

FORM A

Covering letter of the annual audit report to be filed with the stock exchange

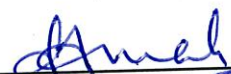
1	Name of the Company	The South Indian Bank Ltd
2	Annual Financial Statements for the year ended	31 st March 2014
3	Type of Audit qualification	Emphasis of Matter
4	Frequency of qualification	1. Emphasis of Matter on Deferment of pension and gratuity liability repeating since March 31, 2011 2. Emphasis of Matter on Creation of Deferred Tax Liability on Special Reserve under section 36(1)(viii) for the first time in the current year.



Dr V. A. Joseph
 CEO/Managing Director



K Thomas Jacob
 Audit Committee Chairman



Subramanian Suresh
 Auditor of the company



C P Gireesh
 CFO

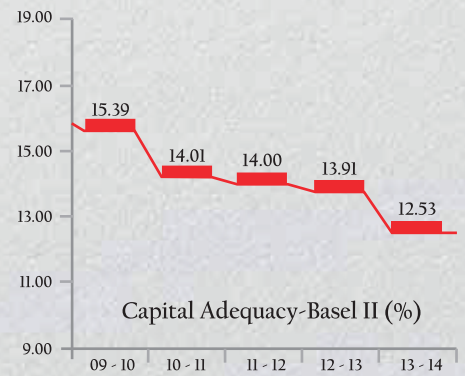
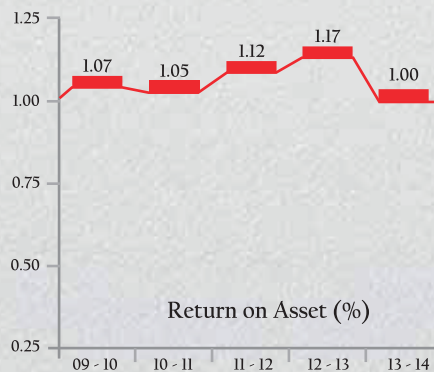
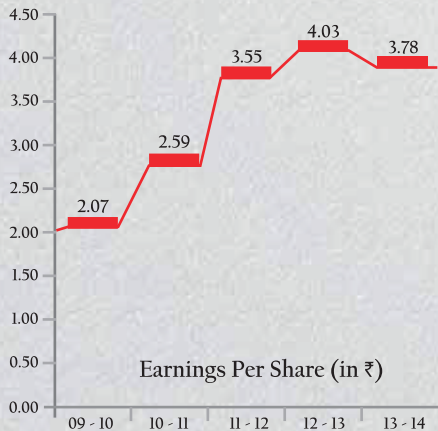
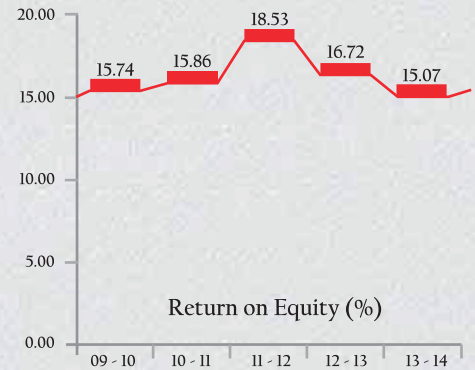
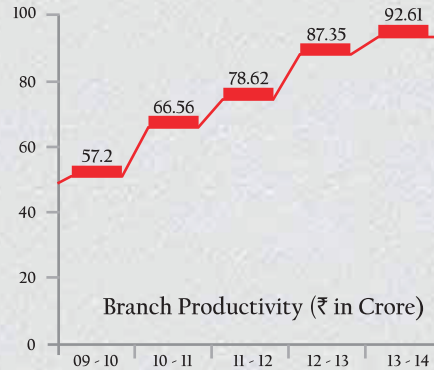
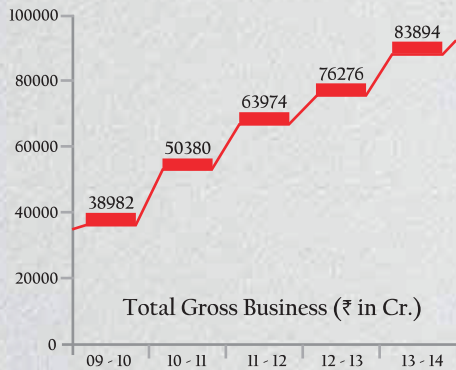
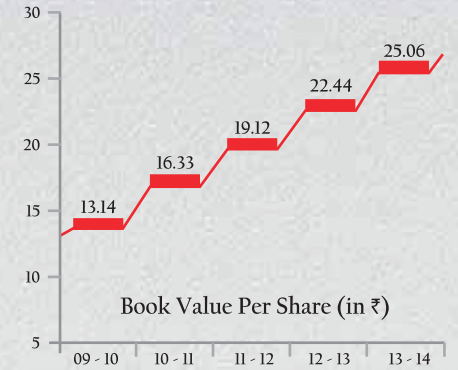
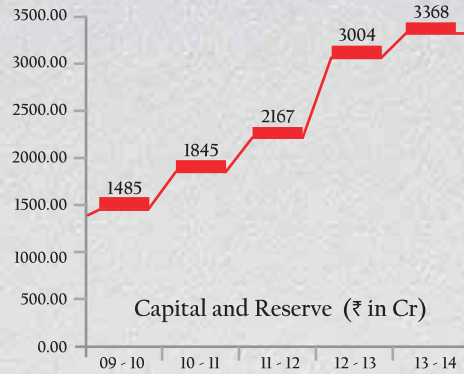
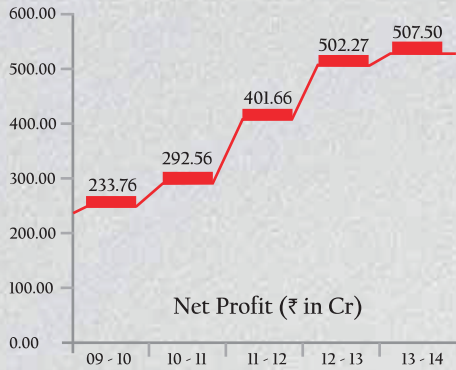
Date: April 24, 2014
Place Pune

Date: April 24, 2014
Place: Chennai

86th ANNUAL REPORT
2013-2014



G R O W T H I N D I C A T O R S



BOARD OF DIRECTORS



Left to Right

Dr. N. J. Kurian, Independent Director
Mr. Mathew L. Chakola, Independent Director
Dr. John Joseph Alapatt, Independent Director
Mr. Francis Alapatt, Independent Director
Dr. V. A. Joseph, Managing Director & CEO
Mr. Amitabha Guha, Chairman
Mr. K. Thomas Jacob, Independent Director
Mr. Mohan E. Alapatt, Independent Director
Mr. Paul Chalissery, Independent Director
Mr. Salim Gangadharan, Independent Director

EXECUTIVE VICE PRESIDENT



Mr. V.G. Mathew



Mr. Abraham Thariyan

◀ EXECUTIVE DIRECTORS ▶



Mr. Cheryan Varkey

CHIEF GENERAL MANAGERS



Mr. Joseph George Kavalam



Mr. A. G. Varughese

GENERAL MANAGERS*



Mr. Thomas Joseph K.



Mr. N. A. Murali



Mr. John Thomas



Mr. T.J. Raphael



Mr. Abraham K. George



Mr. Benoy Varghese

DEPUTY GENERAL MANAGERS*

Mr. FRANCIS CHACKO
Mr. VIJAYAKUMAR N.
Mr. ANTO GEORGE T
Mr. REDDY N.J.

Mr. PAUL V.L.
Mr. GIREESH C P
Mr. JACOB E.A.
Mr. JOSE P.VARGHESE

Mr. BOBBY JAMES
Mr. BALAKRISHNAN K.N.
Mr. NARENDRAN A.
Mr. MANJIYIL S.K.

Mr. NANDAKUMAR G
Mr. MOHANAN K.
Mr. GEORGE PAUL
Mr. SHIBU.K.THOMAS

Mr. SHELLY JOSEPH
Mr. DAVIES M.J.
Mr. SIVARAMAN K.
Mr. AJIT CHACKO JACOB

STATUTORY AUDITORS

M/s. S.R. Batliboi & Associates LLP
Chartered Accountants, 6th & 7th Floor-"A" Block, Tidel Park,
(Module 601, 701 & 702) No. 4, Rajiv Gandhi Salai,
Taramani, Chennai-600 113

REGISTERED OFFICE

The South Indian Bank Ltd, SIB House, T. B. Road, Mission Quarters
Thrissur - 680 001, Kerala, India. CIN: L65191KL1929PLC001017
Tel: +91 487 2420020, Fax: +91 487 2442021.
www.southindianbank.com | Email: head@sib.co.in

REGISTRAR & SHARE TRANSFER AGENT

M/s BTS Consultancy Services Pvt. Ltd.
MS Complex, 1st Floor, No. 8, Sastri Nagar,
Near 200 Feet Road/ RTO Kolathur, Kolathur,
Chennai-600 099. Tel: 044 - 25565121, Fax: 044-25565131
Email: ramesh@btsindia.co.in | helpdesk@btsindia.co.in

COMPANY SECRETARY

Mr. Jimmy Mathew, A.C.S., A.C.M.A..

*As on 31.03.2014

CONTENTS

5	Directors' Report to the Shareholders	46	Schedules Forming Part of the Profit and Loss Account
17	Statutory Disclosures Regarding Employees' Stock Option Scheme	47	Significant Accounting Policies
19	Management Discussion and Analysis Report	51	Notes to Accounts
23	Corporate Governance Report	72	Cash Flow Statement
35	Auditors' Certificate on Corporate Governance	74	Disclosures under Basel III Norms
36	Auditor's Report	90	Notice of the Annual General Meeting
38	Audited Balance Sheet	103	Attendance Slip and Proxy Form
39	Audited Profit and Loss Account	105	ECS Mandate Form
40	Schedules Forming Part of the Balance Sheet	106	Format for Registering Email IDs
		107	Postal Ballot Form

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors is pleased to place before you, the 86th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2014 and the Profit and Loss Account for the year ended March 31, 2014.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2014 are as follows:

Key Parameters	₹ in crore	
	2013-14	2012-13
Deposits	47491.00	44262.00
Gross Advances	36403.00	32014.00
Total Gross Business	83894.00	76276.00
Net Profit	507.50	502.27
Capital & Reserves	3368.05	3003.61
Capital Adequacy (%) - Basel-II	12.53	13.91
Basel-III	12.42	NA
Earnings Per Share (EPS) :		
(a) Basic EPS (in ₹)	3.78	4.03
[face value ₹ 1/-]		
(b) Diluted EPS (in ₹)	3.77	4.00
[face value ₹ 1/-]		
Book Value per Share (in ₹)	25.06	22.44
[face value ₹ 1/-]		
Gross NPA as % of Gross Advances	1.19	1.36
Net NPA as % of Net Advances	0.78	0.78
Return on Average Assets (%)	1.00	1.17

FINANCIAL PERFORMANCE

Profit

The Bank had achieved a net profit of ₹507.50 crore during the year against the net profit of ₹502.27 crore posted during the previous year. The Bank was able to achieve this growth in net profit essentially on account of higher scale of operations, better management of assets and liabilities and focus on enhancement of non-interest revenue of the Bank. .

The Operating Profit for the year under review was ₹928.95 crore before depreciation, taxes and provisions. Net profit was ₹507.50 crore and the profit available for appropriation was ₹544.46 crore as per details given below:

	(₹ in crore)	
Profit before depreciation, taxes & provisions	928.95	
Less : Depreciation	44.61	
Provision for NPA/NPLs	137.12	
Provision for FITL	5.64	
Provision for depreciation on investments	(28.47)	
Provision for Income Tax/Wealth Tax	221.43	
Provision for standard advances	31.09	
Provision for restructured advances	9.70	
Provision for Impaired Assets	0.33	421.45
Net Profit		507.50
Brought forward from last year		36.96
Profit available for appropriation		544.46

Appropriations

	(₹ in crore)
Transfer to Statutory Reserve	126.88
Transfer to Capital Reserve	0.84
Transfer to Revenue & Other Reserves	220.00
Transfer to Special Reserve u/s 36(1) (viii) of The Income Tax Act, 1961	17.00
Transfer to / (from) Investment Reserve	14.09
Proposed Dividend	107.52
Dividend Tax on Proposed Dividend	18.27
Carried over to Balance Sheet	39.86
Total	544.46

Dividend

The Board of Directors recommended a dividend of 80% (tax-free in the hands of shareholders), i.e., @ ₹0.80 per Equity Share of face value of ₹1/- per share vis-à-vis 70%, i.e. ₹0.70 per share declared last year.

EXPANSION PROGRAMME / POLICY OF THE BANK

During the last financial year, the Bank has opened 54 new branches and 200 ATMs across the country. The Bank has been successful in widening its presence pan India with 794 branches and 9 service branches. The branch network now covers 29 states / union territories and has a network of 1000 ATMs.

The Bank further plans to open 25 new branches, 25 Extension Counters, 250 ATMs, 3 USBs and increasing the network of branches to establish foot prints in the states not covered hither to, Arunachal Pradesh and Sikkim during the current financial year.

CAPITAL & RESERVES

The Bank's issued and paid up capital stood at ₹134.39 crore as on March 31, 2014. During the year, 54,09,172 stock options granted under Employee Stock Option Scheme had been exercised by eligible employees.

The capital plus reserves of the Bank has gone up from ₹ 3,003.61 crore to ₹3,368.05 crore owing to plough back of profits during the year.

THE CAPITAL TO RISK WEIGHTED ASSETS RATIO (CRAR)- Basel III & Basel II

The Bank is subject to the capital adequacy guidelines mandated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March, 2019. These guidelines on Basel III are to be implemented beginning 1st April, 2013 in a phased manner, the minimum capital required to be maintained by the Bank

DIRECTORS' REPORT

for the year ended 31st March, 2014 is 9% with minimum Common Equity Tier 1 (CET1) of 5%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2014 according to Basel III guidelines is 12.42%, as against the statutory requirement of 9%. Tier I CRAR constituted 10.79% while Tier II CRAR worked out to 1.63%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2014 according to Basel II guideline is 12.53%, as against the statutory requirement of 9%. Tier I CRAR constituted 10.89% while Tier II CRAR worked out to 1.64%.

The Bank is following Standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively.

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on The Cochin Stock Exchange Ltd., BSE Ltd., and The National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2014-15.

BUSINESS ACHIEVEMENTS

The Bank has achieved a total gross business of ₹83,894 crore, consisting of total deposit of ₹47,491 crore and gross advances of ₹36,403 crore as on March 31, 2014 registering a growth of 9.99% over the previous year.

In CASA segment, the Bank has achieved a year on year growth of 19.34%. During the year, 2013-14, 8.01 lacs new SB A/c's had been opened. The Bank has accorded priority to meaningful financial inclusion exercise during the period under reporting.

Deposits

The total deposits of the Bank increased to ₹47,491 crore from ₹44,262 crore as on March 31, 2013, registering a growth of 7.30%.

The break-up of the deposit as on March 31, 2014 is as under:

	Amount (₹ in crore)	% to total Deposits
Current Deposits	1,888.27	3.98
Savings Deposits	7,936.63	16.71
Term Deposits	37,666.19	79.31
Total	47,491.09	100.00

Advances

Gross advances of the Bank registered an increase of 13.71%, to touch a gross figure of ₹36,403.10 crores. Total Priority sector advances as at the end of the financial year stood at ₹13,376.72 crores, constituting 40.66% of the Adjusted Net Bank Credit (ANBC). Exposure to agricultural sector amounted to ₹4,556.59 crores, forming 13.85%* of ANBC as at the end of the financial year. Break-up of exposure under Priority sector is furnished below:

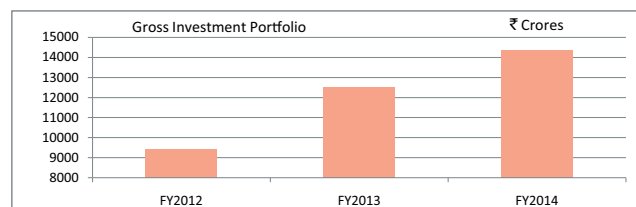
	Amount (₹ in crore)
Agriculture & Allied activities (including investments in RIDF)	4,556.59
Small Enterprises	6,509.26
Other Priority Sector	2,310.87
Total Priority Sector	13,376.72

* As per RBI guidelines, indirect lending in excess of 4.5% of ANBC is not reckoned for computing achievement under 18 percent target for agriculture sector. Hence the achievement under 18 percent target comes to 10.41%. However, same is reckoned for computing achievement under the overall priority sector target of 40 percent of ANBC.

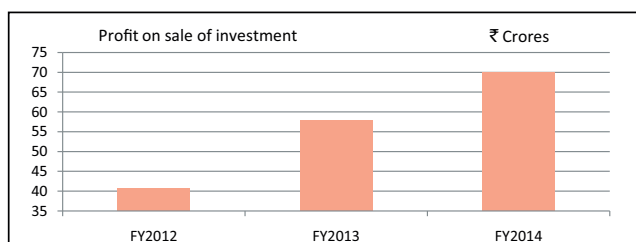
INVESTMENTS

Financial Year 2014 was a challenging year with overall economic slowdown on the backdrop of halted investment cycle, firm inflation and tight monetary condition. Although market witnessed heightened volatility initially on the news of fed tapering, it got absorbed finally without major difficulties. We expect gradual economic recovery in 2014-15 with better investment prospect on the backdrop of improved current account deficit, global economic recovery and growth inducing policy initiatives of the new federal government. However, a weak monsoon could upset prospect of early economic recovery at the expected level.

Bank's gross investment portfolio stood at ₹14,351.77 crores as on March 31, 2014 compared with ₹12,523.47 crores as on March 31, 2013, registering a growth of 14.60%. Investment Deposit ratio has increased to 30.22% as on March 31, 2014 from 28.29% as on March 31, 2013.



Even in the challenging environment, profit on sale of investment registered healthy growth from ₹ 57.72 crores in FY2013 to ₹ 69.88 crores in FY2014. Total interest income from investments for the FY2014 was ₹ 954.48 crores as against ₹746.39 crores for the FY2013, registering a growth of 27.88%.



DIRECTORS' REPORT

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2013-14, as a result of the focused and sustained efforts like early recovery of NPAs, through prompt and effective measures under the SARFAESI Act, follow up of recovery cases pending before DRTs and civil courts, one time compromise settlements of accounts, etc., Bank has recovered NPAs to the extent of ₹532.69 crore, (recovery including up-gradation ₹301.16 crores) as against the target of ₹250.00 crore. The recovery during the current year also surpassed the recovery of ₹270.73 crore for the previous financial year ended March 31, 2013. The thrust on selection of credit, adequate due diligence and improvement in credit administration were maintained ensuring improvement in quality of assets.

During the year, the Gross NPA of the Bank declined from ₹433.87 crore as on March 31, 2013 to ₹432.62 crore as on March 31, 2014. But Net NPA marginally increased from ₹249.53 crore as on March 31, 2013 to ₹281.67 Crore as on March 31, 2014. Out of this GNPA of ₹432.62 crores, ₹186.28 crores is accounted by fresh slippage and provision requirement was only ₹38.16 crores. In terms of percentage, GNPA improved from 1.36 % as on March 31, 2013 to 1.19 % as on March 31, 2014 and net NPA remain unchanged at 0.78% as on March 31, 2014.

INFORMATION TECHNOLOGY (IT) AND IT ENABLED SERVICES

The growing competition, arising out of increasing customer expectations and increasing need of risk management pushed Indian Banks to adopt technology more vigorously for survival and growth.

Indian banking industry, today is in the midst of an IT evolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry.

Information Technology has basically been used under two different verticals in Banking. One is IT infrastructure and controls and other is Application of IT for improving business process and developing customer centric solutions. Information technology enables sophisticated and product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets.

The Bank, has been an early adopter of technology with a view to providing safe and convenient banking facilities to its customers, having introduced host of services and facilities for enhancing the customer satisfaction. The Bank has been successfully functional with Finacle Core Banking Solution (CBS) from Infosys for several years. CBS has been the key component in introducing the following technology services by the Bank for the benefit of its customers.

- Real time on line ATMs having affinity with NFS (National Financial Switch), Master, VISA and RuPay payment and settlement agencies.

- Debit Card operations with VISA, MAESTRO and RuPay.
- Straight Through Processing (STP) for RTGS and NEFT payment systems.
- Internet Banking and E-Commerce including NEFT support for other bank remittances.
- Mobile Banking and M-Commerce (with support for other bank money transfer through IMPS).
- ASBA (Application Supported by Blocked Amount).
- Foreign Inward Instantaneous remittance with own Payment Hub system.
- Demat and On-line Trading Facility.
- Point of Sales (POS).
- Bullion Sales.
- Portfolio Investment Scheme for NRI community.
- Central Plan Scheme Monitoring System (CPSMS).
- Kiosk based Financial Inclusion Solution.
- Cash Deposit Machines.

IT initiatives/Solutions embarked during the year

The following list elucidates a few of the IT enabled services / solutions that the Bank has launched during the year to serve its customers in a better and efficient way.

- Various new products offered to customers which includes enhancements in delivery channels such as Internet Banking, Mobile Banking and ATM.
- Version migration of CBS with enriched features leading to increased internal efficiency of operations, augmented control over various functions through streamlined processes.
- Version migration of Internet Banking Application with augmented security controls and features.
- Captive Security Operation Centre in line with GKC (Gopalakrishna Committee) recommendations of RBI for monitoring and management of IT systems.
- Enterprise Wide Fraud Risk Management Solution in line with the recommendations of GKC.
- ISO 27001 implementation for DC/DR and IT Operations.
- Business Process Management solution leading to a paperless environment to a large extent.
- Technology solution for Basel II advanced approach/Basel III implementation.
- Integrated CRM solution to help business users for better understanding of Bank's customers.
- Rupay debit card – An NPCI initiative.
- Mobile Pass Book for customers on all platforms such as Andorid, iOS, Blackberry and Windows.

Information Security and Risk Management

As banks adopt technology as part of their ongoing strategic tool to face challenges in the emerging realities of business, they are increasingly exposed to technology risks. It is therefore imperative for each bank to work out appropriate IT risk management strategies to secure its most vital information asset and ensure that related risk management systems and processes are strengthened on continual basis to secure both present and future banking activities. SIB's Information Security

DIRECTORS' REPORT

Policy and other IT Policies – IT Operation Policy, IT Governance Policy, IT out sourcing Policy and Information Security systems have already taken these aspects into consideration. Further, the Information Security of banking IT functions is getting strengthened through implementation of a captive SOC (Security Operation Centre).

The Bank has been providing awareness on e-threats to its customers and staff on a continued basis so that both proactive and reactive measures can be initiated, as deemed appropriate to mitigate potential risks associated with e-threats.

The Bank has been implementing the stipulations and guidelines articulated and issued by RBI based on the working group recommendations on Electronic Banking, Technology Risk, Information Security and Cyber Frauds as part of the IT governance programme (Gopalakrishna Committee Report).

IT Training

During the year, many training programmes had been attended by the Bank's officers in premier institutions such as IDRBT, NIBM to keep themselves abreast with the advancements in IT, Information Security, CRM etc.

Awards and Accolades

During the period under review, the Bank has received the following awards for its achievements from different quarters/agencies:

- Awards from the Sunday Standard, instituted by The New Indian Express Group, for Best Banker (mid-sized) 2013, Best Private Sector Banker, Best Banker – All round expansion and Best Banker – Efficiency and Profitability.
- Prestigious IBA Banking Technology Award 2012-13.
- The Business Excellence Award 2012-13 instituted by the Trivandrum Chamber of Commerce and Industry.
- Dr. V. A. Joseph, MD & CEO has been declared as one among the best 100 CEOs' of India by Business Today's 'Roll of Honour – CEOs' survey conducted in association with Price Waterhouse Coopers.

Gopalakrishna Committee Recommendations Management Philosophy and Measures

Gopalakrishna Committee Recommendations on Information Security, Electronic Banking, Technology Risk and Cyber Frauds as applicable to the Bank has been taken up for implementation. Effective measures have been taken to address the identified gaps in each area such as IT Governance, Information Security, IT Service out sourcing, IS Audit, IT Operations, Cyber Frauds, Business Continuity Plan (BCP), Customer Education and Legal issues. The IT Organization set up has been redrawn to suit the functions / roles specified in the recommendations with segregation of duties. Technology, Development, IT Operations and IT Assurance functions have been clearly divided and now independently headed.

IT Strategy Committee of the Board, IT Steering Committee, Information Security Committee and Chief Information Security Officer (CISO) reporting independently to Head Risk Management are in place.

Revamped Information Security Policy factoring the various guidelines and stipulations mentioned in the report has been approved by Board and is in place, besides other IT Policies such as IT Operation Policy, IT Governance Policy and IT Out Sourcing Policy.

The progress of implementation of GKC recommendations are reviewed by IT Strategy Committee of Board and the Board on quarterly basis. The major items which are under process which would enable the Bank to achieve full compliance to GKC are as follows:

1. Security Operation Centre
2. Comprehensive Fraud Risk Management Solution
3. ISO 27001 Implementation
4. Near line DR Center Solution

RISK MANAGEMENT

Risk is an integral part of the banking business and the Bank aims at delivering superior value to shareholders by achieving an appropriate trade-off between risk and return. Sound risk management and balancing risk-return trade-off are critical to a Bank's success. Business and revenue growth have therefore to be weighed in the context of the risks embedded in the Bank's business strategy. 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 identification, measurement, monitoring and mitigation of risks, continued to be a key focus area for the Bank. The risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level, as appropriate, through quantitative examinations of embedded risks. The risk management strategy of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The policies and procedures established for this purpose are continuously benchmarked with the best practices followed in the Industry.

The Bank's risk management structure is overseen by a Committee of the Board. Appropriate policies to manage various types of risks are approved by Risk Management Committee (RMC), which provides strategic guidance while reviewing portfolio behaviour. The senior level management committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) develop the risk management policies and vet the risk limits. The Asset Liability Management Committee ensures adherence to the implementation of the above risk management policies, develop Asset Liability Management Policy within the above risk framework.

Compliance with Basel III and Basel II framework

In compliance with regulatory guidelines on Pillar I of Basel II norms, Bank has computed capital charge for credit risk as per the Standardized Approach, for market risk as per the Standardized Duration Method and for operational risk as per

DIRECTORS' REPORT

the Basic Indicator Approach. To address the issues of Pillar II, the Bank has implemented ICAAP (Internal Capital Adequacy Assessment Process), integrating capital planning with budgetary planning and to capture residual risks which are not addressed in Pillar I like credit concentration risk, interest rate risk in the banking book, liquidity risk, earnings risk, strategic risk, reputation risk etc. Bank has adopted a common framework for additional disclosures under Pillar III for adhering to market discipline of Basel II and Basel III guidelines. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner.

Risk Management Practices

It is imperative to have a robust and effective risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets as a whole. The Bank has put in place risk management architecture and practices that is overseen by a Committee of Directors. The Bank has in place a robust risk management structure which proactively identifies the risk faced by the Bank and helps in mitigating it, while maintaining proper tradeoff between risk and return thereby maximizing the shareholder value.

Business Continuity Plan which suits the present scenario covering all critical processes of the Bank is in place. The Bank has also set up an operationalised Disaster Recovery Centre for its Core Banking Operations.

In furtherance of the goals of effective risk management, the Bank has strengthened its risk management processes by tuning fine its internal rating models, internal rating migration study and also through introduction of comprehensive upgraded policies for credit and operational risk. Credit monitoring system was further streamlined for focused attention on improvement in asset quality. The Bank has also introduced risk management processes like Risk and Control Self Assessment (RCSA) framework, Stress Testing framework and risk based pricing model linked to rating during the year. The market situations, Bank's liquidity positions and the peer group pricing are closely monitored for revising the various interest rates.

Skill sets of mid-offices of the Bank were strengthened and its functions were made broad based further for effective monitoring of market risk.

Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure with Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid-office at Treasury Department / International Banking Division at operational level.

The Bank continued with the system of comprehensive risk profiling of the Bank in line with regulatory guidelines that will

facilitate integrated risk management with assessment of the direction of risk.

The Bank has appointed consultants as part of moving into advanced approach under the Basel II framework as stipulated by the Reserve Bank of India. As per the scheduled road map, Bank is to move into the Advanced Approach by September 30, 2015.

The Bank has taken necessary steps to comply with the 'Guidelines on implementation of Basel- III capital regulations in India' in a phased manner as directed by the RBI.

INTERNATIONAL BANKING

The total forex business turnover for the year ended March 31, 2014 was ₹1,41,195.49 crore (comprising Merchant Turnover ₹11840.48 crore and Interbank Turnover ₹1,29,355.01cr) recording an increase of 52.21% as compared to the level of previous financial year. The Bank earned an exchange profit of ₹34.89 crores showing a year on year increase of 27.24%. The Bank has also earned a profit of ₹3.78 crores from bullion business and has sold 168 kg of gold during the FY 2013-14.

At present the Bank is having rupee inward remittance arrangement with 5 Banks and 32 Exchange Houses and turnover for the year ended March 2014 was ₹5,831.29 crore registering an increase of 23.30 % as compared to the previous financial year. During the FY 2013-14, Bank has concluded correspondent banking arrangement in Singapore Dollar (SGD) with HSBC, Singapore. The Bank continued providing managerial support to M/s. Hadi Express Exchange, UAE exclusively for marketing the remittance business of the Bank.

Considering the scope in scaling up remittance business through arrangements with EH's, the Bank has decided to depute its officers to various middle east countries. Presently the Bank has deputed four officers to UAE with UAE Exchange Centre, Al Ansari Exchange and Al Ahalia Money Exchange.

The Bank has shifted to new Integrated Treasury Management Software, 'Intellect – Tx' of M/s Polaris Financial Technologies Ltd on September 30, 2013.

NRI PORTFOLIO

The NRI Division of the Bank aims at personalized and dedicated services to NRI customers. It also extends support to branches and closely monitors the growth of NRI business. NRI deposit of the Bank constitutes 26% of the total bank's Core deposits. NRE/NRO savings bank deposits constitute 20% of the total CASA of the Bank.

Since FY 2012-13, NRI Division had successfully implemented Welcome kits to NRE privilege accounts enabling instant activation. Such accounts are now available at all branches of Hadi Express Exchange, Marketing Officers at UAE and at selected branches of SIB in Kerala. The initiative is widely accepted in the market and it added momentum in opening of NRE SB accounts, improving the share of low cost deposits of the Bank. NRI Division also extended yet another next generation

DIRECTORS' REPORT

service to the NRI customers by implementing ONLINE NRE/ NRO account opening which can be done at the comfort of their home / office. To increase the momentum of NRI business growth and valued customer retention, Overseas NRI meets were arranged at Kuwait & Oman, and in every Kerala regions. As part of focusing NRI customers outside Kerala region, one NRI meet was arranged in AHMEDABAD region also. The Bank had opened and managed a stall in the Indian Pavilion during the Dubai Shopping Festival, at UAE to promote NRI services. All those efforts had resulted in achieving a growth of 35% in the total NRI deposit business of the Bank.

TRAINING

The Bank accords utmost importance to human resources development. Training Programmes are conducted at SIB Staff Training College (SIBSTC), Thrissur and at 9 Regional Training Centers (RTCs) at ROs for enhancement of professional skills of the staff. The training programmes are designed to develop competency of operating personnel while imbibing the SIB spirit and culture through an effective learning process. The success of these programmes reflects on the enhanced organizational productivity. SIBSTC and the RTCs identify gaps in skill of the personnel and provide learning to them for qualitative improvement. During the year 2013-14, the Bank has imparted training to 2,647 officers, 1,200 clerks and 53 sub staff in various aspects of banking operations. Thus, the Bank has provided training to a total of 3,900 of its personnel, which is about 55% of total staff strength of 7,111 as on March 31, 2014. This is in consonance with the Bank's vision towards continuous upgradation of skills to ensure that the staff members meet the rising expectations of customers and discharge services professionally covering the entire gamut of banking operations.

MARKETING

The Marketing Department of the Bank plays a critical role in generating new business for the Bank and customer acquisition. The department is engaged in creating awareness on products and promoting products by driving customer-centric campaigns.

The products and services under the ambit of Marketing Department can be broadly classified as either Technology or Third Party Products.

Technology Products of the Bank

The Bank has effectively leveraged technology and introduced several variants of traditional products and new e-based services, tailor made to the diversified needs of customers. Technology services like ATM cards, internet banking, mobile banking etc., have transformed the customer's banking experience from branch banking to anytime, anywhere banking.

- **Any Branch Banking System:** All the branches of the Bank are inter-connected and are capable of providing online, real-time transactions to its customers. As information is centralized and updates are available simultaneously at all places, single-window service has become possible, leading

to effective service-delivery to customers. Customers can Deposit / Withdraw freely without any tariff charge from any branch.

- **SIB ATM cum Debit Cards:** The Bank is offering both Visa and Maestro debit cards to its customers. Using SIB debit cards, Bank's customers can withdraw cash through ATMs of any Bank in India and also across the globe wherever Visa / Maestro logo is displayed. The Bank has also enabled its Visa cards and Maestro cards for online transactions.

Co-branded Foreign Currency Travel Card launched in association with Axis Bank is specifically designed for customers who travel abroad and is available in 7 foreign currencies – USD, GBP, AUD, EUR, CHF, CAD and JPY.

The Bank launched international EMV Chip and PIN based cards in Visa platform for facilitating highly secure international card transactions. Domestic only RuPay cards are also available to customers for use at domestic ATMs and POS terminals.

- **Internet Banking:** The internet banking service under the brand name "SIBerNet" has helped to position the Bank as a technology-driven Bank offering superior services to both retail and corporate customers. Fund Transfer (RTGS/ NEFT), online bill payments, donations to temples etc., are a few of the services offered through SIBerNet. In addition to these, the Bank has also introduced Direct and Indirect Tax Payment facility for its retail and corporate Customers.
- **Mobile Banking:** Mobile banking services help customers maintain a virtual connection with the Bank at all times. SMS, SIB M-Pay and SIB M-Passbook are the mobile banking based services currently offered by the Bank. SIB Mobile Service (SMS) enables customers receive instant intimation on their account activities via SMS alerts and also enquire important information over SMS.

The enhanced mobile banking service of the Bank – "SIB M-Pay", offers 24x7 inter/intra Bank fund transfers, with immediate credit of the beneficiary account. The fund transfer facility is facilitated through the IMPS (Immediate Payment Service) platform of NPCI. In addition to the fund transfer service, SIB M-Pay customers are offered value-added services like mobile recharge, DTH recharge etc., also.

The Bank was a pioneer in introducing SIB M-Passbook application that allows customers to access account transaction details on their smart phones. The app is available in all platforms – iOS (iPhones), Android, Windows and Blackberry.

- **Point of Sale (POS):** The Bank, in association with M/s. Atos Worldline India Pvt. Ltd. is offering two types of POS terminals – PSTN (wired terminal) and GPRS (wireless). Atos is the market leader in India in this segment and the primary service provider for POS acquiring services to a number of leading public sector and private sector Banks in the country.

DIRECTORS' REPORT

Third Party Products

To cater to the needs of a diverse customer base, the Bank has made arrangements with several companies to distribute products like insurance and mutual funds to customers.

Insurance (Life/General): The Bank acts as a corporate agent for the distribution of insurance products of both Life Insurance Corporation of India and M/s. Bajaj Allianz General Insurance Company for life insurance and general insurance respectively.

Mutual Funds: Mutual Fund is a popular form of investment since it provides the advantages of professional portfolio management and dividend reinvestment. The Bank has tie up with 13 leading Mutual Fund Companies thereby offering a variety of mutual fund products to customers.

Bonds: The Bank has enrolled as a Channel Partner for the distribution of bonds issued by different companies, through Bank's tie up with IFIN – a subsidiary of IFCI (Industrial Financial Corporation of India) Financial services Limited. Through this tie-up the Bank has been enrolled as a channel partner of IFCI for the distribution of capital gain bonds and tax free bonds.

Depository Services: The Bank offers Depository Services for the benefit of its customers. Through this facility, customers can hold their securities in electronic form in demat account with Central Depository Services (India) Ltd. (CDSL). For e-trading, the Bank offers SiBerTrade – the online trading facility to buy / sell stocks for its domestic customers from stock exchanges in India through tie-up with M/s. Geojit BNP Paribas Financial Services Ltd. SEBI has also registered the Bank as Self Certified Syndicate Bank (SCSB) for accepting application under Application Supported by Blocked Amount (ASBA) through all the branches of the Bank. ASBA enables the Bank's customers to apply for IPO / FPO, rights issues etc., by marking a lien on the account instead of actual debit at the time of applying, which is more beneficial for the customers. Bank is also offering Portfolio Investment Scheme (PIS) – an extensive share trading facility for its NRI customers through tie-up with M/s. Geojit. Under PIS, NRI customers can directly invest in the Indian securities market through recognized stock exchanges under repatriable / non-repatriable basis.

New Pension System: The Bank acts as a Point of Presence to provide services to subscribers of New Pension System introduced by Pension Fund Regulatory and Development Authority (PFRDA). The Bank has been appointed as an Aggregator for NPS Lite. All branches of the Bank are designated for collecting NPS Lite applications and contributions.

Pan Application Servicing: The Bank has made arrangement with M/s UTI Technology Services Ltd. (UTITSL) for servicing applications for PAN card. On an average the Bank processes 15,000 applications per year.

SIB E-Pay: In association with BSNL, the Bank is facilitating the payment of BSNL Landline bill of its customers through their accounts maintained with the branches. A customer can avail this facility by submitting a mandate form at the branch where

the account is being maintained. Once registered, the BSNL landline bill of the customer will be automatically debited from the customer's account every month. The key feature of this facility is that it is totally hassle free and is offered free of cost to the customers.

Cash Management Service (Premium Collection): The Bank is offering Cash Management Service (Premium Collection) to customers in association with Tata AIG, Exide Life Insurance Co. Ltd. (formerly known as ING Vysya) and ICICI Prudential Life Insurance Co Ltd. Under this arrangement, Bank's customers as well as walk-in customers can remit life insurance premium through branch counters. This facility is offered free of cost to customers.

Centralized Direct Debit Service: the Bank has entered into tie-up with leading aggregator M/s. Billdesk Services for Centralized Direct Debit arrangement. Through this tie-up Bank's customers will be able to make regular payments like monthly / quarterly/half yearly payments of Mutual Fund SIP investments/ Loan EMIs (Vehicle/Equipment Loans)/Insurance premium etc. by directly debiting their account and thereby making the payments to various billers/institutions. This facility is available to all customers irrespective of their branches being located in ECS/non-ECS locations. The Bank has similar arrangements with 3 companies. TVS Credit Services, Sundaram Finance Ltd. and Sriram City Union Finance.

TOLL FREE: The Bank has subscribed to toll free numbers from Idea Cellular Ltd. (Toll Free number – 1800 843 1800) and BSNL (Toll Free Number 1800 425 1809) to enable customers to contact the Bank without incurring any cost. In addition, a landline connection dedicated for international customers is also available. Functioning hours of Toll Free Centre is from 8:30 a.m. to 8:30 p.m. during week days and from 8:30 a.m. to 4:30 p.m. on Saturdays.

Marketing and promotional activities of the Bank are vital in identifying customer needs and designing differentiated products to cater to those needs. While the department is keen to introduce new and varied products, facilitating customer adoption and providing customer assistance assumes equal significance during its operation. The Bank strives to comply with regulatory requirements while taking every endeavour to avoid pitfalls in mis-selling Bank's products.

Visibility Enhancement Initiatives

The Bank has undertaken many brand promotion initiatives in various media like Newspaper, Television, Radio, outdoor and online media. Outdoor brandings were concentrated in major metros like Bangalore, Delhi, Mumbai, Kolkata, Chennai and Hyderabad through bus shelters and hoardings. The Bank's 85th Anniversary celebrations and SIB Excellence award show were aired in ET Now and Amrita TV. We produced two commercials, which created much hype in the media world and these were well acclaimed television commercials of Mr. Mammooty, the Bank's Brand Ambassador. All major inaugural events and

DIRECTORS' REPORT

financial results were covered globally through print and media associates.

The Bank has its own official fan pages in Facebook, Twitter and YouTube. The Bank's official Facebook page contains various information about the Bank such as mission and history of the Bank. The page also gives an opportunity to the customers to provide their valuable suggestions/feedbacks and also to seek clarifications regarding the products and services by making queries. The Bank's page provides information about the interest rates of Deposits (Domestic/NRI) and in identifying the nearest branch and ATM. Also, details of new branches and ATMs' opened across the country are updated on a daily basis. Bank's official Facebook page also provides general banking and the Bank's product information through various photos daily (Everyday a new photo is added to the photo album). The Bank's official Twitter page is integrated with Facebook and the contents shared in the Facebook page are posted as "tweets".

85th ANNIVERSARY CELEBRATIONS OF SIB

Sri Nikhil Kumar, honourable Governor of Kerala, inaugurated the 85th Anniversary celebrations of the Bank on February 1, 2014 at Thrissur. SIB Excellence Awards were also presented to Six globally acclaimed personalities hailing from Kerala for their life-time achievements. The awardees were Padma Vibhushan, Dr. E. Sreedharan, former Managing Director of DMRC, renowned poet Padma Vibhushan, Dr. ONV Kurup, playback singer, Sri P. Jayachandran, renowned oncologist, Dr. V. P. Gangadharan, cine artist, Sri Innocent, (President, AMMA) and Chairman of V-Guard Industries, Sri Kochouseph Chittilappilly.

HUMAN RESOURCE

Human Resource is the major catalyst for effective and efficient operation of any organization. The Bank has a team of committed, self-motivated and empathetic workforce, who strive to meet the customers' requirements, and at the same time, also meet the Bank's targets. To augment the existing manpower in line with the Bank's healthy and sustained growth and expansion of network, the Bank has continued its initiatives of major talent acquisition and retention policies in the FY 2014-15.

New Talent Acquisition

The major talent acquisition initiatives of the Bank include local/general recruitments and campus recruitments of clerks & and officers from Colleges/Business Schools all over India. During the year the Bank has recruited 241 officers and 1119 clerks. The cream layer of these inductees include 117 MBA graduates, 52 Engineers, 30 Cost Accountants, 15 Law graduates, 25 Agriculture Officers and 2 Security Officers.

Manpower

The total manpower at the end of the year was 7,111. Bank's talent pool consists of 976 Postgraduates, 1170 Management Graduates, 647 Engineers, 90 Law Graduates, 91 Chartered Accountants, 51 Cost Accountants and 2 PhDs. As on

March 31, 2014, the Bank had 7,111 personnel on its rolls. Cadre wise break-up is as under:

Cadre	Men	Women	Total
Officers	2363	1107	3470
Clerk	1425	1390	2815
Peon	480	30	510
Part-time employees	80	236	316
Total	4348	2763	7111

Infusion of young personnel has brought down the average age of employees of the Bank to 34 years as on March 31, 2014.

Maintenance of Personnel Data

Maintenance of staff records were streamlined under "HRMSS" (Human Resources Management Software Solution) System. The personnel data can be accessed by all controlling offices and various reports based on the data can be generated for the quick disposal of staff related matters. To make HRMSS more comprehensive, we have introduced modules such as ID Card, Request Logging System, Online Annual Performance Appraisal of Officers upto Scale IV, in addition to the existing modules like Service Record, Transfers, Promotion, Maintenance, HRA, Leave and LFC, Training etc.

Motivation Plans

Some of the initiatives undertaken by the Bank in order to boost the morale of the Bank employees are as under:

- a) Promotions: The Bank is offering good opportunities to its employees. During the financial year, 289 clerical staff were promoted to Scale I, 236 officers to Scale II and 164 Officers to various Senior cadres.
- b) Staff Welfare Scheme (SWS) 2013 was also implemented in the FY 2013-2014 offering job opportunities to the children of staff members in officers/clerical/subordinate cadres. 4 Probationary Officers, 16 Probationary Clerks and 14 Probationary Peons were selected under this scheme.
- c) The Bank had introduced SIB Ashwas – a top up cover insurance scheme with 'The New India Assurance Co. Ltd.' for reimbursing the difference of the medical expenses actually incurred by an employee/Officer for his/her treatment, less the amount reimbursed under bank's scheme in terms of national level settlement for reimbursement of hospitalization expenses subject to certain limits, exclusion etc., in terms of the Policy.

Industrial Relations

Industrial relations in the Bank have been cordial and harmonious. The representatives of Workmen Union, Officers Association and Management have been working collectively with a sense of ownership for all-round growth and prosperity of the Bank. On account of cordial industrial relations, Bank has achieved considerable growth over the years.

DIRECTORS' REPORT

EMPLOYEE STOCK OPTION SCHEME (ESOS)

During the financial year 2008-09, the Bank had instituted an Employee Stock Option Scheme to enable its employees to be a partner in the future growth and financial success of the Bank. The Banks' shareholders approved the plan on August 18, 2008 for the issuance of stock options to the employees. Compensation and Remuneration Committee of the Board on December 3, 2013 has recommended to the Board to grant options at a discount of 10% on the closing price of shares quoted on NSE on December 2, 2013.

Till March 2014, 3,01,55,000 stock options were vested, out of which 84,73,489 stock options were exercised by eligible employees. The money realized due to exercise of the said options was ₹17,95,91,374/- and consequently 1,38,82,661 shares of ₹1/- each has been allotted to the concerned employees/legal heirs.

The total options granted under six phases of SIB ESOS 2008 works out to 4.06% of the paid up share capital of the Bank as at March 31, 2014. The scheme has generated intended motivation amongst the staff. With a view to establishing highest standards of personal ethics, Managing Director & CEO and other Directors of the Bank have voluntarily decided not to accept any stock options, though the shareholders of the Bank were gracious enough to permit grant of stock options to all the Directors of the Bank during the 80th Annual General Meeting.

SIBLINK

"SIBLINK", Bank's corporate magazine, has been functioning as an internal PR tool educating and motivating the staff for better performance. It is published every quarter.

SIB- Executive Brief

"SIB Executive Brief" – a daily news update on Banking, Finance, Economy, Industry, Market Rates etc. is being provided by SIB Staff Training College. It is E-mailed on a daily basis to Board members, to the executives and it is also made available at SIB-Insight for access to all the staff members.

E-Learning Tests

The Bank has completed 12 online tests through E-learning Application during the year 2013-14. There were various topics covered during these tests such as Banking procedures, Bank's Operations Manual- Advance version etc. Prizes were awarded for the toppers in these tests. It is encouraging to know that the learning process is taken up with great enthusiasm and competitive spirit, the fruit of which is visible in the increasing number of branches/offices emerging as toppers. The E-learning platform will be utilized increasingly for improving the knowledge level of the staff members. The Bank has also conducted 20 Mock Tests for JAIIB & CAIIB examinations of IIBF during the months of April, May, September and October 2013.

E-Circular

The Bank has since migrated to issuance of e-circulars in place of manual circulars. All the circulars of the Bank are uploaded using the 'e-circular software'. In e-circular, Bank's

policies, Guidelines and Forms are also uploaded so as to empower the branches with readily accessible pool of information/ guidelines.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

The provisions of Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. However, the Bank is constantly pursuing its goal of technological upgradation in a cost efficient manner for delivering quality customer service.

The Company, being a banking company and an authorized dealer in Foreign Exchange, has taken all possible steps to encourage export credit.

Particulars of Employees

Information as required by the provisions of Section 134 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended vide GSR 289 (E) dated March 31, 2011 [Companies (Particulars of Employees) Amendments Rules, 2011], is given under:

Name, Qualification and Age (in years)	Designation	Remuneration		Experience (in years)	Date of commencement of Employment	Last Employment
		Gross (₹)	Net (₹) #			
V. A. Joseph, M.Com., LLB, CAIIB, PhD (HRD), MPM, 63 Years.	MD & CEO	79,23,960	56,87,379	42	December, 2003	General Manager of Syndicate Bank at Mumbai

Net of Taxes paid

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank's CSR policy strictly conforms to the guidelines of RBI and Ministry of Corporate Affairs. The Bank focuses on major areas like Education, Health care, Sustainable livelihood, Infrastructure development and social causes. A specific budget is allocated for such activities. As a part of CSR, the Bank has provided an overall financial assistance of ₹ 63.42 lakhs in the financial year 2013-2014.

The recent enactment of the Companies Act, 2013, has necessitated recalibration of Bank's CSR Policy to make it compliant with the provisions of the Act. As provided in the Act and pursuant to the same, the Board of Directors has, during the year, constituted a three member Corporate Social Responsibility (CSR) Committee of the Board, comprising of MD & CEO and two Independent Directors. The new CSR Policy, on approval, will supersede the extant policy and take retrospective effect from April 1, 2014. Some of the scope of activities of CSR are:

Education

As a part of CSR initiative, the Bank has concentrated in education segment. The Bank provided school kits to poor

DIRECTORS' REPORT

students and provided financial assistance for the maintenance of schools. The Bank also associated with association like Club FM, Snehalayam, Jesus charitable society etc., for this purpose. The Bank has provided ₹ 20.08 lakhs towards this segment.

Health Care

Cancer Care for Life is a scheme of Regional Cancer Centre (RCC), Thiruvananthapuram, giving treatment benefits to cancer patients. The Bank is supporting the cause and efforts of RCC by facilitating enrollments and sharing a part of the cost as an additional support to this scheme through CSR. We are contributing 10% in different schemes to the persons enrolled and only the net amount has to be paid by the members to join the scheme. The Bank has collected a total membership amount of ₹ 2.00 crores and contributed ₹ 5.5 lakhs for this noble venture during this FY 2013-14. The scheme is open to all Indian citizens and the Bank has decided to continue this scheme for FY 2014-15.

Social Causes

Further, under CSR activity for the FY 2013-14 the Bank has given prior importance to social welfare. In association with Panaji Corporation, we have provided financial assistance for the purchase of Tipper van for waste management under corporate social responsibility. We have also provided financial assistance for the upliftment of differently abled children. The Bank has provided Solar lanterns to eligible households in Pullu village. As a part of CSR, Bank has provided an overall financial assistance of ₹ 21.86 lakhs in the financial year 2013-14 towards social needs.

LAUNCH OF KIOSK BANKING MODEL THROUGH AKSHAYA E- CENTRES

The Bank has launched new Banking channel, viz., Kiosk Banking Model. Kiosk Banking Model is a new channel of banking model in which the basic banking services are delivered at customer end. Under Kiosk Banking Model, we provide banking services in unbanked/under banked areas through outlets such as Common Service Centres, BC model, Small retail Shops etc with a Laptop based solution.

Kiosk Centres offers basic banking services to potential customers like Customer enrolment, Deposits, Withdrawal, Fund transfers, Balance enquiry, FD, RD remittance etc. Customers can open new Basic Savings Account in the Kiosk Centre by providing KYC documents and biometrics. They can do banking transactions without a cheque leaf or ATM card. All the above transactions will be authenticated through Biometric data available at UIDAI or Bank's own server. The centres are linked to one of Bank's base branches, for monitoring purpose.

The Bank has tied up with M/s. CSC eGovernance India Ltd. to provide Kiosk Banking services to customers. Initially the Bank has implemented Kiosk Banking Model in the state of Kerala through Akshaya centres, who are acting as Common Service Centres in the state.

PULLU – MODEL VILLAGE OF SOUTH INDIAN BANK

The Bank has been serving Pullu village in Chazhoor Panchayat

of Thrissur District in Kerala under Bank's Financial Inclusion initiative since 2010. The Bank has been carrying out Financial Inclusion operations in Pullu through ICT based BC model of Financial Inclusion with Bank's Alapad Branch as the base branch. We had undertaken a detailed financial assessment survey at Pullu for assessing the socio-economic status and financial standing of villagers.

In order to ensure meaningful Financial Inclusion and to facilitate the BC based operations in the village, we had opened an Ultra Small Branch at Pullu on 1st November, 2013. The Bank had adopted Pullu village during the inaugural function of USB for furthering the development processes to be undertaken at Pullu village. We had identified the gap existing in the financial literacy level of villagers and had arranged Financial Literacy classes to the villagers.

Following activities were undertaken by the Bank for the betterment of villagers of Pullu.

- The Bank has provided seed packets for cultivation and necessary support in farming.
- The Bank had opened 264 National Pension Scheme (NPS) accounts in the village with minimum contribution.
- KCC, Agri and other DRI loans were granted to villagers for agricultural activities in the village.
- The Bank had given micro finance facility to all Financial Inclusion Accounts maintained by the BC.
- Micro credits were given for improving income generating venture.
- The Bank had insured the entire population of Pullu who have attained 18 years of age under Personal Accident Death Insurance.

Green Initiatives in Corporate Governance

- As a responsible corporate citizen, the Bank supports and pursues the 'Green Initiative' of the Ministry of Corporate Affairs ("MCA"). In conformance with such initiatives, the Bank will effect electronic delivery of documents including the notice and explanatory statement of Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc., for the year ended March 31, 2014, to the email address which the Shareholders have previously registered with their Depository Participant (DP) as their valid e-mail address. Investors desirous of refreshing / updating their e-mail addresses are requested to do so immediately in their respective DP accounts. The e-mail addresses indicated in respective DP accounts which will be periodically downloaded from NSDL / CDSL will be deemed to be their registered email address for serving notices / documents including those covered under Section 219 of the Companies Act, 1956.
- Shareholders holding shares in physical form desirous of availing electronic form of delivery of documents are requested to update their email addresses with Bank's Registrar and Transfer Agents by a written request if they wish to avail this facility. A request format for registering e-mail ids with the Registrar is enclosed. Shareholders holding shares in demat segment are requested to inform their e-mail ids to their respective DPs.

DIRECTORS' REPORT

SIB STUDENTS' ECONOMIC FORUM (SIBSEF)

Students' Economic Forum is a monthly publication from the SIB Staff Training College and it provides an analysis of contemporary on themes relating to developments in Economy, Banking and Finance. So far, 268 themes have been published since the first publication which was launched in December 1991. In response to the requests from readers, the first 201 themes of this publication were compiled in 4 volumes and published. The objective of this venture is to kindle interest in economic affairs among the younger generation and also to provide a learning platform to the student community. The hard copies of the publication numbering 3,500 are being sent to all the branches/ offices, reputed schools / colleges / academic institutions, RBI offices, other Banks, government organizations and corporate offices. It has wide acceptance among students, bankers and academic community. The Subjects discussed during Financial year 2013-14 include Union Budget Part-I, Union Budget Part-II, The Higgs Boson, Dynamic Provisioning, RIO+20, New Companies Bill: Highlights, Inroads, Banking Structure In India – The Way Forward, Findings Of Forensic Scrutiny – Guidelines For Prevention Of Frauds, Payment System Vision Document-2015, Financial Stability And Development Council (FSDC), Interim Budget 2014-15. The soft copy of this publication is being sent to all the "Youth Plus" account holders by e-mail and it is made available in the Bank's Website.

ANTI – MONEY LAUNDERING (AML)

Transactions processed through the Core Banking Solution is monitored for detecting suspicious transactions are done using TCS Bancs Compliance – AML application, to discharge the obligation cast on the Bank under Prevention of Money Laundering Act.

The Offsite Monitoring Teams set up for post facto verification of KYC compliance while establishing new customer relationships by the branches are stabilized fully now.

The Board has nominated Dr. V. A. Joseph, MD & CEO as the "designated director" as per the provisions of Prevention of Money Laundering (PMLA) Amendment Act.

The Bank has attached great importance to compliance of KYC/ AML/CFT norms by the customers as per the Reserve Bank of India directive, in the interest of the nation.

DIRECTORS

During the year, pursuant to the applicable provision of the Banking Regulation Act, 1949, the provisions of the Articles of Association of the Bank and approval of Reserve Bank of India vide its letter DBOD.7894/08.51.001/2013-14 dtd. October 24, 2013, Sri Amitabha Guha (DIN 02836707), has been re-appointed as Part-time Chairman of the Bank for a further period of 3 years with effect from 2nd November, 2013 till 1st November, 2016, on the terms and conditions stipulated in the approval letter.

Sri Mohan E. Alapatt (DIN 00025594) and Sri K. Thomas Jacob (DIN 00812892) who retired at the 85th Annual General Meeting held on June 28, 2013 were re-appointed as Directors of the Bank. Sri Jose Alapatt (DIN 00043444) retired from the Board w.e.f. May 11, 2013 on completing 8 years of

Directorship as stipulated under the Banking Regulation Act, 1949. Sri H. Suresh Prabhu (DIN 03359835) and Dr. N. J. Kurian (DIN 01646207) had resigned from the Board w.e.f. November 2, 2013 and April 25, 2014 respectively. The Board places on record its appreciation for the invaluable services rendered by them during their tenure as Directors.

Sri Francis Alapatt (DIN 01419486) was appointed as an Additional Director at its meeting held on November 1, 2013. Sri Salim Gangadharan (DIN 06796232) was appointed as Director by the Board of Directors on January 16, 2014 in the casual vacancy caused by the resignation of Sri H. Suresh Prabhu.

Sri Cheryan Varkey (DIN 06884551) was appointed as Additional Director by the Board of Directors at its meeting held on May 28, 2014.

Pursuant to the provisions of Section 161 of the Companies Act, 2013 Sri Francis Alapatt, Sri Salim Gangadharan and Sri Cheryan Varkey vacates their office at the ensuing Annual General Meeting. Three members have expressed their intention to propose Sri Francis Alapatt, Sri Salim Gangadharan and Sri Cheryan Varkey as candidates to the office of director(s) of the Bank, and have given notices in writing along with the deposit amount of ₹1,00,000/- each, in terms of Section 160 of the Companies Act, 2013.

Further, pursuant to Sections 149, 152 of the Companies Act, 2013 and Section 10A (2A) of the Banking Regulation Act, 1949, approval of the shareholders has been sought for the appointment of Dr. John Joseph Alapatt for a period of five years, Sri Mohan E. Alapatt for the period upto February 28, 2018, Sri K. Thomas Jacob for the period upto August 30, 2018, Sri Mathew L. Chakola and Sri Paul Chalissery for period upto September 30, 2014 as Independent Directors not liable to retire by rotation.

AUDITORS

The shareholders at its 85th Annual General Meeting held on June 28, 2013, appointed M/s. S. R. Batliboi & Associates LLP (formerly known as M/s. S. R. Batliboi & Associates), Chartered Accountants, Chennai, as the Central Auditors for the audit of Bank's accounts for the year 2013-14.

M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, Chennai, vacate office at the end of the Annual General Meeting to be held this year but are eligible for re-appointment for the Financial Year 2014-15.

Audit and Inspection

Regular Inspection of the Bank's branches is conducted at periodical intervals on the basis of Risk Based Internal Audit approach. Concurrent audit at branches by qualified Chartered Accountants/retired officers covering 65% of business of the Bank. Concurrent audit of International Banking Division and Treasury Department are also conducted. In addition to the above, the Bank conducts Stock Audit, Credit Audit, KYC/ AML Audit, Information System Audit, Revenue Audit to check income leakages, Surprise Inspection of gold and cash, Forensic

DIRECTORS' REPORT

Audit by external agencies in cases where it is found necessary, exclusive Gold Loan asset verification etc., at branches. This year, Bank has brought almost all isolated remote branches under the ambit of concurrent audit, irrespective of the business volume of such branches. Also, the frequency of Gold Loan Inspection has been increased. Information System Audit of CBS and major applications for the current financial year 2013-14 was done by an external approved auditing firm. Besides, all the branches are subjected to statutory audit on yearly basis. RBI conducts Annual Financial Inspection of the Bank. An Offsite Monitoring Team is functioning in all Regional Offices mainly to oversee compliance of KYC/AML guidelines in the operative accounts newly opened by branches. Bank is sending alerts (of large value) generated from a software to branches and ROs to facilitate verification of the branch operations, in which some deviations from the laid down procedures / rules are detected by the system. ROs are provided with a terminal of this software for scrutiny of all alerts wherever needed. Above all, all alerts, generated by this system, are analyzed by a central team for the correctness of the branch operations connected to such alerts. The branch operations are analyzed for KYC/ AML/ CFT guidelines compliance centrally with the help of another software and the alerts generated from this are followed up. Statutory reporting of the violations is also done centrally.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors report for the year 2013-14 does not contain any qualification. However there are following matters of emphasis:

"Emphasis of Matter

We draw attention to Note 18.B.7 to the financial statements which describes the deferment of pension and gratuity liability relating to existing employees of the Bank to the extent of ₹ 156.53 crores and the unamortized liability of ₹ 22.49crores as at March 31,2014 pursuant to the exemption granted by the Reserve Bank of India and made applicable to the Bank vide Letter No. DBOD No. BP. BC.15896 /21.04.018 /2010-11 dated April 8, 2011, from the application of the provision of the Accounting Standard (AS) 15, Employee Benefits. Our opinion is not qualified in respect of this matter.

We draw attention to Note 18. B. 5to the financial statements, which describes creation of Deferred Tax Liability ("DTL") on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 pursuant to RBI's Circular No. DBOD. No. BP. BC.77/21. 04. 018/2013-14 dated December 20, 2013, whereby the DTL of ₹ 14.71 crores pertaining to period upto March 31, 2013 has been adjusted to the general reserve of the Bank and DTL of ₹ 5.78 crores on the special reserve created during the financial year ended March 31, 2014 has been charged to the profit and loss account. Our opinion is not qualified in respect of this matter."

Since the above comments are self explanatory, no explanation is offered in this regard.

CORPORATE GOVERNANCE

A separate report profiling Corporate Governance as required under Clause 49 of the Listing Agreement with Stock Exchanges,

and a certificate from M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, Statutory Auditors of the Bank, are annexed to the Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This has been dealt with in a separate section in the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

1. In the preparation of annual accounts for the financial year ended March 31, 2014, the applicable accounting standards have been followed and proper explanation has been furnished to the extent of departures from those standards.
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2013-14 and of the profit of the company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and Banking Regulation Act, 1949 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts for the financial year ended on March 31, 2014, on a going concern basis.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, Government of Kerala and all other state Governments where the Bank operates, other Government and Regulatory Authorities, including stock exchanges, where the Bank's shares are listed and correspondent Banks for their strong support and guidance, during the year. The Board also places on record its gratitude to the Bank's shareholders and customers for their continued support, patronage and goodwill. The Board further places on record its appreciation for the valuable services rendered by M/s. S. R. Batliboi & Associates LLP, Statutory Auditors, during their tenure. The single most important pillar of any Institution is its personnel, more so in the case of a service entity like a Bank. The Bank gladly acknowledges this fact and thanks all of them for their diligence and loyalty towards the Bank. The Board expresses its sincere appreciation for the dedicated services rendered by officers and employees of the Bank at all levels.

By Order of the Board

(AMITABHA GUHA)

CHAIRMAN

Place : Thrissur

Date : May 28, 2014

DIRECTORS' REPORT

Annexure to Directors Report for the year ended March 31, 2014

STATUTORY DISCLOSURES REGARDING ESOS

Details of the stock options granted, vested, exercised and forfeited & expired during the year under review are as under :

Particulars	Tranche 1		Tranche 2		Tranche 3		Tranche 4		Tranche 5		Tranche 6	
	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)
Options outstanding at the beginning of the year	1,85,48,985	12.93	4,40,550	24.98	8,93,000	24.12	21,000	12.93	10,63,500	21.65	-	-
Options granted during the year	-	-	-	-	-	-	-	-	-	-	2,13,52,100	18.72
Options exercised during the year	54,06,772	12.93	2,400	24.98	-	-	-	-	-	-	-	-
Options vested during the year	1,18,46,800	12.93	1,31,250	24.98	2,54,700	24.12	-	-	-	-	17,000	18.72
Forfeited/lapsed during the year	30,91,223	12.93	1,35,400	24.98	47,500	24.12	1,000	12.93	1,01,000	21.65	1,08,800	18.72
Options outstanding at the end of the year	1,00,50,990	12.93	3,02,750	24.98	8,45,500	24.12	20,000	12.93	9,62,500	21.65	2,12,43,300	18.72
Total Number of Options in force as on March 31, 2014	3,34,25,040											

Other details are as under:

Money realised by exercise of options	₹69969513.96																								
Pricing Formula:																									
a) for Tranche 1, Tranche 2, Tranche 3, Tranche 5 & Tranche 6	a) At a discount of 10% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the dates of grant.																								
b) Tranche 4	b) At a discount of 45% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the date of grant.																								
Details of options granted to Senior managerial personnel	<table> <tr> <th>Name</th><th>Options Granted</th></tr> <tr> <td>Mr. H. Suresh Prabhu</td><td>50000*</td></tr> <tr> <td>Mr. Abraham Thariyan</td><td>105000</td></tr> <tr> <td>Mr. Cheryan Varkey</td><td>97000</td></tr> <tr> <td>Mr. Joseph George Kavalam</td><td>88500</td></tr> <tr> <td>Mr. Varughese A.G.</td><td>88500</td></tr> <tr> <td>Mr. Thomas Joseph K.</td><td>78500</td></tr> <tr> <td>Mr. John Thomas</td><td>78500</td></tr> <tr> <td>Mr. Murali N A.</td><td>65000</td></tr> <tr> <td>Mr. Raphael T. J.</td><td>72500</td></tr> <tr> <td>Mr. Abraham K. George</td><td>72500</td></tr> <tr> <td>Mr. Benoy Varghese</td><td>72500</td></tr> </table> * Granted while he was an employee of the Bank.	Name	Options Granted	Mr. H. Suresh Prabhu	50000*	Mr. Abraham Thariyan	105000	Mr. Cheryan Varkey	97000	Mr. Joseph George Kavalam	88500	Mr. Varughese A.G.	88500	Mr. Thomas Joseph K.	78500	Mr. John Thomas	78500	Mr. Murali N A.	65000	Mr. Raphael T. J.	72500	Mr. Abraham K. George	72500	Mr. Benoy Varghese	72500
Name	Options Granted																								
Mr. H. Suresh Prabhu	50000*																								
Mr. Abraham Thariyan	105000																								
Mr. Cheryan Varkey	97000																								
Mr. Joseph George Kavalam	88500																								
Mr. Varughese A.G.	88500																								
Mr. Thomas Joseph K.	78500																								
Mr. John Thomas	78500																								
Mr. Murali N A.	65000																								
Mr. Raphael T. J.	72500																								
Mr. Abraham K. George	72500																								
Mr. Benoy Varghese	72500																								
Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None																								

DIRECTORS' REPORT

Identified employees who were granted option during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None
Variation of terms of Options	Nil
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) - 20 'Earnings Per Share'	₹3.77
Weighted-average exercise prices of Options whose: • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price	Nil Nil The price of the stock options granted are: Tranche 1 – 12.93, Tranche 2 – 24.98, Tranche 3 – 24.12, Tranche 4 – 12.93 Tranche 5 – 21.65 and Tranche 6 – 18.72
Weighted-average fair value of Options whose: • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price	Nil Nil The price of the fair value options granted are: Tranche 1 – 8.57, Tranche 2 – 17.03, Tranche 3 – 22.57, Tranche 4 – 23.10 Tranche 5 – 24.26 and Tranche 6 – 23.49

Impact of fair value method on net profit and on EPS:

Had compensation cost for the ESOS outstanding being determined based on the fair value approach instead of intrinsic value method, the Bank's net profit and earnings per share would have been as indicated below:

Particulars	31-03-2014
Net Profit as reported (₹ in Crore)	507.50
Proforma Net profit based on fair value approach (₹ in Crore)	506.47
Basic EPS as reported (₹)	3.78
Basic EPS (Proforma) (₹)	3.78
Diluted EPS as reported (₹)	3.77
Diluted EPS (Proforma) (₹)	3.76

In computing the above information, certain estimates and assumptions have been made by the management which has been relied upon by the auditors.

Description of the method and significant assumptions used to estimate fair value:

The Securities Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option: The fair value of the options is estimated on the date of grant using Black Scholes options pricing model with following inputs/assumptions :

Tranches	Year ended 31-03-2014						Year ended 31-03-2013				
	1	2	3	4	5	6	1	2	3	4	5
Exercise Price per share (₹)	12.93	24.98	24.12	12.93	21.65	18.72	12.93	24.98	24.12	12.93	21.65
Weighted Average Share Price per share (₹)	8.57	17.03	22.57	23.10	24.26	23.49	8.57	17.03	22.57	23.10	24.26
Expected Volatility (%)	28.26	28.26	28.26	28.26	28.26	29.95	28.26	28.26	28.26	28.26	28.26
Historical Volatility (%)	43.50	31.33	29.23	31.32	28.94	32.19	43.50	31.33	29.23	31.32	28.94
Life of the options granted (Vesting and Exercise period in years)	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.16 to 4.16	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16
Average Risk Free Interest rate (%)	7.98	7.88 to 7.98	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09	8.61 to 8.88	7.98	7.88 to 7.98	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09
Expected Dividend Yield (%)	8.17	4.11	3.10	3.03	2.89	3.41	8.17	4.11	3.10	3.03	2.89

DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

Global economic growth remained subdued during the fiscal 2014, while global financial markets witnessed volatility in response to the commencement of withdrawal of quantitative easing by the US Federal Reserve. Going forward, global growth is likely to strengthen in the rest of the year, with risks tilted to the downside. Five years after the financial crisis, the advanced world, particularly the US, is beginning to see signs of economic recovery. The IMF forecasts global growth to pick up to 3.6% in 2014 from approximately 2.9% in 2013.

Growth in the Indian economy remained below 5.0% for the second consecutive year, along with subdued investment activity and consumer demand. Uncertainties regarding the global recovery, concerns over domestic growth and volatility in financial markets were the key features of the economic environment in fiscal 2014. India's Gross Domestic Product (GDP) grew by 4.6% during the first nine months of fiscal 2014 compared to a growth of 4.5% in the corresponding period of fiscal 2013. Growth was moderate due to a slowdown in industry and services sectors. Growth in the industrial sector was 0.6% during the first nine months of fiscal 2014, similar to the corresponding period of fiscal 2013. The services sector grew by 6.7% during the first nine months of fiscal 2014, compared to 7.2% in the corresponding period of fiscal 2013. The agriculture sector saw an improvement in growth to 3.6% during the first nine months of fiscal 2014, compared to 1.4% in the corresponding period of fiscal 2013. Private consumption recorded a growth of 2.5% while investments, as measured by gross fixed capital formation, declined by 1.0% during the first nine months of fiscal 2014, compared to a growth of 6.2% in private consumption and a decline of 0.1% in investments during the first nine months of fiscal 2013.

Inflation, measured by the Wholesale Price Index (WPI), increased from 4.8% in April 2013 to 7.5% in November 2013 and then eased to 5.7% in March 2014. Average WPI inflation during fiscal 2014 was 5.9%, compared to 7.4% average inflation during fiscal 2013. However, food inflation grew from an average of 9.9% in fiscal 2013 to 12.4% in fiscal 2014. Retail inflation, measured by the Consumer Price Index (CPI), remained elevated at above 9.0% levels during the early part of fiscal 2013 and increased to a high of 11.2% in November 2013 before easing to 8.3% in March 2014. CPI inflation largely followed the trend in food inflation. Core CPI inflation, excluding food and fuel, remained steady at around 8.0% through fiscal 2014.

India's external sector environment improved during fiscal 2014 following policy interventions as well as improvement in exports. The high current account deficit of 4.8% of GDP in fiscal 2013 significantly reduced to 2.2% during the first nine months of fiscal 2014. During fiscal 2014, imports declined by 8.1%, particularly

due to policy curbs on gold imports. Correspondingly, exports grew by 4.0% during fiscal 2014, leading to a contraction in the trade deficit by 27.2% during the year. Capital inflows also improved towards the later part of fiscal 2014. With a view to attract US dollar inflows and provide support to the currency, in September 2013 RBI opened a swap facility for banks for incremental foreign currency non-resident (bank) (FCNR (B)) US dollar deposits at a fixed rate of 3.5% per annum.

Indian equity markets improved during fiscal 2014, though there were periods of high volatility during the year. The benchmark equity index, the BSE Sensex, increased by 18.8% during fiscal 2014, moving from 18,836 at March 31, 2013 to a low of 17,906 on August 21, 2013 and subsequently rising to 22,386 at March 31, 2014. As per the Securities and Exchange Board of India, foreign institutional investment (FII) flows were significantly lower in fiscal 2014 with net inflows of around US\$ 9.07 billion compared to net inflows of US\$ 27.58 billion during fiscal 2013. There were net inflows of US\$ 13.69 billion in equity and net outflows of US\$ 4.62 billion in debt markets during fiscal 2014. Foreign direct investments improved marginally to US\$ 20.98 billion and external commercial borrowings to US\$ 5.81 billion during the first nine months of fiscal 2014, compared to US\$ 19.78 billion and US\$ 4.47 billion, respectively, during the corresponding period of fiscal 2013.

Banking Scenario:

The year under review has been challenging with continuing macro economic scenario not conducive for healthy growth. Yet there have been positives in some sub-segments of performance of the banks. Improved performance of the banking industry in India has helped the economy to bounce back to a positive growth level. A stronger pickup in the seasonal festive demand in Q3 helped currency with the public increase to 11.2 per cent (y-o-y) at the end of Q3 from 9.6 per cent at the end of Q2 of 2013-14. It has since moderated to 10.6 per cent in mid-January 2014. In addition, backed by a large flow of FCNR (B) deposits and advance tax mobilization, aggregate deposit growth picked up to a financial year high of 17.1 per cent in mid-December which moderated to 15.6 per cent by mid-January 2014. A strong growth in aggregate deposits net of FCNR (B) deposits, however, has averaged around 14 per cent, in line with the Reserve Bank's indicative trajectory, since October, 2013.

Strong growth in agriculture and services sectors as well as the personal loans segment has helped to push bank credit growth during the period 2013-14 to 7.2 per cent, compared to 6.6 per cent during the same period of 2012. Additionally the industry is bullish in scaling up operations in the rural areas through higher penetration by way of variant outlets as envisaged in the financial inclusion initiatives envisaged by the industry. During the period,

DIRECTORS' REPORT

loans to the agriculture sector grew by 5.2 per cent compared to 2.3 per cent in 2012. "Higher growth in credit to agriculture may be attributed to the expected better kharif crop which has been announced by the Ministry of Agriculture," Additionally, India is hoping to improve banking operations in rural areas by easing restrictions on foreign banks willing to open local branches. India is expected to issue new rules in 2014 regarding the operation of foreign banks. These regulations will make it easier for foreign lenders to set up local units and lend more in rural areas. Driven by easing regulations as well as a search for growth avenues, banks will probably expand their operations in the coming year.

Economic and Banking Outlook

Though the growth outlook for the next fiscal is better than the current one, headline inflation, as measured by the wholesale price index (WPI), is expected to remain marginally low. WPI inflation is expected to average 6% over the course of the next fiscal. During 2014-15, global crude oil prices are expected to average \$102 per barrel compared to \$108 per barrel witnessed in 13-14 due to higher oil production in Latin America and an increasing trend of migration to gas from oil, globally. This creates a potential situation for decline in fuel inflation. Upward risks to inflation could emanate from higher spending due to rise in food prices due to possible poor monsoon during 2014-15 and those resulting from oil prices due to geopolitical risks. Though it is expected the rupee to be weaker in 2014-15 compared with the current fiscal, weak global commodity prices will help tame imported component of inflation. The Urjit Patel Committee has suggested CPI inflation as the new nominal anchor for monetary policy. If its recommendations are adopted by the RBI, it will shift its focus on taming retail inflation to 8% over the next 12 months. We currently expect CPI inflation to moderate to 8.5% in 2014-15.

Fiscal deficit as a percentage of GDP is forecast at 4.8%, significantly higher than the 4.2% target for 2014-15 envisioned in the government's medium-term fiscal consolidation statement. Although higher GDP growth will lift tax revenues, a significant improvement in tax to GDP ratio in 2014-15 is unlikely unless key reforms such as goods and services tax (GST) are implemented in the first half of the fiscal year – a low probability event at this juncture. The one-time tax surcharge on the high-income bracket implemented in Budget 2013-14 is also expected to be removed next year. While a stable rupee and recent progress toward deregulation of diesel prices could lower fresh accruals on petroleum subsidies in 2014-15, rollover of diesel and fertilizer subsidies from the current fiscal year will limit the downside to overall subsidies. Food Security Bill, if rolled out across several states, could further inflate the subsidy outgo of the government.

In 2014-15, we expect India's external account to begin losing the initial benefits of a sharp correction in current account deficit

(CAD), which is likely to expand to about \$58 billion in 2014-15 or almost \$13 billion more than in this fiscal. At that level, CAD will be about 3.0% of GDP. In 2013-14, CAD is estimated to have fallen to \$45 billion (2.5% of GDP) from \$88 billion (4.8% of GDP) in the previous year. An improvement in CAD this year was a result of; (i) the curbs on gold imports, ii) a sharp slowdown in domestic demand pulling down consumption and investment goods' imports, and (iii) a weak rupee and recovery in US benefiting exports.

Despite the sharp reduction in CAD this year, we believe the nature of improvement is unsustainable.

The course of gradual monetary easing that had started alongside some dampening of inflationary pressures was disrupted by the over-riding need to stabilise the exchange rate in the face of large capital outflows since May 2013. Liquidity conditions were tightened considerably till such time as the exchange rate stabilised. Since then the interest rate corridor's width has been normalized through a 150 bps reduction in the MSF rate and an increase of 50 bps in the policy rate, the latter reflecting the need to tackle the resurgence in inflation. Additional liquidity was also provided in terms of variable rate term repos and forex swaps. The latter turned out to be a significant driver of reserve money growth in Q3 of 2013-14 as NFA was built up. The momentum in mobilizing FCNR (B) deposits on the back of the swap facility also pushed up growth in aggregate deposits and, hence, money supply.

Banking regulation underwent several changes during fiscal 2014 with several more measures proposed to be implemented going forward. In the second quarter monetary policy review announced on October 29, 2013, RBI emphasized on:

- strengthening and clarifying the monetary policy framework.
- Strengthening the banking structure through entry of new banks, branch expansion, encouraging new varieties of banks, and clarifying an organisational framework for foreign banks. In this regard, two new banks were given in-principle licenses during fiscal 2014.
- Broadening and deepening financial markets and increasing their liquidity and resilience.
- Expanding access to finance to small and medium enterprises, the unorganised sector, the poor and the remote underserved areas.
- Strengthening real and financial restructuring and debt recovery from corporates and improving the system's ability to deal with distress.

Opportunities and Threats

India is one of the top 10 economies globally, with vast potential for the banking sector to grow. The last decade witnessed an impressive surge in transactions through ATMs, and Internet and mobile banking. In 2014-15, the country's ₹ 81 trillion (US\$ 1.34 trillion) banking industry is set for a higher trajectory. Two

DIRECTORS' REPORT

new banks have already received licences from the government. Furthermore, the Reserve Bank of India's (RBI) new norms will provide incentives to banks to spot potential bad loans and take corrective steps that will curb the practices of rogue borrowers.

Yet, the issue of quality of assets is likely to be a continued source of concern during 2014-15 warranting high degree of attention. Profitability of the Banks will largely be determined by their capacity to reduce the quantum of bad loans. The implementation of the Financial Inclusion Plan (FIP) 2010-13, introduced for the first time in April 2010, has led to the establishment of banking outlets in more than 2 lakh villages. The Direct Benefit Transfer, as envisaged by the Central Government for delivery of social welfare benefits by direct credit to the Bank accounts of beneficiaries, will bring more common men into the banking system. In order to take financial inclusion to the next stage of providing universal coverage and facilitating Electronic Benefit Transfer (EBT), banks have been advised to draw up the next FIP for the period 2013-16. The tough macro-economic situation in India is driving private-sector banks to sharpen their focus on emerging sectors and rural markets to boost growth. Banks have been given conditional freedom to open branches in tier-I Indian cities without seeking the RBI's prior approval in each case. These will likely push banks to expand their operations in the country.

India's banking sector has the potential to become the fifth largest banking sector globally by 2020 and the third largest by 2025. The industry has witnessed discernable development, with deposits growing at a CAGR of 21.2 per cent (in terms of INR) in the period FY 06-13; in FY 13 total deposits stood at US\$ 1,274.3 billion. Today, banks are turning their focus to servicing clients. Banks in the country, including those in the public sector, are emphasizing on enhancing their technology infrastructure, in order to improve customer experience and gain a competitive edge. The popularity of internet and mobile banking is higher than ever before, with Customer Relationship Management (CRM) and data warehousing expected to drive the next wave of technology in banks. Indian banks are also progressively adopting an integrated approach to risk management. Most banks already have in place the framework for asset-liability match, credit and derivatives risk management.

Indian banks operating abroad enjoyed a higher credit growth in comparison to foreign banks operating in India, as per an RBI survey on international trade in banking services for 2012-13. According to the survey, growth of credit extended by Indian banks' branches operating overseas grew by 31.7 per cent to ₹ 585,570 crore (US\$ 97.36 billion); credit extended by foreign banks based in India increased 27.5 per cent to touch ₹ 307,700 crore (\$51.15 billion).

The principal risk facing India is the inward spillover from global financial market volatility. Protracted economic and financial volatility (triggered by advanced economies' exit from unconventional monetary policies), a lengthy Euro area growth

slowdown, and higher oil prices are the main external risks. Slow progress on structural reforms, high inflation, failure to ease supply constraints, and resorting to expansionary fiscal policy are key domestic downside risks. On the upside, going beyond announced reforms or faster-than-envisaged legislative progress would lead to higher growth and reduce economic vulnerabilities.

In May 2013, RBI issued guidelines on restructuring of advances. As per the guidelines, loans that are restructured (other than due to delay in project completion up to a specified period in the infrastructure sector and non-infrastructure sector) from April 1, 2015 onwards would be classified as non-performing. General provision on standard accounts restructured after June 1, 2013 was increased to 5.0%. The general provision required on standard accounts restructured prior to that date has been increased to 3.5% from March 31, 2014, and would further increase to 4.25% from March 31, 2015 and 5.0% from March 31, 2016. Further in June 2013, prudential norms pertaining to risk weights, provisioning and loan-to-value ratio for individual housing loans were revised. Accordingly, individual housing loans of up to ₹7.5 million now attract risk weight of 50.0% with standard asset provisioning of 0.4%. For individual housing loans of above ₹7.5 million, the loan-to-value ratio was set at 75.0% and risk weight was lowered from 125.0% to 75.0%.

Financial Performance Vs Operational Performance

The Net Profit reached the level of ₹507.50 crore as against ₹502.27 crore last year. The total gross business of the Bank grew from ₹76,276 crore to ₹83,894 crore. While the deposits grew from ₹44,262 crore to ₹47,491 crore, gross advances grew from ₹32,014 crore to ₹36,403 crore. Food credit increased to ₹614.38 crore from ₹554.85 crore and non-food credit stood at ₹35,788.72 crore vis-à-vis ₹31,459.18 crore in the last year, posting an increase of ₹4,329.54 crore. The Board has recommended a dividend of 80% i.e. @ ₹0.80 per equity share of ₹1/- each, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 1.19% and the Net NPA to Net Advances at 0.78% as on March 31, 2014. The Capital Adequacy Ratio of the Bank was 12.53% under Basel II and 12.42% under Basel III norms as on March 31, 2014 as against the RBI mandated level of 9%. Book value per share rose from ₹22.44 to ₹25.06 during the year 2013-14.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal Controls

The Bank is having a full-fledged Inspection and Vigilance Department, which ensures adherence to the set rules and regulations by the Branches/Regional Offices/Departments at the Administrative Office. Internal inspectors conduct inspection at regular intervals and such reports are placed to Audit Committee of Executives (ACE)/Audit Committee of Board (ACB) as the case

DIRECTORS' REPORT

may be. ACE/ACB reviews the reports and ensures that corrective steps are taken to rectify the lapses/irregularities pointed out.

Risk Management Practices

It is imperative to have good risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets as a whole. The Bank has put in place a risk management architecture and practices that is overseen by a Committee of Directors. The Bank has in place a robust risk management structure which proactively identifies the risk faced by the Bank and helps in mitigating it, while maintaining proper tradeoff between risk and return thereby maximizing the shareholder value.

Business Continuity Plan has been totally revamped to suit the present scenario covering all critical processes of the Bank. The Bank has also set up an operationalised Disaster Recovery Centre for its Core Banking Operations and also made use of the same during the year.

In furtherance of the goals of effective risk management, the Bank has strengthened its risk management processes by fine tuning its internal rating models, internal rating migration study and also through introduction of comprehensive upgraded policies for credit and operational risk. Credit monitoring system was further streamlined for focused attention on improvement in asset quality. The Bank has also introduced risk management processes like Risk Control and Self Assessment (RCSA) framework, Stress Testing framework and risk based pricing model linked to rating during the year. The market situations, Bank's liquidity positions and the peer group performances are closely monitored for revising the various interest rates.

Skill sets of mid-offices of the Bank were strengthened and its functions were made broadbased further for effective monitoring of market risk.

Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure with Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid-office at Treasury Department/International Banking Division at operational level.

The Bank continued with the system of comprehensive risk profiling of the Bank in line with regulatory guidelines that will facilitate integrated risk management.

The Bank has also taken steps to move into the advanced approaches under the Basel II framework as stipulated by the Reserve Bank of India.

The Bank has taken necessary steps to comply with the 'Guidelines on implementation of Basel-III capital regulations in India' in a phased manner as directed by the RBI.

Human Resource Development / Industrial Relations

Human Resources policies and practices of the Bank focus on attracting, motivating and retaining qualified and skilled manpower. Concurrent with these objectives, steps are taken to improve manpower efficiency. Given the market challenges, there has been considerable focus on optimizing the existing resources – through internal job postings, transfers and skill development initiatives. Training and development has assumed significant importance. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and train them for qualitative improvement. During the financial year, Bank could provide training to 2647 of its Officers, 1200 clerks and 53 sub-staff in different facets of Bank's operations.

The development of employees is essential to the future strength of our business. We have implemented a systematic approach to identifying, developing and deploying talented employees to ensure an appropriate supply of high calibre individuals.

To motivate the employees further and to inculcate in them a sense of ownership, Employees' Stock Option Scheme (ESOS) was approved by the shareholders at the Annual General Meeting held on August 18, 2008. The Bank has introduced Tranche 1 of the scheme in 2009-10, Tranche 2 of the scheme in 2010-11, Tranche 3 of the scheme in 2011-12, Tranche 4 and and Tranche 5 during 2012-13 and Tranche 6 during the current financial year subject to the regulatory guidelines in this regard. An aggregate of 54,09,172 options were exercised by the employees during the current financial year and equal number of shares have been allotted against those exercises.

Industrial relations in the Bank have been cordial and harmonious. The representatives of Workmen Union, Officers Association and Management have been working collectively achieving all-round growth making the Bank progressively healthier. On account of cordial industrial relations, Bank has achieved considerable growth over the years.

By Order of the Board

Place : Thrissur

Date : May 28, 2014

(AMITABHA GUHA)

CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forming part of the report of the Board of Directors.

Corporate Governance ensures high standards of transparency, accountability, ethical operating practices, professional management thereby enhancing shareholders' value and protecting the interest of the stakeholders such as depositors, creditors, customers, suppliers and employees. The Bank is committed to highest standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvement of internal controls and sound investor relations.

The required details on Corporate Governance are given hereunder:

1. BOARD OF DIRECTORS

Composition of Board

The composition and category of the Directors along with their attendance at Board Meetings and shareholdings in the Bank as on March 31, 2014 are given below:

Sl. No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of last AGM on 28/06/2013	No. of shares held	% of holding
			Held during the tenure	Attended			
1.	Sri Amitabha Guha, Chairman	INE	13	12	Present	11969	0.0009%
2.	Dr. V. A. Joseph, M.D. & CEO	Whole Time Director	13	13	Present	128550	0.0096%
3.	Sri Paul Chaliserry, Director	INE	13	13	Present	124390	0.0093%
4.	Sri Mathew L. Chakola, Director	INE	13	12	Absent	157000	0.0117%
5.	Dr. N. J. Kurian, Director	INE	13	10	Absent	28750	0.0021%
6.	Sri Mohan E. Alapatt, Director	INE	13	13	Present	74500	0.0055%
7.	Sri K. Thomas Jacob, Director	INE	13	12	Present	64000	0.0048%
8.	Dr. John Joseph Alapatt, Director	INE	13	13	Present	219720	0.0163%
9.	Sri Francis Alapatt, Director	INE	6	6	NA	165000	0.0123%
10.	Sri Salim Gangadharan, Director	INE	5	5	NA	3000	0.0002%

INE – Independent Non-Executive Director

Board Meetings

A total of 13 Board Meetings were held during the year and the dates are as under:

06/05/2013, 20/05/2013, 28/06/2013, 12/07/2013, 13/08/2013, 27/09/2013, 17/10/2013, 03/12/2013, 16/01/2014, 01/02/2014, 18/02/2014, 11/03/2014 and 29/03/2014.

Committee position of Directors in the Bank as on March 31, 2014

The name of each Committee with the name of its respective Chairman as on 31/03/2014 is furnished below:

1.	Management Committee	-	Sri Amitabha Guha
2.	Audit Committee	-	Sri K. Thomas Jacob
3.	Nomination Committee	-	Dr. V. A. Joseph
4.	N P A Review Committee	-	Sri Francis Alapatt
5.	Compensation & Remuneration Committee	-	Sri Amitabha Guha
6.	Customer Service Committee	-	Dr. John Joseph Alapatt
7.	Shareholders / Investors Grievance Committee	-	Sri Paul Chaliserry
8.	Committee to Prevent and Review Frauds in the Bank	-	Dr. V. A. Joseph
9.	Premises Committee	-	Sri Mathew L. Chakola
10.	Risk Management Committee	-	Sri Salim Gangadharan
11.	Information Technology Strategy Committee	-	Sri Mohan E. Alapatt
12.	Corporate Social Responsibility Committee	-	Sri Francis Alapatt

ANNEXURE TO THE DIRECTORS' REPORT

None of the Directors is a member of more than ten Board Committees or Chairman of more than five such Committees, as required under Clause 49 of the Listing Agreement.

Directorship of Directors in other Public Limited Companies and Public Institutions

Sri Amitabha Guha, Part-time Chairman, is a Director on the Board of M/s Vijaysri Organics Limited, Hyderabad; M/s Gangavaram Port Ltd., Hyderabad, M/s Xpro India Ltd., New Delhi and Member, Board of Governors, Asian Institute of Business Management, Bhubaneswar. Sri Francis Alapatt, is a Director on the Board of M/s CII Guardian International Ltd.

No other Director holds Directorship in any other Public Limited Company.

2. COMMITTEES OF BOARD

(A) MANAGEMENT COMMITTEE

Management Committee of Board has been constituted based on RBI guidelines vide its circular No. DBOD. No. BP. BC.96/21.03.038/2004-05 dated 10th June, 2005 essentially to sanction credit proposals beyond the powers of MD & CEO and all other operational matters permitted by the Board from time to time. The members of the Committee as on March 31, 2014 are Sri Amitabha Guha – Chairman, Dr. V. A. Joseph, Sri Paul Chaliserry, Sri K. Thomas Jacob and Sri Salim Gangadharan.

A total of 21 meetings were held during the year.

(B) AUDIT COMMITTEE

The Audit Committee of the Board is chaired by Sri K. Thomas Jacob, who is a Chartered Accountant. The other members of the committee are Dr. John Joseph Alapatt, Sri Paul Chaliserry and Sri Salim Gangadharan as on March 31, 2014. The terms of reference of Audit Committee are harmonised with the requirements of Clause 49 of the Listing Agreement and responsibilities enjoined upon it by the RBI, which inter alia includes the following:

- a) Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, adequate and credible.
- b) Recommending to the Board, the appointment, re-appointment or, if required, the replacement of the statutory auditor together with the fixation of audit fees and approval of payment for any other services rendered by the statutory auditors.
- c) Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.
- d) Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements.

- e) Review, as far as the situation necessitates all other reports including Risk Based Internal Audit Reports, which are presently being put up before the committee.
- f) Review of all reports as per the calendar of reviews stipulated by the RBI; and
- g) Any other terms of reference as may be included from time to time in clause 49 of the listing agreement.

The Committee met 12 times during the year.

(C) NOMINATION COMMITTEE

This Committee was constituted by the Board for the specific purpose of scrutinizing the declarations received from persons to be appointed as directors as well as from the existing directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India, vide their directive dated June 25, 2004 on 'Fit & Proper Criteria' of Directors of Banks. The members of the Committee as on March 31, 2014 are Dr. V. A. Joseph – Chairman, Sri Amitabha Guha, Sri Paul Chaliserry and Sri Mohan E. Alapatt.

The Committee met 2 times during the year.

(D) N P A REVIEW COMMITTEE

This Committee has been constituted to review all NPA Accounts above ₹ 50.00 Lakh. The Committee meets once in a quarter. The members of the Committee as on March 31, 2014 are Sri Francis Alapatt – Chairman, Dr. V. A. Joseph, Dr. N. J. Kurian, Sri K. Thomas Jacob and Sri Salim Gangadharan.

The Committee met 4 times during the year.

(E) COMPENSATION AND REMUNERATION COMMITTEE

Reserve Bank of India vide its Circular No. DBOD. No.BC.72/29.67.001/2011-12 dtd. 13/01/2012, directed all Private Sector and Foreign Banks to formulate and adopt a Comprehensive Compensation Policy covering all their employees by March 2012 for implementation from the financial year 2012-13 and to conduct annual review thereof. Taking into account of these guidelines, the Bank has formulated a Comprehensive Compensation Policy which was approved by the Board of Directors of the Bank at its meeting held on February 16, 2012. The terms of reference of the existing Compensation and Remuneration Committee was accordingly modified to that extent. The Members of the Committee as on March 31, 2014 are Sri Amitabha Guha – Chairman, Sri Mohan E. Alapatt, Dr. John Joseph Alapatt and Sri Paul Chaliserry.

The Terms of reference of the Committee are harmonized with the provisions of Companies Act, 1956/AS-15, Listing Agreement/Banking Regulation Act and other RBI Guidelines, which inter-alia, includes the following:

- a) To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/

ANNEXURE TO THE DIRECTORS' REPORT

MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc., with a view to attract, motivate and retain employees and review compensation levels vis-a-vis other Banks and the industry in general.

- b) The Committee shall work in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- c) With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
 - i) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;
 - ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - iii) Co-ordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as are considered necessary;
 - iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- d) The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
- e) To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.
- f) To oversee the administration of Employee benefits, such as, provident fund, Pension Fund, Gratuity, Compensation for absence on Privilege / Sick / Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.
- g) The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board;
- h) Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.
- i) To conduct the annual review of the Compensation Policy.
- j) To fulfill such other powers and duties as may be delegated to it by the Board.

The committee met 5 times during the year.

(F) CUSTOMER SERVICE COMMITTEE

The Committee is entrusted with the responsibility of monitoring the quality of services rendered to the customers and also ensuring implementation of directives received from RBI in this regard. The terms of reference of the Committee inter-alia, are to formulate comprehensive deposit policy incorporating the issues arising out of death of a depositor for operations of his account, the product approval process and any other issues having a bearing on the quality of customer services rendered.

The members of the Committee as on March 31, 2014 are Dr. John Joseph Alapatt – Chairman, Sri Amitabha Guha, Dr. V. A. Joseph, Dr N. J. Kurian and Mr. Francis Alapatt.

Besides, in accordance with RBI guidelines, the Bank has been inviting two persons to the Committee as special invitees, one representing the customers of the Bank and the other an expert in customer services, with a view to strengthening the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer services provided by the Bank.

The committee met 4 times during the year.

(G) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee looks into redress the complaints from shareholders and investors like transfer of Shares, non-receipt of Annual Reports, non-receipt of declared dividends etc. The Committee also ratifies share transfers/transmission/name deletion cases etc., from time to time. The members of the Committee as on March 31, 2014 are Sri Paul Chalissery – Chairman, Sri Mathew L. Chakola, Dr. N. J. Kurian and Sri Francis Alapatt.

The terms of reference of Shareholders / Investors Grievance Committee has been expanded and the following agenda items are being placed before the committee:

- a) Consolidated statement of transfer of shares / transmission/deletion etc., duly approved by General Manager or above from time to time.
- b) Certificate issued by Practicing Company Secretary (PCS) in connection with Reconciliation of share capital audit every quarter, physical share transfer audit half-yearly and Corporate Governance Report annually.
- c) Details of shareholder complaints received, redressed, pending etc., during a particular quarter.
- d) List of Top 10/100 shareholders at the end of every quarter.
- e) Any other item with the permission of the Board.

The Committee met 4 times during the year.

ANNEXURE TO THE DIRECTORS' REPORT

Status of Shareholder Complaints as on March 31, 2014

Sl. No.	Items	No. of Complaints		
		Pending/Received	Redressed	Pending
1	Non-receipt of Refund Order/ Allotment credit	0	0	0
2	Non-receipt of Dividend Warrants	122	122	0
3	Request for issue of duplicate share certificates	86	86	0
4	Complaints received from BSE/ NSE/SEBI/ROC	11	11	0
5	Other miscellaneous complaints	28	28	0
6	Non-receipt of share certificate after transfer	1	1	0
Total		248	248	0

(H) COMMITTEE TO PREVENT AND REVIEW FRAUDS IN THE BANK

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank with a view to provide focused attention on preventing and monitoring of frauds involving amounts of Rupees One Crore and above. The members of the Committee as on March 31, 2014 are Dr. V. A. Joseph - Chairman, Sri Amitabha Guha, Sri K. Thomas Jacob and Sri Salim Gangadharan.

The Committee met 3 times during the year.

(I) PREMISES COMMITTEE

A Premises Committee was constituted by the Board of Directors at its meeting held on December 28, 2007 to oversee and monitor the improvements to the Head Office building and a new Data Centre Building at Rajagiri Valley, Kakkanad, Kochi. Its terms of reference include calling tenders from reputed architects and contractors, scrutinizing, shortlisting and negotiating their site plans, estimates, finalizing their appointment, fees and other terms and conditions and monitoring the progress of the project. The members of the committee as on March 31, 2014 are Sri Mathew L. Chakola – Chairman, Dr. V. A. Joseph, Sri Paul Chalissery and Dr. John Joseph Alapatt.

The Committee met once during the year.

(J) RISK MANAGEMENT COMMITTEE

In terms of the guidelines of Reserve Bank of India on the Asset Liability Management / Risk Management Systems, a Risk

Management Committee of Board has been constituted. The members of the Committee as on March 31, 2014 are Sri Salim Gangadharan – Chairman, Sri Amitabha Guha, Dr. V. A. Joseph and Dr. John Joseph Alapatt.

The committee inter-alia looks into the following aspects:

- Review and approve on a regular basis the risk management policies recommended by RMCs, ALCO, including policies concerning credit risk, market risk and operational risk.
- Approve risk management governance structure of the Bank and deciding the allocation of resources.
- Define the risk appetite of the Bank.
- Approve the vendors for risk data warehouse and other risk management software requirements.
- Approve revisions in existing systems and policies to address risk management requirements and good practices.
- Consider the effectiveness of overall risk management framework in meeting sound corporate governance principles and identifying, managing and monitoring the key risks of the Bank.
- Oversee and monitor the Bank's compliance with regulatory requirements.
- Approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities.
- Review risk mitigation plans on significant risks, which affects policy or procedure level changes for effective implementation.
- To review the direction of various risks attributable to the Bank based on an analytical model articulated by RBI.

The Committee met 6 times during the year.

(K) INFORMATION TECHNOLOGY STRATEGY COMMITTEE

This committee has been constituted w.e.f. March 2, 2010 to suggest improvement and monitor the implementation of modern technology in the Bank. In compliance with Gopalakrishna Committee report contained in RBI circular RBI/2010-11/494 DBS:CO:ITC:BC.No.6/31.02.008/2010-11 dated April 29, 2011 the name of the Information Technology Committee has been changed as "Information Technology Strategy Committee" and the scope, terms of reference of the Committee has been amended w.e.f. November 28, 2012. The members of the Committee as on March 31, 2014 are Sri Mohan E. Alapatt – Chairman, Sri Amitabha Guha, Dr. V. A. Joseph and Sri K. Thomas Jacob.

The revised terms of reference of the IT Strategy Committee, inter-alia, include the following:

- Suggest improvement and monitor the implementation of modern technology in the Bank;
- Approving IT strategy and policy documents;
- Ensuring that the management has put an effective strategic planning process in place;

ANNEXURE TO THE DIRECTORS' REPORT

- Ratifying that the IT strategy is indeed aligned with business strategy;
 - Ensuring that the IT organizational structure complements the business model and its direction;
 - Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
 - Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
 - Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
 - Ensuring proper balance of IT investments for sustaining Bank's growth;
 - Make aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks;
 - Assessing Senior Management's performance in implementing IT strategies;
 - Issuing high-level policy guidance (eg: related to risk, funding, or sourcing tasks);
 - Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT;
 - Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks;
 - Reviewing IT performance measurement and contribution of IT to businesses (i.e. delivering the promised value);
 - Any other terms of reference as may be included from time to time by the Board or in compliance with RBI Guidelines.
- The Committee met 7 times during the year.

(L) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to section 135 of the Companies Act, 2013 and the rules and admissible activities notified therein by Ministry of Corporate Affairs in February 2014, the Bank is required to constitute a Corporate social responsibility Committee of Board to formulate Corporate Social responsibility Policy and to oversee the implementation of CSR activities undertaken by the Bank. As provided in the Act and pursuant to the same, your Board of Directors has, during the year, constituted a three member Corporate Social Responsibility (CSR) Committee of the Board, with Sri Francis Alapatt as Chairman of the Committee and Dr. V. A. Joseph and Sri Thomas Jacob as its co-members. The new CSR Policy, on approval, will supersede the extant policy and take retrospective effect from April 1, 2014. The highlights of the revised CSR policy, details of activities undertaken under its aegis from April 2014 and associated spends will be featured in the coming year's Report, as mandated under the Companies Act 2013.

COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS

MANAGEMENT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Amitabha Guha	21	21
Dr. V. A. Joseph	21	21
Sri Paul Chaliserry	21	21
Sri K. Thomas Jacob	21	18
Sri H. Suresh Prabhu*	13	12
Sri Salim Gangadharan#	5	5

* Ceased to be a member w.e.f. 02.11.2013

Inducted in to the committee w.e.f. 16.01.2014

AUDIT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri K. Thomas Jacob	12	11
Dr. John Joseph Alapatt	12	11
Sri Paul Chaliserry	12	11
Sri Mathew L. Chakola*	10	9
Sri Salim Gangadharan#	3	2

* Ceased to be a member w.e.f. 16.01.2014

Inducted in to the committee w.e.f. 16.01.2014

NOMINATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. V. A. Joseph	2	2
Sri Amitabha Guha	2	2
Sri Mohan E. Alapatt	2	2
Sri Paul Chaliserry	2	2

NPA REVIEW COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Mr. Francis Alapatt *	1	1
Dr. V. A. Joseph	4	4
Dr. N. J. Kurian	4	3
Dr. John Joseph Alapatt#	1	1
Sri H. Suresh Prabhu**	2	2
Sri K. Thomas Jacob*	1	1
Sri Salim Gangadharan*	1	1

* inducted in to the committee w.e.f. 16.01.2014

** ceased to be member w.e.f. 02.11.2013

Inducted in to the committee w.e.f. 03.12.2013 & ceased to be member w.e.f. 16.01.2014

ANNEXURE TO THE DIRECTORS' REPORT

COMPENSATION AND REMUNERATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Amitabha Guha	5	5
Sri Paul Chaliserry	5	5
Sri Mohan E. Alapatt	5	5
Dr. John Joseph Alapatt	5	5

CUSTOMER SERVICE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. John Joseph Alapatt*	3	3
Sri Amitabha Guha	4	4
Dr. V. A. Joseph	4	4
Dr. N. J. Kurian	4	4
Sri Francis Alapatt#	2	2
* ceased to be member w.e.f. 03.12.2013 & inducted in to committee w.e.f. 16.01.2014		
# inducted in to the committee w.e.f. 03.12.2013		

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Paul Chaliserry	4	4
Sri Mathew L. Chakola	4	4
Dr. N. J. Kurian	4	3
Sri Francis Alapatt#	2	2
# inducted in to the committee w.e.f. 03.12.2013		

COMMITTEE TO PREVENT AND REVIEW FRAUDS IN THE BANK

Name	No. of meetings	
	Held during the tenure	Attended
Dr. V. A. Joseph	3	3
Sri Amitabha Guha	3	3
Sri K. Thomas Jacob	3	3
Sri H. Suresh Prabhu*	2	2
Sri Salim Gangadharan#	1	1
* ceased to be member w.e.f. 02.11.2013		
# Inducted in to the committee w.e.f. 16.01.2014		
Sri Paul Chaliserry was inducted on 03.12.2013 and ceased to be member w.e.f. 16.01.2014, no meeting was held during that period.		

PREMISES COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Mathew L. Chakola	1	1
Dr. V. A. Joseph	1	1
Sri Paul Chaliserry	1	1
Sri K. Thomas Jacob*	-	-
Dr. John Joseph Alapatt**	1	1

* ceased to be member w.e.f. 16.01.2014

** Inducted in to committee w.e.f. 16.01.2014

RISK MANAGEMENT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan#	1	1
Sri Amitabha Guha	6	6
Dr. V. A. Joseph	6	6
Sri H. Suresh Prabhu*	4	4
Dr. John Joseph Alapatt	6	6

*ceased to be member w.e.f. 02.11.2013

Inducted in to the committee w.e.f. 16.01.2014

INFORMATION TECHNOLOGY STRATEGY COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	7	7
Sri Amitabha Guha	7	7
Dr. V. A. Joseph	7	7
Sri K. Thomas Jacob	7	7

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	No. of meetings	
	Held during the tenure	
Sri Francis Alapatt		Nil
Dr. V. A. Joseph		Nil
Sri K. Thomas Jacob		Nil

ANNEXURE TO THE DIRECTORS' REPORT

REMUNERATION PAID TO DIRECTORS DURING THE YEAR ENDED ON 31st MARCH, 2014

- A) The Bank paid a total remuneration of ₹79.24 Lakh during the year to Dr. V. A. Joseph, the Managing Director and Chief Executive Officer of the Bank.
- B) Details of honorarium paid to Part-time non-executive Chairman:
The Bank paid a honorarium of ₹12.75 lakh, during the year to Sri Amitabha Guha, Part-time Non-executive Chairman of the Bank.

- C) Details of Remuneration paid to other non-executive Directors:

(Paid in the form of sitting fees for Board/Committee Meetings attended by them)

Sri Jose Alapatt-Nil, Sri Paul Chaliserry ₹9,54,000/-, Sri Mathew L. Chakola- ₹4,26,000/-, Dr. N. J. Kurian- ₹3,30,000/-, Sri Mohan E. Alapatt ₹4,89,000/-, Sri K. Thomas Jacob- ₹8,16,000/-, Sri H. Suresh Prabhu – ₹4,08,000/-, Sri John Joseph Alapatt – ₹6,84,000/-, Sri Francis Alapatt- ₹1,83,000/- and Sri Salim Gangadharan – ₹2,40,000/-

Total amount paid ₹ 45,30,000/-

3. BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Resume of Directors seeking appointment/re-appointment at the 86th Annual General Meeting is given below:

- a) Name : Sri Mathew L. Chakola
 Age : 50 Years
 Qualifications : Graduate
 Experience : He is a Real Estate Promoter in Ernakulam.
 Present position : Non-executive Independent Director
 Sector : Minority

Sri Mathew L. Chakola was co-opted as a Director on 30th September 2006, in the casual vacancy caused due to the death of Sri John P. Chakola on August 22, 2006 and was elected as a director at the 79th Annual General Meeting held on 29th June 2007. He holds 157000 shares of the Bank. He is a Real Estate Promoter in Ernakulam. He is the chairman of Premises Committee and member of Shareholders/investors Grievance Committee of the Board of the Bank.

- b) Name : Sri Paul Chaliserry
 Age : 50 years
 Qualifications : B.Com., PGDM
 Experience : A former Director of the Bank for 8 years. Actively involved in agricultural and allied activities and looking after his family business.
 Present position : Non-Executive Director
 Sector : Majority – Agriculture

Sri Paul Chaliserry was appointed as an Additional Director on the Board on 30th September, 2006 and was elected as a Director at the 79th Annual General Meeting held on 29th June, 2007. He is not a Director in any other Public Limited Company. He holds 124390 shares of the Bank in demat form. He is the chairman of Shareholders / Investors Grievance Committee and member of the following Committees of Board: Management Committee, Audit committee, Compensation and Remuneration Committee, Premises Committee and Nomination Committee.

- c) Name : Sri Mohan E. Alapatt
 Age : 50 years
 Qualifications : B.E. (Mech)
 Experience : Qualified Engineer with considerable experience in varied industries for over 20 years and he is presently a corporate executive. He was a Director of the Bank earlier for a period of 8 years from 30/04/1999 to 23/04/2007.
 Present position : Non-executive Independent Director
 Sector : Minority

Sri Mohan E. Alapatt was inducted to the Board as an Additional Director on March 1, 2010 and appointed by the 82nd Annual General Meeting as a Director liable to retire by rotation. He holds 74,500 shares of the Bank in demat form. He is the Chairman of Information Technology Strategy Committee and member of Nomination Committee and Compensation and Remuneration Committee of the Board.

- d) Name : Sri K. Thomas Jacob
 Age : 60 years
 Qualifications : B.Sc., FCA, DISA (ICAI)
 Experience : He is a Senior Partner of M/s Thomas Jacob & Company, Chartered Accountants, Trivandrum for the last 28 years. Before this, he worked with prestigious organizations like RGN Price & Company, Chartered Accountants, Bangalore and Tata Engineering and Locomotive Company Limited.
 He has vast experience in Bank Audits, Audit of World Bank aided projects, Government Company/ Corporation Statutory Audits, Insurance Company Audit, Internal Audit, Consultancy Service and Information System Audit besides Other statutory audits.

ANNEXURE TO THE DIRECTORS' REPORT

Present position : Non-executive Independent
Director
Sector : Majority (Accountancy)

Sri K. Thomas Jacob was inducted to the Board as an Additional Director on August 31, 2010 and appointed in 83rd Annual General Meeting to the Board as a Director liable to retire by rotation. He is a practising Chartered Accountant and not a Director in any other Public Limited Company. He holds 64,000 shares in demat form. He is the Chairman of Audit Committee of the Board and member of Management Committee, Committee to prevent and review frauds in the Bank, NPA Review Committee and Corporate Social responsibility Committee of the Board.

e) Name : Dr. John Joseph Alapatt
Age : 60 years
Qualifications : MBBS, DLO
Experience : He is an industrialist having around 25 years experience in managing a SSI unit along with his brother. He was a Director of the Bank for 2 terms of 8 years each during the periods from 1986 to 1994 and 2002 to 2010, representing majority sector (SSI)
Present position : Non-executive Independent
Director
Sector : Majority (SSI)

Dr. John Joseph Alapatt was inducted as an Additional Director to the Board of the Bank with effect from September 24, 2012 and appointed in the 85th Annual General Meeting held on June 28, 2013. He is not a Director in any other public limited company. He holds 219720 shares of the Bank. He is the Chairman of Customer Service Committee of the Board and member of Audit Committee, Risk Management Committee, Premises Committee and Compensation and Remuneration Committee of the Board.

f) Name : Sri Francis Alapatt
Age : 61 years
Qualifications : B.Sc.,
Experience : He is an established business leader in Cochin, Kerala. He is a former Director of the Bank for 8 years.
Present position : Non-executive Independent
Director
Sector : Minority

Sri Francis Alapatt was appointed as an Additional Director of the Board on 1st November, 2013, pursuant to the Section, 161 of the Companies Act, 2013 and will hold office till the date of the 86th Annual General Meeting or the last date on which the Annual General Meeting should have been held, whichever

is earlier. He is a Director of M/s. CII Guardian International Ltd and an Executive Committee member of Indo American Chamber of Commerce. He holds 165000 shares of the Bank. He is the chairman of NPA Review Committee and Corporate Social Responsibility Committee and member of Customer Service Committee and Shareholders/Investors Grievance Committee of the Board.

g) Name : Sri Salim Gangadharan
Age : 60 years
Qualifications : MA Economics, CAIIB
Experience : Sri Salim Gangadharan is a post graduate in Economics and CAIIB. He is an exemplary scholar having substantial exposure in Banking Sector. He has over 36 years varied experience in Reserve Bank of India. He retired as Principal Chief General Manager and Regional Director, Reserve Bank of India, Trivandrum in October, 2013. During his career in the Reserve Bank of India, he worked in various operational departments, particularly in the areas of Bank Supervision, Currency Management, HR and Financial markets. He was the Regional Director for West Bengal, Sikkim and A&N Islands and had also headed the Foreign Exchange Department Mumbai. He was a member of faculty in the Banker's Training College of the Reserve Bank of India, for Five years and handled several seminars and conferences on Risk Management, Payment Systems, Treasury Management, Credit Administration etc. He was on secondment to the Central Bank of Oman for five years. He was also a consultant of the IMF and UNDP. He was part of several internal working group in Reserve Bank of India/Government of India. He has presented papers in several seminars, both in India and Abroad including at the Centre for Central Banking Studies, Bank of England. In the past, he was representing the Reserve Bank of India and Government of India on the Boards of Catholic Syrian Bank, Syndicate Bank and Central Bank of India. He was an observer under Banking Regulation Act, 1949 in Catholic Syrian Bank for a year

Present position : Non-executive Independent
Director
Sector : Majority (Banking)

Sri Salim Gangadharan, was appointed as an Additional Director of the Board on 16th January, 2014 in the casual vacancy

ANNEXURE TO THE DIRECTORS' REPORT

created by the resignation of Sri H Suresh Prabhu, pursuant to the Section, 161 of the Companies Act, 2013 he will hold office till the date of the 86th Annual General Meeting or the last date on which the Annual General Meeting should have been held, whichever is earlier. He is not a Director in any other public limited company. He holds 3000 shares of the Bank. He is the chairman of Risk Management Committee of our bank and member of Management Committee, Audit Committee, NPA Review Committee and Committee to prevent and review frauds in the Bank.

- h) Name : Sri Cheryan Varkey
 Age : 62 years
 Qualifications : M.Sc., CAIIB
 Experience : He was an employee of the Bank from 1975 and retired as Executive Director (Credits) of the Bank on April 30, 2014.
 Present position : Non-executive Director
 Sector : Majority (Banking)

Sri Cheryan Varkey, was appointed as an Additional Director of the Board on 28th May 2014, pursuant to the Section, 161 of the Companies Act, 2013 and he will hold office till the date of the 86th Annual General Meeting or the last date on which the Annual General Meeting should have been held, whichever is earlier. He is not a Director in any other public limited company. He holds 42960 shares of the Bank.

- i) The tenure of Dr. V. A. Joseph as Managing Director and Chief Executive Officer the Bank will expire on 30th September, 2014. The Board of Directors of the Bank at their meeting held on 28th May, 2014 has unanimously approved to appoint Sri V. G. Mathew, as Managing Director and Chief Executive Officer the Bank subject to the approval of Reserve Bank of India and Shareholders of the Bank. For approval of his appointment and terms and conditions of service, an ordinary resolution is to be placed before the shareholders at the ensuing Annual General Meeting under the applicable provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and the provisions of the Articles of Association of the Bank.

4. DETAILS OF GENERAL BODY MEETINGS HELD IN THE LAST 3 YEARS

Name of Meeting	Day, Date and Time	Venue	Whether any Special Resolution(s) Passed
83rd Annual General Meeting	Friday, 15th July, 2011, at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for issue of shares through Qualified Institutional Placement (QIP)
84th Annual General Meeting	Thursday, 28th June, 2012, at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for issue of shares.

Name of Meeting	Day, Date and Time	Venue	Whether any Special Resolution(s) Passed
85th Annual General Meeting	Friday, 28th June, 2013, at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for modification of terms of Employees Stock Option scheme 2008.

No resolution was passed by postal ballot during the financial year under review.

5. DISCLOSURES

We have extended a home loan of ₹30 Lakhs to Dr. John Joseph Alapatt on July 1, 2010 before joining the Board and the balance outstanding as on March 31, 2014 was ₹17.68 Lakhs.

Information supplied to the Board

The Board is regularly presented with all information under the following heads whenever applicable and materially significant. These are submitted either as a part of the agenda papers well in advance of the Board / Committee Meetings or are tabled in course of the Board / Committee Meetings.

Besides, all periodical returns and statements as prescribed by RBI are placed before the Board. All the policy documents relating to different aspects of Bank's functioning are also placed before the Board for their approval.

Among others, the following information are also furnished to the Board:

- Review of annual operating plans of business, capital budgets, updates.
- Quarterly results of the Bank and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and all other Committees.
- Any materially relevant default in financial obligations to and by the Bank.
- Significant developments in human resources and industrial relations fronts.
- Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.
- Materially important show cause, demand, prosecution and penalty notices.

6. MEANS OF COMMUNICATION

The unaudited/audited quarterly / annual financial results of the Bank are forwarded to the Cochin Stock Exchange Ltd., BSE Ltd., and National Stock Exchange of India Ltd., immediately after the Board meeting and are published in 2 newspapers, one a local Malayalam daily and the other a National newspaper. The result, Annual Report including Notice and Explanatory Statement and presentation made to investors and analyst during the year are also displayed on the Bank's Website at www.southindianbank.com

ANNEXURE TO THE DIRECTORS' REPORT

7. GENERAL SHAREHOLDER INFORMATION

86 th Annual General Meeting	Date	16 th July, 2014
	Day	Wednesday
	Time	10.00 a.m.
	Venue	Casino Cultural Auditorium Ltd. T. B. Road, Thrissur
Financial year		2013-14
Book Closure Date		10.07.2014 (Thursday) to 16.07.2014 (Wednesday) (both days inclusive).
Dividend Payment Date		from 21 st July, 2014 to 24 th July, 2014
Name & designation of Compliance Officer		JIMMY MATHEW Company Secretary
Share Transfer Agents		BTS Consultancy Services Pvt. Ltd. M S Complex, 1 st Floor, No. 8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur, Kolathur CHENNAI – 600 099 Tel. : 044-25565121. Fax : 044-25565131 E-mail : ramesh@btsindia.co.in, helpdesk@btsindia.com Contact Person: Sri S. Rameshbabu, Director
Bank's address for Correspondence		The South Indian Bank Ltd., "SIB House", Secretarial Department, P.B.No.28, T.B.Road, Mission Quarters, Thrissur – 680 001, Kerala. Phone: 0487-2429333. Fax : 0487-2424760
Corporate Identity Number (CIN)		L65191KL1929PLC001017
E-mail address		ho2006@sib.co.in
Bank's Website		http://www.southindianbank.com

LISTING OF THE BANK'S EQUITY SHARES

Bank's shares are listed on the following Stock Exchanges in India and their Stock Codes are as under:

1. The National Stock Exchange of India Ltd. – SOUTHBANK
2. The BSE Ltd. – 532218
3. The Cochin Stock Exchange Ltd.

The listing fees payable to the Stock Exchanges for the financial year 2014-15 have already been remitted.

The Market Price Data of Bank's Shares

The monthly high and low prices of the Bank's shares traded on the National Stock Exchange of India Ltd. (NSE), Mumbai and BSE Ltd. (BSE), Mumbai during the financial year are as under:

MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	25.20	22.25	25.15	22.10
May	25.45	23.80	25.50	23.80
June	26.35	19.50	26.30	19.50
July	23.90	20.40	23.95	20.40
August	23.15	19.10	23.00	19.10
September	21.90	18.95	21.90	18.95
October	22.05	19.65	22.05	19.60
November	22.70	20.25	22.70	20.30
December	21.30	19.70	21.25	19.65
January	21.40	19.65	21.40	19.55
February	21.40	19.65	21.40	19.65
March	23.35	20.60	23.40	20.75

ANNEXURE TO THE DIRECTORS' REPORT

Distribution of shareholding as on March 31, 2014

CATEGORY (NO OF SHARES)	PHYSICAL		DEMAT	
	NO. OF HOLDERS	SHARES	NO. OF HOLDERS	SHARES
UP TO – 100	3739	50701	62306	3777208
101 – 200	2853	347911	27373	4886468
201 – 500	3106	1107135	41203	16022010
501 – 1000	3144	2146622	25962	22232516
1001 – 5000	27083	49823815	37885	85953874
5001 – 10000	1522	11347750	5398	39849046
10001 – 50000	1052	19791620	4483	89945332
50001 & ABOVE	113	15707410	700	980958143
TOTAL	42612	100322964	205310	1243624597
% to total Shares	–	7.46	–	92.54

Total number of shareholders both physical and electronic put together is 2,47,922.

MEMBERS' PROFILE AS ON MARCH 31, 2014 IS AS UNDER

S. NO.	CATEGORY	SHARES		TOTAL SHARES	% OF SHARE HOLDING
		PHYSICAL	DEMAT		
1	RESIDENT INDIVIDUALS	82344034	339181234	421525268	31.36
2	INDIAN FINANCIAL INSTITUTIONS	0	129980716	129980716	9.67
3	FOREIGN INSTITUTIONAL INVESTOR	0	560272821	560272821	41.69
4	NON-RESIDENT INDIANS	13790730	56183954	69974684	5.21
5	BODIES CORPORATES	3449760	110377355	113827115	8.47
6	DIRECTORS & RELATIVES	738440	3363495	4101935	0.31
7	MUTUAL FUNDS	0	4414431	4414431	0.33
8	TRUSTS	0	916401	916401	0.07
9	BANKS	0	27142413	27142413	2.02
10	CLEARING MEMBERS	0	3351899	3351899	0.25
11	HUF	0	7933831	7933831	0.59
12	FOREIGN NATIONAL	0	500	500	0.00
13	QFI-CORPORATE	0	505547	505547	0.04
	GRAND TOTAL	100322964	1243624597	1343947561	100.00

SHARE TRANSFER SYSTEM

The Bank has appointed M/s. B T S Consultancy Services Private Limited, Chennai as its Share Transfer Agents and the share transfer / transmission, dividend payments and all other investor related matters are attended to and processed at the office of Share Transfer Agents of the Bank. The Share Transfer Agents, after processing the requests of investors, put up the same to the Bank's Chief General/General Manager (Admin.) wherever necessary, for his approval and thereafter all such cases are put up to the Shareholders / Investors Grievance Committee of the Board of the Bank for its information.

Trading in the Bank's shares are now compulsorily in dematerialised form. However, members with share certificates in physical form can transfer their shareholding by sending the share certificates along with a copy of PAN card of the

transferee and duly executed and stamped transfer deed signed by the transferor (or on his / her behalf) and the transferee, either to the Registered Office of the Bank or to the Bank's Share Transfer Agents.

DEMATERIALISATION OF SHARES

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 683A01023. As at the end of March 2014, 1243624597 shares of the Bank have been converted into dematerialized form.

The Shareholders of the Bank who have not dematerialized their shares so far may approach any of the Depository Participants of National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for dematerializing their shareholding.

ANNEXURE TO THE DIRECTORS' REPORT

UNPAID DIVIDEND

All dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Any claim in respect of transferred amounts shall be made to the Registrar of Companies, Kerala, Company Law Bhavan, Bharath Matha College, P.O., Kochi – 682 021.

In terms of Section 205A of the Companies Act, 1956, the amount which has remained Unclaimed / unpaid for a period of 7 years from the date of transfer to the Unpaid / Unclaimed Dividend Account has to be transferred to the "Investors' Education and Protection Fund" (The Fund) and thereafter, no claim can be made by any shareholder against the Bank or the fund for the dividend amount of that year. The unpaid dividend of ₹32,05,720 for the financial 2006-07 will become due for transfer to the fund on August 4, 2014.

Recently, on May 10, 2012, the Ministry of Corporate Affairs has notified Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, whereby companies are required to identify and upload information regarding unclaimed amounts due to be transferred to IEPF on the Ministry's website and also on Bank's website.

Accordingly, the details of such unpaid / unclaimed amounts alongwith their respective due dates for transfer to IEPF are provided for the benefit of investors. The Shareholders may please claim their unclaimed / unpaid amount due to them by making a request to the Company giving their particulars before the same are transferred to the IEPF.

EQUITY SHARES IN SUSPENSE ACCOUNT

As per Clause 5A (I) of the Listing Agreement, the company reports the following details in respect of Equity Shares lying in the suspense account which were issued pursuant to the Follow on Public Issue.

	No of cases	No. of Equity Shares*		Total
		FPO2006	Bonus 2008	
Opening Balance as on April 1, 2013	41	130710	32560	163270
Request received during the year	0	0	0	0
Shares credited during the year	0	0	0	0
Closing Balance as on March 31, 2014	41	130710	32560	163270

* Number of Equity shares are re-stated into shares of face value of ₹1/- each.

The voting rights on the shares outstanding in the suspense account as on March 31, 2014 shall remain frozen till the rightful owner of such shares claims the shares.

8. INTERNAL CONTROL SYSTEMS

Insider Trading Code

The Bank has articulated a Code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Insider Trading) (Amendment) Regulation 2002 to prevent practices of Insider Trading. The Company Secretary has been designated as Compliance Officer for this purpose. The Chairman, Managing Director, Directors and Senior Management of the Bank have affirmed compliance with this Code.

Code of Conduct

The Bank has formulated a Code of Conduct for its Directors and Officers. This manual contains comprehensive regulations on ethical standards to be mandatorily observed by the Chairman, Managing Director, Directors and Core Management Team consisting of officers from Scale IV and above who have affirmed compliance with the Code of Conduct.

Whistle Blower Policy

Bank has formulated a Whistle Blower Policy with a view to provide a mechanism for employees of the Bank to approach the Chairman of the Audit Committee of the Bank / Ethics Counsellor (Chief of Internal Vigilance) in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank and to prohibit Managerial functionaries from taking any adverse personal action against those employees. All protected disclosures reported under this policy will be thoroughly investigated by the Ethics Counsellor/Chairman of the Audit Committee of the Bank. The investigation is to be normally completed within 45 days of receipt of the protected disclosure. The identity of the whistle blower shall be kept confidential to the extent possible and permitted under law. The functioning of the whistle blower Policy mechanism is reviewed half-yearly by the Audit Committee and the Policy is reviewed annually by the Board.

9. COMPLIANCE STATUS OF CLAUSE 49 OF THE LISTING AGREEMENT

The Bank has complied with all mandatory recommendations prescribed in Clause 49 of the Listing Agreement. A certificate to this effect from the Bank's Statutory Central Auditors, M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, is annexed.

10. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

I, V. A. Joseph, Managing Director and Chief Executive Officer of the Bank, hereby declare that the Bank's Code of Conduct has been accepted and has been complied with, by all Board Members and Core Management Personnel of the Bank, as required under Clause 49(1D) of the Listing Agreement "on Corporate Governance."

By Order of the Board

Place : Thrissur
Date : 28-05-2014

Dr. V. A. JOSEPH
MD & CEO

ANNEXURE TO THE DIRECTORS' REPORT

S. R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

6th & 7th Floor, "A" Block
Tidel Park, (Module 601,701 & 702)
No. 4, Rajiv Gandhi Salai, Taramani,
Chennai – 600 113, India.
Tel +91 44 6654 8100
Fax +91 44 2254 0120

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members
The South Indian Bank Limited

We have examined the compliance of conditions of Corporate Governance by **The South Indian bank Limited**, for the year ended on March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W

per **Subramanian Suresh**
Partner
Membership Number: 083673

Place : Chennai
Date : April 24, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of

The South Indian Bank Limited

Report on the Financial Statements

1. We have audited the attached financial statements of The South Indian Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2014 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 17 branches/offices audited by us, 806 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs, read with guidelines issued by the Reserve Bank of India insofar as they are applicable to the Bank and in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949 as applicable. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 overall presentation of the financial statements.

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

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 March 31, 2014;
 - (ii) in the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw attention to Note 18.B.7 to the financial statements which describes the deferment of pension and gratuity liability relating to existing employees of the Bank to the extent of ₹ 156.53 crores and the unamortized liability of ₹ 22.49 crores as at March 31, 2014 pursuant to the exemption granted by the Reserve Bank of India and made applicable to the Bank vide Letter No. DBOD No.BP. BC.15896 /21.04.018 /2010-11 dated April 8, 2011, from the application of the provision of the Accounting Standard (AS) 15, Employee Benefits. Our opinion is not qualified in respect of this matter.
8. We draw attention to Note 18.B.5 to the financial statements, which describes creation of Deferred Tax Liability ("DTL") on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 pursuant to RBI's Circular No. DBOD. No.BP. BC.77/21.04.018/2013-14 dated December 20, 2013, whereby the DTL of ₹14.71 crores pertaining to period upto

INDEPENDENT AUDITOR'S REPORT

March 31, 2013 has been adjusted to the general reserve of the Bank and DTL of ₹ 5.78 crores on the special reserve created during the financial year ended March 31, 2014 has been charged to the profit and loss account. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Matters

9. 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 Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs.

10. We report that

- a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
- b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
- c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

11. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs.

12. We further report that:

- a. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
- b. In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
- c. The reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
- d. On the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No: 101049W

per **Subramanian Suresh**
Partner
Membership Number: 083673

Place of Signature : Chennai
Date of Report : April 24, 2014

BALANCE SHEET AS AT 31ST MARCH, 2014

	Schedule No.	As at 31.03.2014 ₹('000)	As at 31.03.2013 ₹('000)
CAPITAL AND LIABILITIES			
Capital	1	1,343,948	1,338,538
Employees' Stock Options (Grants) Outstanding		23,029	26,071
Reserves and Surplus	2	32,336,534	28,697,559
Deposits	3	474,910,897	442,623,023
Borrowings	4	27,307,771	12,845,545
Other Liabilities and Provisions	5	13,937,492	12,419,580
TOTAL		549,859,671	497,950,316
ASSETS			
Cash and Balances with Reserve Bank of India	6	22,008,082	16,967,013
Balances with banks and money at call & short notice	7	10,171,205	26,392,010
Investments	8	143,517,761	125,234,669
Advances	9	362,298,563	318,155,355
Fixed Assets	10	4,122,002	3,961,190
Other Assets	11	7,742,058	7,240,079
TOTAL		549,859,671	497,950,316
Contingent Liabilities	12	191,349,642	105,833,631
Bills for Collection		6,962,499	4,791,449
Significant Accounting Policies	17		
Notes forming part of Accounts	18		

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

As per our report of even date

For and on behalf of Board of Directors

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No. 101049W
per **Subramanian Suresh**
Partner
Membership No. 083673
Chennai
April 24, 2014

V. G. Mathew
Executive Vice President

Abraham Thariyan
Executive Director

Cheryan Varkey
Executive Director

C. P. Gireesh
Chief Financial Officer

Vijith S.
Asst. General Manager
Pune
April 24, 2014

Amitabha Guha
Chairman

Paul Chalissery
Director

Dr. N. J. Kurian
Director

K. Thomas Jacob
Director

Francis Alapatt
Director

Dr. V. A. Joseph
MD & CEO

Mathew L. Chakola
Director

Mohan E. Alapatt
Director

Dr. John Joseph
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2014

	Schedule No.	Year ended 31.03.2014 ₹('000)	Year ended 31.03.2013 ₹('000)
I. INCOME			
Interest Earned	13	50,150,631	44,342,905
Other Income	14	3,684,640	3,349,283
TOTAL		53,835,271	47,692,188
II. EXPENDITURE			
Interest Expended	15	36,162,948	31,534,644
Operating Expenses	16	8,828,913	7,671,686
Provisions & Contingencies	18.A.26	3,768,440	3,463,134
TOTAL		48,760,301	42,669,464
III. PROFIT/LOSS			
Net Profit for the year		5,074,970	5,022,724
Profit brought forward from previous year		369,636	231,830
Profit available for Appropriation:		5,444,606	5,254,554
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		1,268,800	1,255,700
Transfer to Capital Reserves		8,407	62,088
Transfer to Revenue and Other Reserves		2,200,000	2,400,000
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act		170,000	130,000
Transfer to/(from) Investment Reserve		140,936	(56,926)
Proposed Dividend		1,075,158	938,228
Tax on Proposed Dividend		182,723	155,828
Balance carried over to Balance Sheet		398,582	369,636
TOTAL		5,444,606	5,254,554
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (Basic) (in ₹)	18.B.2	3.78	4.03
Earning per share (Diluted) (in ₹)	18.B.2	3.77	4.00
Face Value per share (in ₹)		1.00	1.00

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date

For and on behalf of Board of Directors

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No. 101049W

per **Subramanian Suresh**
Partner
Membership No. 083673

Chennai
April 24, 2014

V. G. Mathew
Executive Vice President

Abraham Thariyan
Executive Director

Cheryan Varkey
Executive Director

C. P. Gireesh
Chief Financial Officer

Vijith S.
Asst. General Manager

Pune
April 24, 2014

Amitabha Guha
Chairman

Paul Chalissery
Director

Dr. N. J. Kurian
Director

K. Thomas Jacob
Director

Francis Alapatt
Director

Dr. V. A. Joseph
MD & CEO

Mathew L. Chakola
Director

Mohan E. Alapatt
Director

Dr. John Joseph
Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2014

	As at 31.03.2014 ₹('000)	As at 31.03.2013 ₹('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital	<u>1,600,000</u>	<u>1,600,000</u>
160,00,00,000 Equity shares of ₹1/- each (Previous year 160,00,00,000 equity shares of ₹1/-each)		
Issued Capital	<u>1,343,948</u>	<u>1,338,538</u>
134,39,47,561 Equity shares of ₹1/- each (Previous year 133,85,38,389 equity shares of ₹1/-each)		
Subscribed Capital		
134,39,47,561 Equity shares of ₹1/- each (Previous year 133,85,38,389 equity shares of ₹1/-each)	<u>1,343,948</u>	<u>1,338,538</u>
Called up & Paid up Capital	<u>1,343,948</u>	<u>1,338,538</u>
134,39,47,561 Equity shares of ₹1/- each (Previous year 133,85,38,389 equity shares of ₹1/-each)		
Notes:		
22,60,12,980 Equity shares of ₹1/- each (Previous year 22,60,12,980 Equity shares of ₹1/- each) were issued as fully paid up bonus shares by capitalisation of corresponding value from Share Premium Account.		
TOTAL	<u>1,343,948</u>	<u>1,338,538</u>
Employees' Stock Options (Grants) Outstanding		
Employees' Stock Options Outstanding	<u>64,288</u>	<u>33,103</u>
Less: Deferred Employee Compensation Expense (unamortised)	<u>41,259</u>	<u>7,032</u>
TOTAL	<u>23,029</u>	<u>26,071</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2014

	As at 31.03.2014 ₹('000)	As at 31.03.2013 ₹('000)
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	5,844,039	4,588,339
Additions during the year	1,268,800	1,255,700
Sub total	7,112,839	5,844,039
II. Capital Reserve		
Opening Balance	432,461	370,373
Additions during the year	8,407	62,088
Sub total	440,868	432,461
III. Asset Revaluation Reserve		
Opening Balance	1,379,726	1,446,221
Additions during the year	-	-
	1,379,726	1,446,221
Deductions during the year:		
Depreciation on Revaluation of Premises	63,170	66,495
Sub total	1,316,556	1,379,726
IV. Share Premium*		
Opening Balance	9,452,259	5,162,164
Additions during the year	72,353	4,290,095
Deductions during the year	44,944	-
* Refer A 27 in Schedule 18	9,479,668	9,452,259
V. Revenue and Other Reserves		
Opening Balance	10,759,143	8,354,934
Additions during the year by way of lapse of vested options	4,756	4,209
Additions during the year	2,200,000	2,400,000
Deductions during the year - Deferred tax adjustments*	147,109	-
* Refer A 27 in Schedule 18	12,816,790	10,759,143
VI. Investment Reserve		
Opening Balance	27,495	84,421
Additions during the year	140,936	-
Sub total	168,431	84,421
Transfer to Profit & Loss Appropriation A/c	-	56,926
Sub total	168,431	27,495
VII. Special Reserve u/s 36(1)(viii) of Income Tax Act		
Opening Balance	432,800	302,800
Additions during the year	170,000	130,000
Sub total	602,800	432,800
VIII. Balance in Profit and Loss Account	398,582	369,636
TOTAL	32,336,534	28,697,559

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2014

	As at 31.03.2014 ₹('000)	As at 31.03.2013 ₹('000)
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	34,759	75,629
(ii) From Others	18,847,947	15,397,905
II. Savings Bank Deposits	79,366,265	66,854,744
III. Term Deposits		
(i) From Banks	24,338,683	31,780,556
(ii) From Others	352,323,243	328,514,189
TOTAL	474,910,897	442,623,023
B. (i) Deposits of branches in India	474,910,897	442,623,023
(ii) Deposits of branches outside India	Nil	Nil
TOTAL	474,910,897	442,623,023

SCHEDULE 4 - BORROWINGS

I. Borrowings in India		
(i) Reserve Bank of India	3,250,000	-
(ii) Other Banks	-	-
(iii) Other Institutions and Agencies (refer note B.9 of Schedule 18)	15,923,595	6,403,135
II. Borrowings outside India - from other banks	8,134,176	6,442,410
TOTAL	27,307,771	12,845,545
Secured borrowings included in above	Nil	Nil

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	1,081,221	1,202,213
II. Inter-Office adjustments (Net)	744,218	-
III. Interest Accrued	1,975,538	1,995,126
IV. Others (including provisions)*	10,136,515	9,222,241
TOTAL	13,937,492	12,419,580

*Includes :-

- a) Provision for standard assets ₹183.06 Crore (previous year ₹151.97 crore)
- b) Proposed dividend amounting to ₹107.52Crore (previous year ₹93.82 crore)
- c) Corporate Dividend Tax payable amounting to ₹18.27 Crore (previous year ₹15.58 crore)

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2014

	As at 31.03.2014 ₹('000)	As at 31.03.2013 ₹('000)
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (Including foreign currency notes)	2,648,400	2,379,668
II. Balances with Reserve Bank of India In Current Account	19,359,682	14,587,345
TOTAL	22,008,082	16,967,013
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
(a) In Current Accounts	279,806	398,343
(b) In Other Deposit Accounts	9,470,084	18,267,405
ii) Money at call & short notice With Banks	-	4,500,000
Sub total	9,749,890	23,165,748
II. Outside India		
(a) In Current Accounts	2,505	1,934,279
(b) In Other Deposit Accounts	-	-
(c) Money at call & short notice - with banks	418,810	1,291,983
Sub total	421,315	3,226,262
TOTAL	10,171,205	26,392,010
SCHEDULE 8 - INVESTMENTS (net of provisions)		
I. Investments in India in:		
(i) Government Securities	115,050,332	99,822,603
(ii) Other Approved Securities	-	-
(iii) Shares	1,911,442	1,691,697
(iv) Debentures and Bonds	6,134,891	1,560,077
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others (Certificate of deposits, RIDF etc.)	20,421,096	22,160,292
TOTAL	143,517,761	125,234,669
Gross Investments	143,717,554	125,640,976
Less : Depreciation	71,340	356,016
Provision for NPI	128,453	50,291
Net Investments	143,517,761	125,234,669
II. Investments outside India	Nil	Nil
TOTAL	143,517,761	125,234,669

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2014

	As at 31.03.2014 ₹('000)	As at 31.03.2013 ₹('000)
SCHEDULE 9 - ADVANCES (net of provisions)		
A. (i) Bills Purchased and Discounted	35,337,729	28,901,109
(ii) Cash Credits, Overdrafts and Loans repayable on demand	167,478,248	157,610,596
(iii) Term Loans	159,482,586	131,643,650
TOTAL	362,298,563	318,155,355
B. (i) Secured by tangible assets (including advances against book debts)	332,047,846	280,376,201
(ii) Covered by Bank/Government Guarantees	12,395,402	14,915,787
(iii) Unsecured	17,855,315	22,863,367
TOTAL	362,298,563	318,155,355
C. I. Advances in India		
(i) Priority Sectors	114,704,830	83,148,912
(ii) Public Sector	25,942,862	24,479,181
(iii) Banks	-	-
(iv) Others	221,650,871	210,527,262
TOTAL	362,298,563	318,155,355
II. Advances outside India	Nil	Nil
TOTAL	362,298,563	318,155,355
SCHEDULE 10 - FIXED ASSETS		
I. Premises (including Land)		
At cost as on 31st March of the preceding year	2,897,913	2,917,689
Additions during the year		
Due to revaluation of Premises	-	-
Purchases/Constructions	124,971	46,719
	3,022,884	2,964,408
Deductions during the year being depreciation on		
Revaluation of Premises adjusted from Asset Revaluation		
Reserve	63,170	66,495
Sales/write off during the year	16,585	-
	2,943,129	66,495
Depreciation to date	308,892	254,789
Sub total	2,634,237	2,643,124
II. Assets under construction		
At cost as on 31st March of the preceding year	87,439	15,400
Additions during the year	361,367	175,130
	448,806	190,530
Capitalisations during the year	368,590	103,091
	80,216	87,439
Depreciation to date	-	-
Sub total	80,216	87,439
III. Other Fixed Assets		
At cost as on 31st March of the preceding year	2,825,522	2,324,794
Additions during the year	582,558	541,770
	3,408,080	2,866,564
Deductions/adjustments during the year	72,926	41,042
	3,335,154	2,825,522
Depreciation/adjustments to date	1,927,605	1,594,895
Sub total	1,407,549	1,230,627
TOTAL	4,122,002	3,961,190

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2014

	As at 31.03.2014 ₹('000)	As at 31.03.2013 ₹('000)
SCHEDULE 11 - OTHER ASSETS		
I. Inter-Office adjustments (Net)	-	79,660
II. Interest Accrued	4,080,449	3,180,471
III. Tax Paid in Advance/Tax Deducted at Source (Net)	1,089,617	921,181
IV. Deferred Tax Asset (net)	899,632	837,041
V. Deferred Employee Benefits (refer note B.7 of Schedule 18)	224,900	507,200
VI. Stationery and Stamps	14,835	15,038
VII. Non-Banking Assets acquired in satisfaction of claims	15,649	9,626
VIII. Others	1,416,976	1,689,862
TOTAL	7,742,058	7,240,079
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts:		
(i) Service Tax disputes	21,600	21,600
(ii) Others	62,542	65,830
II. Liability on account of outstanding Forward		
Exchange Contracts ¹	169,284,431	72,584,035
III. Guarantees given on behalf of constituents in India	11,746,807	25,339,493
IV. Acceptances, endorsements and other obligations	10,234,262	7,538,973
V. Other items for which the bank is contingently liable:		
Capital Commitments	-	283,700
TOTAL	191,349,642	105,833,631

¹ Represents notional amount

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2014

	Year ended 31.03.2014 ₹('000)	Year ended 31.03.2013 ₹('000)
SCHEDULE 13 – INTEREST EARNED		
I. Interest/Discount on Advances/Bills	39,497,360	35,759,403
II. Income on Investments	9,544,815	7,463,893
III. Interest on balances with Reserve Bank of India and Other Inter-Bank funds	1,108,456	1,119,609
TOTAL	50,150,631	44,342,905
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	471,485	422,170
II. Profit on sale of Investments	866,156	647,111
Loss on sale of Investments	(167,341)	(69,947)
III. Profit on sale of land, buildings and other assets	12,257	7,289
Loss on sale of land, buildings and other assets	(3,922)	(2,474)
IV. Profit/(Loss) on Exchange transactions (net)	348,896	274,202
V. Miscellaneous Income	2,157,109	2,070,932
TOTAL	3,684,640	3,349,283
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	34,518,219	30,789,172
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	933,889	186,909
III. Others	710,840	558,563
TOTAL	36,162,948	31,534,644
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	5,289,602	4,725,061
II. Rent, Taxes and Lighting	771,009	679,297
III. Printing and Stationery	242,370	120,625
IV. Advertisement and Publicity	160,394	156,060
V. Depreciation	509,236	465,432
Less : Depreciation on revaluation of premises transferred from Asset Revaluation Reserve	63,170	66,495
VI. Directors fees, allowances and expenses	4,530	3,932
VII. Auditors' fees and expenses (incl. branch auditors)	25,670	29,598
VIII. Law charges	23,737	15,429
IX. Postage, telegrams, telephones, etc.	155,169	146,249
X. Repairs and Maintenance	181,812	138,337
XI. Insurance	491,413	367,884
XII. Other Expenditure	1,037,141	890,277
TOTAL	8,828,913	7,671,686

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2014)

General

The South Indian Bank Limited (SIB) was incorporated on January 29, 1929 at Trichur as a private limited company and was later converted into a public limited company on August 11, 1939. SIB has a net work of 803 branches in India and provides retail and corporate banking, Para banking activities such as debit card, third party product distribution, in addition to Treasury and Foreign Exchange Business. SIB is governed by Banking Regulation Act, 1949 and other applicable Acts / Regulations. Its shares are listed in leading stock exchanges in India.

Basis of Preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of SIB used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies Act 1956, read with General Circular 8 / 2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs as amended to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting, and the historical cost convention, except where otherwise stated.

The preparation of financial statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statement and the reported income and expenses during the reporting period. Management believes that the estimates and assumptions used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

Significant Accounting Policies

1. Revenue recognition

- a) Interest / discount income from loans, advances and investments (including deposits placed with banks and other institutions) are recognized over the period of the loans, advances and investments on accrual basis, except in respect of income relating to advances / investments, classified as non-performing advances / investments where in accordance with RBI guidelines the income is recognized only on realization.
- b) Dividend on investments in shares and units of mutual funds are accounted on accrual basis when the bank's right to receive the dividend is established.
- c) Commission income on issuance of bank guarantee / letter of credit is recognized over the period of the guarantee / letter of credit.
- d) Processing fee / upfront fee, handling charges or income of similar nature collected at the time of

sanctioning or renewal of loan / facility is recognized when it is due.

- e) All other amounts collected from customers as non-interest income, locker rent or recovery of expenses towards provision of various services / facilities are accounted / recognized as and when these are due to the extent that there is no uncertainty over their ultimate collection.
- f) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the profit and loss account.
- g) The Bank imports gold coins on a consignment basis for selling to its customers. Other income includes the profit / loss on sale of gold coin is arrived at after reducing all direct and indirect costs.

2. Investments

A) Classification

- a) In accordance with the RBI guidelines, investments are categorized into "Held for Trading", "Available for Sale" and "Held to Maturity" and further classified under five groups, viz. Government Securities, Other Approved Securities, Shares, Debentures & Bonds and other investments for the purposes of disclosure in the Balance Sheet.
- b) Investments which are held for sale within 90 days from the date of purchase are classified as "Held for Trading".
- c) Investments which the bank intends to hold till maturity are classified as "Held to Maturity".
- d) Investments which are not classified in either of the above two categories are classified as "Available for Sale".

B) Valuation

The cost of investments is determined on the weighted average basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission etc., paid at the time of acquisition of investments are charged to revenue.

The valuation of investments is performed in accordance with the RBI Guidelines:

- a. Held for Trading / Available for Sale – Each security in this category is valued at the market price or fair value and the net depreciation of each group is recognized in the Profit and Loss account. Net appreciation, if any, is ignored. The market value of investments where current quotations are not available is determined as per the norms prescribed by RBI.
- b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortized over the remaining maturity of the security on a straight line basis.

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2014)

Any diminution, other than temporary, in the value of such securities is provided for.

- c. Repurchase and reverse repurchase transactions – These are accounted as collateralized borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo / reverse repo is recognized as interest expense / interest income over the period of the transaction.

In respect of Repo transactions under Liquidity Adjustment Facility (LAF) with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse Repo transactions under LAF, monies paid to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

- d. In respect of securities included in any of the three categories of investments where interest / principal is in arrears, for more than 90 days, income is not reckoned and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing investments. Debentures / Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

C) Transfer Between Categories

Transfer between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for in accordance with RBI guidelines.

D) Profit or Loss on sale / Redemption of Investments

- Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss Account.
- Held to Maturity – Profit or Loss on sale / redemption of investments is included in the Profit and Loss account. In case of profits, the same is appropriated to Capital Reserve after adjustments for tax and transfer to statutory reserve.

3. Advances

A) Valuation / Measurement

- Advances are classified into Standard, Sub-standard, Doubtful and Loss assets in accordance with the Reserve Bank of India guidelines and are stated net of provisions made towards non-performing advances. In addition, the bank adopts an approach to provisioning that is based on past experience, evaluation of security and other related factors.

- Provision for non-performing advances comprising Sub-standard, Doubtful and Loss assets is made at a minimum in accordance with the Reserve Bank of India guidelines.

- Bank considers an account as restructured in accordance with RBI guidelines. Provision on assets restructured / rescheduled is made in accordance with the applicable RBI guidelines on restructuring of advances by Banks. In respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance of the account during the period.

- In accordance with the Reserve Bank of India guidelines, the bank creates a minimum general provisions in respect of standard assets as follows:

Category of Advance	General Provision
All Direct Advances to Agricultural and SME sector	0.25%
All Advances to Commercial Real Estate Sector	1.00%
Teaser Rate Loans (SIB Shelter)	2.00%
Restructured advances	0.25% - 5.00%
All other Standard Advances	0.40%

B) Recording / presentation

- Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created is netted against gross amount of advance without adjusting the same at individual account level. Provision held against an individual account is adjusted against individual account's balance only at the time of write off / settlement of the account.
- Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and is not netted off against Advances.

4. Fixed Assets

- The Fixed Assets (other than those, which are revalued) are stated at historical cost less depreciation.
- The revalued assets are stated at the revalued amount less depreciation. The appreciation in value consequent to revaluation is credited to Asset Revaluation Reserve. Depreciation on assets revalued is charged on written down values including the additions made on revaluation, and an equivalent amount towards the additional depreciation provided on revaluation, is transferred from the Asset Revaluation Reserve to profit and loss account.

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2014)

- c) Depreciation on fixed assets other than computers is provided on written down value method, at the rates specified in Schedule XIV of the Companies Act, 1956, which is the management's estimate of useful life of these assets. Computers are depreciated at 33.33% on straight-line method as per RBI guidelines.
- d) Amount expended towards acquisition of software is fully amortized in the year of acquisition itself. Annual License fee / Maintenance Charges, if any, are accounted on accrual basis.
- e) Items costing upto ₹5,000 are depreciated fully in the year of acquisition.

5. Transactions involving Foreign Exchange

- a) Monetary foreign currency assets and liabilities outstanding at the Balance Sheet date are revalued at rates notified by Foreign Exchange Dealers Association of India [FEDAI] and resulting profits or losses are included in the Profit and Loss Account.
- b) Forward Exchange contracts are translated to Indian Rupee equivalent at the exchange rate, notified by FEDAI at the Balance Sheet date and the resulting profit or loss are recognized in the Profit and Loss Account.
- c) Income and Expenditure in foreign currency are accounted for at the exchange rate prevailing on the date of transaction.
- d) Contingent liabilities as at the reporting date on account of outstanding foreign exchange contracts are restated at year end rates notified by FEDAI.

6. Employee Benefits

The liability on employee benefits are recognized in accordance with Accounting Standard 15 (revised) specified in Companies (Accounting Standards) Rules, 2006.

- a) **Provident Fund**
The contribution made by the Bank to The South Indian Bank Ltd. Employees Provident Fund, administered by the trustees is charged to Profit & Loss Account. The fund is a defined contribution fund and the Bank has no further liability beyond the contribution made to the fund.
- b) **Pension Fund**
The contribution towards The South Indian Bank Ltd. Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the profit and loss account. However, the liability arising on account of re-opening of pension option to existing employees who had joined prior to 29th September, 1995 and not exercised the option earlier, is amortized over a period of five years as permitted by the Reserve Bank of India.
Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance

and the expenditure thereof is charged to Profit & Loss account and the Bank has no further liability beyond the contribution to the fund on this account. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

- c) **Gratuity**
The bank makes annual contribution to The South Indian Bank Ltd. Employees' Gratuity Trust Fund administered and managed by the trustees. The net present value of the Bank's obligation towards the same is actuarially determined based on the projected unit credit method as at the balance sheet date. However, the liability arising on account of enhancement in gratuity limit pursuant to the amendment to the Payment of Gratuity Act, 1972, w.e.f. 24th May, 2010 is amortized over a period of five years as permitted by the Reserve Bank of India. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

- d) **Compensation for absence on Privilege / Sick / Casual Leave**
The employees of the bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The Bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the profit and loss account. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

- e) **Employees Stock Option Scheme (ESOS)**
The Bank has formulated Employee Stock Option Scheme (ESOS) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and are to be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight-line basis over the vesting period.

7. Segment Reporting

Business Segments have been identified and reported taking into account, the target customer profile, the nature of product and services, the differing risks and returns, the organization structure, the internal business reporting system and guidelines issued by RBI vide notification dated April 18, 2007. The Bank operates in the following business segments;

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2014)

- a) Treasury
The treasury services segment primarily consists of interest earnings on investments portfolio of the Bank, gains or losses on investment operations and earnings from foreign exchange business. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.
- b) Corporate / Wholesale Banking
The Corporate / Wholesale Banking segment provides loans and other banking services to corporate segment identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to corporate customers and the charges / fees earned from other banking services. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.
- c) Retail Banking
The Retail Banking segment provides loans and other banking services to non-corporate customers identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to non-corporate customers and the charges / fees earned from other banking services. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.
- d) Other Banking Operations
This segment includes income from para banking activities such as debit cards, third party product distribution and associated costs.

Geographic Segment

The Bank operates only in India.

8. Earnings Per Share (EPS)

The Bank reports Basic and Diluted Earnings per Equity Share in accordance with Accounting Standard 20, specified in Companies (Accounting Standards) Rules, 2006. Basic EPS has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the period. Diluted EPS has been computed using the weighted average number of Equity Shares and dilutive potential equity shares outstanding as on the Balance Sheet date except where the results are anti-dilutive.

9. Taxes on Income

The income tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The Bank restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain as the case may be. Changes in deferred tax assets / liabilities on

account of changes in enacted tax rates are given effect to in the profit and loss account in the period of the change.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

10. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

11. Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets specified in Companies (Accounting Standards) Rules, 2006, the Bank recognizes provisions 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.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent assets, if any, are not recognized or disclosed in the financial statements.

12. Lease

Rental payments for premises taken on operating lease agreements are recognized as an expense in the profit and loss account over the lease term as the lease are cancellable.

13. Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

A. DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

1. Capital Adequacy

(₹ in Crore)

Particulars		31.03.2014		31.03.2013	
		Basel III	Basel II	Basel II	Basel I
Common Equity Tier I Capital		3,103.74	NA	NA	NA
Tier I Capital		3,103.74	3,129.58	2,774.13	2,774.13
Tier II Capital		467.90	470.86	428.52	428.52
Total Capital		3,571.64	3,600.44	3,202.65	3,202.65
Total Risk Weighted Assets and Contingencies		28,758.22	28,730.21	23,032.28	27,941.41
Capital Ratios					
i	Common Equity Tier I Capital Ratio (%)	10.79	NA	NA	NA
ii	Tier I Capital Ratio (%)	10.79	10.89	12.05	9.94
iii	Tier II Capital Ratio (%)	1.63	1.64	1.86	1.52
iv	Total Capital Ratio (CRAR) (%)	12.42	12.53	13.91	11.46
				31.03.2014	31.03.2013
v	Percentage of the shareholding of the Government of India in public sector banks (%)			NA	NA
vi	Amount of Equity Capital raised			0.54	20.47
vii	Amount of Additional Tier I capital raised; of which PCNPS: PDI:			Nil	Nil
viii	Amount of Tier II capital raised: of which Debt Capital instrument: Preference Share Capital Instruments:			Nil	Nil

* As per Reserve Bank of India Guidelines, bank has migrated to new capital adequacy framework w.e.f. March 31, 2009. Bank has adopted Standardized Approach for Credit Risk, Standardized duration approach for Market Risk and Basic Indicator Approach for Operational Risk towards computing the capital requirement under Basel II. This has been compiled by the management and relied upon by the auditors.

2. Business Ratios / Information

Particulars	31.03.2014	31.03.2013
(i) Interest Income as a percentage to Working Funds ¹	9.90%	10.36%
(ii) Non-interest income as a percentage to Working Funds ¹	0.73%	0.78%
(iii) Operating Profit as a percentage to Working Funds ¹	1.75%	1.98%
(iv) Return on Assets [Based on Working Fund] ¹	1.00%	1.17%
(v) Business (Customer Deposits plus Advances) per employee ² (₹ in Crore)	11.99	12.01
(vi) Profit per Employee ² (₹In Crore)	0.07	0.08

¹ For the purpose of computing the ratio, Working Fund represents the average of total assets as reported in Form X to RBI under Section 27 of the Banking Regulation Act, 1949.

² For the purpose of computing the ratios number of employees (excluding Part time employees) as on Balance Sheet date is considered.

3. Movement in provisions for depreciation on investments

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	14,371.75	12,564.10
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	7.13	35.60
(b) Outside India	-	-
(iii) Provisions for NPI		
(a) In India	12.85	5.03
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	14,351.77	12,523.47
(b) Outside India	-	-

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

Particulars	31.03.2014	31.03.2013
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	35.60	24.37
(ii) Provisions made during the year	5.25	11.23
(iii) Less: Write-off / (write back) of excess provisions during the year	33.72	-
(iv) Closing Balance	7.13	35.60
c. Movement of provisions held towards Non-Performing Investments		
(i) Opening Balance	5.03	5.03
(ii) Provisions made during the year	7.82	-
(iii) Less: Write-off / (write back) of excess provisions during the year	-	-
(iv) Closing Balance	12.85	5.03

4. Investments held under the 3 categories viz. "Held for Trading (HFT)", "Available for Sale (AFS)", and "Held to Maturity (HTM)" are as under (₹ in Crore)

Particulars	31.03.2014				31.03.2013			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	-	905.96	10,547.38	11,453.34	-	814.55	9,167.71	9,982.26
Other Approved	-	-	-	-	-	-	-	-
Shares	11.00	180.14	0.00	191.14	19.64	149.53	-	169.17
Debentures & Bonds	-	665.18	-	665.18	-	156.01	-	156.01
Others*	-	147.50	1,894.61	2,042.11	860.32	311.34	1,044.37	2,216.03
Total	11.00	1,898.78	12,441.99	14,351.77	879.96	1,431.43	10,212.08	12,523.47

*Includes Certificate of Deposits, RIDF etc.

5. Disclosure in respect of Non-SLR investments

(i) Issuer composition of Non-SLR investments as at 31st March, 2014

(₹ 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®	506.73	448.71	-	421.10	356.88
(ii)	Fls#	2,061.17	53.44	-	25.59	23.45
(iii)	Banks	147.42	15.00	-	65.90	-
(iv)	Private Corporate	184.70	144.37	-	87.70	63.72
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	(1.59)				
	Total	2,898.43	661.52	-	600.29	444.05

* Does not include Certificate of Deposits Face Value ₹47.50Crore.

** Column values in 4, 5, 6 & 7 are net of depreciation and NPL.

@ include Non-SLR Bonds issued by State Government with Book Value ₹51.69 Crore.

Includes RIDF to the extent of ₹1,894.61 Crore; column 4, 5, 6 & 7 does not include RIDF deposit.

(ii) Issuer composition of Non-SLR investments as at 31st March, 2013:

(₹ 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	18.10	-	-	12.14	0.05
(ii)	Fls #	1,219.06	45.32	-	27.79	25.32
(iii)	Banks	1,177.30	41.00	-	53.38	-
(iv)	Private Corporate	162.35	124.10	-	79.86	54.11
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	35.60				
	Total	2,541.21	210.42	-	173.17	79.48

* Does not include Certificate of Deposits Face Value ₹1,120.00 Crore.

** Column values in 4, 5, 6 & 7 are net of depreciation and NPL.

Includes RIDF to the extent of ₹1,044.37 Crore; column 4, 5, 6 & 7 does not include RIDF deposit.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

(₹ in Crore)

	31.03.2014	31.03.2013
a Shares	191.14	169.17
b Debentures & Bonds	665.18 [®]	156.01
c Subsidiaries / joint ventures	-	-
d Others (includes RIDF)	2,042.11	2,216.03

[®] include Non-SLR Bonds issued by State Government with Book Value ₹51.69 Crore.

(iii) Non-performing Non-SLR investments:

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Opening Balance	5.03	5.03
Additions during the year	31.26	-
Reductions during the year	-	-
Closing Balance	36.29	5.03
Total provisions held	12.85	5.03

6. Details of Repo / Reverse Repo (excluding LAF transactions for the year) deals

a) Done during the year ended March 31, 2014

(₹ in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2014
Securities sold under repos	Nil	Nil	Nil	Nil
Securities purchased under reverse repos	Nil	Nil	Nil	Nil

b) Done during the previous year ended March 31, 2013:

(₹ in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2013
Securities sold under repos	Nil	Nil	Nil	Nil
Securities purchased under reverse repos	Nil	Nil	Nil	Nil

7. Lending to sensitive sectors

A. Real Estate Sector

(₹ in Crore)

Category	31.03.2014	31.03.2013
a) Direct Exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; <i>of which Individual housing loans eligible for inclusion in priority sector advances</i>	1,394.80 915.54	1,140.31 841.02
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure include non-fund based (NFB) limits	97.59	130.36
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized 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)	490.16	471.24
Total Exposure to Real Estate Sector	1,982.55	1,741.91

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

B. Exposure to capital market sectors

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
(i) Direct Investments in equity shares	135.93	143.99
(ii) Investments in convertible bonds / convertible debentures	5.00	5.00
(iii) Investments in units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	-	-
(iv) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), bonds and debentures, units of equity oriented mutual funds;	-	-
(v) 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;	-	-
(vi) 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;	-	-
(vii) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers:	8.01	46.69
(viii) 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;	-	-
(ix) Bridge loans to companies against expected equity flows / issues	-	-
(x) 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;	-	-
(xi) Financing to stockbrokers for margin trading	-	-
(xii) All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	148.94	195.68

C. Risk category-wise country exposure

Country Risk exposure has been classified on the following basis:

(₹ in Crore)

Risk Category	Exposure (net) as at 31.03.2014	Provision held as at 31.03.2014	Exposure (net) as at 31.03.2013	Provision held as at 31.03.2013
Insignificant	261.05	-	250.30	-
Low	112.56	-	69.72	-
Moderate	43.79	-	14.37	-
High	6.86	-	3.10	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off Credit	-	-	-	-
TOTAL	424.26	-	337.49	-

As the Bank's net funded exposure with each country for the year in respect of foreign exchange transaction is less than 1% of the total assets of the Bank, no provision is considered necessary.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

8. Movements in non-performing advances (funded)

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
(i) Net NPAs to Net Advances [%]	0.78	0.78
(ii) Movement of NPAs (Gross)		
a) Opening Balance	433.87	267.16
b) Additions during the year	628.42	530.06
c) Reductions during the year	629.67	363.35
d) Closing Balance	432.62	433.87
(iii) Movement of NPAs (Net)		
a) Opening Balance	249.53	76.51
b) Additions during the year	502.61	339.22
c) Reductions during the year	470.47	166.20
d) Closing Balance	281.67	249.53
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	164.22	176.81
b) Provisions made during the year	210.75	206.91
c) Write off / write back of Excess provisions	245.70	219.50
d) Closing Balance	129.27	164.22

Details of Non-Performing financial assets purchased / sold

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Non-performing financial assets purchased / sold (from / to banks)	Nil	Nil

Provisions on Standard Assets:

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Provisions towards Standard Assets	183.06	151.97

9. Details of Financial Assets sold to Securitization / Reconstruction company for asset reconstruction

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
(i) No. of Accounts	-	19
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	-	7.74
(iii) Aggregate Consideration	-	25.50
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	Nil
(v) Aggregate gain / (loss) over net book value	-	17.76

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

10. Particulars of Accounts Restructured as on 31.03.2014

[₹. in Crore]

Sl. No.	Type of Restructuring		Under CDR Mechanism					Under SIME Debt Restructuring Mechanism				
	Asset Classification Details	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	
1.	Restructured Accounts as on April 1 of the FY (Opening figures)											
	No. of borrowers	6	1	-	1	8	5	-	3	1	9	
	Amount outstanding	117.50	7.33	-	2.41	127.24	6.99	-	0.13	-	7.12	
	Provision thereon	25.42	0.80	-	0.67	26.89	-	-	-	-	-	
2.	Fresh restructuring during the year											
	No. of borrowers	5	-	-	-	5	-	-	-	-	-	
	Amount outstanding	405.14	-	-	0.36	405.50	-	-	-	-	-	
	Provision thereon	25.59	-	-	-	25.59	-	-	-	-	-	
3.	Upgradations to restructured standard category during the FY											
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	
4.	Restructured standard advances which cease to attract higher provisioning and / or additional 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	-	-	-	-	-	2	-	-	-	2	
	Amount outstanding	-	-	-	-	-	4.29	-	-	-	4.29	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	
5.	Down gradations of restructured accounts during the FY											
	No. of borrowers	(1)	(1)	2	-	-	(1)	1	(1)	1	-	
	Amount outstanding	(9.18)	(7.12)	16.30	-	-	(0.04)	0.04	-	-	-	
	Provision thereon	(0.35)	(0.80)	1.15	-	-	-	-	-	-	-	
6.	Write offs of restructured accounts during the FY											
	No. of borrowers	1	-	-	-	1	1	-	1	-	2	
	Amount outstanding	18.09	0.21	-	-	18.30	1.10	-	0.04	-	1.14	
	Provision written back	14.06	-	-	0.67	14.73	-	-	-	-	-	
7.	Restructured Accounts as on March 31 of the FY (closing figures)											
	No. of borrowers	9	-	2	1	12	1	1	1	2	5	
	Amount outstanding	495.37	-	16.30	2.77	514.44	1.56	0.04	0.09	-	1.69	
	Provision thereon	36.60	-	1.15	-	37.75	-	-	-	-	-	

(Contd...)

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

[₹. in Crore]

Sl. No.	Type of Restructuring		Others				Total			
	Asset Classification	Details	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful
1.	Restructured Accounts as on April 1 of the FY (Opening figures)									
	No. of borrowers		54	7	4	7	72	65	8	7
	Amount outstanding		1151.34	22.71	1.79	160.68	1,336.52	1,275.83	30.04	1.93
	Provision thereon		6.09	1.24	0.02	-	7.35	31.51	2.04	0.02
2.	Fresh restructuring during the year									
	No. of borrowers		6	-	-	-	6	11	-	-
	Amount outstanding		130.16	0.91	0.08	-	131.15	535.30	0.91	0.08
	Provision thereon		0.40	0.20	0.03	-	0.63	25.99	0.20	0.03
3.	Upgradations to restructured standard category during the FY									
	No. of borrowers		2	(1)	-	(1)	-	2	(1)	-
	Amount outstanding		0.09	(0.08)	-	(0.01)	-	0.09	(0.08)	-
	Provision thereon		-	-	-	-	-	-	-	-
4.	Restructured standard advances which cease to attract higher provisioning and / or additional 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		29				29	31		
	Amount outstanding		138.86				138.86	143.15		
	Provision thereon		5.21				5.21	5.21		
5.	Down gradations of restructured accounts during the FY									
	No. of borrowers		(3)	(2)	4	1	-	(5)	(2)	5
	Amount outstanding		(49.00)	(22.24)	71.09	0.15	-	(58.22)	(29.32)	87.39
	Provision thereon		-	(1.44)	1.43	0.01	-	(0.36)	(2.24)	2.59
6.	Write offs of restructured accounts during the FY									
	No. of borrowers		9	2	1	2	14	11	2	2
	Amount outstanding		177.94	1.22	0.39	160.66	340.21	197.13	1.43	0.43
	Provision written back		0.88	-	0.02	-	0.90	14.95	-	0.02
7.	Restructured Accounts as on March 31 of the FY (closing figures)									
	No. of borrowers		21	2	7	5	35	31	3	10
	Amount outstanding		915.79	0.08	72.57	0.16	988.60	1,412.72	0.12	88.97
	Provision thereon		0.40	-	1.46	0.01	1.87	36.98	-	2.62

- Fresh Restructuring includes fresh sanction / increase in existing accounts: CDR – ₹5.05 Cr (Provision Nil), Others – ₹70.48 Cr (Provision ₹0.26 Cr), Total – ₹75.53 Cr (Provision ₹0.26 Cr)
- Write off of restructured accounts includes recoveries / closure in existing accounts: CDR – ₹5.88 Cr (Provision ₹14.61 Cr), SME DRM – ₹0.34 Cr (Provision Nil), Others – ₹137.06 Cr (Provision ₹0.90 Cr), Total – ₹143.28 Cr (Provision ₹15.52 Cr)
- A restructured substandard account with opening balance of ₹13.19 Crore which was restructured again in the current year is not disclosed under fresh restructuring.
- A standard restructured account under "others" category was again restructured under "CDR". The fresh restructuring of ₹38.18 Crore was shown under CDR and the account is also reflected in the write of restructured accounts in the "others" category.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

11. Asset Quality

Particulars	31.03.2014	31.03.2013
Percentage of net NPAs to net advances (%)	0.78	0.78
Provision Coverage Ratio (%)	62.71	53.20

Provision for Non-Performing Advances and unrealized interest thereon are deducted from various categories of advances except the Provision for Standard Assets, which is included under "Other Liabilities".

12. Concentration of Deposits, Advances, Exposures and NPAs
Concentration of Deposits

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Total Deposits of twenty largest depositors	5,112.88	5,981.63
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	10.77%	13.51%

Concentration of Advances

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Total Advances to twenty largest borrowers	6,194.37	5,264.37
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	17.02%	16.44%

Concentration of Exposures

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Total Exposure to twenty largest borrowers / customers	6,531.60	5,285.57
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	12.86%	11.86%

Concentration of NPAs

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Total Exposure to top four NPA accounts	167.82	277.65

The bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

13. Sector-wise NPAs

Sl. No.	Sector Particulars	Percentage of NPAs to Total Advances in that sector			
		31.03.2014		31.03.2013	
		Gross	Net	Gross	Net
1.	Agriculture & allied activities ¹	0.62	0.42	7.33	3.20
2.	Industry (Micro & Small, Medium and Large)	1.97	1.49	1.49	1.19
3.	Services	0.55	0.32	0.42	0.25
4.	Personal Loans ²	0.90	0.28	0.62	0.18

¹ Represents loan towards agriculture and allied activities that qualify for priority sector lending.

² Excludes retail loans towards agriculture and allied activities that qualify for priority sector lending.

The bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

14. Movement of NPAs

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Gross NPAs as on the beginning of the Financial Year	433.87	267.16
Additions (Fresh NPAs) during the year	628.42	530.06
Sub total (A)	1,062.29	797.22
Less:		
(i) Upgradation	301.16	146.15
(ii) Recoveries (excluding recoveries made from upgraded accounts)	164.26	72.71
(iii) Write Offs	164.25	144.49
Sub Total (B)	629.67	363.35
Gross NPAs as on the end of the Financial Year	432.62	433.87

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

Stock of Technical Write-Offs and Recoveries made thereon

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Opening balance of Technical / Prudential written-off accounts as at April 1	195.14	137.33
Add: Technical / Prudential write-offs during the year	150.00	125.77
Sub-total (A)	345.14	263.10
Less: Recoveries made from previously technical / prudential written-off accounts during the year (B)	22.40	67.96
Closing balance as at March 31 (A-B)	322.74	195.14

15. Overseas Assets, NPAs and Revenue

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Total Assets	-	-
Total NPAs	-	-
Total Revenue	-	-

16. Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas
Nil	Nil

17. Unsecured Advances

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Total Advances for which intangible securities such as charge over the rights, licenses, authority etc., has been taken as collateral	Nil	Nil
Estimated value of such intangible collateral	Nil	Nil

18. Letter of Comfort (LoCs) issued by banks

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Letter of Comfort issued during the year	1,321.03	3,153.96
Assessed financial impact	1,077.99	176.17
Assessed cumulative financial obligations	3,113.85	1,773.68

19. Bancassurance Business

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Fees / remuneration received from bancassurance business	2.80	3.57

20. Maturity Pattern of key assets and liabilities

As at 31st March, 2014:

(₹ in Crore)

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	212.50	633.25	539.44	2,015.84	13,336.21	5,106.59	6,209.33	12,324.83	1,302.02	5,811.08	47,491.09
Loans & Advances	1,161.95	335.07	388.94	1,006.56	4,998.97	4,393.23	10,631.96	5,276.98	3,258.12	4,778.08	36,229.86
Investments	99.03	(42.31)	70.80	108.70	786.00	262.77	745.29	2712.80	2,217.41	7,391.29	14,351.78
Borrowings	19.85	84.91	-	0.48	0.06	791.54	514.23	877.87	241.84	200.00	2,730.78
Foreign Currency-Assets	41.24	41.94	0.72	22.98	69.93	154.12	329.56	-	0.71	-	661.20
Foreign Currency-Liabilities	10.94	3.72	4.04	7.40	40.12	456.55	513.26	115.58	326.19	-	1,477.80

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

As at 31st March, 2013:

(₹ in Crore)

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	289.92	1,114.09	1,312.75	1,281.37	8,923.65	4,620.22	9,166.44	16,104.02	752.88	696.96	44,262.30
Loans & Advances	1,009.88	240.66	389.47	785.76	4,114.14	4,449.64	9,301.82	4,580.83	3,198.00	3,745.33	31,815.53
Investments	101.93	312.61	163.14	100.84	900.01	613.33	674.39	1,894.05	2,310.72	5,452.45	12,523.47
Borrowings	220.83	-	-	65.06	81.49	296.40	128.03	164.67	128.07	200.00	1,284.55
Foreign Currency-Assets	309.90	-	14.57	21.40	-	138.01	23.35	-	-	-	507.23
Foreign Currency-Liabilities	257.30	1.78	3.12	6.33	111.48	321.88	186.54	86.15	48.59	-	1,023.17

In computing the above information, certain estimates and assumptions have been made by the management which has been relied upon by the auditors.

21. Derivatives

The bank uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. Bank does not have any Forward Rate Agreement or Interest Rate Swaps.

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

During the year the bank had sanctioned credit limits, with the approval of the Board, to the following borrowers which were in excess of prudential exposure limits as indicated hereunder.

As on 31.03.2014

(₹ in Crore)

SI No.	Name of Borrower / Group	Total Exposure Limit	Maximum Exposure during the year	Percentage of Capital Funds
	Nil	-	-	-

As on 31.03.2013

(₹ in Crore)

SI No.	Name of Borrower / Group	Total Exposure Limit	Maximum Exposure during the year	Percentage of Capital Funds
	Nil	-	-	-

23. Provision for taxes during the year

(₹ in Crore)

	31.03.2014	31.03.2013
Current Tax	242.38	182.95
Deferred Tax (net)*	(20.97)	(29.38)
Wealth Tax	0.03	0.02
Total	221.44	153.59

*Deferred tax (net) for the previous year includes ₹(9.82) Crore in respect of earlier years.

24. Penalties levied by the Reserve Bank of India

The penalty imposed by RBI during the year ended March 31, 2014 was ₹47,830 (Previous year Nil)

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

25. Status of Complaints

a. Shareholder complaints:

	Particulars	31.03.2014	31.03.2013
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	248	211
(c)	No. of complaints redressed during the year	248	211
(d)	No. of complaints pending at the end of the year	-	-

b. Customer complaints:

	Particulars	31.03.2014	31.03.2013
(a)	No. of complaints pending at the beginning of the year	4	4
(b)	No. of complaints received during the year	498	419
(c)	No. of complaints redressed during the year	502	419
(d)	No. of complaints pending at the end of the year	-	4

c. Status of Awards passed by the Banking Ombudsman:

	Particulars	31.03.2014	31.03.2013
(a)	No. of unimplemented Awards at the beginning of the year	-	-
(b)	No. of awards passed by the Banking Ombudsman during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards at the end of the year	-	-

d. Complaints on ATM transactions:

	Particulars	31.03.2014	31.03.2013
(a)	No. of complaints pending at the beginning of the year	171	263
(b)	No. of complaints received during the year	9,164	11,753
(c)	No. of complaints redressed during the year	9,270	11,845
(d)	No. of complaints pending at the end of the year	65	171

The above details are as furnished by the Management and relied upon by the auditors.

26. Provisions and Contingencies debited to Profit and Loss Account

(₹ in Crore)

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	31.03.2014	31.03.2013
Provision for NPA / NPLs	136.92	131.90
Provision for taxes (Net)*	242.41	182.97
Deferred Tax (Net)	(20.97)	(29.38)
Provision for Standard Assets	31.09	32.49
Provision for Restructured Advances	9.70	18.63
Provision for depreciation in the value of investments	(28.47)	11.23
Others	6.16	(1.53)
TOTAL	376.84	346.31

* Includes Wealth Tax ₹0.03 Crore (₹0.02 Crore).

27. Draw Down from Reserves

- a) In accordance with Reserve Bank of India guidelines vide Circular No. DBOD. No. BP. BC. 77 / 21.04.018 / 2013-14 dated December 20, 2013, the Bank has created Deferred Tax Liability amounting to ₹20.49 Crore during the current year on the Special Reserve under Section 36 (1) (viii) of Income Tax Act. Out of the total DTL created an amount of ₹14.71 Crore pertaining to the Special Reserve outstanding as at March 31, 2013 has been drawn from the General Reserve as permitted.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

- b) In accordance with the exemption from the provisions of Section 13 of Banking Regulation Act, 1949 granted vide Central Government Notification No. S.O.214 (E) dated January 21, 2014, the bank had appropriated an amount of ₹4.49 Crore from Share Premium Account towards expenditure incurred in connection with QIP Issue as per the provisions of Section 78 of the Companies Act, 1956.

28. Floating Provisions

(₹ in Crore)

Particulars	Current Year	Previous Year
(a) Opening balance in the floating provisions account	Nil	Nil
(b) The quantum of floating provisions made in the accounting year	Nil	Nil
(c) Amount of draw down made during the accounting year	Nil	Nil
(d) Closing balance in the floating provisions account	Nil	Nil

B. OTHER DISCLOSURES
1. Fixed Assets

Premises of the Bank were revalued as on 31.03.2011 in accordance with the policy formulated by the Bank based on RBI guidelines by professionally qualified independent valuers empanelled by the Bank using the indices based on current market price. The written down value of the premises has been increased from ₹192.31 Crore to ₹326.18 Crore and the resultant appreciation in the value amounting to ₹133.87 Crore has been credited to revaluation reserve during 2010-11.

2. Earnings Per Share

The bank reports basic and diluted EPS in accordance with the Accounting Standard - 20 on "Earnings per Share"

Particulars	31.03.2014	31.03.2013
Weighted average number of equity shares used in computation of basic earnings per share	134,11,92,442	124,64,93,418
Potential equity shares arising out of the Employees Stock Option Scheme [ESOS 2008]	62,48,171	96,42,907
Weighted average number of equity shares used in computation of diluted earnings per share	134,74,40,613	125,61,36,325
Earnings used in the computation of basic earnings per share (₹ in Crore)	507.50	502.27
Earnings used in the computation of diluted earnings per share (₹ in Crore)	507.50	502.27
Nominal Value of share (in ₹)	1.00	1.00
Basic earnings per share (in ₹)	3.78	4.03
Effect of potential equity shares for ESOS	0.01	0.03
Diluted earnings per share (in ₹)	3.77	4.00

3. Accounting for Employee Share Based Payments

The company has provided various share based payment schemes to its employees. As on March 31, 2014, the following schemes were in operation;

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Date of grant	21.11.2009	21.10.2010	16.02.2012	28.06.2012	05.03.2013	03.12.2013
Date of Board approval	21.11.2009	21.10.2010	16.02.2012	28.06.2012	05.03.2013	03.12.2013
Date of Share holders approval	18.08.2008	18.08.2008	18.08.2008	18.08.2008	18.08.2008	18.08.2008
Number of options granted	307,25,000	5,10,500	9,42,000	21,000	10,66,500	213,52,100
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity
Vesting period	21.11.2011 to 21.11.2013	21.10.2012 to 21.10.2014	16.02.2014 to 16.02.2016	28.06.2014 to 28.06.2016	05.03.2015 to 05.03.2017	03.12.2015 to 03.12.2017
Exercise period (for all Tranches)	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.					
Manner of Vesting (for all Tranches)	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.					

The Bank had elected to use intrinsic value method to account the compensation cost of ESOS. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

Activity in the options outstanding under the ESOS

Particulars	31.03.2014		31.03.2013	
	Options	Weighted average exercise price (₹)	Options	Weighted average exercise price (₹)
Options outstanding at the beginning of the year	2,09,67,035	14.10	2,77,29,170	13.51
Options granted during the year	2,13,52,100	18.72	10,87,500	21.48
Options exercised during the year	54,09,172	12.94	47,79,959	12.94
Forfeited / lapsed during the year	34,84,923	13.98	30,69,676	13.21
Options outstanding at the end of the year	3,34,25,040	17.25	2,09,67,035	14.10
Options Exercisable	1,04,52,440	13.33	67,96,485	13.16

The weighted average share price at the date of exercise of the options was ₹21.73 (Previous year ₹25.95).

Details of exercise price for stock options outstanding as at 31.03.2014

Particulars	Exercise price per share (₹)	Number of options outstanding	Remaining contractual life of options
Tranche 1	12.93	1,00,50,990	0.64
Tranche 2	24.98	3,02,750	1.13
Tranche 3	24.12	8,45,500	1.98
Tranche 4	12.93	20,000	2.34
Tranche 5	21.65	9,62,500	3.03
Tranche 6	18.72	2,12,43,300	3.78

Details of exercise price for stock options outstanding as at 31.03.2013

Particulars	Exercise price per share (₹)	Number of options outstanding	Remaining contractual life of options
Tranche 1	12.93	1,85,48,985	1.29
Tranche 2	24.98	4,40,550	1.67
Tranche 3	24.12	8,93,000	2.98
Tranche 4	12.93	21,000	3.34
Tranche 5	21.65	10,63,500	4.03

The weighted average fair value of stock options granted during the year was ₹6.14 (previous year ₹6.82)

Fair Value Methodology

The fair value of the options is estimated on the date of grant using Black Scholes options pricing model with following inputs

Tranches	Year ended 31-03-2014						Year ended 31-03-2013				
	1	2	3	4	5	6	1	2	3	4	5
Exercise Price per share (₹)	12.93	24.98	24.12	12.93	21.65	18.72	12.93	24.98	24.12	12.93	21.65
Weighted Average Share Price per share (₹)	8.57	17.03	22.57	23.10	24.26	23.49	8.57	17.03	22.57	23.10	24.26
Expected Volatility (%)	28.26	28.26	28.26	28.26	28.26	29.95	28.26	28.26	28.26	28.26	28.26
Historical Volatility (%)	43.50	31.33	29.23	31.32	28.94	32.19	43.50	31.33	29.23	31.32	28.94
Life of the options granted (Vesting and Exercise period in years)	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.16 to 4.16	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16
Average Risk Free Interest rate (%)	7.98	7.88 to 7.98	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09	8.61 to 8.88	7.98	7.88 to 7.98	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09
Expected Dividend Yield (%)	8.17	4.11	3.10	3.03	2.89	3.41	8.17	4.11	3.10	3.03	2.89

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

Effect of the ESOS on the profit and loss account and on its financial position

(₹ in Crore)

Particulars	31-03-2014	31-03-2013
Opening of ESOS Liability	3.31	4.17
Liability on account of ESOS issued	4.44	0.28
Reversal on account of Exercise	(0.78)	(0.69)
Reversal on account of lapsed / forfeiture	(0.54)	(0.45)
Total Employee compensation cost pertaining to ESOS	6.43	3.31
Opening Deferred Compensation Cost	0.70	1.27
Deferred compensation cost on ESOS issued	4.44	0.28
Compensation Cost pertaining to ESOS amortized during the year	(0.97)	(0.83)
Reversal on account of lapse / forfeiture	(0.05)	(0.02)
Deferred compensation cost	4.12	0.70

Impact of fair value method on net profit and on EPS

Had compensation cost for the ESOS outstanding being determined based on the fair value approach instead of intrinsic value method, the Bank's net profit and earnings per share would have been as indicated below:

Particulars	31-03-2014	31-03-2013
Net Profit as reported (₹ in Crore)	507.50	502.27
Proforma Net profit based on fair value approach (₹ in Crore)	506.47	502.22
Basic EPS as reported (₹)	3.78	4.03
Basic EPS (Proforma) (₹)	3.78	4.03
Diluted EPS as reported (₹)	3.77	4.00
Diluted EPS (Proforma) (₹)	3.76	4.00

In computing the above information, certain estimates and assumptions have been made by the management which has been relied upon by the auditors.

4. Segment Reporting

In accordance with RBI guidelines in regard to business segments of banks, the bank has determined the business segments and the required disclosures are as follows:

(₹ in Crore)

Business Segments	Treasury		Corporate / Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	1,163.45	939.01	2,252.08	1,887.99	1,882.15	1,852.56	85.85	89.66	5,383.53	4,769.22
Result	(32.77)	(98.54)	188.98	156.39	500.95	522.77	71.78	75.24	728.94	655.86
Unallocated Expenses									0.00	0.00
Operating profit									728.94	665.86
Income Taxes									221.44	153.59
Extraordinary Profit / Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									507.50	502.27
Other Information:										
Segment Assets	15,264.81	13,748.13	23,594.37	20,275.73	14,940.38	14,651.04	-	-	53,799.56	48,674.90
Unallocated Assets									1,112.01	1,120.13
Total Assets									54,911.57	49,795.03
Segment Liabilities	14,249.70	12,864.62	22,257.37	19,176.77	14,093.77	13,856.94	-	-	50,600.84	45,898.33
Unallocated Liabilities									942.68	893.09
Total Liabilities									51,543.52	46,791.42

Since the Bank operates only in domestic segment, disclosure regarding geographical segment is not applicable.

In computing the segment information certain estimates and assumptions have been made by the management which has been relied upon by the Auditors.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

5. Deferred Tax Assets (net)

a) Deferred Tax Assets

(₹ in Crore)

Timing Difference	31.03.2014	31.03.2013
Fixed Assets: Impact of difference between tax depreciation and Depreciation charged for the financial reporting	5.51	3.46
Provisions for Loans / Investments / others	104.94	80.24
Total	110.45	83.70

b) Deferred Tax Liabilities

(₹ in Crore)

Timing Difference	31.03.2014	31.03.2013
Fixed Assets: Impact of difference between tax depreciation and Depreciation charged for the financial reporting	-	-
Special Reserve created u / s 36(i)(viii) of I T Act	20.49	-
Total	20.49	-

Note: In FY 2012-13, the Board of Directors of the Bank passed a resolution to not withdraw any amount in the future from the Special Reserve created under Section 36(1)(Viii) of the Income Tax Act 1961. Accordingly, the Bank treated the tax difference arising on account of the special reserve as a permanent difference and reversed the deferred tax liability previously created in March 31, 2012 in respect of such Special Reserve.

Pursuant to a Notification No. DBOD. No. BP.BC.77 / 21.04.018 / 2013-14 dated December 20, 2013 issued by the Reserve Bank of India, all banks are now required to create deferred tax liability in respect of the Special Reserve created under Section 36(1)(Viii) of the Income Tax Act 1961 on a prudent basis. Accordingly, the Bank has created a deferred tax liability of ₹20.49 Crores as at March 31, 2014. Out of this amount, an amount of ₹14.71 Crores which pertains to periods prior to March 31, 2013 has been debited to the general reserve and the amount of ₹5.78 Crores which pertains to the year ended March 31, 2014 has been debited to the profit and loss account in accordance with the accounting treatment prescribed by the Reserve Bank of India through the above notification. Had the Bank debited the opening deferred tax liability for financial years up to March 31, 2013 to the profit and loss account in accordance with accounting principles generally accepted in India, the profit after tax of the Bank for the year ended March 31, 2014 would have been lower by ₹14.71 Crores.

6. Related Party Disclosure:

a. Key Management Personnel

Dr. V. A. Joseph, Managing Director & Chief Executive Officer.

b. Gross Remuneration paid ₹79.24 Lakhs (Previous year Gross ₹70.40 Lakhs).

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits as they are determined on an actuarial basis for the bank as a whole.

7. Employee Benefits

a) Retirement Benefits

The bank has recognized the following amounts in the Profit and Loss Account towards employee benefits as under:

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Pension Fund	148.84	144.93
Gratuity Fund	16.83	26.15
Compensation for absence on privilege / sick / casual leave	11.52	10.97

The employee benefits on account of pension, gratuity and leave have been ascertained on actuarial valuation in accordance with Accounting Standard 15 (revised).

During the year ended 31.03.2011, the Bank had re-opened the pension option for those employees who had joined the Bank prior to 29th September, 1995 and had not opted for the pension scheme earlier. Consequently, 2217 employees had exercised their option for the pension scheme and the bank has incurred an extra liability of ₹135.13 Crore. Further, during the year ended 31.03.2011, the limit of gratuity payable to the employees of the bank was also enhanced from ₹3.50 Lakhs to

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

₹10.00 Lakhs, pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result, the gratuity liability of the Bank has increased by ₹21.40 Crore. The extra cost of pension and gratuity to employees works out to ₹156.53 Crore.

In terms of the requirements of the Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹156.53 Crore is required to be charged to the Profit and Loss account for the year ended 31.03.2011. However, in accordance with the Circular issued by Reserve Bank of India vide reference number DBOD.BP.BC.80 / 21.04.018 / 2010-11 dated February 9, 2011, and made applicable to our bank vide DBOD No.BP.BC.15896 / 21.04.018 / 2010-11 dated April 8, 2011, the Bank would amortize the amount of ₹156.53 Crore over a period of five years. During the current year 2013-14, bank has amortized an amount of ₹28.23 Crore (₹24.72 Crore towards pension and ₹3.51 Crore towards gratuity) and balance unamortized amount to be carried forward as on 31.03.2014 is ₹22.49 Crore. Had the above circular been not issued by the RBI, Net Profit of the Bank for the year would have been higher by ₹18.63 Crore pursuant to the application of AS 15 and the reserve would have been lower by ₹22.49 Crore.

b) Changes in the defined benefit obligations

(₹ in Crore)

	Gratuity Plan 31.03.14	Gratuity Plan 31.03.13	Pension Plan 31.03.14	Pension Plan 31.03.13
Projected defined benefit obligation, beginning of the year	146.95	136.88	369.80	323.64
Current Service Cost	5.18	6.36	85.52	15.10
Interest Cost	12.11	11.64	27.97	27.51
Actuarial (gain) / loss	8.34	14.50	32.64	90.64
Benefits paid	(17.19)	(22.43)	(100.24)	(87.09)
Projected defined benefit obligation, end of the year	155.39	146.95	415.69	369.80
Liability (net) of fair value of plan asset at the end of the year	18.91	31.74	169.24	190.06

c) Changes in the fair value of plan assets

(₹ in Crore)

	Gratuity Plan 31.03.14	Gratuity Plan 31.03.13	Pension Plan 31.03.14	Pension Plan 31.03.13
Fair value of plan assets, beginning of the year	115.22	93.72	179.75	166.84
Expected return on plan assets	9.18	7.50	27.46	13.35
Employer's contributions	26.15	32.72	144.97	82.93
Actuarial gain / (loss)	3.12	3.71	(5.50)	3.72
Benefits paid	(17.19)	(22.43)	(100.24)	(87.09)
Fair value of plan assets, end of the year	136.48	115.22	246.44	179.75

The Company expects to contribute ₹16.83 Crores towards gratuity and ₹148.84 Crores towards pension in the next year.

d) Net Employee benefit expense (recognized in payments to and provisions for employees)

(₹ in Crore)

	Gratuity Plan 31.03.14	Gratuity Plan 31.03.13	Pension Plan 31.03.14	Pension Plan 31.03.13
Current Service Cost	5.18	6.36	85.52	15.10
Interest defined benefit obligation	12.11	11.63	27.97	27.51
Expected return on plan assets	(9.18)	(7.50)	(27.46)	(13.34)
Net actuarial (gain) / loss recognized in the year	5.22	10.79	38.14	86.92
Past service cost	-	-	-	-
Employee cost	13.33	21.28	124.17	116.19
Amortization cost	3.50	4.85	24.67	28.74
Total	16.83	26.13	148.84	144.93
Actual return on plan assets	12.69	11.21	22.31	17.07

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

e) Categories of plan assets as a percentage of the fair value of total plan assets

	Gratuity Plan 31.03.14	Gratuity Plan 31.03.13	Pension Plan 31.03.14	Pension Plan 31.03.13
Government of India Securities	44%	38%	-	-
State Government Securities	11%	18%	-	-
High quality Corporate Bonds	40%	39%	-	-
Equity Shares of Listed Companies	0%	0 %	-	-
Funds Managed by Insurer*	0%	0 %	100%	100%
Others (With Fund and Bank)	5%	5%	-	-
Total	100%	100%	100%	100%

* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

f) Experience adjustments

(i) Gratuity

(₹ in Crore)

	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10
Defined Benefit Obligations	155.39	146.95	136.88	122.12	98.57
Plan Assets	136.48	115.21	93.72	93.29	86.41
Surplus / Deficit	18.91	31.74	43.16	28.83	12.16
Unamortized	2.08	5.59	10.44	17.12	-
Net Benefit expense	16.83	26.15	32.72	11.71	12.16
Experience adjustments on Plan Liabilities	8.34	14.50	17.44	22.13	*
Experience Adjustments on Plan Assets	(3.12)	(3.71)	(0.27)	(0.64)	*

(ii) Pension

(₹ in Crore)

	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10
Defined Benefit Obligations	415.69	369.80	323.64	330.72	74.59
Plan Assets	246.44	179.74	166.84	170.46	54.97
Surplus / (Deficit)	169.25	190.06	156.80	160.26	19.62
Unamortized	20.41	45.13	73.87	108.10	-
Net Benefit expense	148.84	144.93	82.93	52.16	19.62
Experience Adjustments on Plan Liabilities	32.64	90.64	32.32	65.79	*
Experience Adjustments on Plan Assets	5.50	3.72	8.99	9.40	*

*Not available

g) Assumptions used by the actuary in accounting for gratuity and Pension

	Gratuity Plan 31.03.14	Gratuity Plan 31.03.13	Pension Plan 31.03.14	Pension Plan 31.03.13	Compensation for absence 31.03.14	Compensation for absence 31.03.13
Discount rate	8.75%	8.50%	9.10%	8.50%	8.75%	8.50%
Expected rate of return on plan assets	8.00%	8.00%	9.00%	8.00%	*	*
Increase in compensation cost	6.00%	4.00%	5.50%	4.00%	6.00%	4.00%

*Not available

Notes:

- Discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.
- Expected rate of return on plan assets is based on the average long term rate of return expected on investments of the funds during the estimated term of the obligations.
- The estimates of future salary increases, considered in actuarial valuation, take account the inflation, seniority, promotion and other relevant factors.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014
--

h) Compensation for absence on Privilege / Sick / Casual Leave

The charge on account of compensation for privilege / sick / casual leave has been actuarially determined and a charge of ₹11.52 Crore (Previous year ₹10.97 Crore) has been debited to Profit and Loss account.

8. The Bank has not received any intimation from "Suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid / payable as required under the said Act have not been given.

9. Tier II Bonds

Lower Tier II Bonds outstanding as at March 31, 2014 is ₹200.00 Crore (Previous Year ₹265.00 Crore).

Amount reckoned for Tier II Capital as per RBI guidelines is ₹200.00 Crore (Previous Year ₹200.00 Crore).

10. Disclosures on Remuneration

- (a) Information relating to the composition and mandate of the Remuneration Committee.

The Board of Directors of Bank through the Compensation and Remuneration Committee (CRC) of the Board oversee the framing, review and implementation of compensation policy. The CRC comprise 4 independent directors including the non-executive chairman.

CRC of the Bank as on March 31, 2014 is having the following independent directors:

- Mr. Amitabha Guha, Chairman
- Mr. Paul Chalisery
- Mr. Mohan E. Alapatt
- Dr. John Joseph Alapatt

The roles and responsibilities of the CRC are as follows:

- To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to all employees and the WTDs / MD & CEO including performance linked incentives, perquisites, stock option scheme etc., with a view to attract, motivate and retain employees and review compensation levels vis-a-vis other Banks and the industry in general.
- The CRC works in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The CRC also ensures that the cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- With respect to the performance linked incentive schemes, the CRC is empowered to:
 - a) Draw up terms and conditions and approve the changes, if any, to the performance linked incentive schemes;
 - b) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - c) Coordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as are considered necessary;
 - d) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity / equity.
- The CRC also functions as the Compensation Committee as prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and is empowered to formulate detailed terms and conditions of the scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
- To obtain necessary clearances and approvals from regulatory authorities, appoint merchant bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.
- To oversee the administration of employee benefits, such as, provident fund, pension fund, gratuity, compensation for absence on privilege / sick / casual leave etc., which are recognized in accordance with Accounting Standard 15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.
- The CRC may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board.
- Any other matters regarding remuneration to WTDs / MD&CEO and other staffs of the Bank as and when permitted

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

- by the Board.
- To conduct the annual review of the Compensation Policy.
 - To fulfill such other powers and duties as may be delegated to it by the Board.
- (b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
- The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its Circular No. DBOD. No. BC. 72 / 29.67.001 / 2011-12 dtd. 13 / 01 / 2012.
- The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers up to the rank of General Manager (Scale VII) is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board / Committee.
- Further, the compensation structure for the Whole Time Directors (WTDs) / Managing Director & Chief Executive Officers (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to Clause 95 of Articles of Association of the Bank read with the Section 309 (1) of the Companies Act, 1956.
- (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.
- The Board of Directors through the CRC shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.
- (d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration and 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.
- The factors taken in to account for the annual review and revision in the variable pay and performance bonus are:
- The performance of the Bank
 - The performance of the business unit
 - Individual performance of the employee
 - Other risk perceptions and economic considerations.
- Further, the Bank has not identified any employee as "risk taker" for the purpose of variable pay under this compensation policy.
- (e) 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.
- Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:
 - i. Performance Linked Incentives to those employees who are eligible for incentives.
 - ii. Ex-gratia for other employees who are not eligible for Performance linked Incentives.
 - iii. Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.
 - iv. Any other incentives, by whatever name called having the features similar to the above.
 - Where the variable pay constitutes a substantial portion of the fixed pay, i.e., 50% or more, an appropriate portion of the variable pay, i.e., 40% will be deferred for over a period of 3 years.
 - In case of deferral arrangements of variable pay, the deferral period shall not be less than three years. Compensation payable under deferral arrangements shall vest no faster than on a pro rata basis.
 - The Board may adopt principles similar to that enunciated for WTDs / CEOs, as appropriate, for variable pay-timing, malus / clawback, guaranteed bonus and hedging.
 - Employee Stock Option Scheme / Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable, will be excluded from the components of variable pay.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

(F) Quantitative Disclosures

			Current Year	Previous Year
	(a)	- Number of meetings held by the Remuneration Committee during the financial year - Remuneration paid to its members (₹ in Lakhs)	5 2.25	4 1.00
	(b)	(i) Number of employees having received a variable remuneration award during the financial year (ii) Number and total amount of sign-on awards made during the financial year (iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus (iv) Details of severance pay, in addition to accrued benefits, if any	1 - - -	1 - - -
	(c)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms (ii) Total amount of deferred remuneration paid out in the financial year	- -	- -
	(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Lakhs) - Fixed - Variable - Deferred - Non-Deferred	65.58 13.66 - -	58.79 11.61 - -
	(e)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments	- - -	- - -

11. Disclosures relating to Securitization

Sl. No.	Particulars	No. / Amount in ₹Crore
1.	No of SPVs sponsored by the bank for securitization transactions	Nil
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank	
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet	
	a) Off-balance sheet exposures First loss Others b) On-balance sheet exposures First loss Others	
4.	Amount of exposures to securitization transactions other than MRR	Nil
	a) Off-balance sheet exposures	
	(i) Exposure to own securitizations	
	First loss	
	Others	
	(ii) Exposure to third party securitizations	
	First loss	
	Others	
	b) On-balance sheet exposures	
	(iii) Exposure to own securitizations	
	First loss	
	Others	
	(iv) Exposure to third party securitizations	
	First loss	
	Others	

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014**

12. Credit Default Swaps : NIL.

13. Description of contingent liabilities

Sl. No.	Contingent liability *	Brief Description
1.	Claims not acknowledged as debts	This includes liability on account of Service tax, and other legal cases filed against the bank. The bank is a party to various legal proceedings in the ordinary course of business and these are contested by the Bank and are therefore subjudice. The bank does not expect the outcome of these proceedings to have a material adverse impact on the bank's financial position.
2.	Liability on account of outstanding forward contracts	The bank enters into foreign exchange contracts with inter-bank participants on its own account and for its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contract rate.
3.	Guarantees on behalf of constituents in India	As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4.	Acceptances, endorsements and other obligations	As a part of banking activities, the Bank issues documentary credit on behalf of its customers. Documentary credits such as letters of obligations, enhancing the credit standing of the customers of the bank which generally represent irrevocable assurances that the bank will make payments in the event of customer failing to fulfill its financial obligations
5.	Other items for which the bank is contingently liable	These include amounts which may become payable in respect of capital commitments.

* Also refer Schedule – 12

14. Figures of the previous year have been regrouped to confirm to the current year presentation wherever necessary.

As per our report of even date

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
Firm Registration No. 101049W

per **Subramanian Suresh**
Partner
Membership No. 083673

Chennai
April 24, 2014

For and on behalf of Board of Directors

V. G. Mathew
Executive Vice President

Abraham Thariyan
Executive Director

Cheryan Varkey
Executive Director

C. P. Gireesh
Chief Financial Officer

Vijith S.
Asst. General Manager

Pune
April 24, 2014

Amitabha Guha
Chairman

Paul Chalisery
Director

Dr. N. J. Kurian
Director

K. Thomas Jacob
Director

Francis Alapatt
Director

Dr. V. A. Joseph
MD & CEO

Mathew L. Chakola
Director

Mohan E. Alapatt
Director

Dr. John Joseph
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	Year Ended March 31st 2014 ₹('000)	Year Ended March 31st 2013 ₹('000)
Cash flow from operating activities		
Net Profit As Per Profit and Loss Account	5,074,970	5,022,724
Adjustments for:		
Provision for taxes (Net)	2,214,350	1,535,850
Depreciation	446,066	398,937
Deferred Employee Cost Amortized	282,300	335,900
Amortisation of Premium on HTM Investments	183,352	143,270
Provision for Depreciation / Non-Performing Investments	(206,513)	112,354
General Provisions against Standard Assets	310,900	324,900
Provision for Non-Performing Assets	1,291,031	1,319,022
Other Provisions	156,703	171,010
ESOS Employee Compensation expense amortised	9,507	8,154
Interest on Subordinated bonds	198,016	250,867
(Profit) / Loss on sale of land, buildings and other assets	(8,335)	(4,816)
Operating profit before working capital changes	(A) 9,952,347	9,618,172
Changes in working capital:		
Increase / (Decrease) in Deposits	32,287,875	77,617,674
Increase / (Decrease) in Borrowings	15,112,225	6,963,624
Increase / (Decrease) in Other Liabilities	1,007,697	699,141
(Increase) / Decrease in Investments	(423,141)	(18,657,553)
(Increase) / Decrease in Advances	(45,531,512)	(46,853,991)
(Increase) / Decrease in Other Assets	(553,254)	(541,854)
	(B) 1,899,890	19,227,041
Cash flow from operating activities before taxes	(A+B) 11,852,237	28,845,213
Direct Taxes Paid	(2,592,485)	(1,855,935)
Net cash flow from operating activities	(C) 9,259,752	26,989,278
Cash flow from investing activities:		
Purchase of Fixed Assets / CWIP	(700,306)	(660,528)
Sale of Fixed Assets	38,593	13,771
(Purchase) / Sale of Investments (Held to Maturity)	(17,836,790)	(12,833,998)
Net cash flow from investing activities	(D) (18,498,503)	(13,480,755)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	Year Ended March 31st 2014 ₹('000)	Year Ended March 31st 2013 ₹('000)
Cash flow from financing activities:		
Proceeds from issue of share capital	25,026	4,487,864
Dividend paid including Corporate Dividend Tax	(1,094,056)	(791,442)
Interest on Subordinated bonds	(221,955)	(251,315)
Repayment of Subordinate bonds	(650,000)	-
Net cash flow from financing activities	(E) (1,940,985)	3,445,107
Net increase in cash and cash equivalents	(C+D+E) (11,179,736)	16,953,630
Cash and cash equivalents as at beginning of the year	43,359,023	26,405,393
<i>(Refer note below)</i>		
Cash and cash equivalents as at the end of the year	32,179,287	43,359,023
<i>(Refer note below)</i>		
Note:		
Balance with banks in India in Fixed Deposit (As per Schedule 7 I (i) (b))	9,470,084	18,267,405
Balance with banks in India in current account (As per Schedule 7 I (i) (a))	279,806	398,343
Money at call and short notice in India (As per Schedule 7 I (ii))	-	4,500,000
Cash in hand (As per Schedule 6 I)	2,648,400	2,379,668
Balance with RBI in current account (As per Schedule 6 II)	19,359,682	14,587,345
Balance with banks Outside India:		
(i) In current account (As per Schedule 7 II (a))	(263,518)	1,934,279
(ii) Money at call & short notice – with banks (As per Schedule 7 II (c))	684,833	1,291,983
Cash and cash equivalents as at the end of the year	32,179,287	43,359,023

As per our report of even date

For and on behalf of Board of Directors

 For **S. R. Batliboi & Associates LLP**
 Chartered Accountants
 Firm Registration No. 101049W

 per **Subramanian Suresh**
 Partner
 Membership No. 083673

 Chennai
 April 24, 2014

V. G. Mathew
 Executive Vice President

Abraham Thariyan
 Executive Director

Cheryan Varkey
 Executive Director

C. P. Gireesh
 Chief Financial Officer

Vijith S.
 Asst. General Manager
 Pune
 April 24, 2014

Amitabha Guha
 Chairman

Paul Chalissery
 Director

Dr. N. J. Kurian
 Director

K. Thomas Jacob
 Director

Francis Alapatt
 Director

Dr. V. A. Joseph
 MD & CEO

Mathew L. Chakola
 Director

Mohan E. Alapatt
 Director

Dr. John Joseph
 Director

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

1. Scope of Application

The South Indian Bank Limited is a commercial bank, which was incorporated on January 25, 1929 in Thrissur, Kerala. The Bank does not have any subsidiary / Associate companies under its Management.

2. Capital Adequacy

1.	Qualitative Disclosure	
1.1	<u>RBI Guidelines on capital adequacy</u>	
	The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March, 2019. These guidelines on Basel III are to be implemented beginning 1st April, 2013 in a phased manner, the minimum capital required to be maintained by the Bank for the year ended 31 st March, 2014 is 9% with minimum Common Equity Tier 1 (CET1) of 5%.	
1.2	<u>The bank's approach in assessment of capital adequacy</u>	
	The bank is following Standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively. Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar-II of Basel guidelines. The adequacy of bank's capital funds to meet the future business growth is also assessed in the ICAAP document.	
2.	Quantitative Disclosure	
		Amount in Million
(a)	Capital requirements for Credit Risk	22,773.33
	Portfolios subject to standardized approach	22,773.33
	Securitization exposures	
(b)	Capital requirements for Market Risk (Standardised duration approach)	1,154.97
	Interest Rate Risk	742.93
	Foreign Exchange Risk (including gold)	9.00
	Equity Risk	403.04
(c)	Capital requirements for Operational Risk (Basic Indicator Approach)	1,954.01
	Total Capital Requirement at 9%{ (a)+ (b)+(c) }	25,882.31
	Total Capital Fund	35,716.43
	Common Equity Tier- I CRAR %	10.79 %
	Tier- I CRAR %	10.79 %
	Total CRAR %	12.42 %

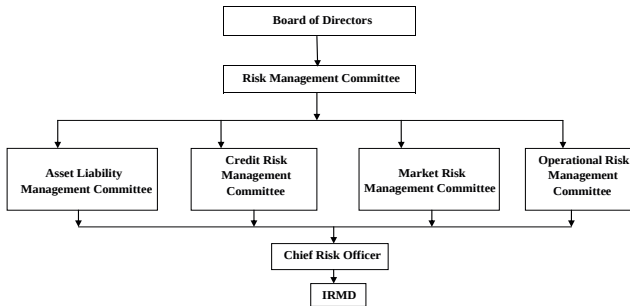
Risk Management: Objectives and Organisation Structure

Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an appropriate tradeoff between risk and return to maximize shareholder value. The relevant information on the various categories of risks faced by the bank is given in the ensuing sections. This information is intended to give market participants a better idea on the risk profile and risk management practices of the bank.

The bank has a comprehensive risk management system set up to address various risks and has set up an Integrated Risk Management Department, 'IRMD', which is independent

of operational departments. Bank has a Risk Management Committee functioning at apex level for formulating, implementing and reviewing bank's risk management measures pertaining to credit, market and operational risk. Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Asset Liability Management Committee, Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid-office at Treasury Department / International Banking Division at operational level. The structure and organization of Risk Management functions of the bank is as follows:

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014



3. Credit Risk: General Disclosures

Qualitative Disclosure

Definition of impaired credit and past dues considered by bank for accounting purposes.

The guidelines as laid down by RBI Master Circular No. DBOD.No.BP.BC.8 / 21.04.048 / 2013-14 dated July 1, 2013, on Asset classification, Income Recognition and Provisioning to Advances portfolio are followed while classifying Non-performing Assets (NPAs). The guidelines are as under:

- a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.
- b) A Non-performing Asset (NPA) is a loan or an advance where;
 - i) interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,
 - ii) the account remains 'out of order', in respect of an Overdraft / Cash Credit (OD / CC), (out of order – An account is treated as 'out of order' if 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, but 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, these accounts are treated as 'out of order'.)
 - iii) the bill remains overdue for a period of more than 90 days in the case of bills Purchased and discounted, (overdue – Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.)
 - iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops, (overdue – Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.)
 - v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops, (overdue – Any amount due to

the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.)

- vi) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of RBI guidelines on Securitization dated February 1, 2006.
- vii) In respect of derivative transactions, the overdue receivables representing positive Mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Credit Risk Management practices of our Bank

The bank has a comprehensive credit risk management policy which deals with identification, assessment, measurement and mitigation of credit risk. The policy has defined credit risk as the possibility of losses associated with the diminution in the credit quality of the borrower or the counterparty or the failure on its part to meet its obligations in accordance with the agreed terms. The Credit Risk Management Committee, an executive level committee is entrusted with the task of overseeing various risk management measures envisaged in the policy. The Credit Risk Management Committee also deals with issues relating to credit risk management policy and procedures and analyse, manage and control credit risk on a bank wide basis. Credit risk management policy primarily addresses the credit risk inherent in advances. The principal aspects covered under this policy include credit risk rating, credit risk monitoring, credit risk mitigation and country risk management.

The major specific credit risk management measures followed by bank, as listed out in the credit risk management policy are given in following points:

- The credit / country risk associated with exposures, like inter-bank deposits and export bill discounting, to different countries are consolidated regularly and monitored by the Board.
- Bank uses a robust risk rating framework for evaluating credit risk of the borrowers. The bank uses segment-specific rating models that are aligned to target segment of the borrowers.
- Risks on various counterparties such as corporates, banks, are monitored through counter-party exposure limits, also governed by country risk exposure limits in case of international transactions.
- The bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.

2. Quantitative Disclosure

- a) **Gross Credit Risk Exposures as on 31st March, 2014**
(Amount in Million)

Category	Exposure
Fund Based ¹	3,62,298.56
Non-Fund Based ²	1,91,265.50
Total	5,53,564.06

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014
Note :

1. Fund based credit exposure excludes Cash in hand, Balance with RBI, SLR investments, shares, deposits placed NABARD, SIDBI & NHB, Fixed and Other assets.
2. Non-fund based exposure includes outstanding Letter of Credit, Acceptances, Bank Guarantee exposures and Forward Contracts.

b) Geographic Distribution of Credit Risk Exposure as on 31st March, 2014

(Amount in Million)

Particulars	
Domestic	5,53,564.06
Overseas	Nil
Total	5,53,564.06

c) Industry-wise Distribution of gross advances and NPAs as on 31st March, 2014

(Amount in Million)

Industry Name	Gross Advance	GNPA	Standard Assets
Mining and Quarrying	485.92	0.00	485.92
Food Processing	8,258.07	76.85	8,181.22
Beverages (Excluding Tea & Coffee) and Tobacco	427.88	9.72	418.16
Textiles	11,761.25	376.75	11,384.50
Leather and Leather Products	1,053.87	0.04	1,053.83
Wood and Wood Products	1,016.40	63.70	952.69
Paper and Paper Products	2,064.25	34.21	2,030.04
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	2,085.48	150.12	1,935.36
Chemicals and Chemical Products (Dyes, Paints, etc.,)	3,332.80	80.34	3,252.46
Rubber, Plastic and their Products	7,747.25	3.05	7,744.19
Glass and Glassware	36.12	0.02	36.10
Cement and Cement Products	4,107.86	2.62	4,105.24
Basic Metal and Metal Products	17,967.55	409.31	17,558.25
All Engineering	3,211.56	18.49	3,193.07
Vehicles, Vehicle Parts and Transport Equipments	4,857.30	1.39	4,855.91
Gems and Jewellery	7,395.43	505.58	6,889.85
Construction	8,607.35	82.57	8,524.78
Infrastructure	55,961.03	933.39	55,027.64
Other Industries	5,939.45	70.55	5,868.90

d) Residual Contractual Maturity breakdown of Assets

(Amount in Million)

Time Period	Cash and Balance with RBI	Balance with other banks & money at call and short notice	Investments	Advances	Fixed Assets	Other Assets
Next Day	7,972.07	931.68	990.33	11,619.46	0.00	30.60
2-7 days	168.83	1,236.72	(423.11)	3,350.68	0.00	40.80
8-14 days	229.41	622.54	707.98	3,889.44	0.00	71.41
15-28 days	297.16	1914.60	1,087.02	10,065.65	0.00	183.62
29 days - 3 months	1,800.61	5,299.47	7,859.99	49,989.67	0.00	510.06
Over 3 - 6 months	1,710.97	14.19	2,627.71	43,932.32	0.00	244.83
Over 6 - 12 months	1,973.50	152.00	7,452.86	1,06,319.60	0.00	265.23
Over 1 - 3 year	4,915.75	0.00	27,127.97	52,769.82	0.00	1,387.35
Over 3 - 5 year	653.78	0.00	22,174.05	32,581.18	0.00	448.85
Over 5 years	2286.00	0.00	73,912.96	47,780.74	4,122.00	4,559.31
Total	22,008.08	10,171.20	1,43,517.76	3,62,298.56	4,122.00	7,742.06

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

- e) The composition of Gross NPAs and NPIs, Net NPAs, NPA ratios and provision for GNPA's and GNPIs as on 31st March, 2014 and movement of gross NPAs and provisions during the quarter ended 31st March, 2014 are given in following table.

(₹ in Million)

1.	Amount of Gross NPAs	4,326.22
	• Substandard	1,798.08
	• Doubtful-I	1,963.07
	• Doubtful-2	54.95
	• Doubtful-3	28.27
	• Loss	481.85
2.	Net NPA	2,816.75
3.	NPA Ratios	
	• Gross NPA to Gross Advance	1.19%
	• Net NPA to Net Advance	0.78%
4.	Movement of NPA (Gross)	
	• Opening Gross NPA	4,338.74
	• Additions to Gross NPA	6,284.24
	• Reductions to Gross NPA	6,296.76
	• Closing Balance of Gross NPA	4,326.22
5.	Movement of NPA Provisions	
	• Opening balance of NPA Provisions held	1,642.18
	• Provisions made during the period	2,107.49
	• Deductions during the period	2,457.00
	• Closing Balance of NPA Provisions	1,292.67
6.	Amount of Non-Performing Investments (Gross)	362.94
7.	Amount of Provisions held NP Investments	128.45
8.	Movement of Provisions for Depreciation on Investments	
	• Opening Balance of Provisions for Depreciation	356.00
	• Provisions made during the period	52.46
	• Write-offs / Write-back of excess provisions during the period	337.12
	• Closing Balance of Provisions for Depreciation	71.34

4. Credit Risk: Disclosure for Portfolios under Standardized Approach

1. Qualitative Disclosure

a. Names of credit rating agencies used

Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are:

1. CRISIL
2. CARE
3. India Ratings and Research Private Limited (Formerly FITCH INDIA)
4. ICRA

5. Brickwork Ratings India Pvt. Ltd. (BRICKWORK)
6. SMERA Ratings Ltd.

The Bank computes risk weight on the basis of external rating assigned, both long term and short term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follows below mentioned procedures as laid down in the Basel II guidelines for use of external ratings:

- The external rating assigned by an agency is considered only if it fully takes into account the credit exposure of the bank.
- If an issuer has a long term exposure with an external long term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether short term or long-term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- If an issuer has a short term exposure with an external short term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counterparty, whether long term or short term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- The unrated short term claim of counterparty will attract a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counterparty. If a short term rated facility to counterparty attracts a 20 per cent or a 50 per cent risk weight, unrated short term claims to the same counterparty cannot attract a risk weight lower than 30 per cent or 100 per cent respectively.

b. Process used to transfer public issue ratings onto comparable assets in the banking book

- (i) In circumstances where the borrower has a specific assessment for an issued debt – but the bank's claim is not an investment in this particular debt – the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to the bank's unassessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unassessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation. If not, the rating applicable to the specific debt cannot be used and the unassessed claim will receive the risk weight for unrated claims.
- (ii) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same counterparty, which is unrated by any chosen credit rating agency, will be assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari-passu or junior to the rated exposure in all respects.

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

2. Quantitative Disclosures

Amount of exposure (after risk mitigation) outstanding as on 31st March, 2014 under major three risk buckets

Description of risk bucket	₹ in Million
Below 100% Risk Weight	2,98,040.06
Risk Weight at 100%	1,65,444.28
More than 100% Risk Weight	13,891.27
Deducted if any	Nil

(Amount of exposures includes cash in hand, balance with RBI, investments, loans and advances, Fixed and other assets, off balance sheet items and forward contracts).

5. Credit Risk Mitigation: Disclosures for Standardised Approaches

1. Qualitative Disclosure

a. Policies and processes for collateral valuation and management

Bank has put in place a comprehensive policy on Credit Risk Mitigants and Collaterals for recognizing the eligible collaterals and guarantors for netting the exposures and reducing the credit risk of obligors. Basic procedures and descriptions of controls as well as types of standard / acceptable collaterals, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, applicable "haircuts" to collateral, frequency of revaluation and release of collateral are stipulated in the bank's credit policy, policy on collateral management and credit risk mitigant policy. The bank uses net exposure for capital calculations after taking cognizance of eligible financial collaterals. All collaterals and guarantees are recorded and the details are linked to individual accounts.

Collateral valuation

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines.

The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in line with the requirements specified by RBI guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

Types of collateral taken by the Bank

The Bank determines the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is

generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property / automobile being financed. The valuation of the properties is carried out by an empanelled valuer at the time of sanctioning the loan.

The Bank also offers products which are primarily based on collateral such as shares, specified securities, warehoused commodities and gold jewellery. These products are offered in line with the approved product policies, which include types of collateral, valuation and margining.

The Bank extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The limits with respect to unsecured facilities have been approved by the Board of Directors.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorisation approved by the Board of Directors. For facilities provided as per approved product policies, collateral is taken in line with the policy.

b. Credit Risk Mitigation Techniques

The RBI guidelines on Basel III allow the following credit risk mitigants to be recognised for regulatory capital purposes:

1) Eligible Financial Collaterals

- Cash and fixed deposit receipts, issued by our bank.
- Gold: Gold would include both bullion and jewellery. However, the value of the collateralized jewellery should be arrived at after notionally converting these to 99.99% purity.
- Kisan Vikas Patra, Indira Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period.
- Life Insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.
- Securities issued by Central and State Governments.
- Debt securities rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are either:
 - a) Attracting 100 per cent or lesser risk weight i.e., rated at least BBB(-) when issued by public sector entities and other entities (including banks and Primary Dealers); or
 - b) Attracting 100 per cent or lesser risk weight i.e., rated at least CARE A3 / CRISIL A3 / India Ratings and Research Private Limited (India Ratings) A3 / ICRA A3 / Brickwork A3 / SMERA A3 for short term debt instruments.
- Debt Securities not rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are:

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

- a) issued by a bank; and
 - b) listed on a recognised exchange; and
 - c) classified as senior debt; and
 - d) all rated issues of the same seniority by the issuing bank are rated at least BBB(-) or CARE A3 / CRISIL A3 / India Ratings and Research Private Limited (India Ratings) A3 / ICRA A3 / Brickwork A3 / SMERA A3 by a chosen Credit Rating Agency; and
 - e) the bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or CARE A3 / CRISIL A3 / India Ratings and Research Private Limited (India Ratings) A3 / ICRA A3 / Brickwork A3 / SMERA A3 (as applicable) and;
 - f) Banks should be sufficiently confident about the market liquidity of the security.
- Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the bank's operation mutual funds where:
- a) a price for the units is publicly quoted daily i.e., where the daily NAV is available in public domain; and
 - b) Mutual fund is limited to investing in the instruments listed in this paragraph.
- 2) **On-balance sheet netting**, which is confined to loans / advances and deposits, where banks have legally enforceable netting arrangements, involving specific lien with proof of documentation.
- 3) **Counterparty Guarantees**, where these are direct, explicit, irrevocable and unconditional. Further, the eligible guarantors would comprise:
- a) Sovereigns, sovereign entities (including Bank for International Settlements, the International Monetary Fund, European Central Bank and European Community as well as those Multilateral Development Banks, Export Credit Guarantee Corporation of India and Credit Guarantee Fund Trust for Small Industries, Credit Risk Guarantee Fund Trust for Low Income Housing), banks and primary dealers with a lower risk weight than the counterparty;
 - b) Other entities that are externally rated except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.
- c. **Details of exposure covered by eligible financial collateral and information about (credit or market) concentration within the mitigation taken as on 31st March, 2014 is given in table below**

(₹ in Million)

S. No.	Category of Loan	Exposure	Amount of Risk Mitigants	Risk Weighted Assets
1.	Gold loans	62,746.24	61,638.81	1,107.43
2.	Loan against deposits	14,758.58	16,398.42	-
3.	Loan against KVP / IVP / NSC / LIC	239.20	265.77	-

6. Securitisation Exposures: Disclosure for Standardised Approach

Not applicable since the bank does not undertake securitisation activity.

7. Market Risk in Trading Book

Qualitative Disclosures

Market Risk Management Policy

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices. The market risk for the Bank is managed in accordance with the Market Risk Management Policy, Investment Policy and ALM Policy which are approved by the Board. The policies ensure that operations in securities, foreign exchange etc., are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate changed business requirements, economic environment and changes in regulations.

Structure and organisation of the market risk management function

The Market Risk Management Committee (MRMC), which is an independent function, reports to the Risk Management Committee. MRMC exercises independent control over the process of market risk management and recommends changes in risk policies, controls, processes and methodologies for quantifying and assessing market risk. There is clear functional separation of:

- Trading i.e., front office; and
- Monitoring, control, settlements and accounting i.e., Treasury back office.

Strategies and processes

- 1) The Bank has put in place a comprehensive Market risk management Framework to address the Market risks (bank wide) including that of the Trading Book.
- 2) Within the above Framework, various policies of the Bank prescribes Limits like Value at Risk (VaR) for Central Government securities and Currencies, maximum holding period, duration, minimum holding level for liquid assets, defeasance period, exposure limits, Forex open position limits (day light / overnight), stop-loss limits etc.
- 3) Risk profiles are analyzed and the effectiveness of risk mitigants is regularly monitored.
- 4) The Bank's Board / Market Risk Management Committee (MRMC) / Investment Management Committee (IMC) approves the volume composition holding / defeasance period etc., of the trading book.

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

The scope and nature of risk reporting and / or measurement system risk reporting

Adherence to limits are being monitored by dedicated mid office, reporting exceptions to Chief Risk Officer (CRO), independent of Treasury / IBD operational units.

Risk Measurement

- 1) Values at Risk (VaR) numbers are arrived for Trading book Central Government securities, T Bills and Currencies.
- 2) The positions are marked to market at stipulated intervals. The Duration / Modified Duration is computed and its adherence to the prescribed duration limits is ensured.
- 3) The bank is computing capital charge on "Held for Trading" and "Available for Sale" categories using Standardized Duration Approach as required under RBI guidelines for Basel II.
- 4) Stress testing analyses are done by applying rate shocks for parallel shift in the yield curve under current economic and political scenario.

Quantitative disclosures

Capital requirements for different categories of Market Risks at 9% (₹ in Million)

S. No.	Capital Requirements	Capital Charge
1.	Interest Rate Risk	742.93
2.	Equity Position Risk	9.00
3.	Foreign Risk	403.04

8. Operational Risk

Operational risk management framework

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes legal risk but excludes strategic and reputation risk. Operational risk is inherent in the Bank's business activities in both domestic as well as overseas operations and covers a wide spectrum of issues.

Objectives

The objective of the Bank's operational risk management is to manage and control operational risks in a cost effective manner within targeted levels of operational risk consistent with the Bank's risk appetite as specified in the Operational Risk Management Policy (the Policy) approved by the Board of Directors. The Policy aims to:

- Define Bank level operational risk appetite;
- Establish clear ownership and accountability for management and mitigation of operational risk;
- Help business and operations to improve internal controls, reduce likelihood of occurrence of operational risk incidents and minimise potential impact of losses;

- Minimise losses and customer dissatisfaction due to failure in processes;
- Develop comprehensive operational risk loss database for effective mitigation;
- Meet regulatory requirements as set out in the guidance note on management of operational risk issued by the RBI; and
- Compute capital charge for operational risk as per the guidelines issued by the RBI.

The bank has started the Risk Control and Self Assessment (RCSA) and loss data collection, and at the same time identified the data gaps to be filled, to facilitate a step by step migration into the advanced approaches.

9. Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures

IRRBB refers to the risk arising on account of adverse interest rate fluctuations on interest rate sensitive assets and interest rate sensitive liabilities, which are held in banking book. In short term perspective – Traditional Gap Analysis (TGA) approach – it is the risk of an adverse impact on net interest income arising from timing differences in re-pricing of various items of assets liabilities. In long term perspective – Duration Gap Analysis (DGA) approach – it is the risk arising from adverse impact on the Bank's economic value of equity, due to duration gap between assets and liabilities.

Interest rate risk on banking book assumes the form of basis risk, yield curve risk, re-pricing risk or embedded options risk. For purposes of measuring the impact of these risks on net interest income under TGA approaches, the risk position is identified as the gap between rate sensitive assets and liabilities in different maturity buckets. For purposes of measuring the impact of these risks on economic value of net worth under DGA approach, the risk position is defined as the modified duration of equity which is derived from the modified duration gap, which in turn requires computation of the weighted average modified duration of assets and weighted average modified duration of liabilities.

The bank calculates the impact on the earnings by gap analysis with the assumed change in yield over one year. Bank has put in place prudential limits for probable reduction in Net Interest Income (NII) for buckets below one year due to adverse change in interest rates. Earnings at Risk (EaR) are being calculated using Traditional Gap Analysis as per ALM guidelines of RBI.

The bank calculates the impact on the Market value of equity by Duration Gap Analysis and the impact is calculated by applying a notional interest rate shock of 200 basis points as per ALM guidelines of RBI.

Risk evaluation and adherence to risk limits are reported to Market Risk Management Committee / ALCO through Chief Risk Officer.

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

Quantitative Disclosures

Particulars	As on 31 st March, 2014
Change in NII Probable impact on Net Interest income for 100 Bps downward movement in interest rate.	₹878.76 Million
Change in MVE Probable impact on Market Value of Equity (MVE) for a 200 Bps downward movement in interest rates.	3.04 % on Net worth

of financial parameters like net worth, capital adequacy ratio, rating etc of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach.

Quantitative Disclosures

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The balance outstanding for forward contract is as follows:

(₹ in Million)

Particulars	Outstanding
Forward Contracts	1,69,284.43
Total	1,69,284.43

10. General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosures

Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating considering a number

11. Composition of Capital

(₹ in Million)

Basel III common disclosure template to be used during the transition of regulatory adjustments			Amounts subject to Pre-Basel III Treatment	Ref. No.
Common Equity Tier 1 Capital: Instruments and Reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	10,823.62		
2	Retained earnings	21,371.94		
3	Accumulated other comprehensive income (and other reserves)			
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>			
	<i>Public sector capital injections grandfathered until January 1, 2018</i>			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			
6	Common Equity Tier 1 capital before regulatory adjustments	32,195.56		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles other than mortgage-servicing rights (net of related tax liability)			
10	Deferred tax assets	899.74		
11	Cash flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitisation gain on sale			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets	224.90		
16	Investments in own shares (if not already netted off paid in capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity	33.50		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold			
23	of which: significant investments in the common stock of financial entities			
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

26	National specific regulatory adjustments (26a+26b+26c+26d)			
26a	<i>of which:</i> Investments in the equity capital of the unconsolidated insurance subsidiaries			
26b	<i>of which:</i> Investments in the equity capital of unconsolidated non-financial subsidiaries			
26c	<i>of which:</i> Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank			
26d	<i>of which:</i> Unamortised pension funds expenditures			
	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment			
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)			
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]			
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]			
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	Total regulatory adjustments to Common equity Tier 1	1,158.14		
29	Common Equity Tier 1 capital (CET1)	31,037.42		
Additional Tier 1 Capital: Instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)			
31	<i>of which:</i> classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)			
32	<i>of which:</i> classified as liabilities under applicable accounting standards (Perpetual debt Instruments)			
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>			
36	Additional Tier 1 capital before regulatory adjustments			
Additional Tier 1 Capital: Regulatory Instruments				
37	Investments in own Additional Tier 1 instruments			
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments (41a+41b)			
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries			
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	<i>of which:</i> Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities			
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g., existing adjustments which are deducted from Tier 1 at 50%]			
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
43	Total regulatory adjustments to Additional Tier 1 capital			
44	Additional Tier 1 capital (AT1)			
44a	Additional Tier 1 capital reckoned for capital adequacy			
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	31,037.42		
Tier 2 Capital: Instruments And Provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	2,000.00		
47	Directly issued capital instruments subject to phase out from Tier 2			
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>			
50	Provisions	2,708.60		
51	Tier 2 capital before regulatory adjustments	4,708.60		
Tier 2 Capital: Regulatory Adjustments				

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments	29.60		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments (56a+56b)			
56a	<i>of which:</i> Investments in the Tier 2 capital of unconsolidated subsidiaries			
56b	<i>of which:</i> Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts subject to Pre-Basel III Treatment			
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g., existing adjustments which are deducted from Tier 2 at 50%]			
	<i>of which:</i> [INSERT TYPE OF ADJUSTMENT]			
57	Total regulatory adjustments to Tier 2 capital	29.60		
58	Tier 2 capital (T2)	4,679.00		
58a	Tier 2 capital reckoned for capital adequacy	4,679.00		
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital			
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)			
59	Total capital (TC = T1 + T2) (45 + 58c)	35,716.43		
	Risk Weighted Assets in respect of Amounts subject to Pre-Basel III Treatment			
	<i>of which:</i>			
	<i>of which:</i>			
60	Total risk weighted assets (60a + 60b + 60c)	2,87,582.21		
60a	<i>of which: total credit risk weighted assets</i>	2,53,036.97		
60b	<i>of which: total market risk weighted assets</i>	21,711.23		
60c	<i>of which: total operational risk weighted assets</i>	12,834.00		
Capital Ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.79 %		
62	Tier 1 (as a percentage of risk weighted assets)	10.79 %		
63	Total capital (as a percentage of risk weighted assets)	12.42 %		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)			
65	<i>of which: capital conservation buffer requirement</i>			
66	<i>of which: bank specific countercyclical buffer requirement</i>			
67	<i>of which: G-SIB buffer requirement</i>			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)			
National Minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50 %		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00 %		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00 %		
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financial entities			
73	Significant investments in the common stock of financial entities			
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			
Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)			
77	Cap on inclusion of provisions in Tier 2 under standardised approach			
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

Notes to the Template

Row No. of the template	Particulars	(₹ in Millions)
10	Deferred tax assets associated with accumulated losses	
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	899.74
	Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which: Increase in Common Equity Tier 1 capital	
	of which: Increase in Additional Tier 1 capital	
	of which: Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	2,116.15
	Eligible Revaluation Reserves included in Tier 2 capital	592.45
	Total of row 50	2,708.60
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	

12. Composition of Capital – Reconciliation Requirements
Step 1

(₹ in Millions)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
A	Capital & Liabilities		
i	Paid-up Capital	1,343.95	
	Reserves & Surplus	32,336.53	
	Minority Interest		
	Total Capital	33,680.48	
ii	Deposits	4,74,910.90	
	of which: Deposits from banks	24,373.44	
	of which: Customer deposits	4,50,537.45	
	of which: Other deposits (pl. specify)		
iii	Borrowings	27,307.77	
	of which: From RBI	3,250.00	
	of which: From banks		
	of which: From other institutions & agencies	13,923.60	
	of which: Others (pl. specify) Borrowings from outside India	8,134.18	
	of which: Capital instruments	2,000.00	

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
iv	Other liabilities & provisions (includes ESOP outstanding)	13,960.52	
	Total	5,49,859.67	
B	Assets		
i	Cash and balances with Reserve Bank of India	22,008.08	
	Balance with banks and money at call and short notice	10,171.21	
ii	Investments:	1,43,517.76	
	of which: Government securities	1,15,050.33	
	of which: Other approved securities	0.00	
	of which: Shares	1,911.44	
	of which: Debentures & Bonds	6,134.89	
	of which: Subsidiaries / Joint Ventures / Associates	0.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	20,421.10	
iii	Loans and advances	3,62,298.56	
	of which: Loans and advances to banks		
	of which: Loans and advances to customers	3,62,298.56	
iii	Loans and advances	3,62,298.56	
iv	Fixed assets	4,122.00	
v	Other assets	7,742.06	
	of which: Goodwill and intangible assets		
	of which: Deferred tax assets	899.63	
vi	Good will on consolidation		
vii	Debit balance in Profit & Loss account		
	Total Assets	5,49,859.67	

Step 2

(₹ in Millions)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref. No.
		As on reporting date	As on reporting date	
A	Capital & Liabilities			
i	Paid-up Capital	1,343.95		(a)
	of which : Amount eligible for CET1	1,343.95		(a) (i)
	of which : Amount eligible for AT1			
	Reserves & Surplus	32,336.53		(b)
	of which : Amount eligible for CET1			
	Statutory Reserve	7,112.84		(b)(i)
	Share Premium	9,479.67		(b)(ii)
	General Reserve	12,816.79		(b) (iii)
	Capital Reserve	440.87		(b)(iv)
	Special reserve under Section 36(i) (viii) of Income Tax Act	602.80		(b)(v)
	Balance in P / L a / c. at the end of the previous financial year	369.64		(b)(vi)
	Current Financial Year Profit (Current Financial Year carry forward Profit)	28.94		(b)(vii)
	Investment Reserve Account (part of Tier 2 Capital)	168.43		(b)(viii)
	Revaluation Reserve (part of Tier 2 Capital, at a discount of 55 per cent)	1,316.56		(b)(ix)
	Minority Interest			
	Total Capital	33,680.48		(a)+(b)
ii	Deposits	4,74,910.90		(c)
	of which: Deposits from banks	24,373.44		(c)(i)
	of which: Customer deposits	4,50,537.46		(c)(ii)
	of which: Other deposits (pl. specify)			

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

iii	Borrowings	27,307.77	(d)
	of which: From RBI	3250.00	(d)(i)
	of which: From banks		(d)(ii)
	of which: From other institutions & agencies	13,923.60	(d)(iii)
	of which: Others (pl. specify) Borrowings from outside India	8,134.18	(d)(iv)
	of which: Capital instruments	2,000.00	(d)(v)
	Capital instrument subject to phase out and included in Tier 2 Capital		
iv.	Other liabilities & provisions (includes ESOP outstanding)	13,960.52	(e)
	of which: Standard Asset provision included under Tier 2 Capital	1,830.00	(e)(i)
	of which : DTLs related to goodwill		(e)(ii)
	of which : Details related to intangible assets		
	Total	5,49,859.67	(a)+(b)+(c)+(d)+(e)
B	Assets		
i	Cash and balances with Reserve Bank of India	22,008.08	(f)
	Balance with banks and money at call and short notice	10,171.21	(g)
ii	Investments:	1,43,517.76	(h)
	of which: Government securities	1,15,050.33	(h)(i)
	of which: Other approved securities	0.00	(h)(ii)
	of which: Shares	1,911.44	(h)(iii)
	of which: Debentures & Bonds	6,134.89	(h)(iv)
	of which: Subsidiaries / Joint Ventures / Associates	0.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	20,421.10	(h)(v)
iii	Loans and advances	3,62,298.56	(i)
	of which: Loans and advances to banks		
	of which: Loans and advances to customers	36,229.86	(i)(i)
iv	Fixed assets	4,122.00	(j)
v	Other assets	7,742.06	(k)
	of which: Goodwill and intangible assets		
	Out of which :		
	Goodwill		(k)(i)
	Other Intangibles (excluding MSRs)		(k)(ii)
	Deferred tax assets	899.63	(k)(iii)
vi	Goodwill on consolidation		(l)
vii	Debit balance in Profit & Loss account		(m)
	Total Assets	5,49,859.67	(f)+(g)+(h)+(i)+(j)+(k)+(l)+(m)

Step 3

(₹ in Millions)

Common Equity Tier 1 Capital : Instruments and Reserves

		Component of regulator capital reported by bank	Source based on reference number / letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,823.62	(a) (i)+b(ii)
2	Retained earnings	21,371.88	(b)(i)+(b)(iii)+ (b)(iv)+(b)(v)+ (b)(vi) + b (vii)
3	Accumulated other comprehensive income (and other reserves)		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier I Capital before Regulatory adjustments	32,195.50	(b)(i)+(b)(iii)+ (b)(iv)+(b)(v)+ (b)(vi)+ (a)(i)+b(ii) +b(vii)
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		

13. Main Features of Regulatory Capital Instruments

		Subordinated Tier 2 Bonds
1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A09091
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Subordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	₹2000 Million
9	Par value of instrument	₹1 Million
10	Accounting classification	Liability
11	Original date of issuance	20.08.2009
12	Perpetual or dated	Dated
13	Original maturity date	20.04.2020
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	9.75 % p.a
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

14. Full Terms and Conditions of Regulatory Capital Instruments

Series I

Nature of Instrument	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
Amount Subscribed	₹2,000 Million
Face Value	₹10,00,000 / -
Date of allotment	20 / 08 / 2009
Date of Redemption	20 / 04 / 2020
Coupon Rate	9.75 % p.a
Put and call option	NIL
Issuance, Trading & Listing	Listed on BSE Ltd., Mumbai

15. Disclosure Requirements for Remuneration

Qualitative disclosures

a) Information relating to the composition and mandate of the Remuneration Committee.

Composition

The remuneration committee of the Board consists of four members of which two members from Risk Management committee of the Board facilitate effective governance of compensation.

The roles and responsibilities of the Compensation & Remuneration Committee are as follows:

- To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to all employees and the WTDs / MD & CEO including performance linked incentives, perquisites, stock option scheme etc., with a view to attract, motivate and retain employees and review compensation levels vis-a-vis other Banks and the industry in general.
- The CRC works in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The CRC also ensures that the cost / income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- With respect to the performance linked incentive schemes, the CRC is empowered to:
 - (i) Draw up terms and conditions and approve the changes, if any, to the performance linked incentive schemes;
 - (ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - (iii) Coordinate the progress of growth of business vis -a- vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as are considered necessary;
 - (iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity / equity.

➤ The CRC also functions as the Compensation Committee as prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and is empowered to formulate detailed terms and conditions of the scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.

➤ To obtain necessary clearances and approvals from regulatory authorities, appoint merchant bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.

➤ To oversee the administration of employee benefits, such as, provident fund, pension fund, gratuity, compensation for absence on privilege / sick / casual leave etc., which are recognized in accordance with Accounting Standard 15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.

➤ The CRC may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board.

➤ Any other matters regarding remuneration to WTDs / MD&CEO and other staffs of the Bank as and when permitted by the Board.

➤ To conduct the annual review of the Compensation Policy.

➤ To fulfill such other powers and duties as may be delegated to it by the Board.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its Circular No. DBOD. No.BC.72 / 29.67.001 / 2011-12 dtd. 13 / 01 / 2012.

The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers up to the rank of General Manager (Scale VII) is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board / Committee.

Further, the compensation structure for the Whole Time Directors (WTDs) / Managing Director & Chief Executive Officers (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to clause 95 of Articles of Association of the Bank read with the Section 309 (1) of the Companies Act, 1956.

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.

The Board of Directors through the CRC shall exercise oversight and effective governance over the framing and

DISCLOSURES UNDER BASEL III NORMS AS ON MARCH 31, 2014

implementation of the Compensation Policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

- d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

The factors taken in to account for the annual review and revision in the variable pay and performance bonus are:

- The performance of the Bank
- The performance of the business unit
- Individual performance of the employee
- Other risk perceptions and economic considerations.

Further, the Bank has not identified any employee as "risk taker" for the purpose of variable pay under this compensation policy.

- 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.

- Where the variable pay constitutes a substantial portion of the fixed pay, i.e., 50% or more, an appropriate portion of the variable pay, i.e., 40% will be deferred for over a period of 3 years.
- In case of deferral arrangements of variable pay, the deferral period shall not be less than three years. Compensation payable under deferral arrangements shall vest no faster than on a pro rata basis.
- The Board may adopt principles similar to that enunciated for WTDs / CEOs, as appropriate, for variable pay-timing, malus / clawback, guaranteed bonus and hedging.
- Employee Stock Option Scheme / Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

- 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.

- Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:
 - (i) Performance Linked Incentives to those employees who are eligible for incentives.

- (ii) Exgratia for other employees who are not eligible for Performance linked Incentives.
- (iii) Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965
- (iv) Any other incentives, by whatever name called having the features similar to the above.

Qualitative disclosures

g)	Number of meetings held by the Remuneration Committee during the financial year	5
	Remuneration paid to its members.	₹0.23 Million as sitting fees.

h)	Number of employees having received a variable remuneration award during the financial year.	1
	Number of sign-on awards made during the financial year.	-
	Total amount of sign-on awards made during the financial year.	-
	Details of guaranteed bonus, if any, paid as joining / sign on bonus.	-
	Details of severance pay, in addition to accrued benefits, if any.	-

i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-
	Total amount of deferred remuneration paid out in the financial year.	-

j)	Breakdown of amount of remuneration awards for the financial year	(₹ In Millions]
	- Fixed	6.56
	- Variable	1.37
	- Deferred	-
	- Non-Deferred	-

k)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	-
	Total amount of reductions during the financial year due to ex- post explicit adjustments.	-
	Total amount of reductions during the financial year due to ex- post implicit adjustments.	-

NOTICE

NOTICE is hereby given that the 86th Annual General Meeting of the shareholders of The South Indian Bank Ltd. will be held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur, on Wednesday, the 16th day of July, 2014 at 10 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Bank's Audited Balance Sheet as at 31st March, 2014 and the Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint Statutory Central Auditors for the year 2014-15 and to authorize the Board to fix their remuneration. The present Statutory Central Auditors, M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, Chennai, vacate office at this Annual General Meeting. They are eligible for re-appointment subject to RBI approval and they have given their consent for the same.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Mr. Mathew L Chakola (DIN-00633502), be and is hereby appointed as an Independent Director of the Bank in the Minority Sector for the purpose of Section 149(2) of the Companies Act, 2013 with effect from April 1, 2014 and that he shall hold office upto September 30, 2014, and further that he shall not be liable to retire by rotation."
5. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Mr. Paul Chalissery (DIN-00836980), be and is hereby appointed as an Independent Director of the Bank in the Majority Sector for the purpose of Section 149(2) of the Companies Act, 2013 with effect from April 1, 2014 and that he shall hold office upto September 30, 2014, and further that he shall not be liable to retire by rotation."
6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Mr. Mohan E Alapatt (DIN-00025594), be and is hereby appointed as an Independent Director of the Bank in the Minority Sector for the purpose of Section 149(2) of the Companies Act, 2013 with effect from April 1, 2014 and that he shall hold office upto 28th February, 2018, and further that he shall not be liable to retire by rotation."
7. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Mr. K Thomas Jacob (DIN-00812892), be and is hereby appointed as an Independent Director of the Bank in the Majority Sector for the purpose of Section 149(2) of the Companies Act, 2013 with effect from April 1, 2014 and that he shall hold office upto 30th August, 2018, and further that he shall not be liable to retire by rotation."
8. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Dr. John Joseph Alapatt (DIN-00021735), be and is hereby appointed as an Independent Director of the Bank in the Majority Sector for the purpose of Section 149(2) of the Companies Act, 2013 with effect from April 1, 2014 for a period of five (5) years, and further that he shall not be liable to retire by rotation."
9. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Sections 149, 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Mr. Francis Alapatt (DIN 01419486), who was appointed as an Additional Director pursuant to Section 161(1) of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Bank in the Minority Sector, for the purpose of Section 149(2) of the Companies Act, 2013 with effect from April 1, 2014 for a period of five (5) years, and further that he shall not be liable to retire by rotation."

NOTICE

10. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution:
 "RESOLVED that in accordance with the provisions of Sections 149, 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Mr. Salim Gangadharan (DIN-06796232), who was appointed as a Director pursuant to Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing, proposing his candidature for the office of director, be and is hereby appointed as an Independent Director of the Bank in the Majority Sector, for the purpose of Section 149(2) of the Companies Act, 2013 with effect from April 1, 2014 for a period of five (5) years, and further that he shall not be liable to retire by rotation."
11. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution:
 "RESOLVED that in accordance with the provisions of Sections 149, 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Mr. Cheryan Varkey (DIN-06884551), who was appointed as an Additional Director pursuant to Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Bank has received a notice in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Bank in the Majority Sector, whose period of office is liable for determination by retirement of directors by rotation."
12. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED THAT in terms of Section 143 of the Companies Act, 2013, the Board of Directors be and is hereby authorized to appoint from time to time in consultation with the Bank's Statutory Central auditors, one or more persons qualified for appointment as branch auditors to audit the accounts for the financial year 2014-15, of such of the branch offices of the Bank as are not proposed to be audited by the Bank's Statutory Central Auditors on such remuneration and subject to such terms and conditions as may be fixed by the Board of Directors."
13. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution:
 "RESOLVED that subject to the approval by Reserve Bank of India and pursuant to the applicable provisions of the Companies Act, 2013, the Banking Regulation Act, 1949, and the provisions of the Articles of Association of the Bank, consent of the Bank be and is hereby accorded for appointment of Mr. V. G. Mathew (DIN05332797), as Managing Director and Chief Executive Officer and that he shall also be a Whole-time Key Managerial Person of the Bank for a period of three years from 1st October, 2014 till 30th September, 2017 on the terms and conditions, brief particulars whereof have been set out in the annexed Explanatory Statement, being the remuneration recommended by the Board of Directors vide Resolution No.SEC/S-54 /14-15 dated May 28, 2014 and as may be approved by the Reserve Bank of India."
 "FURTHER RESOLVED that Mr. V. G. Mathew, shall not be subject to retirement by rotation during his tenure as Managing Director & CEO of the Bank."
14. To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolutions:
 "RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013, and Rules made thereunder and any statutory modifications or re-enactment thereof for the time being in force, and subject to the necessary approvals required, if any, in this regard from Reserve Bank of India ("RBI") and subject further to such other terms, conditions, stipulations, alterations, amendments or modifications as may be required, specified or suggested by RBI which terms, conditions, stipulations, alterations, amendments or modifications, the Board of Directors (herein after referred to as "the Board", which term shall include any of its duly authorized Committee or individual Director) is hereby authorized to accept as it may deem fit; consent of the Members of the Bank be and is hereby accorded to the alteration of the Bank's Articles of Association in the manner and to the extent hereinafter provided:
 - a) Article 1 be and is hereby deleted and in its place the following Clause shall be substituted:
 The regulations contained in Table F of the Schedule-I to the Companies Act, 2013, shall apply to this Company except so far as the clauses herein contained modify the same or provide otherwise. Whenever any of these clauses come into conflict with the provisions of the Companies Act, 2013 or any subsequent modifications thereof, the provisions and modifications, as the case may be of the said Act, shall prevail.
 - b) The marginal note appearing against Article 1 is hereby deleted and substituted as "Applicability of Table F of the Companies Act, 2013".
 - c) Clause (a) of Article 2 be and is hereby deleted and in its place the following Clause shall be substituted:
 Any reference to "Act" or "the Companies Act", or "the Companies Act, 1913", or "the Companies Act, 1956", unless the context otherwise requires, shall mean the Companies Act, 2013 and its modifications or re-enactments from time to time and any reference to a specific provision of an Act shall, without repugnant to the context thereof, be construed to be referring to a corresponding provision of an Act that came into existence repealing the former Act. Further, the Sections or provisions bearing reference to the Companies Act, 1913 or the Companies Act, 1956, shall have reference to the corresponding Sections or provisions in the Companies Act, 2013, as applicable.
 - d) Clause (i) of Article 2 be and is hereby deleted and in its place the following Clause shall be substituted:
 Director means a director appointed to the Board of the Company.

NOTICE

- e) Article 74 be and is hereby deleted and in its place the following Article shall be substituted:
Thirty members personally present or such other higher number as may be prescribed by the Companies Act, 2013 shall be a quorum to be for a general meeting and no business shall be transacted at any general meeting unless the quorum requisite is present at the commencement of the business.
- f) The existing Article 81, be and is hereby deleted and in its place the following shall be substituted:
On a show of hands every member present in person shall have one vote and upon a poll (whether by electronic voting or postal ballot or otherwise), every member voting so or voting in person or by proxy at a general meeting, as the case may be, shall exercise voting rights proportionate to the number of fully-paid shares held by the share holder in proportion to the paid up capital of the Company, provided however, that no share holder shall exercise voting rights in excess of ten percent of the total voting rights of all the share holders of the Company or such other percentage of the total voting rights of all members of the Company as may be directed by the Reserve Bank of India from time to time.
- g) The following sentence shall be inserted in Article 98 in the end as last sentence:
Notwithstanding the above and subject to the provisions of Section 149(13) of the Companies Act, 2013, Directors who are appointed as Independent Directors of the Company are not subject to retirement by rotation.
- h) The following sentence shall be inserted in Article 103 in the end as last sentence:
However, the aforesaid requirement will not apply to Independent Directors.

“RESOLVED FURTHER THAT the Articles of Association of the Bank, duly modified as aforesaid, be and is hereby adopted as the Articles of Association of the Bank.”

15. To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolution:

“RESOLVED THAT pursuant to Section 61 and other applicable provisions, if any, of the Companies Act, 2013, Banking Regulation Act, 1949, the Authorized Capital of the Bank be and is hereby increased from ₹160,00,00,000 (Rupees One Hundred and Sixty crore only) to ₹250,00,00,000 (Rupees Two Hundred and Fifty crore only) by creation of additional 90,00,00,000 (Ninety crore) shares of ₹1/- each, ranking for dividend and in all other respects pari passu with the existing equity shares of the Bank when issued and accordingly the existing Clause 5 of the Memorandum of Association of the Bank be and is hereby amended by substituting the words and figures ₹250,00,00,000 divided into 250,00,00,000 shares of ₹1/- each ‘for the words and figures, ₹160,00,00,000 divided into 160,00,00,000 shares of ₹1/- each, appearing in Clause 5 thereof.”

16. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 62 (1) and all other applicable provisions, if any, of the Companies Act, 2013 and rules made there under, to the extent notified and in effect (the “Companies Act”), and applicable provisions, if any, of the Companies Act, 1956, as amended (without reference to the provisions thereof that have ceased to have effect upon notification of sections of the Companies Act, 2013), the Banking Regulation Act, 1949 as amended, Foreign Exchange Management Act, 1999 (“FEMA”), as amended, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, as amended, Rules, Regulations, Guidelines, Notifications and circulars, if any, prescribed by the Government of India, Reserve Bank of India, Securities and Exchange Board of India (“SEBI”) including the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended (the “ICDR Regulations”) or any other competent authority, whether in India or abroad, from time to time, and such other applicable laws and regulations, to the extent applicable including the applicable provisions of listing agreements entered into with the Stock Exchanges (the “Listing Agreement”) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the South Indian Bank Ltd. (the “Bank”) and subject to all necessary approvals, consents, permissions and / or sanctions of the Ministry of Finance (Department of Economic Affairs) and of Ministry of Industry (Foreign Investment Promotion Board/Secretariat for Industrial Assistance) Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Stock Exchanges (SEs), financial institutions, lenders and all other appropriate and/or relevant / concerned authorities/third parties in India and other applicable countries (herein after referred to as the “Requisite Approvals”) and subject to such conditions and modifications as may be prescribed by any of them while granting any such approvals and sanctions and which may be agreed to by the Board of Directors of the Bank (the “Board”) (which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its power including the powers conferred on the Board under this resolution), the consent, authority and approval of the shareholders of the Bank, be and is hereby accorded to the Board to create, offer, issue and allot (including with provision for reservation on firm allotment and/or competitive basis of such part of issue and for such categories of persons as may be permitted by law then applicable) from time to time in one or more tranches with or without a green shoe option, by way of a rights issue to the existing members of the Bank whether resident or non-resident, rights -cum-public issue, public issue, private placement, preferential issue, Qualified Institutional Placement (QIP) in Indian and/or International markets or combination thereof of Equity Shares or through an issuance of Global Depository Shares (GDSs)/ Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) / Foreign Currency Convertible Bonds (FCCBs) representing Equity Shares and/ or Debentures or Bonds convertible into equity shares whether fully or partly and whether compulsorily or at the option of the Bank or the holders thereof and/or any security linked to equity shares and/or all or any of the aforesaid securities with or without detachable or non-detachable warrants, (hereinafter collectively referred to as the “Securities”) to all eligible investor, including resident Indian individuals, bodies corporate, societies, trusts, non-residents, Qualified Institutional Buyers (QIBs), stabilisation agents, foreign investors (whether institutions and/or incorporated bodies and/or individuals and/or trusts and/or otherwise), Foreign Institutional Investors (FIIs), Foreign Corporate Bodies (FCBs)/Companies/Mutual funds/ Pension Funds/ Venture Capital Funds/Foreign Portfolio Investors (FPIs)/Banks, whether Indian or foreign and such other persons or entities whether or not such investors are members of the Bank, to all or any other category of investors who are authorized to invest in equity shares of the Bank as per extant regulations/guidelines or any combination of the above as may be deemed appropriate by the Bank

NOTICE

through one or more offer prospectus and /or letter of offer or circular or such other document and/or on private placement basis, at such time or times, at such price or prices and on such terms and conditions considering the prevailing market conditions and other relevant factors wherever necessary, for amount in nominal value not exceeding in the aggregate ₹70,00,00,000 (Rupees Seventy crore only) or its equivalent amount in such foreign currencies as may be necessary with any premium and Green Shoe Option in one or more tranches, as may be deemed appropriate by the Board or Committee of Directors in such form and manner and on such terms and conditions like price or prices, premium, interest or additional interest, number of securities to be issued, face value, number of equity shares to be allotted on conversion/redemption/extinguishment of debt(s), rights attached to the warrants, period of conversion, fixing of record date or book closure terms of green shoe options, if any, exercised by the Bank and where in and all other connected matters”.

“RESOLVED FURTHER THAT the securities issued in foreign markets shall be deemed to have been made abroad and/or in the market and/ or at the place of issue of the Securities in the international market and may be governed by applicable foreign laws”.

RESOLVED FURTHER THAT in case of issue and allotment of Securities by way of Qualified Institutions Placement (“QIP”) to Qualified Institutional Buyers (“QIBs”) in terms of Chapter VIII of the SEBI ICDR Regulations:

- i. The relevant date for the purpose of pricing of the Equity Shares to be issued, if issued pursuant to Chapter VIII of the SEBI ICDR Regulations and/or other applicable regulations, shall be the date of the meeting in which the Board or Committee of Directors duly authorized by the Board decides to open the proposed issue of Equity Shares, subsequent to the receipt of members’ approval in terms of provisions of Companies Act, 2013 and other applicable laws, rules, regulations and guidelines in relation to the proposed issue of the Equity Shares;
- ii. The Board may, at its absolute discretion, issue Equity Shares at a discount of not more than five percent or such other discount as may be permitted under applicable regulations to the floor price as determined in terms of the SEBI (ICDR) Regulations, 2009, subject to the provisions of Section 53 of the Companies Act, 2013.
- iii. The issue and allotment of Equity Shares shall be made only to QIBs within the meaning of SEBI Regulations, such Equity Shares shall be fully paid-up on its allotment, which shall be completed within 12 months from the date of this resolution approving the proposed issue or such other time as may be allowed by the SEBI Regulations, from time to time;
- iv. The Equity Shares shall not be eligible to be sold for a period of 1 year from the date of allotment, except on a recognized stock exchange, except as may be permitted from time to time by the SEBI Regulations;
- v. The total amount raised in such manner should not, together with the over allotment option exceed five times the net worth of the Bank as per the audited Balance Sheet of the previous financial year.

“RESOLVED FURTHER THAT without prejudice to the generality of the above and subject to applicable laws and subject to Requisite Approvals including any conditions as may be prescribed while granting such approval or permissions by such governmental authority or regulatory institution, the aforesaid Securities may have such features and attributes or any terms or combination of terms that provide for the tradability and free transferability thereof in accordance with the prevailing practices in the capital markets including but not limited to the terms and conditions for issue of additional Securities.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing and without being required to seek any further consent or approval of the members of the Bank, the members shall be deemed to have given their approval thereto expressly by the authority of this resolution to the Board or Committee of Directors and the Board or Committee of Directors be and is hereby authorized for and on behalf of the members of the Bank:

- a) To appoint, enter into and execute all such arrangements, as the case may be, with any lead managers, merchant bankers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, registrars, transfer agents, custodians, trustees, lawyers, chartered accountants, company secretaries, experts in banking industry, consultants, book runners and such other intermediaries (“the Agencies”) as may be necessary and to remunerate any of the agencies in any manner including payment of commission, brokerage or fee for their services or otherwise and reimburse expenses that may be incurred by them in relation to their services to the Bank.
- b) To issue, directly or through any agency duly authorised depository receipt(s) / certificates of shares or other securities to afford a proper title to the holder thereof and to enable such holder to trade in the securities or underlying securities as such person may require to the extent lawfully permitted in India or in any other country where the securities have been issued subject to statutory regulations in India or in any other country and in accordance with the norms and practices prevailing in India or any other country.
- c) To issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities or as may be necessary in accordance with the terms of the offering, all such further equity shares ranking pari passu with the existing equity shares of the Bank in all respects except provided otherwise under the terms of issue of such securities and in the offer document.
- d) To approve offer document, circulars, notice and such other documents (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead managers, underwriters, and/or advisors in accordance with applicable laws, rules, regulations and guidelines and to take decisions to open the issue, decide bid opening and closing date, the issue price, the number of Equity Shares to be allotted and the basis of allotment of Shares;
- e) To dispose of the unsubscribed portion of the shares or securities to such person(s) and in such manner and on such terms as the Board may in its absolute discretion think most beneficial to the Bank, including offering or placing them with resident or nonresident/foreign investor(s) (whether institutions and/or incorporated bodies and/or individuals and/ or trusts and/or otherwise) / Foreign Institutional Investors (FIIs) / Mutual Funds / Pension Funds / Venture Capital Funds / Foreign Portfolio Investors (FPIs) / banks and/or Employees and business associates of the Bank or such other person(s) or entity(ies) or otherwise, whether or not such investors are members of the Bank.
- f) To retain over subscription upto such percentage as may be permitted by the applicable regulations and by relevant authorities.

NOTICE

- g) To obtain listing of all or any of its new shares / existing shares or other securities in any stock exchange in India or elsewhere in the world including the New York Stock Exchange, London Stock Exchange, Dubai International Financial Exchange, Singapore Stock Exchange, Luxembourg Stock Exchange, NASDAQ or any other Stock Exchanges subject to such statutory compliances as may be necessary in India or in such other country and further subject to such conditions as the stock exchanges may require.
- h) To do such acts, deeds, matters and things as it/they may at its/their discretion deem necessary or desirable for such purpose, including without limitation, if required, filing a Registration Statement and other relevant documents with United States Securities and Exchange Commission, or such other regulatory authority as may be necessary for listing the Securities on the Luxembourg Stock Exchange or New York Stock Exchange ("NYSE") and/or NASDAQ or such other international stock exchanges and the entering into of depository arrangements in regard to any such issue or allotment.
- i) To agree to and make and accept such conditions, modifications and alterations stipulated by any of the relevant authorities while according approvals, consents or permissions to the issue as may be considered necessary, proper and expedient.
- j) To do all such acts, deeds, matters and things as the Board may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the determination of the terms thereof, for entering into arrangements for managing, underwriting, marketing, listing and trading, banking and custodian arrangements and to sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Bank to settle all questions, difficulties, doubts that may arise in regard to such offer(s) or issue(s) or allotment(s), or otherwise.
- k) To delegate from time to time, all or any of the powers conferred herein upon the Board or Committee of Directors or the Director/s or any other Officer/s of the Bank"
17. To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolution:
"RESOLVED that in supersession of the resolution passed under Section 293(1)(d) of the Companies Act, 1956 at the Annual General Meeting of the Bank held on June 28, 2013 and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and rules made there under and as may be amended from time to time, the consent of the Bank be and is hereby accorded to the Board of Directors of the Bank (hereinafter referred to as the "Board" which term shall include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution) for borrowing from time to time, any sum or sums of monies, which together with the monies already borrowed by the Bank, may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total outstanding amount so borrowed shall not at any time exceed the limit of ₹5,000 crore (Rupees Five Thousand crore Only)."

By Order of the Board of Directors

Place : Thrissur
Date : May 28, 2014

(JIMMY MATHEW)
COMPANY SECRETARY

NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting (AGM or the Meeting) is entitled to appoint a proxy to attend and vote on a poll (i.e., voting by ballot), instead of himself/herself and the proxy need not be a Member of the Bank. However only such members (and also members who are represented by their respective proxies) who have not exercised their vote by electronic means or by means of postal ballot as described herein will be permitted to vote at the meeting. A person can act as proxy on behalf of Members up to and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Bank. Further, a Member holding more than ten percent, of the total share capital of the Bank carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. No Proxies will be entertained in respect of those members who cast their votes either by electronic means or by postal ballot prior to the AGM. However, such members can attend the AGM in person.
2. The instrument appointing proxy should, however, be deposited at the Registered Office of the Bank not less than forty eight hours before the commencement of the Meeting.
3. A Statement setting out of the material facts pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.
4. Members/Proxies should fill the Attendance Slip for attending the Meeting and bring their Attendance Slips along with their copy of the Annual Report to the Meeting.
5. In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.
7. The Register of Members and Share Transfer Books of the Bank will remain closed from Thursday the 10th day of July, 2014, to Wednesday the 16th day of July, 2014, (both days inclusive). Dividend, if declared, will be paid to those members whose names appear in the Register of Members on Wednesday the 16th day of July, 2014 and to beneficial owners whose names appear in the Register of Beneficial Owners Wednesday the 9th day of July, 2014. Transfers received during book closure will be considered only after reopening of the Register of Members.
8. All documents referred to in the notice are open for inspection at the Registered Office of the Bank on all working days between 10.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
9. All dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Any claim in respect of transferred amounts shall be made to the Registrar of Companies, Kerala, Company Law Bhavan, Bharath Matha College P.O., Kochi – 682 021. Members may

NOTICE

kindly note that the unclaimed/unpaid dividend amounts for the years from 1994-95 to 2005-2006 have already been transferred to the Investors' Education and Protection Fund (the Fund) as required under Section 205(A)(5) of the Companies Act, 1956 and that no claim can be made against the dividend amounts of the above mentioned years.

10. Members may please note that there is a facility for nomination, in the prescribed form, of any person to whom shares in the Bank held by such Member shall vest in the event of his / her death.
11. Shares of the Bank are traded in dematerialized form. Members may opt for availing the benefits of electronic holding/ transfer of shares held by them.
12. Members should notify the changes in their address immediately to the Transfer Agents/Depository Participants as the case may be, giving full details in block letters with Pin Code and Post Office along with address proof and photo identity proof.
13. Members may please note that, a copy of the PAN card of the transferee must mandatorily be submitted along with the transfer deed for registering transfer of physical shares.
14. Members described as "Minors" in the address but who have attained majority of age, may get their status in Register of Members corrected by producing proof of age.
15. Members should produce the attendance slip at the venue of the meeting.
16. Members holding (physical) shares in identical order of names in more than one folio are requested to write to the Share Transfer Agents to facilitate consolidation of their holdings in one folio.
17. A brief profile of the Directors, who are appointed/re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

18. E-Voting:

The Bank is pleased to provide E-voting facility through Central Depository Services (India) Limited (CDSL) as an alternative, for all members of the Bank to enable them to cast their votes electronically on the resolutions mentioned in the notice of 86th Annual General Meeting of the Bank dated May 28, 2014 (the AGM Notice). The Bank has appointed Dr. K. S. Ravichandran, M.Com, LLB, FCS, Ph.D., Practicing Company Secretary or failing him Mr. C. V. Madhusudhanan, B.Sc, B.L, FCS, Practicing Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The E-voting rights of the shareholders/beneficial owners shall be reckoned on the equity shares held by them as on **June 6, 2014**.

The instructions for E-Voting are as under:

(A) In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "THE SOUTH INDIAN BANK LIMITED" from the drop down menu and click on "SUBMIT"
- (iv) Now Enter your User ID (For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID, Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code as displayed and Click on Login.
- (v) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used. If you are a first time user follow the steps given below.
- (vi) Now, fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form	For Members holding shares in Physical Form
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)	
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.	
Number of shares held as on the Cut off-date #	For participating in the e-voting process, Bank has fixed Friday, June 6, 2014 as the Cut-off-Date (Record Date). Therefore, enter the number of shares held under your demat account/ folio as on June 6, 2014 .	

* Members who have not updated their PAN with the Company/Depository Participant are requested to use the default number: <SIBEV1234Z> in the PAN field.

Please enter any one of the details in order to login.

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for

NOTICE

resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on < THE SOUTH INDIAN BANK LIMITED > on which you choose to vote.
- (xi) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the changed password then Enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
- (xvii) Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

B) In case of members receiving the physical copy:

Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.

- (C) The voting period starts from 9.00 a.m. on Friday, July 11, 2014 and ends at 6.00 p.m. on Sunday, July 13, 2014. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Friday, June 6, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (D) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.
- 19. Members have option to vote either through e-voting or through postal ballot form. If a member has opted for e-voting, then he/she should not vote through the postal ballot form also and vice-a-versa. However, in case of members who have cast their votes both via postal ballot and also through e-voting, then the votes cast through e-voting shall prevail and the voting done through the physical ballot shall be treated as invalid.
- 20. However, in terms of Clause 35 B of the Listing Agreement, those members, who do not have access to e-voting facility, may send their assent or dissent in writing on the Postal Ballot Form attached with this AGM Notice in the enclosed self-addressed postage pre-paid envelope so as to reach Dr. K. S. Ravichandran the Scrutinizer, at the address M/s. KSR & Co, Company Secretaries LLP, Unit: The South Indian Bank Ltd, Indus Chambers, Ground Floor, No.101, Govt. Arts College Road, Coimbatore – 641 018, on or before July 13, 2014. Any Postal Ballot Form received after this date will be treated as if the reply from the Members has not been received.
- 21. The Results declared along with Scrutinizer's Report(s) will be available on the website of the Bank (www.southindianbank.com) within two (2) days of completion of voting if any at the AGM and communication of the same to the BSE Limited, the National Stock Exchange of India Limited and the Cochin Stock Exchange Ltd.
- 22. In support of the "Green Initiative" announced by the Government of India, electronic copy of the Annual Report and this Notice inter alia indicating the process and manner of e-voting along with Attendance Slip and proxy form are being sent by e-mail to those shareholders whose e-mail addresses have been made available to the Bank / Depository Participants unless member has requested for a hard copy of the same. For members who have not registered their e-mail addresses, physical copies of this Notice inter alia indicating the process and manner of e-voting along with attendance slip and proxy form and postal ballot form will be sent to them in the permitted mode. Further, in terms of Rule 18 of the Companies (Management and Administration) Rules, 2014, a company may give notice through electronic mode addressing to the person entitled to receive such e-mail as per the records of the company or as provided by the depository, provided that the company shall provide an advance opportunity atleast once in a financial year, to the member to register his e-mail address and changes therein and such request may be made by only those members who have not got their email id recorded or to update a fresh email id and not from the members whose e-mail ids are already registered.

In view of the above, the Bank hereby request members who have not updated their email IDs to update the same with their respective Depository Participant(s) or M/s BTS consultancy Services Private Limited, Share Transfer Agent of the Bank as applicable. Further, members holding shares in electronic mode also requested to ensure to keep their email addresses updated with the Depository Participants/Share Transfer Agent of the Bank. Members holding shares in physical mode are also requested to update their email addresses by writing to the Share Transfer Agent of the Bank quoting their folio number(s).

NOTICE

23. All communications/correspondence with regard to Equity Shares and dividend may be forwarded to the Share Transfer Agents at the address given below:

M/s BTS Consultancy Services Pvt. Ltd.,
 M S Complex, 1st Floor, No. 8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur,
 Kolathur, CHENNAI – 600 099
 Phone: 044-25565121, Fax No. 044-25565131
 E-mail: ramesh@btsindia.co.in, helpdesk@btsindia.co.in

Statement of material facts as required under Section 102(1) of the Companies Act, 2013 annexed to and forming part of the Notice dated May 28, 2014:

Item No. 4 & 5

Mr. Mathew L Chakola (DIN-00633502) and Mr. Paul Chalissery (DIN-00836980), Directors, appointed vide shareholders' resolution dated July 15, 2011 and June 28, 2012 respectively in terms of the provisions of the Companies Act, 1956, were liable to retire by rotation, and their term would come for reappointment for the approval of Shareholders of the Bank in the Current Annual General Meeting in the year 2014. However, pursuant to the provision of the Banking Regulation Act, 1949, no Director of a banking company, other than its Chairman or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years. Accordingly their term will expire on 30.09.2014.

Further, in terms of Section 149 read with Schedule IV of the Companies Act, 2013, the Board of Directors has reviewed the declarations made by them that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013, and the Board is of opinion that they fulfill the conditions specified in the Act and the rules made thereunder and are independent of the management. In view of the above provisions and considering the fact that the tenure of directorship of Mr. Mathew L Chakola and Mr. Paul Chalissery would expire on September 30, 2014, both Mr. Mathew L Chakola and Mr. Paul Chalissery shall be treated as Independent Directors under the provisions of the Companies Act, 2013 and would continue to hold office upto the September 30, 2014 as Independent Directors under the provisions of the Companies Act, 2013.

Further, Mr. Mathew L Chakola's and Mr. Paul Chalissery's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949, and in the opinion of the Board also, they fulfill the conditions specified under the Companies Act, 2013 for such an appointment.

The detailed profile of Mr. Mathew L Chakola and Mr. Paul Chalissery, Directorship and Committee position held by them in other Companies is included in Corporate Governance Report forming part of the Annual Report and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

Save and except Mr. Mathew L Chakola and Mr. Paul Chalissery, none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No.6

Mr. Mohan E. Alapatt, who was inducted to the Board w.e.f. March 1, 2010 and appointed as Director liable to retire by rotation, under Companies Act, 1956 by the Shareholders of the Bank at the Annual General Meeting held on July 14, 2010.

Further, in terms of Sections 149, 152 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Mr. Mohan E. Alapatt that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013, and the Board is of opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder and is independent of the management. In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. Further, in terms of Section 10A(2A) of the Banking Regulation Act, 1949, no director of a banking company, other than its Chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years. Accordingly his term will expire on February 28, 2018.

In view of the above provisions and the fact that Mr. Mohan E. Alapatt has held office for the period of four years and one month as on April 1, 2014. Accordingly, your Directors recommend the Resolution for the approval of the shareholders appointing Mr. Mohan E. Alapatt as an Independent Director of the Bank, not liable to retire by rotation, for a period upto 28th February, 2018.

Further, Mr. Mohan E. Alapatt's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949, and in the opinion of the Board also, he fulfills the conditions specified under the Companies Act, 2013 for such an appointment.

The detailed profile of Mr. Mohan E. Alapatt, Directorship and Committee position held by him in other Companies is included in Corporate Governance Report forming part of the Annual Report and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

Save and except Mr. Mohan E. Alapatt, none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No.7

Mr. K. Thomas Jacob, who was inducted to the Board w.e.f. August 31, 2010 and appointed as Director liable to retire by rotation, under Companies Act, 1956 by the Shareholders of the Bank at the Annual General Meeting held on July 15, 2011.

Further, in terms of Sections 149, 152 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Mr. K. Thomas Jacob, that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013, and the Board is of opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder and is independent of the management. In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution

NOTICE

by the company for a further period of upto five years. Further, in terms of Section 10A(2A) of the Banking Regulation Act, 1949, no director of a banking company, other than its Chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years. Accordingly his term will expire on August 30, 2018.

In view of the above provisions and the fact that Mr. K. Thomas Jacob, has held office for the period of three years and seven months as on April 1, 2014. Accordingly, the proposal for his appointment as Independent Director, not liable to retire by rotation, for the period upto August 30, 2018 has been put up for the approval of shareholders.

Further, Mr. K. Thomas Jacob's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949, and in the opinion of the Board also, he fulfills the conditions specified under the Companies Act, 2013 for such an appointment.

The detailed profile of Mr. K. Thomas Jacob, Directorship and Committee position held by him in other Companies is included in Corporate Governance Report forming part of the Annual Report and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

Save and except Mr. K. Thomas Jacob, none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No.8

Dr. John Joseph Alapatt, who was inducted to the Board w.e.f. September 24, 2012 and appointed as Director liable to retire by rotation, under Companies Act, 1956 by the Shareholders of the Bank at the Annual General Meeting held on June 28, 2013.

Further, in terms of Sections 149, 152 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Dr. John Joseph Alapatt, that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013, and the Board is of opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder and is independent of the management. In terms of section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. Further, in terms of Section 10A(2A) of the Banking Regulation Act, 1949, no director of a banking company, other than its Chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years.

In view of the above provisions, the proposal for his appointment as Independent Director, not liable to retire by rotation, for a period of 5 years i.e., with effect from 1st April, 2014 to March 31, 2019, has been put up for the approval of shareholders.

Further, Dr. John Joseph Alapatt's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949, and in the opinion of the Board also, he fulfills the conditions specified under the Companies Act, 2013 for such an appointment.

The detailed profile of Dr. John Joseph Alapatt, Directorship and Committee position held by him in other Companies is included in Corporate Governance Report forming part of the Annual Report and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

Save and except Dr. John Joseph Alapatt, none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No. 9

Mr. Francis Alapatt, who was appointed as an additional Director of the Bank w.e.f. November 1, 2013 pursuant to the provisions of Section 161 of the Companies Act, 2013, holds office up to the date of this Annual General Meeting of the Bank and is eligible for appointment.

In terms of Section 160 of the Companies Act, 2013, the Bank has received a notice in writing along with a deposit of ₹1,00,000/- from a Member signifying her intention to propose the candidature of Mr. Francis Alapatt for the office of Director. Further, in terms of Section 149 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Mr. Francis Alapatt that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013, and the Board is of opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder and is independent of the management.

In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. Further, in terms of Section 10A(2A) of the Banking Regulation Act, 1949, no director of a banking company, other than its Chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years. In view of the above provisions, the proposal for the appointment of Mr. Francis Alapatt as Independent Director, not liable to retire by rotation, for a period of five years i.e., with effect from 1st April, 2014 to March 31, 2019 has been put up for the approval of shareholders.

Further, Mr. Francis Alapatt's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949, and in the opinion of the Board also, he fulfills the conditions specified under the Companies Act, 2013 for such an appointment.

The detailed profile of Mr. Francis Alapatt, Directorship and Committee position held by him in other Companies is included in Corporate Governance Report forming part of the Annual Report and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

Accordingly, your Directors recommend the Resolution for the approval of the shareholders appointing Mr. Francis Alapatt as an Independent Director of the Bank, not liable to retire by rotation, for a period of five years.

Save and except Mr. Francis Alapatt, none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No.10

Mr. Salim Gangadharan, who was appointed as a Director of the Bank w.e.f. January 16, 2014 on the casual vacancy caused by the resignation of Mr. H. Suresh Prabhu, whose retirement by rotation was due at this Annual General meeting, holds office up to the date of this Annual General Meeting of the Bank and is eligible for appointment.

NOTICE

In terms of Section 160 of the Companies Act, 2013, the Bank has received a notice in writing along with a deposit of ₹1,00,000/- from a Member signifying his intention to propose the candidature of Mr. Salim Gangadharan for the office of Director. Further, in terms of Section 149 read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Mr. Salim Gangadharan that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013, and the Board is of the opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made there under and is independent of the management.

In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. Further, in terms of Section 10A(2A) of the Banking Regulation Act, 1949, no director of a banking company, other than its Chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years. In view of the above provisions, the proposal for the appointment of Mr. Salim Gangadharan as Independent Director, not liable to retire by rotation, for a period of five years i.e., with effect from 1st April, 2014 to March 31, 2019 has been put up for the approval of shareholders.

Further, Mr. Salim Gangadharan's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949, and in the opinion of the Board also, he fulfills the conditions specified under the Companies Act, 2013 for such an appointment.

The detailed profile of Mr. Salim Gangadharan, Directorship and Committee position held by him in other Companies is included in Corporate Governance Report forming part of the Annual Report and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

Accordingly, your Directors recommend the Resolution for the approval of the shareholders appointing Mr. Salim Gangadharan as an Independent Director of the Bank, not liable to retire by rotation, for a period of five years.

Save and except Mr. Salim Gangadharan, none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No.11

Mr. Cheryan Varkey, who was appointed as an additional Director of the Bank w.e.f. May 28, 2014 pursuant to the provisions of Section 161 of the Companies Act, 2013, holds office up to the date of this Annual General Meeting of the Bank and is eligible for appointment.

In terms of Section 160 of the Companies Act, 2013, the Bank has received a notice in writing along with a deposit of ₹1,00,000/- from a Member signifying his intention to propose the candidature of Mr. Cheryan Varkey for the office of Director.

Further, Mr. Cheryan Varkey's appointment is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949, and in the opinion of the Board also, he fulfills the conditions specified under the Companies Act, 2013 for such an appointment.

The detailed profile of Mr. Cheryan Varkey, Directorship and Committee position held by him in other Companies is included in Corporate Governance Report forming part of the Annual Report and the same be deemed to have been included herein and forms an integral part of this explanatory statement.

Accordingly, your Directors recommend the Resolution for the approval of the shareholders appointing Mr. Cheryan Varkey as a Director of the Bank, liable to retire by rotation.

Save and except Mr. Cheryan Varkey, none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No.12

As per Section 143 of the Companies Act, 2013, Branch offices of the Bank have to be audited by Statutory Auditors or by other qualified auditors. It is proposed to appoint Branch Auditors in consultation with the Statutory Auditors to audit the branch offices of the Bank, on such remuneration and on such terms and conditions, as may be fixed by the Board of Directors. Such of those branches, which are not proposed to be audited by the auditors of the Bank alone, would fall under this category. Section 143 of the Act requires a resolution of the shareholders of the Bank to empower the Board of Directors to appoint branch auditors and to fix their remuneration. None of the Directors is interested or concerned in this Resolution.

Item No.13

The tenure of Dr. V. A. Joseph as Managing Director and Chief Executive Officer of the Bank will expire on 30th September, 2014.

Since the tenure of Dr. V. A. Joseph would conclude on September 30, 2014, with a view to maintain the tempo of growth and having regard to the need to have continuity in management, the Board by resolution No. SEC/S-54 /14-15 dated May 28, 2014, subject to the approval of RBI and shareholders, has unanimously decided to appoint Mr. V. G. Mathew as Managing Director & Chief Executive Officer of the Bank for a period of 3 years w.e.f. October, 1, 2014 to September 30, 2017 on the following terms and conditions.

Sl. No.	Particulars	Details
1	Salary	Consolidated basic salary of ₹5,00,000/- (Rupees five lakhs only) per month with an annual increment of 20% of the basic salary per month. The increment in the scale shall automatically fall due on an annual basis and shall be granted on the 1st day of the month in which it falls due.
2	Dearness Allowance	NIL
3	House Rent Allowance	Free furnished house provided by the Bank. He shall be permitted to incur an expenditure up to ₹10 lakh towards furniture and fixtures, including air-conditioners for his official quarters. On demitting office, the Bank is allowed to offer to him and he may purchase at his option the said furniture, fixtures, fittings, appliances, motor car etc., at the then book value with a minimum value of 10% of the original price.

NOTICE

4	Conveyance Allowance	NIL
5	Entertainment Allowance	Reimbursement of actual entertainment expenses incurred by him up to ₹1,00,000/- per year on production of bills, reimbursement permitted without bills on declaration up to ₹50,000/- per year.
6	Club membership	Membership of a club of his choice, the entire cost of which will be borne by the Bank during his tenure.
7	Variable Pay	As may be decided by the Board from time to time, subject to a maximum of 25% of the annual salary permitted during the financial year. The same to be paid in one lump sum on the signing of the annual balance sheet of the Bank in the month of April/May, every year as decided by the Board.
8	Employee Stock Option Scheme	As may be decided by the Board/Compensation & Remuneration Committee subject to a maximum stock option of 1,00,000 (one lakh) shares.

Perquisites

1	Free furnished house	Yes
2	Free use of Bank's car	
	(i) for official purposes	Yes
	(ii) for private purpose on compensating the bank with suitable amt.	Recovery of ₹250/- p.m. up to 750 kms. Charges for private use of the car in excess of 750 kms. p.m. will be 60% of the rate fixed by RTA.
3	Provident Fund/ Gratuity/ Pension	
	Provident Fund	10% of the total emoluments every month will be contributed by the bank to provident fund with equal contribution by MD & CEO.
	Gratuity	As per the rates of gratuity applicable to other Executives of the bank
	Pension	Not eligible.
4	Travelling and Halting Allowances	
	Official Travel	Highest class by whichever mode within the country and Business class by air for foreign travel.
	Lodging Expenses	Actual charges incurred supported by bills / vouchers.
	Boarding charges	Actual charges incurred (other than alcoholic drinks) supported on production of bills/vouchers.
	Per Diem charges/HA	a) ₹1,500/- per day for halting in Mumbai, Delhi, Kolkata and Chennai and ₹1,200/- per day for halting in all other places in India in case boarding expenses are not claimed. b) ₹3,000/- per day for halting in Mumbai, Delhi, Kolkata and Chennai and ₹2,500/- per day for halting in all other places in India in case boarding and lodging expenses are not claimed.
5	Medical benefits	Full reimbursement of the medical expenses for domiciliary treatment and for hospitalization for self and dependent family members. Upon laying down his office, after serving the Bank at least for three years as CEO of the Bank, the Bank will pay or reimburse full premiums payable / paid on the policy or policies issued under medical insurance plan covering medical and hospitalization expenses incurred on MD & CEO and his wife for ₹20 lakh each per annum for life. However, if no insurance is taken, the entire medical expenses for self and wife would be reimbursed by the Bank.
6.	Insurance	Travel, accident and death benefits / insurance of ₹35 lakh both on and off duty.
7.	Telephone	Free use of bank's phone at residence for official purpose.
8.	Housing Loan	Eligible for Housing Loan to the maximum extent of 3 year's basic salary.

Leave

1	Casual Leave	12 working days in a year provided that not more than 4 days casual leave may be availed at any one time. No accumulation or conversion of casual leave is permitted.
2	Privilege Leave	On full emoluments computed at 1 day for 11 days of service on duty. PL may be accumulated up to and not exceeding 240 days except wherever leave has been applied and it has been refused. The existing Privilege Leave at his credit remaining unavailed at the end of his present term of office be carried over and accumulated during his tenure, thereafter upto the maximum permitted limit of 240 days on the existing terms and conditions.
3	Sick Leave	30 days Sick Leave for each completed year of service. Such leave could be accumulated up to 360 days. Sick Leave will be on half the emoluments unless twice the amount of such leave is debited to Sick Leave. The existing Sick Leave at his credit remaining unavailed at the end of his present term of office be carried over and accumulated during his tenure, thereafter upto the maximum permitted limit of 360 days on the existing terms and conditions.
4	Leave fare concession	Highest Class by whichever mode of travel within the country once in a year for him and his wife. If he travels abroad, reimbursement is limited to the first class air fare between Kochi and New Delhi and back.
5	Encashment of Leave	As applicable to other Executives of the Bank. Balance of PL unavailed is permitted to be encashed at the time of final demission of office.

NOTICE

Accordingly, your Directors recommend the Resolution for the approval of the shareholders appointing Mr. V. G. Mathew as Managing Director and Chief Executive Officer of the Bank, not liable to retire by rotation, for a period of three years w.e.f. October 1, 2014 subject to the approval of Reserve Bank of India.

Save and except Mr. V. G. Mathew none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

Item No.14

A major part of the Companies Act, 2013 has come into force with effect from 1st April, 2014 with notification of about 282 Sections and related Schedules. Accordingly, the corresponding Sections of the Companies Act, 1956 have been superseded. Hence, in order to align certain important provisions of the Articles of Association of the Bank with that of the Companies Act, 2013, it was thought fit to amend certain provisions of the Articles of Association of the Bank. One of the important amendments is relating to non-applicability of the requirement to retire by rotation in respect of Independent Directors. It should be noted that except the Managing Director and Chief Executive Officer, all other Directors including the Non-Executive Chairman (part-time) of the Bank are Independent Directors and they are appointed so. Further, the Chairman being non-executive and was appointed on part-time basis, he is excluded from the requirement of being treated as Principal Officer of the Bank.

As per the provisions of Banking Law (Amendment) Act, 2012, which have been made effective from January 18, 2013, in subsection (2) of Section 12 of the Banking Regulation Act, 1949, the following proviso has been inserted:

“Provided that the Reserve Bank may increase, in a phased manner, such ceiling on voting rights from ten per cent to twenty-six per cent.” In view of the above provision, Article 81 has been proposed to be modified making enabling provisions for allowing voting rights exceeding ten per cent.

Similarly Articles, 74, 98, 103 are amended in tune with the provisions of the Companies Act, 2013.

The Board of Directors has approved the proposed amendments to the Articles of Association of the Bank as above and recommends for approval of the Members by way of a Special Resolution at Item No.14 of the accompanying notice.

A copy of the existing Articles of Association of the Bank and the proposed amendments thereto, will be available for inspection of the Members at the Registered Office of the Bank, between 10.00 a.m. to 1.00 p.m. on all working days (Monday – Saturday).

None of the Directors, Key Managerial Persons and their relatives is interested in passing of the Resolution at Item No.14.

ITEM No. 15

The Bank approached Reserve Bank of India on May 28, 2014 for its prior approval under Section 49 C of the Banking Regulation Act, 1949 for increasing the Authorised Capital of the Bank from ₹160 crore to ₹250 crore to meet the requirement of additional capital to prepare for Basel-II & Basle III compliance.

Keeping in view the increase in business volumes in future and the requirement of additional capital to prepare for Basel-II & Basle III compliance, it is now proposed to increase the Authorised Capital of the Bank from the present level of ₹160 crore to ₹250 crore for the time being subject to the approval of the Reserve Bank of India. The proposal also involves alteration of the capital clause of the Memorandum of Association.

The Directors recommend the Resolutions at Item No. 15 of the accompanying Notice for the approval of the Members of the Company by way of Special Resolution.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is concerned or interested in the passing of the Resolutions at Item No. 15.

Item No.16

The Present Authorised capital of the Bank is ₹160 crores and the Issued and Paid-up Capital is ₹134.61 crores divided in to 134,60,53,911 Equity Shares of ₹1/- each. The Bank has implemented SIB Employees Stock Option Scheme (SIB ESOS 2008) for issue of 5% paid-up capital of the Bank at any point of time. When fully granted shares as on March 31, 2014 are exercised, the issued, subscribed and paid-up capital will be ₹137,73,72,601 divided into 137,73,72,601 Equity shares of ₹1/- each.

The Bank's Capital to Risk weighted Assets Ratio (CRAR) under Basel II as on 31.03.2013 stood at 13.91% & 12.53% as on 31.03.2014 and under Basel III which was 12.42% as on March 31, 2014 against the regulatory requirement/prescribed minimum of 9%. Owing to the growth in asset base during the year 2013-14, the CRAR has come down. Without infusing additional capital by March, 2015 the CRAR is to be expected to come down below 12%.

Our business projection for the current year is ₹1,00,000 crore and we propose to maintain a capital adequacy ratio of above 12%.

As you may be aware, a banking Company requires adequate capital not only to meet the needs of growing business, but also to meet the regulatory requirements that apply. As business grows, capital requires to be augmented. The objective of every commercial enterprise is to grow. Added to the economic and regulatory factors, innovative technological banking methods have to be introduced and such methods have to be not only updated, but also have to be upgraded from time to time.

The Bank is continuing to grow organically and has shown steady growth during the last few years. The Bank foresees rise in demand for

NOTICE

credit in various sectors and in Retail Banking market and success in availing a strong share in this business opportunity rests on the ability of the Bank to raise funds by way of Equity during the financial year. As a proactive move to leverage the available business opportunities and for maintaining appropriate regulatory capitalization levels, the Bank proposes to increase the issued and paid up capital up to the extent of ₹70 crore by issue of further Equity Shares of face value of ₹1/- each with such premium and other terms & conditions as the Board may deem fit.

The exact nature, proportion, size and timing of the issue of Securities will also be decided by the Board based on an analysis of the specific requirements after consulting all concerned.

Globalization has created a favourable investment climate and investors in the international markets look forward for good and viable investment opportunities. Thus it is considered prudent to raise additional funds through an issue of securities by way of a rights issue or rights cum public issue or a public issue or Preferential Issue or Qualified Institutional Placement (QIP) in Indian and/or International Markets, of further equity shares and/or securities convertible into equity shares, including Global Depository Shares (GDSs) / Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) / Foreign Currency Convertible Bonds (FCCBs) and / or Debentures or Bonds convertible into equity shares whether fully or partly and whether compulsorily or at the option of the Bank or the holders thereof and/or any security linked to equity shares with or without detachable or non-detachable warrants.

The Resolution is proposed to be passed as a special Resolution pursuant to Section 62(1) and other applicable provisions of the Companies Act, 2013 Section 62 (1) of the Companies Act 2013 and Sub-Clause (a) of Clause 23 of the Listing Agreement provide that whenever any further issue or offer is being made by the Bank, the existing shareholders should be offered the same on pro-rata basis unless the shareholders in the general meeting decide otherwise. Since, the special Resolution proposed in the business of the Notice may result in the issue of Equity Shares of the Bank to persons other than shareholders of the Bank, consent of the shareholders is being sought pursuant to the provisions of Section 62(1) and other applicable provisions of the Companies Act 2013 as well as applicable rules notified by the Ministry of Corporate Affairs and in terms of the provisions of the Listing Agreements executed by the Bank with the stock exchanges where the Equity Shares of the Bank are listed.

The Special Resolution also seeks to confer upon the Board absolute discretion to determine the issue of Securities in one or more tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies and/or individuals or otherwise as the Board in its absolute discretion deem fit. The Board will fix the detailed terms of the final size of the offering, mode, exact timing, pricing of the issue and other related aspects after careful analysis and in consultation with the merchant/investment bankers, book runners and/or lead manager(s) and/or underwriter(s) and/or advisor(s) and/or such other person(s), keeping in view of the prevailing market conditions and in line with the extant guidelines issued by SEBI, RBI or any other statutory and/or other regulatory authorities.

The pricing of the Securities that may be issued to qualified institutional buyers pursuant to a qualified institutions placement shall be freely determined subject to such price not being less than the price calculated in accordance with Chapter VIII of the ICDR Regulations and other applicable provisions. The Bank may, in accordance with applicable law, offer a discount of not more than 5% or such percentage as permitted under applicable law on the price determined pursuant to the ICDR Regulations. The "Relevant Date" for this purpose will be the date when the Board or the Committee of the Board decides to open the qualified institutional placement for subscription.

The proposed offer is in the interests of the Company and the Directors recommend the passing of the resolution under this item as a special resolution.

The Directors and Key Managerial Personnel of the Bank and relatives thereof may be deemed to be concerned or interested in the passing of resolution to the extent of securities issued/allotted to them or to the companies in which they are director or member. Save as aforesaid, none of the Directors and Key Managerial Personnel of the Company or their respective relatives is concerned or interested in the passing of the Resolutions at Item No. 16.

Item No.17

At 85th Annual General Meeting held on 28th June, 2013, the Members had, by way of Ordinary Resolutions and in pursuance of the provisions of Section 293(1) (d) of the Companies Act, 1956, authorized the Board of Directors to borrow monies as and when required in excess of the paid-up capital and free reserves of the Bank such that the aggregate borrowing of the Bank shall not at any time exceed ₹5,000 crore (Rupees Five Thousand crore Only).

Under Section 180 of the Act, the above powers of the Board are required to be exercised only with the consent of the company by a Special Resolution.

The Ministry of Corporate Affairs ("MCA") has vide its General Circular No. 4/2014 dated March 25, 2014 clarified that the Ordinary Resolutions passed under Sections 293(1) (d) of the Companies Act, 1956 would be sufficient compliance of Section 180 of the Act until September 11, 2014.

The Directors recommend the Resolutions at Item No. 17 of the accompanying Notice for the approval of the Members of the Company by way of Special Resolution.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is concerned or interested in the passing of the Resolutions at Item No. 17.

By Order of the Board of Directors

Place : Thrissur
Date : May 28, 2014

(JIMMY MATHEW)
COMPANY SECRETARY

ATTENDANCE SLIP
THE SOUTH INDIAN BANK LIMITED
 86th Annual General Meeting
 Wednesday, July 16, 2014 at 10.00 a.m.

Name and Address of the Member :

I/We hereby record my/our presence at the Eighty Sixth Annual General Meeting held at Casino Cultural Auditorium, Thrissur.

.....
 Member's Folio/DP ID Client ID No.

.....
 Member's/Proxy's name In Block Letters

.....
 Member's/Proxy's Signature

Note: 1. Please complete the Folio/DP ID-Client ID No. and Name, Sign this Attendance Slip and hand it over at the Attendance verification counter at the Entrance of the Meeting Hall.

2. **Members are requested to bring this slip along with them as duplicate slips will not be issued at the venue of the meeting.**

PROXY FORM
THE SOUTH INDIAN BANK LIMITED

Regd. Office: S I B House, Mission Quarters, T B Road, Thrissur 680 001, Kerala, India,

website: www.southindianbank.com Tel: +91 487 2420020 e-mail: head@sib.co.in CIN: L65191KL1929PLC001017

86th Annual General Meeting
 Wednesday, July 16, 2014 at 10.00 a.m.

I/Webeing the member(s), holding..... shares of the above named Company under Folio/DP ID Client ID No.hereby appoint:

- (1) Name:
 Address:
 E-mail Id:Signature:, or failing him/her;
- (2) Name:
 Address:
 E-mail Id:Signature:

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 86th Annual General Meeting of the Company, to be held on Wednesday July 16, 2014 at 10.00 a.m. at Casino Cultural Auditorium, Thrissur and at any adjournment thereof in respect of such resolutions as are indicated below:

No.	Resolutions Ordinary Business	Optional*	
		For	Against
1	To adopt Financial Results for the year ended 31 st March, 2014		
2	To declare a dividend		
3	To appoint M/s S. R. Batliboi & Associates LLP as statutory Auditors and fixing their remuneration.		
Special Business			
4	To appoint Sri Mathew L. Chakola as an Independent Director (in minority sector)		
5	To appoint Sri Paul Chalissery as an Independent Director (in majority sector)		
6	To appoint Sri Mohan E. Alapatt as an Independent Director (in minority sector)		
7	To appoint Sri K. Thomas Jacob as an Independent Director (in majority sector)		
8	To appoint Dr. John Joseph Alapatt as an Independent Director (in majority sector)		
9	To appoint Sri Francis Alapatt as an Independent Director (in minority sector)		
10	To appoint Sri Salim Gangadharan as an Independent Director (in majority sector)		
11	To appoint Sri Cheryan Varkey as Director (in majority sector)		
12	To appoint Branch Auditors in consultation with Statutory Auditors		
13	To appoint Sri V. G. Mathew as Managing Director & CEO and approve the payment of remuneration and other terms and conditions of appointment for a period of 3 years w.e.f. 01.10.2014 to 30.09.2017		
14	To amend the Articles of Association of the Bank in compliance with The Companies Act, 2013 and amendments in the Banking Regulation Act, 1949		
15	To increase the Authorized Capital of the Bank and amend the Capital Clause (Clause 5) of Memorandum of Association of the Bank accordingly		
16	To Augment the Paid-up Capital of the Bank by further issue of shares		
17	To pass a special resolution for exercising the borrowing power of the Bank pursuant to Section 180(1)(c) of the Companies Act, 2013		

Signed this..... day of..... 2014.

Signature of Proxy holder(s)

Affix
Revenue
Stamp not
less than
15 paise

Signature of the Shareholder

- Note:** (1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank, not less than 48 hours before the commencement of the Meeting.
 (2) For Resolutions, Explanatory Statements and Notes, please refer to the Notice of 86th Annual General Meeting.
 (3) It is optional to put 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.
 (4) Please complete all details including details of member(s) in above box before submission.

ECS MANDATE FORM

To

M/s BTS Consultancy Services Pvt. Ltd.
Unit: South Indian Bank Ltd.
MS Complex, 1st Floor, No. 8, Sastri Nagar
Near 200 Feet Road/RTO Kolathur
Kolathur, CHENNAI – 600 099
Tel: 044-2556 5121
Fax: 044-2556 5131
email: helpdesk@btsindia.co.in

FOR SHARES HELD IN PHYSICAL MODE

Please complete this form and send it to
M/s BTS Consultancy Services Pvt. Ltd., Chennai

SHAREHOLDERS HOLDING SHARES IN DEMAT MODE

Should inform their DPs directly

I hereby consent to have the amount of dividend on my equity shares credited through the Electronic Clearing Service (Credit Clearing) – (ECS). The particulars are :

- 1) Folio No. : _____
- 2) Name of the 1st Registered Holder : _____
- 3) Bank Details :
 - Name of the Bank : _____
 - Full Address of the Branch : _____
 - Complete Account Number : _____
 - Account Type : (Please tick the relevant box for Savings Bank A/c, Current A/c or Cash Credit A/c)

☐ 10-Savings	☐ 11-Current	☐ 12-Cash Credit
-------------------------------------	-------------------------------------	---
 - 9 Digit Code Number of the Bank and Branch appearing on the MICR Cheque issued by the Bank
(Please attach a photocopy of a cheque for verifying the accuracy of the code number).

--	--	--	--	--	--	--	--	--

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I will not hold the company responsible.

Signature of the 1st Registered holder as per
the specimen signature with the Company

Name : _____

Date: __/__/2014

Address: _____

Note:

1. This form should be submitted to our Share Transfer Agents at the address given above to reach them on or before July 9, 2014 for receipt of dividend declared, if any, for the financial year 2013-14.
2. This form is meant for shareholders holding shares in physical mode.
3. Shareholders holding shares in Demat mode should register their ECS particulars with their Depository Participants (DPs).

To

Unit: South Indian Bank Ltd.

Near 200 Feet Road / RTO Kolathur

Kolathur, CHENNAI – 600 099

Tel : 044- 25565121

Fax : 044- 2556 5131

Email : helpdesk@btsindia.co.in

Please complete this form and send it to

M/s. BTS Consultancy Services Pvt. Ltd., Chennai

Should inform their DPs directly

Sub: Registering of e-mail address for service of documents through e-mail

I hereby request the Bank to register my e-mail address given below and give consent for service of documents including the notice of shareholders' meeting and Postal Ballot, Balance Sheet, Profit & Loss Account, Auditors' Report, Directors' Report etc. through e-mail;

1. Folio No. :
2. Name of the 1st Registered Holder :
3. E-mail address :

[illegible]

Signature of the 1st registered holder as per
the specimen signature with the company

Name :

Place :

Date : / /



Regd. Office: SIB House, T.B. Road, Mission Quarters, Thrissur – 680 001, Tel: 0487 2420020
CIN: L65191KL1929PLC001017, website: www.southindianbank.com, email id: ho2006@sib.co.in

POSTAL BALLOT FORM

(To be returned to Scrutinizer appointed by The South Indian Bank Ltd. (The "Bank"))

Sl. No.	Particulars	Details
1.	Name(s) of Member(s) (Including Joint-holders, If any)	
2.	Registered address	
3.	Registered Folio No. / *Client ID No./DP ID No. (*Applicable to investors holding shares in dematerialized form)	
4.	No. of share(s) held	

I/We hereby exercise my/our vote in respect of Ordinary Resolution(s)/Special Resolution(s) as specified in the Notice of the Bank dated May 28, 2014 to be passed through Ballot for the business stated in the said Notice by conveying my/our assent or dissent to the said resolution in the relevant box below by placing the tick (✓) mark at the appropriate box below (tick in both the boxes will render the ballot invalid).

Sl. No.	Description	Type of Resolution	I assent to the resolution (For)	I dissent to the resolution (Against)
1.	To adopt Financial Results for the year ended 31 st March, 2014.	Ordinary		
2.	To declare a dividend	Ordinary		
3.	To appoint M/s S.R. Batliboi & Associates LLP as statutory Auditors and fixing their remuneration.	Ordinary		
4.	To appoint Sri Mathew L. Chakola as an Independent Director (in minority sector)	Ordinary		
5.	To appoint Sri Paul Chalissery as an Independent Director (in majority sector)	Ordinary		
6.	To appoint Sri Mohan E. Alapatt as an Independent Director (in minority sector)	Ordinary		
7.	To appoint Sri K. Thomas Jacob as an Independent Director (in majority sector)	Ordinary		
8.	To appoint Dr. John Joseph Alapatt as an Independent Director (in majority sector)	Ordinary		
9.	To appoint Sri Francis Alapatt as an Independent Director (in minority sector)	Ordinary		
10.	To appoint Sri Salim Gangadharan as an Independent Director (in majority sector)	Ordinary		
11.	To appoint Sri Cheryan Varkey as Director (in majority sector)	Ordinary		
12.	To appoint Branch Auditors in consultation with Statutory Auditor	Ordinary		
13.	To appoint Sri V. G. Mathew as Managing Director & CEO and approve the payment of remuneration and other terms and conditions of appointment for a period of 3 years w.e.f. 01.10.2014 to 30.09.2017	Ordinary		
14.	To Amend the Articles of Association of the Bank in compliance with the new Companies Act, 2013 and amendments in the Banking Regulation Act 1949.	Special		
15.	To increase the Authorized Capital and amend the Capital Clause (Clause 5) of the Memorandum of Association of the Bank accordingly.	Special		
16.	To Augment the Paid-up Capital of the Bank by further issue of shares.	Special		
17.	To pass a special resolution for exercising the borrowing powers of the Bank pursuant to Section 180(1)(c) of the Companies Act, 2013.	Special		

Place : _____
Date : _____ (Signature of the Shareholder)

#E-mail:..... #Tel No:.....

INAUGURATION OF 1001ST ATM AND LAUNCH OF KIOSK BANKING



The Hon'ble Governor of Kerala Smt. Sheila Dikshit inaugurates the Bank's 1001st ATM and Kiosk Banking at a function held at Thiruvananthapuram, in the presence of Sri. K.P. Mohanan, Minister for Agriculture & Animal Husbandry, Govt. of Kerala, Dr. V.A. Joseph, MD & CEO, Sri. V.G. Mathew, Executive Vice President and Sri. Abraham Thariyan, Executive Director.

DECLARATION OF PULLU AS A MODEL VILLAGE



Declaration of Pullu Village, in Chazhoor Panchayat of Thrissur District as a model village, catered by The South Indian Bank Ltd under its financial inclusion programme on 11th January, 2014 by Sri. R. Gandhi, Executive Director, Reserve Bank of India, in the presence of Sri. P.C. Chacko, former Member of Parliament, Smt. M.S. Jaya, IAS, District Collector - Thrissur and Dr. V.A. Joseph, MD & CEO of the Bank.

LAUNCH OF 'CANCER CARE FOR LIFE' SCHEME

Launch of 'Cancer Care for Life' scheme in association with the Regional Cancer Centre (RCC) by Sri. K. M. Mani, Minister of Finance, Govt. of Kerala in the presence of Sri.V. S. Sivakumar, Minister of Health, Govt. of Kerala, Dr. V.A. Joseph MD & CEO of the Bank, Sri. Innocent, Cine artist and the Member of Parliament, Sri. Salim Gangadharan the then RBI Regional Director of Trivandrum, Dr. Paul Sebastian, RCC Director, Sri K. Thomas Jacob, Director of the Bank and Sri. Abraham Thariyan, Executive Director of the Bank



INAUGURATION OF REGIONAL OFFICE, PUNE



Sri. C.P. Gurnani, MD & CEO of Tech Mahindra inaugurates South Indian Bank's 20th Regional Office at Pune, in the presence of Sri. Amitabha Guha, Chairman, Dr.V.A.Joseph, MD&CEO, Dr.N.J.Kurian, Sri. K. Thomas Jacob, Dr. John Joseph Alapatt, Sri. Francis Alapatt, Directors of the Bank and Sri. G.K. Pillai, MD & CEO of Walchand Nagar Industries Ltd.

SIB BAGS THE IBA BANKING TECHNOLOGY AWARDS 2012-13

Sri. Abraham Thariyan, Executive Director, Sri. Benoy Varghese, General Manager and Regional Head Mumbai, Sri. Murali N.A, General Manager, Treasury, receiving prestigious IBA Banking Technology Award 2012-13 from Padmabhushan Dr. Raghunath A Mashelkar, Chairman, National Innovation Foundation in the presence of Mr. K.R Kamath, Chairman of Punjab National Bank and IBA.



SOUTH INDIAN BANK'S 85TH ANNIVERSARY CELEBRATIONS



Sri. Nikhil Kumar, the then Hon'ble Governor of Kerala during the 85th Anniversary Celebrations of The South Indian Bank Ltd. held at Thrissur. Sri. Amitabha Guha, Chairman of the Bank, Dr. V.A. Joseph, MD & CEO of the Bank, Sri.G. Padmanabhan, Executive Director of Reserve Bank of India and winners of SIB Excellence Awards - Padma Vibhushan Dr. E. Sreedharan, Former Managing Director of DMRC, Sri.P. Jayachandran, renowned play back singer, Dr. Mayadevi Kurup, representative of renowned poet Padma Vibhushan Sri.O.N.V. Kurup, Dr. V.P. Gangadharan, renowned oncologist, Sri. Innocent, Cine artist and the Member of Parliament and Sri. Kochouseph Chittilappilly, Chairman of V-Guard Industries- are also seen.

BEST BANKER AWARD



Dr. V.A. Joseph, MD & CEO of the Bank, receives the Best Banker Award (Mid Sized banks) from Sri. Kamal Nath, the then Hon'ble Union Minister for Parliamentary Affairs. In addition to this, the Bank received three more awards viz. Best Private Sector Banker Award, Best Banker- All round expansion Award and Best Banker - Efficiency and Profitability Award in the "Sunday Standard Best Bankers -2013 Awards" instituted by The New Indian Express Group.



The South Indian Bank Ltd.,
Regd. Office, SIB House
T.B. Road, Mission Quarters, Thrissur-680 001, Kerala, India.
Telephone Nos: +91-487-2420020, 2420058, 2420113
Email: ho2006@sib.co.in, Website: www.southindianbank.com
CIN : L65191KL1929PLC001017

South Indian Bank is a member of BCSBI and is committed to treat customers in a fair, transparent and non-discriminatory manner.