,00,000 Equity shares of Rs 10/- each		80 , 00 , 00		80 , 00 , 00
20,00,000 Preference Shares of Rs.100/-each		20 , 00 , 00		20 , 00 , 00
		100 , 00 , 00		100 , 00 , 00
Issued and Subscribed Capital				
31579087 equity shares of Rs 10/- each		31 , 57 , 91		31 , 57 , 91
Called-up Capital				
31579087 equity shares of Rs 10/- each		31 , 57 , 91		31 , 57 , 91
Less: Calls in arrears		23 , 10		8 , 10
Less : Called up but not due		Nil		12 , 57 , 22
		31 , 34 , 81		18 , 92 , 59
SCHEDULE 2 - RESERVES & SURPLUS				
I Statutory Reserves				
Opening balance	121 , 96 , 14		121 , 54 , 79	
Additions during the year	3 , 04 , 40		41 , 35	
Deductions during the year	Nil	125 , 00 , 54	Nil	121 , 96 , 14
II Capital Reserves				
Opening balance	30 , 50 , 76		30 , 14 , 62	
Additions during the year	61 , 16		36 , 14	
Deductions during the year	Nil	31 , 11 , 92	Nil	30 , 50 , 76
III Revaluation Reserves				
Opening balance	40 , 15 , 30		40 , 82 , 70	
Additions during the year	Nil		Nil	
Deductions during the year	64 , 13	39 , 51 , 17	67 , 40	40 , 15 , 30
IV Share Premium				
Opening balance	86 , 80 , 49		86 , 29 , 81	
Additions during the year	134 , 97 , 60		50 , 68	
Deductions during the year	Nil	221 , 78 , 09	Nil	86 , 80 , 49
V Revenue and other Reserves				
a) General Reserves				
Opening balance	83 , 24 , 09		82 , 67 , 14	
Additions during the year	1 , 15 , 84		56 , 95	
Deductions during the year	Nil	84 , 39 , 93	Nil	83 , 24 , 09
b) Investment Reserve				
Opening balance	2 , 03 , 95		122 , 47	
Additions during the year	5 , 40		88 , 93	
Deductions during the year	13 , 22	1 , 96 , 13	7 , 45	2 , 03 , 95
c) Special Reserve (Swap)				
Opening balance	Nil		50 , 97	
Additions during the year	Nil		Nil	
Deductions during the year	Nil	Nil	50 , 97	Nil
d) Special Reserve (Section 36 (1)(viii) of IT Act)				
Opening balance	6 , 13 , 86		6 , 13 , 86	
Additions during the year	3 , 74 , 00		Nil	
Deductions during the year	Nil	9 , 87 , 86	Nil	6 , 13 , 86
VI Contingency Reserve		5 , 00		5 , 00
VII Balance in Profit and Loss Account		Nil		Nil
TOTAL		513 , 70 , 64		370 , 89 , 59

(₹ 000s omitted)

	As on 31.03.2011		As on 31.03.2010	
SCHEDULE 3 - DEPOSITS				
A. I. Demand Deposits				
[i] From banks	1 , 21 , 93		60 , 51	
[ii] From others	325 , 68 , 00		291 , 48 , 32	
		326 , 89 , 93		292 , 08 , 83
II. Savings Bank Deposits		1624 , 24 , 64		1460 , 59 , 44
III. Term Deposits				
[i] From banks	280 , 44 , 18		167 , 13 , 92	
[ii] From others	6494 , 08 , 23		5058 , 52 , 90	
		6774 , 52 , 41		5225 , 66 , 82
TOTAL [I,II, and III]		8725 , 66 , 98		6978 , 35 , 09
B [i] Deposits of branches in India		8725 , 66 , 98		6978 , 35 , 09
[ii] Deposits of branches outside India		Nil		Nil
TOTAL		8725 , 66 , 98		6978 , 35 , 09
SCHEDULE 4 - BORROWINGS				
I. Borrowings in India				
[i] Reserve Bank of India		25 , 00 , 00		Nil
[ii] Other banks		Nil		Nil
[iii] Other institutions and agencies		207 , 11 , 90		7 , 28
TOTAL OF I		232 , 11 , 90		7 , 28
II. Borrowings outside India		Nil		Nil
TOTAL (I and II)		232 , 11 , 90		7 , 28
Secured borrowings included in I and II		Nil		Nil
III. Capital Instruments				
Subordinated debts raised for Tier II Capital		91 , 70 , 00		92 , 80 , 00
TOTAL (I,II and III)		323 , 81 , 90		92 , 87 , 28
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I. Bills payable		26 , 73 , 47		18 , 79 , 27
II. Inter-office adjustments (net)		29 , 27 , 96		44 , 77 , 18
III. Interest accrued		41 , 23 , 05		41 , 67 , 35
IV. Others(including provisions)		137 , 28 , 23		122 , 97 , 12
TOTAL		234 , 52 , 71		228 , 20 , 92
SCHEDULE 6 -CASH AND BALANCES WITH RESERVE BANK OF INDIA				
I. Cash in hand(including foreign currency notes)		59 , 73 , 73		54 , 83 , 69
II Balances with Reserve Bank of India				
[i] in Current Account	527 , 40 , 40		530 , 79 , 97	
[ii] in Other Accounts	Nil		Nil	
		527 , 40 , 40		530 , 79 , 97
TOTAL (I AND II)		587 , 14 , 13		585 , 63 , 66

(₹ 000s omitted)

	As on 31.03.2011		As on 31.03.2010	
SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE				
I. In India				
[i] Balances with banks				
(a) in Current Accounts	18 , 09 , 04		13 , 37 , 79	
(b) in Other Deposit Accounts	54 , 50 , 00		15 , 00 , 00	
		72 , 59 , 04		28 , 37 , 79
[ii] Money at call and short notice				
(a) with banks	Nil		Nil	
(b) with other Institutions	Nil	Nil	49 , 96 , 75	49 , 96 , 75
TOTAL (i and ii)		72 , 59 , 04		78 , 34 , 54
II. Outside India				
(i) in Current Accounts	40 , 35 , 80		41 , 62 , 03	
(ii) in Other Deposit Accounts	Nil		Nil	
(iii) Money at call and short notice	Nil		Nil	
TOTAL		40 , 35 , 80		41 , 62 , 03
GRAND TOTAL (I and II)		112 , 94 , 84		119 , 96 , 57
SCHEDULE 8 - INVESTMENTS				
I. Investments in India (Gross)		2695 , 06 , 90		2294 , 06 , 60
Less Provision		4 , 81 , 12		4 , 65 , 51
Net Investment in India		2690 , 25 , 78		2289 , 41 , 09
BREAK - UP				
[i] Government securities	2174 , 55 , 23		1801 , 06 , 93	
[ii] Other approved securities	55 , 70		2 , 75 , 79	
[iii] Shares	6 , 81 , 59		11 , 49 , 09	
[iv] Debentures and Bonds	83 , 53 , 43		22 , 64 , 71	
[v] Subsidiaries and/or joint ventures	Nil		Nil	
[vi] Others [Including Contribution to RIDF, Certificate of Deposits etc]	424 , 79 , 83		451 , 44 , 57	
TOTAL		2690 , 25 , 78		2289 , 41 , 09
II. Investments outside India		Nil		Nil
GRAND TOTAL (I and II)		2690 , 25 , 78		2289 , 41 , 09
SCHEDULE 9 - ADVANCES				
A [i] Bills purchased and discounted	109 , 16 , 82		75 , 72 , 02	
[ii] Cash credits, overdrafts and loans repayable on demand	3831 , 41 , 33		2777 , 17 , 24	
[iii] Term loans	2279 , 44 , 31		1614 , 04 , 54	
TOTAL		6220 , 02 , 46		4466 , 93 , 80
B [i] Secured by tangible assets	5510 , 87 , 59		3914 , 28 , 91	
[ii] Covered by Bank/Government guarantees	135 , 93 , 15		60 , 76 , 39	
[iii] Unsecured	573 , 21 , 72		491 , 88 , 50	
TOTAL		6220 , 02 , 46		4466 , 93 , 80

(₹ 000s omitted)

	As on 31.03.2011		As on 31.03.2010	
C. I. Advances in India				
[i] Priority sectors	2151 , 42 , 35		1505 , 63 , 07	
[ii] Public sector	248 , 01 , 45		60 , 02 , 56	
[iii] Banks	Nil		Nil	
[iv] Others	3820 , 58 , 66		2901 , 28 , 17	
TOTAL		6220 , 02 , 46		4466 , 93 , 80
II. Advances outside India		Nil		Nil
GRAND TOTAL (C.I and II)		6220 , 02 , 46		4466 , 93 , 80
SCHEDULE 10 - FIXED ASSETS				
I. Premises				
At cost as on 31st March of the preceding year	7 , 05 , 47		6 , 75 , 87	
Appreciation on revaluation	45 , 84 , 58		45 , 84 , 58	
Additions during the year	Nil		29 , 60	
Deductions during the year	Nil		Nil	
Depreciation to date	9 , 53 , 47	43 , 36 , 58	8 , 69 , 17	44 , 20 , 88
II. Other Fixed Assets (including furniture and fixtures)				
At cost as on 31st March of the preceding year	84 , 93 , 56		81 , 14 , 48	
Additions during the year	5 , 12 , 17		4 , 69 , 21	
Deductions during the year	1 , 72 , 86		90 , 13	
Depreciation to date	56 , 62 , 14	31 , 70 , 73	49 , 98 , 81	34 , 94 , 75
TOTAL (I, and II)		75 , 07 , 31		79 , 15 , 63
SCHEDULE 11 - OTHER ASSETS				
I. Interest accrued		48 , 09 , 85		44 , 38 , 30
II. Tax paid in advance/tax deducted at source		31 , 43 , 04		34 , 86 , 64
III. Stationery and stamps		1 , 12 , 48		1 , 20 , 02
IV. Non-banking assets acquired in satisfaction of claims		1 , 51 , 92		1 , 59 , 47
V. Others		61 , 45 , 23		66 , 10 , 29
TOTAL		143 , 62 , 52		148 , 14 , 72
SCHEDULE 12 - CONTINGENT LIABILITIES				
I. Claims against the bank not acknowledged as debts		36 , 06 , 14		30 , 42 , 98
II. Liability for partly paid investments		Nil		Nil
III. Liability on account of outstanding forward exchange contracts & interest rate swap		593 , 98 , 41		509 , 30 , 61
IV. Guarantees given on behalf of constituents				
(a) In India		149 , 54 , 01		98 , 50 , 50
(b) Outside India		Nil		Nil
V. Acceptance, endorsements and other obligations		63 , 06 , 61		52 , 56 , 66
VI. Other items for which the bank is contingently liable		32 , 09 , 58		20 , 04 , 14
TOTAL		874 , 74 , 75		710 , 84 , 89

(₹ 000s omitted)

		Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 13 - INTEREST EARNED			
I.	Interest/discount on advances / bills	600 , 74 , 11	417 , 13 , 11
II.	Income on investments	155 , 32 , 44	141 , 31 , 24
III.	Interest on balances with Reserve Bank of India and other inter -bank funds	4 , 97 , 61	14 , 67 , 46
IV	Others	1 , 09 , 11	4 , 83 , 83
	TOTAL	762 , 13 , 27	577 , 95 , 64
SCHEDULE 14 - OTHER INCOME			
I.	Commission, Exchange and Brokerage	16 , 62 , 60	20 , 02 , 85
II.	Profit on sale of investments (Net)	5 , 21 , 41	12 , 85 , 16
III.	Profit/(Loss) on revaluation of investments (Net)	Nil	Nil
IV.	Profit on sale of land, buildings and other assets (Net)	59 , 87	(1 , 01)
V.	Profit on exchange transactions (Net)	9 , 75 , 57	6 , 40 , 02
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 Rs 951 lac; previous year Rs 442 lac)	42 , 31 , 23	34 , 69 , 44
	TOTAL	74 , 50 , 68	73 , 96 , 46
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on deposits	496 , 30 , 93	446 , 04 , 43
II.	Interest on Reserve Bank of India/ inter -bank borrowings	3 , 17 , 39	3 , 25
III.	Others	14 , 49 , 58	9 , 07 , 81
	TOTAL	513 , 97 , 90	455 , 15 , 49
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and provisions for employees	212 , 25 , 22	116 , 65 , 23
II.	Rent, taxes and lighting	23 , 01 , 20	21 , 44 , 91
III.	Printing and Stationery	2 , 47 , 58	2 , 11 , 79
IV.	Advertisement and publicity	1 , 31 , 41	76 , 57
V.	Depreciation on bank's property (including amortisation / write off of intangible assets)	10 , 47 , 87	10 , 82 , 92
VI.	Directors' fees, allowances and expenses	60 , 40	45 , 13
VII.	Auditors' fees and expenses (including branch auditors)	92 , 15	76 , 10
VIII.	Law charges	79 , 69	86 , 77
IX.	Postages, Telegrams, Telephones etc.	4 , 64 , 51	4 , 83 , 69
X.	Repairs and maintenance	5 , 87 , 88	5 , 08 , 23
XI.	Insurance	7 , 45 , 91	6 , 66 , 87
XII.	Other expenditure	19 , 20 , 53	18 , 59 , 28
	TOTAL	289 , 04 , 35	189 , 07 , 49

SCHEDULE 17 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

a) The Financial Statements have been prepared based on Going Concern assumption.

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

c) The financial statements conform with statutory provisions under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India from time to time, Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and current practices prevailing within the banking industry in India.

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.

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 ruling on the date of transaction.

c) Profit or loss on outstanding foreign exchange forward contracts has been accounted for as per FEDAI guidelines.

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) 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”. However, for disclosure in the Balance Sheet, these are classified under six groups – Govt. Securities, Other Approved Securities, Shares, Debentures and Bonds, Subsidiaries/Joint Venture and Others.

b) 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.

c) 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 monthly 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.

d) 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.

e) Brokerage paid in connection with acquisition of investments are expensed upfront and excluded from cost.

5. ADVANCES

a) Provision for Non Performing Advances has been made based on asset classification and provisioning requirement under the prudential norms laid down by RBI. The amount of advances shown in the Balance Sheet and in Schedule 9 is net of 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) Provision for diminution of fair value in the case of Restructured accounts has been made in line with RBI guidelines and the same is netted from the amount of advances.

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

e) When financial assets (including Non Performing Advances) are sold to Reconstruction Company (RC) / Securitisation Company (SC) and the sale is at a price below the net book value (NBV), (i.e., book value less provisions held), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed.

6. FIXED ASSETS

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%	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. STAFF 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 is a defined contribution plan. In addition to contribution for the year, shortfall, if any, in the Income and Expenditure account of the 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.

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. REVENUE/COST RECOGNITION

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.

d. Expenditure is accounted for on accrual basis, except otherwise stated.

e. Provision is made for interest on overdue and unclaimed deposits as per RBI guidelines.

f. 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 and accounts under One Time Settlement.

g. 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. PROVISION FOR INCOME TAX

Provision for Income tax comprises of Current Tax as also Deferred Tax accounted in accordance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India. Deferred Tax Asset on Carry Forward Loss is recognized based on management's judgement of virtual certainty of future taxable income.

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 ₹50 lac 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

Fixed Assets are reviewed for impairment whenever events or changes in circumstances warrant that the carrying amount of an asset may not be recoverable and the resultant impairment loss is charged to Profit and Loss account in line with Accounting Standard 28 – Impairment of Assets.

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. NET PROFIT

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

(i) provision for taxes

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

(iii) provision for depreciation on investments

(iv) provision for standard assets

(v) other usual and necessary provisions.

SCHEDULE 18: NOTES TO ACCOUNTS

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

(₹ in Crore)

		31.03.2011	31.03.2010
a	Provisions towards NPA/write offs	13.42	9.05
b	Add back of eligible amount of provision held in respect of Agricultural Debts Waived	(0.46)	(0.14)
c	Depreciation and write off of investments	0.26	0.34
d	Add back of excess provision for Depreciation on investments	(0.10)	(1.80)
e	Provision for Income tax (Including Deferred Tax and Wealth Tax)	5.28	(9.56)
f	Provision for Standard Assets	3.69	Nil
g	Provision for Salary Arrears	Nil	7.13
h	Provision for diminution on Restructured Advances	(0.48)	1.82
i	Other provisions	(0.17)	(0.80)
	Total	21.44	6.04

Note: Claim for ₹ 2.60 Crore under Debts waiver and ₹ 0.20 Crore for Debt Relief under Agricultural Debt Waiver & Debt Relief Scheme (ADWDRS) 2008 were submitted to Reserve Bank of India and excess provision on ADWDRS to the extent of ₹0.46 Crore was maintained as directed in the scheme. Consequent to receipt of ₹1.03 Crore as final settlement under ADWDRS 2008, the excess provision of ₹ 0.46 Crore held has been reversed.

2. Salary Arrears

During the year, on account of wage settlement with employees, bank has incurred an expenditure of ₹ 24.73 Crore towards salary arrears pertaining to the period up to 31.03.2010. After netting provision held for salary arrears of ₹13.69 Crore, the balance amount of ₹11.04 Crore has been charged to Profit and Loss account.

3. Share Capital

During the year, the bank has received a sum of ₹147.40 Crore (including premium of ₹134.98 Crore) as allotment money & call money towards the shares allotted on rights basis in the year 2009, and call money on shares allotted in the earlier years.

In respect of calls in arrears bank has issued a final notice for payment on or before 30.06.2011.

4. Reconciliation

Initial reconciliation of inter-branch/office accounts has been completed as on 31.03.2011. Steps have been taken to eliminate the outstanding entries and in the bank's opinion consequential impact on Profit and Loss Account will not be material.

5. Taxation

a) In respect of appeals filed by the Bank, no provision is considered necessary for the disputed income tax liability of ₹ 31.92 Crore on the basis of favourable judicial decisions and legal opinion.

b) Tax liability on account of Minimum Alternative Tax (MAT) has been recognized as a liability and as an asset in line with Guidance Note on Accounting of Credit Available in respect of Minimum Alternative Tax under the Income Tax Act, 1961, issued by ICAI.

6. Investments

a) The profit on sale of investments under Held to Maturity category amounting to ₹1.22 Crore (previous year ₹0.73 Crore) has been taken to Profit and Loss account and a sum of ₹ 0.61 Crore (previous year ₹ 0.36 Crore), 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 ₹ 13.71 Crore (previous year ₹12.60 Crore) which is netted against Income on Investments.

c) Excess provisions on depreciation in the Held for Trading category of investments amounting to ₹ 0.02 Crore (previous year Nil) and excess provisions on depreciation in the Available for Sale category of investments amounting to ₹ 0.09 Crore (previous year ₹1.80 Crore) has been credited to Profit & Loss Account. Out of the above, an amount of ₹ 0.05 Crore (net of taxes and net of transfer to Statutory Reserves) (previous year ₹ 0.89 Crore) has been appropriated to Investment Reserve.

d) Further provisions on depreciation on investments in the Available for Sale category investments amounting to ₹ 0.26 Crore (previous year ₹ 0.15 Crore) is debited to Profit & Loss account. An equivalent amount of ₹ 0.13 Crore, net of taxes and net of transfer to Statutory Reserve, (previous year ₹ 0.07 Crore) has been transferred from Investment Reserve Account to Profit and Loss Account and the same has been appropriated to General Reserve in line with RBI guidelines.

e) During 2010-11, the bank has not transferred any securities from Held to Maturity to Available for Sale category (previous year ₹ 240 Crore) or from Available for Sale to Held to Maturity category (previous year ₹10 Crore).

7. Disclosures as per RBI guidelines

In terms of RBI guidelines, the following additional disclosures are made:

7.1 Capital

Items	31.03.2011	31.03.2010
i) CRAR (%) – Basel II	11.22	10.82
ii) CRAR - Tier I capital (%)	9.42	8.07
iii) CRAR - Tier II Capital (%)	1.80	2.75
iv) Amount of subordinated debt raised as Tier-II capital	₹ 91.70 Crore	₹ 92.80 Crore
v) Amount raised by issue of IPDI	Nil	Nil
vi) Amount raised by issue of Upper Tier II instruments	Nil	Nil

7.2 Investments (₹ in Crore)

Items	31.03.2011	31.03.2010
(1) Value of Investments		
(i) Gross Value of Investments	2695.07	2294.07
(a) In India	2695.07	2294.07
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation	4.81	4.66
(a) In India	4.81	4.66
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments	2690.26	2289.41
(a) In India	2690.26	2289.41
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	4.66	6.28
(ii) Add: Provisions made during the year	0.26	0.17
(iii) Less: Write-off/ write-back of excess provisions during the year	0.09	1.79
(iv) Less: Provision Account debited during the year	0.02	Nil
(v) Closing balance	4.81	4.66

7.2.1 Repo Transactions (In Face Value) (₹ in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Balance as on March 31,2011
Securities sold under repo				
i. Government Securities	Nil	185	30.23	Nil
ii Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo				
i. Government Securities	Nil	300	13.66	Nil
ii. Corporate debt securities	Nil	Nil	Nil	Nil

7.2.2 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	37.42	5.00	Nil	2.00	2.00
(ii)	FIs	6.36	6.00	Nil	Nil	Nil
(iii)	Banks	165.56	11.00	Nil	Nil	Nil
(iv)	Private Corporate	10.84	0.79	0.78	Nil	0.78
(v)	Subsidiaries/ Joint Ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Others (RIDF, RHF, MSME Fund)	299.78	Nil	Nil	Nil	Nil
(vii)	Provision held towards depreciation	(4.81)	X X X	X X X	X X X	X X X
	Total	515.15	22.79	0.78	2.00	2.78

ii) Non performing Non-SLR investments (₹ in Crore)

Particulars	31.03.2011	31.03.2010
Opening balance	2.00	2.00
Additions during the year since 1st April	Nil	Nil
Reductions during the above period	Nil	Nil
Closing balance	2.00	2.00
Total provisions held	2.00	2.00

7.3 Derivatives

7.3.1 Forward Rate Agreement/ Interest Rate Swap

Nil.

7.3.2 Exchange Traded Currency and Interest Rate Derivatives

Nil.

7.3.3 Disclosures on risk exposure in derivatives

Qualitative & Quantitative Disclosure

Nil.

7.4 Asset Quality

7.4.1 Non-Performing Asset

(₹ in Crore)

Particulars	31.03.2011	31.03.2010
(i) Net NPAs to Net Advances (%)	1.74%	1.58%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	149.29	171.78
(b) Additions during the year	107.87	53.48
(c) Reductions during the year	64.71	75.97
(d) Closing balance	192.45	149.29
(iii) Movement of Net NPAs		
(a) Opening balance	70.52	87.94
(b) Additions during the year	93.81	52.10
(c) Reductions during the year	55.93	69.52
(d) Closing balance	108.40	70.52
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	75.23	79.88
(b) Provisions made during the year	8.55	4.32
(c) Write-off/ write-back of excess provisions	3.12	8.97
(d) Closing balance	80.66	75.23

7.4.2 Details of Loan Assets subjected to Restructuring

7.4.2.1 Particulars of Accounts Restructured

(₹ in Crore)

		CDR Mechanism		SME Debt Restructuring		Others	
		Balance Outstanding		Balance Outstanding		Balance Outstanding	
		Restructured Accounts	All Accounts of the Borrower	Restructured Accounts	All Accounts of the Borrower	Restructured Accounts	All Accounts of the Borrower
Standard advances Restructured	No.of Borrowers	1	1	Nil	Nil	102	118
	Amount Outstanding	*10.64	*10.64	Nil	Nil	78.13	139.81
	Sacrifice (diminution in the fair value)	0.75	Nil	Nil	Nil	1.01	Nil
Sub standard advances Restructured	No.of Borrowers	Nil	Nil	Nil	Nil	4	7
	Amount Outstanding	Nil	Nil	Nil	Nil	6.15	7.28
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil	Nil	0.08	Nil
Doubtful advances Restructured	No.of Borrowers	Nil	Nil	Nil	Nil	20	20
	Amount Outstanding	Nil	Nil	Nil	Nil	0.80	0.80
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil	Nil	0.02	Nil
Total	No.of Borrowers	1	1	Nil	Nil	126	145
	Amount Outstanding	10.64	10.64	Nil	Nil	85.08	147.89
	Sacrifice (diminution in the fair value)	0.75	Nil	Nil	Nil	1.11	Nil

* Includes Cumulative Redeemable Preference Shares of Value ₹ 0.81 Crore.

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

	2010-11	2009-10
(i) No. of accounts	2	Nil
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii) Aggregate consideration	₹ 10.75 Crore	Nil
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain/loss over net book value	₹ 10.75 Crore	Nil

During the year bank has sold two Non Performing Assets in DA 3 category, which were partially written off. The aggregate principal in these accounts was ₹12.19 Crore and ₹ 7.26 Crore of this was technically written off while the balance of ₹ 4.93 Crore was fully provided, making the net book value zero. Bank has received aggregate consideration of ₹ 10.75 Crore. Of this, ₹ 7.26 Crore representing recovery of technically written off portion is included in Item VII- Miscellaneous Income of Schedule 14 - Other Income. The balance amount of ₹ 3.49 Crore, representing excess provision, has been retained in provision for bad debt account.

7.4.4 Details of non-performing financial assets purchased/sold (other than to Securitisation/ Reconstruction Company for Asset Reconstruction)

Nil (2010-11 and 2009-10).

7.4.5 Provisions on Standard Assets

(₹in Crore)

Particulars	31.03.2011	31.03.2010
Provisions held towards Standard Assets	22.90	19.21

7.5 Business Ratio

Particulars	31.03.2011	31.03.2010
(i) Interest Income as a percentage to Working Funds	8.69	7.84
(ii) Non-interest income as a percentage to Working Funds	0.85	1.00
(iii) Operating Profit as a percentage to Working Funds	0.38	0.10
(iv) Return on Assets (%)	0.14	0.02
(v) Business (Deposits plus advances) per employee	₹ 537 Lac	₹ 419 Lac
(vi) Profit per employee	₹ 0.45 Lac	₹ 0.06 Lac

7.6 Asset Liability Management

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

As on 31.03.2011	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	25.95	92.20	212.67	116.73	394.00	581.40	492.18	2376.82	95.49	4338.23	8725.67
Advances	87.85	58.51	84.38	107.16	295.88	620.01	879.22	2753.23	746.38	587.42	6220.02
Investments	Nil	125.02	24.87	149.25	49.15	0.20	1.51	313.00	552.04	1475.22	2690.26
Borrowings	Nil	103.41	Nil	Nil	0.01	12.82	62.83	68.09	76.64	Nil	323.82
Foreign Currency assets	43.17	3.93	15.69	12.01	44.29	37.67	18.11	4.45	Nil	Nil	179.32
Foreign Currency liabilities	9.70	Nil	15.98	2.22	8.75	19.52	50.01	36.50	4.56	Nil	147.24

Note: Deposits have been classified as per behavioural maturity.

7.7 Exposures

7.7.1 Exposure to Real Estate Sector

(₹in Crore)

Category	31.03.2011	31.03.2010
a) *Direct exposure*		
(i) Residential Mortgages		
a) Priority sector	277.66	291.81
b) Non priority sector	27.31	14.70
c) Total	304.97	306.51
(ii) Commercial Real Estate	276.12	192.26
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a) Residential,	Nil	Nil
b) Commercial Real Estate.	Nil	Nil
b) *Indirect Exposure*	Nil	Nil
Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)		
Total Exposure to Real Estate Sector	581.09	498.77

7.7.2 Exposure to Capital Market

(₹in Crore)

Items		31.03.2011	31.03.2010
(i)	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	8.42	12.84
(ii)	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	0.32	0.45
(iii)	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	0.01	0.02
(iv)	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	5.06
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	0.49	0.55
(vi)	Loans sanctioned to corporates 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
(vii)	Bridge loans to companies against expected equity flows/issues	Nil	Nil
(viii)	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
(ix)	Financing to stock brokers for margin trading	Nil	Nil
(x)	All exposures to Venture Capital Funds	Nil	Nil
Total Exposure to Capital Market		9.24	18.92

7.7.3 Risk category wise country exposure

(₹ in Crore)

Risk Category	Exposure (Net) as at 31.03.2011	Provision held as at 31.03.2011	Exposure (Net) as at 31.03.2010	Provision held as at 31.03.2010
Insignificant	89.98	Nil	79.26	Nil
Low	17.03	Nil	24.69	Nil
Moderate	1.38	Nil	1.26	Nil
High	Nil	Nil	0.59	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	108.39	Nil	105.80	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.

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

(₹in Crore)

Sr No	Name of Borrower	Credit Exposure as on 31.03.2011		Outstanding as on 31.03.2011		Investment as on 31.03.2011	Total Exposure as on 31.03.2011
		FB	NFB	FB	NFB		
1	Tamilnadu Electricity Board	100.99	Nil	100.99	Nil	Nil	100.99
2	Ajmer Vidyut Vitran Nigam Ltd	100.00	Nil	65.00	Nil	Nil	100.00

7.7.5 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.

7.8 Miscellaneous

7.8.1 Amount of Provisions made for Income-tax during the year

(₹in Crore)

	31.03.2011	31.03.2010
Provision for Income Tax (including Deferred Tax)	5.28	(9.56)

7.8.2 Disclosure of Penalties imposed by RBI

Nil.

8. Disclosure Requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts:

8.1 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.

8.2 Accounting Standard 9 – Revenue Recognition

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

8.3 Accounting Standard 15 (Revised) – Accounting for Employee Benefits in the Financial Statements of Employers

8.3.1 Disclosures for Defined Contribution Plans – Provident Fund

Contributions to employee provident fund, debited to Profit & Loss Account during the year amount to₹6.58 Crore (previous year ₹3.29 Crore). Amount debited to Profit & Loss Account includes ₹ 0.50 Crore (previous year Nil) towards contribution of the bank to meet the deficit in Income & Expenditure of the provident fund.

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

During the year the bank reopened the pension option for such of its employees (including retirees) who had not opted for the pension scheme earlier. As a result of exercise of this option by 1625 employees, the bank has incurred a liability of ₹ 67.36 Crore. Further, during the year, the limit of gratuity payable was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result, the gratuity liability of the Bank has increased by ₹ 20.74 Crore.

In terms of the requirements of the Accounting Standard 15 – Employee Benefits, the entire amount of ₹ 88.10 Crore is required to be charged to the Profit & Loss Account. However, the Reserve Bank of India has issued Cir.no.DBOD.BP. BC.80/21.04.018/2010-11 dated 9th February 2011 on Reopening of Pension Option to Employees of Public Sector Banks and Enhancement in Gratuity Limits – Prudential Regulatory Treatment (the circular has been made applicable to this bank also vide DBOD.No.BP.BC.15896/21.04.018/2010-11 dated April 08, 2011). In accordance with the provisions of the said circular, the bank would amortise ₹ 60.48 Crore (Pension ₹39.74 Crore and Gratuity ₹ 20.74 Crore), over a period of 5 years. Accordingly, ₹ 12.10 Crore (representing one-fifth of ₹ 60.48 Crore) has been charged to Profit & Loss Account. In terms of the requirements of the aforesaid RBI circular, the balance amount carried forward (i.e.,₹48.38 Crore) does not include any cost relating to separated/retired employees. Pension Cost relating to separated/retired employees amounting to ₹27.62 Crore has been charged fully to Profit & Loss Account.

Had such circular not been issued by the RBI, the profit before tax of the bank would have been lower by ₹48.38 Crore pursuant to application of the requirements of AS 15.

8.3.2.1 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)	
	2010-11		2009-10	2010-11	2009-10	2010-11	2009-10
	New Optees in service as on 31.03.2011	Old Optees					
Present Value of Obligations - Closing	136.90	81.66	75.93	83.83	59.91	39.49	34.32
Fair Value of Plan Assets - Closing	97.16	71.40	57.41	56.33	58.70	N.A.	N.A.
Funded Status	39.74	10.26	18.51	27.50	1.21	39.49	34.32
Unrecognised Actuarial Gains	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Less Amount unamortised and carried forward as per RBI circular	31.79	N.A.	N.A.	16.59	N.A.	N.A.	N.A.
Net Liability recognised in Balance Sheet (included in Item No. IV. Others of Schedule 5 – Other Liabilities & Provisions)	7.95	10.26	18.51	10.91	1.21	39.49	34.32

The amount recognised in the statement of profit and loss account is as follows: (₹ in Crore)

	Pension			Gratuity		Long term Compensated Absences (Privilege Leave)	
	2010-11		2009-10	2010-11	2009-10	2010-11	2009-10
	New Optees in service as on 31.03.2011	Old Optees					
Current Service Cost	33.09	20.16	6.07	3.80	2.47	1.61	1.39
Past Service Cost	N.A.	N.A.	N.A.	20.74	N.A.	N.A.	N.A.
Interest Cost	Nil	5.16	5.26	4.43	4.52	2.55	2.41
Expected Return on Plan Assets	Nil	(-) 4.59	(-) 3.51	(-) 4.69	(-) 4.71	N.A.	N.A.
Net Actuarial Loss/(Gain) recognised in the year	103.80	0.81	8.46	4.72	(1.07)	5.91	2.40
Amount unamortised and carried forward as per RBI circular	(-) 31.79	N.A.	N.A.	(-) 16.59	N.A.	N.A.	N.A.
Contribution of New Pension Optees	(-) 97.15	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total, (included in Item I. "Payment to and provisions for employees" of Schedule 16 – Operating Expenses)	7.95	21.54	16.28	12.41	1.21	10.07	6.20

In addition to the above, Pension Cost relating to separated/retired employees amounting to ₹ 27.62 Crore has been charged fully to Profit & Loss Account. Thus, the total amount charged on account of pension in 2010-11 is ₹ 57.11 Crore (i.e.₹ 21.54 Crore for old optees, ₹ 7.95 Crore for new optees in service as on 31.03.2011 and ₹ 27.62 Crore for retirees) as against ₹ 16.28 Crore in 2009-10.

8.3.2.2 Changes in Fair Value of Plan Assets (₹ in Crore)

	Pension			Gratuity		Long term Compensated Absences (Privilege Leave)	
	2010-11		2009-10	2010-11	2009-10	2010-11	2009-10
	New Optees in service as on 31.03.2011	Old Optees					
Fair Value of Plan Assets at the beginning of the year	Nil	57.41	43.87	58.70	58.82	N.A.	N.A.
Expected Return on Plan Assets	Nil	4.59	3.51	4.69	4.71	N.A.	N.A.
Contributions	97.16	29.79	29.28	2.71	Nil	4.89	4.13
Benefits Paid	Nil	22.86	19.26	8.99	4.69	4.89	4.13
Actuarial (Loss)/Gain	Nil	2.47	0.01	(0.78)	(0.14)	N.A.	N.A.
Fair Value of Plan Assets at the end of the year	97.16	71.40	57.41	56.33	58.70	N.A.	N.A.

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

	Pension			Gratuity		Long term Compensated Absences (Privilege Leave)	
	2010-11		2009-10	2010-11	2009-10	2010-11	2009-10
	New Optees in service as on 31.03.2011	Old Optees					
Present Value of Obligations at the beginning of the year	Nil	75.92	75.38	59.91	58.82	34.32	32.25
Interest Cost	Nil	5.16	5.26	4.43	4.52	2.55	2.41
Current Service Cost	33.09	20.16	6.07	3.80	2.47	1.61	1.39
Past Service Cost	N.A.	N.A.	N.A.	20.74	N.A.	N.A.	N.A.
Benefits Paid	Nil	22.86	19.26	8.99	4.69	4.89	4.13
Actuarial Loss/(Gain)	103.80	3.28	8.47	3.94	(1.21)	5.91	2.40
Present Value of Obligations at the end of the year	136.90	81.66	75.92	83.83	59.91	39.49	34.32

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

	Pension			Gratuity		Long term Compensated Absences (Privilege Leave)	
	2010-11		2009-10	2010-11	2009-10	2010-11	2009-10
	New Optees in service as on 31.03.2011	Old Optees					
Net Liability at the beginning of the period	N.A.	18.51	31.51	1.21	Nil	34.32	32.25
Add Expenses Charged to Profit & Loss Account	7.95	24.82	16.28	12.41	1.21	10.07	6.20
Less Contributions	N.A.	33.07	29.28	2.71	Nil	4.89	4.13
Net Liability at the end of the period	7.95	10.26	18.51	10.91	1.21	39.49	34.32

8.3.2.5 Actual Return on Plan Assets (₹in Crore)

	Pension			Gratuity		Long term Compensated Absences (Privilege Leave)	
	2010- 11		2009-10	2010-11	2009-10	2010-11	2009-10
	New Optees in service as on 31.03.2011	Old Optees					
Expected Return on Plan Assets	N.A.	4.59	3.51	4.69	4.71	N.A.	N.A.
Actuarial Gain (Loss)	N.A.	2.47	0.01	(0.78)	(0.14)	N.A.	N.A.
Actual Return on Plan Assets	N.A.	7.06	3.52	3.91	4.57	N.A.	N.A.

8.3.2.6 Actual Assumptions

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2010- 11	2009-10	2010-11	2009-10	2010-11	2009-10
Discount Rate (p.a.)	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Expected Return on Plan Assets (p.a.)	8.00%	8.00%	8.00%	8.00%	N.A.	N.A.
Future Salary Increases (p.a.)	5.00%	5.00%	5.00%	5.00%	5.00%	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).	

8.3.3 Other Long term Employee Benefits: Sick Leave, Casual Leave and Leave Fare Concession

As on 31.03.2011 the Bank holds provision of ₹ 3.13 Crore (previous year ₹ 2.71 Crore) towards provision for Sick Leave, Casual Leave and Leave Fare Concession based on actuarial valuation.

8.4 Accounting Standard 17 – Segment Reporting

Part A: Business Segments (₹ in Crore)

Business Segments	Treasury		Corporate/Wholesale Banking		Retail Banking		Other Banking Business		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue	165.38	165.49	248.85	164.06	407.57	306.04	14.85	16.33	836.64	651.92
Result	(90.62)	(104.45)	52.53	34.59	70.16	76.92	1.55	0.64	33.62	7.69
Unallocated expenses									Nil	Nil
Operating profit									33.62	7.69
Provisions other than tax									16.16	15.60
Provision for Tax									5.28	(9.56)
Extraordinary profit/ loss									Nil	Nil
Net profit									12.18	1.65
OTHER INFORMATION										
Segment assets	2406.60	1747.18	2978.90	2127.02	3847.50	3204.86	4.75	9.18	9237.75	7088.24
Unallocated assets									591.32	601.01
Total assets									9829.07	7689.25
Segment liabilities	130.82	18.74	2598.30	1667.31	6909.96	5816.66	26.73	18.79	9665.82	7521.50
Unallocated liabilities									163.25	167.74
Total liabilities									9829.07	7689.25

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

8.5 Accounting Standard 18 – Related Party disclosures

Key Management Personnel: Shri.V.P.Iswardas, Managing Director & Chief Executive Officer

8.6 Accounting Standard 21 - Consolidated Financial Statements

Not Applicable.

8.7 Accounting Standard 22 – Accounting for Taxes on Income

Net Deferred Tax Asset as on 31.03.2011, computed in compliance with the Accounting Standard 22 on Accounting for Taxes on Income, amounts to ₹ 26.27 Crore, which is included in Item No.5 "Others" of Schedule 11-Other Assets.

Components of Net Deferred Tax Asset as on 31.03.2011 are as follows: (₹ in Crore)

	31.03.2011	31.03.2010
Deferred Tax Asset		
Provision for Employee Benefits (Leave Benefits)	13.83	12.59
Provision for Standard Assets	7.43	6.53
Provision for Salary Arrears	Nil	4.65
Carry Forward Loss*	8.35	12.19
Others	0.98	1.48
Total Deferred Tax Asset	30.59	37.44
Deferred Tax Liability		
Depreciation on Fixed Assets	4.32	5.61
Net Deferred Tax Asset	26.27	31.83

* DTA on Carry Forward Loss is recognized, as in the opinion of the management, there is virtual certainty of future taxable income, considering the operating profit for current year and the future prospects of the bank.

8.8 Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements

Not Applicable

8.9 Accounting Standard 24 - Discontinuing operations

Not Applicable

9. Disclosure as per Other Accounting Standards

9.1 Cash Flow Statements (AS 3)

Cash flow statement compiled in accordance with Accounting Standard 3 (Indirect Method):

CASH FLOW STATEMENT AS ON 31.03.2011 (₹ in thousand)

PARTICULARS	2010-11	2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX	174589	(79046)
Adjustments for:		
Depreciation on Fixed Assets	82032	86604
Amortisation of Intangible Assets	22756	21687
Provisions and Contingencies	161581	155958
Interest Paid on Tier II Bonds	74745	76002
Others	55910	154028
Operating Profit before Working Capital Changes	571613	415233
Adjustments for Working Capital Changes:		
Advances	(17660293)	(7939609)
Investments	(4010030)	(1039832)
Other Operating Assets	(64324)	43009
Deposits	17473189	6455216
Borrowings	2320463	(548)
Other Operating Liabilities	(59440)	(166527)
Cash generated from operations	(1428822)	(2233059)
Direct Taxes Paid	37145	(25364)
Net Cash flow from operations (A)	(1391677)	(2258423)
B.CASH FLOW FROM INVESTING ACTIVITIES		
Net Additions to Fixed Assets and Computer Software	(51685)	(65193)
Net Cash flow from Investment Activities (B)	(51685)	(65193)
C.CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital	124222	469
Share Premium	1349759	5069
Tier II Bonds Issued	Nil	Nil
Tier II Bonds Redeemed	(11000)	Nil
Interest Paid on Tier II Bonds	(74745)	(76002)
Dividend paid	Nil	(25770)
Net Cash generated from financing activities (C)	1388236	(96233)
D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(55126)	(2419849)
Cash and Cash Equivalents as at Opening	7056023	9475872
Cash and Cash Equivalents as at Closing	7000897	7056023

9.2 Accounting for Fixed Assets (AS 10)

The land and buildings owned by the Bank were revalued in 1990-91, 1993-94, 1998-99, 2004-05, 2006-07 and 2007-08 and appreciation credited to Revaluation Reserve. Depreciation for the year on the net addition to value on such revaluation of assets of ₹ 0.64 Crore (previous year ₹0.67 Crore) has been transferred from Revaluation Reserve to Profit and Loss Account. There has been no revaluation of assets during this year.

9.3 Effect of Changes in Foreign Exchange Rates (AS 11)

The net profit for the year is arrived at after charging the amount of exchange differences due to translation of monetary assets and liabilities at the closing rates.

9.4 Intangible Assets (Accounting Standard 26)

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

(₹in Crore)

	31.03.2011	31.03.2010
a) Acquired Application Software		
Opening Balance at cost	4.35	3.15
Add Additions during the year	0.41	1.21
Less Disposals during the year	Nil	Nil
Less Amortisation to date	2.75	2.01
Net Carrying Amount*	2.01	2.35
b) Internally Generated Software		
Opening Balance at cost	7.85	7.35
Add Additions during the year	Nil	0.49
Less Disposals during the year	Nil	Nil
Less Amortisation to date	4.89	3.36
Net Carrying Amount*	2.96	4.48

* 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.

9.5 Impairment of Assets (Accounting Standard 28)

In the opinion of the Bank's management, there is no material impairment to the assets to which Accounting Standard 28 – Impairment of Assets, applies.

9.6 Provisions, Contingent Liabilities and Contingent Assets (AS-29)

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

Please refer to Note No. 2 regarding break up of provisions and contingencies debited to Profit and Loss Account.

10. Additional Disclosures

10.1 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

10.2 Draw Down from Reserves

Nil.

10.3 Disclosure of complaints

A. Customer Complaints

a) No. of complaints pending at the beginning of the year	1
b) No. of complaints received during the year	141
c) No. of complaints redressed during the year	136
d) No. of complaints pending at the end of the year	6

B. 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	Nil
c) No. of Awards implemented during the year	Nil
d) No. of unimplemented Awards at the end of the year	Nil

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

Not applicable since the bank has no subsidiaries.

10.5 Concentration of Deposits, Advances, Exposures and NPAs

10.5.1 Concentration of Deposits

	As on 31.03.2011	As on 31.03.2010
Total Deposits of twenty largest depositors (₹ in Crore)	1248.25	840.02
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	14.31%	12.04%

10.5.2 Concentration of Advances

	As on 31.03.2011	As on 31.03.2010
Total Advances to twenty largest borrowers (₹ in Crore)	1220.09	860.94
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	16.80%	16.46%

10.5.3 Concentration of Exposures

	As on 31.03.2011	As on 31.03.2010
Total Exposures to twenty largest borrowers/customers (₹ in Crore)	1220.09	860.94
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	16.58%	16.34%

10.5.4 Concentration of NPAs (₹in Crore)

	As on 31.03.2011	As on 31.03.2010
Total Exposures to top four NPA Accounts	37.74	19.84

10.6 Sector wise NPAs (₹in Crore)

Sl. No.	Sector	Percentage of NPAs to Total Advance in that Sector	
		As on 31.03.2011	As on 31.03.2010
1.	Agriculture & allied activities	1.11%	2.91%
2.	Industry (Micro & small, Medium and Large)	6.34%	6.80%
3.	Services	4.14%	4.03%
4.	Personal Loans	1.51%	1.62%

10.7 Movement of NPA (₹in Crore)

Particulars	2010-11	2009-10
Opening Balance of Gross NPA	149.29	171.78
Additions (Fresh NPAs) during the year	107.87	53.48
Sub-total (A)	257.16	225.26
Less:-		
(i) Upgradations	21.23	24.08
(ii) Recoveries (excluding recoveries made from upgraded accounts)	34.73	44.53
(iii) Write-offs	8.75	7.36
Sub-total (B)	64.71	75.97
Closing balance of Gross NPA (A – B)	192.45	149.29

10.8 Provision Coverage Ratio

	As on 31.03.2011	As on 31.03.2010
Provision Coverage Ratio	61.53%	70.96%

As per RBI guidelines, all banks were required to attain Provision Coverage Ratio (PCR) of 70% by 30.09.2010. As the PCR position had slipped below 70% as on 30.09.2010, bank had written to RBI seeking extension of time upto 30.09.2011 for attaining PCR of 70% and the same has been granted by RBI. Subsequently, RBI has clarified that the PCR of 70% is to be reckoned with reference to Gross NPA position as on 30.09.2010 and the additional requirement to take the PCR to 70% is to be segregated into an account styled "counter cyclical provisioning buffer". Accordingly, bank is required to build counter cyclical provision buffer of ₹17.84 Crore. Bank will be building this buffer by 30.09.2011.

10.9 Overseas Assets, NPAs and Revenue (₹in Crore)

Particulars	31.03.2011	31.03.2010
Total Assets (Deposits with banks outside India)	40.36	41.62
Total NPAs	Nil	Nil
Total Revenues (Interest on Deposits with banks outside India)	0.01	0.04

10.10 Off-balance Sheet SPVs sponsored

Nil.

10.11 Income from Bancassurance (₹in Lac)

Sl.No.	Nature of Income	2010-11	2009-10
1.	From Selling Life Insurance Policies	286.42	764.53
2.	From Selling Non Life Insurance Policies	37.41	33.26
3.	From Selling Mutual Fund Products	2.98	9.05
4.	Others	Nil	Nil
5.	Total	326.81	806.84

11. Comparative Figures

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

Sd/-
P.V.Antony
DGM (Accounts & Risk Management)

Sd/-
Jacob.J.Arakal
General Manager (Operations)

Sd/-
C.T.Francis
General Manager (Credit)

Sd/-
V.P.Iswardas
Managing Director & CEO

DIRECTORS:

S Santhanakrishnan, Chairman Sd/-

T.S.Anantharaman Sd/-

N.R.Achan Sd/-

Ajay Lal Sd/-

C. Bobby Jos Sd/-

C. K. Gopinathan Sd/-

K. Ipe Peter Sd/-

C.F. John Sd/-

K.Subrahmanya Sarma Sd/-

Sumeer Bhasin Sd/-

Rakesh Mathur, Addl. Director, RBI Nominee Sd/-

V.Seshadri, Addl. Director, RBI Nominee Sd/-

As per our report of even date

For Essveeyar
Chartered Accountants

Sd/-
K.Sekar
Partner
(M. No. 028562)

For Abraham & Jose
Chartered Accountants

Sd/-
Jose Pottokaran
Partner
(M.No.012056)

Thrissur
25.05.2011

DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK- PILLAR III OF BASEL II

1 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, provision for standard assets and investment reserve. 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: (₹in Crore)

	As on 31.03.2011	As on 31.03.2010
Tier 1 Capital		
Paid up Share capital	31.35	18.93
Share Premium	221.78	86.80
Statutory Reserves	125.01	121.96
Capital Reserves	31.12	30.51
Special Reserve (36 (i) (viii))	6.59	4.05
Other eligible reserves	84.45	83.29
Total Tier 1 Capital (Gross)	500.30	345.54
Less Deferred Tax Assets and Other Intangible Assets	32.12	38.75
Total Tier 1 Capital (Net) [A]	**468.18**	**306.79**
Tier 2 Capital		
Subordinated debt (eligible for inclusion in Lower Tier 2 capital)	91.70	92.80
(Of which amount raised during the current year)	(Nil)	(Nil)
Less Discount	45.08	27.84
Subordinated debt eligible to be reckoned as capital funds	46.62	64.96
Revaluation Reserves after discounting	17.78	18.07

Provision for Standard Assets	22.90	19.21
Investment Reserve	1.96	2.04
Total Tier 2 Capital (Net) [B]	89.26	104.28
Total Eligible capital [A] + [B]	557.44	411.07

2. Capital Adequacy

Qualitative Disclosures:

Regulatory Capital Adequacy position (as per Basel I & Basel II norms as made applicable by RBI) is assessed periodically. Besides, the bank also assess its own internal estimate of risk capital based on its Board approved ICAAP policy and Stress Testing Policy. 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 (₹in Crore)

Portfolios	Gross Exposure		Capital Requirement	
	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10
On Balance Sheet				
Cash & Balance with RBI	587.14	585.64	Nil	Nil
Inter Bank Deposits	112.95	70.00	3.12	2.38
Investments (HTM)	2283.95	2000.66	29.47	29.33
Advances	6220.02	*4317.20	339.62	243.78
Fixed Assets & Other Assets	218.70	227.30	8.95	9.49
Total	9422.76	7200.80	381.16	284.98
Off Balance Sheet				
Letter of Credit & Guarantees	212.61	151.07	6.55	5.32
Undrawn Credit Commitments	813.25	745.33	12.90	12.17
Forward Exchange Contracts	593.98	509.31	0.74	0.68
Total	1619.84	1405.71	20.19	18.17
Total On & Off Balance Sheet	11042.60	8606.51	401.35	303.15

* Excluding CBLO Lending of ₹ 149.74 crore as on 31.03.10

b) Capital Requirement for Market Risk – Standardised Duration Approach

(₹ Crore)

Type of Market Risk	Gross Exposure		Capital Requirement	
	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10
Interest Rate Risk*	399.25	*476.97	7.62	4.39
Foreign Exchange Risk	7.40	7.40	0.66	0.67
Equity Risk	7.06	11.49	1.59	2.58
Total	413.71	495.86	9.87	7.65

* Including CBLO Lending of ₹149.74 crore as on 31.03.10

c) Capital Requirement for Operational Risk – Basic Indicator Approach

(₹Crore)

	As on 31.03.11	As on 31.03.10
Capital Requirement	36.00	31.24
Equivalent Risk Weighted Assets	400.00	347.16

d) Total Capital Requirement

(₹Crore)

Type of Risk	Capital Requirement		Risk Weighted Assets	
	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10
Credit Risk	401.35	303.15	4459.39	3368.36
Market Risk	9.87	7.65	109.76	84.92
Operational Risk	36.00	31.24	400.00	347.16
Total	**447.22**	**342.04**	**4969.15**	**3800.44**
Total Net Tier 1 Capital			468.18	306.79
Tier 1 Capital Ratio (%)			9.42%	8.07%
Total Tier 2 Capital			89.26	104.28
Tier 2 Capital Ratio (%)			1.80%	2.75%
Total Capital Funds			557.44	411.07
Capital Adequacy Ratio as per Basel II Norms (%)			11.22%	10.82%

3. 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 instalment 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

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 aggregrate credit limit of ₹ 25 lakh and above are subjected to individual credit rating. Gold loans, Loans against Deposit Receipts, Housing Loans, Loans against NSC & Insurance policies and staff loans are subjected to portfolio 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 exposures of ₹ 2 crore and above is subjected to RAROC analysis based on bank's Board approved Risk Adjusted Return On Capital (RAROC) model.

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

As part of the bank's efforts to migrate to Internal Ratings Based Approach for Credit Risk, the bank has developed a new CRA model incorporating Facility Rating (so that Loss Given Default can be assessed).

Quantitative Disclosures

a) Gross Credit Risk Exposure – Banking Book (₹Crore)

	Loans		Investments	
	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10
Fund Based	6220.02	4317.20	2283.95	2000.66
Non Fund Based	212.61	151.07	Nil	Nil
Total	6432.63	4468.27	2283.95	2000.66

b) Industry type distribution – Banking Book (₹Crore)

	Advances, Letter of Credit & Guarantees		Investments	
	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10
Central Government	Nil	Nil	1887.57	1612.16
State Governments	Nil	Nil	63.51	58.53
Public Sector	248.01	60.03	33.09	5.17
Manufacturing Industries				
a) Cotton Textiles	484.39	296.66	Nil	Nil
b) Other Textiles	170.09	101.43	Nil	Nil
c) Chemicals	321.59	175.05	Nil	Nil
d) All Engineering	145.64	81.93	Nil	Nil
e) Food Processing	142.64	55.18	Nil	Nil
f) Other Industries	644.77	553.60	Nil	Nil
Total Manufacturing Industries	1909.12	1263.85	Nil	Nil
Agriculture	929.67	547.92	Nil	Nil
Residential Mortgage	299.40	310.20	Nil	Nil
Commercial Real Estate	150.51	139.60	Nil	Nil
Consumer Credit	739.01	579.85	Nil	Nil
Students	85.60	66.78	Nil	Nil
Wholesale & Retail Trade	839.07	385.81	Nil	Nil
Hospitals, Educational Institutions & Trusts	86.13	79.42	Nil	Nil
Banks	Nil	Nil	Nil	Nil
RIDF, RHF, MSME Fund	Nil	Nil	299.78	324.80
NBFCs	74.46	52.31	Nil	Nil
Own Staff	177.94	156.03	Nil	Nil
All Others	893.71	826.47	Nil	Nil
	6432.63	4468.27	2283.95	2000.66

c) Residual contractual maturity breakdown of assets

(₹ Crore)

	Cash & Balance with RBI		Balance with banks and Money at Call & Short Notice		Advances		Investments		Fixed Assets & Other Assets	
	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10
Day 1	79.31	186.50	58.45	54.93	87.85	48.53	Nil	Nil	Nil	2.47
2-7 days	Nil	Nil	Nil	49.97	58.51	33.33	125.02	24.80	0.30	0.20
8-14 days	Nil	Nil	Nil	Nil	84.38	158.22	24.87	Nil	1.55	1.45
15-28 days	21.48	11.80	51.50	Nil	107.16	119.81	149.25	70.96	10.94	10.66
29d-3Mon	24.29	12.70	3.00	15.00	295.88	266.69	49.15	65.52	16.98	12.54
3-6 Mon	33.86	12.78	Nil	Nil	620.01	391.21	0.20	49.88	11.21	15.15
6M-1Yr	31.53	42.77	Nil	Nil	879.22	584.39	1.51	51.23	0.67	0.19
1-3Years	137.51	109.07	Nil	0.07	2753.23	1779.97	313.00	187.34	1.74	Nil
3-5 Years	8.08	14.56	Nil	Nil	746.38	515.16	552.04	460.63	Nil	Nil
> 5 Yrs	251.08	195.46	Nil	Nil	587.42	569.63	1475.22	1379.05	175.31	184.64
Total	587.14	585.64	112.95	119.97	6220.02	4466.94	2690.26	2289.41	218.70	227.30

d) Disclosures regarding Non Performing Assets

(₹ Crore)

	As on 31.03.2011	As on 31.03.2010
Amount of NPAs (Gross)		
Substandard	81.14	36.82
Doubtful 1	26.84	26.31
Doubtful 2	33.55	30.24
Doubtful 3	42.19	47.34
Loss	8.73	8.58
Total Gross NPAs	192.45	149.29
Net NPAs	108.40	70.52
NPA Ratios		
Gross NPAs to Gross Advances	3.05%	3.29%
Net NPAs to Net Advances	1.74%	1.58%
Movement of NPAs (Gross)		
Opening balance	149.29	171.78
Additions	107.87	53.48
Reductions	64.71	75.97
Closing balance	192.45	149.29
Movement of provisions for NPAs		
Opening balance	75.23	79.88
Provisions made during the period	8.55	4.32
Write-off & Write back of excess provisions	3.12	8.97
Closing balance	80.66	75.23

Amount of Non-Performing Investments	2.00	2.00
Amount of provisions held for non performing investments	2.00	2.00
Movement of provisions for depreciation on investments		
Opening balance	4.66	6.28
Provisions made during the period	0.26	0.17
Write-off & Write back of excess provisions	0.09	1.79
Provision account debited during the year	0.02	Nil
Closing balance	4.81	4.66

4. 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 Fitch India 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

(₹ Crore)

	Gross Credit Exposure		Capital Deductions		Exposure after Capital Deductions	
	(A)		(B)		(C) = (A) – (B)	
	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10	As on 31.03.11	As on 31.03.10
Advances, Letter of Credit & Guarantees						
Below 100% risk weight	3343.55	2244.33	Nil	Nil	3343.55	2244.33
100% risk weight	2002.13	1335.53	Nil	Nil	2002.13	1335.53
More than 100% risk weight	1086.95	888.41	Nil	Nil	1086.95	888.41
Total	6432.63	4468.27	Nil	Nil	6432.63	4468.27
Investments			Nil	Nil		
Below 100% risk weight	1984.17	1675.86	Nil	Nil	1984.17	1675.86
100% risk weight	299.78	324.80	Nil	Nil	299.78	324.80
More than 100% risk weight	Nil	Nil	Nil	Nil	Nil	Nil
Total	2283.95	2000.66	Nil	Nil	2283.95	2000.66

5. 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).

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)

	As on 31.03.2011	As on 31.03.2010
Corporate	35.83	19.62
Regulatory Retail	1001.93	602.66
Personal Loans	568.20	421.91
Total	1605.96	1044.19

b) Exposures Covered by Guarantee

	As on 31.03.2011	As on 31.03.2010
Corporate	241.80	153.30
Regulatory Retail	52.19	19.57
Total	293.98	172.87

6. Securitisation

No exposure of the bank has been securitised.

7. 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 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 (₹ Crore)

Type of Market Risk	Gross Exposure		Capital Requirement	
	As on on 31.03.11	As on on 31.03.10	As on on 31.03.11	As on on 31.03.10
Interest Rate Risk	399.25	*476.97	7.62	4.39
Foreign Exchange Risk	7.40	7.40	0.66	0.67
Equity Risk	7.06	11.49	1.59	2.58
Total	413.71	495.86	9.87	7.65

* Including CBLO Lending of ₹ 149.74 crore as on 31.03.10

8. 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. Bank has prepared road map for moving to standardized approach for operational risk and has designed a model for calculation of capital charge based on various business lines and for exposures of homogenous nature pooled together.

9. 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 3 months in current year computations (within 1 year in previous year computations).

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 in current year computations (1 to 3 year time bucket in previous year computations).

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 (₹ Crore)	
	As on 31.03.11	As on 31.03.10
+25 basis points	+5.11	+2.01
-25 basis points	-5.11	-2.01

Interest Rate Risk – Economic Value Perspective

1 Year Change in Market Rates(Parallel Shift)	Impact (₹ Crore)	
	As on 31.03.11	As on 31.03.10
+25 basis points	+4.51	-15.17
-25 basis points	-4.51	+15.17

10. Application of Prudential Floor

Bank has migrated to Basel II framework of capital adequacy with effect from 31.03.2008. Guidelines on implementation of the New Capital Adequacy framework issued by RBI, stipulates higher of the following amounts as the minimum capital required to be maintained by the Bank in the third year of adoption:

a) Minimum capital as per Basel II norms for Credit, Market and Operational risks.

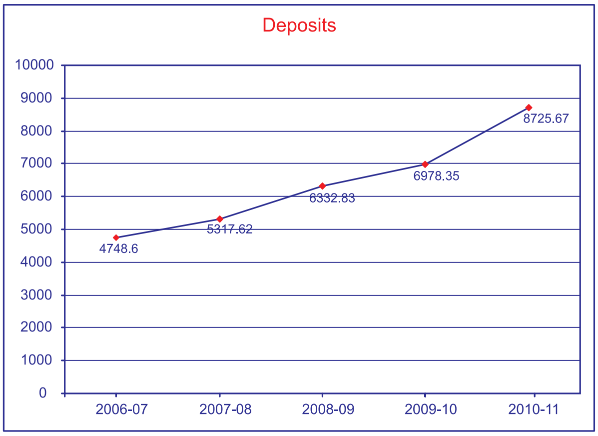
b) 80% of Minimum capital as per Basel I norms for Credit and Market Risk.

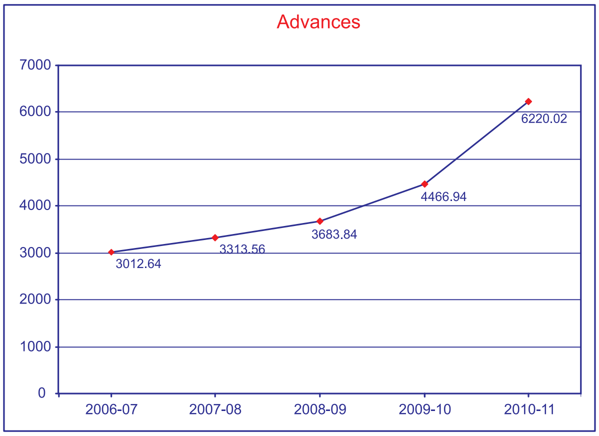
The minimum capital required to be maintained by the Bank as on 31.03.2011 as per Basel II norms is ₹ 447.22 crore and 80% of minimum capital required as per Basel I norms is ₹ 432.78 crore. Thus, due to application of prudential floor, minimum capital to be maintained by the bank is as per Basel II norms, i.e. ₹ 447.22 crore. Actual capital maintained by the bank as on 31.03.2011 is ₹ 557.44 crore which is well above this requirement.

HIGHLIGHTS

₹ in Crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Capital & Reserves	229.39	305.16	388.30	389.82	545.05
Deposits	4748.60	5317.62	6332.83	6978.35	8725.67
Advances	3012.64	3313.56	3683.84	4466.94	6220.02
Investments	1553.29	1819.43	2183.97	2289.41	2690.26
Net Profit	19.07	36.56	37.19	1.65	12.18
Branches	344	361	363	364	364
Staff	2791	2744	2676	2696	2820
Capital Adequacy Ratio	9.58%	10.87%	12.29%	10.82%	11.22%





Glimpse of the
89th Annual General Meeting

Glorious 90 years of Service
Inauguration of Navathi Celebrations
by Sri. T K A Nair,Principal Secretary
to the Prime Minister of India.

Innovative Customer Service
Launch of **CSB Support Line**
by His Grace Mar Andrews Thazhath,
Archbishop of Thrissur