Annual Report 2012-13

CSB... Support all the way

Catholic Syrian Bank

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Board of Directors

Glimpse of Annual General Meeting

Catholic Syrian Bank

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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. RAKESH BHATIA
Managing Director & CEO


Sri. AJAY LAL


Sri. T.S.ANANTHARAMAN


Sri. C. BOBBY JOS


Sri. C.K.GOPINATHAN


Sri. K. IPE PETER


Smt. RADHA UNNI


Sri. S. RAMAKRISHNAN


Sri. K. SUBRAHMANYA SARMA


Sri. SUMEER BHASIN


Sri. NEETHI RAGAVAN K
Addl. Director, RBI Nominee


Sri. V. SESHADRI
Addl. Director, RBI Nominee

Executive Director
Sri.Radhakrishnan A

General Managers
Dr. Giridharan U R
Sri. Bhaskaran V P
Sri. Abdul Rahiman A

Deputy General Managers/ Zonal Managers
Sri. Ajith Prabhakar
Sri. Antony P V
Sri. Mohan Menon T
Sri. Poulose K C
Sri. Davies M P
Sri. Ganesan V
Sri. Kurian George
Sri. Paul C J
Sri. Paul George P
Sri. Subodha Chandra Mishra
Smt. Tessy Sebastian

Assistant General Managers/ Zonal Managers
Sri. Vincy Louis Pallissery
Sri. Baby P V
Sri. Chacko George Veerampully
Sri. Surendranath P V
Sri. Antony K A
Sri. Jiz P Kottukappally
Sri. Joby John K
Sri. Joseph Alappat
Sri. Joseph Manjakadambil
Sri. Kurian E J
Sri. Rajesh M
Sri. Shajahan B
Sri. Soby Francis
Sri. Thomas M O
Sri. Babu J Kavalakkat
Sri. Binoo Davis
Sri. Deepak George T
Sri. Jimmy Maliakel
Sri. Jobin T Akkara
Sri. Jose K F
Sri. Jose T O
Smt. Maheswari V
Smt. Meena Balakrishna Menon
Sri. Pauly George C
Sri. Santhosh Tomy P J
Sri. Thomas K George
Sri. Varghese V L

Company Secretary
Sri. Sijo Varghese

Catholic Syrian Bank

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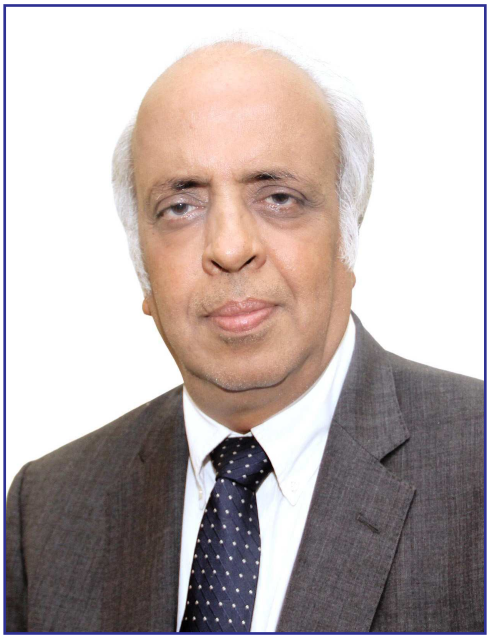
Chairman's Communiqué



Dear Shareholders,

On behalf of my colleagues on the board, I place on record our heartfelt appreciation for the support and trust you have extended to the bank. I would also like to extend my heartfelt thanks to you for reposing faith in us through your overwhelming response to our Rights Issue. Your confidence has seen the issue subscribed by 1.2 times. I am sure you are now eagerly looking forward to gauging the financial health of our bank. It is my pleasure to share with you our performance for the year ended 31st March 2013 through this Annual Report and also the developments in the economy to help understand our progress in a bigger context.

The vicissitudes in the global economic environment may have built up a sense of anxiety in your hearts. The turmoil in the global markets has seen the Indian Economy dip. Sustained pressure on rates of inflation, continuing depreciation of the rupee against the US Dollar, high levels of deficits of fiscal and current account, uncertain interest rates and slow-down of demand on investment have not painted a rosy picture. If these are the top concerns on your mind, allow us to assure you that you have nothing to worry about your bank.

Believe it or not, the economic clime in India is far healthier than other countries. Given our huge talent pool, and the promise of right policy responses from the Government and RBI, we are poised to bounce back to 8%+ growth territory. Signs of improvement of US economy are also good for our economy as well since the prospects of the key levers of our economy stands brightened.

Most importantly, the banking sector in India – and your bank in specific - has been resilient. We have registered an improvement in performance during 2012-2013. There is reason for unshakeable optimism. Our sector is sound, adequately capitalised and well-regulated. And, more importantly, our bank is among the very few banks in the country to boast of a 26.13% increase in Net Profit, despite all odds. Our Capital Adequacy Ratio has reached a historical high of 12.29% and the total business of the bank has crossed the impressive Rs 21,000 crore mark.

We have achieved all this while fulfilling our responsibility toward our clients and running our business successfully by acting as a reliable and trusted financial partner to individuals, companies and institutions. Our superlative levels of customer satisfaction is evidenced by the fact that we feature among the banks with the lowest number of customer complaints per branch in India.

We have consciously steered clear of big ticket loans in FY 2013. The growth in business has come primarily from retail franchise. Despite the bane of increased delinquency rates, we have the rare distinction of achieving reduction in Gross NPA percentage. Clearly we have headed in a positive direction last year. To guarantee the positive trend in the years to come we have welcomed in our midst a new MD & CEO, Mr. Rakesh Bhatia.

Mr. Rakesh Bhatia brings to our Bank the richness of global exposure and the advantage of diversified expertise. He has held senior positions in HSBC and will be the harbinger of new ideas and initiatives for your bank. With the blend of the current management expertise and the new leadership capability, your bank is fully geared to deliver sustainable value creations to all stakeholders. Get set to see your bank catapult into an altogether different orbit where we emerge as a financial powerhouse.

We adopt a responsible approach to business, ensuring a consistent performance for over 9 decades. Our ability to put in place long-term growth fundamentals and keep the interests of our customers foremost is the secret of our long-term success. We assure you that our bank will continue to comply with high standards of Corporate Governance and uphold fairness, integrity & trust in all its dealings with stakeholders. As a part of regulatory compliance in the backdrop of Basel III guidelines and a requirement to fuel our growth engine your Bank will be bolstering its capital base through a QIP/IPO

I place on record our gratitude for the support and guidance extended by the Government of India, RBI, SEBI, IBA and other regulatory authorities. And I continue to remain indebted to our employees for their commitment and dedication. I am sure of their wholehearted cooperation in taking this institution to stellar heights in the coming years.

Even as we at CSB are careful about mitigating risks and protecting the interests of our shareholders, we are well-equipped to leverage any growth opportunities that are presented by the economy. With our vision, the new leadership and the ability to brace ourselves against the vicissitudes of the macroenvironment, we are poised for unstoppable growth. You can be confident that CSB will continue on its profitable growth path in the years to come. Our focus is to maintain our growth trajectory.

(S.Santhanakrishnan)
Chairman

From the CEO's Desk

Dear shareholders,

I am indeed very happy to address you for the first time as Managing Director & CEO of this illustrious institution. It is my pleasure and privilege to be a part and at the helm of this institution and I am thankful to the Board of Directors and Reserve Bank of India for the boundless faith reposed in me.

Your Bank or now it is our Bank has a tradition spanning more than nine decades. At this juncture, I would like to assure you of my dedication to the guiding principles of integrity and quality in customer service, innovation and commitment to add value to the shareholders.

Our Chairman shared in his communiqué the financial performance of the Bank for the financial year 2012-13 and also the successful completion of the Rights Issue which was oversubscribed by 121.38%. I shall thank all of you for the overwhelming response to the issue.

The enhanced role of the banking sector in the Indian economy, the increasing levels of deregulation and the increasing levels of competition have placed numerous demands on banks. Operating in this demanding environment has exposed banks to various challenges. These challenges include finding an economically viable solution for financial inclusion, innovation, human resource and customer relations.

To meet this challenge, we must be quick enough to bring innovative products to market, undertake rapid and aggressive branch expansion and upgraded technology to stave off competition from other banks. As banks strive to provide world class banking, the defining differentiator will be customer service delivery.

With the increasing pace and extent of globalization of the Indian economy and systematic opening up of the Indian banking system to global competition, banks need to equip themselves to operate in the increasingly competitive environment. This will make it imperative for banks to enhance their systems and procedures to high standards and also simultaneously fortify their financial positions.

Banks have to take right initiatives towards upgradation and modernizing their technology infrastructure so as to ensure that they derive maximum advantage out of their investments in technology and to avoid wasteful expenditure on account of piecemeal adoption of technology, adoption of inappropriate or inconsistent technology and adoption of obsolete technology.

Looking forward, our focus will be to secure both topline and bottomline growth without compromising on asset quality. What we promise to deliver will be benchmarked against the best in our class and thus it is imperative to develop a vision benchmarking ourselves with the best of our peer banks.

In 2013-14, the branch expansion is to be continued to gear up towards expanding branch net work to make it more especially as a networked bank with pan India presence. In technology front, our Bank continues its stride to focus more on deployment of technology at a faster pace for enhancing the quality of service rendered to its customers. This technology platform enables the Bank for development of new products and channels apart from cross selling and reduction of operating costs as well as the turnaround time.

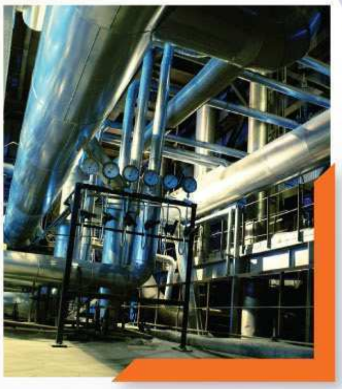
I extend my gratitude to my colleagues in the Board, shareholders, bondholders, customers, employees and well wishers for their patronage and support. I would also take this opportunity to thank Reserve Bank of India for their continued support and guidance.

Rakesh Bhatia
Managing Director & CEO

SME: Supporting their Dreams........

Committed to support Innovative, creative, vibrant & viable SME units
Specialised SME wing for fulfilling the manifold needs of entrepreneurs
By supporting SMEs constituting 35% of our loan book, we help the entrepreneurs to evolve, expand, diversify and grow.

Catering to the financial needs through a wide range of products
Support in all forms to the various initiatives for entrepreneurial growth
Believing in their strengths



Catalysing the growth of economy
SME units better equipped to face the challenges of globalisation and liberalisation to make use of the opportunities
Broadening the business horizons

Catholic Syrian Bank

CSB

DIRECTORS' REPORT

Dear Members,

We, the Directors of Catholic Syrian Bank, take great pride in presenting the 92nd Annual Report of your Bank along with the Audited Balance Sheet as at March 31, 2013 and Profit and Loss Account for the financial year ended March 31, 2013.

I am pleased to inform you that, this year, like every other year, we uphold the tradition of guarding the interests of our shareholders. The results you will find in this Annual Report will reflect that your bank has an extremely positive image to showcase to you. It will also show you taking several steps that we are taking towards evolving into a better bank that promises a better performance to you in the coming years.

MACROENVIRONMENTAL VAGARIES

Ripples in the macroenvironment have thrown major economies into divergent paths. The world was forced to settle for a subdued year on the global economic activity front during 2012. Fiscal adjustments in advanced economies (AEs) coupled with austerity measures resulted in decelerations of growth. And this manifested itself in the delayed cyclical recovery in emerging market and developing economies.

Even the immediate future doesn't look too bright, with the International Monetary Fund (IMF) forecasting a sluggish global growth of 3.3 % in 2013 in its world Economic Outlook.

While the dynamics of the macroenvironment may seem daunting, the measures that have been taken to mitigate the effects are commendable.

THE GLOBAL ECONOMY

Reviving the sluggish economy has been a preoccupation, the world over. The challenge has been to stimulate growth amid the ongoing fiscal austerity. Most central banks in the developed economies expanded their asset purchase programme and kept their monetary policies in expansionary mode by maintaining exceptionally low interest rates in FY 2012-13. However, the policy implementation risk and uncertainty about outcomes continue to threaten the prospects of sustained recovery.

It is uplifting to note that the drawbacks are offset by the supportive policy action in the euro area. To further bolster the situation, measures have been taken to tackle the fiscal issue in the US. These have been instrumental in improving the overall financial scenario in the beginning of 2013. The only looming threat to this situation is the slowing down of the Chinese Economy. Clearly, recovery is on the cards – for both emerging and developing economies.

However, weak external demand and domestic bottlenecks continue to restrain investment in some of the major emerging economies. Resorting to unconventional monetary easing has resuscitated international financial markets. On the brighter side inflation risks have not reared their ugly head to reflect output gaps and recent softening of international crude and food prices.

THE INDIAN ECONOMY OUTLOOK

The economic slowdown in FY 2008-2009 drove home the dire need for strong fiscal and monetary measures. The stimuli spurred the Indian economy to register a GDP growth of 8.6% and 9.3% in 2009 and 2010 respectively. The dramatic turnaround observed was negated ever since 2011, with the world economy being plagued by a financial crisis and a persisting slowdown. The slowdown is contagious and has affected the Indian economy as well.

The Indian economy has been experiencing slowdown across the board, with no sector of the economy remaining unaffected. All-time lows characterise the fiscal year 2012-2013. Dips in several areas have regressed the economy on multiple counts. Predictions by the Central Statistical Organisation pegged the GDP growth for fiscal 2012-13 at 5.0 %. The protracted weakness in industrial activity is aggravated by domestic supply bottlenecks, and slowdown in the services sector. This results in a disheartening and weak external demand compared to the earlier 6.5% noted in fiscal 2011. The growth in real GDP for fiscal 2012 has dipped to a dismal level that is the lowest in 10 years. Even the growth rate of investment in the economy is estimated to have registered a significant decline. The track record of declined growth was seen as the industrial sector registered a 3.1% growth compared to 3.3% in the corresponding period of the previous year, an all-time low in the last eleven years. Surprisingly, even the growth in agriculture let us down in 2012-13 due to disappointing south-west monsoon season. The services sector reached an all-time low in 12 years with 6.6% growth compared to the 8.8% growth in the previous year.

Headline Inflation, as measured by the Wholesale Price Index (WPI) moderated to an average of 7.3% in 2012-13 from 8.9 % in the corresponding previous year. Money supply (M3) growth, which was around 14.0 per cent at the beginning of the financial year 2012–13 reached to 13.3 % by the end of March 2013, slightly above the Reserve Bank's revised indicative trajectory of 13.0% per cent. Equity markets remained volatile during fiscal 2012 due to global and domestic events. India's forex reserves during 2012–13 decreased to USD 293.366 million from USD 294.397 million in 2011–12.

Amidst all the all-time lows, there is a definite spark of optimism since our Indian economy doesn't look gloomy like the rest. Our economy's outlook is bright for both parameters – growth and price stability. It is heartening to note that India has consistently remained one of the fastest growing economies of the world despite its many challenges. What's more, the optimistic pattern seems more sustainable – thereby setting both short-term as well as long-term trends.

IMF projections place India's economy at a faster pace in 2014, something that seems achievable given the slow but sure strengthening of the global economic outlook. Two defining factors are: the easing of inflationary pressure in the coming months and the hope that RBI will reduce policy rates. This would have the dual advantage of encouraging investment and positively impacting growth.

INDIAN BANKING DEVELOPMENTS

Even the soaring domestic inflation, the depressing rupee depreciation and the fiscal uncertainty in US and Europe have left the Indian Banking Sector unshaken in the past two years. The slew of policy measures from the Reserve Bank of India (RBI) has catalysed the incredible resilience demonstrated by the banking sector. Initiatives such as increasing the key monetary policy rates and tightening provisioning requirements have truly kept the pulse of the banking sector beating. The stimulation of the economy and consequent growth of the banking sector bear testimony to this.

Concern for the health of the banking sector is reflected in the steps taken to build up provision buffers and the implementation of increasingly stringent capital and liquidity measures. RBI has initiated preliminary steps for implementation of the Basel III norms embedded with provisions and guidelines for higher capital adequacy norms for adoption and implementation by Banks in India. Banks have also been proactive in adapting to the changes, which are coming their way in the emerging banking space, both on domestic and international fronts.

Another factor that cannot be ignored is the penetration of banks in rural areas that has increased manifold due to the progress made under the Financial Inclusion Plans of banks.

During this period, the bank credit decreased to 15.7 % in 2013 compared to 19.3 % during the corresponding period of the last year. The Non-Food Credit growth decelerated from 16.8 % at end of March 2012 to 14.0 % by the end of March 2013, lower than the indicative projection of 16.0 % by the Reserve Bank of India, reflecting some risk aversion and muted demand. The financial year growth in aggregate deposits with SCBs as on March 31, 2013, was 13.5 % as against 15.3 % in the corresponding period of last year.

This economic scenario threw up a twin demand of the banking system: improved operational efficiency and implementation of prudent risk management practices. However, the slowdown in the economy increases the risk of default and restructuring of loans could lead to deterioration of asset quality further. The implementation of stringent policies could prevent a sharp deterioration in asset quality.

Regulatory changes have ushered in promising new avenues in Banking areas/channels such as financial inclusion, mobile banking and rural banking. These new channels are the precursors to unprecedented growth in the banking industry. They can be used to offer banking services which spur exponential growth in productivity and new customer acquisition.

The growth of the Indian Banking industry is closely linked with the growth of the overall economy. India is the one of the fastest growing economies in the world and is set to remain on that path for many years to come. This will be backed by the stellar growth in all major sectors. This is expected to boost the corporate credit growth in the economy and provide opportunities to banks to lend to fulfil these requirements in future. At the same time, the Reserve Bank of India, as the regulator, has also continuously monitored the macroeconomic environment to formulate its policies and directions in keeping with domestic and international developments.

PERFORMANCE HIGHLIGHTS

You will be glad to know that your bank builds long-term growth on sound fundamentals and showcases good annual performance through well-devised strategy. Our understanding of what it takes to tap the potential for growth has been systematically put to use over the past nine decades. Today, despite the macroenvironmental turmoil, we are of the few banks in the country to have posted an increase in Net Profit.

During the period under review, notwithstanding moderation in the economic activities in the entire spectrum due to uncertain economic environment, severe inflationary tendency, increased delinquency rates and strain on margins faced by banks in general, your bank has continued to show a steady growth in business and earnings.

The financial performance of your Bank for the fiscal 2012–13 is as given:

₹ in Crores

Key Financial Parameters	March 31, 2013	March 31, 2012
Deposits	12,341.63	10,604.87
Gross Advances	8,975.97	7,767.69
Total Gross Business	21,317.60	18,372.56
Total Assets	13,620.12	12,049.08
Net Interest Income (NII)	339.22	307.03
Operating Profit	101.98	93.50
Net Profit	32.67	25.90

The Operating Profit of the Bank has increased to ₹101.98 crores in this period, compared to ₹ 93.50 Crores in 2011—12. The Net Profit has increased to ₹ 32.67 crores, compared to ₹ 25.90 crores in the corresponding previous period. The profit available for appropriation after reversing of the excess provision made for dividend in the last financial year amounting to ₹ 0.05 crore, was ₹ 32.72 crores.

You will be pleased to note that your bank is able to remain stable despite the dynamics of the economic environment. Your bank aims to ensure that growth and security go hand in hand while it delivers value to both shareholders and customers.

APPROPRIATIONS

₹ in Crores

Transfer to Capital Reserve	8.14
Transfer to Statutory Reserve	8.17
Transfer to General Reserve	1.32
Transfer to Special Reserve	8.36
Transfer to/(from) Investment Reserve	(0.64)
Transfer to Charity Fund	0.03
Proposed Dividend Including Dividend Tax	7.34
Total	**32.72**

KEY PERFORMANCE INDICATORS

Particulars	2012–13	2011–12
Capital Adequacy Ratio (CRAR) % Basel -II	12.29	11.08
Earnings per share (in ₹)	8.76	6.95
Book value per share (in ₹)	181.03	179.09
Cost-Income Ratio %	76.49	76.16
Return On Assets (ROA) %	0.25	0.24
Return On Equity (ROE) %	6.14	5.41

DIVIDEND

At the end of every year, you judge your bank on the basis of one key measure: the dividend you receive. The dividend, to you, represents the health of your bank, and we keep this in mind while the Board of Directors determine this all-important figure.

The Board of Directors have recommended payment of a dividend of 15 (fifteen) percent on Equity Shares for the year ended 31st March 2013. This will, however, be subject to the approval of the shareholders in the Annual General Meeting.

The dividend distribution would result in a cash outflow of ₹ 7.34 crores including tax on dividend of ₹ 1.07 crores as per section 115(O) of the Income Tax Act, 1961.

ANNULMENT OF FORFEITURE OF SHARES

Pursuant to Article 45 of the Articles of Association of the Bank, the Board of Directors had annulled the forfeiture of 25777 equity shares on November 8, 2012 on receipt of the allotment /call money outstanding to the corresponding shares. These shares are part of the 219520 shares which were forfeited by the Board on May 2, 2012 due to non-payment of allotment/call monies.

ALLOTMENT OF SHARES ON RIGHTS BASIS

The rights offer of equity shares of the Bank which was kept open for subscription from March 7 to March 23, 2013, was oversubscribed by 21.38%.

On March 30, 2013, the Bank had successfully allotted 10461781 equity shares of ₹ 10 each to its existing shareholders in the ratio of 1 rights equity share for every 3 shares of the face value of ₹ 10 each held by such equity shareholders, on the record date i.e. March 2, 2013 , at a price of ₹ 75 per share (inclusive of premium of ₹ 65 per share), aggregating ₹ 78.46 crore.

PAID-UP CAPITAL AND FREE RESERVES

The Paid-Up Capital of the Bank stood at ₹ 41.84 Crores as on March 31, 2013 as against ₹ 31.41 Crores as on March 31, 2012. The free reserves and surplus stood at ₹ 423.90 Crores as on March 31, 2013 as against ₹ 346.21 Crores as on March 31, 2012.

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 2013, is 12.29%. This is as against the minimum CRAR of 9% stipulated by the Reserve Bank of India. The Tier I CRAR stood at 9.62%, well above the minimum of 6%.

REVALUATION OF FIXED ASSETS

In order to represent the true value of immovable assets owned by the Bank, the Bank undertook revaluation of Land and Buildings by approved valuer, as on 30.06.2012. The total value of land and buildings revalued as per the valuation is ₹ 131.46 crore as against their book value of ₹ 42.28 crore as on 30.06.2012. The appreciation on revaluation amounting to ₹ 89.18 crore stands credited to Revaluation Reserve Account.

DEPOSIT MOBILISATION

Bank's aggregate deposits rose by ₹ 1736.76 crore to ₹ 12,341.63 crore as on March 31, 2013, from ₹ 10,604.87 crore in March 2012 recording an increase of 16.38%. Out of this, the total NRI Deposits stood at ₹ 1662.18crore (13.50 % of total deposits). Low cost deposits constituted 17.53% of total deposits. During this period, CASA deposits registered a marginal growth of 5.62 %.

COMPOSITION OF RESOURCES OF FUNDS

(₹ in Crores)

Particulars	Financial year ended March 31, 2013	Financial year ended March 31, 2012
Deposits	12,341.63	10,604.87
Borrowings	199.41	575.47
Total	12,541.04	11,180.34

CREDIT DEPLOYMENT

Bank's total Advances rose by ₹ 1187.98 crore to ₹ 8851.52 crore as on March 31, 2013, from ₹7,663.54 Crores as at March 31, 2012 recording an increase of 15.50% . During the year, your Bank has adopted a number of strategies to achieve sustainable credit growth thereby ensuring higher earnings with a thrust on asset quality. The CD Ratio of the Bank stood at a very comfortable level during this period also, at 71.72% even though it has come down from the previous year's level of 72.26 % .

DEPLOYMENT OF FUNDS

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

Particulars	Financial Year Ended March 31, 2013 (₹in Crores)	Financial Year Ended March 31, 2012 (₹in Crores)	Growth (%) Year Under Report	Growth (%) Previous Year
Advances	8851.52	7,663.54	15.50	23.21
Investments	3301.05	3,145.15	4.96	16.90

TOTAL BUSINESS OF THE BANK

Your bank greets you this year on a positive note. We are pleased to present to you a profitable as well as responsible picture.

Bank's total business rose by ₹ 2945.04 crore to ₹ 21,317.60 crore as on March 31, 2013 , from ₹ 18,372.56 Crores as at March 31, 2012 recording an increase of 16 % .

PRIORITY SECTOR LENDING

Your Bank has continued to give special emphasis on lending to priority sector, thereby being in conformity with the prescribed guidelines. Reserve Bank of India has increased the threshold limits for classifying loans under Agriculture (Direct and Indirect) and Micro and Small Enterprises, under Priority Sector. As a result, more accounts now fall under these categories and Priority Sector.

Priority Sector Advances extended by your Bank stood at ₹ 1913.45 Crores at the end of March 2013, constituting 24.52% of Adjusted Net Bank Credit as on the previous year March. This is against the mandated target of 40%, as prescribed by the Reserve Bank of India, Total Agricultural Advances stood at ₹ 497.87 Crores at the end of March 2013 constituting 6.38% of Adjusted Net Bank Credit as on the previous year March. This is against the mandated target of 18%, as prescribed by the RBI.

NON-PERFORMING ASSETS (NPAs) MANAGEMENT

During the period, your Bank has been able to contain the Non-Performing Assets to a large extent despite slow down in the economy and high interest rate prevailing during the period under the report. In this connection, your Bank continued its special focus on improving the quality of assets, with an emphatic thrust on recovery of Non-Performing Assets. As part of this, your Bank has 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. Inspite of these coordinated and sustained efforts, the gross NPA level of the Bank had increased to ₹ 210.86 crores during the period 2012–13 from ₹ 182.93 in the previous year. However, the gross NPA ratio had come down marginally to 2.35% in the same period from 2.36% in the previous year and at the same time net NPA ratio has increased marginally to 1.12% from 1.10 % in the preceding year.

Asset Quality: (₹ In Crores) Advance Type (Gross Including Provisions)	Financial Year Ended March 31, 2013		Financial Year Ended March 31, 2012	
	Amount	% of Total	Amount	% of Total
Loss	5.78	0.06	8.11	0.10
Doubtful	115.68	1.29	113.55	1.46
Sub-Standard	89.40	1.00	61.27	0.80
Gross NPA	210.86	2.35	182.93	2.36
Standard	8765.11	97.65	7584.76	97.64
Total Loan Assets	8975.97	100.00	7767.69	100.00

The share of the Standard assets to total Loan assets has increased marginally to 97.65% during the financial year 2012-13 from 97.64% in the previous year. The Bank's NPA provision coverage ratio is 63.28% as on 31st March 2013 as against 61.92% as on 31st March 2012.

Cash Recovery of NPAs amounted to ₹ 52.52 crore and up-gradation of NPA accounts aggregated to ₹ 65.29 crore during the year. The Bank could also recover a sum of Rs 25.57 crore from the written off accounts.

RISK MANAGEMENT & BASEL II COMPLIANCE

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

The Bank is adopting and implementing an integrated approach to risk management. For the purpose, it has evolved a suitable risk management architecture. The Board of Directors remains at the helm of all risk management policies and strategies. It is supported by the Sub-Committee of the Board for Risk management (RMC), which, in turn, is supported by Executive Level Committees, such as the Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability Management Committee (ALCO). These committees ensure adherence to implementation of various risk management policies.

Implementation of Basel II norms in your Bank commenced in the financial year 2007–08. The Bank has been in tune with the regulatory guidelines on Pillar I of Basel II Norms. It has computed the capital charge for credit risk as per the Standardised Approach and for market risk in accordance with the Standardised Duration Method. The capital charge for operational risk has been as per the Basic Indicator Approach.

In order to manage Credit Risk, the Bank's Credit Risk Management Department undertakes Industry/Product/Loan profile studies and makes them available for credit operations. Proposals of ₹ 25 Lakhs and above are subjected to Credit Risk Evaluation and Credit Rating. All proposals with an aggregate limit of ₹ 5.00 Crores and above are being routed through the Credit Approving Committee. The Bank has also set down industry/sector-wise prudential exposure ceilings to contain/monitor the risk of credit concentration on an ongoing basis.

The ALCO articulates the interest rate view of the Bank, the funding policy and the transfer pricing policy, apart from carrying out the balance sheet management. The structural liquidity and interest rate sensitivity gap reports are prepared in line with the RBI Guidelines to monitor the liquidity and interest rate risk. To analyse the impact of interest rate movements on the economic value of equity, the Bank conducts modified duration gap analysis on a monthly basis. The Bank is also adhering to the Basel III Regulatory Standards of Liquidity by monitoring the Liquidity Coverage Ratio and Net Stable Funding Ratio on a monthly basis.

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

To address the requirements of Pillar II of Basel II Norms in its Internal Capital Adequacy Assessment Process (ICAAP), the Bank analyses various other risks in addition to the Pillar 1 risks and maintains an additional capital wherever required.

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

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

FOREX BUSINESS AND TREASURY OPERATIONS

On the whole, the global economic environment failed to instill much confidence in India. There were lingering concerns over global growth prospects and financial stability weighing on external demand and international funding. Local headwinds such as firm inflation, rising interest rates and policy impediments to investment only exacerbated the impact of a shaky global environment on domestic growth.

The total export bill turnover of your bank decreased to ₹ 939.48 Crores during the year 2012–13 as against ₹ 1014 Crores during the corresponding previous year. The total income from forex business for the year increased to ₹ 41.41 Crores from ₹ 37.91 Crores for the previous year.

Due to the downward bias in interest rates, the bond market remained buoyant for most part of the year. The traded volumes in the G sec market surged by 90% over the previous year. The bond yields touched a 30 month low of 7.78% on February 20, 2013.

Your Bank made a profit of ₹ 22.89 crores from treasury operations. The yield on treasury investments has improved from 6.82% in 2011–12 to 7.58% in 2012–13.

NEW BUSINESS ACTIVITIES

No organisation can grow by doing the same things the same way all the time. Realising this, our bank has paved the way for future growth by launching new initiatives in the last fiscal year and adopting new innovations into the way we operate. A detailed listing of these activities is given below.

1. New Housing Loan Product – CSB… Nivas

Buying a home is a dream close to everyone's heart. Your bank makes this dream a bit easier to realise. With a view to further strengthen the retail advance portfolio of the Bank, the Bank has introduced a new Housing Loan Scheme. The scheme is titled ***'CSB…Nivas'*** which has the following attractive features.

- Purchase of house plot is permitted with the condition that construction of the house will be completed within a period of 3 years.
- Reduced rate of interest.
- Repayment period upto the age of 65 for all.
- Pension income can also be considered for assessing repayment capacity.

2. SMS Banking Facility

Your bank now brings its customers updates at their fingertips. SMS Banking service provides instant information about transactions as and when it happens. It helps customers to keep a watch on their account round the clock. With this facility, the information regarding the customer's account will be readily available at any time. The facility will be accessible to the registered customers round the clock on all the days including holidays.

3. CSB Express Remit Product

As a further improvement and value-addition to our Speed Remittance product under Rupee Drawing Arrangement, our Bank has developed a new state of the art solution branded 'CSB Express Remit'. This new product facilitates real-time credit to beneficiary's account with our Bank. Any remitter who wants to transfer funds to his account with our Bank can approach the Exchange House and the Exchange House will key in/authorize the relevant details in their application. Our Bank's web service application will instantly capture the transaction details from the exchange house application and post the transaction in our CBS system, if it is related to our Bank, otherwise the transaction will be routed to beneficiary's bank through NEFT platform for instantaneous credit to beneficiary's account with them. As an added attraction, SMS will be generated automatically to the remitter as well as to the beneficiary, once the amount is credited to beneficiary's account.

4. CSB Smart - A Current Account

Your Bank has pioneered an account unlike that offered by any other bank. In order to take advantage of the different business behavior and attract the floating money available with the business community towards improving Bank's CASA portfolio, the bank has introduced an innovative product "**CSB Smart**". It is similar to Bank's ordinary current account but comes with certain distinct and unique features. It can be started with zero balance and no minimum balance is insisted for its continuance. Folio charges are fully exempted

5. Aadhaar Enabled /Based Payments

Your bank is also fast getting onto the technology bandwagon. Your bank is currently looking at leveraging the advancements in technology and telecommunication infrastructure by using the electronic payment system. There is the irrefutable recognition that there is a compelling case to automate the entire government payment mechanism. There is an acknowledged need to facilitate government sponsored financial disbursement to the poor and achieve the aim of financial inclusion in a more effective manner.

The unique objective of electronic benefit transfer (EBT) is achieved with the help of Aadhaar Payment Bridge (APB). It is a repository of unique identification numbers of residents and their primary bank account numbers used for receiving all entitlement payments from various government agencies. It facilitates seamless transfer of all welfare scheme payments to beneficiary through Aadhaar Enabled Bank Account (AEBA). Aadhaar number is a 12 digit (4 numbers of 3 set) individual identification number issued by the Unique Identification Authority of India on behalf of the Government of India. Falling in line with the requirement of opening Aadhaar Enabled Bank Accounts we have included acceptance of Aadhaar details as a valid KYC document in CBS.

To further enhance the features of Internet Banking Services facility, your Bank has entered into tie up arrangements for providing various online services to customers, like payments of utility bills, ticket bookings, online shopping, insurance premium payments, online prepaid mobile recharge service and so on.

For corporate customers, the Bank provides an online income tax payment facility. Your Bank, in association with Axis Bank, has developed this programme in-house, using which branches can facilitate online income tax and TDS payments by customers. This is a value added facility that is offered free to our customers.

BANCASSURANCE BUSINESS

1. LIFE INSURANCE BUSINESS

In the ten years that have passed since liberalisation, India has clearly emerged as one of the world's most dynamic Insurance markets. Your bank expects a robust demand for financial services and products. This has prompted us to enter into a bancassurance tie-up with M/s Edelweiss Tokio Life Insurance Company Limited(ETL) by replacing M/s. Birla Sun Life Insurance Company Limited, for sourcing and selling their Life Insurance Products. ETL is a joint venture between Edelweiss Financial Services Ltd., one of India's leading diversified financial services company and Tokio Marine Holdings Inc., a global leader with over 130 years of experience in insurance business. The Company's approach is to help its customers by providing them innovative insurance products that have been designed with the Indian customers in mind.

The company's product portfolio addresses six key needs of the prospective customers – Protection, Wealth Accumulation, Wealth Enhancement, Education, Income Replacement and Retirement.

2. GENERAL INSURANCE BUSINESS

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

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

OPENING OF NEW BRANCHES

During the period under review, the Bank opened 18 new branches and 30 ATMs across the country. The new branches opened during the years spread across the country and is in line with strategy to transform the Bank into a pan India financial institution. The Bank plans to open more branches and ATMs in the current financial year as part of its business strategy.

BRANCH NETWORK

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

The Bank's branch network as on 31st March 2013 is as given:

Area	Branches	% to total
Metro	53	13
Urban	102	26
Semi-Urban	221	57
Rural	14	4
Total	**390**	**100**

TECHNOLOGY ADOPTION

We are a 90-year old bank with a deep appreciation that times are changing. And with time, so is the manner of doing business. Since technology adds significant value to every aspect of our business, we are committed to deploying technology as an instrument for enhancing the quality of the services we render to our customers and other stakeholders.

Technology reinforces our position and sustains competitive strength and its growth in the industry. 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.

The Technology-Encompassed Business Transformation Programme is being implemented by the Bank with a view to provide 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. The multi-channel banking has acquired further dimensions to include third party payments, such as utility bills through different channels including ATMs, mobile banking and so on. Further extension of RTGS in scope and width and the introduction of the cheque truncation system should raise the customer satisfaction far even higher. More technology spends are expected in the near future. They will be on areas like implementation of more Biometric ATMs, Introducing Smart cards, CBS, Business Continuity Plan (BCP), Disaster Recovery Plan (DRP) installations, IT Security, Electronic Data Interchange (EDI), cheque truncation solutions, compliance to regulatory standards like Basel II implementations, Customer Relationship Management (CRM) solutions, data warehouse and data mining tools, channel integration, global treasury and performance monitoring tools, among others.

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

INFORMATION TECHNOLOGY (IT) INITIATIVES

During the period under review, 30 new ATMs have been installed, taking the total strength of ATMs to 208. Your Bank started deploying Biometric ATMs in rural areas, which frees the customers to remember their ATM PIN.

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

Debit card issuance has improved. As at the year end date, your Bank has issued 4.59 Lakh cards. The Bank is also issuing a gift card – Upahaar, which relieves our customers from the task of selecting an appropriate gift.

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

MISSION AND BUSINESS STRATEGY

Your bank endeavours to constantly live up to the expectations of its shareholders and consistently raises the benchmark of performance. This year, too, we prove that we are well positioned to be your preferred partner in the years to come.

Your bank ends this fiscal year with a clearly stated objective of continuing on its growth trajectory and consolidating its operations across India. We have a clear sense of direction for continuing our growth, even while keeping in mind the prevailing economic scenario and future outlook.

Your Bank's mission is to be a top class Bank benchmarked against the global best standards in product suite, service delivery, technology, risk management, corporate citizenship and market discipline. Towards this end, your Bank is implementing an aggressive growth strategy with high-quality customer services without compromising on asset quality. Besides introducing products that are best suited to the growing customer needs, your Bank also continues its marketing efforts towards mobilising low-cost deposits.

As part of strengthening the financials, the Bank continues to focus on effective deployment of funds and ensuring financial discipline, thereby enhancing value to its shareholders, employees and the society at large.

Your Bank intends to open branches at potential centres across the country with endowed human capital to provide a comprehensive and competitive product suite to match rising customer expectations.

On the technology front, your Bank constantly reinvents and innovates the technology platform to enable development of new products and channels, apart from cross selling and reduction of operating costs as well as the turnaround time. Thus, it seamlessly integrates the IT strategy with the business strategy.

CUSTOMER SERVICE

Your bank has always endeavoured to provide customers superlative service and focused on keeping up with the winds of change over the past nine decades.

We will continue to look for avenues that will enable us to reach out to our customers in the most cost effective and efficient way.

Your Bank has put in place a well-defined Customer Grievances Redressal Machinery System, where customers can approach our various levels for redressal of their grievances. The Bank also ensures that customer complaints received through various sources are resolved within the shortest possible time. Further, your Bank always believes in reaching out to the customers. As part of this, your Bank offered various schemes and launched a number of products to cater to the specific needs of its customer clientele. Your Bank strongly believes that customer service will continue to be the most important factor in maintaining and improving the Bank's role within the Indian Banking Industry.

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

HUMAN RESOURCES

Your bank realises that its real strength is its people. People define the experience of the customer and people etch out the growth curve of the bank.

Your bank has a total staff strength stood at 2,882 at the end of the fiscal. This comprises 1,523 officers, 1,126 clerks, 168 sub-staff and 65 permanent part-time employees.

Realising the fact that human resource is a key to future growth strategy, your bank continued its effort to strengthen the human resource practice. Your Bank is having a well structured Human Resource Department which is playing a major role in the performance of the bank. The Bank has also a well structured Human Resource Management Policy governing selection, recruitment, training, promotion etc. of staff members.

During the year under report, in order to meet the requirements of business growth, Branch network expansion, attrition and retirements, Bank has recruited 310 officers and 41 clerks and peons across the country. In the same period, the promotions also took place in various cadres including at executive level.

The Bank makes extensive use of training resources of its Training College with a view to provide specialized training in newer areas of skills and also to provide wider exposure to executives and officers. During the year, 35 training programmes were conducted at the Bank's Staff Training College, exposing 730 of our staff members at different levels to various trainings and 94 staff had been sent for external training programmes in different functional, managerial and behavioral areas. The Bank continues to focus on imparting training to its employees to upgrade the knowledge base and skill.

INSPECTION AND VIGILANCE

The ability of a bank to maintain attention and alertness all times forms the foundation of trust. Your Bank has in place a systematic, sound and well-structured system of inspection of branches and other offices of the Bank. The Inspection Department of your Bank ensures that there is an appropriate mechanism on an ongoing basis to check systems, policies and procedures of the Bank. It makes it a point to ensure that every branch and all its departments adhere to all the rules that have been laid down. It should be noted that the Inspection Department functions independently. This is to reaffirm that the standards of efficient control are not diluted while attempting robust business growth. The Inspection Department's aim is to assist and guide the branches in a way that compliance becomes a part of their culture and goes hand in hand with business growth. The Inspection Department also manages various types of audits like Risk Based Internal Audit (RBIA), Concurrent Audit, Information System Audit, Currency Chest Audit, KYC Audit and Management Audit of various departments and zonal offices. Professionally qualified Chartered Accountant firms conduct the Concurrent Audits. The Audit Committee of the Board regularly audits and approves all the policies and guidelines framed in this regard. As on March 31, 2013, 108 branches, Treasury Department and International Banking Division of the Bank were covered by Concurrent Audit.

Information System Audit has been conducted in four administrative offices, four Extra Large Branches and four other branches by CISA-qualified Chartered Accountants. Internal Inspectors/Officers from the respective Zonal Offices conducted the Information System Audit in the remaining offices as a part of Bank's Information System Audit Policy.

Since all branches are under CBS, offsite surveillance has been strengthened for promptly detecting and rectifying irregularities.

The Bank has implemented various preventive vigilance measures, reducing the instances of fraud in the Bank. During the current financial year, there was no loss to the Bank on account of fraud. The Sub-Committee of the Board for Monitoring Large Value Frauds has reviewed the fraud cases and evaluated the efficiency of the preventive vigilance machinery of the Bank.

FINANCIAL INCLUSION

Financial Inclusion denotes delivery of financial services at an affordable cost to the vast sections of the low income and disadvantaged groups. To provide financial services to low income and disadvantaged groups of the society either through branch banking or branchless banking by using business correspondent / facilitator model and Information and Communication Technology (ICT) devices. In line with the Government of India and Reserve Bank of India initiatives for ensuring greater financial inclusion and increasing the outreach of the banking sector, the Bank has adopted 3 villages, one is Ozhoor Village in Malappuram District, Kerala State and other two are Thippampatty and Vellar Village, in Salem District, Tamil Nadu with the help of an Business Correspondent for providing banking services in these villages. The Bank has installed Biometric ATMs in the two villages for the benefit of the customers from these villages. The Bank has already opened 46562 BSBDA's (Basic Savings Bank Deposit Accounts), 714 KCC Accounts (Kisan Krishi Card) and 220 GCC Accounts through our branches and through Business Correspondent outlets during the period.

PMLA CELL

Your Bank has put in place a Prevention of Money Laundering Cell [PMLA CELL] for addressing issues related to financing of terrorism including reporting to the Financial Intelligence Unit, Suspicious Transactions Reporting and so on/ for complying with the guidelines issued to banks on 'Know Your Customer (KYC)' and ' Suspicious Transactions' and for imparting training to 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. The Bank recognises the fact that they are the purveyors of public money and in order to fulfil its fiduciary obligations and responsibilities it has to maintain and continue to enjoy the trust and goodwill of the public at large.

The Board of Directors of the Bank comprises of 13 Directors, including the Non-Executive Chairman, Managing Director & CEO, and two Additional Directors appointed by the Reserve Bank of India. Except the Managing Director & CEO, the rest of the Directors are Non-Executive Directors. None of the Directors including Chairman, except the Managing Director & CEO, are paid any remuneration other than the sitting fees for attending the meetings of the Board and its various Committees. Further, the composition of the Board is in compliance with Section 10A (2) of the Banking Regulation Act, 1949. Based on the Ganguly Committee Report on Corporate Governance in Banks and as per the advice of the Reserve Bank of India, the Bank has in place a Nomination Committee of the Board for conducting due diligence on appointment and continuation of Directors on the Board. The prescribed due diligence exercise has been carried out by the Bank in respect of all Directors holding office as on 31st March 2013. They have all satisfied the 'Fit and Proper' norms.

During the year under report, there were 17 Board Meetings. The Sub-Committees of the Board and their number of meetings held were: (i) Audit Committee – 11 Meetings, (ii) Credit Committee – 9 Meetings (iii) Management Committee – 13 Meetings, (iv) Shareholders'/Investors' Grievance Committee – 3 Meetings, (v) Risk Management Committee – 4 Meetings, (vi) Committee for Monitoring Large Value Frauds – 4 Meetings, (vii) Nomination Committee – 3 Meetings, (viii) Customer Service Committee – 2 Meetings and (ix) NPA Recovery Committee – 7 Meetings (X) Business Development Committee – 4 Meetings (XI)

Committee for Exercising the powers of the Managing Director & CEO- 8 meetings (XII) HR & Technology Committee – 2 meetings (XIII) Allotment Committee -1 Meeting (XIV) Appointment Committee- 1 Meeting (XV) Remuneration Committee- 2 Meetings.

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

The Bank's shares can be held either in physical or in dematerialised format, though not listed in any Stock Exchanges. However, Bonds issued by the Bank [CSBL Bonds – 2004 (Series-II), CSBL Bonds – 2005 and CSBL Bonds – 2012 - Series I] are listed in the National Stock Exchange. The shares of the Bank are widely held. Compliance of 'Fit and Proper' norms is ensured for major shareholders. The instructions of the RBI with regard to Corporate Governance Standards are complied with to the extent applicable.

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

AUDIT COMMITTEE OF THE BOARD

The Committee 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 eleven meetings during the year, has been closely overseeing and monitoring the Internal Control Systems and Procedures, Inspection and Audit Functions including follow-up and compliance of inspection/audit reports. It has also interacted with the Auditors. The ACB acts as an effective tier to the Board in the matter of inspection, audit and internal control systems. It offers useful suggestions in the conduct and management of your Bank's business.

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

REMUNERATION COMMITTEE

Compensation is one of the key motivators for retention of staff. Fair compensation and adherence to statutes is a priority at your bank. We have a dedicated Committee which looks into these matters.

The Remuneration Committee of the Board would oversee framing, review and implementation of the Compensation Policy in the Bank in terms of RBI Circular No. DBOD No. BC. 72 /29.67.001/2011 dated January 13, 2012.

The Compensation Committee as on the date of the Report consists of three members of which one member is from the Risk Management Committee of the Board. All the members of the Committee are independent directors. The Chairman of the Board is the Chairman of this Committee.

REGISTRAR & SHARE TRANSFER AGENTS

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

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

DEMATERIALISATION OF SHARES

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

STATUS OF DEMATERIALISATION OF SHARES

As on March 31, 2013, 40.43% of Bank shares were in demat mode as per the statement given below:

Category	No. of shares	% of the holding
Physical Mode	24927735	59.57
Demat Mode		
NSDL	11505509	27.50
CDSL	5413881	12.93
Total	**41847125***	**100.00**

* The above includes 10461781 shares allotted on 30-03-2013 and credited to NSDL/CDSL accounts as the case may be subsequently.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Giving back to the society is one of the focus areas that your bank has been looking at. Your Bank has always had a deep sense of responsibility towards the community. In this regard, the Bank has initiated a slew of measures during the period under review in line with Reserve Bank of India and Ministry of Corporate Affairs guidelines on Corporate Social Responsibility.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the Annual Accounts for the year ended March 31, 2013:

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

ii) The Directors had selected the accounting policies and had applied them consistently. They made judgements and estimates that are reasonable and prudent. They give a true and fair view of the state of affairs of the Bank at the end of the financial year as well as the profit of the Bank for the year ended March 31, 2013;

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 preventing and detecting fraud and other irregularities;

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

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

AUDITORS

The Joint Statutory Central Auditors Viz. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai and M/s. Varma & Varma, Chartered Accountants, Kochi, who were appointed at the 91st Annual General Meeting held on September 28, 2012 are retiring at the ensuing AGM, and are eligible for re-appointment as per the guidelines of Reserve Bank of India (RBI).

EXPLANATION FOR AUDITORS' OBSERVATION IN THE REPORT

The Joint Statutory Central Auditors have made observation in their Audit Report as follows:

Basis of observation

As per Section 228(1) of the Companies Act, 1956 where a company has a branch office, the accounts of that office shall be audited by the company's auditor appointed under section 224 or by a person qualified for appointment as auditor of the company under section 226 of the said act. If the company desires to seek exemption from the provision of the branch audit, they have to seek approval of the Central Government (Ministry of Corporate Affairs) as per section 228(4) of the Companies Act, 1956 read with the Companies (Branch Audit Exemption) Rules, 1961.

Observation

Out of 408 branches/offices, 55 branches/offices have not been audited by us or by the branch auditors, in respect of which we have carried out necessary review procedures considered adequate by us. Approval of the Central Government as required u/s.228 of the Companies Act 1956 has not yet been obtained.

Management Explanation for Auditors' Observation

The 55 branches mentioned in the Auditors' Report account for only 1.59 of total advances of the Bank. Besides, 16 out of 55 branches referred to above were opened during the reporting financial year only. Our Bank has put in place a robust mechanism to carry out the internal /surprise inspection at all the branches by the responsible officers of the Bank. Besides, all the branches of the bank have been operating under Core Banking System (CBS) platform.

Upon request from the Bank, Reserve Bank of India advised to decide on the exemption of branches for statutory audit in consultation with the Statutory Central Auditors of the Bank. Based on the observation of the Auditors in their report, the Bank approached the Ministry of Corporate Affairs (MCA) for exemption of the 55 branches from the audit. MCA has pointed out that approval from shareholders at the Annual General Meeting in support of the proposal is mandatory as per the Companies (Branch Audit Exemption) Rules, 1961. Accordingly, Bank is seeking the required approval of the shareholders in the ensuing Annual General Meeting of the Bank.

MANAGING DIRECTOR & CEO

Shri.V.P.Iswardas had relinquished the office of Managing Director & CEO on November 29, 2012, after completion of the period of appointment of three years approved by Reserve Bank of India. The Board places on record its appreciation of the valuable contributions and services of Shri.V.P.Iswardas for the overall progress and development of the Bank during his tenure in office.

Shri.Rakesh Bhatia has been appointed as the Managing Director & Chief Executive Officer of the Bank with the approval of Reserve Bank of India for a period of three years with effect from April 1, 2013.

During this interregnum, the Board of Directors authorized Shri. U.R.Giridharan (General Manger) to look after the day to day administrative matters of the bank under a Sub-Committee of the Board of Directors. The Committee was further empowered to exercise the powers of the Managing Director & CEO till the new incumbent for the post is appointed as per Section 35 B of the Banking Regulation Act, 1949. The interim arrangement made as per Section 10(B)(9) of the Banking Regulation Act, 1949 and as referred above, was approved by Reserve Bank of India vide letter No.DBOD.8053/08.36.001/2012-13 dated December 4, 2012.

BOARD OF DIRECTORS

At the 91st Annual General Meeting of the Bank held on September 29, 2012, Shri.K.Ipe Peter, Shri. T.S.Anantharaman and Shri.Sumeer Bhasin were re-appointed as Directors of the Bank.

Reserve Bank of India has appointed Shri. V. Seshadri again as Additional Director (RBI Nominee) on the Board of the Bank with effect from January 24, 2013 on completion of his first term of appointment on January 23, 2013.

Reserve Bank of India has appointed Shri. K.Neethi Ragavan as Additional Director (RBI Nominee) on the Board of the Bank with effect from May 23, 2013 in place of Smt. Ranjana Sahajwala who had been on the Board of the Bank since August 3, 2011. The Board places on record its appreciation for the proper guidance and support extended by Smt. Ranjana Sahajwala during her tenure as Additional Director (RBI Nominee).

Directors Shri. K.Subrahmanya Sarma, Shri. Bobby Jos C and Shri. S.Ramakrishnan retire by rotation at the ensuing Annual General Meeting of the Bank pursuant to Section 256 of the Companies Act, 1956 and being eligible have offered themselves for reappointment.

ANNUAL GENERAL MEETING RESOLUTIONS

The Bank has acted upon/ implemented all the resolutions passed/approved by the shareholders at the 91st Annual General Meeting of the Bank held on September 28, 2012 except item No. 13 of the notice of the said meeting. The item No.13 is related with approval to the Bank for going for Initial Public Offering (IPO) along with the permission for listing of its shares in the Stock Exchange/s. The resolution passed was only enabling in nature. Due to the adverse economic scenario prevailing across and inadequate response in the primary market for IPOs, the bank could not proceed further in the way the same was intended by the Bank.

INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

During the year, the Bank has transferred the unclaimed dividend for the year 2004–05, amounting to ₹ 5,14,202/-, 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, as amended vide GSR 289 (E) dated March 31, 2011 [Companies (Particulars of Employees) Amendments Rules, 2011], are not applicable for the Financial Year 2012-13.

STATUTORY DISCLOSURES

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

a) **Conservation of Energy**

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

b) **Technology Absorption**

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

c) **Foreign Exchange Earnings and Outgo**

Being an authorised dealer in foreign exchange, the Bank has been taking all possible steps to augment export credit.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, and other government and regulatory authorities for their continued support and guidance. The Board acknowledges with thanks its esteemed shareholders, bondholders and business associates for their encouragement, support and assistance.

The Board of Directors wishes to place on record its appreciation for the dedicated services rendered by the members of staff at all levels. The Board looks forward to their continued dedicated and sincere services to take the Bank to greater heights. The Directors wish to record their deep sense of obligation and gratitude to all the customers and well wishers of the Bank for their cooperation and association.

As a bank, we have completed a long journey of over ninety years from our initial days. We have moved from strength to strength over the decades and made rapid strides in the recent past. We are ready to leverage technology and set new benchmarks. We promise you excellent long term prospects and sustained growth.

By order of the Board

Sd/-

Bangalore **S.Santhanakrishnan**

July 23, 2013 **Chairman**

INDEPENDENT AUDITORS' REPORT

To
The shareholders of
The Catholic Syrian Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of The Catholic Syrian Bank Limited, which comprise the Balance Sheet as at 31st March, 2013 and the Profit and Loss Account and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 28 branches/ offices audited by us, 325 branches/offices audited by branch auditors and unaudited returns of 55 branches/offices in respect of which exemption has been availed by the Bank, which are chosen in consultation with the Statutory Auditors as advised by Reserve Bank of India in respect of which, *the exemption from the Central Government required under rule 4(1) (a) of the Companies (Branch Audit Exemption) Rules 1961 from the provisions of sub sections (1) and (3) of Section 228 of the Companies Act, 1956, has not yet been obtained.* These unaudited branches account for 1.59 per cent of advances, 5.82 per cent of deposits, 1.35 per cent of interest income and 5.54 per cent of interest expense.

Management's responsibility for the financial statements

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

Auditors Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the over all presentation of the financial statements.

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

Opinion

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

   i) In the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2013;

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

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

Emphasis of Matter

7. Without qualifying our opinion, we draw attention to Note no.3.3 to the financial statements, which describes deferment of pension and gratuity liability of the bank to the extent of Rs.24.19 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 RBI letter DBOD.BP BC 15896/21.04.018/2010-11 dated 08.04.2011 on reopening of pension option to employees of the bank and enhancement in gratuity limits-Prudential Regulatory Treatment.

Report on Other Legal and Regulatory Matters

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

   (ii) Out of 408 branches/offices, 55 branches/offices have not been audited by us or by the branch auditors, in respect of which we have carried out necessary review procedures considered adequate by us. Approval of the Central Government as required u/s.228 of the Companies Act 1956 has not yet been obtained.

We report that

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

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

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

10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of The Companies Act, 1956.

We further report that

11. (i) the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report, are in agreement with the books of account and the returns.

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

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

(iv) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.

	For Sundaram & Srinivasan Chartered Accountants FRN No.004207 S	For Varma & Varma, Chartered Accountants FRN No 004532 S
	Sd/- C.Naresh	Sd/- C.Pankajakshan
Thrissur 17.05.2013	Partner M.No.28684	Partner M No. 012948

BALANCE SHEET AS ON 31ST MARCH, 2013

(₹ 000 omitted)

	SCHEDULE NO	AS ON 31.03.2013	AS ON 31.03.2012
CAPITAL AND LIABILITIES			
Capital	1	41 , 89 , 94	31 , 41 , 62
Reserves and Surplus	2	715 , 65 , 16	534 , 13 , 25
Deposits	3	12341 , 62 , 58	10604 , 87 , 05
Borrowings	4	199 , 40 , 63	575 , 46 , 52
Other Liabilities and Provisions	5	321 , 53 , 71	303 , 19 , 10
TOTAL		**13620 , 12 , 02**	**12049 , 07 , 54**
ASSETS			
Cash and balances with Reserve Bank of India	6	629 , 25 , 72	686 , 47 , 54
Balances with banks and money at call & short notice	7	435 , 76 , 13	284 , 53 , 50
Investments	8	3301 , 05 , 17	3145 , 14 , 62
Advances	9	8851 , 51 , 83	7663 , 54 , 27
Fixed Assets	10	169 , 21 , 82	75 , 67 , 40
Other Assets	11	233 , 31 , 35	193 , 70 , 21
TOTAL		**13620 , 12 , 02**	**12049 , 07 , 54**
CONTINGENT LIABILITIES	12	856 , 70 , 44	976 , 34 , 14
Bills for collection		80 , 92 , 04	75 , 43 , 85
Significant Accounting Policies	17		
Notes to Accounts	18		

Sd/-
S Santhanakrishnan
Chairman

Sd/-
S Ramakrishnan
Chairman-Audit Committee

Sd/-
Ajay Lal
Director

Sd/-
C Bobby Jos
Director

Sd/-
K Ipe Peter
Director

Thrissur
17.05.2013

Sd/-
Rakesh Bhatia
Managing Director & CEO

Sd/-
Sijo Varghese
Company Secretary

Sd/-
A Radhakrishnan
Executive Director

Sd/-
U R Giridharan
General Manager

Sd/-
V P Bhaskaran
General Manager (Operations)

Sd/-
Jiz P Kottukappally
AGM (Accounts)

As per our report of even date

For Sundaram & Srinivasan
Chartered Accountants
FRN No:004207 S

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

For Varma & Varma
Chartered Accountants
FRN No.004532 S

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

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2013

(₹ 000 omitted)

	SCHEDULE NO	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
I INCOME			
Interest earned	13	1320 , 86 , 42	1075 , 63 , 39
Other Income	14	94 , 58 , 28	85 , 24 , 20
TOTAL		**1415 , 44 , 70**	**1160 , 87 , 59**
II EXPENDITURE			
Interest expended	15	981 , 64 , 79	768 , 60 , 84
Operating expenses	16	331 , 82 , 02	298 , 76 , 60
Provisions and contingencies		69 , 31 , 26	67 , 60 , 02
TOTAL		**1382 , 78 , 07**	**1134 , 97 , 46**
III PROFIT/LOSS			
Net profit for the year		32 , 66 , 63	25 , 90 , 13
Excess Dividend provided reversed		5 , 62	NIL
Profit brought forward from previous year		NIL	NIL
TOTAL		**32 , 72 , 25**	**25 , 90 , 13**
IV APPROPRIATIONS			
Transfer to Capital Reserves		8 , 14 , 03	44 , 63
Transfer to Statutory Reserves		8 , 16 , 66	6 , 47 , 53
Transfer to General Reserves		1 , 32 , 29	7 , 66 , 34
Transfer to Special Reserve (Section 36 (1) (viii) of IT Act)		8 , 36 , 17	5 , 52 , 16
Transfer to/(from) Investment Reserve		(64,28)	25 , 93
Transfer to Charity Fund		3 , 00	3 , 00
Provision for Proposed Dividend		6 , 27 , 70	4 , 73 , 69
Provision for dividend tax		1 , 06 , 68	76 , 85
TOTAL		**32 , 72 , 25**	**25 , 90 , 13**
Significant Accounting Policies	17		
Notes to Accounts	18		
Basic and diluted Earnings Per Share (₹)		8.76	6.95

Sd/-
S Santhanakrishnan
Chairman

Sd/-
S Ramakrishnan
Chairman-Audit Committee

Sd/-
Ajay Lal
Director

Sd/-
C Bobby Jos
Director

Sd/-
K Ipe Peter
Director

Thrissur
17.05.2013

Sd/-
Rakesh Bhatia
Managing Director & CEO

Sd/-
Sijo Varghese
Company Secretary

Sd/-
A Radhakrishnan
Executive Director

Sd/-
U R Giridharan
General Manager

Sd/-
V P Bhaskaran
General Manager (Operations)

Sd/-
Jiz P Kottukappally
AGM (Accounts)

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

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

For Varma & Varma
Chartered Accountants
FRN No.004532 S

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

(₹ 000 omitted)

	As on 31.03.2013		As on 31.03.2012	
SCHEDULE 1 - CAPITAL				
Authorized Capital :				
10,00,00,000 Equity shares of Rs 10/- each (80000000 Equity shares of Rs 10 each as on 31.03.2012)		100 , 00 , 00		80 , 00 , 00
20,00,000 Preference Shares of Rs.100/-each		20 , 00 , 00		20 , 00 , 00
		120 , 00 , 00		**100 , 00 , 00**
Issued and Subscribed Capital				
41847125 equity shares of Rs 10/- each (31579087 shares as on 31.03.2012)		41 , 84 , 71		31 , 57 , 91
Called-up Capital				
41847125 equity shares of Rs 10/- each (31579087 shares as on 31.03.2012)		41 , 84 , 71		31 , 57 , 91
Add: Forfeited Shares		5 , 23		Nil
Less: Calls in arrears		Nil		16 , 29
		41 , 89 , 94		**31 , 41 , 62**
SCHEDULE 2 - RESERVES AND SURPLUS				
I Statutory Reserves				
Opening balance	131 , 48 , 07		125 , 00 , 54	
Additions during the year	8 , 16 , 66		6 , 47 , 53	
		139 , 64 , 73		**131 , 48 , 07**
II Capital Reserves				
Opening balance	31 , 56 , 55		31 , 11 , 92	
Additions during the year	8 , 14 , 03		44 , 63	
		39 , 70 , 58		**31 , 56 , 55**
III Revaluation Reserves				
Opening balance	38 , 76 , 58		39 , 51 , 17	
Additions during the year	89 , 18 , 08		Nil	
Deduction during the year	1 , 23 , 45	**126 , 71 , 21**	74 , 59	**38 , 76 , 58**
IV Share Premium				
Opening balance	222 , 44 , 19		221 , 78 , 09	
Additions during the year	68 , 22 , 41		66 , 10	
		290 , 66 , 60		**222 , 44 , 19**
V Revenue and other Reserves				
a) General Reserves				
Opening balance	92 , 20 , 78		84 , 39 , 93	
Additions during the year	1 , 32 , 29		7 , 80 , 85	
		93 , 53 , 07		**92 , 20 , 78**
b) Investment Reserve				
Opening balance	2 , 22 , 06		1 , 96 , 13	
Additions during the year	NIl		25,93	
Deduction during the year	64,28	**1 , 57 , 78**	Nil	**2 , 22 , 06**
c) Special Reserve (Section 36 (1)(viii) of IT Act)				
Opening balance	15 , 40 , 02		9 , 87 , 86	
Additions during the year	8 , 36 , 17		5 , 52 , 16	
		23 , 76 , 19		**15 , 40 , 02**
VI Contingency Reserve		**5 , 00**		**5 , 00**
VII Balance in Profit and Loss Account		**Nil**		**Nil**
TOTAL		**715 , 65 , 16**		**534 , 13 , 25**

(₹ 000 omitted)

SCHEDULE 3 - DEPOSITS	As on 31.03.2013		As on 31.03.2012	
A. I. Demand Deposits				
[i] From banks	38 , 78		1 , 44 , 86	
[ii] From others	328 , 96 , 74		346 , 40 , 97	
		329 , 35 , 52		347 , 85 , 83
II. Savings Bank Deposits		1834 , 03 , 97		1700 , 49 , 74
III. Term Deposits				
[i] From banks	459 , 46 , 06		421 , 39 , 04	
[ii] From others	9718 , 77 , 03		8135 , 12 , 44	
		10178 , 23 , 09		8556 , 51 , 48
TOTAL [I,II, and III]		**12341 , 62 , 58**		**10604 , 87 , 05**
B [i] Deposits of branches in India		12341 , 62 , 58		10604 , 87 , 05
[ii] Deposits of branches outside India		Nil		Nil
TOTAL		**12341 , 62 , 58**		**10604 , 87 , 05**
SCHEDULE 4 - BORROWINGS				
I. Borrowings in India				
[i] Reserve Bank of India		Nil		298 , 00 , 00
[ii] Other banks		Nil		2 , 74
[iii] Other institutions and agencies		81 , 90 , 63		143 , 93 , 78
TOTAL OF I		81 , 90 , 63		441 , 96 , 52
II. Borrowings outside India		Nil		Nil
TOTAL (I and II)		81 , 90 , 63		441 , 96 , 52
Secured borrowings included in I and II		Nil		Nil
III. Capital Instruments				
Subordinated debts raised for Tier II Capital		117 , 50 , 00		133 , 50 , 00
TOTAL (I,II and III)		**199 , 40 , 63**		**575 , 46 , 52**
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS				
I. Bills payable		18 , 36 , 41		14 , 67 , 21
II. Inter-office adjustments (net)		14 , 50 , 38		29 , 98 , 05
III. Interest accrued		54 , 90 , 19		58 , 15 , 29
IV. Others(including provisions)		233 , 76 , 73		200 , 38 , 55
TOTAL		**321 , 53 , 71**		**303 , 19 , 10**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA				
I. Cash in hand (including foreign currency notes)		84 , 67 , 96		66 , 10 , 18
II Balances with Reserve Bank of India				
[i] in Current Account	544 , 57 , 76		620 , 37 , 36	
[ii] in Other Accounts	Nil	544 , 57 , 76	Nil	620 , 37 , 36
TOTAL (I AND II)		**629 , 25 , 72**		**686 , 47 , 54**

(₹ 000 omitted)

	As on 31.03.2013		As on 31.03.2012	
SCHEDULE 7- BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE				
I. In India				
[i] Balances with banks				
(a) in Current Accounts	14 , 78 , 64		11 , 12 , 26	
(b) in Other Deposit Accounts	382 , 50 , 00		232 , 50 , 00	
		397 , 28 , 64		243 , 62 , 26
[ii] Money at call and short notice				
(a) with banks	Nil		Nil	
(b) with other Institutions	Nil	Nil	NIl	Nil
TOTAL (i and ii)		397 , 28 , 64		243 , 62 , 26
II. Outside India				
(i) in Current Accounts	38 , 47 , 49		40 , 91 , 24	
(ii) in Other Deposit Accounts	Nil		Nil	
(iii) Money at call and short notice	Nil		Nil	
TOTAL		38 , 47 , 49		40 , 91 , 24
GRAND TOTAL (I and II)		**435 , 76 , 13**		**284 , 53 , 50**
SCHEDULE 8 - INVESTMENTS				
I. Investments in India (Gross)		3304 , 61 , 99		3147 , 44 , 57
Less Provision for depreciation		3 , 56 , 82		2 , 29 , 95
Net Investment in India		**3301 , 05 , 17**		**3145 , 14 , 62**
BREAK - UP				
[i] Government securities	2954 , 87 , 14		2790 , 89 , 17	
[ii] Other approved securities	Nil		Nil	
[iii] Shares	1 , 72 , 13		67 , 52	
[iv] Debentures and Bonds	90 , 48 , 83		82 , 30 , 96	
[v] Subsidiaries and/or joint ventures	Nil		Nil	
[vi] Others [Including RIDF, Certificate of Deposits etc]	253 , 97 , 07		271 , 26 , 97	
TOTAL		3301 , 05 , 17		3145 , 14 , 62
II. Investments outside India		Nil		Nil
GRAND TOTAL (I and II)		**3301 , 05 , 17**		**3145 , 14 , 62**
SCHEDULE 9 - ADVANCES				
A [i] Bills purchased and discounted	254 , 76 , 66		194 , 94 , 79	
[ii] Cash credits, overdrafts and loans repayable on demand	6367 , 95 , 82		5088 , 89 , 69	
[iii] Term loans	2228 , 79 , 35		2379 , 69 , 79	
TOTAL		8851 , 51 , 83		7663 , 54 , 27
B [i] Secured by tangible assets (Includes advances against book debts)	8282 , 79 , 01		7178 , 13 , 61	
[ii] Covered by Bank/Government guarantees	256 , 73 , 60		184 , 50 , 10	
[iii] Unsecured	311 , 99 , 22		300 , 90 , 56	
TOTAL		8851 , 51 , 83		7663 , 54 , 27

(₹ 000 omitted)

	As on 31.03.2013		As on 31.03.2012	
C. I. Advances in India				
[i] Priority sector	1913 , 81 , 65		2588 , 62 , 31	
[ii] Public sector	287 , 77 , 29		291 , 28 , 32	
[iii] Banks	4 , 00 , 79		165 , 27 , 35	
[iv] Others	6645 , 92 , 10		4618 , 36 , 29	
TOTAL		8851 , 51 , 83		7663 , 54 , 27
II. Advances outside India		Nil		Nil
GRAND TOTAL (C.I and II)		**8851 , 51 , 83**		**7663 , 54 , 27**
SCHEDULE 10 - FIXED ASSETS				
I. Premises				
At cost as on 31 st March of the preceding year	6 , 83 , 55		7 , 05 , 47	
Appreciation on revaluation	135 , 02 , 66		45 , 84 , 58	
Additions during the year	6 , 01		3 , 96	
Deductions during the year	Nil		25 , 88	
Depreciation to date	11 , 63 , 46	130 , 28 , 76	10 , 21 , 69	42 , 46 , 44
II. Other Fixed Assets				
(including furniture and fixtures)				
At cost as on 31st March of the preceding year	93 , 20 , 10		86 , 93 , 50	
Additions during the year	11 , 27 , 61		8 , 12 , 20	
Deductions during the year	1 , 90 , 01		1 , 85 , 60	
Depreciation to date	63 , 64 , 64	38 , 93 , 06	59 , 99 , 14	33 , 20 , 96
TOTAL (I, and II)		**169 , 21 , 82**		**75 , 67 , 40**
SCHEDULE 11 - OTHER ASSETS				
I. Interest accrued		71 , 36 , 82		70 , 61 , 83
II. Tax paid in advance/tax deducted at source(Net)		18 , 51 , 59		38 , 81 , 03
III. Stationery and stamps		1 , 05 , 66		1 , 06 , 24
IV. Non-banking assets acquired in satisfaction of claims		11 , 90 , 37		11 , 09 , 54
V. Others		130 , 46 , 91		72 , 11 , 57
TOTAL		**233 , 31 , 35**		**193 , 70 , 21**
SCHEDULE 12 - CONTINGENT LIABILITIES				
I. Claims against the bank not acknowledged as debts		5 , 22 , 57		4 , 89 , 30
II. Liability for partly paid investments		Nil		Nil
III. Liability on account of outstanding forward exchange contracts		529 , 40 , 79		653 , 67 , 95
IV. Guarantees given on behalf of constituents				
(a) In India		249 , 63 , 06		216 , 91 , 03
(b) Outside India		Nil		Nil
V. Acceptance, endorsements and other obligations		62 , 15 , 63		85 , 01 , 85
VI. Other items for which the bank is contingently liable		10 , 28 , 39		15 , 84 , 01
TOTAL		**856 , 70 , 44**		**976 , 34 , 14**

(₹ 000 omitted)

	Year ended 31.03.2013	Year ended 31.03.2012
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances / bills	1074 , 34 , 50	861 , 50 , 32
II. Income on investments	226 , 25 , 92	200 , 86 , 33
III. Interest on balances with Reserve Bank of India and other inter -bank funds	20 , 12 , 08	7 , 42 , 71
IV Others	13 , 92	5 , 84 , 03
TOTAL	**1320 , 86 , 42**	**1075 , 63 , 39**
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	16 , 25 , 97	17 , 30 , 22
II. Profit on sale of investments (Net)	22 , 88 , 80	5 , 27 , 84
III. Profit/(Loss) on revaluation of investments (Net)	Nil	Nil
IV. Profit on sale of land, buildings and other assets (Net)	47 , 50	1, 30 , 81
V. Profit on exchange transactions (Net)	13 , 07 , 26	11 , 38 , 14
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 ₹ 386 lakhs; previous year ₹ 1519 lakhs)	41 , 88 , 75	49 , 97 , 19
TOTAL	**94 , 58 , 28**	**85 , 24 , 20**
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	950 , 22 , 70	738 , 00 , 95
II. Interest on Reserve Bank of India/ inter -bank borrowings	7 , 34 , 30	6 , 59 , 31
III. Others	24 , 07 , 79	24 , 00 , 58
TOTAL	**981 , 64 , 79**	**768 , 60 , 84**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	233 , 90 , 54	212 , 32 , 41
II. Rent, taxes and lighting	32 , 34 , 06	25 , 50 , 78
III. Printing and Stationery	3 , 29 , 63	2 , 90 , 18
IV. Advertisement and publicity	1 , 81 , 10	2, 42 , 78
V. Depreciation on bank's property (including amortisation / write off of intangible assets)	7 , 49 , 37	8 , 59 , 21
VI. Directors' fees, allowances and expenses	99 , 58	65 , 83
VII. Auditors' fees and expenses (including branch auditors)	1 , 70 , 24	1, 07 , 14
VIII. Law charges	71 , 26	71 , 80
IX. Postages, Telegrams, Telephones etc.	5 , 48 , 13	4 , 92 , 83
X. Repairs and maintenance	6 , 00 , 96	5 , 91 , 47
XI. Insurance	10 , 00 , 56	9 , 32 , 47
XII. Other expenditure	28 , 06 , 59	24 , 39 , 70
TOTAL	**331 , 82 , 02**	**298 , 76 , 60**

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 the generally accepted accounting principles in India, which comprises the 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 prevailing on the date of transaction.

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

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

4. INVESTMENTS

a) 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 daily intervals and net depreciation in each category is provided for, while net appreciation is ignored.

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

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 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 but utilized to meet the shortfall/ loss on account of sale of other non performing assets.

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. EMPLOYEE BENEFITS

9.1 Short Term Employee Benefits

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

9.2 Long term Employee Benefits

a) Defined Contribution Plan

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

b) Defined Benefit Plans

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

Brief description of the defined benefit plans:

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

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

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

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

a) Privilege Leave

b) Sick leave on half pay

c) Carry forward of unavailed casual leave

d) Leave fare concession

10. RECOGNITION OF REVENUE AND EXPENDITURE

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

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

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

11. TAXES ON INCOME

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

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

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

12. SEGMENT INFORMATION

Bank has adopted RBI's revised guidelines on segment reporting issued in April 2007 and accordingly 4 business segments viz. Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations have been considered as reportable segments. Advances classified as corporate as per Basel II norms are grouped in Corporate/Wholesale Banking assets while all other advances are grouped as

Retail Banking Assets. Deposits of ₹ 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

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

14. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Contingent assets are not recognized in the financial statements.

15. EARNINGS PER SHARE

The Bank reports basic and diluted earnings per equity share in accordance with AS 20, "Earnings per share" prescribed by the Companies (Accounting Standards) Rules, 2006. Basic Earnings per share (EPS) reported is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti dilutive.

16. NET PROFIT

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

i) provision for taxes

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

iii) provision for depreciation on investments

iv) other usual and necessary provisions.

SCHEDULE 18 - NOTES TO ACCOUNTS

1. General

1.1 Capital Funds

a) In FY 2012-13 the bank has successfully completed the issue of shares on Rights basis, which was oversubscribed by 121.38%. On March 31, 2013, the Bank allotted 10461781 equity shares of Rs. 10 each at a premium of Rs.65 per share. Consequently, the Paid up Capital and Share Premium Account of the Bank have been increased by ₹ 10.46 crore and ₹ 68.00 crore respectively.

b) As per the directions of Reserve Bank of India , SVG Group (holding 18.11 % of the paid up share Capital of the bank as on 31.03.2013) was required to divest shares in excess of 10% of the Paid up Capital before 31.03.2013. On March 26, 2013, the group had received approval of Reserve Bank of India for transfer of 4.98 % of their holdings as on the date of the letter. Since their divestment has not been completed as per the limit prescribed by RBI, the group has sought extension of time upto June 30, 2013 for the same.

1.2 Investments

a) The profit on sale of investments under Held to Maturity category amounting to ₹ 16.07 Crore (previous year ₹ 0.88 Crore) has been taken to Profit and Loss account and a sum of ₹ 8.14 Crore (previous year ₹ 0.45 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 ₹ 14.84 Crore (previous year ₹ 14.72 Crore) which is netted against Income on Investments (Schedule 13, Item II).

c) Provision for depreciation on investments in the Available for Sale category amounting to ₹ 1.27 Crore is debited to the Profit & Loss Account (Previous year ₹ 1.51 Crore is credited to Profit & Loss Account). An equivalent amount of ₹ 0.64 crore (net of taxes and net of transfer to Statutory Reserves) has been transferred from Investment Reserve to Profit & Loss Account and the same has been appropriated to General Reserve in line with RBI guidelines (previous year ₹ 0.26 crore has been transferred to Investment Reserve Account from Profit & Loss Account).

d) During 2012-13, the bank has not transferred any securities between categories. (previous year Nil).

1 .3 Reconciliation

Reconciliation of inter-bank and inter-branch transactions has been completed up to 31st March 2013. Steps for elimination of outstanding entries are in progress. Since the outstanding entries to be eliminated are insignificant, no material consequential effect is anticipated.

1.4 Taxation

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

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

2. Disclosures in terms of Reserve Bank of India Guidelines

2.1 Capital

Particulars	31.03.2013	31.03.2012
i) CRAR (%) – Basel II	12.29	11.08
ii) CRAR - Tier I capital (%)	9.62	8.83
iii) CRAR - Tier II Capital (%)	2.67	2.25
iv) Amount of subordinated debt raised as Tier-II capital	₹ 117.50 Cr	₹ 133.50 Cr
v) Amount raised by issue of IPDI	Nil	Nil
vi) Amount raised by issue of Upper Tier II instruments	Nil	Nil

2.2 Investments

(₹ in Crore)

Items	31.03.2013	31.03.2012
(1) Value of Investments		
(i) Gross Value of Investments	3304.62	3147.45
(a) In India	3304.62	3147.45
(b) Outside India,	Nil	Nil
(ii) Provisions for Depreciation	3.57	2.30
(a) In India	3.57	2.30
(b) Outside India,	Nil	Nil
(iii) Net Value of Investments	3301.05	3145.15
(a) In India	3301.05	3145.15
(b) Outside India.	Nil	Nil
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	2.30	2.81
(ii) Add: Provisions made during the year	2.63	1.39
(iii) Less: Write-off/ write-back of excess provisions during the year	1.36	1.90
(iv) Closing balance	3.57	2.30

Note: Previous year's balances have been recast after excluding ₹ 2 crore pertaining to matured investment in MPSIDC to conform to current year classification.

2.2.1 Repo Transactions (In Face Value terms)

(₹ in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2013
Securities sold under repo				
i. Government Securities	Nil	275	60.79	Nil
ii Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo				
i. Government Securities	Nil	20	1.22	Nil
ii. Corporate debt securities	Nil	Nil	Nil	Nil

2.2.2 Non-SLR Investment Portfolio

i) Issuer composition of Non SLR investments

(₹ in Crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs	33.07	3.00	Nil	Nil	Nil
(ii)	FIs	4.00	4.00	Nil	Nil	Nil
(iii)	Banks	143.80	64.99	Nil	Nil	Nil
(iv)	Private Corporate	13.62	8.47	0.78	4.00	4.79
(v)	Subsidiaries/ Joint Ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Others (RIDF, RHF, MSME Fund)	155.27	Nil	Nil	Nil	Nil
(vii)	Provision held towards depreciation	(3.57)	X X X	X X X	X X X	X X X
	Total	346.19	80.46	0.78	4.00	4.79

ii) Non performing Non-SLR investments

(₹ in Crore)

Particulars	31.03.2013	31.03.2012
Opening balance	Nil	Nil
Additions during the year	Nil	Nil
Reductions during the above period	Nil	Nil
Closing balance	Nil	Nil
Total provisions held	Nil	Nil

2.2.3 Sale and transfers to/from HTM Category

The value of sales from HTM category in 2012-13 exceeds 5 per cent of the book value of investments held in HTM category at the beginning of the year requiring the following disclosures:

(₹ in Crore)

Market value of investments held in the HTM Category :	2874.72
Excess of book value over market value for which provision is not required to be made as per RBI guidelines	88.67

2.3. Derivatives : Nil

2.3.1 Forward Rate Agreement/ Interest Rate Swap : Nil

2.3.2 Exchange Traded Currency and Interest Rate Derivatives: Nil

2.3.3 Disclosures on risk exposure in derivatives: Nil

Qualitative & Quantitative Disclosure: Not Applicable

2.4. Asset Quality

2.4.1 Non-Performing Asset

(₹ in Crore)

Particulars	31.03.2013	31.03.2012
(i) Net NPAs to Net Advances (%)	**1.12%**	**1.10%**
(ii) Movement of NPAs (Gross)		
(a) Opening balance	182.93	192.45
(b) Additions during the year	171.31	100.20
(c) Reductions during the year	143.38	109.72
(d) Closing balance	**210.86**	**182.93**
(iii) Movement of Net NPAs		
(a) Opening balance	84.21	108.40
(b) Additions during the year	142.69	44.99
(c) Reductions during the year	127.65	69.18
(d) Closing balance	**99.25**	**84.21**
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	78.06	80.66
(b) Provisions made during the year	39.18	14.04
(c) Write-off/ write-back of excess provisions	26.22	16.64
(d) Closing balance	**91.02**	**78.06**

Annexure to Statement No : 21

2.4.2 Particulars of Accounts Restructured/Rescheduled as on 31.03.2013

(₹ in crore)

Sl. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset classification		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
	Details																					
1	Restructured Accounts as on April 1 of the FY (opening figure)	No. of borrowers	3	NIL	NIL	NIL	3	NIL	NIL	NIL	NIL	NIL	87	5	17	NIL	109	90	5	17	NIL	112
		Amount outstanding	123.69	NIL	NIL	NIL	123.69	NIL	NIL	NIL	NIL	NIL	216.78	1.43	4.23	NIL	222.44	340.47	1.43	4.23	NIL	346.13
		Provision thereon	7.35	NIL	NIL	NIL	7.35	NIL	NIL	NIL	NIL	NIL	0.83	0.06	0.01	NIL	0.9	8.18	0.06	0.01	NIL	8.25
2	Fresh restructuring during the year.	No. of borrowers	4	NIL	NIL	NIL	4	NIL	NIL	NIL	NIL	NIL	14	NIL	NIL	NIL	14	18	NIL	NIL	NIL	18
		Amount outstanding	148.91	NIL	NIL	NIL	148.91	NIL	NIL	NIL	NIL	NIL	82.23	NIL	NIL	NIL	82.23	231.14	NIL	NIL	NIL	231.14
		Provision thereon	13.47	NIL	NIL	NIL	13.47	NIL	NIL	NIL	NIL	NIL	0.7	NIL	NIL	NIL	0.7	14.17	NIL	NIL	NIL	14.17
3	Upgradations to restructured standard category during the FY.	No. of borrowers	NIL					NIL					NIL					NIL				
		Amount outstanding	NIL					NIL					NIL					NIL				
		Provision thereon	NIL					NIL					NIL					NIL				

4	Restructured standard advances which cease to attract higher provisioning and / or addtional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY.	No. of borrowers	1				1	NIL				NIL	52				52	53				53
		Amount outstanding	5.91				5.91	NIL				NIL	31.67				31.67	37.58				37.58
		Provision thereon	0.78				0.78	NIL				NIL	0.49				0.49	1.27				1.27
5	Downgradations of Restructured accounts during the FY.	No. of borrowers	NIL					NIL						1			1		1			1
		Amount outstanding	NIL					NIL						0.16			0.16		0.16			0.16
		Provision thereon	NIL					NIL						0.0078			0.0078		0.0078			0.0078
6	Write-offs of Restructured accounts during the FY.	No. of borrowers	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
		Amount outstanding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
7	Restructured accounts as on March 31 of the FY (closing figures*)	No. of borrowers	7	NIL	NIL	NIL	7	NIL	NIL	NIL	NIL	NIL	84	6	14	NIL	104	91	6	14	NIL	111
		Amount outstanding	271.54	NIL	NIL	NIL	271.54	NIL	NIL	NIL	NIL	NIL	278.67	2.93	2.22	NIL	283.82	550.21	2.93	2.22	NIL	555.36
		Provision thereon	14.25	NIL	NIL	NIL	14.25	NIL	NIL	NIL	NIL	NIL	1.28	0.057	0.0035	NIL	1.34	15.53	0.057	0.0035	NIL	15.59

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

*Includes one restructured standard advance with outstanding balance of Rs.72.83 crores for which formalities like issuance of State Government guarantee, execution of individual documentation as required under restructuring scheme are in progress

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

	2012-13	2011-12
(i) No. of accounts	Nil	58
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	₹ 5.41 Crore
(iii) Aggregate consideration	Nil	₹ 17.90 Crore
(iv) Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
(v) Aggregate gain/loss over net book value	Nil	₹ 12.49 Crore

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

Nil.

2.4.5 Provisions on Standard Assets

(₹ in Crore)

Particulars	31.03.2013	31.03.2012
Provisions held towards Standard Assets	46.47	33.80

2.5 Business Ratio

Particulars	31.03.2013	31.03.2012
(i) Interest Income as a percentage to Working Funds	10.27	9.97
(ii) Non-interest income as a percentage to Working Funds	0.74	0.79
(iii) Operating Profit as a percentage to Working Funds	0.79	0.87
(iv) Return on Assets (%)	0.25	0.24
(v) Business (Deposits plus advances) per employee	₹ 736 Lac	₹ 675 Lac
(vi) Profit per employee	₹ 1.16 Lac	₹ 0.97 Lac

2.6 Asset Liability Management

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

(₹ in Crore)

As on 31.03.2013	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	46.93	101.70	106.02	200.60	423.68	821.96	1249.12	3178.94	191.49	6021.19	12341.63
Advances	91.05	128.86	209.59	228.36	659.93	1337.43	1575.64	3635.90	519.17	465.59	8851.52
Investments	Nil	Nil	49.71	Nil	142.50	10.03	22.47	513.53	261.00	2301.81	3301.05
Borrowings	Nil	Nil	Nil	Nil	Nil	12.82	13.65	131.14	Nil	41.80	199.41
Foreign Currency assets	42.93	0.59	8.81	7.35	62.82	29.56	0.40	0.13	1.86	17.91	172.36
Foreign Currency liabilities	10.95	0.61	1.31	1.12	5.46	13.77	30.21	34.96	11.27	Nil	109.66

Note: Deposits have been classified as per behavioural maturity.

2.7.1 Exposure to Real Estate Sector (₹ in Crore)

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

Category	**31.03.2013**	**31.03.2012**
a) Direct exposure		
(i) Residential Mortgages		
a) Priority sector	255.27	268.48
b) Non priority sector	103.72	92.08
(Of which staff housing loans)	(70.67)	(69.20)
c) Total	358.99	360.56
(ii) Commercial Real Estate	320.59	267.96
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential,	Nil	Nil
b. Commercial Real Estate.	Nil	Nil
b) Indirect Exposure		
Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil
Total Exposure to Real Estate Sector	**679.58**	**628.52**

2.7.2 Exposure to Capital Market

(₹ in Crore)

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

Sl No	Items	31.03.2013	31.03.2012
1	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	0.13	0.13
2	Advances against shares/bonds/debentures of other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds	0.14	0.18
3	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	0.01	0.01
4	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/ convertible debentures/units of equity oriented mutual funds does not fully cover the advances	Nil	Nil
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	0.64	0.50
6	Loans sanctioned to corporate against the security of shares/ bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	Nil	Nil
7	Bridge loans to companies against expected equity flows/ issues	Nil	Nil
8	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	Nil	Nil
9	Financing to stock brokers for margin trading	Nil	Nil
10	All exposures to Venture Capital Funds	Nil	Nil
	Total Exposure to Capital Market	0.92	0.82

2.7.3 Risk category wise country exposure (As compiled by the management and relied upon by the auditors) (₹ in Crore)

Risk Category	Exposure (Net) as at 31.03.2013	Provision held as at 31.03.2013	Exposure (Net) as at 31.03.2012	Provision held as at 31.03.2012
Insignificant	43.27	Nil	87.56	Nil
Low	13.10	Nil	22.42	Nil
Moderate	2.85	Nil	2.43	Nil
High	0.48	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	59.70	Nil	112.41	Nil

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

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

(₹ in Crore)

Sl No	Name of Borrower	Total Exposure as on 31.03.2013
1	Ajmer Vidyut Vitran Nigam Limited	135.60
2	TANGEDCO	108.66

2.7.5 Unsecured Advances

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

2.8 Miscellaneous

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

	31.03.2013	31.03.2012
Provision for Income Tax (including Deferred Tax & wealth tax)	9.23	3.59

2.8.1 Disclosure of Penalties imposed by RBI

Nil.

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

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

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

3.2 Accounting Standard 9 – Revenue Recognition

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

3.3 Accounting Standard 15 (Revised) –Employee Benefits

During financial year 2010-11, the bank re opened pension for those employees who had not opted for the pension scheme earlier. Further during the same year the limit of gratuity payable to the employees was also enhanced pursuant to the amendment to the Payment of Gratuity Act, 1972. In accordance with the RBI Circular DBOD.No. BP. BC.80/21.04.018/2010-11 dated February 9, 2011 and RBI Letter DBOD.No.BP.BC.15896/21.04.018/2010-11 dated April 08, 2011 the Bank had amortized the pension and enhanced gratuity (in the cases mentioned above) for a period of 5 years commencing from 31.03.2011. Accordingly ₹ 12.10 Crore (representing 1/5th of ₹ 60.48 crores (Pension ₹ 39.74 crore and Gratuity ₹ 20.74 Crore)) has been charged to the Profit and Loss account during the year. The balance amount carried forward for future amortization is ₹ 24.19 crore. Had such a circular not been issued by the RBI and accounting had been done in terms of Accounting Standard 15, the profit after tax of the Bank for the year would have been higher by ₹ 8.17 Crore and Reserves and Surplus would have been lower by ₹ 16.33 crore.

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

Contributions to employee provident fund and new pension scheme (contributory), debited to Profit & Loss Account during the year amount to ₹ 2.02 Crore (previous year ₹ 1.49 Crore). There is no deficit in the Income & Expenditure of the provident fund (previous year also no deficit).

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

3.3.2.1 Amount recognised in Balance Sheet and Profit & Loss Account

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

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Present Value of Obligations - Closing	249.10	222.60	81.30	77.52	52.83	42.84
Fair Value of Plan Assets - Closing	170.01	148.15	65.57	58.14	N.A.	N.A.
Funded Status	79.09	74.45	15.73	19.38	52.83	42.84
Unrecognised Actuarial Gains	Nil	Nil	Nil	Nil	Nil	Nil
Less Amount unamortised and carried forward as per RBI letter DBOD. No.BP. BC. 15896/21.04.018/2010-11 dated April 08, 2011	15.89	23.84	8.30	12.44	N.A.	N.A.
Net Liability recognised in Balance Sheet (included in Item No. IV. Others of Schedule 5 – Other Liabilities & Provisions)	63.20	50.61	7.43	6.94	52.83	42.84

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

(₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Current Service Cost	51.85	52.00	3.46	3.91	3.05	2.03
Past Service Cost	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Interest Cost	16.62	16.03	6.15	6.43	3.33	2.94
Expected Return on Plan Assets	(-) 12.59	(-) 14.33	(-) 4.94	(-) 4.79	N.A.	N.A.
Net Actuarial Loss/(Gain) recognised in the year	7.32	1.41	2.76	1.39	10.93	8.12
Total, (included in Item I. "Payment to and provisions for employees" of Schedule 16 – Operating Expenses)	63.20	55.11	7.43	6.94	17.31	13.09

3.3.2.2 Changes in Fair value of plan assets

(₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Fair Value of Plan Assets at the beginning of the year	148.15	168.56	58.14	56.33	N.A.	N.A.
Expected Return on Plan Assets	12.59	14.33	4.94	4.79	N.A.	N.A.
Contributions	58.56	30.66	11.09	15.06	7.32	9.74
Benefits Paid	54.16	59.93	10.25	16.47	7.32	9.74
Actuarial (Loss)/Gain	4.87	(5.46)	1.65	(1.57)	N.A.	N.A.
Fair value of plan assets at the end of the year	170.01	148.15	65.57	58.14	N.A.	N.A.

3.3.2.3 Changes in Present Value of Obligations

(₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Present Value of Obligations at the beginning of the year	222.60	218.56	77.52	83.83	42.84	39.49
Interest Cost	16.62	16.03	6.15	6.43	3.33	2.94
Current Service Cost	51.85	52.00	3.46	3.91	3.05	2.03
Past Service Cost	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Benefits Paid	54.16	59.93	10.25	16.47	7.32	9.74
Actuarial Loss/(Gain)	12.19	(4.06)	4.41	(0.18)	10.93	8.12
Present Value of Obligations at the end of the year	249.10	222.60	81.29	77.52	52.83	42.84

3.3.2.4 Movement in Net Liability Recognised in Balance Sheet

(₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Net Liability at the beginning of the period	50.61	18.21	6.94	10.91	42.84	39.49
Add Expenses Charged to Profit & Loss Account	71.15	63.06	11.58	11.09	17.31	13.09
Less Contributions	58.56	30.66	11.09	15.06	7.32	9.74
Net Liability at the end of the period	63.20	50.61	7.43	6.94	52.83	42.84

3.3.2.5 Actual Return on Plan Assets

(₹ in Crore)

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Expected Return on Plan Assets	12.59	14.33	4.94	4.79	N.A.	N.A.
Actuarial Gain (Loss)	4.87	(5.46)	1.65	(1.57)	N.A.	N.A.
Actual Return on Plan Assets	17.46	8.87	6.59	3.22	N.A.	N.A.

3.3.2.6 Actuarial Assumptions

	Pension		Gratuity		Long term Compensated Absences (Privilege Leave)	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Discount Rate (p.a.)	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Expected Return on Plan Assets (p.a.)	8.50%	8.00%	8.50%	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).	

3.3.2.7 Investment Percentage maintained by Pension & Gratuity Trust

	Pension		Gratuity	
	As on 31.03.2013	As on 31.03.2012	As on 31.03.2013	As on 31.03.2012
Life Insurance Companies	47.12%	32.20%	31.49%	13.33%
Central Govt. Securities	16.70%	18.46%	28.75%	33.16%
State Govt. Securities	12.30%	9.31%	13.79%	21.10%
Other Trust Securities (PSU)/ Deposits with Banks etc.	23.88%	40.03%	25.97%	32.41%
Total	100.00%	100.00%	100.00%	100.00%

3.3.2.8 Experience Adjustments

(₹ in Crore)

	Pension		Gratuity	
	2012-13	2011-12	2012-13	2011-12
On Benefit Obligation (Gain+/Loss-)	-12.19	-8.93	-4.41	-3.65
On Plan Assets (Gain+/Loss-)	+4.87	+5.11	+1.65	-0.80

3.3.2.9 Expected Contributions

Bank's best estimates of contributions to the funds in 2013-14 are as follows:

Pension: ₹ 150 Crore

Gratuity: ₹ 20 Crore

3.3.3. Other Long term Employee Benefits

a) As on 31.03.2013 the Bank holds provision of ₹ 0.38 Crore (previous year ₹ 0.30 Crore) towards provision for Leave Fare Concession based on actuarial valuation.

b) The bank had provided ₹ 2.93 crore towards provision for sick leave and ₹ 0.16 crore towards unavailed casual leave upto 31.03.2012.The sick leave and unavailed casual leave being non-encashable, the amounts have been written back in the profit and loss account in 2012-13.

3.4 Accounting Standard 17 – Segment Reporting

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

Part A: Business Segments (₹ in Crore)

Business Segments →	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Business		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenue	276.79	218.79	386.51	395.17	737.91	531.31	14.24	15.61	1415.45	1160.87
Result	(91.82)	(87.42)	57.24	80.37	133.21	99.35	3.35	1.20	101.98	93.50
Unallocated expenses									Nil	Nil
Operating profit									101.98	93.50
Provisions other than tax									60.08	64.01
Provision for Tax									9.23	3.59
Extraordinary profit/ loss									Nil	Nil
Net profit									32.67	25.90
OTHER INFORMATION										
Segment assets	3591.16	3197.50	2982.97	3145.44	6365.17	5008.28	5.78	3.57	12945.08	11354.79
Unallocated assets									675.04	694.29
Total assets									13620.12	12049.08
Segment liabilities	38.39	334.27	4611.26	3333.18	8710.64	8141.65	18.37	14.67	13378.66	11823.77
Unallocated liabilities									241.46	225.31
Total liabilities									13620.12	12049.08

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

3.5 Accounting Standard 18 – Related Party disclosures

Name of the Party	Nature of Relationship
Sri. V.P.Iswardas	Key Management Personnel (Up to the completion of the term of office on 30.11.2012)

Note: In accordance with the RBI Guidelines on compliance with Accounting Standards by the Banks, the details of transactions with Key Management Personnel have not been disclosed since there is only one entity in the respective category of the related party.

3.6 Accounting Standard 22 – Accounting for Taxes on Income

Net Deferred Tax Asset as on 31.03.2013, computed in compliance with the Accounting Standard 22 on Accounting for Taxes on Income, amounts to ₹ 40.17 Crore, which is included in Item No.5 “Others” of Schedule 11-Other Assets.

Components of Net Deferred Tax Asset as on 31.03.2013 are as follows:

(₹ in Crore)

	31.03.2013	31.03.2012
Deferred Tax Asset		
Provision for Employee Benefits	18.09	14.92
Provision for Standard Assets	15.80	10.97
Counter Cyclical Provisioning Buffer	4.27	4.65
Others	6.13	3.46
Total Deferred Tax Asset	44.29	34.00
Deferred Tax Liability		
Depreciation on Fixed Assets	4.12	4.01
Net Deferred Tax Asset	40.17	29.99

3.7 Accounting Standard 25 – Interim Financial Reporting

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

4 Other Accounting Standards

4.1 Accounting for Fixed Assets (AS 10)

a) The land and buildings owned by the bank were revalued in 1990-91,1993-94,1998-99, 2004-05,2006-07,2007-08 & 2012-13 and appropriation credited to revaluation reserve. During the year, the land and buildings owned by the Bank were revalued as on 30.06.2012 by approved valuer and the resultant appreciation of ₹ 89.18 crore has been credited to Revaluation Reserve.

b) Depreciation for the 12 month period on the net addition to value on revaluation of assets of ₹ 1.23 Crore has been transferred from Revaluation Reserve to Profit and Loss Account.

4.2 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.

4.3 Accounting Standard 19 – Leases

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

4.4 Accounting Standard 20 – Earnings per Share

The Bank reports basic and diluted earnings per equity share in accordance with AS 20, "Earnings per share" prescribed by the Companies (Accounting Standards) Rules, 2006. Basic Earnings per share (EPS) reported is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period except where the results are anti dilutive.

Particulars	2012-13	2011-12 *
EPS-Basic/Diluted	₹ 8.76	₹ 6.95
Amount used as numerator- Profit after Tax (in crore)	32.67	25.90
Nominal value per Equity Share	₹ 10	₹ 10
Weighted Average Number of Equity Shares used as denominator	37309480	37272385

* Earnings per Share for previous year has been recast in the light of rights issue of 2012-13 in line with the relevant provisions of AS 20

4.5 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)

	31.03.2013	31.03.2012
a) Acquired Application Software		
Opening Balance at cost	5.18	4.63
Add Additions during the year	0.66	0.55
Less Disposals during the year	Nil	Nil
Less Amortisation to date	4.24	3.43
Net Carrying Amount*	1.60	1.75

		31.03.2013	31.03.2012
b)	Internally Generated Software		
	Opening Balance at cost	8.26	7.85
	Add Additions during the year	0.79	0.41
	Less Disposals during the year	Nil	Nil
	Less Amortisation to date	7.62	6.31
	Net Carrying Amount*	1.43	1.95
Total Carrying Amount		3.03	3.70

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

4.6 Impairment of Assets (Accounting Standard 28)

In the opinion of the Bank’s management, there is no material impairment to the fixed assets as at 31.03.2013 requiring recognition in terms of Accounting Standard 28 – Impairment of Assets.

4.7 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.

4.7.1 Description of Contingent Liabilities

a) Claims against the bank not acknowledged as debts

These represent claims filed against the bank in the normal course of business relating to various legal cases currently in progress.

b) Guarantee given on behalf of constituents

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

c) Acceptances, endorsements and other obligations

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

5. Additional Disclosures as per RBI Guidelines

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

(₹ in Crore)

		31.03.2013	31.03.2012
a	Provisions towards NPA/write offs & Counter Cyclical Provision	39.18	*45.98
b	Add back of eligible amount of provision held in respect of Agricultural Debts Waived	Nil	Nil
c	Depreciation and write off of investments	1.27	(0.51)
d	Provision for Income tax (Including Deferred Tax and Wealth Tax)	9.23	3.59
e	Provision for Standard Assets	12.67	10.90
f	Provision for diminution on Restructured Advances	7.34	6.39
g	Other provisions	(0.38)	1.25
	Total	69.31	67.60

* includes ₹14.35 Cr debited to P&L for creation of Counter cyclical provisioning buffer.

5.2 Floating Provisions

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

5.3 Draw Down from Reserves

Nil

5.4 Disclosure of complaints

a) Customer Complaints

a)	No. of complaints pending at the beginning of the year	13
b)	No. of complaints received during the year	107
c)	No. of complaints redressed during the year	119
d)	No. of complaints pending at the end of the year	1

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

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

Not applicable since the bank has no subsidiaries.

5.6 Provisioning Coverage Ratio

	As on 31.03.2013	As on 31.03.2012
Provisioning Coverage Ratio	63.28%	61.92%

5.7 Income from Bancassurance

(₹ in Crore)

Sl.No.	Nature of Income	2012-13	2011-12
1.	From Selling Life Insurance Policies	0.34	2.20
2.	From Selling Non Life Insurance Policies	0.52	0.47
3.	From Selling Mutual Fund Products	0.04	0.08
4.	Others	Nil	Nil
5.	Total	0.90	2.75

5.8 Concentration of Deposits, Advances, Exposures and NPAs

5.8.1 Concentration of Deposits

	As on 31.03.2013	As on 31.03.2012
Total Deposits of twenty largest depositors (₹ in Crore)	2037.04	1479.94
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	16.51%	13.97%

5.8.2 Concentration of Advances

	As on 31.03.2013	As on 31.03.2012
Total Advances to twenty largest borrowers (₹ in Crore)	1180.65	1210.93
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	11.53%	13.35%

5.8.3 Concentration of Exposures

	As on 31.03.2013	As on 31.03.2012
Total Exposures to twenty largest borrowers/customers (₹ in Crore)	1188.33	1214.58
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	11.50%	13.26%

5.8.4 Concentration of NPAs

(₹ in Crore)

	As on 31.03.2013	As on 31.03.2012
Total Exposures to top four NPA Accounts	53.26	40.20

5.9 Sector wise NPAs (₹ in Crore)

Sl. No.	Sector	Percentage of NPAs to Total Advance in that Sector	
		As on 31.03.2013	As on 31.03.2012
1.	Agriculture & allied activities	1.13%	0.60%
2.	Industry (Micro & small, Medium and Large)	1.30%	2.68%
3.	Services	1.99%	2.29%
4.	Personal Loans	0.47%	0.82%

5.10 Movement of NPA (₹ in Crore)

Particulars	2012-13	2011-12
Opening Balance of Gross NPA	182.93	192.45
Additions (Fresh NPAs) during the year	171.31	100.20
Sub-total (A)	354.24	292.65
Less:-		
(i) Upgradations	65.29	13.51
(ii) Recoveries (excluding recoveries made from upgraded accounts)	52.52	62.82
(iii) Write-offs	25.57	33.39
Sub-total (B)	143.38	109.72
Closing balance of Gross NPA (A – B)	210.86	182.93

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

Particulars	31.03.2013	31.03.2012
Total Assets (Deposits with banks outside India)	38.47	40.91
Total NPAs	Nil	Nil
Total Revenues (Interest on Deposits with banks outside India)	0.01	0.01

5.12 Off-balance Sheet SPVs sponsored

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

Nil

5.13 Unamortised Pension and Gratuity Liabilities (₹ in Crore)

Particulars	2012-13	2011-12
Unamortised Pension Liability	15.89	23.84
Unamortised Gratuity Liability	8.30	12.44
Total	24.19	36.28

5.14 Disclosure on Remuneration

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

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

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

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

			Current Year	Previous Year
	Quantitative disclosures (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer / Other Risk Takers)		Current Year	Previous Year
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		2 ₹ 40,000	1 ₹ 12,000
(h)	(i)	Number of employees having received a variable remuneration award during the financial year.	1	1
	(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(i)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil	Nil
	(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (on payment basis).		₹ 14,95,000(F) ₹ 4,50,000(V)	₹ 18,00,000(F) ₹ 3,30,000(V)
(k)	(i)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil
	(ii)	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil	Nil
	(iii)	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil

5.15. Disclosures relating to Securitisation

Not applicable to the Bank

5.16 Credit Default Swaps

Nil

6. Small and Micro Industries

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

7. Comparative Figures

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

As per our report of even date

Sd/-
S Santhanakrishnan
Chairman

Sd/-
S Ramakrishnan
Chairman-Audit Committee

Sd/-
Ajay Lal
Director

Sd/-
C Bobby Jos
Director

Sd/-
K Ipe Peter
Director

Thrissur
17.05.2013

Sd/-
Rakesh Bhatia
Managing Director & CEO

Sd/-
Sijo Varghese
Company Secretary

Sd/-
A Radhakrishnan
Executive Director

Sd/-
U R Giridharan
General Manager

Sd/-
V P Bhaskaran
General Manager (Operations)

Sd/-
Jiz P Kottukappally
AGM (Accounts)

For Sundaram & Srinivasan
Chartered Accountants
FRN No:004207 S

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

For Varma & Varma
Chartered Accountants
FRN No.004532 S

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

CASH FLOW STATEMENT AS ON 31.03.2013

(₹ in thousand)

PARTICULARS	2012-13	2011-12
A. CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX	**418946**	**294928**
Adjustments for:		
Depreciation on Fixed Assets	53661	63742
Amortisation of Intangible Assets	21276	22179
Provisions and Contingencies	600844	640087
Interest Paid on Tier II Bonds	111026	74600
Others	71112	22943
Operating Profit before Working Capital Changes	**1276865**	**1118479**
Adjustments for Working Capital Changes:		
Advances	(12344998)	(14958814)
Investments	(1571742)	(4543768)
Other Operating Assets	(503094)	(381949)
Deposits	17367553	18792006
Borrowings	(3600589)	2098462
Other Operating Liabilities	(28786)	492436
Cash generated from Operating Activities	**595209**	**2616852**
Direct Taxes Paid (Net of refunds)	8876	(146938)
Net Cash flow from Operating Activities (A)	**604085**	**2469914**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Net Additions to Fixed Assets and Computer Software	(125558)	(74697)
Net Cash flow from Investment Activities (B)	**(125558)**	**(74697)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital	104831	681
Share Premium	682241	6610
Tier II Bonds Issued	Nil	418000
Redemption of Tier II Bonds	(160000)	Nil
Interest Paid on Tier II Bonds	(111026)	(74600)
Dividend paid (including Dividend Tax)	(54491)	(36702)
Net Cash generated from financing activities (C)	**461555**	**313989**
D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	**940082**	**2709206**
Cash and Cash Equivalents at the Beginning of the Year	9710103	7000897
Cash and Cash Equivalents at the End of the Year	10650185	9710103

Sd/-
S Santhanakrishnan
Chairman

Sd/-
S Ramakrishnan
Chairman-Audit Committee

Sd/-
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Director

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C Bobby Jos
Director

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17.05.2013

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Company Secretary

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Executive Director

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U R Giridharan
General Manager

Sd/-
V P Bhaskaran
General Manager (Operations)

Sd/-
Jiz P Kottukappally
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As per our report of even date

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

Basel II Disclosures

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 31.03.2013	As on 31.03.2012
Tier 1 Capital		
Paid up Share capital	41.90	31.42
Share Premium	290.66	222.44
Statutory Reserves	139.65	131.48
Capital Reserves	39.71	31.57
Special Reserve (36 (i) (viii))	16.05	10.40
Other eligible reserves	93.58	92.26
Total Tier 1 Capital (Gross)	621.55	519.57
Less Deferred Tax Assets and Other Intangible Assets	45.01	35.11
Total Tier 1 Capital (Net) [A]	**576.54**	**484.46**
Tier 2 Capital		
Subordinated debt (eligible for inclusion in Lower Tier 2 capital)	117.50	133.50
(Of which amount raised during the current year)	Nil	41.80
Less Discount	62.56	63.42
Subordinated debt eligible to be reckoned as capital funds	54.94	70.08
Revaluation Reserves after discounting	57.02	17.45
Provision for Standard Assets	46.47	33.80
Investment Reserve	1.58	2.22
Total Tier 2 Capital (Net) [B]	**160.01**	**123.55**
Total eligible capital [A] + [B]	**736.55**	**608.01**

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 assessed its own internal estimate of risk capital based on its Board approved ICAAP policy and Stress Testing Policy to cover the Pillar 2 risks. Risks are assumed in line with the Bank's risk bearing capacity and capability in order to generate yields, taking risk-return frontier into account. This aims to ensure that risks that could jeopardize the Bank's existence are avoided.

Quantitative Disclosures:

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

Portfolios	Gross Exposure		Capital Requirement	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
On Balance Sheet				
Cash & Balance with RBI	629.26	686.48	Nil	Nil
Inter Bank Deposits	435.76	284.53	8.88	6.23
Investments (HTM)	3,118.65	2,785.88	14.96	26.04
Advances	8,851.52	7,663.54	400.31	369.05
Fixed Assets & Other Assets	402.53	269.38	23.65	10.85
Total	13,437.72	11,689.81	447.80	412.17
Off Balance Sheet				
Letter of Credit & Guarantees	311.79	301.93	12.66	12.20
Undrawn Credit Commitments	1,057.02	1,079.25	15.60	15.82
Forward Exchange Contracts	529.41	653.68	0.56	0.97
Total	1,898.22	2,034.86	28.82	28.99
Total On & Off Balance Sheet	15,335.94	13,724.67	476.62	441.16

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

Type of Market Risk	Gross Exposure		Capital Requirement	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
Interest Rate Risk	180.68	358.59	6.34	7.90
Foreign Exchange Risk	11.07	7.73	1.00	0.70
Equity Risk	1.72	0.67	0.46	0.18
Total	193.47	366.99	7.80	8.78

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

	As on 31.03.13	As on 31.03.12
Capital Requirement	55.02	36.00
Equivalent Risk Weighted Assets	611.38	400.00

Total Capital Requirement (₹ in Crore)

Type of Risk	Capital Requirement		Risk Weighted Assets	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
Credit Risk	476.62	441.16	5295.72	4902.64
Market Risk	7.80	8.78	86.72	97.57
Operational Risk	55.02	43.92	611.38	487.99
Total	**539.44**	**493.86**	**5993.82**	**5488.20**
Total Net Tier 1 Capital			576.54	484.46
Tier 1 Capital Ratio (%)			9.62%	8.83%
Total Tier 2 Capital			160.01	123.55
Tier 2 Capital Ratio (%)			2.67%	2.25%
Total Capital Funds			736.55	608.01
Capital Adequacy Ratio as per Basel II Norms (%)			12.29%	11.08%

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. If the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as NPA.

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

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

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

b) Credit Risk Management Policy

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

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

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

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

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

Rating migration studies are conducted at regular intervals.

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

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

Quantitative Disclosures

a) Gross Credit Risk Exposure – Banking Book

(₹ in Crore)

	Loans		Investments	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
Fund Based	8851.52	7663.54	3118.65	2785.88
Non Fund Based	311.79	301.93	0.00	0.00
Total	9163.31	7965.47	3118.65	2785.88

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

	Advances, Letter of Credit & Guarantees		Investments	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
Central Government	Nil	Nil	2815.77	2452.19
State Governments	Nil	Nil	114.55	78.67
Public Sector	287.77	291.28	33.06	33.08
Manufacturing Industries				
a) Cotton Textiles	440.20	403.96	Nil	Nil
b) Other Textiles	147.55	163.87	Nil	Nil
c) Chemicals	255.48	273.30	Nil	Nil
d) All Engineering	136.73	239.65	Nil	Nil
e) Food Processing	157.55	142.27	Nil	Nil
f) Other Industries	720.20	720.71	Nil	Nil
Total Manufacturing Industries	1857.71	1943.76	Nil	Nil
Agriculture	495.17	1148.77	Nil	Nil
Residential Mortgage	284.53	291.36	Nil	Nil
Commercial Real Estate	237.54	200.22	Nil	Nil
Consumer Credit	3220.85	1444.91	Nil	Nil
Students	133.16	106.04	Nil	Nil
Wholesale & Retail Trade	1102.27	965.82	Nil	Nil
Banks	4.01	165.27	Nil	Nil
RIDF, RHF, MSME Fund	Nil	Nil	155.27	221.94
NBFCs	150.01	146.08	Nil	Nil
Own Staff	190.91	185.80	Nil	Nil
All Others	1199.38	1076.16	Nil	Nil
	9163.31	7965.47	3118.65	2785.88

c) Residual contractual maturity breakdown of assets

(₹ in Crore)

	Cash & Balance with RBI		Balance with banks and Money at Call & Short Notice		Advances		Investments		Fixed Assets & Other Assets	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
Day 1	152.81	196.75	53.26	52.04	91.04	167.86	Nil	Nil	Nil	1.77
2-7 days	Nil	Nil	Nil	75.00	128.86	124.02	Nil	88.97	0.36	2.11
8-14 days	Nil	Nil	25.00	Nil	209.59	170.61	49.71	68.18	1.64	11.56
15-28 days	12.23	12.18	76.50	51.50	228.36	257.80	Nil	49.00	11.59	12.45
29d-3Mon	23.69	28.60	278.00	103.00	659.93	459.04	142.50	58.85	40.65	20.77
3-6 Mon	35.67	38.65	3.00	3.00	1337.44	748.04	10.03	65.90	17.12	12.53
6M-1Yr	48.35	41.04	Nil	Nil	1575.64	1361.49	22.46	21.87	Nil	0.68
1-3Years	122.01	124.56	Nil	Nil	3635.90	3311.95	513.53	408.54	Nil	40.74
3-5 Years	9.32	7.60	Nil	Nil	519.17	621.59	261.00	350.08	Nil	Nil
> 5 Yrs	225.18	237.09	Nil	Nil	465.59	441.14	2301.82	2033.76	331.17	164.77
Total	629.26	686.47	435.76	284.54	8851.52	7663.54	3301.05	3145.15	402.53	267.38

d) Disclosures regarding Non Performing Assets

(₹ in Crore)

	As on 31.03.2013	As on 31.03.2012
Amount of NPAs (Gross)		
Substandard	89.40	61.27
Doubtful 1	40.48	46.80
Doubtful 2	43.67	25.55
Doubtful 3	31.53	41.20
Loss	5.78	8.11
Total Gross NPAs	210.86	182.93
Net NPAs	99.25	84.21
NPA Ratios		
Gross NPAs to Gross Advances	2.35%	2.36%
Net NPAs to Net Advances	1.12%	1.10%
Movement of NPAs (Gross)		
Opening balance	182.93	192.45
Additions	171.31	100.20
Reductions	143.38	109.72
Closing balance	210.86	182.93
Movement of provisions for NPAs		
Opening balance	78.06	80.66
Provisions made during the period	39.18	14.04

Write-off & Write back of excess provisions	26.22	16.64
Closing balance	91.02	78.06
Amount of Non-Performing Investments	Nil	Nil
Amount of provisions held for non performing investments	Nil	Nil
Movement of provisions for depreciation on investments		
Opening balance	2.30	2.81
Provisions made during the period	2.63	1.39
Write-off & Write back of excess provisions	1.36	1.90
Closing balance	3.57	2.30

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 India Ratings are considered for arriving at the capital requirement.

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

Quantitative Disclosures

Risk weight wise classification of exposures (₹ in Crore)

	Gross Credit Exposure		Capital Deductions		Exposure after Capital Deductions	
	(A)		(B)		(C) = (A) – (B)	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
Advances, Letter of Credit & Guarantees						
Below 100% risk weight	3224.07	3742.67	Nil	Nil	3224.07	3742.67
100% risk weight	2004.46	2309.29	Nil	Nil	2004.46	2309.29
More than 100% risk weight	3934.78	1913.51	Nil	Nil	3934.78	1913.51
Total	9163.31	7965.47	Nil	Nil	9163.31	7965.47
Investments						
Below 100% risk weight	2963.38	2563.94	Nil	Nil	2963.38	2563.94
100% risk weight	155.27	221.94	Nil	Nil	155.27	221.94
More than 100% risk weight	0.00	0.00	Nil	Nil	0.00	0.00
Total	3118.65	2785.88	Nil	Nil	3118.65	2785.88

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). In addition to this, bank is maintaining extra capital for its gold loan portfolio in Pillar 2 capital computations.

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

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

Quantitative Disclosures

a) Exposures Covered by Eligible Financial Collateral (After Haircuts) (₹ in Crore)

	As on 31.03.2013	As on 31.03.2012
Corporate	15.94	222.32
Regulatory Retail	602.98	1234.83
Personal Loans	3024.60	1273.82
Total	3643.52	2730.97

b) Exposures Covered by Guarantee (₹ in Crore)

	As on 31.03.2013	As on 31.03.2012
Corporate	380.08	304.80
Regulatory Retail	198.54	105.77
Total	578.62	410.57

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

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

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

Quantitative Disclosures

Capital Requirement for Market Risk (₹ in Crore)

Type of Market Risk	Gross Exposure		Capital Requirement	
	As on 31.03.13	As on 31.03.12	As on 31.03.13	As on 31.03.12
Interest Rate Risk	180.68	358.59	6.34	7.90
Foreign Exchange Risk	11.07	7.73	1.00	0.70
Equity Risk	1.72	0.67	0.46	0.18
Total	193.47	366.99	7.80	8.78

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.

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 12 months.

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

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

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

Quantitative Disclosures

Interest Rate Risk – Earnings Perspective

1 Year Change in Market Rates (Parallel Shift)	Impact (₹ in Crore)	
	As on 31.03.13	As on 31.03.12
+25 basis points	+7.17	+3.12
-25 basis points	-7.17	-3.12

Interest Rate Risk – Economic Value Perspective

1 Year Change in Market Rates (Parallel Shift)	Impact (₹ in Crore)	
	As on 31.03.13	As on 31.03.12
+25 basis points	-5.20	+3.06
-25 basis points	+5.20	-3.06

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 31.03.2013 as per Basel II norms is ₹ 539.44 crore and 80% of minimum capital required as per Basel I norms is ₹ 619.94 crore. Thus, due to application of prudential floor, minimum capital to be maintained by the bank is ₹ 619.94 crore. Actual capital maintained by the bank as on 31.03.2013 is ₹ 736.55 crore which is well above this requirement.

HIGHLIGHTS

[₹.in Crore]

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Capital & Reserves	388.30	389.82	545.05	565.55	757.55
Deposits	6332.83	6978.35	8725.67	10604.87	12341.63
Advances	3683.84	4466.94	6220.02	7663.54	8851.52
Investments	2183.97	2289.41	2690.26	3145.15	3301.05
Net Profit	37.19	1.65	12.18	25.90	32.67
Branches	363	364	364	372	390
Staff	2676	2696	2820	2729	2882
Capital Adequacy Ratio	12.29%	10.82%	11.22%	11.08%	12.29%

Expanding the Reach

Solan branch-
Himachal Pradesh

Silvassa Branch-
Dadar & Nager Haveli

Ujjain Branch-
Madhya Pradesh

The Catholic Syrian Bank Ltd.

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