

DEPT : SECRETARIAL
REF No. SEC/ST EX.STT/39 /2017-18

July 15, 2017

BSE Ltd.
Corporate Relationship Department,
First Floor, New Trading Wing,
Rotunda Building, P J Towers,
Dalal Street, Fort,
Mumbai – 400 001.

Dear Sirs,

Sub: Submission of Annual Report of the Bank for the Financial Year 2016-17

Pursuant to Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we hereby submit the 89th Annual Report of the bank for the Financial year ended 2016-17 which is being approved and adopted at the 89th Annual General Meeting held on 11th day of July 2017.

Yours faithfully,



(JIMMY MATHEW)
COMPANY SECRETARY

Encl: as above

89th

ANNUAL REPORT

2016 - 2017



**SOUTH
INDIAN Bank**

Experience Next Generation Banking

GROWTH INDICATORS

Net Profit (₹ in Cr)

2011-12	401.66
2012-13	502.27
2013-14	507.50
2014-15	307.20
2015-16	333.27
2016-17	392.50

Capital Adequacy (%)

•Basel-III Norms

2011-12	14.00
2012-13	13.91
2013-14	12.53
2014-15	12.06
2015-16	11.82*
2016-17	12.37*

Book Value Per share (in ₹)

2011-12	19.12
2012-13	22.44
2013-14	25.06
2014-15	26.59
2015-16	28.45
2016-17	26.88

Total Gross Business (₹ in Cr)

2011-12	63974
2012-13	76276
2013-14	83894
2014-15	89638
2015-16	97192
2016-17	112963

Operating Profit (₹ in Cr)

2011-12	651.52
2012-13	848.59
2013-14	884.35
2014-15	816.26
2015-16	879.28
2016-17	1214.69

Other Income (₹ in Cr)

2011-12	247.07
2012-13	334.93
2013-14	368.46
2014-15	497.07
2015-16	517.42
2016-17	715.56

Capital and Reserves (₹ in Cr)

2011-12	2167
2012-13	3004
2013-14	3368
2014-15	3589
2015-16	3842
2016-17	4845

Return on equity (%)

2011-12	18.53
2012-13	16.72
2013-14	15.07
2014-15	8.56
2015-16	8.67
2016-17	8.10

Branch Productivity (₹ in Cr)

2011-12	78.62
2012-13	87.35
2013-14	92.61
2014-15	98.78
2015-16	107.84
2016-17	120.21

OUR BANK'S VISION AND MISSION

VISION

To be the most preferred bank in the areas of customer service, stakeholder value and corporate governance.

MISSION

To provide a secure, agile, dynamic and conducive banking environment to customers with commitment to values and unshaken confidence, deploying the best technology, standards, processes and procedures where customer convenience is of significant importance and to increase the stakeholders' value.

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The Board of Directors

1. Mr. Achal Kumar Gupta, Independent Director | 2. Mr. Parayil George John Tharakan, Independent Director
3. Dr. John Joseph Alapatt, Independent Director | 4. Mr. Mohan E. Alapatt, Independent Director
5. Mr. Salim Gangadharan, Chairman | 6. Mr. V. G. Mathew, Managing Director & CEO
7. Mr. K. Thomas Jacob, Independent Director | 8. Mr. Francis Alapatt, Independent Director
9. Mr. Cheryan Varkey, Non-Executive Director | 10. Mrs. Ranjana S. Salgaocar, Independent Director



Chairman's Communique

Sahim Gangadharan
Chairman

Dear Shareholders

It gives me great pleasure to share your Bank's performance during 2016-17. Despite all the economic changes, technology transformations and some degree of global challenges, we recorded a good year.

This thought best sums up and demonstrates our performance last year. Amidst all economic challenges, technology transformations and global uncertainties, we had a good year.

It gives me immense pleasure to address my first message to the shareholders, as the Chairman of the Bank. I am privileged to be honoured by the confidence the Board and the shareholders have reposed in me by appointing me as the Chairman of the Bank. Our performance last year proved that we tend to grow faster when we face challenges. We have been fairly successful in identifying business opportunities and in responding promptly to provide our customers a different banking experience. We continue to connect our customers seamlessly, while creating growth opportunities for ourselves along the way.

You will find the Bank's achievements and major initiatives in the enclosed Annual Report for the year 2016-17.

The global economy showed a moderate and uneven paced growth. This was constrained by global financial crisis, Brexit and other challenges faced during the year. But the prospects look better now. According to IMF, the global economic activity is showing a pick-up with buoyant financial markets and a long-awaited cyclical recovery in investment, manufacturing and trade. The world growth is expected to gain momentum from 3.1 percent in 2016 to 3.5 percent and 3.6 percent in 2017 and 2018, respectively. The emerging markets and developing economies are showing mixed signs of economic performance. On one hand, China's growth is standing

strong- reflecting continued policy support. But on the other, activities in India showed a modest deceleration. The growth in GDP has slowed down to 7.1 per cent in 2016-17 due to transitional issues. The slowdown was, particularly evident in the last quarter with GDP growth decelerating to 6.1 per cent. The combined impact of strong Government reforms, the Reserve Bank of India's (RBI) inflation focus, further supported by benign global commodity prices have boosted the growth prospects. The continuing remonetisation would boost discretionary consumer spending, and the reduction in banks' lending rates would support both consumption and investment of households and stress free corporates. The implementation of the Union Budget and structural reforms, such as GST, the Insolvency and Bankruptcy Code, abolition of the FIPB, and the latest amendment to the Banking Regulation Act, 1949, intended to strengthen the powers of the RBI in resolving stressed assets could be positively contributing to reverse the current slowdown. The sustainability of the significant retreat of inflation in April 2017 is key challenge in the months to come.

The arduous operating environment in the Indian banking industry caused subdued credit growth, increase in stressed assets, low profitability and deteriorating capital positions during 2016-17. The deposits of Scheduled Commercial Banks increased by 11.76% y-o-y to ₹ 1,08,051.52 billion. There was also a modest increase in credit by 5.08% to ₹ 78,818.87 billion during 2016-17. On a brighter side, the adverse impacts of demonetisation turned out to be short-lived. Looking ahead, the outlook for 2017-18 seems to be quite bright due to a various factors, such as,

- Accelerated growth in consumer spending, which was held back by demonetisation.
- A lot of proposals in the Union Budget 2017-18 are expected to stimulate growth - these proposals include, Capital expenditure step up, Boost in the rural economy and affordable housing, Planned roll-out of the GST; and increased attraction of Foreign Direct Investment (FDI) through initiatives like abolition of the Foreign Investment Promotion Board (FIPB), the Insolvency and Bankruptcy Code, Banking Regulation (Amendment) Ordinance, 2017, etc.
- A stronger expansion pace of global trade and output are expected in 2017 and 2018 as compared with recent years. This will ease out the external demand constraints on domestic growth prospects.

During the year, the Bank recorded a total gross business of ₹ 1,12,963.18 crore- comprising total deposit of ₹ 66,117.49 crore and gross advances of ₹ 46,845.69 crore as on March 31, 2017 and an increase in net profit of 17.77 per cent to ₹ 392.50 crore, as compared to ₹ 333.27 crore in the preceding year. The Bank widened its network gainfully across India with 850 branches; 50 extension counters; and 1,320 ATMs. The

850 branches	50 extension counters	1,320 ATMs	₹ 1,12,963.18 crore Total Gross Business as on March 31, 2017
₹ 66,117.49 crore Total Deposit as on March 31, 2017			₹ 46,845.69 crore Gross Advances as on March 31, 2017

Bank also opened 26 new offices (16 branches and 10 extension counters) and 51 ATMs and 14 CRMs across the country during the year 2016-17.

We are committed to deliver outstanding services and quality experience to our customers. We have been upgrading to cutting-edge technology platforms and continuously evolving our digital channels. These alternative digital channels increase efficiency, improve services, and enhance customer experience, while reducing operating costs in the long run. Our robust risk management systems help us ensuring long-term sustainability and steady growth. We constantly work towards achieving financial stability and enhancing stakeholders' value. This is accomplished with our proactive and improved risk management policies and practices.

The management team led by the Managing Director & CEO has charted out a clear and sustained growth plan. The path is based on well-defined risk appetite and risk management policies and practices and optimal capital allocation framework. We are also focusing on addressing stress in the loan book and in maintaining a strong and productive balance sheet. Our quality of leadership talent is nurtured and well-placed to execute the Bank's new strategies. I am confident that the coming years will help the Bank to maintain and enhance its strength and optimally capitalise on the diverse growth opportunities that our country presents.

Your Bank shall continue with its efforts of bringing in better products, processes and services. Our aim is to make the banking experience a joyful one for all of our customers. We thank you from the bottom of our heart for your continued goodwill, support and trust. We eagerly look forward to your valuable suggestions, as it helps us serve you better.

With the continued support and patronage of all, I am confident that your Bank will reach greater heights during the coming years. I humbly thank all our shareholders for their continued faith in our strength and capabilities, members of the Board, Government of India and Reserve Bank of India for their valuable support and guidance, customers for their continued support and trust and our employees for their tireless efforts and hard work towards achieving our ambitious goals.

Best Wishes,

Salim Gangadharan

MD and CEO's Message

Dear Shareholders

I take immense pleasure in sharing the Financial results for the year 2016-17 on behalf of The South Indian Bank Limited's Board of Directors and Management Team.



V. G. Mathew
Managing Director & CEO

We, at South Indian Bank, believe that opportunities, when captured right, are sure to take us up the growth curve

The last decade saw an impactful surge in digital usage and technology in the country. Together these two presented an array of opportunities with innumerable possibilities. We, at South Indian Bank, believe that opportunities, when captured right, are sure to take us up the growth curve. We took up the challenges and came out with appropriate solutions for connecting with our customers seamlessly. These efforts opened up numerous business opportunities, which have underpinned the growth strategy of the Bank.

The Financial Year 2016-17 witnessed major structural reforms, such as:

- Implementation of Insolvency and bankruptcy Code
- Formation of Monetary Policy Committee
- Redesigning of FRBM framework
- Introduction of GST
- Policy thrust towards a less-cash formal economy

The Financial Year 2016-17 presented a challenging operating environment for the Indian banking industry. Stress in major sectors continued without much abatement, capital position and profitability of several banks deteriorated and credit growth

remained tepid. The deposits growth of Scheduled Commercial Banks increased by 11.76 percent y-o-y to ₹ 1,08,051.52 billion while credit growth rose by only 5.08 percent to ₹ 78,818.87 billion during the year.

The Bank has always endeavoured to understand and implement a sound risk management framework for identification, measurement and management of all material risks. This frame work includes but does not limit itself to just credit, market, operational, liquidity and other Pillar-II risks. The Bank's integrated risk management policy ensures complete independence of the risk governance structure.

Technology has always been a focus area for the Bank. During the year, we have migrated to the current version (10.2) of the Finacle Core Banking solution and have comprehensively revamped the internet banking application. Our well recognized Mobile Banking Platform of SIB Mirror has been enhanced to SIB Mirror+ with comprehensive remittance facilities for domestic & non-resident customers. The Bank has also introduced UPI based payment services and Mobile POS facilities. The mobile based, "digital e-lock" module, is seen as a first of its kind feature across banks, which is well received by our customers. The overall digital transactions share has improved from 51% of last year to 58%. The good initiatives that we have done on the technology front complements well with a young staff base of average age 34, who are capable of leveraging the same for customer delight.

We have taken several steps for implementing the 'Green Initiative in Corporate Governance'. This has been done by allowing paperless compliances through electronic mode. We have also introduced e-passbook facility for our account holders. Other steps like generating various statements and ad hoc reports, among others, in electronic form, were also taken with an aim to save paper.

Let me share with you an overview of last year's financials:

- The Net profit of the Bank increased from ₹ 333.27 Crore in the FY 2015-16 to ₹ 392.50 crore in FY 2016-17 - registering an increase of ₹ 59.23 Crore (17.77%).
- The operating profit went up from ₹ 879.28 Crore in FY 2015-16 to ₹ 1,214.59 Crore in FY 2016-17 - registering a growth of 38.13%.
- The Earning per Share (annualized) and Book Value per share for the year ended March 31, 2017 stood at ₹ 2.61 and ₹ 26.88 respectively.
- The capital plus reserves of the Bank moved up from ₹ 3,841.93 crore to ₹ 4,845.47 crore on account of Rights issue, exercise of options and plough back of profits during the year.
- The bank successfully widened its network across India with 850 branches, 50 extension counters and 1320 ATMs. We also opened 26 new offices (16 branches and 10 extension counters) and 51 ATMs and 14 CRMs across the country during the Financial Year 2016-17.

The year 2016-17 saw the Bank being honoured with significant institutional recognitions, awards and accolades.

- Won the prestigious Finnoviti Award for the 'The Best Innovation in Banking Technology 2017' organized by Banking Frontiers in association with Deloitte.
- Won the National Payments Excellence Award 2016, (Rupay - Small Bank category), constituted by NPCI.
- Won the 'Best Technology Bank' among Small Banks at the IBA Awards 2016.
- Won the best Bank award for Electronic Payment among small banks from IDBFT, the technology arm of Reserve Bank of India.
- Awarded with ISO 27001: 2013 certification for Information Security Management System (ISMS) by BSI (British Standards Institution) for IT Department, Data Centre (DC) and Disaster Recovery (DR) Centre
- Won Export Excellence Award in the best financial institution category (Southern Region) from Federation of Indian Export Organisations set up by Ministry of Commerce, Govt. of India.

As we move ahead, the Indian banking industry is facing a host of challenges. These are not only in terms of increased competition and the need for sustained improvement in customer service and enhancing operational efficiencies. There are also possible challenges in terms of the need for reducing NPAs, improving asset quality and meeting any capital shortage while complying with Basel III norms, in an effective and meaningful manner.

But we believe that every challenge mastered is an opportunity won. I would personally like to reassure you that the Bank is fully ready to meet these challenges. You would be happy to know that the Bank is standing strong even during this critical phase of the Banking industry. It is upon us to collectively take action in the face of these challenges, to come out glorious. The strong customer support and loyalty together with a staff with enduring commitment is sure to improve the Bank's performance during the current year.

I take this opportunity to thank the Board members, Government of India, RBI, SEBI, other regulatory authorities, various financial institutions, banks and correspondents in India and abroad for their valuable and continued support and guidance. I thank all our shareholders for entrusting us with their confidence and faith. I also thank all our esteemed customers for their continued co-operation and backing. I would also like to register my appreciation for the dedication and commitment shown by our staff members; they have enabled the Bank to expand and reach new heights of performance.

Best Wishes,

V. G. Mathew

Management Team



Mr. Thomas Joseph K.
Executive Vice President



Mr. Sivakumar G.
Executive Vice President



Mr. Raghunathan K.N.
Executive Vice President

Senior General Managers*



Mr. Benoy Varghese



Mr. T. J. Raphael



Mr. John Thomas



Mr. Bobby James

General Managers



Mr. Paul V.L.



Mr. Anto George T.

Joint General Managers*

Mr. Gireesh C P

Mr. Shelly Joseph

Mr. Reddy N.J.

Mr. Balakrishnan K.N.

DEPUTY GENERAL MANAGERS*

Mr. Jacob E.A.
Mr. Jose P.Varghese
Mr. Nandakumar G
Mr. George Paul
Mr. Shibu.K.Thomas
Mr. Sivaraman K.
Mr. Ajit Chacko Jacob

Mr. Satheesh Kumar K.S.
Mr. Rajeevu M.A.
Mr. Sony A
Mr. Ramesh K.
Mr. Paul Thaliath
Mr. Saravanan M
Ms. Chithra H

Mr. Sreekumar Chengath
Mr. Mohan T M
Ms. Usha L.
Mr. Krishna Das P.B.
Mr. Shashidhar Y
Mr. Joly Sebastian
Mr. Joby M.C.

Mr. Sibi P M
Mr. Peter A.D.
Mr. Jose M.T.
Mr. Madhu M
Ms. Minu Moonjely
Mr. John C.A.

STATUTORY AUDITORS

M/s.Deloitte Haskins & Sells
Chartered Accountants,
First Floor, Wilmont Park Business Centre,
Warriam Road, Ernakulam, Kerala- 682016

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.
M S 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: ramesh@btsindia.co.in, helpdesk@btsindia.co.in

CHIEF FINANCIAL OFFICER

Mr. Gireesh C.P., FCA

COMPANY SECRETARY

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

*As on 31.03.2017

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors is pleased to place before you, the 89th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2017 and the Profit and Loss Account for the year ended March 31, 2017.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2017 are as follows:

Key Parameters	₹ in crore	
	2016-17	2015-16
Deposits	66117.49	55720.73
Gross Advances	46845.69	41470.79
Total Gross Business	112963.18	97191.52
Operating Profit	1214.59	879.28
Net Profit	392.50	333.27
Capital & Reserves	4845.47	3841.93
Capital Adequacy (%) - Basel-III	12.37	11.82
Earnings Per Share (EPS)* :		
(a) Basic EPS (in ₹)	2.61	2.23
[face value ₹1/-]		
(b) Diluted EPS (in ₹)	2.61	2.23
[face value ₹1/-]		
Book Value per Share (in ₹)	26.88	28.45
[face value ₹1/-]		
Gross NPA as % of Gross Advances	2.45	3.77
Net NPA as % of Net Advances	1.45	2.89
Return on Average Assets (%)	0.57	0.55

* Pursuant to the rights issue, earnings per share (EPS) in respect of previous year has been restated as per Accounting Standard-20 (AS-20) - "Earnings Per Share", prescribed under Section 133 of the Companies Act, 2013.

FINANCIAL PERFORMANCE

Profit

The Net Operating Income (Net Interest Income and other income) of the Bank increased by ₹363.88 crore (17.95%) from ₹2027.12 crore to ₹2390.99 crore. The growth in Non Interest Income was ₹198.14 crore (38.29%) during the year.

The Operating Profit for the year under review was ₹1214.59 crore before taxes and provisions as against ₹879.28 crore for the year 2015-16. The Net profit for the year was ₹392.50 crore as compared to a net profit of ₹333.27 crore during the previous year and the profit available for appropriation was ₹566.21 crore as per details given below:

(₹ in crore)

Profit before depreciation, taxes and provisions	1214.59
Less: Provision for NPI	36.18
Provision for Non- Performing Assets	621.78
Provision for FITL	(58.94)
Provision for Depreciation on Investments	5.97
Provision for Income Tax	207.72
Provision for Standard Assets	(1.72)
Provision for Restructured Assets	(29.38)
Provision for General Others	39.47
Provision for Other Impaired Assets	0.15
Provision for Un-hedged Forex Exposure	0.86
Net profit	392.50
Brought forward from previous year	173.71
Profit available for appropriation	566.21
Appropriations	(₹ in crore)
Transfer to Statutory Reserves	98.13
Transfer to Capital Reserves	39.55
Transfer to General Reserves	50.00
Transfer to Special Reserve	22.87
Balance carried over to Balance Sheet	355.66
Total Appropriation	566.21

Dividend

The Board of Directors recommended a dividend of 40% (tax-free in the hands of shareholders other than Individuals whose dividend income is above ₹10 lakh), i.e., @ ₹0.40 per Equity Share of face value of ₹1/- per share.

EXPANSION PROGRAMME

The Bank had been successful in widening its network across India with 850 branches, 50 extension counters and 1320 ATMs. The Bank has opened 26 new offices (16 branches and 10 extension counters) and 51 ATMs and 14 CRMs across the country during the financial year 2016-17. The branch network now covers 30 States/Union Territories.

The Bank plans to open a maximum of 35 new offices (with a mix of Branches and Extension Counters) and 87 ATMs/CRMs during the financial year 2017-18.

CAPITAL & RESERVES

The Bank's issued and paid up capital increased to ₹180.28 crore as on March 31, 2017.

During the year, the Bank has successfully raised capital by way of issue of ₹45.07 crore Equity Shares of face value of Re.1/- each for cash at a price of ₹14/- per Equity Share (including a premium of ₹13/- per Equity Share) aggregating to

DIRECTORS' REPORT

₹630.99 crores to the eligible equity shareholders of the Bank on rights basis in the ratio of one equity share for every three equity shares held. Further, 18,18,866 stock options granted under Employee Stock Option Scheme were exercised by eligible employees.

The capital plus reserves of the Bank has moved up from ₹3,841.93 crore to ₹4,845.47 crore on account of Rights issue, exercise of options and plough back of profits during the year.

In view of the issue of shares under rights basis, the Book Value per share has shown a reduction from 28.45 to 26.88 in absolute number.

THE CAPITAL TO RISK WEIGHTED ASSETS RATIO (CRAR)-BASEL III

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2017 according to Basel III guidelines is 12.37 as against the statutory requirement of 10.25 (including Capital Conservation Buffer). Tier I CRAR constitutes 10.88 while Tier II CRAR works out to 1.49.

The Bank follows 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 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 2017-18.

BUSINESS ACHIEVEMENTS

The Bank has achieved a Total Gross Business of ₹1,12,963.18 Crore, consisting of Deposits of ₹66,117.49 Crore and Gross Advances of ₹46,845.69 Crore as on March 31, 2017.

Deposits

The Total Deposits of the Bank increased from ₹55,720.73 Crore as on March 31, 2016 to ₹66,117.49 Crore registering a growth of 18.66%.

The break-up of the deposits as on March 31, 2017 is as under:-

	Amount (₹ in Crore)	% to total Deposits
Current Deposits	2752.57	4.16
Savings Deposits	12993.77	19.65
Term Deposits	50371.15	76.19
Total	66117.49	100.00

The Bank during the year focused on Advances and CASA.

CASA has grown from ₹12,459 Crore as on March 31, 2016 to ₹15,746 Crore as on March 31, 2017, with a growth rate of

26.38%. The Savings Bank deposits grew by 24.04% and current deposits grew by 38.80% on a year on year basis.

The Bank has accorded priority to meaningful financial inclusion during the period under reporting while opening new deposit relationships.

Advances

During the year, the gross advances of the Bank registered a growth of 12.96%, to touch ₹46845.69 crores. In spite of a down turn in the general economic activity, the Bank could do well in the retail segment including MSME and corporate advances of smaller ticket size. Our Bank is now focusing particularly on retail lending segment with a view to transforming the Bank into a Retail Power House in the coming years. While growing, the thrust is given to retail loan products, such as housing loan, vehicle loan, gold loan and MSME loans. A change in the composition of the advance portfolio in the desired direction is evident in the current year's position as compared to last year.

In spite of the slow growth in Advance portfolio, there was an over achievement in the Priority sector and Agriculture sector throughout the Financial year. So it was resolved to trade the excess portfolio through Priority Sector Lending Certificates (PSLC). As a result of trading in PSLC for an amount of ₹2500.00 crores in General Priority Sector and ₹300.00 crores in Agriculture, an additional Income of ₹19.00 Crores was generated. The total Priority Sector Advances (net of PSLC) as at the end of the financial year stood at ₹18602.96 crore, constituting 42.06% of the Adjusted Net Bank Credit (ANBC). Exposure to agriculture sector (net of PSLC) amounted to ₹8155.03 Crore forming 18.44% 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)	8155.03
MSME	9773.65
Other Priority Sector	674.28
Total Priority Sector	18602.96

INVESTMENTS

Bank's net investment portfolio stood at ₹19,429.68 crore as on March 31, 2017 compared to ₹14,743.93 crore as on March 31, 2016, registering a growth of 31.78%. Investment Deposit ratio moved from 26.46 as on March 31, 2016 to 29.39 as on March 31, 2017. Additional SLR requirement consequent to increase in deposits was a major contributor to the increase in Investments.

Profit on sale of investment for FY 2016-17 stood at ₹252.52 Crore. Total interest income from investments for the

DIRECTORS' REPORT

year was ₹1,233.47 Crore. Yield on Investments (Profit + interest earned to average investments) during FY 17 was 8.85%. Increase in trading activities coupled with softening yield levels and improved market conditions contributed to the increase in overall profitability.

NON-PERFORMING ASSETS (NPA)

During the year 2016-17, as a result of focused and sustained efforts for 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, asset sale to ARC, etc., Bank could recover NPAs to the extent of ₹1,620.18 crore (recovery including up-gradation ₹187.10 crore), as against the target of ₹600.00 crore. Special thrust was given to selection and underwriting of credit, effective due diligence and improvement in credit administration to ensure improvement in asset quality.

During the year, the Gross NPA of the Bank has declined from ₹1,562.36 Crore as on March 31, 2016 to ₹1,149.01 Crore as on March 31, 2017 and Net NPA declined from ₹1,185.26 crore as on March 31, 2016 to ₹674.56 Crore as on March 31, 2017. Apart from prompt and effective recovery measures, sale of asset to ARC for an amount of ₹1,187.70 Crore led to decrease in the level of gross NPA to ₹1,149.01 crore. In terms of percentages, the GNPA decreased from 3.77% as on March 31, 2016 to 2.45% as on March 31, 2017 and Net NPA decreased from 2.89% as on March 31, 2016 to 1.45% as on March 31, 2017. The Provision Coverage Ratio has increased from 40.34% as on March 31, 2016 to 55.07% as on March 31, 2017.

INFORMATION TECHNOLOGY (IT) AND IT ENABLED SERVICES

Information Technology and its huge potential to offer innovative solutions have paramount importance for growth and sustenance of Banks. The demand and expectations of the customers have increased and the turnaround time for rolling out a technology product in Banks has visibly diminished, which essentially calls for a robust, agile and adaptable system in place to execute projects right from initiation to execution. The Bank, an early adopter of technology with a view to providing safe, secure and convenient banking facilities to its customers, has introduced a host of services and facilities for enhancing customer satisfaction. The Bank has been successfully functional with Finacle Core Banking Solution (CBS) from Infosys for several years and is the third Bank in the country to have migrated to the latest Finacle 10 version from the old Finacle 7 version. Being one among the first banks to do so, ensures that the Bank would have a very robust and renewed platform, which can be leveraged for better customer service.

In its constant endeavour to ensure customer comfort, the Bank has introduced:

- ATM network across the country, which supports MasterCard, VISA and RuPayCards allowing customers quick access to money.
- All variants of Debit Cards to customers (VISA, MAESTRO and RuPay) ensuring cashless purchases.

- Mobile Banking and M-commerce (with support for other bank money transfer through IMPS, P2A, P2M (issuer), Unstructured Supplementary Service Data (USSD code *99#), Missed call services for retrieving balance through SMS etc. for customers.
- Investment in equity through primary and secondary market using ASBA (Application Supported by Blocked Amount), Demat Accounts and tie-up with leading broking firms for online trade, to help customers to diversify their investment portfolio.
- Foreign inward Instantaneous remittance with own payment Hub system which is real-time integrated with exchange houses abroad, so as to allow Bank's diaspora to send funds to their near and dear back home.
- Point of Sale (POS) terminals to merchant customers.
- Portfolio Investment Scheme for NRI Community, allowing them to invest in Indian equity market.
- Central Plan Scheme Monitoring System (CPSMS), which links to the DBT (Direct Beneficiary Transfer) for instant receipt of Govt. subsidies to the beneficiaries of various Govt. schemes.
- Kiosk based Financial Inclusion Solution to enable the Bank to reach nook and corner of the country, even in remote villages using technology enabled tools.
- Cash Deposit Machines, for customers who wish to deposit money in their accounts quickly at any time.
- Advanced version of Internet Banking Application with augmented security controls and enhanced customer friendly features, which offers 24/7/365 banking.
- Captive Security Operation Centre (CSOC) in line with Cyber Security Framework and GKC (Gopalakrishna Committee recommendations of RBI for monitoring and management of IT Systems) which does round the clock monitoring of security attacks.
- Fraud Risk Management Solution (FRM) for ATM / POS / CNP channel to ensure customers are alerted when unauthorized transactions happen in their accounts.
- Business Process Management solution leading to a paperless environment.
- Payment Options such as Automated Clearing House (ACH) Payment Service, Cheque Truncation System, RTGS/NEFT etc.
- Account Opening for NRI/MSME directly through Bank's website.

IT initiatives/solutions embarked during the year

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

- Migration of Core Banking Solution (CBS) to Finacle 10 version, with enriched features leading to increased internal efficiency of operations, augmented control over various functions through streamlined processes.
- SIB Mirror mobile application (developed in house) with innovative features such as M-POS for Merchants, NUUP (UPI), UPI Merchant (QR Code) - Mpay, e-Lock in Mirror.

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- Mirror+ mobile application; which help both NRI and domestic customers to have all major Banking services at their fingertip, including seamless fund transfer.
- Issuance of Kissan Credit Cards, Prepaid Cards, Visa contactless cards.
- Introduction of Cash Recyclers.
- Multilingual Screen Integration for ease of customers in usage of ATMs.
- Full EMV Certification with MasterCard/RuPay/ATOS, Dynamic Currency Conversion Support for MasterCard International Transactions.
- Bharat Bill Payment Systems – BBPS which will offer integrated and interoperable bill payment services to customers across geographies with certainty, reliability and safety of transactions.
- IMPS fund transfer through e-banking.
- Prepaid mobile/DTH/Data card/Bill pay and Recharge services through Net Banking.
- Online Opening of Recurring Deposit and Fixed Deposits.
- DIGITAL MISSION 1000 - DIGITAL BANKING FOR ALL - a project for bringing Bank's services to major institutions and providing digital training thereby promoting the vision of Digital Banking for all.

Awards and Certifications received on Technology front

- Bank has won the prestigious Finnoviti Award for the "The Best Innovation in Banking Technology 2017" organized by Banking Frontiers in association with Deloitte. SIB won the award for its innovative mobile banking application SIB MIRROR, which was developed by the in-house IT team. The unique app feature Digi E-lock, which was introduced recently allows the customers to lock and unlock their account with a single tap and also protects them from the fraudulent transactions perpetrated through online and digital banking. Some of the other advanced features are Augmented Reality, Voice Recognition, QR Code transfer etc.
- The Bank has won Best Technology Bank among Small Banks in the IBA Awards 2016. It was considered based on our recent developments in technology products that include SIB Mirror, CRAYONS (Create Your Own SIBerNet ID (Online SIBerNet User ID creation and activation), Green PIN etc. In addition to the above, we also won the Runner Up award for best use of technology for financial inclusion for technology innovation, KIOSK banking, which is initiated through our Business Correspondents model.
- Bank has won yet another award from NPCI for National Payment Excellence Awards - 2016.
- ISO 27001:2013 Certification: BSI (British Standards Institution) has awarded bank with ISO 27001:2013 certification for Information Security Management System (ISMS). The certification is for IT Department, Data Centre (DC) and Disaster Recovery (DR) Centre.

Information Security and Risk Management

As banks adopt sophisticated technology to face challenges in the emerging realities of banking, they are increasingly exposed to technology risk. 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.

Bank's Information Security Policy and other IT Policies – IT Operation Policy, IT Governance Policy, IT outsourcing Policy and Information Security systems has already taken these aspects into consideration. Further, the Information Security of banking IT functions has been 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 on Cyber Security Framework and also 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 were attended by the Bank's officers in premier institutions such as IDRBT, NIBM, etc. to keep themselves abreast with the advancements in IT, Information Security, CRM, Databases, Operating Systems, Virtualization, Network etc.

Gopalakrishna Committee Recommendations Management Philosophy & Measures for the effective implementation of Cyber Security Framework

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

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

Revamped Information Security policy incorporating the various guidelines and stipulations mentioned in the report has been approved by Board and is in place. Presently, the policy has been reviewed and aligned with ISO 27001 guidelines. In addition, other IT Policies such as IT Operation Policy, IT Governance Policy and IT Outsourcing Policy are also enforced.

The progress of implementation of GKC recommendations are reviewed by IT Strategy Committee of the Board and Board of Directors on quarterly basis. The major items which are under

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process to achieve compliance to GKC recommendations are implementation of IT balance score card, Straight Through Processing (STP), maintaining enterprise information model and data dictionary. The full compliance with the GKC recommendation will be realized in a time bound manner with creation of various infrastructural support required for the same.

The Bank has also formulated Cyber Security Policy and Cyber Crisis Management Plan. The policy will highlight the risks from cyber threats and the measures to address/mitigate these risks. The Bank has also identified the inherent risks and the controls in place to adopt appropriate cyber-security framework. Appropriate preventive, detective and corrective cyber security controls, vendor management and incident management & response are being outlined. The Bank has also ensured that Security Operation Centre (SOC) will have continuous surveillance and keeps itself regularly updated on the latest nature of emerging cyber threats.

TRANSACTION BANKING DEPARTMENT [TBD]

Transaction Banking Department, which has come in to being in August 2015, undertakes the following functional operations in a centralized environment with a view to bring standardization of process and procedures, scalability in line with business expansion and compliance to regulatory and statutory requirements, besides enforcement of internal controls.

Functional Division	Functional Operations Covered
Retail Liability Operations (CPC)	Opening of CASA – SB,CD, NRI Creation of Customer Customer Modifications – Retail & Customer Unification of Customer
Retail Asset Operations (CDMC)	Opening of Loan Accounts (FB and NFB limits) Renewals and Enhancements NPA Upgrading Capturing Risk rate/score Ensuring Collateral entries (SGMS) Income Leakage Identification & Recovery
Payment & Settlement Operations (PSD)	RTGS/NEFT PFMS – Aadhaar Mapping PFMS – DBT PFMS – WPS (Wage Protection System) CTS Operations NACH Operations
Service Operations	Debit Card Internet Banking Mobile Banking Post Open Welcome Kit (POWK)
Support Operations	Channel Reconciliation (Debit Card, Internet Banking, IMPS, UPI, Prepaid Cards) Customer Support Center Operations
Audit & Compliance Function	Concurrent Audit (Channel Reconciliation and CPC functions) rectification
Ancillary Operations	ATM cash replenishment outsourcing operations RLO outsourced operations under BC Model Door Step Banking Operations

Primary functional operation division of TBD is at ERNAKULAM with BCP centers at TBD, COIMBATORE (CPC and CDMC functions) and TBD, BANGALORE (RTGS/NEFT, CTS, and Channel Operations). As part of expansion of TBD Operations, it is envisaged to add up the following functions during the year 2017-18.

- Centralized Trade Finance Cell Operations
- Centralized TAX Management Operations
- Centralized CERSAI Registration Operations
- Centralized KYC Operations

COMPLIANCE DEPARTMENT

The Bank has institutionalized a strong compliance culture and mechanism across the organization, pursuant to its strategic goals of transparency and trust, among all its stakeholders. The Bank has a dedicated independent Compliance Department headed by a Dy. General Manager for ensuring regulatory and legal compliance, across all its businesses and operations. The key functions of this Department include, dissemination of key regulatory updates affecting the various business verticals of the Bank, review of processes from a regulatory compliance perspective, provide guidance on compliance-related matters, impart training to employees on compliance aspects, among others.

BUSINESS DEVELOPMENT DEPARTMENT

In order to support and monitor the existing branch network and to provide continuous focus on Business Development, the Bank has formed an exclusive full-fledged Business Development Department by segregating the “Business Monitoring Cell” from Planning & Development Department.

Business Development Department is providing continuous mentoring for both the Deposit and Advance portfolio of the Bank, monitoring of Green Channel Branches, review of daily/ weekly business position of all ROs/Branches, conducting of conference & meetings to promote Business growth etc.

RISK MANAGEMENT

Risk is an integral part of banking business. Risk Management underscores the fact that the survival of an organization depends heavily on its capabilities to anticipate and prepare for the changes rather than just waiting for the changes and react to them. The objective of risk management is not to prohibit or prevent risk taking activity, but to ensure that the risks are consciously taken with full knowledge, purpose and clear understanding so that it can be measured, monitored and mitigated. The essential functions of risk management are to identify, measure and more importantly monitor the risk profile of the Bank. Managing risk is fundamental to banking and is the key to sustained profitability and stability. Management of risk aims at to achieve best trade-off between risk and return and to ensure optimum Risk Adjusted Return on Capital (RAROC). Sound risk management is critical to a Bank's success. Business

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and revenue growth have therefore to be aligned in the context of the risks embedded in the Bank's business strategy and balance sheet of the various types of risks the Bank is exposed to, the most important are credit risk, market risk, liquidity risk and operational risk. The identification, measurement, monitoring and mitigation of risks continue to be key focus areas for the Bank. The risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level 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 evaluated and benchmarked against the best practices followed in the industry. Through continuous refinement/improvement of the risk measurement/management systems, the Bank aims to ensure regulatory compliance as well as better return on and utilization of capital. While Non Performing Assets are the legacy of the past in the present, Risk Management System is the pro-active action in the present for the future.

Risk Appetite

Risk appetite of the Bank refers to the level of risk that a banking organization is prepared to accept in pursuit of its financial and strategic objectives, before action is deemed necessary to reduce the risk. It can be determined through the assessment of risk taking capabilities of the Bank in the form of sound risk mitigation techniques and capital base. Risk Appetite forms a key input to the business and capital planning process by linking business strategy to risk appetite. Risk appetite of the Bank is defined by the Board of Directors through the Risk Appetite Statement which encompasses the general risk appetite of the Bank as well as risk appetite with respect to specific categories of risks. Qualitative elements, quantitative measures, and risk tolerances as well as targeted limits for various categories of risks are included within the risk appetite and are monitored on a quarterly basis. The framework ensures that aggregate risk exposure of the Bank is always within the desired risk bearing capacity.

Risk Management Policy Framework

The Bank has a comprehensive policy framework which contains separate policies for identification, measurement and management of all material risks including but not limited to credit, market, operational, liquidity and other Pillar-II risks. The Bank has put in place an integrated risk management policy which ensures independence of the risk governance structure. The details of risk management practices are provided in Management Discussion and Analysis Report annexed to the Director's Report.

Compliance with Basel III and Basel II framework

In compliance with regulatory guidelines on Pillar I of Basel III 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 the Basic Indicator Approach. To address the issues of Pillar II risks, 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, pension obligation risk etc. the 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.

The bank has taken progressive measures for upgrading its systems, policies and procedures to achieve preparedness in implantation of advanced approaches for credit, market and operational risks. The bank leverages its Enterprise Wide Integrated Risk Management (EWIRM) solution for measurement and monitoring of capital requirements under advanced approaches. Further EWIRM solution accelerates the bank's ability to meet qualitative requirements of advanced approaches such as conduct of RCSA, development of VaR models/B-scorecards etc. in an effective manner.

INTERNATIONAL BANKING

The total forex business turnover for the year ended March 31, 2017 was ₹2,66,867.10 crore (comprising Merchant Turnover ₹12,335.48 Crore and Interbank Turnover ₹2,54,531.62 Crore) recording an increase of 51.26% as compared to the previous financial year. The Bank earned an exchange profit of ₹43.47 Crores for the FY 2016-17.

At present the Bank is having rupee inward remittance arrangement with 5 Banks and 32 Exchange Houses and turnover for the year ended March 31, 2017 was ₹7,194.80 crore. The Bank has concluded a speed remittance arrangement from Australia with **M/s Flyworld Money Exchange Pty. Ltd., Australia** during the FY 2016-17. Bank continued providing managerial support to M/s Hadi Express Exchange, UAE. We have presently deputed 17 officers of our Bank to manage the operations of Hadi Express Exchange. Considering the scope in improving our remittance business through arrangements with EH's, our Bank has deputed seven officers to UAE with UAE Exchange Centre, Al Ansari Exchange, Al Ahalia Money Exchange Bureau, Hadi Express Exchange and Al Fardan Exchange and one officer to Qatar with City Exchange, Doha, Qatar.

International Banking Division has been awarded the prestigious ISO 9001:2015 Certification for Quality Management Systems implemented in the department during the FY 2016-17. The certification is awarded for implementing the systems and procedures as per the standards laid down by the International Organisation for Standardisation.

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IBD has initiated the centralization of foreign exchange operations in stages. By centralized trade finance operations at a single location, deploying talented sources, Bank will be able to impart professional services to its customers ensuring strict compliance with FEMA/RBI guidelines. Presently all inward remittances and outward remittances have been centralized and centralization of import/export bills is in progress.

NRI PORTFOLIO

The NRI deposits constitute 25.45% of the total deposits and 31% of the Core Deposits of the Bank. The Bank is having a separate NRI Division exclusive for NRI related services, at Kalamassery, Kochi, headed by an Assistant General Manager and its functions and working are monitored by a Deputy General Manager and Senior General Manager of the Retail Banking Department of the Bank. The dedicated officers and staff working in NRI Division are rendering exemplary support and assistance to our NRIs and in turn all the Branches give impetus to the growth of NRI business of the Bank. The Branch level NRI Relationship Officers and the NRI Desk functioning in major NRI Business Branches are giving special care and attention to our NRI clientele. In addition a separate desk is started at Regional Level, called NRI Business Co-ordinators, consisting a team of 2 officers, for supporting Branches to deliver maximum service to our NRI patrons to their full satisfaction.

NRI Division is also taking care of NRE/NRO Welcome Kit account opening through which instantaneous activation and operation of Account is possible. Account opening facilities are available at all the Branches of Hadi Express Exchange, UAE; selected SIB branches and with the Marketing Officers deputed to various Exchange Houses in UAE & Qatar. The welcome kit account opening is widely accepted in the market and added momentum to the NRE/NRO SB Accounts opening, which improves the share of low cost deposits of the Bank. The NRI CASA deposits (NRE/NRO SB and CD) constitute 22% of the total CASA of the Bank.

South Indian Bank is authorized by RBI to administrate the Portfolio Investment Scheme for NRIs and has tie-up with M/s Geojit BNP Paribas Financial Services Ltd. for the broking side. Ernakulam NRI branch is our RBI designated branch for offering PIS facility. The Skype calling (Skype id: talk2nricell) in NRI Division make possible for NRIs for an audio/video chat with officials working in RBD NRI Division.

Since the inception of our Bank, we are providing admirable service to our NRI customers and in continuation to that, we have come up with Online Account Opening System to our valuable NRIs, who wish to open NRE/NRO account with us. The portal has been totally simplified which resulted in a drastic change in the number of online accounts opened. In the current year we introduced a new product in NRI Current accounts with certain freebies, viz Raha & Miza for NRIs who are not interested

in availing interest benefit, which gained wide acceptance. Introduction of Mirror Plus created wide impact among our NRI Customers as it's utility has increased with the addition of IMPS facility. Similarly, introduction of FD/RD opening through Internet Banking has also made Banking much easier for our NRI Patrons. Our Bank started providing executive lounge & transit stay facility to our HNI NRI Customers, at two prominent locations inside Kerala.

In order to have an intimacy and personal interaction, get together of our HNI NRI's along with the top executives of the Bank was conducted by way of NRI meets at various centres in Kerala & selected Overseas Centres like Dubai, Abudhabi & Doha during the financial year. All these efforts coupled with the service and efforts of each and every SIBIAN working all over India resulted in achieving 17.6% growth in the total NRI Deposit during 2016-17.

TRAINING

The Bank accords utmost importance to skill enhancement of staff members. Training Programme is conducted at SIB Staff Training College (SIBSTC), Thrissur and at 6 Regional Training Centres (RTCs) for development of professional skills. Training programmes are designed to develop competency of operating personnel while imbibing the SIBIANs' spirit and culture through an effective learning process. The success of these programmes reflects on the enhanced organizational productivity. SIBSTC and the RTCs identify skill gaps in the personnel and provide support for qualitative improvement. Staff members are also nominated to external training centers for being trained in specialized areas as well as to have higher exposure. During the financial year 2016-17, the Bank has imparted training to 3,114 officers, 1,067 clerks and 108 sub staff in various aspects of banking operations. A total of 4,289 personnel were trained during the FY 16-17, which is about 55.86% of total staff strength of 7,677 as on March 31, 2017. This is in consonance with the Bank's priority of continuous up-gradation 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. In addition to six RTCs located at Delhi, Mumbai, Kolkata, Hyderabad, Chennai & Bangalore, one more RTC at Coimbatore will be functional from the Financial Year 2017-18.

MARKETING

The Marketing Department of the Bank plays a critical role in generating new business for the Bank through customer acquisition. The Department also takes initiatives in product development and promotion by creating awareness on products and by driving customer-centric campaigns. In order to give more thrust to the Retail Banking products Marketing Department and Retail Hub is merged to Retail Banking Department and the Liability products both retail and corporate is also shifted to it from Customer Relations Department w.e.f. 01-04-2017.

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The products and services under the domain of Marketing Department can be broadly classified as Technology, Third Party Products and Value added services.

Technology Products of the Bank

Digital technology is transforming the way a customer interacts with the Bank. Demonetization has brought a wave of digitalization in the country. In coherence with the changes in the industry, we have also strengthened our digital banking space. 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/Debit cards, internet banking, mobile banking etc. have transformed the customers' banking experience from branch banking to ***anytime, anywhere banking***. The Bank has set up a separate Digital Banking Department to take care of product development and process improvement of all technology products.

- **Any Branch Banking system:** All the branches/offices 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.
- **SIB ATM cum Debit Cards:** The Bank is offering Visa, Master and RuPay debit cards to its customers. Using SIB debit cards, Bank's customers can withdraw cash through ATMs of any Bank in India and international usage is allowed through EMV chip cards.
- We had launched prepaid cards in RuPay platform. These cards can be used similar to Debit cards for Online/POS transactions, but need to be loaded with money prior to the transactions. These cards can be gifted to a third party and can be used for multiple purchases for as long as value remains on the card and before the card expires.
- Our Bank launched the Reloadable Prepaid Cards which can be used for POS, Online as well as for ATM Transactions. These cards can be reloaded any number of times as per the choice of the customer.
- We had launched the credit cards in association with one of the major players in Indian Credit Card industry, M/s SBI cards co-branded credit cards. Bank can offer the SIB-SBI Co-branded Credit cards to our customers who come under the selected/designated branches across India. The SIB-SBI Co-branded Credit Cards are available in two variants - SimplySAVE Credit Card and Platinum Credit Card.
- We had launched premium variant of Visa Card i.e. Visa Platinum NFC Card which is enabled with NFC technology which permits contactless transactions at NFC enabled POS terminals.
- Co-branded Foreign Currency Travel Card launched in association with Axis Bank is specifically designed for customers who travel abroad. You can carry multiple currencies (USD, EUR, GBP, SGD, AUD, CAD, JPY, CHF, SEK,

THB, AED, SAR, HKD, NZD, ZAR, DKK) on a single card, thereby making it a convenient way to carry forex and make payments while travelling to multiple countries.

- **Internet Banking:** The internet banking service under the brand name "SIBerNet" has helped to position the Bank as a technology-driven Bank offering superior banking services to both retail and corporate customers. In addition to NEFT/RTGS and within bank fund transfer facility, we have implemented IMPS (Immediate Payment Service) fund transfer facility 24x7. We have also facilitated online opening of Fixed deposits and Recurring deposits. Cyber receipts are issued for such online deposits. We have also introduced Bill Pay & Recharge service to help the customers to make payment towards their various bill payments from a single platform. SIBerNet is also enabled with Tax payments and e-Filing of income tax and thereby enables customers to conduct their tax payments and filing of returns at the comfort of their homes/offices.
- **Mobile Banking:** Bank has introduced its new mobile banking application SIB Mirror+ to provide a next generation digital banking experience. The new app, which is available to both Domestic and NRI customers, is packed with features such as Self Registration facility, E-statement, Bill Payment module, within bank, NEFT & IMPS 24x7 fund transfer, e-lock, Mobile/DTH Recharge, Social Money etc.
- We have introduced an innovative feature, E-Lock, in our mobile banking apps which secures your account from any kind of fraudulent or unauthorized transaction. We were the first bank in the country to introduce such a product and many in the industry have been bringing out similar products since then.
- **Unified Payment Interface (UPI),** "Future of payments" is transforming the digital payment space. We have introduced UPI features in our SIB M-Pay (UPI Pay) application. Our Bank is the first Bank to upload UPI app in Google Playstore. The UPI module is having features such as send money to virtual address, collect money, mobile banking registration, Aadhaar fund transfer, scan and pay, etc. Bank has also launched a Mobile application for merchants, UPI-POS for accepting payments through UPI channel.
- **Point of Sale (POS):** The Bank is offering three types of POS terminals - PSTN (wired terminal), GPRS (wireless) and M-Pos (Mobile Pos) in association with M/s Atos Worldline India Pvt. Ltd., the market leader in India in this segment. During demonetisation, we could reach out to our valuable customers by providing ample number of terminals and thereby mitigating the shortage of cash.

Government Business

- For liaisoning with Govt. Departments and other corporate we have formed an exclusive division Government Business Cell.
- Government Business Cell has tied up with Income Tax

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Department for the Income Tax E-filing facility to our customers. Using this facility, all our retail customers can E-file Income Tax through SIBernet.

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, pension and mutual funds to customers.

Insurance (Life/General): The Bank acts as a corporate agent for the distribution of insurance products of both M/s Life Insurance Corporation of India and M/s Bajaj Allianz General Insurance Company for life insurance and general insurance respectively. As per the new regulation by IRDA (which is effective from 1st April, 2016), banks can act as Corporate Agent for more than 1 Insurance provider subject to a maximum of 3 insurance providers - under Life, General and Health each. As per the approvals received from IRDAI we have opted for Multiple Corporate Agency Model with effect from 1st April, 2016. We have tied up with Kotak Mahindra Old Mutual Life Insurance Ltd. and SBI Life Insurance Co. Ltd. in addition to our existing partner Life Insurance Corporation of India. The New India Assurance Co. Ltd. has been selected as the partner for General Insurance in addition to Bajaj Allianz General Insurance Co. Ltd. We have also tied up with Max Bupa Health Insurance Co. Ltd. for sourcing health insurance business.

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 leading Mutual Fund companies thereby offering a variety of mutual fund products to customers. We have entered into tie up with M/s Axis Asset Management Co. Ltd. from December 2016, thus making the total number of tie ups to 15.

Bonds: The Bank has been 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 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 M/s 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 Financial Services Ltd. & M/s Religare Securities Ltd. Customers are having the option of trading through mobile application "Selfie" at their comfort zone where the Demat Account and Bank account will be with us and the trading account will be with M/s Geojit. 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.

Portfolio Investment Scheme (PIS) – An extensive share trading facility for our 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). All branches of the Bank are designated for collecting NPS applications and contributions. An additional tax benefit of ₹50000/- under Sec. 80 CCD (1B) was introduced for NPS contributions. APY was introduced by Govt. of India in place of NPS Lite providing minimum assured pension from ₹1000 to ₹5000 to subscribers is also available to Bank's customers.

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

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3 companies - TVS Credit Services, Sundaram Finance Ltd. and Shriram 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 land-line connection dedicated for international customers is also available. Toll free centre is now functioning in 4 shifts, 24 x 7 with staff members who are capable of handling multiple languages. In addition to this a channel support team is working 24 x 7 at the same premises who are focused to support and escalation of issues related to technology products.

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 during the entire sales process, and thereafter during support.

Visibility Enhancement Initiatives during 2016-17

The Bank had undertaken many brand promotion initiatives in various media like Newspaper, Television, Radio, outdoor and online media. Outdoor brandings were concentrated in major cities like Mumbai, Chennai, Coimbatore and Kochi through bus shelters and hoardings.

- Innovative branding through advertisement in Ernakulam South Railway station were undertaken and leveraged to promote various products.
- Bank had also forayed into the digital product promotion on Volvo bus at Mumbai.
- Through effective PR strategy, major events and financial results pertaining to the bank were promoted globally through all the media platforms. The bank had held 3 major Press conferences at Kochi and Thrissur in connection with Quarterly results and during the launch of SIBSCHOLAR - a prestigious CSR initiative by the bank.
- Numerous press releases were made in connection with the various CSR initiatives, financial inclusion, product launch, social associations and various arrangements in connection with the foreign remittance.
- TV Commercials starring Brand Ambassador Mammootty were released on Pan India basis in the major financial channels like CNBC, ET Now, NDTV Profit, ABP and ZEE business during national budget sessions.
- Also in Kerala Market we had associated with Manorama News, Asianet News Reporter, Kairali News, Amrita TV, Jai Hind TV, and Jeevan TV for advertisement as well as the coverage of our major events that had a tinge of publicity factor.

- We had released our advertisement in premium theaters across the country and had also timed its screening during the release of the film "Kabali".
- Bank had conducted an innovative Selfie campaign - #SIBSELFIEPOORAM - during the internationally renowned Thrissur Pooram festival which had registered more than 600 contestants and has tremendously boosted the traffic in the official Facebook page of our bank.
- Manorama Indian Open Badminton Championship was partnered by our Bank which had been successfully conducted at Thrissur. As a value addition for associating with this tournament, stall spaces were offered for the All Kerala Property Exhibition - 'Parpidom'. This was conducted in all the districts of Kerala and has fetched us a good mileage.
- The 36th Annual National Management Convention hosted by Kerala Management Association (KMA), was partnered by the Bank at Kochi that had witnessed the gracious presence of business magnates of the state.
- Bank had also associated with Dhanam Magazine's Retail summit and Award nite at Kochi that had attracted a lot of entrepreneurs. Patronizing literature and arts, Bank had supported Kerala Literature Festival conducted by DC Kizhakkamuri Foundation at Kozhikode.
- The Kochi Muziris Biennale inauguration and signing of MOU had focused the role of bank in promoting contemporary art having international exposure at Kochi.
- South India Banking conclave conducted by MINT at Bangalore was partnered by the bank, which gave the Bank a good visibility in the banking industry.
- Associating with FIEO, our bank had conducted 10 seminars across Kerala for the benefit of the exporters.
- In order to inculcate the concept of healthy life style, Bank had partnered with Thrissur Round Table 88 for a Mini Marathon at Thrissur – "Run Thrissur Run" which attracted a lot of public and sports lovers.
- MD&CEO was interviewed by leading financial channel CNBC during the Quarter results and also exclusive interview was done by Business Standard, Business Line etc.

HUMAN RESOURCE

Highly motivated, loyal and satisfied employees represent the basis of all successful organizations. Competition has rendered this dimension still more critical. 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 manpower in line with the Bank's healthy & sustained growth and expansion of network, the Bank continued its initiatives of major talent acquisition and retention policies in the FY 2016-17 also.

DIRECTORS' REPORT

Manpower

As on March 31, 2017, the Bank had 7,677 personnel on its rolls. Cadre wise break up is as under:

Cadre	Men	Women	Total
Officers	2588	1326	3914
Clerk	1499	1564	3063
Peon	401	27	428
Part-time employees	68	204	272
Total	4556	3121	7677

With the infusion of young personnel, Bank was able to maintain the average age of employees as 34 years as on March 31, 2017.

Staff Members having professional Qualification as on March 31, 2017 is as under:

EDUCATIONAL STREAM	NUMBER OF STAFF
Management	1406
Post Graduation	1217
CA	65
CS	6
Engineering	1025
PHD	1
Legal	80
ICWA/CMA	46

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 new modules such as Auto credit of Staff Allowances, Provident Fund, Staff Attendance, Audit Compliance in addition to the existing modules like Transfers, Promotion Maintenance, HRA, Leave and LFC, Training, Online Annual Performance Appraisal of Officers, Service Record, Pension Maintenance, Marketing Excellence, Staff Medical Insurance, TA, etc.

Motivation Plans

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

- Promotions: The Bank is offering good opportunities for growth to its employees. During the financial year, 65 clerical staff were promoted to Scale I, 51 officers to Scale II and 80 Officers to various Senior cadres.
- Staff Welfare Scheme (SWS) 2016 was implemented in the FY 2016-17, offering job opportunities to the children of staff members in officer/clerical cadre. 3 Probationary Officers and 22 Probationary Clerks were selected under this scheme.

- The Bank has implemented a new group life insurance policy in tie up with SBI Life Insurance Company Ltd that provides better life cover exclusive of savings component at the most competitive rate. Under this scheme, coverage will be ₹20.00 lakhs or 10 times of annual salary of respective staff at the time of enrolling into the policy, whichever is less.
- The Bank has introduced Staff Welfare Study Support Scheme 2016-17 for children of staff members as a welfare measure for the FY 2016-17, utilising Staff Welfare Fund. The scheme aims at recognising the academic achievement of children of staff members pertaining to the academic year 2015-16 and encouraging them to reach further heights.

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 the cordial industrial relations with both the associations, Bank has achieved considerable growth over the years.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

During the financial year 2008-09, the Bank 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.

Till March 31, 2017, 4,50,94,920 stock options were vested, out of which 2,20,63,007 stock options were exercised by eligible employees. The money realized due to exercise of the said options was ₹29,72,25,576.85 and consequently 2,20,63,007 shares of Re.1/- each have been allotted to the employees/legal heirs concerned.

A Certificate of Auditors pursuant to Regulation 13 of SEBI (Share Based Employee Benefits) Regulations 2014 will be placed to the AGM for the scrutiny of Shareholders.

The number of options under the scheme was increased at the 85th Annual General Meeting held on June 28, 2013 by creations of additional options such that we aggregate options to be granted under the scheme shall not exceed 5% of the the total number of fully-paid up Equity Shares of the Bank, from time to time, as on the date(s) of Grant of options.

The total options granted under seven phases of SIB ESOS 2008 works out to 3.15% of the paid up share capital of the Bank as at March 31, 2017. The scheme has generated intended motivation amongst the staff. Statutory disclosures regarding details of the stock options granted, vested, exercised and forfeited and expired during the year under review are annexed to this report as Annexure A.

SIB- Executive Brief

"SIB Executive Brief" – a daily news update on Banking, Finance, Economy, Industry, Market Rates etc. is being provided by SIB

DIRECTORS' REPORT

Staff Training College. It is e-mailed on a daily basis to the Board members, executives and is also made available in SIB-Insight for the benefit of staff members.

E-Learning Tests

The Bank has completed 12 online tests through GIEOM Application during the year 2016-17 for staff members on various topics relevant to Banking. Toppers are recognized and their name published in Insight. The E-learning platform is being used increasingly for improving the knowledge level of the staff members.

Continuous Assessment Test for Prob. Officers

To facilitate updation for and continuous learning by the Prob. Officers, tests are conducted on a monthly basis, covering our products, procedures, instructions etc. through different modules.

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.

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 themes relating to developments in Economy, Banking and Finance. As on March 31, 2017, 304 themes have been published since the first publication in December 1991. The objective of this venture is to kindle interest in economic affairs among the younger generation and also to provide a learning platform for the student community. The hard copies of the publication numbering about 3,100 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 2016-17 are - Union budget Part-2, Digital Banking, Peer to Peer Lending, Forensic Auditing, Payment and Settlement Systems in India: Vision-2018, Income Declaration Scheme 2016, 'On Tap' Licensing of Universal Banks in The Private Sector, Unified Payments Interface (UPI), Demonetisation, The Real Estate (Development & Regulation) Bill 2016, Economic Survey 2016-17, Union Budget & Railway Budget 2017-18. These themes are made available in the Bank's Website under the heading Student's Corner.

Awards & Accolades

The Bank has received following awards during the financial year:

- National Payments Excellence award 2016 from National Payment Corporation of India.

- The best Technology Banks award among small banks, instituted by Indian Banks Association.
- Best Bank award for Electronic Payment among small banks from IDRBT, technology arm of Reserve Bank of India.
- Export Excellence Award in the best financial Institution category (Southern Region) from Federation of Indian Export Organisations set up by Ministry of Commerce, Govt. of India.

ISO 27001:2013 certification

The bank has been awarded ISO 27001:2013 certification for its Information Security Management System (ISMS).

Achievements and milestones:

- Bank started issuing pre-paid instruments after taking approval from Reserve Bank of India.
- Bank started participating in Unified Payment Interface (UPI) - a unique mobile based interbank real time fund transfer platform set up by National Payment Corporation of India (NPCI).
- Bank received license from Reserve Bank of India for participating in Bharath Bill Payment System (BBPS) set up by NPCI.
- Bank received approval from RBI to open a representative office at Dubai in UAE.

Foreign Exchange Advisory Cell

The Bank has launched Foreign Exchange Advisory Cell to Provide advisory services by subject experts on FEMA rules and trade finance related issues to the general public. The complimentary service is available to all Foreign Exchange Trade Fraternity.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO SUB SECTION(3) (M) OF SECTION 134 OF THE COMPANIES ACT, 2013 READ WITH RULE (8) (3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

The Bank has undertaken various initiatives for energy conservation at its premises. Further, the Bank has used information technology extensively in its operations and consistently pursuing its goal of technological up-gradation in a cost effective manner for delivering quality customer service. The Bank, being a banking company and an authorized dealer in Foreign Exchange, has taken all possible steps to encourage exports.

Number of cases filed, if any, and their disposal under section 22 of the sexual harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has zero tolerance approach towards any action on the part of any executive/employee which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully

DIRECTORS' REPORT

committed to uphold and maintain the dignity of every woman staff working in the Bank. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. The Policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. All the employees (permanent, contractual, temporary, trainees) are covered under this policy.

Number of complaints pending as at the beginning of the financial year - Nil

Number of complaints filed during the financial year - 1

Number of complaints pending as at the end of the financial year - Nil

Particulars of Employees

Information as required by the provisions of Section 197 of the Companies Act, 2013, read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, is given under:

Name, Qualification and Age (in years)	Designation	Remuneration		Experience (in years)	Date of Employment	Nature of employment (Contractual/ otherwise)	Last Employment
		Gross (₹)	Net (₹)				
V. G. Mathew, M.Sc. CAIIB (63 years)	MD & CEO	107,66,600.00	73,78,477.00	38	02.01.2014	Whole-time	Chief General Manager, SBI

*Net of Taxes paid

@ As on March 31, 2017 Sri V. G. Mathew does not hold any shares of the Bank and he is not a relative of any Director or Manager of the Bank.

The details of other employees required to be provided in compliance with the provisions of Section 197 of the Companies Act, 2013, read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, is given under:

Name, Qualification and Age (in years)	Designation	Remuneration gross (₹)	Experience (in years)	Date of Employment	Nature of employment (Contractual/ otherwise)	Last Employment
Reghunathan K. N., B.Com., CAIIB (59 years)	EVP	48,25,510.00	38	14.12.2015	Contractual	GM, Union Bank of India
Sivakumar G., MBA (Finance), M.Sc., CAIIB, (61 years)	EVP	30,21,374.00	37	14.12.2015	Contractual	GM, State Bank of India
Thomas Joseph K., B.Sc., (Mechanical Engg.), Diploma in Management, CAIIB (58 years)	EVP	31,34,189.00	33	15.10.1984	Whole-time	-
Bobby James, B.Com., CA Inter, JAIIB (60 years)	SGM	23,69,798.00	35	15.06.1981	Whole-time	-
Raphael T. J., B.Com., CAIIB (56 years)	SGM	22,95,008.00	33	16.11.1983	Whole-time	-
John Thomas, B.Sc., MBA, CAIIB (59 years)	SGM	22,62,010.00	35	15.06.1981	Whole-time	-
Benoy Varghese, B.A., MBA, CAIIB (59 years)	SGM	22,02,877.00	33	21.11.1983	Whole-time	-
Paul V.L., M.A., JAIIB (58 years)	GM	21,78,787.00	36	22.09.1980	Whole-time	-
Paul Thaliath, B.Sc., MSW, CAIIB (57 years)	DGM	21,13,746.00	33	17.11.1983	Whole-time	-

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are annexed to this report. (Annexure B)

THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES:

A brief outline of the Bank's CSR Policy, including overview of projects or programs to be undertaken.

South Indian Bank's CSR Policy

South Indian Bank is grateful to the society for the support and encouragement in the Bank's growth and development. The Bank believes that no organization can make sustainable development without the patronage of the society. The Bank is committed in the integration of social and environmental concerns in its business operations and also in the interactions with its stakeholders. The Bank shall continue to have among its objectives, the promotion and growth of national economy and shall continue to be mindful of its social and moral responsibilities to customers, shareholders and the society. Bank is committed to financing the economic and developmental activities of the nation with concern for human rights and environment.

Overview of Activities

In line with the CSR Policy and accordance with Schedule VII, section 135 of Companies Act, Bank undertook various activities during FY 2016-17, which had significant impact on the society. These activities include:

- Promoting health care including preventive health care
- Financial Literacy
- Making available safe drinking water
- Promoting education, including special education and employment enhancing vocational skills
- Conservation of natural resources
- Protection of Art and culture
- Training to promote sports
- Setting up old age homes
- Swatch Bharat Kosh by Central Government

Web-Link to the CSR Policy

<https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=778&linkId=778>

Composition of CSR Committee

The Bank understands its responsibility towards the society and environment in which it operates. The Bank has constituted Corporate Social Responsibility Committee at the Board level to monitor the CSR activities.

DIRECTORS' REPORT

Members of the Committee are

1. Sri Francis Alapatt (Chairman of the Committee)
2. Sri V .G. Mathew (MD & CEO)
3. Sri Mohan E. Alapatt (Member)
4. Smt. Ranjana S. Salgaocar (Member)

The composition is as per Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014.

Average net profit before tax of the Company for the last three financial years: ₹571.83 Crore.

Prescribed CSR expenditure (two percent of the amount as above): ₹11.44 Crore.

Details of CSR spent during the Financial Year

- a. Total amount to be spent for the Financial Year 2016-17: ₹11,44,00,000/-
- b. Amount not spent, if any: ₹7,40,54,602/-
- c. Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Project or Activity Identified	Sector in which the project is covered	Projects or Programs (1) Local area or Other (2) Specify the State and District where projects or Programmes was undertaken	Amount outlay (Budget) project or programme wise	Amount spent on the projects or programmes(1) Direct Expenditure on projects (2) overheads	Cumulative Expenditure up to Reporting Period	Amount Spent Direct or through Implementing Agency
1	Deploying Financial Literacy counselors	Financial Literacy	Other I All Districts (Except Kasaragod), Kerala	5430000	3308937	3308937	Direct
2	Erection of Roof water harvesting systems	Making available safe drinking water	Other I Alleppy, Kerala & Jadayam Palayam, Coimbatore	2552000	239218	239218	Direct
3	Providing Ambulances, Dialysis Machines, assistance for Coronary Artery Bypass Grafting (CABG)	Promoting health care, including preventive health care and sanitation	Other I Ernakulam, Kollam, Trivandrum, Kerala Thane, Mumbai	31519280	9984330	9984330	Direct
4	Setting up digital class rooms, Assistance for Technical Skill Development, Providing School bus and setting up Speech Therapy unit	Promoting Education, including special education and employment enhancing vocation skills	Other I Ernakulam, Trivandrum, Malapuram, Kannur, Kerala	20827761	13975434	13975434	Direct
5	Partner in Kochi Muziris Biennale 2016	Protection of National heritage, art and culture	Other I Ernakulam, Kerala	10000000	10000000	10000000	Direct
6	Assistance for purchasing 52 goats for distribution among 26 families at Pullu Vilage	Rural Development Project	Local Area I Pullu Village, Thrissur Dist, Kerala	219760	219760	219760	Direct
7	Assistance to construct a boarding home for accomadating psycho mental rehabilitation patients and old aged destitutes	Setting up old age homes	Other I Trivandrum, Kerala	1500000	0	0	Direct
8	Construction of Boys friendly toilet complex	Swach Bharat Kosh	Other I Mettupalayam, Coimbatore I Udupi, Karnataka	2774000	2024000	2024000	Direct
9	Financial assistance for training budding talents in foot ball, Setting up International Standard Shuttle Court Complex	Training to promote nationally recognized sports	Local Area I Parappur, Thrissur Dist., Other I Ernakulam, Kerala	1200000	593719	593719	Direct
TOTAL				76022801	40345398	40345398	

DIRECTORS' REPORT

The Bank's CSR mission is to contribute to the social and economic development of the community. Through a series of interventions, the Bank seeks to mainstream economically, physically and socially challenged groups and to draw them into cycle of growth, development and empowerment.

Reason for not spending the prescribed CSR Expenditure

In the Financial Year 2016-17, the Bank spent ₹4.03 crore towards CSR activities, which is 35% of the CSR budget of the year against ₹2.30 crore in Financial Year 2015-16 (19.90% of the CSR budget for FY 2015-16). Apart from the above, an outlay of ₹7.12 Crore has been sanctioned in various projects/initiatives under CSR as on March 31, 2017. We expect that this outlay will be positively spent during the forthcoming years. In certain projects, the total outlay is distributed over a period of 3 to 4.5 years and hence the respective spend got staggered over. The Bank stays committed to its corporate social responsibility and intends to continually increase the impact of its CSR initiatives. The Bank has utilized the reporting year to lay a strong foundation on which to build and plan future projects and is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will maximize its efforts to meet the targeted CSR spends.

Responsibility Statement

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Bank.

Sd/-
V.G. Mathew
 Managing Director & CEO

Sd/-
Francis Alapatt
 Chairman-CSR Committee

FINANCIAL INCLUSION

Financial inclusion aims to ensure the availability of formal and basic banking services to all Indian households, including those in the un-banked and under-banked areas. South Indian Bank has adopted several financial inclusion initiatives, including Kiosk banking.

Kiosk Banking Model – Bank Mitra/ Business Correspondent (BC)

The Kiosk banking complies with the open standards recommended by the Indian Banks' Association (IBA) and the Institute for Development and Research in Banking Technology (IDRBT) and is capable of incorporating the Unique Identity Solution being implemented by the Unique Identity Authority of India (UIDAI). Under Kiosk Banking Model, the Bank is able to provide basic banking services in un-banked/under-banked areas through outlets such as common service centres,

Individual Business Correspondents [BC], small retail shops, etc. with a laptop based solution.

Kiosk centres offers basic banking services such as customer enrollment, deposits, withdrawal, fund transfers, balance enquiry, FD, RD remittance etc. to potential customers. Customers can open new basic savings account in Kiosk centres (PMJDY) by providing KYC documents and biometrics. The Bank has implemented Kiosk Banking Model in the state of Kerala through 53 Akshaya centers, who are acting as common service centres in the state and 76 Individual BC's in Tamil Nadu. As on March 31, 2017, 52,412 customers have opened accounts under the Bank's Kiosk Banking Model.

Financial Literacy Centres

Financial Literacy is the ability to understand how money works in our day to day life and how someone manages it, how he/she invests it and how a person offers it to others. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with their financial resources. 12 FLCs have been allotted to the Bank by SLBC in the state of Kerala to disseminate financial literacy to the people and it is functional through retired bank employees, school teachers and retired Government employees. In addition our bank has voluntarily adopted 4 blocks in Kerala to emphasize the objectives of Financial Literacy. Our FLCs are now branded under the name "SIB JYOTHIS". Efforts are on to make them more efficient, and responsive to the needs of the people. A Board approved policy covering all aspects of Financial Literacy Centres has been formulated, giving due consideration to the revised guidelines on FLCs circulated by RBI. During the FY 2016-17, our FLCs have conducted 642 camps attended by 37331 participants.

Pullu – Model Village of South Indian Bank

The Bank has been servicing Pullu Village in Chazhloor Panchayat of Thrissur Dist. in Kerala under Bank's Financial Inclusion initiative since 2010. In order to ensure meaningful Financial Inclusion and to facilitate BC based operations in the village, Bank has opened Ultra Small Branch at Pullu on November 1, 2013. The village has since adopted by the Bank and various welfare measures were initiated in Pullu. Propagation of Bio farming, conducting financial literacy sessions, providing agricultural credit, organizing medical camps, formation of Farmers Club are few of such initiatives the Bank has undertaken in the village. In addition the first phase of Joint Liability Group formation has also been completed giving way to large number of activities to come.

Government of India Scheme - PMJDY

Pradhan Mantri Jan Dhan Yojana (PMJDY), is conceived as a national mission on financial inclusion initiated by Honorable

DIRECTORS' REPORT

Prime Minister on August 15, 2014. The scheme envisages universal access to banking facilities, with at least one basic banking account for every household. In line with the directives given by Ministry of Finance and SLBC, PMJDY scheme was implemented in the Bank since August 18, 2014.

The Bank has opened 2,08,340 BSBD accounts as on March 31, 2017 under PMJDY and balance outstanding in those accounts exceeds ₹44.06 Crore at present. RuPay Debit Cards has been issued in PMJDY accounts providing customers with the benefit of accident insurance coverage of ₹1.00 Lac. Social Security schemes in insurance (PMJJBY and PMSBY), introduced by the Government of India were also given high priority by the Bank resulting in enrollments for over 2 Lac customers in FY 2016-17.

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, 2017, to the e-mail 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 e-mail address for serving notices / documents including those covered under Section 136 of the Companies Act, 2013.

Shareholders holding shares in physical form and desirous of availing electronic form of delivery of documents are requested to update their e-mail addresses with Bank's Registrar and Transfer Agents by a written request. 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.

ANTI-MONEY LAUNDERING (AML)

Transactions processed through the Core Banking Solution are monitored for detecting suspicious transactions, using TCS Bancs Compliance, an AML application to comply with the provisions under Prevention of Money Laundering Act (PMLA).

The Bank has set up a Centralized Processing Centre (CPC) for liability side customer creation with the objective of full KYC compliance and to use KYC as a fraud prevention tool. The Bank has brought all branches under the CPC model during the last Financial Year 2015-16.

The Bank had implemented UIDAI's e-KYC services for Aadhaar authentication, in 50 branches during the Financial Year 2015-16, which was scaled up to cover all the branches during the Financial Year 2016-17. The Board has nominated Mr. V. G. Mathew, MD & CEO as the "designated director", as per PMLA Act.

The Bank has attached great importance for compliance of KYC/AML/CFT norms by the customers as per the Reserve Bank of India directive.

FATCA-CRS

The Bank has registered as a reporting entity under FATCA, under GIIN No. IIK7HU.99999.SL.356, to comply with the reporting requirement under the inter-Governmental agreement entered between Indian and US Government.

DIRECTORS

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and the Code of Conduct on Corporate Governance adopted by the Bank. The Board comprises of 10 Directors as on the date of this report, with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, small scale industry, agriculture, and information technology.

Excluding the MD & CEO, all other members of the Board are Non-Executive Directors and Seven Directors out of the total 10 Directors are Independent Directors. Declaration has been obtained from the Independent Directors as required under the RBI Regulations, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Companies Act, 2013. The remuneration and other benefits paid to MD & CEO of the Bank and other Non-Executive and Independent Directors during the financial year 2016-17 are disclosed in Corporate Governance Report.

Sri Achal Kumar Gupta (DIN: 02192183), who was appointed as a Director pursuant to Sections 149 & 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. He will be appointed as a Non-Executive Director of the Bank in the Majority Sector (i.e. Banking), who is liable to retire by rotation in place of Mr. Cheryan Varkey (DIN-06884551), who retires by rotation under Section 152 of Companies Act, 2013 and does not offer himself for re-appointment.

The tenure of Sri V. G. Mathew, MD & CEO (DIN: 05332797) of the Bank, will expire on September 30, 2017. As recommended

DIRECTORS' REPORT

by the Board, the Bank seeks the re-appointment of Sri V. G. Mathew as MD & CEO of the Bank for a further period of 3 years w.e.f. October 1, 2017 subject to the approval of Reserve Bank of India and Shareholders of the Bank at the ensuing AGM.

RBI vide letter DBR.Appt. No. 4811/08.51.001/2016-17 dated 27.10.2016 approved the appointment of Sri Salim Gangadharan as Non-Executive Part-time Chairman of the Bank and terms and conditions of appointment. The appointment of Sri Salim Gangadharan (DIN-06796232) is ratified by seeking the consent of the members of the Bank and will be taken on record at the this Annual General Meeting.

Composition of 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-Sri Cheryan Varkey (Non-Executive Director), Sri Mohan E. Alapatt (Non-Executive Independent Director) and Sri Achal Kumar Gupta (Non-Executive Independent Director). The constitution of the Committee is in compliance with the regulatory requirements. The terms of reference of the Audit Committee, incorporated in the Bank's Code of Corporate Governance, are in accordance with the SEBI (LODR) Regulations, 2015 entered into by the Bank with Stock Exchanges where the Bank's shares are listed, Companies Act, 2013 and RBI guidelines.

Independent Directors

In terms of the definition of Independence of Director as prescribed under Regulation 16(1) of the SEBI (LODR) Regulations, 2015 and Section 149(6) of Companies Act, 2013 and based on the confirmation / disclosures received from the Directors, Sri Mohan E. Alapatt (DIN: 00025594), Sri K.Thomas Jacob (DIN: 00812892), Dr. John Joseph Alapatt (DIN: 00021735), Sri Francis Alapatt (DIN: 01419486), Smt. Ranjana S. Salgaocar (DIN: 00120120), Sri Parayil George John Tharakan (DIN: 07018289), Sri Achal Kumar Gupta (DIN: 02192183) are the Independent Directors of the Bank as on the date of this report.

Woman Director

In terms of the provisions of Section 149 of the Companies Act, 2013 and Regulation 17 of the SEBI (LODR) Regulations 2015, the Bank has appointed Smt. Ranjana S. Salgaocar as Woman Director on the Board of the Bank.

Bank's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

Criteria for appointment as Director of the Bank

Nomination and Remuneration Committee of the Board shall identify and ascertain the integrity, qualification, expertise

and experience of the person who is considered for being appointed/reappointed as Director of the Bank and apply due diligence in compliance with the Banking Regulation Act, 1949, Reserve Bank of India directives on Fit & Proper Criteria, all other applicable provision of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 including any amendments from time to time and Nomination Policy of the Bank.

Criteria for Determining Qualifications, Positive Attributes

- a) The professional and personal ethics, integrity and track record.
- b) Special knowledge or practical experience in Banking, accountancy, agriculture and rural economy, co-operation, economics, finance, Marketing, Information Technology, law, small-scale industry or any other field useful to the Banking Company in the opinion of Reserve Bank of India.
- c) Ability to provide insights and practical wisdom based on their experience and expertise relevant to the Bank's line of business.
- d) Details of his/her association with other Companies/LLPs/ Firms (including NBFC).
- e) Details of substantial interest in other Companies/LLPs/Firms (including NBFC).
- f) Details of financial facilities, if any, availed from the Bank.
- g) Details of default in the re-payment of loans, availed from the Bank or any other bank, if any.
- h) Commitment to enhancing stockholder value.
- i) Ability to develop a good working relationship with members of the Board and contribute to the working relationship with senior management of the Bank.
- j) Whether he/she suffers from any of the disqualifications envisaged under the provisions of Banking Regulation Act, 1949, Companies Act, 2013 and SEBI (LODR) Regulations, 2015.
- k) Any other factors as the Committee may deem fit and in the best interests of the Bank and its stockholders.

Criteria for determining Independence of a director

The Criteria of Independence of a director is determined based on conditions as laid down in the Companies Act, 2013. The independent director shall at the first meeting of the Board in which he/she participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his/her status as an independent director, give a declaration that he/she meets the criteria of independence.

REMUNERATION POLICY:

Remuneration Policy for Employees of the Bank:

The Bank has a Board approved Compensation Policy which deals with the Compensation & Benefits of the Employees of the Bank and Whole-time Directors.

DIRECTORS' REPORT

The objectives of the Compensation Policy of the Bank inter-alia includes, to provide a fair and persistent basis for motivating, inspiring and rewarding the employees appropriately, according to their jobs/role size, performance, accomplishments, contribution, skill, aptitude and competence to implement standards on sound compensation practices and incentives and to provide effective governance of compensation payable to the WTDs/CEO and other staff, alignment of compensation with prudent risk taking and effective supervisory oversight.

The disclosure requirement of the remuneration is separately provided in "Disclosure under Basel III norms."

Remuneration Policy Of Directors:

Remuneration of MD & CEO and Other Employees (including Key Managerial Personnel):

The Board approved Compensation Policy deals with the Compensation & Benefits of the Whole-time Directors/MD & CEO. The remuneration of the Whole-time Directors/MD & CEO is recommended by the Nomination & Remuneration Committee (NRC) to the Board for approval after considering the factors prescribed under the Compensation Policy.

The Board considers the recommendations of NRC and approves the remuneration, with or without modifications, subject to shareholders' and regulatory approvals. The remuneration payable to Whole-time Directors/MD & CEO is subject to prior approval of the Reserve Bank of India (RBI). Therefore, the remuneration or any revision in remuneration to Whole-time Directors/MD & CEO is payable only after receipt of the approval from RBI.

For the other employees (including Key Managerial Personnel and Compliance staff), the Board, based on the recommendation of the NRC may devise appropriate compensation structure. The compensation paid to other employees that include Award Staff, Officers coming under Scale I to IV and executives coming under Scale V to VII is fixed based on the periodic industry level settlements with Indian Banks Association. The variable compensation paid to functionaries is based on the Performance Linked Incentive Scheme, which has been formulated on the basis of performance parameters set in Performance Management System.

Remuneration of Chairman:

The NRC recommends the remuneration of the non-executive Chairman to the Board which is considered and approved by the Board in the same manner subject to Shareholders' and regulatory approvals. The NRC, while recommending the remuneration of the part-time Chairman considers the Function, Role and Responsibilities of the Chairman and Regulatory guidelines as applicable etc.

The remuneration payable to the Chairman is subject to prior approval of the Reserve Bank of India (RBI). Therefore, the remuneration or any revision in remuneration of the Chairman is payable only after receipt of the approval from RBI.

Remuneration of Non-Executive Directors (NEDs):

The NEDs are paid sitting fees for attending each meeting of the Board of Directors or any committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013, SEBI (LODR) Listing Regulations 2015 and other regulatory guidelines, as amended from time to time. The Board while recommending the change in the sitting fees considers various factors like size and complexity of organization, Comparison with the peer Banks and Regulatory guidelines as applicable etc.

Policy on Board Diversity:

Pursuant to SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 to ensure compliance with the applicable provisions, the Bank has devised a policy on Board diversity to ensure adequate diversity in its Board of Directors. The Bank believes that diversity underpins the successful operation on an effective Board and embraces diversity as a means of enhancing the business. With a view to achieve sustainable and balanced development, the Bank sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives. A diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors.

Policy on Board Diversity of the Bank mainly depends on the qualifications for appointment of Directors of the Bank as contained in the Banking Regulation Act, 1949 and satisfying the Fit and Proper Criteria for directors as per the regulatory requirement of RBI.

The Bank continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of diversity in the boardroom. Diversity is ensured through consideration of a number of factors, including but not limited to skills, regional and industry experience, background and other qualities. In informing its perspective on diversity, the Bank also take into account factors based on its own business model and specific needs from time to time.

The NRC has the responsibility to lead the process for Board appointments and for identifying and nominating, candidates

DIRECTORS' REPORT

for appointment to the Board. The benefits of diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of directors to the Board.

Board appointments are based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. The Policy of Board Diversity is displayed in bank's website. (https://www.southindianbank.com/UserFiles/file/Rupay/DISCLOSURE/Policy_on_Board_diversity.pdf)

Board Level Performance Evaluation

The Companies Act, 2013 and SEBI (LODR) Regulations, 2015 stipulates the performance evaluation of the Directors including Chairman, Board and its Committees. Considering the said provisions, the Bank has devised the process and the criteria for the performance evaluation which has been recommended by the Nomination & Remuneration committee and approved by the Board.

The process for formal annual performance evaluation is as under:

- Committee of Independent Directors at their separate meeting evaluates the performance of MD & CEO, Non-Executive Directors, Chairman of the Bank and the Board as a whole.
- The Board evaluates the performance of the Independent Directors (excluding the director being evaluated) and submit its report to the Nomination & Remuneration Committee.
- The Board Evaluate the performance of Board level Committees.
- Nomination & Remuneration Committee evaluate/ review the performance of each Director recommends the appointment/reappointment/ continuation of Directors to the Board. Based on the recommendation of Nomination & Remuneration Committee, Board will take the appropriate action.

The criteria for performance evaluation are as under:

Performance Evaluation of Non-Executive Directors, MD & CEO and Chairman

Participation at Board / Committee Meetings, Managing Relationship, Knowledge and skill, Personal attributes, Compliance and Corporate Governance; Leadership; Strategy Formulation, Strategy Execution, Financial Planning/ Performance, Relationships with the Board, Human Resource Management and Succession Planning, Personal Qualities; Resources; Conduct of Meetings.

Performance Evaluation of Board

Composition and Diversity; Strategic Foresight, Value Creation, Process and Procedures, Oversight of the Financial Reporting Process and Internal Controls, Oversight of Audit Functions, Corporate Governance, Corporate Culture, Monitoring of business activities, Understanding of the business of the Bank and Regulatory environment; Contribution to effective corporate governance and transparency in the Company's Operations; Deliberations/decisions on the Company's strategies, policies, plans and guidance to the Executive Management.

Performance Evaluation of the Board Level Committees

The performance and effectiveness of the Committee; Frequency and duration; Spread of talent and diversity in the Committee; Understanding of regulatory environment and developments; Interaction with the board.

AUDITORS

A) Statutory Auditors:

M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, who were appointed as Statutory Central Auditors of the Bank for the year 2016-17 at the last Annual General Meeting (held on 8th July 2016) with RBI consent retiring at this ensuing Annual General Meeting and has completed their second consecutive year under the current spell. M/s Deloitte Haskins & Sells and their connected firm M/s Fraser & Ross were the statutory central auditors of the Bank for 2 terms earlier with a tenure of 4 years each with in between cooling period of 4 years each, thereby aggregating to a total period of 10 years, by conclusion of the Audit for the year 2016-17, which is in compliance the RBI circulars/guidelines. However, in the absence of 5 years continuous cooling period, the appointment of Deloitte Haskins and Sells for 2017-18 will be not exactly be in consonance with the provisions of Section 139 of the Companies Act, 2013 read with the underlying rules viz., Companies (Audit and Auditors) Rules, 2014 as regards the terms of appointment and cooling period mentioned therein. Therefore, the Board has decided to approve a panel of 3 Audit Firms for the purpose of seeking approval from the Reserve Bank of India and Share Holders in case of requirement to appoint as Statutory Central Auditor of the Bank as shown below:

- 1) M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai ((Firm Regn. No. 008072S)
- 2) M/s S. R. Batliboi & Co. LLP, Chartered Accountants, Mumbai (Firm Regn. No. 301003E/E300005)
- 3) M/s Walker Chandiok & Co LLP, Chartered Accountants Kochi (Firm Regn. No. 001076N/N500013)

DIRECTORS' REPORT

B) Secretarial Auditors and Secretarial Audit Report:

Pursuant to Section 204 of the Companies Act, 2013, the Bank had appointed M/s SVJS & Associates, Company Secretaries, Practicing Company Secretaries, Kochi as its Secretarial Auditors to conduct the secretarial audit of the Bank for the FY 2016-17. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY 2016-17 is attached to this report as Annexure-C.

AUDIT/INSPECTION

Regular Risk Based Internal Audit (RBIA) of the Branches, Regional Offices (RO) and Departments are conducted at periodical intervals based on its risk perception. RBIA of branches has been done through web based application and risk assessment, rectification of comments etc. are evaluated, monitored and reviewed in an automated fashion.

In the back drop of rapid technological changes, Bank has initiated technology based Audit/Inspection for assessing the adequacy of internal controls and ensuring adherence to internal process and procedure as well as regulatory requirements. The Bank is having a full-fledged Inspection and Vigilance Department (IVD) and Inspection Division of IVD ensures adherence to the set rules and regulations by Branches/Regional Offices/HO Departments.

In addition to RBIA, Bank has concurrent audit system which covers selected Branches and other HO Departments including critical Departments like International Banking Division, Treasury Department, Credit Department, and other centralized processing centers. Concurrent audit of branches has been done by qualified Chartered Accountants/retired officers covering 61% of total business and 74% of total advances of the bank. The selection of the branches for concurrent audit is done in such a way that it covers Branches having substantial business and almost all isolated remote branches irrespective of its business volume. Bank is in process of implementation of web based concurrent audit system in Branches.

Bank conducts Credit Audit, KYC/AML Audit, Information System Audit, Revenue Audit, Surprise Inspection of gold & Cash and exclusive Gold Loan asset verification at Branches. Information System Audit of CBS and major applications are done by external audit firm. Besides, all the Branches are subjected to statutory audit on yearly basis. Bank has a separate Off Site Monitoring Team which monitors transactions using alerts generated from software on certain rules set. Based on these alerts, clarifications are called for from branches wherever necessary. The branch operations are centrally analyzed for ensuring compliance to KYC/AML/CFT guidelines with the help of AML software. Fraud Risk Monitoring Cell (FRM Cell) is established

to prevent fraudulent activity in the customer accounts through card related activities, by generating rule based alerts.

Internal inspectors conduct inspection at regular intervals and such reports are placed to Audit Committee at Executive level/ Audit Committee of Board (ACB) as the case may be for review. Corrective steps are taken to rectify the lapses/irregularities pointed out. Inspection Division also carries out independent evaluation of Bank's internal financial controls in terms of Companies Act, 2013.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Statutory Auditors Report and Secretarial Auditors Report for the year 2016-17 does not contain any qualification.

Corporate Governance

A separate report profiling Corporate Governance as required under applicable regulations of the SEBI (LODR) Regulations 2015 and a certificate from M/s Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Bank, are annexed to this Report.

Extracts of Annual Return

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014 the extracts of the Annual Return as at March 31, 2017 in form no. MGT-9 is attached to this report as Annexure-D.

Business Responsibility Report

As stipulated in Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Bank from environmental, social and governance perspective is attached as part of the Annual Report as Annexure-E.

Dividend Distribution Policy

In accordance with the Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has formulated a Dividend Distribution Policy and the same is attached as Annexure F. The Policy is hosted on the website of the Bank and can be viewed (<https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=2672&linkId=2672>)

Subsidiary Companies

The Bank did not have any Subsidiary/Joint Ventures/Associate Company during the previous financial year. The Board of Directors has formulated a policy for determining 'material' subsidiaries pursuant to the provisions of the Listing Regulations. The same is displayed on the website of the Bank (<https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=781&linkId=781>).

DIRECTORS' REPORT

Related Party Transactions

The Board of Directors has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. The same is displayed on the website of the Bank (<https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=782&linkId=782>). Since there were no Related Party transactions, Form AOC-2 is not applicable to the Bank.

Material Changes and Commitment Affecting Financial Position of the Bank

There are no material changes and commitments, affecting the financial position of the Bank which has occurred between the end of the financial year of the Bank i.e. March 31, 2017 and the date of the Directors' report i.e. May 26, 2017.

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Bank's operations in future.

Strictures and Penalties

During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market.

Management Discussion and Analysis Report

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

Particulars of Loans, Guarantees or Investments

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of Banking Regulation Act, 1949.

Directors' Responsibility statement

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, with respect to the Director's Responsibility Statement, it is hereby confirmed that:

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had 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 Bank at the end of the financial year 2016-17 and of the profit of the Bank for that period;

- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts for the financial year ended on March 31, 2017, on a going concern basis;
- (e) the directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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 Deloitte Haskins & Sells, 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

(SALIM GANGADHARAN)
 CHAIRMAN
 DIN : 06796232

(V. G. MATHEW)
 MANAGING DIRECTOR & CEO
 DIN : 05332797

Place : Nedumbassery
 Date : May 26, 2017

DIRECTORS' REPORT

Annexure to Directors Report for the year ended March 31, 2017

Annexure A

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		Tranche 7	
	Options	Exercise price (₹)	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	0	12.93	0	24.98	316600	24.12	12600	12.93	603950	21.65	20406595	18.72	2143000	21.65
Options granted during the year	0	12.93	0	24.98	0	24.12	0	12.93	0	21.65	0	18.72	0	21.65
Options exercised during the year	0	12.93	0	24.98	0	24.12	0	12.93	3900	21.65	1814966	18.72	0	21.65
Options vested during the year	0	12.93	0	24.98	0	24.12	7200	12.93	326000	21.65	6108040	18.72	599400	21.65
Forfeited/lapsed during the year	0	12.93	0	24.98	315800	24.12	5400	12.93	274150	21.65	4807696	18.72	80000	21.65
Options outstanding at the end of the year	0	12.93	0	24.98	800	24.12	7200	12.93	325900	21.65	13783933	18.72	2063000	21.65
Total Number of Options in force as on March 31, 2017	16180833													

Other details are as under:

Money realised by exercise of options	₹29,72,25,576.85																												
Pricing Formula: a) for Tranche 1, Tranche 2, Tranche 3, Tranche 5, Tranche 6 & Tranche 7 b) Tranche 4	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) 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 KMPs & Senior managerial personnel	<table> <tr> <th>Name</th><th>Options Granted</th></tr> <tr> <td>Mr. Cheryan Varkey</td><td>97000 *</td></tr> <tr> <td>Mr. Mathew V. G. (MD & CEO)</td><td>100000</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. Raphael T. J.</td><td>72500</td></tr> <tr> <td>Mr. Benoy Varghese</td><td>72500</td></tr> <tr> <td>Mr. Paul V. L.</td><td>56500</td></tr> <tr> <td>Mr. Anto George T.</td><td>41500</td></tr> <tr> <td>Mr. Bobby James</td><td>62500</td></tr> <tr> <td>Mr. Gireesh C. P.</td><td>44500</td></tr> <tr> <td>Mr. Jacob E. A.</td><td>56500</td></tr> <tr> <td>Mr. Sibi P. M.</td><td>30000</td></tr> <tr> <td>Mr. Jimmy Mathew</td><td>13500</td></tr> </table> <p>*Granted while he was an employee of the Bank.</p>	Name	Options Granted	Mr. Cheryan Varkey	97000 *	Mr. Mathew V. G. (MD & CEO)	100000	Mr. Thomas Joseph K.	78500	Mr. John Thomas	78500	Mr. Raphael T. J.	72500	Mr. Benoy Varghese	72500	Mr. Paul V. L.	56500	Mr. Anto George T.	41500	Mr. Bobby James	62500	Mr. Gireesh C. P.	44500	Mr. Jacob E. A.	56500	Mr. Sibi P. M.	30000	Mr. Jimmy Mathew	13500
Name	Options Granted																												
Mr. Cheryan Varkey	97000 *																												
Mr. Mathew V. G. (MD & CEO)	100000																												
Mr. Thomas Joseph K.	78500																												
Mr. John Thomas	78500																												
Mr. Raphael T. J.	72500																												
Mr. Benoy Varghese	72500																												
Mr. Paul V. L.	56500																												
Mr. Anto George T.	41500																												
Mr. Bobby James	62500																												
Mr. Gireesh C. P.	44500																												
Mr. Jacob E. A.	56500																												
Mr. Sibi P. M.	30000																												
Mr. Jimmy Mathew	13500																												
Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None																												
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																												

DIRECTORS' REPORT

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'	2.61
Weighted-average exercise prices of Options whose: <ul style="list-style-type: none"> • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price 	<p style="text-align: center;">Nil Nil</p> <p style="text-align: center;">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, Tranche 6 – 18.72 and Tranche 7 – 21.65</p>
Weighted-average fair value of Options whose: <ul style="list-style-type: none"> • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price 	<p style="text-align: center;">Nil Nil</p> <p style="text-align: center;">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, Tranche 6 – 23.49 and Tranche 7 – 27.56</p>

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	31.03.2017
Net Profit as reported (₹ in crore)	392.50
Proforma Net profit based on fair value approach (₹ in crore)	391.35
Basic EPS as reported (₹)	2.61
Basic EPS (Proforma) (₹)	2.61
Diluted EPS as reported (₹)	2.61
Diluted EPS (Proforma) (₹)	2.61

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 March 31, 2017							Year ended March 31, 2016						
	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Exercise Price per share (₹)	12.93	24.98	24.12	12.93	21.65	18.72	21.65	12.93	24.98	24.12	12.93	21.65	18.72	21.65
Weighted Average Share Price per share (₹)	8.57	17.03	22.57	23.10	24.26	23.49	27.56	8.57	17.03	22.57	23.10	24.26	23.49	27.56
Expected Volatility (%)	28.26	28.26	28.26	28.26	28.26	29.95	34.59	28.26	28.26	28.26	28.26	28.26	29.95	34.59
Historical Volatility (%)	43.50	31.33	29.23	31.32	28.94	32.19	34.83	43.50	31.33	29.23	31.32	28.94	32.19	34.83
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	3.10 to 5.10	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	3.10 to 5.10
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	8.15 to 8.19	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	8.15 to 8.19
Expected Dividend Yield (%)	8.17	4.11	3.10	3.03	2.89	3.41	2.90	8.17	4.11	3.10	3.03	2.89	3.41	2.90
The Price of underlying share in market at the time of grant of option (₹)	14.37	27.75	26.80	23.50	24.05	20.80	24.05	14.37	27.75	26.80	23.50	24.05	20.80	24.05

(SALIM GANGADHARAN)

CHAIRMAN

DIN : 06796232

Place : Nedumbassery

Date : May 26, 2017

(V. G. MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

DIRECTORS' REPORT

PARTICULARS PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013

Annexure B

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Clause No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration ¹ of the employees for the financial year	Chairman Mr. Amitabha Guha* 0.85x Mr. Salim Gangadharan** 1.49x MD & CEO Mr. V.G. Mathew 8.09x For this purpose, sitting fees paid to the Directors (except Sitting fee paid to Chairman as approved by RBI) have not been considered as remuneration.
II	The percentage increase in remuneration of each director, CFO, CEO, CS in the financial year	Chairman Mr. Amitabha Guha ² 0% Mr. Salim Gangadharan N.A. Mr. V. G. Mathew (MD & CEO) 29.15% Mr. C. P. Gireesh (CFO) 0% Mr. Jimmy Mathew (Company Secretary) 7.06%
III	The percentage increase in the median remuneration of employees in the financial year	NIL
IV	The number of permanent employees on the rolls of the Bank	There were 7,677 employees as on March 31, 2017
VIII	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	The average percentage increase made in the median salaries of employees other than the managerial personnel – 1.80% Increase in the median remuneration of managerial personnel was - Nil
XII	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed

Notes:

'x' denotes the median remuneration of the employees in the financial year.

* Amitabha Guha's remuneration considered from April 1, 2016 to November 01, 2016.

** Salim Gangadharan's remuneration considered from November 2, 2016 to March 31, 2017.

- The median salary of the staff members is arrived by taking 12 months' actual salary paid during the FY 2016-17.
- For calculation of the percentage increase in remuneration of Part-time Chairman in the financial year 2016-17, the remuneration of paid to Sri Amitabha Guha in the previous year 2015-16 for the same period is considered.
- Remuneration of Chairman and MD & CEO is regulated by RBI guidelines.

(SALIM GANGADHARAN)
 CHAIRMAN
 DIN : 06796232

(V. G. MATHEW)
 MANAGING DIRECTOR & CEO
 DIN : 05332797

Place : Nedumbassery
 Date : May 26, 2017

DIRECTORS' REPORT

Form No. MR-3

Annexure C

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

THE SOUTH INDIAN BANK LIMITED

S I B House, Mission Quarters

T B Road

Thrissur – 680 001

We, SVJS & Associates, Company Secretaries, have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **The South Indian Bank Limited [CIN: L65191KL1929PLC001017]** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of **The South Indian Bank Limited's** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31.03.2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **The South Indian Bank Limited** ("the Company") for the financial year ended on 31.03.2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder to the extent applicable;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, to the extent applicable.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt. Securities) Regulations, 2008.
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.
 - (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (vi) As informed to us, the following other laws are specifically applicable to the Company.
 - 1. The Banking Regulation Act, 1949 and Banking Regulation (Companies) Rules, 1949.
 - 2. Reserve Bank of India Act, 1934.
 - 3. Banking Ombudsman Scheme 2006.
 - 4. The Bankers' Books Evidence Act, 1891.
 - 5. The Banking Companies (Period of Preservation of Records) Rules, 1985.
 - 6. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and The Security Interest (Enforcement) Rules, 2002.
 - 7. The Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.
 - 8. The Industrial Disputes (Banking and Insurance Companies) Act, 1949.
 - 9. The Deposit Insurance and Credit Guarantee Corporation Act, 1961 and The Deposit Insurance and

DIRECTORS' REPORT

Credit Guarantee Corporation General Regulations, 1961.

10. The Recovery of Debts Due to Banks and Financial Institutions Act, 1993.

11. Credit Information Companies (Regulation) Act, 2005.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under

review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions of the board were unanimous and the same was captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instances of public issue of securities or preferential issue of shares/debentures/sweat equity, redemption or buy back of securities, major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013, Merger/amalgamation/reconstruction, or Foreign technical collaborations.

During the period, the following issues have taken place:

Sl. No.	Method of Issue	Mode of Approval	Date of Approval	Number of shares issued/Amount
1.	Private Placement	Shareholders' approval by way of special resolution in the Annual General Meeting	08.07.2016	Shareholders' approval obtained for borrowing/raising of funds by issue of debt securities including but not limited to non-convertible debentures, bonds, on a private placement basis for an amount not exceeding ₹500 Crore, within the overall borrowing limits.
2.	Rights Issue	Board Approval	21.12.2016	Equity shares of face value ₹1/- at an issue price of ₹14/- including premium at a rights entitlement ratio fixed at 1:3. (Actual Allotment: 450,708,052 equity shares at a price of ₹14 per equity share including a premium of ₹13 at a rights entitlement ratio fixed at 1:3 on 27.03.2017).

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

For SVJS & Associates
Company Secretaries

Sd/-
CS. Sivakumar P.
Managing Partner
CP No.: 2210, FCS: 3050

Kochi
15.05.2017

DIRECTORS' REPORT**ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE**

To,

The Members,
THE SOUTH INDIAN BANK LIMITED
S I B House, Mission Quarters
T B Road
Thrissur – 680 001

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of the Secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March, 2017 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SVJS & Associates
Company Secretaries

Sd/-
CS. Sivakumar P.
Managing Partner
CP No.: 2210, FCS:3050

Kochi
15.05.2017

DIRECTORS' REPORT

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March, 2017

Annexure D

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- | | |
|---|--|
| (i) CIN | : L65191KL1929PLC001017 |
| (ii) Registration Date | : 25-01-1929 |
| (iii) Name of the Company | : The South Indian Bank Limited |
| (iv) Category/Sub-Category of the Company | : Public Company |
| (v) Address of the Registered Office and contact details | : The South Indian Bank Ltd.
SIB House, T.B. Road
Mission Quarters
Thrissur – 680 001 Kerala, India |
| (vi) Whether Listed Company | : Yes |
| (vii) Name, Address and Contact Details of Registrar and Transfer Agent, if any | : 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 |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sl.No.	Name and Description of main products / services	NIC Code of the Product/Service	% to total turnover of the Company
1	Banking Services	64191	100%
2			
3			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of Shares Held	Applicable Section
1	NIL				
2					

IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.		0							0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other....	0	0	0	0	0	0	0	0	0
Sub-total (A) (1):	0	0	0	0	0	0	0	0	0

DIRECTORS' REPORT

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other - Individuals		0							0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI		0							0
e) Any Other....	0	0	0	0	0	0	0	0	0
Sub-total (A) (2):	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	0	0	0	0	0	0	0	0	0
B. Public Shareholding									0
1. Institutions									0
a) Mutual Funds	73726673	0	73726673	5.46	114095517	0	114095517	6.33	0.87
b) Banks / FI	34865612	0	34865612	2.58	30698509	0	30698509	1.70	-0.88
c) Central Govt.	0		0	0	0		0	0	0.00
d) State Govt.(s)	0		0	0	0		0	0	0.00
e) Venture Capital Funds	0		0	0	0		0	0	0.00
f) Insurance Companies	67849084	0	67849084	5.02	90465445	0	90465445	5.02	-0.01
g) FIs	75581234		75581234	5.60	13685200		13685200	0.76	-4.84
h) Foreign Venture Capital Funds	0		0	0	0		0	0	0.00
i) Others (specify)	0		0	0	0		0	0	0.00
Sub-total (B)(1):	252022603	0	252022603	18.66	248944671	0	248944671	13.81	-4.86
2. Non-Institutions						0		0.00	0
a) Bodies Corp.						0		0.00	0
i) Indian	50074634	3165350	53239984	3.94	93589756	3693004	97282760	5.40	1.45
ii) Overseas	0	0	0	0	0	0	0	0	0.00
b) Individuals	0	0	0	0	0	0	0	0	0.00
i) Individual shareholders holding nominal share capital upto ₹1 lakh	306290061	71265864	377555925	27.96	407029017	76258424	483287441	26.81	-1.15
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	102115554	3979550	106095104	7.86	172354097	4529924	176884021	9.81	1.95
c) Others (specify)	0	0	0	0	0	0	0	0	0.00
Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
Trust	892901	0	892901	0.07	976930	0	976930	0.05	-0.01
Clearing member	1390436	0	1390436	0.10	8898999	0	8898999	0.49	0.39
HUF	10593702	0	10593702	0.78	20299412	1916	20301328	1.13	0.34

DIRECTORS' REPORT

Directors & their relatives	1375909	744690	2120599	0.16	1619208	840381	2459589	0.14	-0.02
Escrow Account	0	0	0	0.00	0	0	0	0.00	0.00
Non-Resident Indians	88913202	12448800	101362002	7.51	113466724	12674280	126141004	7.00	-0.51
ESOS	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Nationals	0	0	0	0.00	20000	0	20000	0.00	0.00
Foreign Portfolio Investor (corporate)	445035785	0	445035785	32.96	637639216	0	637639216	35.37	2.41
Sub-total (B)(2):	1006682184	91604254	1098286438	81.34	1455893359	97997929	1553891288	86.19	4.86
Total Public Shareholding (B)=(B)(1)+ (B)(2)	1258704787	91604254	1350309041	100	1704838030	97997929	1802835959	100	0
C. Shares held by Custodian for GD& AD	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	1258704787	91604254	1350309041	100	1704838030	97997929	1802835959	100	0

(ii) Shareholding of Promoters/Promoters Group

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1	NIL							
	Total							

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year (as on April 1, 2015 i.e., on the basis of SHP of March 31, 2016)		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	0	0	0	0
2	Datewise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase	-	-	-	-
3	At the End of the year	0	0	0	0

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No.	Name of Shareholder	Shareholding at the beginning of the year (as on April 1, 2016 i.e., on the basis of SHP of March 31, 2016)		Change in Shareholding (No. of Shares)#		Shareholding at the end of the year	
		No. of Shares	% of total shares of the company	Increase	Decrease	No. of Shares	% of total shares of the company
1	YUSUFFALI MUSALIAM VEETIL ABDUL KADER .	66666808	4.94	22,522,269.00	0	89189077	4.95
2	LAVENDER INVESTMENTS LIMITED	38127000	2.82	50,709,000.00	0	88836000	4.93
3	FIRST CARLYLE VENTURES MAURITIUS	66544763	4.93	22,181,587.00	0	88726350	4.92
4	LIFE INSURANCE CORPORATION OF INDIA	64739424	4.79	21,579,808.00	0	86319232	4.79
5	CX SECURITIES LIMITED	43128583	3.19	6,104,268.00	0	49232851	2.73
6	IVA INTERNATIONAL FUND	29719091	2.20	17,422,139.00	0	47141230	2.61
7	DEUTSCHE SECURITIES MAURITIUS LIMITED	34609189	2.56	11,474,061.00	0	46083250	2.56

DIRECTORS' REPORT

8	GKFF VENTURES	40881521	3.03	0	3283508	37598013	2.09
9	ACACIA BANYAN PARTNERS	8743900	0.65	22,466,367.00	0	31210267	1.73
10	DB INTERNATIONAL (ASIA) LTD	20437562	1.51	6,812,976.00	0	27250538	1.51
11	KOTAK MAHINDRA (INTERNATIONAL) LIMITED#	28500000	2.11	0	28500000	0	0
12	ACACIA PARTNERS, LP	20700000	1.53	0	20700000	0	0

Note: Top Ten shareholders of the Bank as on March 31, 2017 has been considered for the above disclosure.

#The shares of the Bank are substantially held in dematerialized form, and are traded on a daily basis and hence the date wise increase/decrease in shareholding is not indicated.

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name of Director and KMP	Shareholding at the beginning of the year		Change in Shareholding (No. of Shareholding)		Shareholding at the end of the year	
		No. of Shares	% of total Shares of the Bank	Increase	Decrease	No. of Shares	% of total Shares of the Bank
	Directors						
1	Amitabha Guha#	15000	0.00	0	15000	0	0
2	Salim Gangadharan	10000	0.00	6510	0	16510	0.00
3	V G Mathew	0	-	0	0	0	-
4	Mohan E. Alapatt	75000	0.01	25000	0	100000	0.01
5	K Thomas Jacob	56301	0.00	34145	0	90446	0.01
6	Dr. John Joseph Alapatt	219720	0.02	79905	0	299625	0.02
7	Francis Alapatt	165000	0.01	55000	0	220000	0.01
8	Cheryan Varkey	53130	0.00	61822	0	114952	0.01
9	Ranjana Shivanand Salgaocar	57000	0.00	26666	0	83666	0.00
10	Parayil George John Tharakan	0	0.00	21874	0	21874	0.00
11	Achal Kumar Gupta(on January 11, 2017) ##	0	0.00	-	-	0	0.00
	KMPs other than MD & CEO						
1	C.P Gireesh (Chief Financial Officer)	24100	0.00	15688	0	39788	0.00
2	Jimmy Mathew (Company Secretary)	0	-	0	0	0	

#Sri. Amitabha Guha ceased to be a Director of the Bank w.e.f. November 1, 2016.

Sri. Achal Kumar Gupta was appointed as Additional Director w.e.f. January 11, 2017.

V. INDEBTEDNESS

Indebtedness of the Bank including interest outstanding/accrued but not due for payment (₹ in crore)

Particulars	Secured Loan excluding deposit	Unsecured loans	Deposit	Total Indebtedness
Indebtedness at the beginning of the financial Year				
i) Principal Amount	300	2315	-	2,615
ii) Interest due but not paid				
iii) Interest accrued but not due		12	-	12
TOTAL (i+ii+iii)	300	2,327	-	2,627
Change in Indebtedness during the financial year				
Addition	187804	23298		211102
Reduction	187172	24622		211794
Net Change	632	(1324)	-	(692)
Indebtedness at the end of the financial year				
i) Principal Amount	932	1026	-	1958
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	7	-	7
Total (i+ii+iii)	932	1033	-	1965

DIRECTORS' REPORT

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			
		V. G. Mathew (MD & CEO)*	WTD	Manager	Total Amount
1	Gross salary	10766600	0	0	10766600
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	10514600	0	0	10514600
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	252000	0	0	252000
	(c) Profits in lieu of salary under Section 17(3) of Income-tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
	Granted during the year	0	0	0	0
	Exercised during the year	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as % of profit	0	0	0	0
	- others, specify...	0	0	0	0
5	Others, please specify	0	0	0	0
	Total (A) (Total Remuneration does not include the number of Stock Options)	10766600	0	0	10766600
	Ceiling as per the Act #				'Refer Note'

Note: In terms of the provisions of the Companies Act, 2013, the remuneration payable to MD & CEO shall not exceed 5% of the net profit of the Bank. The remuneration paid to MD & CEO is well within the limit.

* Subject to the approval of RBI.

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount
		Sri Mohan E Alappat	Sri Thomas Jacob	Dr. John Joseph	Sri Francis Alapatt	Smt. Ranjana Salgaocar	Sri Parayil John Tharakan	Sri Achal Kumar Gupta	
1	Independent Directors								
	- Fee for attending board / committee meetings	11,90,000	16,15,000	15,65,000	9,40,000	8,15,000	8,90,000	3,20,000	
	- Commission	0	0	0	0	0	0	0	
	- Others, please specify	0	0	0	0	0	0	0	
	Total (1)	11,90,000	16,15,000	15,65,000	9,40,000	8,15,000	8,90,000	3,20,000	73,35,000
2	Other Non-Executive Directors	Sri Amitabha Guha	Sri Salim Gangadharan 15,75,000	Sri Cheryan Varkey					
	- Fee for attending board / committee meetings	7,75,000	17,40,000	13,65,000					
	- Commission	-	0	-					

DIRECTORS' REPORT

- Others, (Honorarium fixed by the Board and approved by shareholders and RBI)	3,51,666.67	2,48,333.33	-					
Total (2)	11,26,666.67	19,88,333.33	13,65,000		-	-	-	44,80,000
Total (B)=(1+2)								1,18,15,000
Total Managerial Remuneration								
Overall Ceiling as per the Act #								'Refer Note'

Note: In terms of the provisions of the Companies Act, 2013, the remuneration payable to directors other than executive directors shall not exceed 1% of the net profit of the Bank. The remuneration payable to the Directors is well within the said limit.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		CFO	Company Secretary	Total Amount
1	Gross salary	19,43,831.48	16,03,792.19	35,47,623.67
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	19,43,831.48	16,03,792.19	35,47,623.67
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) of Income-tax Act, 1961	-	-	-
2	Stock Option			
	Granted during the year	-	-	-
	Exercised during the year	15,688	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify...			
5	Others, please specify			
	Total (A) (Total Remuneration does not include the number of Stock Options)	19,43,831.48	16,03,792.19	35,47,623.67

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. Company	Nil		Nil		
Penalty					
Punishment					
Compounding					
B. Directors	Nil		Nil		
Penalty					
Punishment					
Compounding					
C. Other Officers in default	Nil		Nil		
Penalty					
Punishment					
Compounding					

(SALIM GANGADHARAN)
CHAIRMAN
DIN : 06796232
Place : Nedumbassery
Date : May 26, 2017

(V. G. MATHEW)
MANAGING DIRECTOR & CEO
DIN : 05332797

DIRECTORS' REPORT

BUSINESS RESPONSIBILITY REPORT

Annexure E

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1.	Corporate Identity Number (CIN) of the Company	L65191KL1929PLC001017
2.	Name of the Company	The South Indian Bank Limited
3.	Registered address	SIB House, TB Road, Mission Quarters, Thrissur – 680 001, Kerala, India.
4.	Website:	www.Southindianbank.com
5.	E-mail id:	sibcorporate@sib.co.in
6.	Financial Year reported:	2016-2017
7.	Sector(s) that the Company is engaged in (industrial activity code-wise):	Banking Services NIC Code of the Service 64191
8.	List three key products/services that the Company manufactures/provides:	South Indian Bank is a publicly held banking company engaged in providing a wide range of banking and financial services including retail banking, corporate banking and treasury operations.
9.	Total number of locations where business activity is undertaken by the Company	
	Number of International Locations :	Nil
	Number of National Locations :	As on March 31st 2017, The Bank had a network of 850 Branches, 50 Extension Counters and 1320 ATMs spanning in 27 states and 3 union territories.
10.	Markets served by the Company Local/State/National/ International	National

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid up Capital (INR):	₹180.28 crore
2.	Total Turnover (INR):	₹6562.65 crore Total turnover represents the sum of "Interest earned" (Schedule 13 of the financial statements) and "Other income" (Schedule 14 of the financial statements).
3.	Total profit after taxes (INR):	₹392.50 crore
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1.03%
5.	List of activities in which expenditure in 4 above has been incurred:	1. Financial Literacy 2. Making available safe drinking water 3. Promoting health care, including preventive health care and sanitation 4. Promoting Education, including special education and employment enhancing vocation skills 5. Protection of National heritage, art and culture 6. Rural Development Project 7. Setting up old age homes 8. Swach Bharat Kosh 9. Training to promote nationally recognized sports

SECTION C: OTHER DETAILS

1.	Does the Company have any Subsidiary Company/Companies?	NO
2.	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	NA
3.	Do any other entity/entities (e.g., suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	NA

DIRECTORS' REPORT

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a)	Details of the Director/Directors responsible for implementation of the BR policy/policies	
	DIN Number	05332797
	Name	Mr. V. G. Mathew
	Designation	Managing Director & CEO
b)	Details of the BR head	
	DIN Number (if applicable)	-
	Name	Mr. Thomas Joseph K
	Designation	Executive Vice President (Operations)
	Telephone number	+91-487-2420020
	E-mail id	evp.op@sib.co.in

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

NVGs on social, environmental and economic responsibilities of business prescribed by the Ministry of Corporate Affairs advocates the nine principles (detailed below) as P1-P9 to be followed:

- P1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- P2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- P3 - Businesses should promote the well being of all employees.
- P4 - Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
- P5 - Businesses should respect and promote human rights.
- P6 - Business should respect, protect, and make efforts to restore the environment.
- P7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- P8 - Businesses should support inclusive growth and equitable development.
- P9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner.

The principle-wise responses are mentioned below:

No.	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	N	N	Y	Y
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	-	-	Y	Y
3.	Does the policy conform to any national/international standards? If yes, specify. (50 words)	Y	Y	Y	Y	Y	-	-	Y	Y

4.	Has the policy been approved by the Board?*	Y	Y	Y	Y	Y	-	-	Y	Y
	If yes, has it been signed by MD/ Owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	-	-	Y	Y
5.	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy	Y	Y	Y	Y	Y	-	-	Y	Y
6.	Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	-	-	Y	Y
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	-	-	Y	Y
8.	Does the company have in-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	-	-	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	-	-	Y	Y
10.	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	-	-	Y	Y

DIRECTORS' REPORT

2a. If answer to S.No. 1 against any principle, is 'No', the reasons for the same have also been mentioned therein.

P1 Sr. No. 3 - The Bank is committed to acting professionally, fairly and with integrity in all its dealings. The Bank, has adopted a Code of Conduct for its Board and Senior Managerial Personnel and adhere to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationship. The code of conduct conforms to the Corporate Governance requirements prescribes under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The Bank has put in place Whistle Blower Policy which sets forth obligations on part of every employee for prevention, detection and reporting of any act of bribery or corruption. The HRM policy of the Bank mandates not to accept any gifts by the officers or permit any family member or any other person acting on his behalf. The Whistle Blower Policy broadly conforms to the standards set by the Protected Disclosure Scheme of Reserve Bank of India. The Whistle Blower Policy also confirms to the requirements as stipulated by the Companies Act, 2013 and its rules. Sr. No. 6 - Code of Conduct for its Board and Senior Managerial Personnel is available on the weblink <https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215&LinkIdLvl3=250&linkId=250>. The other policies are internal documents and accessible only to employees of the organization.

P2 The Bank complies with regulations governing its products and services and has taken initiatives to promote inclusive growth and environmental sustainability. Sr. No. 3 - The Bank offers wide range of banking products and services to cater needs of different segments of customers through an nationwide Branch and ATM network, mobile, phone, internet and doorstep banking. The products include personal loans, home loans, loans for asset purchases/loans for business purpose and a wide range of savings/business deposit products. Bank also promotes conservation of environment by reducing usage of paper by promoting green pin for debit cards and digitalising documents. The list of Products and services offered by the Bank are available at <https://www.southindianbank.com/Default.aspx>

P3 Sr. No. 3 - In line with the general laws and regulations and sound ethical practices followed nationally, the Bank has adopted a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Bank is an equal opportunity employer and treats all employees at par. In order to ensure well being of the employees the Bank has South Indian Bank Employees Association and South Indian Bank Officers Association recognized by the Management. The Whistle Blower Policy broadly conforms to the standards set by the Protected Disclosure Scheme of Reserve Bank of India and provide an option to the employees to report any malpractices.

Sr. No. 6 - These policies can be viewed online at <https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215&LinkIdLvl3=789&linkId=789>

P4 . Sr. No. 3 - As per the extant directions of Reserve Bank of India on Financial Inclusion, lending to weaker section and priority sector lending etc., the Bank is identifying its disadvantaged, vulnerable and marginalised stakeholders. Bank's CSR Cell initiates number of programmes aiming at the improved living condition of the under-privileged and marginalised sections of the society. Sr. No. 6 - Bank has charted out elaborate action plans for the effective economic development of disadvantaged, vulnerable and marginalised stakeholders. For details please refer "CSR Report" section of the Annual Report. The Bank has a Corporate Social Responsibility Policy which can be viewed on the weblink <https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215&LinkIdLvl3=778&linkId=778>.

P5 Sr. No. 3 - The Code of Conduct which has been adopted by the Bank addresses the requirements of this principle. The Code emphasizes fair employment practices and diversity, fair competition, prohibition of harassment and intimidation and safety at the workplace. The Bank follows the Code of Commitment based on the standards issued by the Banking Codes and Standards Board of India which covers aspects like good and fair banking practices, transparency in services and products, high operating standards and cordial relationship with customers. The Bank is an equal opportunity employer and believes in providing a safe workplace and an enabling work environment to its employees. Sr. No. 6 - The Code of Conduct and Code of Commitment is available on the website of the Bank at <https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215&Link&linkId=422>.

P6 The aspects outlined under this principle are not substantially relevant to the Bank given the nature of business. The Bank complies with applicable environmental regulations in respect of its premises and operations.

P7 While there is no specific policy outlined for this principle, the Bank, through associations and other bodies had put forward a number of suggestions with respect to overall Indian economy and specifically about reforms in banking sector. The Bank, directly, through its CSR cell involved in promoting education, conservation of natural resources, training to promote sports, setting up old age homes, protection of art and culture, preventing health care etc.

P8 Sr. No. 3 - The Bank formulates a three-year Financial Inclusion Plan (FIP). The plan is approved by the Board of the Bank. The Bank has also disaggregated its Board approved FIP targets for FY 2016 - FY 2019 to its controlling offices across various states. Sr. No. 6 - South Indian Bank, had charted out elaborate action plans for the effective economic development and upliftment of the rural poor in the village. Programmes/

DIRECTORS' REPORT

projects are undertaken through in house teams. The Bank has a Corporate Social Responsibility Policy which can be viewed on the weblink <https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=778&linkId=778>

P9 Sr. No. 3 - The Bank has a Customer Grievance Redressal Policy and a Customer Compensation Policy which conform to the guidelines issued by Reserve Bank of India. Further, In compliance with RBI compliance Bank adopted Citizen charter for customers which explains our commitments and responsibilities along with the redressal methods and also specifies the obligation on part of customers for healthy practices in customer-banker relationships. Sr. No. 6 - This policy can be viewed online at <https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=443&linkId=443>

3. Governance related to Business Responsibility (BR)

Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the Business Responsibility performance of the Company. Within 3 months, 3 – 6 months, annually, more than 1 year.

Annually

Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

The Bank publishes the BR Report annually. The hyperlink for viewing the report is <http://www.southindianbank.com/investorsdesk/annualreport>

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1

1. *Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?*

The Bank is committed to acting professionally, fairly and with integrity in all its dealings. The Bank, has adopted a Code of Conduct for its Board and Senior Managerial Personnel and adhere to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationship. The Bank has put in place Whistle Blower Policy which sets forth obligations on part of every employee for prevention, detection and reporting of any act of bribery or corruption. The HRM policy of the Bank mandates not to accept any gifts by the officers or permit any family member or any other person acting on his behalf.

2. *How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?*

The number of complaints received from shareholders in FY 2016-17 was 274 and out of which 273 complaints have been resolved (99.6%).

With respect to employees, the Bank has a mechanism as provided under the Whistle Blower Policy whereby employees can raise their concerns. A report on the concerns received and the manner in which they are dealt with is periodically reported to the Audit Committee.

Principle 2

1. *List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities:*

The Bank offers wide range of banking products and services to cater needs of different segments of customers through an nationwide Branch and ATM network, mobile, phone, internet and doorstep banking. The products include personal loans, home loans, loans for asset purchases/loans for business purpose and a wide range of savings/business deposit products. The Bank also provides a selection of cards and technology products for convenient usage and to facilitate the distinct needs of customers. Bank also promotes conservation of environment by reducing usage of paper by promoting green pin for debit cards and digitalising documents.

2. *For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):*

Considering the nature of the business and other initiatives, the below details are not applicable to us

- i. *Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?*
NA
- ii. *Reduction during usage by consumers (energy, water) has been achieved since the previous year?*
NA
3. *Does the company have procedures in place for sustainable sourcing (including transportation)?*
NA
4. *Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work?*
If yes, what steps have been taken to improve their capacity and capability of local and small vendors?
NA

DIRECTORS' REPORT

5. *Does the company have a mechanism to recycle products and waste?*

If yes what is the percentage of recycling of products and waste (separately as <5%, 5 – 10%, >10%). Also, provide details thereof, in about 50 words or so.

NA

Principle 3

1. *Please indicate the total number of employees:*

The Bank had 7,677 employees as on March 31, 2017.

2. *Please indicate the total number of employees hired on temporary/contractual/casual basis:*

The Bank had 978 employees as on March 31, 2017 on fixed term contract.

3. *Please indicate the number of permanent women employees:*

The Bank had 2,917 women employees as on March 31, 2017, which constitute 38% of total employees.

Please indicate the number of permanent employees with disabilities:

The Bank does not specifically track the number of disabled employees. The Bank is an equal opportunity employer and treats all employees at par. Based on the income tax declarations which enable claiming income tax deduction for self-disability, the Bank has 11 such employees.

4. *Do you have an employee association that is recognized by management:*

Yes – South Indian Bank Employees Association and South Indian Bank Officers Association.

5. *What percentage of your permanent employees are members of this recognised employee association?*

South Indian Bank Employees Association – 86%

South Indian Bank Officers Association – 94%

6. *Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.*

No complaints relating to child labour, forced labour, involuntary labour, received during the FY 2016 – 17. The Bank does not engage in any form of child labour/forced labour/involuntary labour and does not adopt any discriminatory employment practices. The Bank has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The said policy is in line with relevant Act passed by the Parliament in 2013. We have received 1 complaint during the year 2016 – 17 and the same is redressed. The Bank, through the policy ensures that all such complaints are resolved within defined timelines.

7. *What percentage of your under mentioned employees were given safety and skill upgradation training in the last year?*

- ▶ Permanent employees
- ▶ Permanent women employees
- ▶ Casual/temporary/contractual employees
- ▶ Employees with disabilities

Employee health and safety is of prime importance to the Bank. The Bank conducts robust and periodic trainings like advanced and basic fire safety training and evacuation related training for floor marshals and employees across offices. Periodic fire evacuation drills are conducted at various office locations, to sensitise employees and casual/temporary/contractual labourers about fire safety norms and regulations.

The Bank conducts empowerment training for women employees where they are trained on situation reaction.

The Bank over the years has invested in imparting the requisite knowledge and skills to employees. The Bank has training centres where various training programmes, designed to meet the changing skill requirements of employees are conducted. A total of 4,289 personnel were trained during the FY 16-17, which is about 55.86% of total staff strength of 7,677 as on March 31, 2017.

Principle 4

1. *Has the company mapped its internal and external stakeholders? Yes/No*

Yes

2. *Out of the above, has the company identified the disadvantaged, vulnerable & marginalised stakeholders*

As per the extant directions of Reserve Bank of India on Financial Inclusion, lending to weaker section and priority sector lending etc., the Bank is identifying its disadvantaged, vulnerable and marginalised stakeholders.

3. *Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof, in about 50 words or so.*

Bank's CSR Cell initiates number of programmes aiming at the improved living condition of the under-privileged and marginalised sections of the society. Bank has already adopted Pullu village in Thrissur for overall development and the process of adopting other economically, socially backward villages are in full momentum. Bank has charted out elaborate action plans for the effective economic development of disadvantaged, vulnerable and marginalised stakeholders. For details please refer "CSR report" section of the Annual Report.

Principle 5

1. *Does the policy of the company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/ Contractors/NGOs/Others?*

The Bank also ensures that there is no discrimination in selection of staff, suppliers and vendors.

DIRECTORS' REPORT

2. *How many customer complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?*

The number of complaints outstanding at the beginning of the FY 2016 – 17 is 123. Out of the 15203 net complaints received during the financial year 15016 net complaints have been resolved, which constitute 98.7% of total complaints received during the financial year.

Principle 6

1. *Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?*

The aspects outlined under this principle are not substantially relevant to the Bank given the nature of business. The Bank complies with applicable environmental regulations in respect of its premises and operations.

2. *Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.*

The Bank continues its efforts to make aware its employees on concepts of "Reduce, Reuse and Recycle" to eliminate waste and protect our environment. Given that local branches consume up to 60 percent of a bank's total energy consumption, or more, they are a logical target for cost reductions through the installation of energy-efficient products as well as software and systems that enable precise automation of lighting and environmental control systems. The new branches/offices have been designed so that they are equipped with energy efficient air conditioners, LED lights, motion detector sensors and other energy conservation measures. Additionally paper conservation measures such as promotion of e-statements by customers was an initiative taken by the Bank towards achievement of environmental objectives. We are providing e-statements by e-mail to the customers and also digital statements through our digital platforms like SIB – Mirror, Mirror+ etc. Energy management and control at the branch level can reduce our overall energy costs and carbon footprint.

3. *Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.*

NIL

4. *Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?*

The Bank complies with applicable environmental regulations in respect of its premises and operations.

5. *Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e., not resolved to satisfaction) as on end of Financial Year*

NIL

6. *Does the company identify and assess potential environmental risks? Y/N*

The Bank complies with applicable environmental regulations in respect of its premises and operations. The Bank is aware of the potential environmental risks and participates in initiatives to address the environmental concerns.

7. *Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?*

NIL (it is not applicable as it is not a manufacturing Company, however, the Bank assist to the extent possible the projects that promotes such activities).

Principle 7

1. *Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:*

The Bank is a member of various governing bodies and associations such as the Indian Banks' Association and Confederation of Indian Industry in India, Federation of Indian chambers of Commerce and Industry, Banking Codes and Standards Board of India. Senior management of the Bank are members of various committees constituted by regulators and industry bodies.

2. *Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others)*

The Bank, through associations and other bodies had put forward a number of suggestions with respect to overall Indian economy and specifically about reforms in banking sector. The Bank, directly, through its CSR cell involved in promoting education, conservation of natural resources, training to promote sports, setting up old age homes, protection of art and culture, preventing health care etc.

Principle 8

1. *Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.*

The Bank formulates a three-year Financial Inclusion Plan

DIRECTORS' REPORT

(FIP). The plan is approved by the Board of the Bank. The Bank has also disaggregated its Board approved FIP targets for FY 2016 – FY 2019 to its controlling offices across various states.

The FIP interalia covers the following aspects:

- Quantitative and qualitative plans for delivery of relevant suite of products and services.
- Coverage of Sub Service Areas (SSA) through Business Correspondents (BC).
- Leveraging technology and identity solutions of UIDAI and NPCI.
- Monitoring and review mechanisms for implementation of FIP.
- To take up any other such activities that promotes financial literacy, awareness about banking services, financial planning and amelioration of debt related distress of an individual.

Further our Bank has adopted a village "Pullu" a tranquil village surrounded by vast expanses of paddy fields situated in Chazhoor Panchayat, 15 kilometers away from Thrissur town. The village is part of the Service Area served by our Alappad branch. This is the first instance where in a private sector bank was entrusted with such an important task like Village adoption in Kerala by Reserve Bank of India. Prior to adopting Pullu as Model Village, South Indian Bank, had charted out elaborate action plans for the effective economic development and upliftment of the rural poor in the village.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization?

Programmes/projects are undertaken through in-house teams.

3. Have you done any impact assessment of your initiative?

The Bank through its financial inclusion initiatives for serving the rural, unbanked and below poverty line customers is providing access to banking and financial services to a significant number of customers, providing them access to savings and credit products. The results of these initiatives are reviewed periodically.

4. What is your Company's direct contribution to community development projects – Amount in INR and the details of the projects undertaken?

The Bank has spent ₹4.03 crores on corporate social responsibility related activities during the FY 2016-17. The above expenditure has been undertaken primarily on skill development, promoting healthcare including preventive health care, education, promotion of sports, arts and culture etc.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

The Bank has considerable presence in rural and semi-urban areas and provide banking access to households in these areas. The banking and the financial services being provided by the Bank to the unbanked and below poverty line customers provide an opportunity to the target customers to improve their livelihoods.

Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

Only 2.04% of customer care complaints are pending as on end of the FY 2016 – 17.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)

This aspect is not applicable as the Bank is not a manufacturing company. The Bank complies with disclosure requirements relating to its products and services.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

In the ordinary course of banking business, several customers and borrowers have disputes with the Bank which could result in their filing complaints alleging deficiency of services. The Bank always strives to have a cordial relationship with its customers/borrowers and attempts to have an amicable settlement of the dispute but in some cases needs to pursue legal resolution of the same.

4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

The bank conducts online customer satisfaction survey and the result of the survey is being continuously monitored. Bank also conducts Customer Level Service Committee at every branch on 15th of every month. During these meetings customer feedback, suggestions etc., about various products are directly collected and consolidated. Feasible suggestions for improvements on service/products are implemented and are monitored at various forums including Standing Committee on Customer Service headed by MD&CEO and Customer Service Committee of the Board headed by the chairman of Board of Directors.

(SALIM GANGADHARAN)
CHAIRMAN
DIN : 06796232

(V. G. MATHEW)
MANAGING DIRECTOR & CEO
DIN : 05332797

DIRECTORS' REPORT

DIVIDEND DISTRIBUTION POLICY

Annexure F

1. INTRODUCTION

The South Indian Bank Limited is a public company incorporated under the erstwhile Companies Act, 1913 and licensed as a bank under the Banking Regulation Act, 1949. The Bank has been paying equity share dividends in accordance with the guidelines of Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI), Companies Act, 1956, Companies Act, 2013 and Banking Regulation Act, 1949.

2. LEGAL FRAME WORK

Regulation 43(A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

3. OBJECTIVE

The Bank while proposing dividend on equity share has to ensure the compliance with the RBI guidelines relating to declaration of dividend, capital conservation requirements under guidelines on Basel III norms issued by RBI, provisions of the Banking Regulation Act, 1949, the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, provisions of the Companies Act, 2013 and guidelines provided under the section titled "Dividends" in the Articles of Association (AOA) of the Bank. This policy documents the guidelines on payment of dividends, and sets out the key considerations for arriving at the dividend payment decision. The Board will have the flexibility to determine the level of dividend based on the considerations laid out in the policy and other relevant developments.

4. APPROVAL PROCESS

The Board of Directors of the Bank would take into account the following aspects while deciding on the proposal for dividend:

- a) profitability and key financial metrics;
- b) the interim dividend paid, if any;
- c) qualifications pertaining to the statement of accounts by the Auditor, if any;
- d) whether dividend/coupon payments for non-equity capital instruments (including preference shares) have been made;
- e) the Bank's capital position and requirements as per Internal Capital Adequacy Assessment Process (ICAAP) projections and regulatory norms; and
- f) all other applicable regulatory requirements

The dividend decision would be subject to consideration of any other relevant factors like, State of the domestic and

global economy, capital market conditions and dividend policy of competitors; Tax implications including applicability, rate of dividend distribution tax, Shareholder expectations etc.

The decision regarding dividend shall be taken only by the Board at its Meeting and not by a Committee of the Board or by way of a Resolution passed by circulation.

Final dividend shall be paid only after approval at an Annual General Meeting (AGM) of the Bank. Shareholder approval is not required for payment of interim dividend.

5. UTILISATION OF RETAINED EARNINGS

The Bank would utilise the retained earnings for general corporate purposes, including organic and inorganic growth, investments in subsidiaries and/or appropriations/drawdowns as per the regulatory framework. The Board may decide to employ the retained earnings in ensuring maintenance of an optimal level of capital adequacy, meeting the Bank's future growth/expansion plans, other strategic purposes and/or distribution to shareholders, subject to applicable regulations.

6. VARIOUS CLASSES OF SHARES

At present, the Bank has only one class of equity shareholders. In the absence of any other class of equity shares and/or equity shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

7. CONDITIONS UNDER WHICH THE BOARD MAY OR MAY NOT DECIDE TO RECOMMEND ANY DIVIDEND

The Board of the Bank may vary the level of dividend or not recommend any dividend based on the regulatory eligibility criteria for recommendation of dividend, including any regulatory restriction placed on the Bank on declaration of dividend and capital and reserve position of the Bank. There may also be obligations that the Bank could have undertaken under the terms of perpetual noncumulative preference shares or debt capital instruments pursuant to applicable regulations which might prohibit the Bank from declaring dividend in certain circumstances. The Board, at its sole discretion, may recommend lower or no dividends if it is of the view that there is a need to conserve capital.

8. REVIEW

The dividend distribution policy of the Bank would be reviewed annually or earlier, if there is any changes in the applicable regulations.

DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

Global

It was a challenging year for the global economy. Stagnant global trade, subdued investments and policy uncertainties were the key challenges. Emerging markets and developing economies (EMDEs), on the other hand, witnessed a steady improvement and are expected to pick-up growth in 2017. This indicates a positive change in favour of commodity exporters and domestic demand of commodity importers. However, the weak investment scenario and low productivity have been weighing down medium-term prospects for growth across many EMDEs. On the positive side, fiscal stimulus and other growth-enhancing policies in key economies - specially the US - can pose a stronger-than-expected activity. The global growth, estimated at 3.1 percent in 2016, is projected to increase to 3.5 percent in 2017 and further to 3.6 percent in 2018.

EMDE regions with substantial number of commodity-importing economies - East Asia and the Pacific and South Asia - are expected to experience good growth. With bottoming out in Brazil and Russia, growth in Latin America, the Caribbean, Europe and Central Asia is expected to accelerate in 2017. The regions of the Middle East and North Africa are expected to pick up a modest growth rate owing to oil prices recovery. Sub-Saharan African region was also expected to show some rebound. However, the improvement has been weaker than anticipated. This could be attributed to difficulty faced by commodity exporters in adjusting to the low prices.

The global trade growth was exceptionally weak in 2016 at around 2%; recent data suggest some improvement (particularly in Asia). However, this year, the trade growth is likely to remain below pre-crisis rates. This partly reflects a slowdown or reversal of the global value chains expansion. Equity prices for large internationally-exposed firms have under-performed as compared to smaller and domestically-focused firms in many countries. Higher energy prices are resulting in headline inflation in most rising countries. This was following the OPEC agreement in November 2016 to cut oil production. However, underlying inflation in advanced economies is still subdued and will pick up only slowly once the expansion gains traction. Support for a more robust wage growth across the income distribution will also have its effect on the same. Inflation is already easing in a number of emerging market economies. This is owing to the fading effect of past exchange rate depreciations and the monetary policy actions. But again, commodity importers are exposed to rising commodity prices.

Higher commodity prices have provided much relief to the commodity exporters and in lifting the global headline inflation.

The financial markets are buoyant due to expansionary fiscal policies in China and deregulation in USA. Thus, the growth prospects in the near term are positive. However, structural problems, such as low productivity growth and high income equality continue to persist. Inward looking policies in certain domains threaten free trade, movement of human capital, and global integration. Any change in the pace of interest rate hikes in USA would also impact the global economies.

India

Economic status

India is amongst the leading emerging economies globally. It is one of the fastest-growing economies today. The improvement in India's economic fundamentals can be credited to the policy initiative undertaken by the Government. The combined impact of strong Government reforms, the Reserve Bank of India's (RBI) inflation focus, further supported by benign global commodity prices have boosted the growth prospects. The growth in GDP has, however, slowed down to 7.1 percent in 2016-17 due to transitional issues. The slowdown was evident in the last quarter with GDP growth decelerating to 6.10%. Almost all sectors with the exception of agriculture showed deceleration. While the manufacturing sector output in the fourth quarter slowed to 5.30% vs. 12.70% in the same period of last year, the construction sector slipped into a negative territory. Agriculture sector posted a jump in growth as it expanded by 4.90% during 2016-17, compared with a dismal growth of 0.7% in the previous year.

India retained its position as the third largest start-up destination in the world. With over a total of 4,750 technology start-ups, about 1,400 new start-ups were founded in 2016 (NASSCOM Report). The Indian labour force is anticipated to touch 160-170 million by 2020. This projection is based on rate of population growth, increased labour force participation and higher education enrolment, among other factors (source: a study by ASSOCHAM and Thought Arbitrage Research Institute). India's foreign exchange reserves stood at US\$ 366.781 billion as on March 17, 2017 as compared to US\$ 360 billion on March, 2016 (source: RBI).

A Historic Move

November 8, 2016, witnessed the Government taking a historic measure for the betterment of the economy. The two highest denomination notes, ₹500 and ₹1000, were "demonetized" with immediate effect. These notes ceased to be legal tender. The aim of this action was fourfold: curbing corruption; counterfeiting the usage of high denomination notes for malpractices and activities; controlling the accumulation of black money generated by undeclared income. This step has been a radical and unprecedented, with short-term costs and long-term benefits. The liquidity squeeze was found less severe

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than suggested by the headlines. It has been easing since end-December 2016. Few follow-up actions like fast and demand-driven remonetisation, further tax reforms, bringing land and real estate into the GST and reduced tax rates and stamp duties will allow growth to look up in 2017-18.

Goods and Services Tax (GST)

The Government's success in passing key structural reforms is helping boost growth prospects. But here too, effective implementation is the key. The Goods and Services Tax (GST) must ideally replace a myriad of consumption and sales taxes. By reducing tax cascading, the GST will boost competitiveness, investment and economic activity in the medium term. The Government aims to implement the GST from April 2017. This can be seen as an ambitious expectation, given the number of key parameters that are still to be agreed upon, the complex legislative process involved and the required IT infrastructure yet to be developed. However, the projections assume that this objective will be met.

Capital Markets

The Indian capital market recorded a strong growth with Sensex up by 17% for the financial year 2017 as compared to growth of 1.95% in 2015-16. The Indian capital markets is anticipated to continue their positive momentum on expectations of a good monsoon and the impending GST implementation. The US president elections and policy announcements by the RBI also impacted market sentiments. October 2016 witnessed a volatile stock market owing to a number of reasons. Increasing prospects of an interest rate hike by the US Fed in December 2016 and consequent portfolio outflows and mixed corporate results for Q2 together contributed to a volatile market. After the RBI announced a 25 bps cut in the repo rate in October 2016, the market gained modestly. During November 2016, the BSE Sensex plunged by 4.6 percent due to several factors: uncertainty over the impact of demonetisation on economic growth and corporate earnings, portfolio equity outflows triggered by the risk-off market reactions to the US presidential election results. Demonetisation had a greater impact on cash sensitive sectors such as FMCG, consumer durables, auto and realty vis-a-vis the overall Sensex. The downward bias persisted during December 2016 on sustained selling by foreign institutional investors, subdued auto sales data for November 2016, persisting concerns about Q3 earnings and the interest rate increase by the US Fed but with unexpected hawkish guidance.

Industrial Scenario

Banking

Overview

The year ahead looks uncertain for many banks. A host of factors can be put in play for this: With insinuations of Brexit

being unclear for the UK and the European Union (EU) and the election of Donald Trump in the United States have raised questions about the future direction of banking regulation in these regions. A pushback on so-called "Basel IV" regulations is further driving delay in finalizing the rules.

The Banking Stability Indicator (BSI) shows that the risks to the banking sector remained elevated. This was due to continuous deterioration in asset quality, low profitability and liquidity. The business growth of scheduled commercial banks (SCBs) remained subdued with public sector banks (PSBs) continuing to lag behind their private sector peers. System level profit after tax (PAT) contracted on Y-o-Y basis in the first half of 2016-17.

Asset Quality

The asset quality of banks deteriorated further between March and September 2016. PSBs continued to record the lowest capital to risk-weighted assets ratio (CRAR) among the bank groups with negative returns on their assets. The GNPA (gross non-performing advances) ratio of SCBs increased from 7.8 percent in March 2016 to 9.1 percent in September 2016. This helped push the overall stressed advances ratio from 11.5 to 12.3. The large borrowers registered significant deterioration in their asset quality. Asset quality of scheduled urban co-operative banks (SUCBs) deteriorated while that of the non-banking financial companies (NBFCs) worsened.

Monetary Policy

Monetary policy transmission strengthened in the second half of 2016-17. This was aided by the surfeit of liquidity. The share of low cost current account and savings account (CASA) deposits in aggregate deposits with the SCBs went up to 39.2 percent (as on March 17, 2017) – an increase of 4.0 percentage points relative to the pre-demonetisation period. Given the prevailing risk aversion, banks reduced their term deposit rates. During November 2016-March 2017, the median term deposit rate fell by 37 bps. On the other hand, the weighted average domestic term deposit rate (WADTDR) fell by 32 bps during the same period. Combined with sharp increase in CASA deposits, the overall cost of borrowings declined, creating space for banks to cut their marginal cost of funds-based lending rates (MCLR). The one-year median MCLR declined by a cumulative 70 bps since November 2016, even as the policy rate remained unchanged. This is considered significant, given that the decline during the preceding seven months (April-October 2016) – when the repo rate was cut by 50 bps – was only 15 bps. Post-demonetisation (up to March 2017), 27 public sector banks reduced their one-year median MCLR in the range of 50 to 105 bps, while 19 private sector banks did the same in the range of 25 to 148 bps.

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Key Developments

Some key developments in India's banking industry include:

- RBI's grant of in-principle licenses to 10 applicants to open small finance banks. This is expected to help expand access to financial services in rural and semi-urban areas.
- RBI's in-principle approval to 11 applicants to establish payment banks. These banks can accept deposits and remittances but are not allowed to extend any loans.
- RBI's permission to third-party white label automated teller machines (ATM) to accept international cards including international prepaid cards. These said white label ATMs can now tie up with any commercial bank for cash supply.
- RBI's permission to Indian alternative investment funds (AIFs) to invest abroad in order to increase the investment opportunities for these funds.
- RBI's release of Vision 2018 document, aimed at encouraging greater use of electronic payments by all sections of society by bringing down paper-based transactions, increasing the usage of digital channels and boosting the customer base for mobile banking.

Economic and banking outlook

With projected annual growth of 7.5% in 2017-18, India will continue to remain the fastest growing G20 economy. Private consumption is likely to be supported by a hike in public wages and pensions and by higher agricultural production, all of this on the back of a return to normal monsoon. Private investment will revive gradually as excess capacity in some sectors diminishes, infrastructure projects mature, corporates deleverage, banks clean their loan portfolios and the Goods and Service Tax (GST) is implemented.

With the effects of demonetisation turning out to be short-lived and modest, as compared to some doomsday expectations, the outlook for 2017-18 has been brightened considerably by a number of factors:

- 1) **Remonetisation:** With the accelerated pace of remonetisation and discretionary consumer spending held back by demonetisation is expected to have picked up from Q4:2016-17 and will gather momentum over several quarters ahead. The recovery is also likely to be aided by the reduction in banks' lending rates due to large inflows of current and savings accounts (CASA) deposits. Although the fuller transmission impact might be impeded by stressed balance sheets of banks and the tepid demand for bank credit.
- 2) **Union Budget 2017-18:** Various proposals in the Union Budget 2017-18 are expected to stimulate growth: stepping up of capital expenditure; boosting the rural economy and affordable housing; the planned roll-out of the GST; and steps to attract higher foreign direct investment (FDI)

through initiatives like abolishing of the Foreign Investment Promotion Board (FIPB).

- 3) **Global Trade:** Global trade and output are expected to expand at a stronger pace in 2017 and 2018 than in recent years, easing the external demand constraint on domestic growth prospects. However, the recent increase in the global commodity prices, if sustained, could have a negative impact on our net commodity importing domestic economy. Finally, the pace of economic activity would critically hinge upon the outturn of the south-west monsoon, especially in view of the rising probability being assigned to July-August, 2017.
- 4) **Positive Transformation:** The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for a robust growth as the rapidly growing business turn to banks for their credit needs.
- 5) **Technology:** The advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure. All of this is being done to enhance the customers overall experience as well as give banks a competitive edge.

Despite commendable fiscal consolidation efforts at the Central Government level, the combined debt of States and Central Government remains high as compared with other emerging economies. Inflation expectations are adjusting down slowly. Overall, there is little room for accommodative policies, although some monetary impulse is still to come, as recent cuts in policy rates are yet to be reflected fully in lower lending rates. Repairing public sector banks' balance sheets and improving their governance would support the revival in investment. Creating more and better jobs will require policies to improve the ease of doing business further. Especially in faster and more predictable land acquisition and upgrading social and physical infrastructure. Despite the high public deficit compared with other emerging economies, there is room to make public finance more growth-friendly and inclusive. The ongoing landmark GST and subsidy reforms are promising. The Government's plan to cut the corporate income tax rate while broadening the base is also welcome. More revenue could be raised from the personal income tax, and its redistributive impact enhanced, to finance higher spending on health, education, housing, transport and water infrastructure and make growth more inclusive.

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The new Insolvency and Bankruptcy Code should facilitate time-bound resolution of businesses and the reallocation of resources to more productive firms. It must also prevent the build-up of non-performing loans. Implementing the Code and reducing delays will require improving judicial institutions. Recent cuts in administrative requirements for hiring are most welcome. They should be accompanied by efforts to modernize labour laws, including at the State level, to boost quality job creation. Recent efforts to raise power generation capacity, including the focus on renewable energy, seem promising. Adjusting utility prices to ensure they cover costs would make supply more responsive to demand conditions.

Opportunities and threats

Banks can enjoy the growth of Indian economy, increase in income of people, new channels and financial inclusions, among others, for improving its business. The underlying opportunities include:

Positive economic prospects

The growth of the banking industry is closely linked with the overall economic growth. India is one of the emerging world economies and will continue to be so for the few years to come. This will be coupled with the growth in infrastructure, industry, services and agriculture sector. Together, these are expected to boost the economy's corporate credit growth, providing better lending opportunities to banks.

Rising income

The rising income is expected to drive retail credit growth. Indians demonstrate a conservative outlook towards credit. But with higher disposable income and better exposure to products, consumers are gradually showing a positive willingness towards taking credit. This particularly holds true for young customers.

Mobile Banking

Mobile banking is gradually becoming the second largest channel for banking after ATMs. New channels, offering banking services, are expected to drive the banking industry's growth exponentially. This will be possible with an increase in productivity and by acquiring new customers. During the last decade, banking through ATMs and internet has shown an incredible growth. And the good part is, it is still in the growth phase. Mobile banking is the next in the line, expected to give a push to the industry growth in a big way.

Financial Inclusion

Under the Financial Inclusion Program, RBI is trying to tap this untapped market and the growth potential in rural markets. This is being done with the help of volume growth for banks. This can be an opportunity for banks to explore the untapped

market by simply extending services to the unbanked people of the nation.

But again, banks face a lot of challenges. This especially holds true in the areas of technology, customer acquisition and retention, among others. Some of the threats faced by banks include:

New business

Consumers are increasingly making decisions based on the ease of operation and interaction with their financial institutions. Competitive customer experiences are giving rise to new roles and titles within the banking industry. The challenge: a majority of financial service firms are in the process of expanding their projects. This relates to both digital and mobile engagement. The bank must convert these opportunities into business to avoid losing customers.

Bad Loans

Rising bad loans pose a threat and huge risk to Indian banks. The economy slowdown paved way for a rise in bad loans or non-performing assets (NPAs). These loans are not paid back by the borrower. They are, thus, a loss for the bank. Net NPAs amount of the whole industry may not seem like an alarming figure. However, it does not take restructured assets into consideration. When a borrower is unable to pay back, the bank makes the loan more flexible. The same loan can now be paid back over a longer period of time. These restructured assets affect a bank's profitability. Together, such stressed assets account for more than 10% of the total loans in the system. And these are just loans which are identified as stressed assets. 36.9% of the total debt in India is at risk (source: IMF report). Yet, banks have capacity to absorb only 7.9% loss. So, if these debts turn bad too, banks are sure to face major losses.

People

Public-sector banks are seeing more and more employees retiring these days. This effectively means that the younger employees are replacing the elder and more experienced employees. This is happening at junior levels. As a result, a virtual vacuum at the middle and senior level is bound to occur. The absence of middle management can lead to adverse impact on banks' decision-making process. This segment's officers play a critical role in translating the top management's strategy into workable action plans. As a result, banks need to embrace technology to offer better products. This is expected to help make banks more efficient.

Transformation

Midsize and larger banks are making massive investments to transform their businesses into digital service providers. This

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transformative process is impacting not only legacy systems, but also decisions about which firms—including fintech vendors—they invest in, partner with, or purchase. In the short-term, banks that hesitate from taking this leap could get a bump from under-investing in technology and maintaining a strong traditional franchise. However, at some point in the near future, they will not have the wherewithal to effectively and successfully compete in key segments without digital competencies. As it evolves into more of a tech industry, banking will become a scale business in which the largest providers will be able to invest in solutions that will differentiate their client experience. On the flip side, since scale is often the enemy of nimble innovation, partnering with and/or purchasing fintech firms will be an important part of the strategy. In a long term, banks without legacy overhang of branch networks and heavy ties to paper-based processing will be disadvantaged. Because those assets will be increasingly less valued.

Security

Security is the major threat faced by the banking industry these days. The disruptive force of technology has proved to be a double-edged sword. This threat gets severe with the quantum of cyber-attacks intensifying with time in the banking sector. In recent times, cyber criminals have shifted their focus to targeting critical banking infrastructure. Created with the intent to provide security and reliability to banks, the repercussions of successfully breaching SWIFT systems can prove to be hazardous. Unless and until the banks establish a strong security system to protect themselves from all these attacks, the whole banking technology infrastructure will be under risk.

Financial Performance Vs Operational Performance

The total gross business of the Bank grew from ₹97,191.52 crores to ₹1,12,963.18 crore. While the deposits grew from ₹55,720.73 crore to ₹66,117.49 crore, gross advances grew from ₹41,470.79 crore to ₹46,845.69 crore. Food credit decreased from ₹589.93 crore to ₹325.21 crore and non-food credit stood at ₹46,520.48 crore vis-à-vis ₹40,880.86 crore in the last year, posting an increase of ₹5,639.62 crore. Operating profit of the Bank increased by ₹335.31 crore from ₹879.28 crore to ₹1,214.59 crore during the year. The Net Profit increased to ₹392.50 crore as against ₹333.27 crore reported in last year. The Board has recommended a dividend of 40% i.e. @ ₹0.40 per equity share of ₹1/- each, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 2.45% and the Net NPA to Net Advances at 1.45% as on March 31, 2017. The Capital Adequacy Ratio of the Bank was 12.37 under Basel III norms as on March 31, 2017 as against the

RBI mandated level of 10.25. Book value per share decreased marginally from ₹28.45 to ₹26.88 during the year 2016-17, due to issue of shares under discount to book value on rights basis.

The gross revenue from Treasury Operations segment increased from ₹1,205.86 crore to ₹1,539.22 crore; Corporate/Wholesale Banking segment increased from ₹2,836.12 crore to ₹2,849.72 crore; Retail Banking segment increased from ₹1,892.35 crore to ₹1,990.36 crore; and Other Banking Operations segment increased from ₹140.29 crore to ₹183.34 crore.

Segment results net of allocated/apportioned cost and provisions from Treasury segment increased from ₹(83.76) crore to ₹32.23 crore, Retail Banking segment increased from ₹361.25 crore to ₹489.60 crore and Other Banking Operations increased from ₹113.78 crore to ₹150.48 crore whereas segment results net of allocated/apportioned cost and provisions from the Corporate/Wholesale Banking segment decreased from ₹118.39 crore to ₹(72.09) crore.

RISK MANAGEMENT PRACTICES:

It is imperative to have 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 in place a robust risk management structure which proactively identifies the risks faced by the Bank and helps in mitigating the same, while maintaining proper trade-off between risk and return thereby maximizing the shareholder value. The bank has fine-tuned the system of comprehensive risk profiling of the Bank in line with regulatory guidelines that will facilitate integrated risk management through effective assessment of the level and direction of key risks.

The bank has put in place risk management architecture and practices that is overseen by Risk Management Committee of the Board (RMCB). Appropriate policies to manage various types of risks are approved by the Board of Directors after review by Risk Management Committee of the Board (RMCB), which provides strategic guidance while reviewing portfolio behaviour. The senior level executive committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC), Operational Risk Management Committee (ORMC) and Asset Liability Management Committee (ALCO) develop the risk management policies and vet the risk limits to ensure better control. EWIRM solution will facilitate suitable alignment of risk and capital to the overall business strategy.

a) Credit Risk Management:

The bank has a comprehensive credit risk management framework, which deals with identification, assessment,

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measurement and mitigation of credit risk. The framework includes Credit Risk Management Policy, Credit Risk Mitigation Policy, Model Risk & Rating Policy and Model Validation Framework. The Bank has devised two dimensional rating system and retail scoring system in line with RBI's guideline on Internal Rating Based (IRB) approach. Further the Bank's Board has approved the methodology for estimation of risk components namely Probability of default (PD), Loss given Default (LGD) and Exposure at Default (EAD) for its Corporate and Retail exposures. Bank's credit risk management policy defines credit risk as the possibility of losses associated with the diminution in the credit worthiness of the borrower or the counterparty or the failure on the part of the borrower to meet its obligations in accordance with the agreed terms.

The Credit risk of the bank is overseen by RMCB (Risk Management Committee of the Board) at Board level and Credit Risk Management Committee (CRMC) at executive level. Of the strategic measures employed in managing credit risk, risk rating occupies a position of prominence, as it involves the rating of borrowers from a risk perspective for the purpose of credit decision, pricing and supervision. Further it is entrusted with approval of hurdle rating system, launch/modification of new rating models/scorecards, setting of exposure ceilings, monitoring of size and concentration of credit exposures, and timely amendments/review of Credit Risk Management Framework. Credit Risk Management cell, which functions under the guidance executes the directions of CRMC and it ensures that appropriate system level changes (including IT) is implemented to execute these changes.

For the purpose of credit risk rating, the Bank's exposure is broadly classified into retail and non-retail. All corporate loans are rated using dual rating models/specialized lending rating models and retail exposures are scored using different scorecards. The ratings and scoring are performed in proprietary automated platforms, which ensure integrity, objectivity and consistency of ratings. Further, rating/scoring data is captured in source systems of the Bank to facilitate seamless reporting and timely validation of rating models/scorecards. The bank has deployed system level validations/checks to ensure timely review of borrower ratings and capture of scoring information of all retail loans at granular level. Bank has eight non default rating grades and one default rating grade. The ratings of customers are assessed based on their financial performance, industry characteristics, business positioning, project risks, operating performance and other non-financial parameters, such as quality of management and conduct of account. As required under IRB guidelines, Bank validates its rating models and scorecards on an annual basis.

Appropriate credit approval processes, risk mitigation, post-disbursement monitoring and timely remedial actions are part of the credit risk management. Segment-wise and borrower

category-wise exposure limits are fixed and monitored by the Bank to address the risk of concentration. Rating migration studies and default rate analysis based on the credit risk rating of the borrowers are undertaken on a periodic basis to analyze the changes in credit risk profile of the borrowers and to provide input for policy and strategic decisions. Portfolio analysis of various products/industries, covering various credit quality indicators are being carried out on a periodic basis for identifying portfolio trends, and generating portfolio level MIS. The bank has commenced to calculate the risk components on a test basis in line with board approved methods, which also serves as an input for prudent pricing of its advances.

b) Market Risk Management:

The Bank has laid down comprehensive policies, framework and procedures to manage market risk in a holistic manner. The Investment Management Policy lays down preliminary checks in proactively managing market risk. The Board supported by the Market Risk Management Committee (MRMC) frames the market risk management policy, which details the methods to identify measure, monitor and control market risks. The bank has dedicated independent mid-offices for forex and domestic treasury at Treasury Department reporting directly to the head of the Risk Management Department. The mid-offices monitor market risk inherent in treasury dealings closely.

The market risk on an overall level is measured by applying techniques, such as VaR and Modified Duration. The stop loss levels for individual securities and limit framework for different categories of investments play a pivotal role in controlling market risk associated with different securities at micro level.

c) Operational Risk Management:

The Bank has developed and implemented an operational risk management framework that is fully integrated into the Bank's overall risk management system. The Bank has put in place processes, systems and procedures to actively mitigate operational risks and optimize resources not only to protect interest of the Bank but also to ensure return commensurate with the risk profile adopted. With respect to operational risk management, identification and assessment of risk together with assessment of control effectiveness are key to the risk management process and towards this end; the Bank has put in place risk management tools like Risk and Control Self-Assessment (RCSA) and Key Risk Indicator (KRI) frameworks to ensure continuous monitoring and evaluation of various risk elements. The Bank is working on the implementation methodologies to calculate the capital requirement on account of operational risk (using loss database) as per advanced approaches prescribed by the regulator and user acceptance testing of analytical software meant for the purpose is underway, which will also form part of Enterprise Wide Integrated Risk Management (EWIRMS) solution implemented by the Bank.

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All new products are vetted by Risk Management department and through this process, it is ensured that all risks involved in new products are clearly documented and adequate procedures and controls are implemented before the product is launched.

d) Liquidity Risk:

Liquidity risk refers to the risk that the Bank is unable to meet its obligations as and when they fall due. The Asset Liability Management Policy of the Bank stipulates broad framework for liquidity risk management to ensure that the Bank is in a position to manage its daily liquidity requirements and to withstand stress situations stemming from, bank-specific factors, market-specific factors or a combination of both. Asset Liability Management Committee (ALCO) of the Bank, comprising of senior executives of the Bank oversee asset liability management (ALM) functions within the framework prescribed under our ALM Policy and other relevant policies and guidelines. The core objective of the ALM policy adopted by ALCO is to ensure planned and profitable growth in business through appropriate management of the liquidity risk and interest rate risk. The ALCO is responsible for (i) recommending pricing of deposits and advances, (ii) preparing forecasts showing the effects of various possible changes in market conditions, (iii) recommending appropriate actions in anticipation of such forecasts, (iv) deciding on the desired maturity profile and mix of assets and liabilities, and (v) conducting funding, capital planning, profit planning and growth projection.

The liquidity profile of the Bank is analyzed on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodic liquidity stress tests. The Bank has put in place a liquidity risk management framework adhering to the guidelines issued by RBI on liquidity risk management and the best practices. These include the intraday liquidity management and the Liquidity Coverage Ratio (LCR).

e) Business Continuity Plan:

The Bank is having a comprehensive Business Continuity Plan (BCP) to ensure continuity of critical business operations of the Bank at times of disruptions, identified through criticality assessment using Business impact analysis (BIA). In line with the Business Continuity Plan, Bank has constituted a BCP Committee incorporating the heads of all major departments to exercise, maintain and invoke business continuity plan as needed. A core team called Emergency Operation Team is also in place to act immediately upon a crisis and for supervision of recovery under alternative operations arrangements at the disaster and the team ensures that the business functions are back to normalcy with minimum delay. Disaster Recovery drill for the core banking system (CBS) of the Bank has been

conducted at regular intervals to ensure the competence of the same during emergency situations, apart from undertaking periodical testing for recovery speed of critical applications from alternate locations.

UPDATE ON IND AS IMPLEMENTATION

The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards (IFRS). The Ministry of Corporate Affairs (MCA) has notified these accounting standards (Ind AS) for adoption. For banking companies, the implementation of Ind AS will begin from April 1, 2018 onwards, with comparatives for the year beginning April 1, 2017.

The Bank has commenced the process of Ind AS implementation from FY 2016-17. The Bank has a well-planned strategy for this implementation and has made good progress in this financial year. As per RBI directions, the Bank has taken following steps so far:

- o In line with the guidance issued by the Reserve Bank of India in August 2016, the Bank has set up a Steering Committee headed by the Executive Vice President (Operations) that monitors the progress of implementation.
- o Submitted Proforma Ind AS financial statements to the RBI for the half-year ended September 30, 2016, as per extant regulatory guidelines.
- o The Bank will continue its preparedness towards migration to adopting IndAS as per regulatory requirement and to liaise with RBI and industry bodies on various aspects pertaining to Ind AS implementation.

INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

Internal Financial Controls

The Bank has adequate internal controls and processes in place with respect to its financial statements which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. These controls and processes are driven through various policies, procedures and certifications. The processes and controls are reviewed periodically. The Bank also ensures that internal controls are operating effectively, through the robust internal inspection and vigilance system.

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 to ensure that the internal control systems put in place is working effectively. The reports of internal inspections are placed to Sub/Audit Committee of

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Executives (SACE/ACE)/Audit Committee of Board (ACB) as the case may be. SACE/ACE/ACB reviews the reports and ensures that corrective steps are taken to rectify the shortcomings in the report and recommends for strengthening the internal control over various processes.

VIGILANCE MECHANISM/WHISTLE BLOWER POLICY IN THE BANK

Vigilance Mechanism of the Bank is functioning as a separate vertical, viz Vigilance Division of Inspection & Vigilance Department (IVD) and reporting directly to the MD & CEO of the Bank. Vigilance Division of IVD has twin roles of investigation of frauds and putting in place a dynamic mechanism, in order to have more controls over the incidence of frauds.

The Bank has in place a vibrant Whistle Blower Policy (WBP) and the Protected Disclosure Scheme (PDS), which are reviewed from time to time. Whistle Blower Policy and the Protected Disclosure Scheme of the Bank are published in the website of the Bank and thereby awareness is kindled to Customers as well as to Employees so as to be an effective tool in the reporting and prevention of frauds.

As a part of the preventive mechanism to reduce the instances of frauds, especially on cyber field, customer awareness measures are undertaken by the Bank on a continuous basis through various advertisements in the media, publishing in Bank's website and SMS messages sent to customers. Staff at branches are regularly updated with the modus operandi adopted by fraudsters at various banks so as to be more vigilant and cautious, while dealing with similar situations.

Functioning of the Vigilance Division is reviewed by Audit Committee of the Board on a quarterly basis and is being closely followed up by RBI and guided by its master directions on "Frauds- classification and reporting" issued every year.

HUMAN RESOURCE DEVELOPMENT/INDUSTRIAL RELATIONS

As on March 31, 2017, the Bank had 7,677 personnel on its rolls. 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 optimising the existing resources - through internal job postings, transfers and skill development initiatives. Our Personnel Department has been awarded with the ISO 9001:2008 Certification in the year 2015 and this certification was renewed in 2016 after the Annual Surveillance Audit. Training has assumed significant importance

in the present banking scenario. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and trains them for qualitative improvement. During the financial year, Bank has provided training to 3114 of its Officers, 1067 clerks and 108 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 for identifying, developing and deploying talented employees to ensure an appropriate supply of high caliber 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 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 Tranche 5 during 2012-13, Tranche 6 during 2013-14 and Tranche 7 during 2014-15 subject to the regulator guidelines in this regard. An aggregate of 18,18,866 options were exercised by the employees during the current financial year and equal number of shares have been allotted against those exercised. In order to ensure enhanced productivity and efficiency in all areas of operations and cultivate motivation among employees in all cadre, the Bank implemented the Performance Linked Incentive Scheme (PLIS) from the financial year 2007-08 onwards. The Bank follows a scientific method for calculation of the PLIS, which includes, individual performance, achievement of the targeted profit of the Bank etc.

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 the shared objective of all-round growth and prosperity of the Bank. On account of the cordial industrial relations with both the associations, Bank has achieved considerable growth over the years.

By Order of the Board

(SALIM GANGADHARAN)
CHAIRMAN
DIN : 06796232

(V. G. MATHEW)
MANAGING DIRECTOR & CEO
DIN : 05332797

Place : Nedumbassery
Date : May 26, 2017

ANNEXURE TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE FOR THE PERIOD APRIL 1, 2016 TO MARCH 31, 2017

Bank's Philosophy on Code of Governance:

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 uphold 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 Bank's Corporate Governance Framework ensures that it makes timely disclosures and share accurate information regarding our financials and performance as well as the leadership and governance of the Bank.

The required details on Corporate Governance are given hereunder:-

1. BOARD OF DIRECTORS

The Board of Directors of your Bank is broad based and varied in terms of experience of the members of the Board. The Board has been constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and in accordance with best practices in Corporate Governance. The Board functions either as a full Board or through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals, evaluation of performance and control functions vest with the Board. The Committees have oversight of operational issues assigned to them by the Board.

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, 2017 are given below:

Sl. No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of last AGM held on 15.07.2016	No. of shares held	% of holding
			Held during the tenure	Attended			
1	Sri Amitabha Guha*	NE	06	05	Present	15000	0.00001%
2	Sri Salim Gangadharan, Chairman **	NE	11	11	Present	16510	0.00001%
3	Sri V.G. Mathew, MD & CEO	Whole Time Director	11	11	Present	0	0.00000%
4	Sri Mohan E. Alapatt, Director	INE	11	11	Present	100000	0.00005%
5	Sri K.Thomas Jacob, Director	INE	11	11	Present	90446	0.00005%
6	Dr. John Joseph, Director	INE	11	11	Present	299625	0.00016%
7	Sri Francis Alapatt, Director	INE	11	11	Present	220000	0.00012%
8	Sri Cheryan Varkey, Director	NE	11	11	Present	114952	0.00006%
9	Smt. Ranjana S Salgaocar, Director	INE	11	11	Absent	83666	0.00005%
10	Sri Parayil George John Tharakan, Director	INE	11	11	Present	21874	0.00001%
11	Sri Achal Kumar Gupta, Director#	INE	3	3	N.A.	0	0.00000%

NE – Non-Executive Director

INE – Independent Non-Executive Director

* Sri Amitabha Guha, Chairman ceased to be the Chairman of the Bank w.e.f. 01.11.2016.

** Sri Salim Gangadharan, existing Director of the Bank was appointed as Chairman of the Bank w.e.f. 02.11.2016.

Sri Achal Kumar Gupta was appointed as Additional Director w.e.f. 11.01.2017.

During the year under review the Board was reconstituted twice on 30.11.2016 and 11.01.2017.

Board Meetings

A total of 11 Board Meetings were held during the period April 1, 2016 to March 31, 2017 and the dates are as under:

11.05.2016, 01.06.2016, 08.07.2016, 02.08.2016, 01.09.2016, 07.10.2016, 30.11.2016, 21.12.2016, 11.01.2017, 15.03.2017 and 29.03.2017.

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Committee position of Directors in the Bank as on March 31, 2017:

The name of each Committee with the name of its respective Chairman as on 31.03.2017 is furnished below:

1. Management Committee	- Sri Salim Gangadharan
2. Audit Committee	- Sri K.Thomas Jacob
3. N P A Review Committee	- Sri Francis Alapatt
4. Nomination & Remuneration Committee	- Dr. John Joseph Alapatt
5. Customer Service Committee	- Sri V. G. Mathew
6. Stakeholders Relationship Committee	- Smt. Ranjana S. Salgaocar
7. Committee to Prevent and Review Frauds in the Bank	- Sri V. G. Mathew
8. Premises Committee	- Sri Francis Alapatt
9. Risk Management Committee	- Sri Achal Kumar Gupta
10. Information Technology Strategy Committee	- Sri Mohan E. Alapatt
11. Corporate Social Responsibility Committee	- Sri Francis Alapatt
12. Capital Planning & Infusion Committee	- Sri Salim Gangadharan

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015:

- None of the Directors of the Bank were members in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a director.
- None of the Independent Directors of the Bank held directorship in more than seven Listed Companies.
- Whole Time Director of the Bank is not serving as an Independent Directors in any other Listed Companies.
- None of the Directors of the Bank is related to any Director of the Bank.

Directorship of Directors in other Public Limited Companies and Public Institutions as on March 31, 2017

- Sri Salim Gangadharan, Part-time Chairman, is an Independent Director on the Board of The National Securities Clearing Corporation Ltd., Mumbai and Kerala Infrastructure Investment Fund Board.
- Sri Francis Alapatt, Independent Director, is a Director on the Board of CII Guardian International Ltd., Kochi.
- Sri Achal Kumar Gupta, is an Independent Director on the Board of Canara Robeco Asset Management Company Ltd.

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

2. COMMITTEES OF BOARD

The Board has constituted various Committees of Directors to take informed decisions in the best interest of the Bank. These Committees monitor the activities falling within their terms of reference.

(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, 2017 are Sri Salim Gangadharan - Chairman, Sri V. G. Mathew, Sri K.

Thomas Jacob, Sri Cheryan Varkey and Dr. John Joseph Alapatt and Mr. Achal Kumar Gupta.

The terms of reference of the Committee are as follows:

- All credit proposals, beyond the powers of Managing Director.
- OTS proposals within the powers of the Board.
- Ratification proposals of sanction made by MD beyond his powers.
- Review of MD's sanctions.
- Review of Food Credit – Monthly disbursement (Monthly).
- NPA recovery (Monthly).
- Compromise proposals sanctioned by MD (Quarterly).
- Legal action waiver allowed by MD (Quarterly).
- Sanction to bid the property in court auction above the decretal dues.
- Payment of compensation in consumer cases (above ₹1,00,000/-).
- Enhancement of the prudential individual exposure limit.
- Review of the order of Committee for identification of Wilful Defaulters.
- Review of the order of Committee for identification of non-cooperative borrowers of the bank.
- Review of Top 100 NPA accounts below 5 crores (SS/ Doubtful/Loss) (25 in each quarter) – Quarterly.
- Write off/remission allowed by the Bank for the previous Quarter (Quarterly).
- Status report on OTS sanctioned by MCB during last one year (Quarterly).
- Review of staff Accountability - Quick mortality and fresh NPA above ₹10 lakhs.
- Documents time barred/getting time barred (Quarterly).
- Concessions given by MD & CEO in MC Sanctions and review of MD & CEO sanctions by MC (Quarterly).
- Overdue Credit Proposal over 3 months, falling within the power of MC (Quarterly).
- Review of Performance under Annual Credit Plan (ACP) (Half yearly).
- Review of Advances granted to SC/ST under Priority Sector (Half yearly).

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23. Ratification Note for exceeding of various limits fixed as per Forex Policy.
24. Review of Debit / Credit / Travel Cards (Half yearly).
25. Review of performance of MasterCard debit card operations (Quarterly).
26. Bidding for Equity shares through Book building process and subscription to Equity shares in primary market.
27. Subscription, purchase and sale/offer for repurchase of units of debt oriented mutual funds as well as increasing the exposure to the debt oriented mutual funds including liquid and floating rate funds.
28. Equity Trading (Monthly).
29. Investment in Equity shares in the secondary market.
30. Statement of Structural Liquidity (Fortnightly).
31. Statement of Interest Rate Sensitivity (Monthly).
32. Prob. Impact of rise in yields on market value of Central Government Securities & Trading Book Investments (Monthly).
33. Report on Country Risk (Monthly).
34. Report of VaR of Central Government Securities in AFS & HFT category (Trading Book) & of Currencies (Monthly).
35. Exposure Monitoring (Monthly).
36. Monitoring of excess CRR (Quarterly).
37. Opening and operation of Bank Accounts.
38. Region-wise fund Position (Fortnightly).
39. Calendar of reviews to be put up to MCB, as per RBI circular dated 28th May, 2005.
40. Acquisition of Fixed Assets.
41. Awarding of Contracts/Appointment of Architects and Engineers for building construction / renovation etc.
42. For any deviations from the norms fixed for Branch premises.
43. For incurring any Revenue or Capital Expenditure in excess of the delegated powers.
44. Fresh purchases, AMC (Annual Maintenance Contract) and other IT related expenses – beyond the delegated powers of HO Executives.
45. Issue of duplicate share certificates.
46. Miscellaneous items not requiring the approval of the Board.
47. Any other items which may be permitted by the Board from time to time.

A total of 21 meetings were held during the period. The dates of meetings were

21.04.2016,	10.05.2016,	31.05.2016,	14.06.2016,
29.06.2016,	07.07.2016,	01.08.2016,	18.08.2016,
31.08.2016,	22.09.2016,	06.10.2016,	28.10.2016,
16.11.2016,	29.11.2016,	20.12.2016,	30.12.2016,
10.01.2017,	07.02.2017,	27.02.2017,	14.03.2017,

and 29.03.2017.

(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 Sri Cheryan Varkey and Sri Mohan E. Alapatt and Sri Achal Kumar Gupta as on March 31, 2017. The terms of reference of Audit Committee, harmonized with the provisions of Securities and Exchange Board of India (Listing Obligations

and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Companies Act, 2013, and the responsibilities enjoined upon by the RBI, inter-alia includes the following:

1. 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.
2. 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.
3. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
4. Reviewing with management the annual financial statements and auditor's report thereon before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.
5. Evaluation of Internal Financial Controls and Risk Management System including reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements.
6. Review, as far as the situation necessitates all other finding in the audit reports including Risk based internal Audit Reports.
7. Approval or any subsequent modification of transactions of the company with related parties;
8. Scrutiny of inter-corporate loans and investments;
9. Valuation of undertakings or assets of the company, wherever it is necessary;
10. Monitoring the end use of funds raised through public offers and related matters.
11. Review, with the management, the quarterly financial statements before submission to the board for approval.
12. Review with the management, the financial statement, review and monitor the performance of statutory and internal auditors, adequacy of the internal control systems;
13. Any show cause notice issued by any Govt./Quasi Govt./ regulatory authority with its impact.
14. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit and discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the whistle blower mechanism;
19. Approval of appointment of chief financial officer after

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assessing the qualifications, experience and background etc. of the candidate;

20. Management discussion and analysis of financial condition and results of operations;
21. Management letters / letters of internal control weaknesses issued by the statutory auditors;
22. Internal audit reports relating to internal control weaknesses; and the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
23. Review of quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) & Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).
24. Review of all reports as per the calendar of reviews stipulated by the RBI from time to time;
25. Any other terms of reference as may be included from time to time in SEBI (LODR) Regulations 2015, the Companies Act, 2013 and by Reserve Bank of India.
26. Any other items which may be permitted by the Board/Committee from time to time.

The Committee met 7 times during the period. The dates of meetings were 10.05.2016, 07.07.2016, 31.08.2016, 07.10.2016, 30.11.2016, 10.01.2017 and 14.03.2017.

(C) NOMINATION & REMUNERATION COMMITTEE

Vide Board Resolution SEC/S-104/15-16 on July 15, 2015 the Nomination Committee and Compensation & Remuneration Committee of the Board were merged and constituted Nomination & Remuneration Committee with comprehensive terms of reference of both the Committees to take care of the nomination of Directors, KMP, etc., to oversee the framing, review and implementation of compensation policy of the bank on behalf of the board and remuneration related matters of the Directors, KMPs and Employees, etc. The Committee is chaired by Dr. John Joseph Alapatt. Other Members of the Committee as on March 31, 2017 are Sri Salim Gangadharan, Sri Mohan E. Alapatt and Smt. Ranjana S. Salgaocar.

The Terms of reference of the Committee are harmonized with the provisions of Companies Act, 2013/AS-15, SEBI (LODR) Regulations 2015/Banking Regulation Act and other RBI Guidelines, which inter-alia, includes the following:

1. 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 May 23, 2011 on Fit & Proper Criteria of the Banks.
2. To devise a Succession Planning Policy for the Board and Senior Management.
3. To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors.
4. To identify persons who are qualified to become Directors/

KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.

5. To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
6. To devise a policy on Board diversity.
7. To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.
8. To perform such other functions as may be necessary or appropriate for the performance of its duties.
9. To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
10. 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.
11. With respect to the Performance Linked Incentive Schemes, the Committee 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 considered necessary;
 - d. On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
12. The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 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.
13. 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.
14. 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.
15. The Committee may suggest amendments to any

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stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board.

16. Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.
17. To conduct the annual review of the Compensation Policy.
18. To fulfill such other powers and duties as may be delegated to it by the Board.

The Nomination and Remuneration Committee met 7 times during the period. The dates of meetings were 11.05.2016, 07.07.2016, 01.08.2016, 31.08.2016, 30.11.2016, 21.12.2016 and 11.01.2017.

(D) NPA REVIEW COMMITTEE

This Committee has been constituted to review all NPA Accounts above ₹500.00 Lakhs. The Committee meets once in a quarter. The members of the Committee as on March 31, 2017 are Sri Francis Alapatt - Chairman, Sri V.G. Mathew, Sri Parayil George John Tharakan and Sri Achal Kumar Gupta.

The Committee met 4 times during the period. The dates of meetings were 30.06.2016, 23.09.2016, 20.12.2016 and 14.03.2017.

(E) 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 Committee is chaired by Sri V.G. Mathew and consist of Sri Francis Alapatt, Sri Parayil George John Tharakan and Sri Cheryan Varkey as members as on March 31, 2017.

Status of Shareholder Complaints as on March 31, 2017

Sl. No.	Items	No. of Complaints			
		Pending at the beginning of the period	Received during the period	Redressed during the period	Pending at the end of the period
1	Non-receipt of Refund Order/Allotment Credit	0	2	2	0
2	Non-receipt of Dividend Warrants	0	150	150	0
3	Request for issue of duplicate share certificates	0	73	73	0
4	Complaints received from BSE/NSE/SEBI/ROC	0	19	18	1
5	Other miscellaneous complaints (Including non-receipt of split share certificate)	0	30	30	0
6	Non-receipt of share certificate after transfer	0	0	0	0
TOTAL		0	274	273	1

(G) 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

Besides, in accordance with RBI guidelines, the Bank has been inviting special invitees, representing the customers of the Bank/expert in customer services, with a view to strengthen 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 period. The dates of meetings were 30.06.2016, 23.09.2016, 20.12.2016 and 27.02.2017.

(F) STAKEHOLDERS RELATIONSHIP 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 consist of Smt. Ranjana S. Salgaocar as Chairperson, Sri Francis Alapatt, Sri Parayil George John Tharakan and Dr. John Joseph Alapatt as members as on March 31, 2017.

The terms of reference of Stakeholders Relationship Committee have been expanded and the following agenda items are being placed before the Committee: -

1. Consolidated statement of transfer of shares/transmission/deletion etc., duly approved by General Manager or above from time to time.
2. 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).
3. Details of shareholder complaints received redressed, pending etc. during a particular quarter.
4. List of Top 10/100 shareholders at the end of every quarter.
5. Any other item with the permission of the Board.

The Committee met 4 times during the period on 31.05.2016, 01.09.2016, 30.11.2016, and 15.03.2017.

involving amounts of Rupees One Crore and above. The Committee is chaired by Sri V.G. Mathew and consists of Sri K. Thomas Jacob, Sri Salim Gangadharan and Sri Cheryan Varkey as members of the Committee as on March 31, 2017.

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The Committee met 5 times during the period. The dates of meetings were 10.05.2016, 29.06.2016, 22.09.2016, 29.11.2016 and 29.03.2017.

(H) 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 approving Budgets for acquisition of new premises, calling tenders from reputed architects and contractors, scrutinizing, short-listing and negotiating their site plans, estimates, finalizing their appointment, fees & other terms and conditions and monitoring the progress of the project. The Committee consists of Sri Francis Alapatt as Chairman, Sri V.G. Mathew, Smt. Ranjana S. Salgaocar and Sri Parayil George John Tharakan as members as on March 31, 2017.

The Committee met 5 times during the year. The dates of meetings were 31.05.2016, 01.08.2016, 29.11.2016, 07.02.2017 and 15.03.2017.

(I) 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, 2017 are Sri Achal Kumar Gupta - Chairman, Sri Salim Gangadharan, Sri V.G. Mathew, Sri K. Thomas Jacob and Dr. John Joseph Alapatt.

The committee inter-alia looks into the following aspects:

1. 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.
2. Approve risk management governance structure of the Bank and deciding the allocation of resources.
3. Define the risk appetite of the Bank.
4. Approve the vendors for risk data warehouse and other risk management software requirements.
5. Approve revisions in existing systems and policies to address risk management requirements and good practices.
6. 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.
7. Oversee and monitor the Bank's compliance with regulatory requirements.
8. Approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities.
9. Review risk mitigation plans on significant risks, which affects policy or procedure level changes for effective implementation.
10. To review the direction of various risks attributable to the Bank based on an analytical model articulated by RBI.

The Committee met 5 times during the period. The dates of meetings were 21.04.2016, 30.06.2016, 22.09.2016, 21.12.2016 and 27.02.2017.

(J) 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 Committee is chaired by Sri Mohan E. Alapatt and consist of, Sri Salim Gangadharan, Sri V.G. Mathew and Sri K. Thomas Jacob as members as on March 31, 2017.

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

1. Suggest improvement and monitor the implementation of modern technology in the Bank;
2. Approving IT strategy and policy documents;
3. Ensuring that the management has put an effective strategic planning process in place;
4. Ratifying that the IT strategy is indeed aligned with business strategy;
5. Ensuring that the IT organizational structure complements the business model and its direction;
6. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
7. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
8. 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;
9. Ensuring proper balance of IT investments for sustaining Bank's growth;
10. Make aware about exposure towards IT risks and controls, and evaluating effectiveness of management's monitoring of IT risks;
11. Assessing Senior Management's performance in implementing IT strategies;
12. Issuing high-level policy guidance (e.g.: related to risk, funding, or sourcing tasks);
13. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT;
14. 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;
15. Reviewing IT performance measurement and contribution of IT to businesses (i.e. delivering the promised value);
16. 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 4 times during the year. The dates of meetings were 29.06.2016, 31.08.2016, 29.11.2016 and 27.02.2017.

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(K) 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 has constituted 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. The committee is chaired by Sri Francis Alapatt as Chairman and consist of Sri V.G. Mathew, Sri Mohan E. Alapatt and Smt. Ranjana S. Salgaocar as its members as at March 31, 2017.

The terms of reference of the Committee, inter-alia, includes the following:

- 1) Articulate and recommend to the Board, a Corporate Social Responsibility Policy which should stipulate the scope of activities to be undertaken by the Bank as specified in Schedule VII to the Companies Act, 2013.

Schedule VII includes the following items:

- i. eradicating hunger, poverty and malnutrition, promoting preventive healthcare and sanitation, including contribution to 'Swach Bharat Khosh' set up by Central Govt. and making available safe drinking water;
- ii. promoting of education, including special education and employment, enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- iii. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality soil, air and water;
- v. protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- vi. measures for the benefit of armed forces veterans, war widows and their dependents;
- vii. training to promote rural sports, nationally recognised sports, Paralympics sports and Olympic sports;
- viii. contribution to Prime Ministers National Relief Fund or any other fund set up by the Central Government for Socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward Classes, minorities and women;
- ix. contributions or funds provided to technology incubators located within academic institutions which approved by the Central Government;
- x. Rural Development projects.
- xi. Slum area development.

- 2) To stipulate and recommend the amount of expenditure to be incurred on the activities referred to in clause (1); and
- 3) Monitor and update, as and when warranted, the Corporate Social Responsibility Policy of the company from time to time.
- 4) To recommend to the Board any other activities/programmes/projects, which may be recommended by the regulatory authorities from time to time.

The Committee met 4 times during the year. The dates of meetings were 31.05.2016, 01.08.2016, 29.11.2016 and 14.03.2017.

(L) CAPITAL PLANNING AND INFUSION COMMITTEE

The Bank had constituted one special purpose committee viz. Capital Planning & Infusion Committee. The Capital Planning & Infusion Committee was formed on May 28, 2014 to analyze various options for infusion of Capital and to do all acts and things and to take all decisions pertaining to the issue and which are ancillary and incidental to such decisions including the short-listing/appointment of Merchant Bankers to the issue and to do any other activities recommended by the Board from time to time. The members of the Committee as on March 31, 2017 are Sri Salim Gangadharan - Chairman, Sri V.G. Mathew, Sri Mohan E. Alapatt, Sri K. Thomas Jacob and Dr. John Joseph Alapatt.

The Committee met 7 times during the period. The dates of meetings were 21.04.2016, 01.06.2016, 06.10.2016, 16.11.2016, 21.12.2016, 07.02.2017 and 29.03.2017.

(M) COMMITTEE OF INDEPENDENT DIRECTORS

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations 2015, the performance of non-independent directors and the Board as a whole to be evaluated by a Committee comprising of all the Independent Directors of the Bank as on the date of the meeting of the said committee. The members of the Committee as on the date of meeting are Sri Mohan E. Alapatt-Chairman, Sri K. Thomas Jacob, Dr. John Joseph Alapatt, Sri Francis Alapatt, Smt. Ranjana S. Salgaocar, Sri Parayil George John Tharakan and Sri Achal Kumar Gupta.

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

1. To review the performance of non-independent directors and the Board as a whole;
2. To review the performance of the Chairman of the Bank taking into account the views of executive directors and non-executive directors;
3. To assess the quality, quantity and timeliness of flow of information between the Bank management and the Board that is necessary for the Board to effectively and reasonably perform their duties;
4. To perform such other roles as may be prescribed by the Companies Act, 2013, SEBI (LODR) Regulations 2015, Banking Regulation Act, 1949 and the Circulars/Regulations issued by the Regulatory Authorities from time to time.

The Committee met once during the period on 15.03.2017. All the Independent Directors of the Bank attended the meeting.

ANNEXURE TO THE DIRECTORS' REPORT

COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS:

MANAGEMENT COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Amitabha Guha*	12	10
Sri K. Thomas Jacob	21	19
Sri Salim Gangadharan	21	21
Sri Cheryan Varkey	21	21
Sri V.G. Mathew	21	20
Dr. John Joseph Alapatt	21	21
Sri Achal Kumar Gupta [#]	04	04

* Ceased to be a member w.e.f. 01.11.2016.

[#] Inducted into the Committee w.e.f. 11.01.2017.

AUDIT COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri K. Thomas Jacob	7	7
Sri Salim Gangadharan*	4	4
Sri Cheryan Varkey	7	7
Sri Mohan E. Alappat	7	7
Sri Achal Kumar Gupta [#]	1	1

* Ceased to be a member w.e.f. 30.11.2016.

[#] Inducted into the Committee w.e.f. 11.01.2017.

NOMINATION & REMUNERATION COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	7	7
Sri Amitabha Guha*	3	3
Dr. John Joseph Alapatt	7	7
Sri Salim Gangadharan [#]	3	3
Smt. Ranjana S. Salgaocar [#]	2	2

* Ceased to be a member w.e.f. 01.11.2016.

[#] Inducted into the Committee w.e.f. 30.11.2016.

NPA REVIEW COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Francis Alapatt	4	3
Sri Cheryan Varkey*	2	2
Sri Salim Gangadharan*	2	2
Sri V.G. Mathew	4	4
Sri Parayil George John Tharakan	4	4
Sri Achal Kumar Gupta [#]	1	1

* Ceased to be a member w.e.f. 30.11.2016.

[#] Inducted into the Committee w.e.f. 11.01.2017.

CUSTOMER SERVICE COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri V. G. Mathew	4	4
Sri Amitabha Guha*	2	2
Sri Francis Alapatt	4	3
Sri Parayil George John Tharakan	4	4
Sri Cheryan Varkey [#]	2	2

* Ceased to be a member w.e.f. 01.11.2016.

[#] Inducted into the Committee w.e.f. 30.11.2016.

STAKEHOLDERS RELATIONSHIP COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Smt. Ranjana S. Salgaocar	4	4
Sri Francis Alapatt	4	4
Sri Parayil George John Tharakan	4	4
Dr. John Joseph Alapatt*	2	2

* Inducted into the Committee w.e.f. 30.11.2016.

ANNEXURE TO THE DIRECTORS' REPORT

COMMITTEE TO PREVENT AND REVIEW FRAUDS IN THE BANK

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri V.G. Mathew	5	5
Sri Amitabha Guha*	3	2
Sri Cheryan Varkey	5	5
Sri Salim Gangadharan	5	5
Sri K. Thomas Jacob	5	5

*Ceased to be a member w.e.f. 01.11.2016.

INFORMATION TECHNOLOGY STRATEGY COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	4	4
Sri Amitabha Guha*	2	2
Sri K. Thomas Jacob	4	4
Sri V.G. Mathew	4	4
Sri Salim Gangadharan#	2	2

*Ceased to be a member w.e.f. 01.11.2016.

Inducted into the Committee w.e.f. 30.11.2016.

PREMISES COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Francis Alapatt	5	5
Sri V.G. Mathew	5	4
Smt. Ranjana S. Salgaocar	5	4
Sri Parayil George John Tharakan	5	5

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Francis Alapatt	4	4
Sri V. G. Mathew	4	3
Sri Mohan E. Alapatt	4	4
Smt. Ranjana S. Salgaocar	4	4

RISK MANAGEMENT COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	5	5
Sri Amitabha Guha*	3	2
Sri V.G. Mathew	5	5
Sri K. Thomas Jacob	5	5
Dr. John Joseph Alapatt#	2	2
Sri Achal Kumar Gupta##	1	1

*Ceased to be a member w.e.f. 01.11.2016.

#Inducted into the Committee w.e.f. 30.11.2016.

Inducted into the Committee w.e.f. 11.01.2017.

CAPITAL PLANNING & INFUSION COMMITTEE

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Amitabha Guha*	3	2
Sri Mohan E. Alapatt	7	7
Sri K.Thomas Jacob	7	6
Dr. John Joseph Alapatt	7	7
Sri V.G. Mathew	7	7
Sri Salim Gangadharan#	4	4

*Ceased to be a member w.e.f. 01.11.2016.

Attended as special invitee to the meeting held on 21.04.2016.
Inducted into the Committee w.e.f. 30.11.2016.

ANNEXURE TO THE DIRECTORS' REPORT

REMUNERATION POLICY:

Remuneration Policy for Employees of the Bank:

The Bank has a Board approved Compensation Policy which deals with the Compensation & Benefits of the Employees of the Bank and Whole-time Directors.

The objectives of the Compensation Policy of the Bank inter-alia includes, to provide a fair and persistent basis for motivating, inspiring and rewarding the employees appropriately, according to their jobs/role size, performance, accomplishments, contribution, skill, aptitude and competence to implement standards on sound compensation practices and incentives and to provide effective governance of compensation payable to the WTDs/CEO and other staff, alignment of compensation with prudent risk taking and effective supervisory oversight.

The disclosure requirement of the remuneration is separately provided in "Disclosure under Basel III norms."

Related Party Transactions

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 during the financial year were in the ordinary course of business and on an arms length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Bank. Suitable disclosure as required by the Accounting Standards (AS18) has been made in the notes to the Financial Statements. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time. The Board of Directors at its Meeting held on October 30, 2014 has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions pursuant to the provisions of the Companies Act, 2013 and Listing Regulations. The same is displayed on the website of the Bank. (<https://www.southindianbank.com/UserFiles/file/Rupay/DISCLOSURE/POLICY%20ON%20MATERIALITY%20OF%20AND%20DEALING%20WITH%20RELATEDPARTY%20TRANSACTIONS.pdf>)

REMUNERATION PAID TO DIRECTORS DURING THE PERIOD APRIL 1, 2016 TO MARCH 31, 2017

The Bank paid a gross remuneration of ₹1,07,66,600/- during the period to Sri V.G. Mathew, the Managing Director and Chief Executive Officer of the Bank in accordance with the terms and conditions approved by Reserve Bank of India and the Shareholders.

- a) No pecuniary transactions/relationship exists for Independent Directors/ Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings/ monthly honorarium during the year as per law. The Independent Directors of the Bank also had no pecuniary relationship with the Bank, or their promoters or directors.

- b) The criteria of making payments to Independent Directors/ Non-executive Directors of the Bank are disclosed on the Bank's website, the web link to which is <https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=854&linkIdLvl3=859&linkId=859>.

A) Details of Remuneration to MD & CEO

The details of remuneration paid to Sri V. G. Mathew, MD & CEO from April 1, 2016 to March 31, 2017 are as follows:

PARTICULARS	AMOUNT (₹)
Basic Pay	79,20,000.00
Variable Pay	16,50,000.00
Perquisites House Rent	2,52,000.00
PF Bank Contribution	7,92,000.00
Travelling Allowances (Foreign)	1,52,600.00
Gross Income	1,07,66,600.00
No. of Employee Stock options granted during the year (2016-17)*	Nil

* 1,00,000 shares were granted to MD & CEO during the FY 2015-16, which will be vested and exercised in compliance with SIB ESOS-2008.

B) Details of honorarium/sitting fee paid to Part-time non-executive Chairman: -

The Bank has paid ₹3,51,667/- to Sri Amitabha Guha, Part-time Chairman, as honorarium and ₹7,75,000/- as sitting fees from April 1, 2016 to November 1, 2016.

The Bank has paid ₹2,48,333.33 to Sri Salim Gangadharan, Part-time Chairman, as honorarium from November 2, 2016 to March 31, 2017 and ₹17,40,000 as sitting fees during the period 01.04.2016 to 31.03.2017.

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

As provided under Article 95A of the Articles of Association of the Bank, the sitting fees payable to a non-executive Director for attending a Meeting of the Board or Committee thereof are decided by the Board of Directors from time to time subject to the ceilings if any, prescribed under the Companies Act, 2013 and the rules there under. The Board of Directors have approved the payment of ₹40,000/- as sitting fee for each Meeting of the Board and ₹25,000/- as sitting fee for each Meeting of the Committee attended. Accordingly the Bank paid sittings fees during the period 01.04.2016 to 31.03.2017 as under:

Sri Mohan E. Alapatt – ₹11,90,000/-, Sri K. Thomas Jacob – ₹16,15,000/-, Dr. John Joseph Alapatt – ₹15,65,000/-, Sri Francis Alapatt – ₹9,40,000/-, Sri Cheryan Varkey – ₹13,65,000/-, Smt. Ranjana S. Salgaocar – ₹8,15,000/-, Sri Parayil George John Tharakan – ₹8,90,000/- and Sri Achal Kumar Gupta – ₹3,20,000/-. Total amount paid ₹87,00,000/-.

3. Brief Resume of Directors seeking appointment/Re-

ANNEXURE TO THE DIRECTORS' REPORT

appointment/ratification at The 89th Annual General Meeting is given below:

1) Brief Resume of Director seeking Appointment

Name of the Director	Sri Achal Kumar Gupta (DIN: 02192183)
Date of Birth	27/11/1953 (63 Years)
Date of first appointment on Board	11 th January, 2017
Qualifications	M.A, CAIIB
Experience	He was the Deputy Managing Director of IFCI Ltd for a period of 3 years from 12.12.2013 to 11.12.2016. He started his career at Syndicate Bank and thereafter joined State Bank of India in September, 1977 and retired as Managing Director of State Bank of Patiala on 30/11/2013. He is having over 40 years of varied experience in the areas of Banking and Finance such as credit appraisal and administration, retail banking, treasury management, branch banking, agriculture banking, NRI services and risk management.
Directorship in Public Limited Companies	Independent Director –Canara Robeco Asset Management Company Ltd.w.e.f. 24 th May, 2017
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on 31st March, 2017	Nil
Relationship with other Directors of the Bank	Nil
Present Position	Additional Director
Sector	Majority (Banking)

Sri Achal Kumar Gupta (DIN: 02192183) was appointed as the Additional Director of the Bank with effective from January 11, 2017 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. He is an Independent Director in Canara Robeco Asset Management Company Ltd. He is member of Management Committee, Audit Committee, NPA Review Committee, Risk Management Committee in the Bank

2. Brief Resume of Director seeking Re-appointment.

Name of the Director	Sri V.G. Mathew (DIN: 05332797)
Date of Birth	28/11/1953 (63 Years)
Date of first appointment on Board	1st October, 2014
Qualifications	M.Sc. (Physics), CAIIB
Experience	He has joined South Indian Bank as Executive Vice President on 2nd January 2014 after superannuation from State Bank of India as Chief General Manager. He has significant experience in Retail and Corporate credit, Technical Consultancy, Technology and Risk management. He was also deputed as by State Bank of India to its Paris office as Head of Systems Department for four years.
Directorship in Public Limited Companies	Nil
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on 31st March, 2017	Nil
Relationship with other Directors of the Bank	Nil
Present Position	Managing Director & CEO
Sector	Majority (Banking)

Mr. V. G. Mathew (DIN: 05332797), was appointed as the Managing Director and Chief Executive Officer and he was also a Whole-time Key Managerial Person of the Bank for a period of three years from 1st October, 2014. He will complete his tenure of appointment on 30th September 2017. He is the member of Management Committee, NPA Review Committee, Risk management Committee, Premises Committee, IT Strategy Committee, Corporate Social Responsibility Committee, Capital Planning and Infusion Committee, Customer Service Committee and Committee To Prevent and Review Frauds in the Bank.

3. Brief Resume of Director seeking Ratification of Appointment

Name of the Director	Sri Salim Gangadharan (DIN: 06796232)
Date of Birth and age	13/10/1953 (63 years)
Date of first appointment on Board	16/01/2014
Qualifications	M.A (Economics), CAIIB
Brief Resume including experience	Sri Salim Gangadharan 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. 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 was an observer under Banking Regulation Act, 1949 in Catholic Syrian Bank for a year.
Directorship in Public Limited Companies	The National Securities Clearing Corporation Ltd (NSCCL)
Chairmanship /Membership of Committees in Public Limited Companies (as on March 31, 2017)	The National Securities Clearing Corporation Ltd (NSCCL) a) Membership Selection Committee - Chairman b) Standing Committee on Technology- Chairman c) Independent Oversight Committee of the Governing Board for Member Regulation (IOC-MR) - Member d) Risk Management Committee - Chairman e) Grievance Redressal Committee - Member f) Defaulters Committee/SGF Utilisation Committee- Member g) Nomination and Remuneration Committee- Member h) Sub-committee for monitoring compliance of suggestions given in SEBI Inspection Report - Member i) Public Interest Directors Committee- Member
Shareholding in the bank as on 31st March, 2017	16,510
Relationship with other Directors of the Bank	Nil
Present Position	Part time Non-Executive Chairman
Sector	Majority (Banking)

Sri Salim Gangadharan (DIN: 06796232) was appointed as a Non- Executive Director of the Bank with effective from January 16, 2014. RBI vide letter DBR.Appt. No. 4811/08.51.001/2016-17 dated October 27, 2016 approved the appointment of Sri. Salim Gangadharan as Non-Executive Part time Chairman of the Bank. He is a member of Management Committee, Audit Committee, Nomination and Remuneration Committee, Committee to prevent and Review Frauds in the Bank, Capital Planning & Infusion Committee, Risk Management Committee, Information Technology Strategy Committee in the Bank.

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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
86 th Annual General Meeting	Wednesday, July 16, 2014 at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for alteration of Bank's Articles of Association. 2. Special Resolution passed to increase the authorized capital. 3. Special Resolution passed to increase the subscribed capital by issue of further shares. 4. Special Resolution passed for obtaining permission to borrow money where the money to be borrowed together with already borrowed exceeds the paid up capital and free reserves.
87 th Annual General Meeting	Wednesday, July 15, 2015 at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed to Augment the paid up share capital of the bank by further issue of shares. 2. Special Resolution passed to modify SIB ESOS 2008 in line with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. 3. Special Resolution passed to increase the borrowing power of the bank Pursuant to section (180)(1)(c) of the Companies Act, 2013. 4. Special Resolution passed to Approve the borrowing/ raising funds in Indian/ Foreign currency by issue of debt securities upto ₹1,000 crore on private placement basis.
88 th Annual General Meeting	Friday, July 8, 2016 at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution to seek approval of FIPB to increase the FDI Limit from 49% to 59% of paid-up Share Capital. 2. Special Resolution to Approve the borrowing / raising funds in Indian/ foreign currency by issue of debt securities upto ₹500 crore on private placement basis.

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

5. DISCLOSURES

A) We have extended a home loan of ₹30 Lacs to Dr. John Joseph Alapatt on July 1, 2010 before joining the Board. No amount of the Loan is outstanding as on March 31, 2017.

B) MD & CEO / CFO Certification

The MD & CEO and the CFO have issued certificate pursuant to the provisions of Regulation 17 of the Listing Regulations certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

C) Internal Control Systems Code of Conduct

The Board of Directors has framed the Code of Conduct for the Board of Directors and Core Management Personnel of the Bank, as required under SEBI (LODR) Regulations, 2015 "on Corporate Governance." The confirmation from the Managing Director & CEO regarding compliance with the code by all the Directors and Core Management forms part of the Report. The Code of Conduct and Ethics is displayed on the website of the Bank (<https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215> & [LinkIdLvl3=250](https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl3=250) & [LinkId=250](https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkId=250)).

Code of Conduct for Prevention of Insider Trading

The Bank has adopted a Code of Conduct for Prevention of Insider Trading in accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 2015 and Companies Act, 2013 with a view to regulate trading in securities by the Directors and designated employees of the Bank. The Code requires pre-clearance for dealing in the Bank's shares beyond threshold limits. Further, it prohibits the purchase or sale of Bank shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Bank and during the period when the Trading Window is closed. The code of conduct for prevention of insider trading are available on the website of the Bank. <https://www.southindianbank.com/UserFiles/file/Rupay/DISCLOSURE/SIB%20Code%20of%20Conduct%20-Insider%20Trading%202015.pdf>

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

ANNEXURE TO THE DIRECTORS' REPORT

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 and no personnel was denied access to Audit Committee. The Details of whistle Blower Policy are available on the website of the Bank. <https://www.southindianbank.com/UserFiles/file/Rupay/poli/WBP%20POLICY%202015.pdf>

D) Other Disclosures

- The Bank has adhered to all the mandatory requirements of Corporate Governance norms as prescribed by SEBI (LODR) Regulations, 2015 to the extent applicable to the Bank. Further, the Bank has provided all disclosures in compliance with the Corporate Governance requirement specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46, to the extent applicable.

Familiarization Programme

The Bank had conducted various sessions during the financial year to familiarize Independent Directors of the Bank, their roles, rights, responsibilities in the Bank, nature of the Banking Industry, business model, risk management system and technology architecture of the Bank. Further, the Directors are encouraged to attend the training programmes being organized by various regulators/ bodies/ institutions on above matters. The details of such familiarization programmes are displayed on the website of the Bank. ([https://www.southindianbank.com/UserFiles/file/WebNew/Directors%20Training%20Register/Directors%20Training%20Register%20\(2\).pdf](https://www.southindianbank.com/UserFiles/file/WebNew/Directors%20Training%20Register/Directors%20Training%20Register%20(2).pdf))

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: -

- Annual operating plans and budgets and any updates
- Capital budgets and any updates.
- Quarterly results for the listed entity and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the board of directors.
- The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

- Any material default in financial obligations to and by the listed entity, or substantial non-payment for goods sold by the listed entity.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Preparation, modification, deviation and review of Policies of the Bank.
- Non-compliance of any regulatory, statutory or listing requirements.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- All agenda items required to be placed to the Board in compliance with Policies of the Bank and as directed by the Board from time to time.
- Any other agenda items which are not specifically delegated by the Board to any other Committees/sub- Committees.
- Review of all reports as per the Calendar of Reviews stipulated by the RBI from time to time.
- Any other items/information as may be prescribed SEBI (LODR) Regulations 2015, the Companies Act, 2013 and by Reserve Bank of India.
- Other Important Developments: The review should indicate the major developments that have taken place subsequent to the Previous Board Meeting.
- Any other items which may be permitted by the Board from time to time.

6. MEANS OF COMMUNICATION

The unaudited/audited quarterly/half yearly/annual financial results of the Bank are forwarded to the BSE Ltd. and National Stock Exchange of India Ltd. immediately after the Board meeting and are published in prominent national and regional dailies such as Deepika, Business Line and Economic Times. 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

89th Annual General Meeting	Date	11th July, 2017
	Day	Tuesday
	Time	10.00 a.m.
	Venue	Casino Cultural Auditorium Ltd., T.B. Road, Trissur
Financial year		2016-17
Book closure date		05.07.2017 (Wednesday) to 11.07.2017 (Tuesday) (both days inclusive)
Dividend Payment date		From 17.07.2017(Monday) to 21.07.2017 (Friday)
Name & designation of Compliance officer		JIMMY MATHEW Company Secretary
Share Transfer Agents		BTS Consultancy Services Pvt. Ltd. M S Complex, 1st Floor, No.8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur, Kolathur, CHENNAI – 600 099 Tel. : 044-25565121, 65555171 Fax : 044-25565131 E-mail : ramesh@btsindia.co.in helpdesk@btsindia.co.in Contact Person- Sri S. Rameshbabu, Director
Registrar to the Rights issue of the Bank		Link Intime India Pvt. Ltd. C 101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai – 400 083 Tel. : 022-61715400 Fax : 022-25960329 E-mail : sib.rights@linkintime.co.in
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. (Stock Code: SOUTHBANK)
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051
Tel No: (022) 26598100 - 8114,
Fax No: (022) 26598120
2. The BSE Ltd. (Stock Code: 532218)
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001
Phones : (022) 22721233/4,
Fax : (022) 22721919

The listing fees payable to the Stock Exchanges for the financial year 2017-18 have already been remitted.

LISTING OF OTHER SECURITIES

The Bank had listed the following Bonds in the Bombay Stock Exchange and their Stock Code are as under:

1. Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds issued on 20.08.2009 (Stock Code: 946254)
2. Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures issued on 30.09.2015 (Stock Code: 952810)

Debenture Trustee Details:

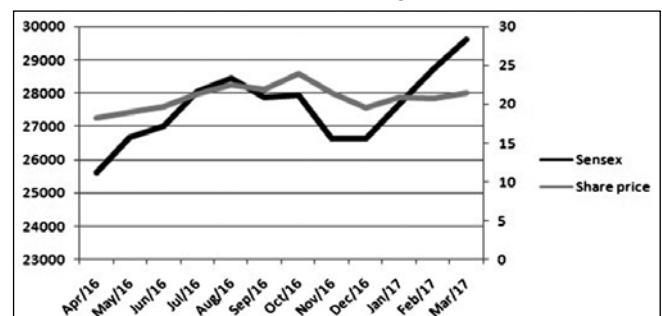
IDBI Trusteeship Services Ltd.
Asian Building, Ground Floor,
17, R.Kamani Marg,
Ballard Estate, Mumbai – 400 001.
Tel.No.: 022-40807000, E mail: itsl@idbitrustee.com

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 period April 2016 to March 2017 are as under:

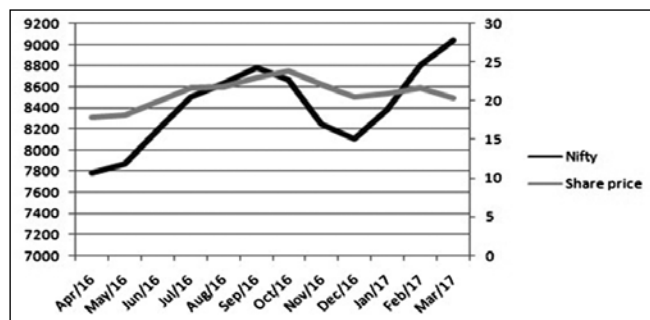
MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	18.70	17.25	18.70	17.25
May	19.70	17.65	19.70	17.60
June	20.85	18.65	20.85	18.60
July	23.30	19.60	23.30	19.60
August	22.85	20.85	22.90	20.80
September	25.40	21.20	25.40	21.20
October	25.55	22.00	25.50	22.00
November	24.35	20.00	24.35	20.10
December	22.65	18.60	22.65	18.55
January	21.85	19.50	21.85	19.50
February	23.55	19.70	23.60	19.70
March	21.60	19.65	21.60	19.65

Performance of the South Indian Bank Equity Shares relative to S & P BSE SENSEX during FY 2016-17



ANNEXURE TO THE DIRECTORS' REPORT

Performance of the South Indian Bank Equity Shares relative to NSE Nifty during FY 2016-17.



DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2017

CATEGORY (NO. OF SHARES)	PHYSICAL		DEMAT	
	NO. OF HOLDERS	SHARES	NO. OF HOLDERS	SHARES
UP TO – 100	4075	61761	73969	3753405
101 – 200	2863	367141	30901	5326832
201 – 500	3065	1090272	46199	17521915
501 – 1000	3288	2270386	33750	27655612
1001 – 5000	25308	47876859	52721	120972641
5001 – 10000	1597	11703605	9144	66816373
1000 – 50000	1046	19925901	7673	157419694
50001 & ABOVE	109	14702004	1485	1305371558
TOTAL	41351	97997929	255842	1704838030
% to total Shares	–	5.44	–	94.56

Total number of shareholders both physical and electronic put together is 297193.

MEMBERS' PROFILE AS ON MARCH 31, 2017 IS AS UNDER:

S. No.	CATEGORY	SHARES		TOTAL SHARES	% OF SHARE HOLDING
		PHYSICAL	DEMAT		
1	RESIDENT INDIVIDUALS	80788348	579383114	660171462	36.62
2	INDIAN FINANCIAL INSTITUTIONS	0	115079362	115079362	6.38
3	FOREIGN INSTITUTIONAL INVESTOR	0	13685200	13685200	0.76
4	NON-RESIDENT INDIANS	12674280	113466724	126141004	7.00
5	BODIES CORPORATES	3693004	93589756	97282760	5.40
6	DIRECTORS & RELATIVES	840381	1619208	2459589	0.14
7	MUTUAL FUNDS	0	114095517	114095517	6.33
8	TRUSTS	0	976930	976930	0.05
9	BANKS	0	6084592	6084592	0.34
10	CLEARING MEMBERS	0	8898999	8898999	0.49
11	HUF	1916	20299412	20301328	1.13
12	FOREIGN PORTFOLIO INVESTOR (CORP)	0	637639216	637639216	35.37
13	FOREIGN NATIONALS	0	20000	20000	0.00
	GRAND TOTAL	97997929	1704838030	1802835959	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 Executive Vice President (Operation), wherever necessary, for his approval and thereafter all such cases are put up to the Stakeholders Relationship Committee of the Board of the Bank for its information.

Trading in the Bank's shares are now compulsorily in dematerialized 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 transferor and 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.

Registrars and share transfer agent

BTS Consultancy Services Pvt. Ltd.
M S Complex, 1st 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

DEMATERIALISATION OF SHARES AND LIQUIDITY

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 683A01023. As at the end of March 2017, 1704838030 (94.56%) shares of the Bank have been converted into dematerialized form and 97997929 (5.44%) shares were being held in physical 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.

UNCLAIMED/UNPAID DIVIDEND

All dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year

ANNEXURE TO THE DIRECTORS' REPORT

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, Thrikkakara P.O., Kochi – 682 021.

In terms of Section 125 of the Companies Act, 2013, 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. In compliance with above, the unpaid dividend of ₹49, 25,337/- for the financial 2008-09 and the unpaid fractional Dividend of ₹3, 06,290/- declared in the year 2009 has already transferred to the fund on September 30, 2016 and October 5, 2016 respectively. The unpaid dividend for the FY 2009-10 will become due for transfer to the fund on August 14, 2017.

The Ministry of Corporate Affairs on September 5, 2016 has notified Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, 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 in the following link <https://www.southindianbank.com/divident/Divident.aspx?id=1&linkId=672> 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.

Transfer of shares to the Investor Education and Protection Fund

As per sub section (6) of Section 124 of Companies Act, 2013 read with Rule 6 of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company to the DEMAT Account in the name of Investor Education and Protection Fund Authority. Considering the same all shares in respect of which dividend has not been paid or claimed for seven consecutive years from the financial year 2008-09 shall be transferred by the Bank to the DEMAT Account of the authority on 31st May, 2017.

EQUITY SHARES IN SUSPENSE ACCOUNT

The Bank has following Equity Shares lying in the unclaimed suspense account which were issued pursuant to the Follow on Public Issue and the Bonus Share issued thereon.

	No. of Cases	No. of Equity Shares*		Total
		FPO2006	Bonus 2008	
Opening Balance as on April 1, 2016	38	126300	31460	157760
Request received during the year	2	5340	1320	6660
Shares credited during the year	2	5340	1320	6660
Closing Balance as on March 31, 2017	36	120960	30140	151100

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

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

8. COMPLIANCE STATUS OF LISTING AGREEMENT/SEBI (LODR) REGULATIONS, 2015

The Bank has complied with all mandatory recommendations prescribed in Listing Agreement/SEBI (LODR) Regulations, 2015. A certificate to this effect from the Bank's Statutory Central Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants, is annexed.

COMPLIANCE WITH DISCRETIONARY REQUIREMENTS AS STIPULATED UNDER PART E OF SCHEDULE II OF THE SEBI(LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The bank has complied with four out of the five discretionary requirements as stated below.

The Board

An office of the Chairman is maintained at the Bank's expense and reimbursement of expenses incurred by the Chairman in performance of his duties is allowed.

Modified opinion(s) in Audit Report

There are no audit qualifications in the Bank's financial statements or qualifications or adverse remark by the Company Secretary in Practice in his Secretarial Audit Report for the FY 2016-17. The bank wishes to continue in the regime of financial statements with unmodified audit opinion as well as unqualified Secretarial audit report.

Separate posts of Chairperson and Chief Executive Officer

The bank already has separate post for Chairperson and Managing Director or Chief Executive Officer.

Reporting of internal auditor

The internal auditor reports directly to the audit committee of the Board.

9. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

I, V. G. Mathew, MD & CEO 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 SEBI (LODR) Regulations, 2015 "on Corporate Governance."

By Order of the Board

(V. G. MATHEW)
MANAGING DIRECTOR & CEO
DIN : 05332797

Place : Kochi
Date : May 15, 2017

ANNEXURE TO THE DIRECTORS' REPORT

CEO / CFO Certification

We, V. G. Mathew, Managing Director & CEO and C. P. Gireesh, Chief Financial Officer, of THE SOUTH INDIAN BANK LIMITED hereby certify that:

- a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2017 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
 - ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- d) We have indicated, to the Auditors and the Audit Committee:
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Yours faithfully

V. G. MATHEW
Managing Director & CEO
(DIN: 05332797)

C. P. GIREESH
Chief Financial Officer

Place : Kochi
Date : May 15, 2017

ANNEXURE TO THE DIRECTORS' REPORT**INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

TO THE MEMBERS OF

THE SOUTH INDIAN BANK LIMITED

1. This certificate is issued in accordance with the terms of our engagement letter reference no. 18th July, 2016.
2. We, Deloitte Haskins & Sells, Chartered Accountants, the Statutory Auditors of The South Indian Bank Limited ("the Bank"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on 31 March, 2017, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

Managements' Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended March 31, 2017.
9. We 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 DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

S. Sundaresan
Partner
(Membership No. 25776)

Kochi, May 15, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SOUTH INDIAN BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **THE SOUTH INDIAN BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2017, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information in which are incorporated the returns for the year ended on that date of 848 branches / offices audited by the branch auditors of the Bank.

Management's Responsibility for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, in so far as applicable to banks, and the Guidelines issued by the Reserve Bank of India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under

Section 143(10) of the Act. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, and evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us and audit evidence obtained by the branch auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the branch auditors on separate financial statements / financial information of the branches/offices referred to in the Other Matters paragraph below, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

Attention is drawn to:

- i) Note No.B.11.A of Schedule 18 regarding deferment of shortfall arising from the sale of certain non-performing assets in terms of RBI Master Circular DBOD.No.BP. BC.9/21.04.048/2014-15 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated July 1, 2014, as amended and the unamortised balance as at 31st March, 2017 of ₹76.05 Crore.
- ii) Note No.C.13 of Schedule 18 regarding deferment of provisioning pertaining to a fraud account identified during the quarter ended 31st December, 2016, in terms of RBI

INDEPENDENT AUDITOR'S REPORT

Circular DBR.No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016 and the unamortised balance as at 31st March, 2017 of ₹57.82 Crore.

Our opinion is not modified in respect of these matters.

Other Matters

We did not audit the financial statements / financial information of 848 branches / offices included in the financial statements of the Bank whose financial statements / financial information reflect total advances of Rs. 29,731.47 Crore as at 31st March, 2017 and total interest income of Rs.3,296.30 Crore for the year ended on that date, as considered in the financial statements. The financial statements / financial information of these branches / offices have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches / offices and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid branches / offices, is based solely on the report of such branch auditors.

Our opinion on the financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, based on our audit and on the consideration of the reports of the branch auditors on the separate financial statements / financial information of the branches / offices, referred to in the Other Matters Paragraph above, we report to the extent applicable that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank.
 - c) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and the report of the branch auditors and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
 - d) The reports on the accounts of the 848 branches / offices audited by branch auditors of the Bank appointed under section 143(8) of the Act have been forwarded to us and have been properly dealt with by us in preparing this report
 - e) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us.

- f) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable to banks.
- g) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank, its branches / offices and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.
 - iv. The disclosure with respect to the holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016 as required under amendment to Schedule III to the Companies Act, 2013, is not applicable as the financial statements of the Bank are prepared under section 29 and Third Schedule of the Banking Regulation Act, 1949.

For **DELOITTE HASKINS & SELLS**
 Chartered Accountants
 (Firm's Registration No. 008072S)

S. Sundaresan
 Partner
 (Membership No. 25776)

KOCHI, 15 May, 2017

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT
(Referred to in paragraph 1(h) under ‘Report on Other Legal and Regulatory Requirements’
section of the auditor’s report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”).

We have audited the internal financial controls over financial reporting of **THE SOUTH INDIAN BANK LIMITED** (“the Bank”) as at 31st March, 2017 in conjunction with our audit of the financial statements of the Bank for the year ended on that date which includes internal financial controls over financial reporting of the Bank’s branches / offices.

Management’s Responsibility for Internal Financial Controls

The Bank’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (‘the Guidance Note’) issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Bank’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan

and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

An audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained and the audit evidence obtained by the branch auditors of branches/offices, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A bank’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 1(h) under 'Report on Other Legal and Regulatory Requirements'
section of the auditor's report of even date)

in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of the reports of the branch auditors on internal financial controls system over financial reporting of the branches / offices referred to in Other Matters paragraph below, the Bank has, in all material respects,

an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 848 branches / offices, is based on the corresponding reports of the branch auditors.

Our opinion is not modified in respect of this matter.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

S. Sundaresan
Partner
(Membership No. 25776)

KOCHI, 15 May, 2017

BALANCE SHEET AS AT MARCH 31, 2017

		Schedule No.	As at March 31, 2017 ₹('000)	As at March 31, 2016 ₹('000)
पूँजी और देयताएं	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	1,802,836	1,350,309
कर्मचारी स्टोक विकल्प (अनुदान)	Employees' Stock Options		30,207	36,545
बकाया	Outstanding			
आरक्षित निधियाँ और अधिशेष	Reserves and Surplus	2	46,651,856	37,068,972
निक्षेप	Deposits	3	661,174,898	557,207,302
उधार	Borrowings	4	19,577,569	26,149,560
अन्य ऋण तथा प्रावधान	Other Liabilities and Provisions	5	13,884,169	12,936,105
जोड़	TOTAL		743,121,535	634,748,793
संपत्तियाँ	ASSETS			
भारतीय रिज़र्व बैंक में नकदी अधिशेष	Cash and Balances with Reserve Bank of India	6	30,779,776	24,761,254
बैंको में अधिशेष और मांग पर तथा	Balances with banks and money at call & short notice	7	8,097,390	7,983,443
अल्प सूचना पर प्राप्य धन	Investments	8	194,296,746	147,439,280
विनिधान	Advances	9	463,894,705	410,857,478
अग्रिम	Fixed Assets	10	6,561,006	4,869,904
स्थिर आस्तियाँ	Other Assets	11	39,491,912	38,837,434
अन्य आस्तियाँ	TOTAL		743,121,535	634,748,793
जोड़	TOTAL		743,121,535	634,748,793
आकस्मिक ऋण	Contingent Liabilities	12	72,151,525	147,497,409
संग्रहण के लिए बिल	Bills for Collection		9,801,010	6,205,230
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा संबंधी टिप्पणियाँ	Notes on Accounts	18		

अनुसूचियाँ ऊपर बैलेंस शीट का एक अभिन्न अंग के रूप में

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

In terms of our report attached

For and on behalf of Board of Directors

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Thomas Joseph K.
Executive Vice President

Salim Gangadharan
Chairman
(DIN : 06796232)

V. G. Mathew
MD & CEO
(DIN : 05332797)

S. Sundaresan
Partner

Sivakumar G.
Executive Vice President

Mohan E. Alapatt
Director
(DIN : 00025594)

K. Thomas Jacob
Director
(DIN : 00812892)

Reghunathan K. N.
Executive Vice President

Dr. John Joseph
Director
(DIN : 00021735)

Francis Alapatt
Director
(DIN : 01419486)

Kochi
May 15, 2017

C. P. Gireesh
Chief Financial Officer

Cheryan Varkey
Director
(DIN : 06884551)

Ranjana S. Salgaocar
Director
(DIN : 00120120)

Jimmy Mathew
Company Secretary

Parayil George John Tharakan
Director
(DIN : 07018289)

Achal Kumar Gupta
Director
(DIN : 02192183)

Kochi
May 15, 2017

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017

		Schedule No.	Year ended March 31, 2017 ₹('000)	Year ended March 31, 2016 ₹('000)
I. आय	I. INCOME			
अर्जित व्याज	Interest Earned	13	58,470,837	55,571,979
अन्य आय	Other Income	14	7,155,648	5,174,237
जोड़	TOTAL		65,626,485	60,746,216
II. व्यय	II. EXPENDITURE			
व्यय किया गया व्याज	Interest Expended	15	41,716,459	40,474,999
परिचालन व्यय	Operating Expenses	16	11,764,042	11,478,429
उपबंध और आकस्मिक व्यय	Provisions & Contingencies	18.B.29	8,220,938	5,460,124
जोड़	TOTAL		61,701,439	57,413,552
III. लाभ/हानि	III. PROFIT/LOSS			
वर्ष के शुद्ध लाभ	Net Profit for the year		3,925,046	3,332,664
पिछले वर्ष के अग्रणीत लाभ	Profit brought forward from previous year		1,737,079	952,257
विनियोग केलिये उपलब्ध लाभ	Profit available for Appropriation:		5,662,125	4,284,921
IV. विनियोग	IV. APPROPRIATIONS			
कानूनी आरक्षितियों को अंतरण	Transfer to Statutory Reserve		981,300	833,200
पूँजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		395,505	245,329
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue and Other Reserve		500,000	500,000
विशेष आरक्षितियों को अंतरण	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act		228,700	257,200
विनिधान आरक्षित खाते को अंतरण आकस्मिक रिजर्व को अंतरण	Transfer to/(from) Investment Reserve		-	(100,492)
प्रस्तावित लाभांश	Proposed Dividend (Refer Note no. A. 2 of Schedule 18)		-	675,159
प्रस्तावित लाभांश पर कर	Tax on Proposed Dividend (Refer Note no. A. 2 of Schedule 18)		-	137,446
सीएसआर के लिए व्यय अतिशेष जो आगे तुलन पत्र में ले जाया गया है।	Balance carried over to Balance Sheet		3,556,620	1,737,079
जोड़	TOTAL		5,662,125	4,284,921
प्रति शेयर अर्जन (₹)	Earnings per share (Face value of ₹1 per share)			
आधार ईपीएस (₹)	Basic (in ₹)	18.C.2	2.61	2.23
तनुकृत ईपीएस (₹)	Diluted (in ₹)	18.C.2	2.61	2.23
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा संबंधी टिप्पणियाँ	Notes on Accounts	18		

अनुसूचियाँ ऊपर लाभ और हानि खाता का एक अभिन्न अंग के रूप में

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

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

S. Sundaresan
Partner

Kochi
May 15, 2017

Thomas Joseph K.
Executive Vice President

Sivakumar G.
Executive Vice President

Reghunathan K. N.
Executive Vice President

C. P. Gireesh
Chief Financial Officer

Jimmy Mathew
Company Secretary

Kochi
May 15, 2017

For and on behalf of Board of Directors

Salim Gangadharan
Chairman
(DIN : 06796232)

Mohan E. Alapatt
Director
(DIN : 00025594)

Dr. John Joseph
Director
(DIN : 00021735)

Cheryan Varkey
Director
(DIN : 06884551)

Parayil George John Tharakan
Director
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V. G. Mathew
MD & CEO
(DIN : 05332797)

K. Thomas Jacob
Director
(DIN : 00812892)

Francis Alapatt
Director
(DIN : 01419486)

Ranjana S. Salgaocar
Director
(DIN : 00120120)

Achal Kumar Gupta
Director
(DIN : 02192183)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

	Year Ended March 31, 2017 ₹ ('000)	Year Ended March 31, 2016 ₹ ('000)
Cash flow from operating activities		
Net Profit as per Profit and Loss Account	3,925,046	3,332,664
Adjustments for:		
Provision for taxes (Net)	2,077,200	1,763,964
Depreciation	653,757	670,288
Amortisation of Premium on HTM Investments	287,827	188,823
Provision for Depreciation/Non-Performing Investments	421,572	432,191
General Provisions against Standard Assets	(17,200)	(7,900)
Provision/write off for Non-Performing Assets	6,217,836	3,918,979
Other Provisions	(478,469)	(647,111)
Employee stock option expense	8,600	14,912
Interest on Subordinated bonds	502,131	350,338
(Profit)/Loss on sale of land, buildings and other assets	8,548	402
Operating profit before working capital changes	(A) 13,606,848	10,017,550
Changes in working capital:		
Increase/(Decrease) in Deposits	103,967,596	38,082,425
Increase/(Decrease) in Borrowings	(6,571,991)	824,812
Increase/(Decrease) in Other Liabilities	1,202,033	(412,345)
(Increase)/Decrease in Investments	(30,367,605)	(1,970,563)
(Increase)/Decrease in Advances	(60,062,507)	(40,662,096)
(Increase)/Decrease in Other Assets	918,046	(2,408,009)
	(B) 9,085,572	(6,545,776)
Cash flow from operating activities before taxes	(A+B) 22,692,420	3,471,774
Direct Taxes Paid	(3,126,652)	(2,378,216)
Net cash flow from operating activities	(C) 19,565,768	1,093,558
Cash flow from investing activities:		
Purchase of Fixed Assets/Capital Work-In-Progress	(1,229,769)	(762,471)
Sale of Fixed Assets	13,743	12,106
(Purchase)/Sale of Investments (Held to Maturity)	(17,199,260)	(13,228,289)
Net cash flow from investing activities	(D) (18,415,286)	(13,978,654)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

	Year Ended March 31, 2017 ₹ ('000)	Year Ended March 31, 2016 ₹ ('000)
Cash flow from financing activities:		
Proceeds from issue of share capital (including share premium)	6,343,973	2,990
Share issue expenses	(47,252)	-
Dividend paid including Corporate Dividend Tax	(812,605)	(975,018)
Interest on Subordinated bonds	(502,129)	(348,964)
Issue/(Repayment) of Subordinate bonds	-	3,000,000
Net cash flow from financing activities	(E) 4,981,987	1,679,008
Net increase in cash and cash equivalents	(C+D+E) 6,132,469	(11,206,088)
Cash and cash equivalents as at beginning of the year	32,744,697	43,950,785
<i>(Refer note below)</i>		
Cash and cash equivalents as at the end of the year	38,877,166	32,744,697
<i>(Refer note below)</i>		

Note:

Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and money at call and short notice (Refer Schedules 6 and 7 of the Balance sheet)

In terms of our report attached	For and on behalf of Board of Directors		
For DELOITTE HASKINS & SELLS Chartered Accountants	Thomas Joseph K. Executive Vice President	Salim Gangadharan Chairman (DIN : 06796232)	V. G. Mathew MD & CEO (DIN : 05332797)
S. Sundaresan Partner	Sivakumar G. Executive Vice President	Mohan E. Alapatt Director (DIN : 00025594)	K. Thomas Jacob Director (DIN : 00812892)
Kochi May 15, 2017	Reghunathan K. N. Executive Vice President	Dr. John Joseph Director (DIN : 00021735)	Francis Alapatt Director (DIN : 01419486)
	C. P. Gireesh Chief Financial Officer	Cheryan Varkey Director (DIN : 06884551)	Ranjana S. Salgaocar Director (DIN : 00120120)
	Jimmy Mathew Company Secretary	Parayil George John Tharakan Director (DIN : 07018289)	Achal Kumar Gupta Director (DIN : 02192183)
	Kochi May 15, 2017		

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017

	As at March 31, 2017 ₹('000)	As at March 31, 2016 ₹('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital	2,500,000	2,500,000
250,00,00,000 Equity shares of ₹1/- each (Previous year 250,00,00,000 equity shares of ₹1/- each)		
Issued, Subscribed and Paid up Capital	1,802,836	1,350,309
180,28,35,959 Equity shares of ₹1/- each (Previous year 135,03,09,041 equity shares of ₹1/- each) (Refer Note no. B.2 of Schedule 18)		
TOTAL	1,802,836	1,350,309
Employees' Stock Options Outstanding		
Employees' Stock Options Outstanding	34,482	50,020
Less: Deferred Employee Compensation Expense (unamortised)	4,275	13,475
TOTAL	30,207	36,545
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	8,714,139	7,880,939
Additions during the year	981,300	833,200
Sub total	9,695,439	8,714,139
II. Capital Reserve		
Opening Balance	724,787	479,458
Additions during the year	395,505	245,329
Sub total	1,120,292	724,787
III. Asset Revaluation Reserve		
Opening Balance	1,336,223	1,385,788
Additions - Due to Revaluation of Premises	1,137,381	-
	2,473,604	1,385,788
Deductions during the year:		
Deduction from revaluation reserve to the extent of depreciation on revalued amount	35,196	49,565
Sub total	2,438,408	1,336,223

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017

	As at March 31, 2017 ₹('000)	As at March 31, 2016 ₹('000)
IV. Share Premium		
Opening Balance	9,566,195	9,563,027
Additions during the year	5,895,231	3,168
Deductions during the year - Issue expenses relating to Rights Issue (Refer Note no.B.27 (a) of Schedule 18)	47,252	-
Sub total	15,414,174	9,566,195
V. Revenue and Other Reserves		
Opening Balance	13,830,549	13,279,145
Additions during the year :		
a) lapse of vested options	11,154	1,839
b) transfer of depreciation on revaluation	35,196	49,565
c) appropriation during the Year	500,000	500,000
Deduction during the year:		
a) unamortised loss pertaining to advances sold (Refer Note no.B.27 (c) of Schedule 18)	760,465	-
b) unamortised provision pertaining to fraud accounts (Refer Note no.B.27 (d) of Schedule 18)	578,211	-
Sub total	13,038,223	13,830,549
VI. Investment Reserve		
Opening Balance	-	100,492
Transfer to Profit & Loss Appropriation A/c	-	100,492
Sub total	-	-
VII. Special Reserve u/s 36(1)(viii) of Income Tax Act		
Opening Balance	1,160,000	902,800
Additions during the year	228,700	257,200
Sub total	1,388,700	1,160,000
VIII. Balance in Profit and Loss Account	3,556,620	1,737,079
TOTAL	46,651,856	37,068,972

SCHEDULE 3 - DEPOSITS

A. I. Demand Deposits		
(i) From Banks	42,705	46,413
(ii) From Others	27,482,994	19,784,878
II. Savings Bank Deposits	129,937,699	104,758,449
III. Term Deposits		
(i) From Banks	30,669,250	31,642,140
(ii) From Others	473,042,250	400,975,422
TOTAL	661,174,898	557,207,302
B. (i) Deposits of branches in India	661,174,898	557,207,302
(ii) Deposits of branches outside India	Nil	Nil
TOTAL	661,174,898	557,207,302

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017

	As at March 31, 2017 ₹('000)	As at March 31, 2016 ₹('000)
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	3,000,000
(ii) Other Banks	1,600,000	350,116
(iii) Other Institutions and Agencies	17,134,089	11,230,814
II. Borrowings outside India - from other banks	843,480	11,568,630
TOTAL	19,577,569	26,149,560

Secured borrowings in I and II above amount to ₹ Nil (March 31, 2016: ₹ Nil) except borrowings of ₹932 Crore (March 31, 2016: ₹300 Crore) under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks and financial institutions and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	1,772,075	1,070,880
II. Inter-Office adjustments (Net)	65,500	-
III. Interest Accrued	1,616,987	1,520,804
IV. Others (including provisions)*	10,429,607	10,344,421
TOTAL	13,884,169	12,936,105

*Includes :-

- a) Provision for standard assets ₹222.85 Crore (Previous Year ₹223.71 Crore) (Refer Note No. B. 12 of Schedule 18)
- b) Proposed dividend ₹Nil [Refer Note No. A. 2 of Schedule 18] (Previous Year ₹67.52 Crore)
- c) Corporate Dividend Tax payable ₹Nil [Refer Note No. A. 2 of Schedule 18] (Previous Year ₹13.74 Crore)

**SCHEDULE 6 - CASH AND BALANCES WITH
RESERVE BANK OF INDIA**

I. Cash in hand (Including foreign currency notes)	4,626,953	3,044,243
II. Balances with Reserve Bank of India		
In Current Account	26,152,823	21,717,011
TOTAL	30,779,776	24,761,254

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017

As at March 31, 2017 ₹('000)	As at March 31, 2016 ₹('000)
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**SCHEDULE 7 - BALANCES WITH BANKS AND
MONEY AT CALL AND SHORT NOTICE**

I. In India		
i) Balances with Banks		
(a) In Current Accounts	124,596	117,878
(b) In Other Deposit Accounts	471,991	2,812,618
ii) Money at call & short notice		
With Banks	-	1,500,000
With other Institutions	-	-
Lending under Reverse Repo (RBI and Banks)	5,000,000	1,750,000
Sub total	5,596,587	6,180,496
II. Outside India		
(a) In Current Accounts	99,407	53,815
(b) In Other Deposit Accounts	2,140,050	-
(c) Money at call & short notice - with banks	261,346	1,749,132
Sub total	2,500,803	1,802,947
TOTAL	8,097,390	7,983,443

SCHEDULE 8 - INVESTMENTS (net of provisions)

I. Investments in India in:		
(i) Government Securities*	170,439,232	139,622,094
(ii) Other Approved Securities	-	-
(iii) Shares	2,268,347	1,373,627
(iv) Debentures and Bonds	8,766,081	4,144,842
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others (Security Receipts, Mutual Funds etc.)	12,823,086	2,298,717
TOTAL	194,296,746	147,439,280
Gross Investments	195,383,235	148,188,865
Less : Depreciation	566,441	506,719
Provision for Non Performing Investments (NPIs)	520,048	242,866
Net Investments	194,296,746	147,439,280
* Including Non SLR State Government bonds with Book Value ₹642.55 Crore (Previous Year: ₹719.29 Crore).		
II. Investments outside India	Nil	Nil
TOTAL	194,296,746	147,439,280

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017

	As at March 31, 2017 ₹('000)	As at March 31, 2016 ₹('000)
SCHEDULE 9 - ADVANCES (net of provisions)		
A. (i) Bills Purchased and Discounted	30,391,823	17,962,135
(ii) Cash Credits, Overdrafts and Loans repayable on demand	208,127,077	190,923,391
(iii) Term Loans	225,375,805	201,971,952
TOTAL	463,894,705	410,857,478
B. (i) Secured by tangible assets (including advances against book debts)	423,920,528	379,314,286
(ii) Covered by Bank/Government Guarantees	11,063,979	8,938,052
(iii) Unsecured	28,910,198	22,605,140
TOTAL	463,894,705	410,857,478
C. I. Advances in India		
(i) Priority Sectors	188,564,828	165,041,687
(ii) Public Sector	8,937,869	13,439,226
(iii) Banks	1,710,200	632,447
(iv) Others	264,681,808	231,744,118
TOTAL	463,894,705	410,857,478
II. Advances outside India	Nil	Nil
TOTAL	463,894,705	410,857,478
SCHEDULE 10 - FIXED ASSETS		
I. Premises (including Land)		
Gross Block		
At cost as on March 31, of the preceding year	3,146,669	3,146,669
Additions during the year		
Due to Revaluation of premises (Net)	1,137,381	-
Due to purchases*	440,211	-
	4,724,261	3,146,669
Deductions during the year	8,188	-
Closing Balance	4,716,073	3,146,669
Depreciation		
As at beginning of the year	379,081	307,674
Charge of the year	56,899	71,407
Deductions during the year	766	-
Depreciation to date	435,214	379,081
Net Block	4,280,859	2,767,588
Sub total		
II. Capital Work in Progress		
At cost as on March 31, of the preceding year	201,625	98,332
Additions during the year	915,502	373,533
	1,117,127	471,865
Capitalisations during the year	737,379	270,240
	379,748	201,625
Depreciation to date	-	-
Sub total	379,748	201,625

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2017

	As at March 31, 2017 ₹('000)	As at March 31, 2016 ₹('000)
III. Other Fixed Assets (Including furnitures and fixtures and Software)		
Gross Block		
At cost as on March 31, of the preceding year	4,505,910	3,945,671
Additions during the year	611,435	660,164
	5,117,345	4,605,835
Deductions/adjustments during the year	149,386	99,925
	4,967,959	4,505,910
Depreciation		
As at beginning of the year	2,605,219	2,092,507
Charge of the year	596,858	598,881
Deductions during the year	134,517	86,169
Depreciation/adjustments to date	3,067,560	2,605,219
Net Block	1,900,399	1,900,691
Sub total	1,900,399	1,900,691
TOTAL (I+II+III)	6,561,006	4,869,904

* Includes premises amounting to ₹44.02 Crore (Previous Year ₹Nil) in respect of which registration is pending in the name of the Bank.

SCHEDULE 11 - OTHER ASSETS

I. Inter-Office adjustments (Net)	-	13,066
II. Interest Accrued	6,076,729	5,376,774
III. Tax Paid in Advance/Tax Deducted at Source (Net)	3,905,270	2,767,817
IV. Deferred tax asset (net) (Refer Note No. C.4 of Schedule 18)	938,332	1,026,332
V. Stationery and Stamps	17,375	16,818
VI. Non-Banking Assets acquired in satisfaction of claims [#]	1,138,628	31,676
VII. Others*	27,415,578	29,604,951
TOTAL	39,491,912	38,837,434

[#] During the year ended March 31, 2017, the Bank acquired assets amounting to ₹110.70 Crore (Previous Year ₹ Nil) in satisfaction of claims under debt asset swap transaction with certain borrowers.

*Includes deposits in Rural Infrastructure and Development Fund amounting to ₹2,355.23 Crore (Previous Year ₹2,760.09 Crore)

SCHEDULE 12 - CONTINGENT LIABILITIES (Refer Note No. 14 of Schedule 17)

I. Claims against the Bank not acknowledged as debts:		
(i) Service Tax disputes	165,946	205,295
(ii) Others	75,307	76,578
II. Liability on account of outstanding Forward Exchange Contracts ¹	42,913,432	119,075,640
III. Guarantees given on behalf of constituents in India	19,631,618	18,967,960
IV. Acceptances, endorsements and other obligations	8,564,268	8,432,450
V. Other items for which the bank is contingently liable:		
(i) Capital Commitments	91,911	189,850
(ii) Transfers to Depositor Education and Awareness Fund (DEAF)	709,043	549,636
TOTAL	72,151,525	147,497,409

¹ Represents notional amount

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2017

	Year ended March 31, 2017 ₹('000)	Year ended March 31, 2016 ₹('000)
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	44,474,229	43,635,868
II. Income on Investments	12,334,763	10,077,831
III. Interest on balances with Reserve Bank of India and Other Inter-Bank funds	240,362	287,732
IV. Others	1,421,483	1,570,548
TOTAL	58,470,837	55,571,979
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	549,918	519,120
II. Profit on sale of Investments	2,597,468	1,433,943
Loss on sale of Investments	(72,266)	(68,504)
III. Profit on sale of land, buildings and other assets	4,311	3,385
Loss on sale of land, buildings and other assets	(12,859)	(8,548)
IV. Profit/(Loss) on Exchange transactions (net)	454,492	451,885
V. Miscellaneous Income	3,634,584	2,838,195
TOTAL	7,155,648	5,174,237
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	39,524,542	38,275,643
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	1,018,198	1,262,300
III. Others	1,173,719	937,056
TOTAL	41,716,459	40,474,999
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	6,765,233	6,922,522
II. Rent, Taxes and Lighting	1,085,329	1,018,600
III. Printing and Stationery	138,261	120,007
IV. Advertisement and Publicity	91,221	115,594
V. Depreciation	653,757	670,288
VI. Directors fees, allowances and expenses	11,215	10,935
VII. Auditors' fees and expenses (incl. branch auditors)	33,815	30,568
VIII. Law charges	34,326	30,117
IX. Postage, telegrams, telephones, etc.	250,342	227,000
X. Repairs and Maintenance	199,671	165,689
XI. Insurance	659,800	588,883
XII. Other Expenditure*	1,841,072	1,578,226
TOTAL	11,764,042	11,478,429

* Includes expenditure towards Corporate Social Responsibility ₹4.03 Crore
 (Previous Year : ₹2.30 Crore) [Refer Note No. C.11 of Schedule 18]

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

Background

The South Indian Bank Limited ('SIB' or the 'Bank') was incorporated on January 29, 1929 at Thrissur as a private limited company and was later converted into a public limited company on August 11, 1939. SIB has a network of 875 branches/offices 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 BSE Limited and National Stock Exchange of India Limited.

Basis of Preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 to the extent applicable and the relevant provisions of the Companies Act, 2013 ("the Act") and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except where otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except for the change in accounting policy referred to in note B. 8 of Schedule 18.

Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

Significant Accounting Policies

1. Revenue recognition

- a) Interest/discount/other charges income from loans, advances and investments (including deposits placed with banks and other institutions) are recognised on accrual basis, except in respect of income relating to advances/investments classified as non-performing

advances/investments, advances under Strategic Debt Restructuring (SDR) where in accordance with RBI guidelines the income is recognised only on realisation.

- b) Dividend on investments in shares and units of mutual funds are accounted when the bank's right to receive the dividend is established.
- c) Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- d) Insurance claims and locker rent are accounted on receipt basis.
- e) Commission income on issuance of bank guarantee/letter of credit is recognised over the period of the guarantee/letter of credit.
- f) Processing fee/upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/facility is recognised at the inception/renewal of loan.
- g) Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- h) Funded interest on term loans are recognised on realisation as per the guidelines of RBI.
- i) The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income.

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) Acquisition cost

The cost of investments is determined on the weighted average basis. Broken period interest on debt instruments and government securities is treated

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
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as a revenue item. The transaction cost including brokerage, commissions etc. paid at the time of acquisition of investments are charged to the Profit and Loss Account.

C) Valuation

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

- a. Investments classified as HFT or AFS – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the Market Price of the Scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, pricelist of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of government securities are amortized over the remaining maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d. Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix

for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;

- in case of bonds and debentures where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per Company;
 - Investment insecurity receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.
 - Non-Performing Investments are identified and valued based on RBI guidelines.
- f. The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions in securities.
- D) Repo and Reverse Repo transactions**
In accordance with the RBI guidelines repo and reverse repo transactions in government securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.
- E) Short Sales**
The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and resultant mark-to-market gain/losses are accounted for as per the relevant RBI guidelines for valuation of investments.
- F) Transfer of securities Between Categories**
Transfer of securities 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.

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
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- G) Disposal of Investments
- Investments classified as HFT and AFS – Profit or loss on sale/redemption is included in the Profit and Loss Account.
 - Investments classified as HTM – Profit on sale of redemption of investments is included in the Profit and Loss Account and is appropriated to capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale/redemption is charged to the Profit and Loss Account.

3. Advances

- A) Valuation / Measurement
- Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, sacrifice provisions on restructured advances and unrealised interest on NPAs. Interest on Non Performing advances is not recognised in profit and loss account and transferred to an unrealised interest account till the NPA classified date. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at the minimum required level as per the guidelines of the RBI on matters relating to prudential norms.
 - The bank makes provision in accordance with the RBI guidelines on assets subjected to Strategic Debt Restructuring.
 - Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".
 - For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances 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 later, falls due, subject to satisfactory performance of the account during the period.
 - For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness

of unhedged position. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

- The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – direct advances to Sectors agricultural and SME at 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.
- The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the bank is participating, the aggregate amount of participation is shown as due from banks under advances.
- Loss on sale of assets to Asset Reconstruction Companies
If the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account, spread over a period as specified in RBI guidelines. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

4. Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
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exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

5. Fixed Assets (Property Plant & Equipment and Intangibles) and depreciation/amortization

- a) The Property Plant & Equipment and Intangibles (other than those, which are revalued) are stated at historical cost less accumulated depreciation/amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on asset put to use is capitalised only when it increases the future benefit/functioning capability from/of such assets. Gain or losses arising from the retirement or disposal of a Property Plant and Equipment/Intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Profit on sale of premises after adjustments for tax and transfer to Statutory Reserve, if any, is transferred to Capital Reserve as per the RBI guidelines.
- b) Portfolio of immovable properties is revalued periodically by independent valuers to reflect current market valuation. All land and building owned by the bank and used as branches or offices or office quarters are grouped under "Office Premises" in the Property Plant & Equipment. Appreciation, if any, on revaluation is credited to Revaluation Reserve under Capital Reserve. Additional depreciation on revalued asset is charged to Profit and Loss Account and appropriated from Revaluation Reserve to Revenue and other Reserves.
- c) Depreciation/Amortisation: Depreciation is provided on a pro-rata basis on a straight line method over the estimated useful life of the fixed assets at the rates and in the manner prescribed in Schedule II of the Companies Act, 2013.

6. Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated

as a reduction in revaluation to the extent a revaluation reserve is available for that asset.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

7. Non-Banking Assets

Non-banking assets (NBAs) acquired in satisfaction of claims is carried at lower of net book value and net realisable value.

8. Transactions involving foreign exchange

- a) Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction. 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, as per the guidelines issued by RBI.
- b) Foreign exchange spot and Forward Contracts outstanding as at the Balance Sheet date (except Forward Contracts taken to hedge FCNR Deposits/ Overseas Borrowings) are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities, the forward points (for rates/ tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. The resulting profit or loss on valuation is recognised in the Profit and Loss Account in accordance with RBI/FEDAI Guidelines.
- c) Forward Contracts taken to hedge FCNR Deposits/ Overseas Borrowings are translated at the prevailing spot rate at the time of swap. The Premium/Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognized in the Profit and Loss Account.
- d) Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
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9. Employee benefits

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 and 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 Trust", managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the Profit and Loss Account. The actuarial gain or loss arising during the year is recognised in the Profit and Loss Account.

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 and Loss Account and the Bank has no further liability beyond the contribution to the fund on this account.

c) Gratuity:

The Bank makes contribution to "The South Indian Bank Ltd. Employees' Gratuity Trust" administered and managed by the trustees. The 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. The actuarial gain or loss arising during the year is recognised in the Profit and Loss Account.

d) Compensated 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 recognised in the profit and loss account. The actuarial gain or loss arising during the year is recognised 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 (Share Based Employee Benefits) Regulations, 2014 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.

f) Other Employee Benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognised during the period when the employee renders the service. These benefits include performance incentives.

10. Segment Reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

11. Debit Card Reward Points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

12. Earnings Per Share (EPS)

The Bank reports Basic and Diluted Earnings per Equity Share in accordance with Accounting Standard 20, prescribed under Section 133 of the Companies Act, 2013. Basic EPS has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. A diluted earnings per share is computed using the weighted

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
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average number of equity shares and dilutive potential equity shares outstanding at the year end. Potential equity shares which are anti-dilutive in nature are ignored.

13. Taxes on income

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets prescribed under Section 133 of the Companies Act, 2013, the Bank recognises provisions when it has a present obligation as a

result of a past event and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which 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.

15. Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and balances with other banks/institutions and Money at Call and Short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

17. Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

18. Share issue expenses

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

19. Accounting of PSLC

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

20. CENVAT Credit

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules 2004, as amended.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

A. Changes in Classification:

- Pursuant to RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the Bank has with effect from November 26, 2016 considered its repo/reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as Borrowings/Lendings, as the case may be. Hitherto, the repo/reverse repo transactions were included under Investments. Figures for the previous year have been regrouped/reclassified to conform to current year's classification. The above regrouping/reclassification has no impact on the profit of the Bank for the year ended March 31, 2017 or the previous year.
- The Board of Directors has proposed a dividend of ₹0.40 per Equity share (40%) [(Previous year ₹0.50 per Equity Share) (50%)] for the year ended March 31, 2017, subject to the approval of the shareholders at the ensuing Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend including dividend distribution tax of ₹86.82 Crore is not recognized as liability as on March 31, 2017. Accordingly the liability has not been reckoned in capital funds for computing capital adequacy ratio as at March 31, 2017. Capital adequacy ratio after considering the impact of proposed dividend is 12.16% as at March 31, 2017.

B. Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in Notes forming part of the financial statements for the year ended 31st March, 2017 are denominated in Rupees Crore (unless specified otherwise) to conform to extant RBI guidelines.

1. Capital Adequacy Ratio:

The Bank computes Capital Adequacy Ratio as per RBI guidelines. 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 have been implemented on 1st April, 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the year ended 31st March, 2017 is 10.25% with minimum Common Equity Tier 1 (CET1) of 6.75% (including CCB of 1.25%). The Capital adequacy Ratio of the Bank calculated as per Basel III Capital Regulations is set out below:

[₹ in Crore]

Particulars		March 31, 2017	March 31, 2016
Common Equity Tier I Capital		4,666.39	3656.94
Tier I Capital		4,666.39	3656.94
Tier II Capital		640.40	741.72
Total Capital		5,306.79	4,398.66
Total Risk Weighted Assets		42,917.71	37,199.34
Capital Ratios			
I	Common Equity Tier I Capital Ratio (%)	10.88	9.83
II	Tier I Capital Ratio (%)	10.88	9.83
III	Tier II Capital Ratio (%)	1.49	1.99
IV	Total Capital Ratio (CRAR) (%)	12.37	11.82
		March 31, 2017	March 31, 2016
V	Percentage of the shareholding of the Government of India in public sector banks (%)	NA	NA
VI	Amount of Equity Capital raised (Including share premium) through:		
	1. Rights Issue	630.99	Nil
	2. Employees Stock Options Scheme	3.78	0.02
VII	Amount of Additional Tier I capital raised; of which Perpetual Non- Cumulative Preference Shares (PNCPS) : Perpetual Debt Instruments (PDI):	Nil	Nil
VIII	Amount of Tier II capital raised: of which Debt Capital instrument: Preference Share Capital Instruments:	Nil Nil	300 Nil

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III Capital Regulations. The Bank has made these disclosures which are available on its website at the following link :-

<http://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=854&LinkIdLvl3=880&linkId=880>

Pillar 3 disclosures have not been subjected to audit.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

Tier II Bonds:

Subordinated debt (Lower Tier II capital) outstanding and included under borrowings is as follows:

[₹ in Crore]

Borrowings in India	March 31, 2017	March 31, 2016
From Banks	35.00	35.00
From Others	465.00	465.00
Total	500.00	500.00

Amount reckoned for Tier II Capital as per RBI guidelines is ₹420 Crore (Previous Year ₹460 Crore).

2. Capital Infusion:

During the year ended March 31, 2017, the Bank allotted 18,18,866 Equity Shares (Previous Year: 1,57,005 Equity Shares) aggregating to face value ₹0.18 Crore (Previous Year: ₹0.01 Crore) in respect of stock options exercised.

Accordingly, share capital increased by ₹0.18 Crore (previous year: ₹0.01 Crore) and share premium increased by ₹3.60 Crore (Previous Year: ₹0.32 Crore).

The Bank, vide its Letter of Offer dated February 20, 2017 offered upto 45,07,09,302 Equity Shares of Face Value of ₹1/- each at a price of ₹14/- per Equity Share (including Share Premium of ₹13/- per Equity Share) for an amount aggregating to ₹630.99 Crore to the existing Equity Shareholders of the Bank on rights basis in the ratio of One Equity Share for every Three Equity Shares held by the Equity Shareholders on the record date i.e. February 17, 2017. The Company has allotted 45,07,08,052 Equity Shares on 27th March, 2017, the remaining 1250 Equity Shares being kept in abeyance.

Accordingly, share capital increased by ₹45.07 Crore (Previous Year: ₹ Nil) and share premium increased by ₹585.92 Crore (Previous Year: ₹ Nil).

Details of movement in the paid-up equity share capital of the Bank are given below:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Opening Balance	135.03	135.02
Additions pursuant to Stock Options exercised	0.18	0.01
Additions pursuant to Rights Issue	45.07	-
Closing balance	180.28	135.03

3. Investments:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	19,538.32	14,818.89
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	56.64	50.67
(b) Outside India	-	-
(iii) Provisions for Non-Performing Investments (NPI)		
(a) In India	52.01	24.29
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	19,429.67	14,743.93
(b) Outside India	-	-

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	50.67	20.86
(ii) Provisions made during the year	44.55	35.46
(iii) Less: Write-off/(write back) of excess provisions during the year	38.58	5.65
(iv) Closing Balance	56.64	50.67
c. Movement of provisions held towards NPLs		
(i) Opening Balance	24.29	10.88
(ii) Provisions made during the year	36.18	13.41
(iii) Less: Write-off/(write back) of excess provisions during the year	8.46	-
(iv) Closing Balance	52.01	24.29

Movements in provisions held towards depreciation on investments have been reckoned on a yearly basis.

- 3.1 a) Investments under SLR HTM (excluding specified investments as per RBI norms) account for 19.92% (Previous Year 20.40%) of demand and time liabilities as at the end of March 2017 as against permitted ceiling of 20.50% (Previous Year 21.50%) stipulated by RBI.
- b) In respect of securities held under HTM category premium of ₹28.78 Crore (Previous Year: ₹18.88 Crore) has been amortised during the year and debited under interest received on Government securities.
- c) Profit on sale of securities from HTM category amounting to ₹79.55 Crore (Previous Year: ₹50 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹39.55 Crore (Previous Year ₹24.53 Crore), net of taxes and transfer to statutory reserve to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

4. Repo Transactions:

- a) Done during the year ended March 31, 2017:

[₹ in Crore]

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2017
A) Securities sold under RBI Repos				
i) Government Securities	6.00	2,280.00	108.79	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	25.00	2,520.00	163.28	500.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	5.18	1,138.22	326.44	597.85
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities	-	-	-	-

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

b) Done during the previous year ended March 31, 2016:

[₹ in Crore]

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2016
A) Securities sold under RBI Repos				
i) Government Securities	30.00	700.00	202.33	300.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	30.00	800.00	40.49	175.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	-	-	-
ii) Corporate Debt Securities	-	-	-	-

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at March 31, 2017:

[₹ 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] ¹	[5] ^{1 2}	[6] ^{1 2}	[7] ^{1 3}
(i)	PSUs	401.33	374.90	-	-	-
(ii)	FIs	457.79	289.12	10.00	-	-
(iii)	Banks	60.38	-	35.00	-	-
(iv)	Private Corporate	236.87	174.15	0.01	0.01	5.01
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others ⁴	1,939.52	1,932.20	-	-	-
(vii)	Total Book Value of investments	3,095.89				
(viii)	Less: Provision for NPI	(52.01)				
(ix)	Less: Provision held towards depreciation	(15.58)				
	Total	3,028.30	2,770.37	45.01	0.01	5.01

¹ Amounts reported under Columns 4, 5, 6 and 7 above are not mutually exclusive.

² Excludes investments in equity shares, units of equity oriented mutual funds, non-SLR State Government securities and securities acquired by way of conversion of debt in line with extant RBI guidelines.

³ Excludes investments in equity shares, units of equity oriented mutual funds, Non SLR State Government securities, securities acquired by way of conversion of debt and security receipts in line with extant RBI guideline.

⁴ Includes Non-SLR State Government special bonds with Book Value ₹642.55 Crore.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

(ii) Issuer composition of Non-SLR investments as at March 31, 2016:

[₹ 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] ¹	[5] ^{1 2}	[6] ^{1 2}	[7] ^{1 3}
(i)	PSUs	244.08	10.34	-	-	-
(ii)	FIs	161.25	100.45	60.00	-	-
(iii)	Banks	63.61	2.00	35.00	-	-
(iv)	Private Corporate	141.50	27.89	2.24	2.24	7.24
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others ⁴	965.53	221.14	-	-	-
(vii)	Total Book Value of investments	1575.97				
(viii)	Less: Provision for NPI	(24.29)				
(ix)	Less: Provision held towards depreciation	(50.67)				
	Total	1,501.01	361.82	97.24	2.24	7.24

¹ Amounts reported under Columns 4,5,6 and 7 above are not mutually exclusive.

² Excludes investments in equity shares, units of equity oriented mutual funds, Non-SLR State Government securities and securities acquired by way of conversion of debt in line with extant RBI guidelines.

³ Excludes investments in equity shares, units of equity oriented mutual funds, Non SLR State Government securities, securities acquired by way of conversion of debt and security receipts in line with extant RBI guidelines.

⁴ Includes Non-SLR State Government special bonds with Book Value ₹719.29 Crore.

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
A Shares	226.83	137.36
B Debentures & Bonds [@]	1,519.16	1133.78
C Subsidiaries/joint ventures	-	-
D Others	1,282.31	229.87
E Total	3,028.30	1501.01

[@] Including Non-SLR State Government special bonds with Book Value ₹642.55 Crore (Previous Year: ₹719.29 Crore).

(iii) Non-performing Non-SLR investments:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Opening Balance	38.45	12.19
Additions during the year	70.25	26.26
Reductions during the year	12.45	0.00
Closing balance	96.25	38.45
Total provisions held	52.01	24.29

6. 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	March 31, 2017				March 31, 2016			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities**	59.24	3,257.84	13,726.84	17,043.92	89.71	1,836.80	12,035.70	13,962.21
Other Approved	-	-	-	-	-	-	-	-
Shares	3.94	222.89	-	226.83	16.28	121.08	-	137.36
Debentures & Bonds	-	876.61	-	876.61	-	414.48	-	414.48
Others	-	1282.31	-	1282.31	-	229.87	-	229.87
Total	63.18	5,639.66	13,726.84	19,429.67	105.99	2,602.23	12,035.70	14,743.93

* Includes Non-SLR State Government Special Bonds with Book Value ₹594.92 Crore (Previous Year: ₹662.53 Crore) under HTM and Non SLR State Government Special Bonds with Book Value ₹47.63 Crore (Previous Year: ₹56.76 Crore) under AFS.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

*Details of Securities Pledged/Earmarked as Margin:

[₹ in Crore]

Particulars	March 31, 2017 (Face Value)	March 31, 2016 (Face Value)
Margin towards RBI LAF Repo Transactions	2,281.59	2,216.00
Margin towards Intraday liquidity	180.00	180.00
Margin for clearing of securities	103.00	103.00
Margin for Collateralized Borrowing and Lending Obligations (CBLO)	2,375.00	925.00
Margin for Forex forward segment default fund	7.25	9.25
Margin for Forex settlement segment default fund	1.05	1.05
Margin for Securities Segment default fund	5.00	-
Margin for CBLO segment default fund	1.56	-
Margin towards currency futures	21.60	-
Lien against Market Repo Borrowing	579.00	-
Grand Total	5,555.05	3,434.30

7. Sale and transfers to/from HTM Category:

During the years ended March 31, 2017 and March 31, 2016, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investments held in HTM category at the beginning of the year. The 5% threshold referred to above does not include one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the extant RBI guidelines, sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and sale of securities or transfer to AFS/HFT consequent to the reduction of ceiling on SLR securities under HTM.

8. 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. Hence disclosure relating to derivatives is not applicable to the bank for the years ended 31st March, 2017 and 31st March, 2016.

The notional principal amount of foreign exchange contracts classified as trading on March 31, 2017 amounted to ₹2389.34 Crore (Previous Year ₹4,705.11 Crore). For these trading contracts, on March 31, 2017, marked to market position was asset of ₹12.09 Crore (Previous Year ₹46.80 Crore) and liability of ₹28.07 Crore (Previous Year ₹46.76 Crore). The notional principal amount of foreign exchange contracts classified as hedging on March 31, 2017 amounted to ₹1902.01 Crore (Previous Year ₹1,444.51 Crore).

With effect from 01.04.2016, in respect of accounting of swap cost pertaining to FCNR Deposits/Overseas Borrowings, Bank has adopted amortisation method over the period of swap tenure, as against the mark-to-market method. This change in policy does not have any financial impact over the full period of the swap. The impact of the change in the policy as described above is reduction in profit after tax by ₹7.98 Crore for the Year ended 31st March, 2017. Had this policy been adopted in the previous year, the reported after tax profit number for the Year ended 31st March, 2016, would have been lower ₹1.64 Crore.

9. Movements in non-performing advances:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
(i) Net NPAs to Net Advances [%]	1.45	2.89
(ii) Movement of NPAs (Gross)		
a) Gross NPAs as at the beginning of the year	1562.36	643.45
b) Additions (Fresh NPAs during the Year)	1697.96	1609.70
Sub-total (A)	3260.32	2253.15
c) Less:		
i. Upgradations	94.98	134.63
ii. Recoveries (excluding recoveries made from upgraded accounts)	171.35	66.29
iii. Technical/Prudential Write-offs	71.88	169.93
iv. Write-offs other than those under (iii) above	1.95	1.23
v. Reduction by sale of Assets to ARCs	1771.15	318.71
Sub-total (B)	2111.31	690.79
d) Gross NPAs as at the end of the year *	1149.01	1562.36
(iii) Movement of NPAs (Net)**		
a) Opening Balance	1185.26	357.05
b) Additions during the year	1356.26	1267.25
c) Reductions during the year	1866.96	439.04
d) Closing Balance	674.56	1185.26
(iv) Movement of provisions for NPAs***		
(excluding provisions on Standard Assets)		
a) Opening Balance	354.61	259.76
b) Provisions made during the year	669.14	438.64
c) Write off/write back of Excess provisions	572.75	343.79
d) Closing Balance	451.00	354.61

*After considering technical/Prudential Write – Offs.Closing Gross NPAs before technical/Prudential Write – Offs is ₹1501.42 Crore (Previous Year ₹1986.64 Crore).

**Net NPA is after considering ECGC/DICGC/Insurance claim amount pending for adjustment of ₹23.45 Crore (Previous Year ₹22.49 Crore).

***Includes sacrifice provision on accounts classified as NPA, amounting to ₹5.03 Crore (Previous Year ₹9.19 Crore).

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

10. Particulars of Accounts Restructured as on March 31, 2017:

[₹ in Crore]

Sl. No.	Type of Restructuring Asset Classification Details	Under CDR Mechanism (A)			Under SME Debt Restructuring Mechanism (B)		
		Standard	Sub Standard	Doubtful	Loss	Total	Total
1.	Restructured Accounts as on April 1, 2016						
	No. of borrowers	5	-	2	1	8	1
	Amount outstanding	518.61	-	86.19	3.52	608.32	*
	Provision thereon	23.75	-	0.67	-	24.42	*
2.	Fresh restructuring during the year 2016-17 ¹						
	No. of borrowers	-	-	-	-	-	-
	Amount outstanding	27.45	-	-	-	27.45	-
	Provision thereon	-	-	-	-	-	-
3.	Upgradations to restructured standard category during the year 2016-17						
	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 (2017-18)						
	No. of borrowers	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-
5.	Downgradations of restructured accounts during the year 2016-17						
	No. of borrowers	(1)	-	1	-	-	-
	Amount outstanding	(219.07)	-	219.07	-	-	-
	Provision thereon	(4.53)	-	4.53	-	-	-
6.	Write-offs of restructured accounts during the year 2016-17 ²						
	No. of borrowers	(2)	-	(2)	-	(4)	-
	Amount outstanding	(281.33)	-	(86.19)	-	(367.52)	-
	Provision written back	(18.63)	-	(0.67)	-	(19.30)	-
7.	Restructured Accounts as on March 31, 2017						
	No. of borrowers	2	-	1	1	4	1
	Amount outstanding	45.66	-	219.07	3.52	268.25	*
	Provision thereon	0.59	-	4.53	-	5.12	*

(Contd...)

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

(₹ in Crore)

Sl. No.	Type of Restructuring Asset Classification Details	Standard				Others (C)				Total (D = A+B+C)			
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total		
1.	Restructured Accounts as on April 1, 2016												
	No. of borrowers	8	3	6	4	21	13	3	8	6	30		
	Amount outstanding	430.64	36.23	316.28	0.44	783.59	949.25	36.23	402.47	3.96	1,391.91		
	Provision thereon	2.42	4.78	2.96	0.03	10.19	26.17	4.78	3.63	0.03	34.61		
2.	Fresh restructuring during the year 2016-17 ¹												
	No. of borrowers	1	-	-	-	1	1	-	-	-	1		
	Amount outstanding	58.52	-	-	-	58.52	85.97	-	-	-	85.97		
	Provision thereon	-	-	-	-	-	-	-	-	-	-		
3.	Upgradations to restructured standard category during the year 2016-17												
	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 (2017-18)												
	No. of borrowers	(1)				(1)	(1)				(1)		
	Amount outstanding	(2.06)				(2.06)	(2.06)				(2.06)		
	Provision thereon	-				-	-				-		
5.	Downgradations of restructured accounts during the year 2016-17												
	No. of borrowers	(2)	-	2	-	-	(3)	-	3	-	-		
	Amount outstanding	(39.34)	-	39.34	-	-	(258.41)	-	258.41	-	-		
	Provision thereon	(0.46)	-	0.46	-	-	(4.99)	-	4.99	-	-		
6.	Write-offs of restructured accounts during the year 2016-17 ²												
	No. of borrowers	(2)	(3)	(4)	-	(9)	(4)	(3)	(6)	-	(13)		
	Amount outstanding	(184.77)	(36.23)	(316.12)	(0.21)	(537.33)	(466.10)	(36.23)	(402.31)	(0.21)	(904.85)		
	Provision written back	(1.45)	(4.78)	(2.95)	*	(9.18)	(20.08)	(4.78)	(3.62)	*	(28.48)		
7.	Restructured Accounts as on March 31, 2017												
	No. of borrowers	4	-	4	4	12	6	-	5	6	17		
	Amount outstanding	262.99	-	39.50	0.23	302.72	308.65	-	258.57	3.75	570.97		
	Provision thereon	0.51	-	0.47	0.03	1.01	1.10	-	5	0.03	6.13		

Asterisk denotes figure below ₹1,00,000/-

1. Fresh Restructuring includes fresh sanction/increase in existing accounts : CDR - ₹27.45 Crore (Provision Nil), SME - Nil (Provision Nil), Others - ₹6.28 Crore (Provision Nil), Total - ₹33.73 Crore (Provision Nil).

2. Write off of restructured accounts includes recoveries/reduction in existing balances on conversion of loan/closure/sale in existing accounts : CDR - ₹367.52 Crore (Provision ₹19.30 Crore), SME - Nil (Provision Nil), Others - ₹509.16 Crore (Provision ₹9.18 Crore), Total - ₹876.68 Crore (Provision ₹28.48 Crore) :

3. The bank maintains a provision for diminution in fair value of assets amounting to ₹10.25 Crore, of which assets holding ₹4.12 Crore of such provision, have shown satisfactory performance as per RBI guidelines are not disclosed above.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

Particulars of Accounts Restructured as on March 31, 2016

(₹ in Crore)

Sl. No.	Type of Restructuring		Under CDR Mechanism (A)					Under SME Debt Restructuring Mechanism (B)				
	Asset Classification Details		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1.	Restructured Accounts as on April 1, 2015											
	No. of borrowers		7	-	2	-	9	-	-	-	2	2
	Amount outstanding		656.03	-	77.62	-	733.65	-	-	-	*	*
	Provision thereon		56.15	-	0.80	-	56.95	-	-	-	*	*
2.	Fresh restructuring during the year 2015-16 ¹											
	No. of borrowers		-	-	-	-	-	-	-	-	-	-
	Amount outstanding		32.69	-	8.23	-	40.92	-	-	-	-	-
	Provision thereon		-	-	-	-	-	-	-	-	-	-
3.	Upgradations to restructured standard category during the year 2015-16											
	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 (2016-17)											
	No. of borrowers		-	-	-	-	-	-	-	-	-	-
	Amount outstanding		-	-	-	-	-	-	-	-	-	-
	Provision thereon		-	-	-	-	-	-	-	-	-	-
5.	Downgradations of restructured accounts during the year 2015-16											
	No. of borrowers		(1)	-	-	1	-	-	-	-	-	-
	Amount outstanding		(50.62)	-	47.10	3.52	-	-	-	-	-	-
	Provision thereon		(0.67)	-	0.67	-	-	-	-	-	-	-
6.	Write-offs of restructured accounts during the year 2015-16 ²											
	No. of borrowers		(1)	-	-	-	(1)	-	-	-	(1)	(1)
	Amount outstanding		(119.49)	-	(46.76)	-	(166.25)	-	-	-	-	-
	Provision written back		(31.73)	-	(0.80)	-	(32.53)	-	-	-	-	-
7.	Restructured Accounts as on March 31, 2016											
	No. of borrowers		5	-	2	1	8	-	-	-	1	1
	Amount outstanding		518.61	-	86.19	3.52	608.32	-	-	-	*	*
	Provision thereon		23.75	-	0.67	-	24.42	-	-	-	*	*

(Contd...)

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

[₹ in Crore]

Sl. No.	Type of Restructuring Asset Classification Details	Standard			Others (C)			Total (D = A + B + C)		
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss
1.	Restructured Accounts as on April 1, 2015									
	No. of borrowers	20	2	7	3	32	27	2	9	5
	Amount outstanding	1,225.68	0.22	108.07	0.20	1,334.17	1,881.71	0.22	185.69	0.20
	Provision thereon	11.84	0.01	1.46	0.01	13.32	67.99	0.01	2.26	0.01
2.	Fresh restructuring during the year 2015-16 ¹									
	No. of borrowers	1	-	-	-	1	1	-	-	-
	Amount outstanding	207.37	-	0.01	-	207.38	240.06	-	8.24	-
	Provision thereon	3.03	-	0.02	-	3.05	3.03	-	0.02	-
3.	Upgradations to restructured standard category during the year 2015-16									
	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 (2016-17)									
	No. of borrowers	(3)				(3)	(3)			(3)
	Amount outstanding	(37.07)				(37.07)	(37.07)			(37.07)
	Provision thereon	-				-	-			-
5.	Downgradations of restructured accounts during the year 2015-16									
	No. of borrowers	(4)	1	2	1	-	(5)	1	2	2
	Amount outstanding	(292.50)	36.03	256.15	0.32	-	(343.12)	36.03	303.25	3.84
	Provision thereon	(7.71)	4.77	2.92	0.02	-	(8.38)	4.77	3.59	0.02
6.	Write-offs of restructured accounts during the year 2015-16 ²									
	No. of borrowers	(6)	-	(3)	-	(9)	(7)	-	(3)	(1)
	Amount outstanding	(672.84)	(0.02)	(47.95)	(0.08)	(720.89)	(792.33)	(0.02)	(94.71)	(0.08)
	Provision written back	(4.74)	-	(1.44)	-	(6.18)	(36.47)	-	(2.24)	-
7.	Restructured Accounts as on March 31, 2016									
	No. of borrowers	8	3	6	4	21	13	3	8	6
	Amount outstanding	430.64	36.23	316.28	0.44	783.59	949.25	36.23	402.47	3.96
	Provision thereon	2.42	4.78	2.96	0.03	10.19	26.17	4.78	3.63	0.03

Asterisk denotes figure below ₹1,00,000/-

- 1 Fresh Restructuring includes fresh sanction/increase in existing accounts : CDR - ₹40.92 Crore (Provision Nil), SME - Nil (Provision Nil), Others - ₹89.72 Crore (Provision ₹3.05 Crore), Total - ₹130.64 Crore (Provision ₹3.05 Crore)
- 2 Write-off of restructured accounts includes recoveries/closure/Sale in existing accounts : CDR - ₹72.13 Crore (Provision ₹16.25 Crore), SME - Nil (Provision Nil), Others - ₹705.21 Crore (Provision ₹4.75 Crore), Total - ₹777.34 Crore (Provision ₹21 Crore)
- 3 The bank maintains a provision for diminution in fair value of assets amounting to ₹39.63 Crore, of which assets holding ₹5.02 Crore of such provision, have shown satisfactory performance as per RBI guidelines are not disclosed above.
- 4 A Restructured Doubtful account with opening balance of ₹10.25 Crore which was restructured again in the current year is not disclosed under Fresh Restructuring.
- 5 A Doubtful account with Balance of ₹3.24 Crore which was restructured during the period, however was closed before the year-end itself is not considered under above disclosure.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

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

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
(i) No. of Accounts ¹	104	16
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	1346.81	196.18
(iii) Aggregate Consideration	1243.70	168.83
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/(loss) over net book value	(103.11)	(27.35)

¹Represents number of customers.

The Bank has assigned certain NPAs to Asset Reconstruction Companies and spread the shortfall in Net Book Value (NBV) over a period as per the RBI Circular DBOD.No.BP.BC.9/21.04.048/2014-15 on "Prudential norms on income recognition, asset classification and provisioning pertaining to advances" dated July 1, 2014, as amended.

In respect of such assignments, an amount of ₹50.81 Crore (Previous Year: ₹16.10 Crore) has been charged to the profit and loss account during year ended March 31, 2017. The unamortised balance carried forward as at March 31, 2017 is ₹76.05 Crore (Previous Year: ₹23.74 Crore). Unamortised balance as at 31st March, 2017 has been drawn from Revenue and Other Reserves and will be charged to Profit and Loss account during next two to three quarters as the case may be, as permitted by RBI Vide Circular: DBR.No.BP.BC.102/21.04.048/2015-16 dated 13th June, 2016.

B. Details of Book value of Investments in Security Receipts

[₹ in Crore]

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/non-banking financial companies as underlying		Total	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Book value of investments in security receipts	1258.24	204.40	Nil	Nil	1258.24	204.40

Note- In addition to the above, bank holds security receipt of ₹16.75 Crore (Previous Year ₹16.75 Crore) which are backed by Standard asset sold by the bank.

C. Details of ageing of Investments held as Security Receipts:

(i) As at March 31, 2017:

[₹ in Crore]

Particulars		SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i)	Book value of SRs backed by NPAs sold by the bank as underlying	1258.24	-	-
	Provision held against (i)	-	-	-
ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Total (i) + (ii)		1258.24	-	-

(ii) As at March 31, 2016

[₹ in Crore]

Particulars		SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i)	Book value of SRs backed by NPAs sold by the bank as underlying	204.40	-	-
	Provision held against (i)	-	-	-
ii)	Book value of SRs backed by NPAs sold by other banks/ financial institutions/non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Total (i) + (ii)		204.40	-	-

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

D. Details of Non-Performing financial assets purchased/sold

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Non-performing financial assets purchased/sold (from/to banks)	Nil	Nil

12. Provisions on Standard Assets:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Provisions towards Standard Assets	180.46	183.38
Provision for Unhedged Foreign Currency Exposure of Borrowers	10.93	10.07
Provision for Specific Standard Assets	31.46	30.26
Grand Total (Refer 5. IV - Other liabilities and provisions)	222.85	223.71

13. Business ratios:

Particulars	March 31, 2017	March 31, 2016
(i) Interest Income as a percentage to Working Funds ¹	8.50%	9.18%
(ii) Non-interest income as a percentage to Working Funds ¹	1.04%	0.86%
(iii) Operating Profit as a percentage to Working Funds ^{1, 2}	1.77%	1.45%
(iv) Return on Assets [Based on Working Fund] ¹	0.57%	0.55%
(v) Business (Customer Deposits plus Advances) per employee ^{3, 4} (₹ in Crore)	14.84	12.55
(vi) Profit per employee ³ (₹ in Crore)	0.05	0.04

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 this ratio, Operating profit is net profit for the year before provisions and contingencies.

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

4. For the purpose of this ratio, business per employee has been recorded as gross advance plus deposits.

14. Lending to sensitive sectors:

A. Exposures to Real Estate Sector

[₹ in Crore]

Category	March 31, 2017	March 31, 2016
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>	2706.17 1017.07	2470.11 1283.89
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estate (office buildings, retail space, multi-purpose 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	618.27	287.30
(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)	1357.76	594.82
Total Exposure to Real Estate Sector	4682.20	3352.23

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

B. Exposure to Capital Market sectors

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
(i) Direct Investments in equity shares	252.87	168.29
(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	7.32	10.43
(iv) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds and convertible debentures and 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;	111.60	101.22
(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	376.79	284.94

C. Risk category wise country exposure

Country Risk exposure has been classified on the following basis:

[₹ in Crore]

Risk Category	Exposure (net) as at March 31, 2017	Provision held as at March 31, 2017	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016
Insignificant	941.33	-	929.93	-
Low	736.22	-	645.62	-
Moderate	8.00	-	8.18	-
High	3.69	-	9.03	-
Very High	1.09	-	-	-
Restricted	-	-	-	-
Off Credit	-	-	-	-
TOTAL	1690.33	-	1592.76	-

As the Bank's net 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 required.

15. Floating Provision :

[₹ in Crore]

Particulars	2016-17	2015-16
(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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

16. Maturity Pattern of key assets and liabilities:

As at March 31, 2017:

[₹ in Crore]

	Day 1	2-7 days	8-14 days	15-30 days	31 days and up to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 year and up to 5 years	Over 5 years	Total
Deposits	182.70	1,057.63	340.50	2,212.42	4,130.06	2,616.52	3,955.29	7,788.94	3,553.05	4,637.73	35,642.65	66,117.49
Advances	813.37	668.98	425.77	1,556.08	1,959.09	2,746.44	4,641.66	6,972.08	6,625.11	3,141.94	16,838.95	46,389.47
Investments	2,855.43	1,194.60	87.10	422.38	775.60	479.49	689.10	1,443.00	1,598.93	1,187.75	8,696.29	19,429.67
Borrowings	84.35	1,006.62	-	-	-	50.00	152.33	76.16	88.30	200.00	300.00	1,957.76
Foreign Currency-Assets	206.83	137.51	37.90	170.85	144.01	63.48	262.40	535.96	-	-	-	1,558.94
Foreign Currency-Liabilities	114.75	8.32	4.97	17.73	58.87	50.17	84.01	291.94	594.60	250.67	-	1,476.03

As at March 31, 2016:

[₹ in Crore]

	Day 1	2-7 days	8-14 days	15-30 days	31 days and up to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 year and up to 5 years	Over 5 years	Total
Deposits	154.76	665.33	659.01	1,040.23	3,743.00	3,508.43	4,225.78	8,815.03	4,797.32	4,890.85	23,220.99	55,720.73
Advances	509.61	625.12	623.52	1,359.21	1,800.60	2,950.24	3,971.40	6,349.43	5,512.78	4,203.42	13,180.42	41,085.75
Investments	1,407.23	451.04	126.29	193.73	718.91	709.19	780.50	1,809.96	1,630.31	1,112.43	5,804.34	14,743.93
Borrowings	63.69	300.00	-	-	927.57	-	336.27	170.63	316.79	200.00	300.00	2,614.95
Foreign Currency-Assets	201.89	167.77	44.58	93.88	102.41	63.46	330.03	85.08	9.23	-	-	1,098.33
Foreign Currency-Liabilities	1,193.70	3.48	2.93	15.04	949.52	37.97	307.53	165.14	391.93	403.52	-	3,470.76

Classification of assets and liabilities under different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the returns submitted to the RBI, which has been relied upon by the auditors.

Disclosure format of maturity pattern has been revised by RBI vide circular DBR.BP.BC.No.86/21.04.098/2015-16 dated March 23, 2016. Previous year numbers has been reclassified/rearranged accordingly.

17. Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank:

During the years ended 31st March, 2017 and 31st March, 2016, the bank's credit exposure to single borrower and group borrowers was within the prudential exposure limit prescribed by RBI

During the year ended 31st March, 2017, bank has invested an amount of ₹1057.15 Crore in the Security Receipt issued by an ARC. As per RBI Master circular on Exposure Norms - DBR.No.Dir.BC.12/13.03.00/2015-16 Dated July 01, 2015 - "Banks'/ FIs' investments in debentures/bonds/security receipts/pass-through certificates (PTCs) issued by an SC/RC as compensation consequent upon sale of financial assets will constitute exposure on the SC/RC. In view of the extraordinary nature of the event, banks/FIs will be allowed, in the initial years, to exceed the prudential exposure ceiling on a case-to-case basis."

The above investment exceeds the prudential exposure ceiling, for which the bank has sought approval from RBI for such exceeding.

18. Unsecured Advances:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Total Advances for which intangible securities such as charge over the rights, licenses, authority etc has been taken as collateral	464.83	434.37
Estimated value of such intangible collateral	464.83	434.37

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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19. Penalties levied by the Reserve Bank of India

The penalty imposed by RBI during the year ended March 31, 2017 was ₹1,17,193/- (Previous year ₹32,400/-)

Due to oversight, there was a single incident of SGL bouncing on 27th October, 2016. Based on the bank's explanation/representation, RBI has taken a lenient view and has waived imposition of any monetary penalty in this regard. Disclosure of the above fact is made in accordance with the letter issued by RBI vide letter no.: PDO.NDS.Bounce/08.03.000/949/2016-17 dated 21st November, 2016.

20. Asset quality ratios

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Percentage of net NPAs to net advances	1.45	2.89
Provision Coverage Ratio (%)	55.07	40.34

21. Concentration of Deposits, Advances, Exposures and NPAs

(i) Concentration of Deposits

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Total Deposits of twenty largest depositors	6,750.85	5,070.41
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	10.21%	9.10%

Note: Excludes holders of certificate of deposits

(ii) Concentration of Advances*

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Total Advances to twenty largest borrowers	5865.99	5507.79
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	10.21%	13.28%

*Advance is computed as per definition of Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms

(iii) Concentration of Exposures*

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Total Exposure to twenty largest borrowers/customers	6070.75	5565.01
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	7.89%	9.89%

*Exposure is computed based on credit and investment exposure as prescribed in RBI's Master Circular on Exposure Norms

(iv) Concentration of NPAs*

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Total Exposure to top four NPA accounts	670.05	909.01

*Represents funded balance

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.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

22. Sector-wise Advances

[₹ in Crore]

Sl. No.	Sector*	2016-17			2015-16		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector						
1	Agriculture and allied activities	6,618.01	82.22	1.24	5715.93	42.33	0.74
2	Advances to industries sector eligible as priority sector lending	4,764.79	226.91	4.76	4244.09	109.79	2.59
2.a	Textile	1,031.95	16.44	1.59	662.38	4.95	0.75
2.b	Basic Metal	578.78	17.15	2.96	453.83	1.72	0.38
2.c	Infra	57.67	*	*	304.99	17.88	5.86
3	Services	6,068.49	86.52	1.43	4909.79	103.72	2.11
3.a	Professional	746.92	7.89	1.06	420.70	4.08	0.97
3.b	Trade	4,093.62	72.54	1.77	3676.75	60.79	1.65
3.c	NBFC	226.97	*	*	343.31	30.98	9.02
4	Personal loans	1,596.42	75.06	4.70	1493.15	41.55	2.78
4.a	Housing Loan	984.91	35.18	3.57	1086.87	22.77	2.10
4.b	Other Personal loans incl. Gold Loan	360.01	1.44	0.40	159.86	0.08	0.05
	Sub-total (A)	19,047.71	470.71	2.47	16362.96	297.39	1.82
B	Non Priority Sector						
1	Agriculture and allied activities	578.54	0.01	*	443.29	-	-
2	Industry	10,326.84	582.71	5.64	10750.32	898.74	8.36
2.a	Textile	924.24	14.10	1.53	990.87	58.38	5.89
2.b	Basic Metal	1,207.55	14.54	1.20	1482.97	375.64	25.33
2.c	Infra	3,440.91	198.86	5.78	3871.24	276.41	7.14
3	Services	12,412.58	47.71	0.38	10324.22	338.89	3.28
3.a	Professional	1,984.39	0.93	0.05	1761.13	4.50	0.26
3.b	Trade	2,680.72	13.18	0.49	3218.16	313.97	9.76
3.c	NBFC	1,781.28	-	-	3799.79	-	-
4	Personal loans	4,480.01	47.87	1.07	3590.00	27.34	0.76
4.a	Housing Loan	1,581.65	32.39	2.05	1383.24	13.61	0.98
4.b	Other Personal loans incl. Gold Loan	2,715.19	14.11	0.52	2105.12	12.85	0.61
	Sub-total (B)	27,797.97	678.30	2.44	25107.83	1264.97	5.04
	Total (A+B)	46,845.68	1,149.01	2.45	41470.79	1562.36	3.77

Asterisk denotes figure below ₹1,00,000 / Percentage below 0.01

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.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

23. Movement in technical/prudential written off accounts:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Opening balance of Technical/Prudential written-off accounts as at April 1	424.28	271.24
Add: Technical/Prudential write-offs during the year	71.88	169.93
Sub-total (A)	496.16	441.17
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	6.77	8.44
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written-off accounts during the year	135.75	0.05
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	1.23	8.40
Sub-total (B)	143.75	16.89
Closing balance as at March 31 (A-B)	352.41	424.28

24. Overseas Assets, NPAs and Revenue - Nil

25. Off-balance Sheet SPVs sponsored - Nil

26. Bancassurance Business

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Fees/remuneration received from bancassurance business:		
- For selling life insurance policies	2.00	1.63
- For selling non-life insurance policies	1.60	1.57
Total	3.60	3.20

27. Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2017 and March 31, 2016, except:

- towards share issue expenses of ₹4.73 Crore, incurred for the equity raised through the Right Issue during the year ended March 31, 2017, which have been adjusted against the share premium account in terms of Section 52 of the Companies Act, 2013.
- ₹ Nil (Previous Year ₹10.05 Crore) from Investment Reserve Account in accordance with RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by banks'.
- ₹76.05 Crore (Previous Year: Nil) from Revenue and Other Reserves being unamortized balance of loss pertaining to advances sold to ARC, as permitted by RBI vide Circular: DBR.No.BP.BC.102/21.04.048/2015-16 dated June 13, 2016.
- ₹57.82 Crore (Previous year ₹ Nil) from revenue and other reserves being unamortized amount of a fraud case as permitted by the RBI in accordance with DBR No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016 (Refer note C.13 of Schedule 18).

28. Provision for taxes during the year:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Current Tax	198.92	143.07
Deferred Tax (net)	8.80	33.33
Total	207.72	176.40

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

29. Provisions and Contingencies

a) Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Provision for NPAs	621.78	391.90
Provision for NPLs	36.18	13.40
Provision for taxes (Net)	198.92	143.07
Deferred Tax (net)	8.80	33.33
Provision for Standard Assets	(1.72)	(0.79)
Provision for Restructured Advances	(29.38)	(36.90)
Provision for depreciation in the value of investments	5.97	29.81
Provision for FITL	(58.94)	(25.40)
Provision for unhedged foreign currency exposures	0.86	(5.05)
Others	39.62	2.64
TOTAL	822.09	546.01

b) Movement in provision for debit card reward points:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Opening provision at the beginning of the year	0.15	-
Provision made during the year	0.98	0.15
Reductions during the year	0.38	-
Closing provision at the end of the year	0.75	0.15

c) Movement in provision for other contingencies:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Opening provision at the beginning of the year	16.55	13.93
Provision made during the year	0.45	2.92
Reductions during the year	0.50	0.30
Closing provision at the end of the year	16.50	16.55

30. Disclosures on Remuneration

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

Composition:

The Nomination & Remuneration committee of the Board consists of three members of which one member from Risk Management Committee of the Board facilitate effective governance of compensation.

The roles and responsibilities of the Nomination & Remuneration Committee inter-alia includes the following:

- 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 May 23, 2011 on Fit & Proper Criteria of the Banks.
- To devise a Succession Planning Policy for the Board and Senior Management.
- To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors.
- To identify persons who are qualified to become Directors/KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
- To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
- To devise a policy on Board diversity.
- To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.

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- To perform such other functions as may be necessary or appropriate for the performance of its duties.
 - To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
 - 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.
 - 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) 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 considered necessary;
 - (iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
 - The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 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 recognised in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.
 - 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.
 - 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 dated January 13, 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 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 Section 197 of the Companies Act, 2013.
- 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 NRC 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. The factors taken into 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.

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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) 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.

		2016-17	2015-16
Quantitative disclosures	(a)		
	● Number of meetings held by the Remuneration Committee during the financial year	6	6
	● Remuneration paid to its members (₹ in Lakhs)	5.50	4.50
	(b)		
	(i) Number of employees having received a variable remuneration award during the financial year.	1	1
	(ii) Number and total amount of sign-on awards made during the financial year.	-	-
	(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.	-	-
	(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	79.20	66.00
	● Variable	16.50	7.50
	● Deferred	-	-
	● Non Deferred	-	-
	(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.	-	-

31. Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended 31 March, 2017 and 31 March, 2016.

32. Credit Default Swaps

The bank has not taken any transactions in credit default swaps during the year ended March 31, 2017 and March 31, 2016.

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33. Status of Complaints
A. Shareholder complaints:

		March 31, 2017	March 31, 2016
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	274	250
(c)	No. of complaints redressed during the year	273	250
(d)	No. of complaints pending at the end of the year	1	-

B. Customer complaints:

		March 31, 2017	March 31, 2016
(a)	No. of complaints pending at the beginning of the year	123	149
(b)	No. of complaints received during the year	15203	10430
(c)	No. of complaints redressed during the year	15016	10456
(d)	No. of complaints pending at the end of the year	310	123

Complaints on ATM transactions (Included in B above):
Complaints against banks own ATM's

		March 31, 2017	March 31, 2016
(a)	No. of complaints pending at the beginning of the year	44	34
(b)	No. of complaints received during the year	5530	2853
(c)	No. of complaints redressed during the year	5449	2843
(d)	No. of complaints pending at the end of the year	125	44

Complaints against other bank ATM's

		March 31, 2017	March 31, 2016
(a)	No. of complaints pending at the beginning of the year	79	115
(b)	No. of complaints received during the year	8806	7151
(c)	No. of complaints redressed during the year	8714	7187
(d)	No. of complaints pending at the end of the year	171	79

C. Status of Awards passed by the Banking Ombudsman:

		March 31, 2017	March 31, 2016
(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	-	-

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

34. Letter of Comfort (LoCs) issued by Banks

The Bank has not issued any reportable Letter of Comfort during the year ended March 31, 2017 and March 31, 2016 respectively.

35. Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency product portfolio and encouraging them to hedge the unhedged portion. In line with the policy, assessment of unhedged foreign currency exposure is a part of assessment of borrowers and is undertaken while proposing limits or at the review stage.

Further, the Bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank also maintains incremental provision towards the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained provision of ₹10.93 Crore (Previous Year ₹10.07 Crore) and additional capital of ₹8.89 Crore (Previous Year ₹8.42 Crore) on account of Unhedged Foreign Currency Exposure of its borrowers as at March 31, 2017.

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36. Liquidity Coverage Ratio (LCR)

[₹ in Crore]

Particulars	Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016		Quarter ended March 31, 2016	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets										
1 Total High Quality Liquid Assets (HQLA)		10,382.59		9,649.07		7,954.90		7,301.37		6,464.83
Cash Outflows										
2 Retail deposits and deposits from small business customers, of which:	44,391.58	4,309.88	43,404.64	4,208.73	40,720.91	3,942.67	39,036.64	3,782.94	37,965.79	3,686.91
(i) Stable deposits	2,585.50	129.27	2,634.64	131.73	2,588.40	129.42	2,414.52	120.73	2,193.35	109.67
(ii) Less stable deposits	41,806.08	4,180.61	40,770.00	4,077.00	38,132.51	3,813.25	36,622.12	3,662.21	35,772.44	3,577.24
3 Unsecured wholesale funding, of which:	3,437.29	1,811.92	3,457.09	1,957.45	3,280.61	1,748.05	3,358.48	2,025.28	3,170.29	1,959.70
(i) Operational deposits (all counterparties)	896.18	206.73	893.64	206.19	827.29	191.11	669.90	153.22	909.19	203.47
(ii) Non-operational deposits (all counterparties)	1,509.60	1,192.59	1,408.18	1,289.15	1,137.46	1,030.60	1,591.21	1,433.11	1,636.12	1,506.24
(iii) Unsecured debt	1,031.51	412.60	1,155.27	462.11	1,315.86	526.34	1,097.37	438.95	624.98	249.99
4 Secured wholesale funding		-		-		-		-		-
5 Additional requirements, of which	2.76	2.76	-	-	-	-	7.59	7.59	1.71	1.71
(i) Outflows related to derivative exposures and other collateral requirements	2.76	2.76	-	-	-	-	7.59	7.59	1.71	1.71
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	523.70	523.70	525.04	525.04	514.89	514.89	560.49	560.49	461.75	583.21
7 Other contingent funding obligations	2,968.53	936.35	2,523.59	436.04	2,571.95	509.02	2,834.33	807.23	2,598.10	650.74
8 TOTAL CASH OUTFLOWS		7,584.61		7,127.26		6,714.63		7,183.53		6,882.27
Cash Inflows										
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	4,300.88	2,150.44	4,278.24	2,139.12	3,894.34	1,947.17	3,797.34	1,898.67	3,268.14	1,634.07
11 Other cash inflows	936.14	876.54	1,525.20	1,433.12	1,075.14	1,048.75	1,185.66	1,128.74	780.30	756.71
12 TOTAL CASH INFLOWS	-	3,026.98	-	3,572.24	-	2,995.92	-	3,027.41	-	2,390.78
13 TOTAL HQLA		10,382.59		9,649.07		7,954.90		7,301.37		6,464.83
14 TOTAL NET CASH OUTFLOWS		4,557.63		3,555.02		3,718.71		4,156.12		4,491.49
15 LIQUIDITY COVERAGE RATIO (%)		227.81%		271.42%		213.92%		175.68%		143.94%

Note : The LCR for quarter ended 31st March, 2017 is calculated taking daily average whereas the same is calculated for the previous quarter is based on monthly average.

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37. Qualitative Disclosure around LCR

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". The LCR guidelines aim to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken. Banks are required to maintain High Quality Liquid Assets of a minimum of 100% of its Net Cash Outflows by January 1, 2019. However, with a view to providing transition time, the guidelines mandate a minimum requirement of 80% w.e.f. January 1, 2017 and a step up of 10% every year to reach the minimum requirement of 100% by January 1, 2019. The adequacy in the LCR maintenance is an outcome of a conscious strategy of the Bank towards complying with LCR mandate ahead of the stipulated time lines. The quarterly daily average LCR of the bank for the quarter ended March 2017 is 227.81%.

The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement, regulatory dispensation allowed upto 2% of NDTL in the form of borrowing limit available through Marginal Standing Facility (MSF) and 5% of NDTL as Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). From February 2016 onwards, RBI has allowed Banks to reckon an additional 3% of NDTL as FALLCR. This has been further increased by 1% by RBI from July 2016 onwards thereby increasing the total FALLCR to 9%.

The principal components of the estimated cash out flows which could arise in next 30 days are retail deposits (56.82%) and unsecured wholesale funding (23.89%). The bank intends to fund the short term cash outflows from extremely liquid Government securities and funding for estimated cash outflows considered in LCR computation substantially flows from this source. The bank is managing its liquidity from the centralized fund management cell attached to Treasury Department, Mumbai.

38. Transfers to Depositor Education and Awareness Fund (DEAF):

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposits or any amount remaining unclaimed for more than ten years to DEAF.

Details of amounts transferred to DEAF are set out below:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Opening balance of amounts transferred to DEAF	54.96	42.18
Add : Amounts transferred to DEAF during the year	17.81	13.07
Less : Amounts reimbursed by DEAF towards claims	1.87	0.29
Closing balance of amounts transferred to DEAF	70.90	54.96

39. Intra-Group Exposure - Nil.

40. Inter-bank participation with risk sharing

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2017 was ₹600 Crore (Previous Year: ₹689 Crore).

41. Priority sector lending certificates

The amount of PSLCs (category wise) sold during the year:

[₹ in Crore]

Sl. No.	Type of PSLCs	Sale
1	PSLC – Agriculture	300.00
2	PSLC – SF/MF	-
3	PSLC – Micro Enterprises	-
4	PSLC – General	2500.00
Total		2800.00

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42. Disclosures on Flexible Structuring of Existing Loans

[₹ in Crore]

Period	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
During the FY 2015-16	1	80.12	-	04 Years 09 Months	13 Years 09 Months
During the FY 2016-17	1	283.88	-	10 Years 10 Months	15 Years 03 Months

43. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)^{1,2}

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
No. of accounts where SDR has been invoked	1	2
Gross amount outstanding		
- Standard	80.53	290.10
- NPA	-	-
Gross amount outstanding for borrowers where conversion of debt to equity is pending		
- Standard	80.53	96.16
- NPA	-	-
Gross amount outstanding for borrowers where conversion of debt to equity has taken place		
- Standard	-	193.94
- NPA	-	-

1. The Bank has not taken stand-still benefit for NPA cases and hence these cases are excluded.

2. Cases where SDR has been revoked or not implemented within the permitted RBI timelines have been excluded in subsequent periods.

During the year ended March 31, 2017, the Bank has not recognised an amount of ₹3.64 Crore towards interest on cases covered under the SDR scheme (Previous Year: Nil).

44. Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

There are no accounts where the bank has decided to affect the change of ownership outside SDR Scheme and which are currently under stand-still period (Previous Year: Nil).

45. Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

There are no accounts where the bank has decided to affect the change of ownership of projects under implementation (Previous Year: Nil).

46. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on 31 March, 2017

There were no accounts during the year where S4A has been applied.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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47. Disclosure on Divergence in Asset Classification and Provisioning for NPAs: as per RBI Circular vide DBR.BP.BC. No.63/21.04.018/2016-17 dated 18th April, 2017

[₹ in Crore]

Sl. No.	Particulars	Amount
1	Gross NPAs as on March 31, 2016 as reported by the bank	1,562.36
2	Gross NPAs as on March 31, 2016 as assessed by RBI	2,127.43
3	Divergence in Gross NPAs (2-1)	565.07
4	Net NPAs as on March 31, 2016 as reported by the bank	1,185.26
5	Net NPAs as on March 31, 2016 as assessed by RBI	1,564.39
6	Divergence in Net NPAs (5-4)	379.13
7	Provisions for NPAs as on March 31, 2016 as reported by the bank	377.10
8	Provisions for NPAs as on March 31, 2016 as assessed by RBI	563.04
9	Divergence in provisioning (8-7)	185.94
10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2016	333.27
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning	211.68

Note: The Bank confirms that the classification of NPA's and provision thereon were appropriately done as per the accounting policy and the relevant guidelines based on the relevant facts available at the time of finalisation of the financial statements of the year ended 31 March, 2016. The Risk Assessment of the RBI was carried out in September 2016 and the report was issued in 4th October, 2016. The divergence is possibly due to the availability of data subsequent to the finalisation of financial statements, data of other banks in the consortium available to the RBI, certain interpretations of the regulations and decisions taken by the Joint Lenders Forum etc. The Bank has complied with the above report by appropriately giving effect to all the items included in the report, in the financial statements for the year ended 31 March, 2017.

C: Other Disclosures

1. Fixed Assets

- Premises of the Bank were revalued as on April 1, 2016 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 ₹276.76 Crore to ₹390.50 Crore and the resultant appreciation in the value amounting to ₹113.74 Crore has been credited to revaluation reserve during the year.
- Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Gross Block		
At the beginning of the year	31.31	15.05
Additions during the year	27.55	16.26
Deductions during the year	-	-
Closing Balance	58.86	31.31
Depreciation/Amortisation		
At the beginning of the year	6.45	1.71
Charge for the year	10.91	4.74
Deductions during the year	-	-
Depreciation to date	17.36	6.45
Net Block	41.50	24.86

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2. Earnings Per Share

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

Particulars	March 31, 2017	March 31, 2016
Weighted average number of equity shares used in computation of basic earnings per share	150,31,22,341	149,60,09,820
Potential equity shares arising out of the Employees Stock Option Scheme	19,25,748	4,620
Weighted average number of equity shares used in computation of diluted earnings per share	150,50,48,089	149,60,14,440
Earnings used in the computation of basic earnings per share (₹ in Crore)	392.50	333.27
Earnings used in the computation of diluted earnings per share (₹ in Crore)	392.50	333.27
Nominal Value of share (in ₹)	1.00	1.00
Basic earnings per share (in ₹)	2.61	2.23
Effect of potential equity shares for ESOS	0.00	0.00
Diluted earnings per share (in ₹)	2.61	2.23

Pursuant to the rights issue, earnings per share (EPS) in respect of previous year/periods has been restated as per Accounting Standard-20 (AS-20)- "Earnings Per Share", prescribed under Section 133 of the Companies Act, 2013 (Ref Note 18.A.2).

3. Accounting for Employee Share Based Payments.

The company has provided various share based payment schemes to its employees. As on March 31, 2017, the following schemes were in operation;

	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Date of grant	16.02.2012	28.06.2012	05.03.2013	03.12.2013	27.03.2015
Date of Board approval	16.02.2012	28.06.2012	05.03.2013	03.12.2013	27.03.2015
Date of Shareholders approval	18.08.2008	18.08.2008	18.08.2008	18.08.2008	18.08.2008
Number of options granted	9,42,000	21,000	10,66,500	213,52,100	22,26,500
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting period	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	27.03.2017 to 27.03.2019
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.

Activity in the options outstanding under the ESOS

Particulars	March 31, 2017		March 31, 2016	
	Options	Weighted average exercise price (₹)	Options	Weighted average exercise price (₹)
Options outstanding at the beginning of the year	23,482,745	19.13	2,47,66,990	19.25
Options granted during the year	-	-	-	-
Options exercised during the year	18,18,866	18.73	1,57,005	19.04
Forfeited/lapsed during the year	54,83,046	19.21	11,27,240	21.68
Options outstanding at the end of the year	1,61,80,833	19.15	2,34,82,745	19.13
Options Exercisable	6,667,433	19.13	66,33,955	19.09

The weighted average share price at the date of exercise of the options was ₹22.86 (Previous year ₹19.75)

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

Details of exercise price for stock options outstanding as at March 31, 2017

Particulars	Exercise price per share	Number of options outstanding	Remaining contractual life of options
Tranche 3	24.12	800	0.88
Tranche 4	12.93	7,200	0.24
Tranche 5	21.65	3,25,900	0.93
Tranche 6	18.72	13,783,933	1.26
Tranche 7	21.65	20,63,000	2.09

No options were granted during the year.

Details of exercise price for stock options outstanding as at March 31, 2016

Particulars	Exercise price per share	Number of options outstanding	Remaining contractual life of options
Tranche 3	24.12	3,16,600	0.88
Tranche 4	12.93	12,600	0.81
Tranche 5	21.65	6,03,950	1.50
Tranche 6	18.72	2,04,06,595	1.78
Tranche 7	21.65	21,43,000	3.09

No options were granted during the year.

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 March 31, 2017					Year ended March 31, 2016				
	3	4	5	6	7	3	4	5	6	7
Exercise Price per share (₹)	24.12	12.93	21.65	18.72	21.65	24.12	12.93	21.65	18.72	21.65
Weighted Average Share Price per share (₹)	22.57	23.10	24.26	23.49	27.56	22.57	23.10	24.26	23.49	27.56
Expected Volatility (%)	28.26	28.26	28.26	29.95	34.59	28.26	28.26	28.26	29.95	34.59
Historical Volatility (%)	29.23	31.32	28.94	32.19	34.83	29.23	31.32	28.94	32.19	34.83
Life of the options granted (Vesting and Exercise period in years)	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.16 to 4.16	3.10 to 5.10	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.16 to 4.16	3.10 to 5.10
Average Risk Free Interest rate (%)	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09	8.61 to 8.88	8.15 to 8.19	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09	8.61 to 8.88	8.15 to 8.19
Expected Dividend Yield (%)	3.10	3.03	2.89	3.41	2.90	3.10	3.03	2.89	3.41	2.90

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

Effect of the ESOS on the profit and loss account and on its financial position: [₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Opening of ESOS Liability	5.00	5.31
Liability on account of ESOS issued	0.00	0.00
Reversal on account of Exercise	(0.38)	(0.03)
Reversal on account of lapsed/forfeiture	(1.18)	(0.28)
Total Employee compensation cost pertaining to ESOS	3.45	5.00
Opening Deferred Compensation Cost	1.35	2.93
Deferred compensation cost on ESOS issued	0.00	0.00
Compensation Cost pertaining to ESOS amortized during the year	(0.90)	(1.54)
Reversal on account of lapse/forfeiture	(0.02)	(0.04)
Deferred compensation cost	0.43	1.35

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	March 31, 2017	March 31, 2016
Net Profit as reported (₹ in Crore)	392.50	333.27
Proforma Net profit based on fair value approach (₹ in Crore)	391.35	331.30
Basic EPS as reported (₹)	2.61	2.23
Basic EPS (Proforma) (₹)	2.61	2.23
Diluted EPS as reported (₹)	2.61	2.21
Diluted EPS (Proforma) (₹)	2.61	2.21

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

Pursuant to the rights issue, earnings per share (EPS) in respect of previous year/periods has been restated as per Accounting Standard-20 (AS-20) - "Earnings Per Share", prescribed under Section 133 of the Companies Act, 2013.

4. Deferred Tax Assets (net) [₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Deferred Tax Asset (A)		
Provisions for Loans/Investments/others	147.28	149.61
Total (A)	147.28	149.61
Deferred Tax Liabilities (B)		
Fixed Assets: on differences between book balances and tax balance of fixed asset	5.39	6.83
Special Reserve created u/s 36(1)(viii) of Income Tax Act	48.06	40.15
Total (B)	53.45	46.98
Deferred Tax Asset (net) (A-B)	93.83	102.63

5. Related party disclosure

a. Key Management Personnel

Sri V G Mathew, Managing Director & Chief Executive Officer.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

b. Gross Remuneration paid. [₹ in Crore]

Name	Designation	2016-17	2015-16
Sri V. G. Mathew	Managing Director & CEO	1.08	0.83

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.

[₹ in Crore]

Items/Related Party	Key Management Personnel		Relatives of Key Management Personnel		Total	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Deposits:						
Balance outstanding	0.49	0.18	0.45	0.33	0.94	0.51
Peak Balance	0.60	0.26	0.45	0.38	1.05	0.64
Interest paid	0.03	0.01	0.03	0.02	0.06	0.03

6. Employee Benefits

a) Provident Fund

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the South Indian Bank Employees' Provident Fund. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹0.19 Crore (Previous Year: ₹0.31 Crore) for provident fund contribution in the Profit and Loss Account.

b) New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01.04.2010.

The Bank recognized ₹14.67 Crore (Previous Year: ₹13.74 Crore) for DCPS contribution in the Profit and Loss Account.

c) Retirement Benefits

The bank has recognised the following amounts in the Profit and loss account towards employee benefits as under:

[₹ in Crore]

Particulars	March 31, 2017	March 31, 2016
Pension Fund	129.10	160.55
Gratuity Fund	17.35	14.59
Compensation for absence on privilege/sick/casual leave	25.94	25.27

The employee benefits on account of pension, gratuity and leave have been ascertained on actuarial valuation in accordance with Accounting Standard - 15 prescribed under Section 133 of the Companies Act, 2013.

The following table as furnished by Actuary sets out the funded status of gratuity/pension plan and the amount recognised in the Bank's financial statements as at March 31, 2017.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

d) Changes in the defined benefit obligations

[₹ in Crore]

	Gratuity Plan		Pension Plan	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Projected defined benefit obligation, beginning of the year	165.08	157.33	570.16	480.72
Current Service Cost	15.09	8.91	146.64	130.57
Interest Cost	12.35	11.70	38.00	31.96
Actuarial (gain)/loss	3.88	7.02	(10.99)	83.38
Benefits paid	(19.07)	(19.88)	(122.82)	(156.46)
Projected defined benefit obligation, end of the year	177.33	165.08	620.99	570.16
Liability (net) of fair value of plan asset at the end of the year	5.02	14.59	46.21	160.55

e) Changes in the fair value of plan assets

[₹ in Crore]

	Gratuity Plan		Pension Plan	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Fair value of plan assets, beginning of the year	150.49	145.56	409.61	302.29
Expected return on plan assets	11.58	11.32	37.58	25.35
Employer's contributions	26.92	11.77	243.44	178.43
Actuarial gain/(loss)	2.39	1.72	6.97	60.00
Benefits paid	(19.07)	(19.88)	(122.82)	(156.46)
Fair value of plan assets, end of the year	172.31	150.49	574.78	409.61

The Company expects to contribute ₹5.02 Crore (Previous Year ₹14.59 Crore) towards gratuity and ₹46.21 Crore (Previous Year ₹160.55 Crore) towards pension in the next year.

f) Net Employee benefit expense (recognised in payments to and provisions for employees)

[₹ in Crore]

	Gratuity Plan		Pension Plan	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Current Service Cost	15.09	8.91	146.62	130.57
Interest Cost	12.35	11.70	38.00	31.96
Expected return on plan assets	(11.58)	(11.32)	(37.58)	(25.35)
Net actuarial (gain)/loss recognised in the year	1.49	5.30	(17.96)	23.38
Employee cost	17.35	14.59	129.10	160.55
Actual return on plan assets	13.97	13.04	44.56	85.35

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

	Gratuity Plan		Pension Plan	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Government Securities (Central & State)	-	-	55%	50%
High quality Corporate Bonds	-	-	-	30%
Equity Shares of Listed Companies	-	-	-	-
Funds Managed by Insurer *	100%	100%	4%	18%
Others (PSU & Special Deposits)	-	-	41%	2%
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.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

h) Experience adjustments

(i) Gratuity

[₹ in Crore]

	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined Benefit Obligations	177.33	165.08	157.33	155.39	146.95
Plan Assets	172.30	150.49	145.56	136.48	115.21
(Surplus)/Deficit	5.02	14.59	11.77	18.91	31.74
Experience adjustments on Plan Liabilities	3.88	7.02	3.71	8.34	14.50
Experience Adjustments on Plan Assets	(2.39)	(1.72)	(2.65)	(3.12)	(3.71)

(ii) Pension

[₹ in Crore]

	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined Benefit Obligations	620.99	570.16	480.72	415.69	369.80
Plan Assets	574.78	409.61	302.29	246.44	179.74
(Surplus)/Deficit	46.21	160.55	178.43	169.25	190.06
Experience adjustments on Plan Liabilities	(10.99)	83.38	38.93	32.64	90.64
Experience Adjustments on Plan Assets	(6.97)	(60.00)	(7.68)	5.50	3.72

i) Assumptions used by the actuary in accounting for Gratuity/Pension/Compensation for absence

	Gratuity Plan		Pension Plan		Compensation for absence	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	7.47%	7.94%	7.47%	8.37%	7.47%	7.94%
Expected rate of return on plan assets	7.50%	8.00%	8.00%	8.00%	*	*
Increase in compensation cost	6.00%	8.00%	5.00%	5.00%	6.10%	8.00%

*Not applicable

Notes:

- (i) 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.
- (ii) 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.
- (iii) The estimates of future salary increases, considered in actuarial valuation, taken in to account the inflation, seniority, promotion and other relevant factors.

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

The charge on account of compensation for privilege/sick/casual leave has been actuarially determined and an amount of ₹25.94 Crore (Previous year ₹25.27 Crore) has been debited to Profit and Loss Account.

The above information is as certified by actuary and relied upon by the auditor.

7. Small and Micro Industries

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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

8. 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;

a) Treasury:

The treasury 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 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 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 operations are predominantly confined within one geographical segment (India) and accordingly this is considered as the only secondary segment.

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	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Revenue	1,539.22	1,205.86	2,849.72	2,836.12	1,990.36	1,892.35	183.34	140.29	6,562.64	6,074.62
Result	32.23	(83.76)	(72.09)	118.39	489.60	361.25	150.48	113.78	600.22	509.66
Unallocated Expenses/(Income)									-	-
Operating profit									600.22	509.66
Income Taxes									207.72	176.39
Net Profit									392.50	333.27
Other Information:										
Segment Assets	20,537.67	15,567.94	31,801.04	29,197.93	19,723.38	17,098.36	-	-	72,062.09	61,864.23
Unallocated Assets									2,250.06	1,610.65
Total Assets									74,312.15	63,474.88
Segment Liabilities	19,401.42	14,679.99	30,282.89	27,810.73	18,781.81	16,286.02	-	-	68,466.12	58,776.74
Unallocated Liabilities									1,000.56	856.21
Total Liabilities									69,466.68	59,632.95

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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

9. 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 interbank 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, Acceptances, endorsements and other obligations	As a part of banking activities, the Bank issues Letter of Guarantees and documentary credit on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers' obligations, either directly or in case the customer fails to fulfill their financial or performance obligations.
4	Other items for which the bank is contingently liable	Includes capital commitments and amount transferred to RBI under the Depositor Education and Awareness Fund (DEAF).

* Also refer Schedule – 12

The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities/Service Tax Authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities wherever applicable, in its financial statements. The Management believes that the possibility of outflow of resources embodying economic benefits in these cases is possible but not probable and hence no provision is required in these cases. However, a contingent liability has been disclosed with respect to these cases.

10. Provision for long term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

11. Corporate social responsibility

Operating expenses include ₹4.03 Crore (Previous Year ₹2.30 Crore) for the year ended March 31, 2017 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The Bank has spent 0.70% of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2017. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilising the reporting year to lay a foundation on which to build and scale future projects and partnerships. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

Details of amount spent during the year towards CSR are as under:

For the year ended March 31, 2017

[₹ in Crore]

	In cash	Yet to be paid in Cash	Total
i) Construction/Acquisition of any assets	-	-	-
ii) For purposes other than (i) above	4.03	-	4.03

For the year ended March 31, 2016

[₹ in Crore]

	In cash	Yet to be paid in Cash	Total
i) Construction/Acquisition of any assets	-	-	-
ii) For purposes other than (i) above	2.30	-	2.30

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017**

12. Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

13. Provisioning pertaining to fraud accounts

The Bank has reported 10 cases as fraud during the Financial Year ended March 31, 2017 amounting to ₹314.03 Crore and has provided for the same in full except the following:

During the Year ended 31st March, 2017, bank identified a Non-Performing Advance as a fraud case. The net book value of ₹115.64 Crore has been decided to be amortised over a period of four quarters beginning December 31, 2016. Accordingly, the Bank has charged ₹57.82 Crore during the year ended 31st March, 2017 and unamortised amount of ₹57.82 Crore has been drawn from Revenue and other reserves and will be charged to profit and loss account during the next two quarters in equal installments as permitted by the RBI in accordance with DBR No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016.

Bank does not have any unamortized loss on fraud accounts as on March 31, 2017 except as disclosed above.

14. Disclosure of Specified Bank Notes (SBNs)

As per the clarification from RBI, the provisions of the MCA Notification dated 30th March, 2017 requiring companies to disclose details of the SBNs held and transacted during the notified period is not applicable to Banks.

15. Figures of the previous year have been regrouped to conform to the current year presentation wherever necessary.

For and on behalf of Board of Directors

Thomas Joseph K.
Executive Vice President

Salim Gangadharan
Chairman
(DIN : 06796232)

V. G. Mathew
MD & CEO
(DIN : 05332797)

Sivakumar G.
Executive Vice President

Mohan E. Alapatt
Director
(DIN : 00025594)

K. Thomas Jacob
Director
(DIN : 00812892)

Reghunathan K. N.
Executive Vice President

Dr. John Joseph
Director
(DIN : 00021735)

Francis Alapatt
Director
(DIN : 01419486)

C. P. Gireesh
Chief Financial Officer

Cheryan Varkey
Director
(DIN : 06884551)

Ranjana S. Salgaocar
Director
(DIN : 00120120)

Jimmy Mathew
Company Secretary

Parayil George John Tharakan
Director
(DIN : 07018289)

Achal Kumar Gupta
Director
(DIN : 02192183)

Kochi
May 15, 2017

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017

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

I. Qualitative Disclosure

RBI Guidelines on Capital Adequacy

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 have been implemented on 1st April, 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the year ended 31st March, 2017 is 10.25% with minimum Common Equity Tier 1 (CET1) of 6.75% (including CCB of 1.25%).

The Bank's Approach in Assessment of Capital Adequacy

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, computation of 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 quarterly 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.

Quantitative Disclosure

Summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31st March 2017 is presented below:

	Particulars	Amount in ₹ Million
(a)	Capital requirements for Credit Risk	35,764.54
	Portfolios subject to Standardized Approach	35,764.54
	Securitization exposures	0.00
(b)	Capital requirements for Market Risk (Standardised Duration Approach)	4,635.98
	Interest Rate Risk	3,960.76
	Foreign Exchange Risk (including gold)	46.13
	Equity Risk	629.09
(c)	Capital requirements for Operational Risk (Basic Indicator Approach)	3,590.13
	Total Capital Requirement at 10.25%{ (a)+ (b)+(c) }	43,990.65
	Total Capital Fund	53,067.96
	Common Equity Tier- I CRAR %	10.88 %
	Tier- I CRAR %	10.88 %
	Total CRAR %	12.37 %

Risk Management: Objectives and Organisation Structure

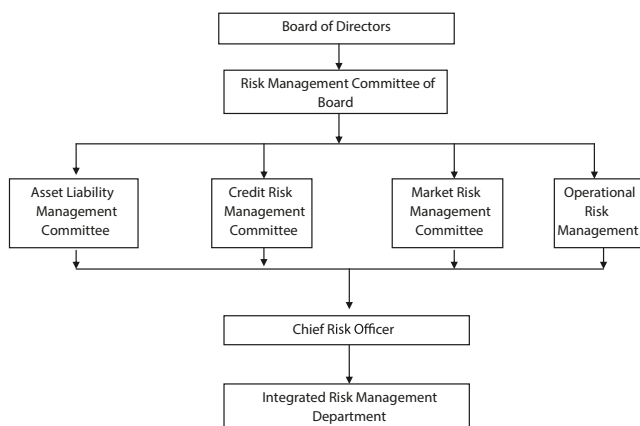
Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an appropriate trade off between 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

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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 branches and dedicated mid office at Treasury Department at operational level. The structure and organization of Risk Management functions of the bank is as follows:



3. Credit Risk: General Disclosures

I. 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.2/21.04.048/2015-16 dated July 1, 2015, 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 counter-party 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.

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- Risks on various counter-parties 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.

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. The value of forward contracts is arrived based on Current Exposure Method (CEM).

II. Quantitative Disclosure
a) Gross Credit Risk Exposures as on 31st March, 2017

Amount in ₹ Million

Category	Exposure
Fund Based ¹	5,97,797.61
Non-Fund Based ²	19,610.45
Total	6,17,408.06

b) Geographical Distribution of Credit Risk Exposure as on 31st March, 2017

Particulars	Amount in Million
Domestic	6,17,408.06
Overseas	Nil
Total	6,17,408.06

c) Industry wise Distribution of Gross Advances and NPAs as on 31st March, 2017

Industry Name	Gross Advance	GNPA	Standard Advance
A. Mining and Quarrying (A.1+A.2)	1,865.62	3.26	1,862.36
A.1 Coal	8.61	0.00	8.61
A.2.Others	1,857.01	3.26	1,853.75
B. Food Processing (Sum of B.1 to B.5)	165.66	0.00	165.66
B.1. Sugar	0.00	0.00	0.00
B.2. Edible Oils and Vanaspathi	7.72	0.00	7.72
B.3.Tea	0.00	0.00	0.00
B.4.Coffee	0.00	0.00	0.00
B.5 Others	157.94	0.00	157.97
C. Beverages (Excluding Tea & Coffee) and Tobacco (Sum of C.1 & C.2)	3,103.52	0.72	3,102.80
C.1 Tobacco and Tobacco products	88.83	0.00	88.83
C.2 Others	3,014.69	0.72	3,013.97
D. Textiles (Sum of D.1 to D6)	19,561.99	305.41	19,256.58
D.1 Cotton	10,942.35	253.79	10,688.56
D.2 Jute	38.42	0.00	38.42
D.3 Handicraft/Khadi (Non Priority)	234.19	2.79	231.40
D.4 Silk	1,077.04	0.00	1,077.04
D.5 Woolen	167.61	0.00	167.61
D.6 Others	7,102.38	48.83	7,053.55
Out of D (i.e. Total Textiles) to Spinning Mills	12,444.42	253.91	12,190.51
E. Leather and Leather products	1,205.25	0.00	1,205.25
F. Wood and Wood Products	2,012.68	39.39	1,973.30
G. Paper and Paper Products	2,790.56	63.06	2,727.50
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1,687.80	0.00	1,687.80
I. Chemicals and Chemical Products (Dyes, Paints, etc) (Sum of 1.1 to 1.4)	6,794.13	14.02	6,780.11
I. 1 Fertilizers	207.78	0.00	207.78
I.2 Drugs and Pharmaceuticals	3,183.78	0.00	3,183.78
I.3 Petrochemicals (excluding under Infrastructure)	0.00	0.00	0.00
I.4 Others	3,402.57	14.02	3,388.55

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J. Rubber, Plastic and their Products	6,228.20	32.10	6,196.10
K. Glass and Glassware	1,175.63	0.16	1,175.47
L. Cement and Cement Products	12,168.46	8.89	12,159.57
M. Basic Metal and Metal products (M.1+M.2)	17,863.30	316.95	17,546.35
M.1 Iron and Steel	12,800.44	121.05	12,679.39
M.2 Other Metal and Metal Products	5,062.86	195.90	4,866.96
N. All Engineering (N.1+N.2)	9,820.80	678.56	9,142.24
N.1 Electronics	209.01	0.00	209.01
N.2 Others	9,611.79	678.56	8,933.23
O. Vehicles, Vehicle Parts and Transport Equipments	3,486.69	1,635.45	1,851.24
P. Gems and Jewellery	7,088.56	1,567.75	5,520.81
Q. Construction	11,710.22	1,347.39	10,362.83
R. Infrastructure (Sum of R.1 to R.4)	34,985.73	1,988.63	32,997.10
R.1 Transport (Sum of R.1.1 to R.1.5)	16,157.81	1,986.66	14,171.15
R.1.1 Railways	0.00	0.00	0.00
R.1.2 Roadways	16,157.81	1,986.66	14,171.15
R.1.3 Aviation	0.00	0.00	0.00
R.1.4 Waterways	0.00	0.00	0.00
R.1.5. Others	0.00	0.00	0.00
R.2 Energy (Sum of R.2.1 to R.2.4)	10,876.09	0.00	10,876.09
R.2.1 Electricity (generation-transportation and distribution)	10,876.09	0.00	10,876.09
R.2.1.1 State Electricity Boards	0.00	0.00	0.00
R.2.1.2 Others	10,876.09	0.00	10,876.09
R.2.2 Oil (storage and pipeline)	0.00	0.00	0.00
R.2.3 Gas/LNG (storage and pipeline)	0.00	0.00	0.00
R.2.4 Others	0.00	0.00	0.00
R.3 Telecommunication	5,040.74	0.00	5,040.74
R.4 Others (Sum of R.4.1 to R.4.3)	2,911.09	1.97	2,909.12
R.4.1 Water Sanitation	0.00	0.00	0.00
R.4.2 Social & Commercial Infrastructure	2,911.09	1.97	2,909.12
R.4.3 Others	0.00	0.00	0.00
S. Other Industries	7,201.48	94.47	7,107.01

d) Residual Contractual Maturity breakdown of Assets as on 31st March, 2017
(Amount in ₹ Million)

Time band	Cash and Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Asset	Other Assets
Next Day	5,422.98	495.33	28,554.32	8,133.72	0.00	78.70
2-7 Days	0.00	6,268.75	11,945.95	6,689.78	0.00	254.10
8-14 Days	0.00	38.00	871.01	4,257.67	0.00	332.80
15-30 Days	672.70	997.05	4,223.80	15,560.77	0.00	726.57
31 days to 2 months	1,256.91	261.16	7,756.04	19,590.93	0.00	1,379.68
Over 2 months to 3 months	1,815.56	4.00	4,794.90	27,464.40	0.00	1,382.03
Over 3 months to 6 months	2,626.59	0.00	6,891.00	46,416.59	0.00	3,333.41
Over 6 months to 1 year	3,918.49	33.10	14,429.99	69,720.83	0.00	6,300.86
Over 1 year to 3 years	2,480.45	0.00	15,989.33	66,251.10	0.00	13,849.12
Over 3 years to 5 years	2,232.67	0.00	11,877.54	31,419.38	0.00	670.67
Over 5 years	10,353.44	0.00	86,962.88	1,68,389.54	6,561.01	11,183.98
Total	30,779.78	8,097.39	1,94,296.76	4,63,894.71	6,561.01	39,491.91

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- e) The composition of Gross NPAs and NPLs, Net NPAs, NPA ratios and provision for GNPA and GNPLs as on 31st March, 2017 and movement of gross NPAs and provisions during the year ended 31st March, 2017 are given in following table.

₹ in Million

1.	Amount of Gross NPAs	11,490.06
	• Substandard	5,294.33
	• Doubtful-1	2,343.99
	• Doubtful-2	3,585.59
	• Doubtful-3	96.49
	• Loss	169.66
2.	Net NPA	6,745.62
3.	NPA Ratios	
	• Gross NPA to Gross Advance (%)	2.45%
	• Net NPA to Net Advance (%)	1.45%
4.	Movement of NPA (Gross)	
	• Opening Gross NPA (balance as on 01.04.2016)	15,623.62
	• Additions to Gross NPA	16,979.62
	• Reductions to Gross NPA	21,113.17
	• Closing Balance of Gross NPA	11,490.06

Movement of Specific & General Provision – Position as on 31st March, 2017

(₹ in million)

Movement of Provision	Specific Provision	General Provision
• Opening Balance as on 01.04.2016	3,546.07	0.00
• Provision made in 2016-17	6,683.04	0.00
• Write off/Write back of excess provision	5,719.18	0.00
• Closing Balance as on 31.03.2017	4,509.93	0.00

- f) Details of write-offs and recoveries that have been booked directly to the income statement – for the year ending 31st March, 2017

(₹ in million)

Write-offs that have been booked directly to the income statement	5,071.27
Recoveries that have been booked directly to the income statement	43.10

- g) NPLs and Movement of Provision for Depreciation on Investments – Position as on 31st March, 2017

(₹ in million)

1	Amount of Non-Performing Investments (Gross)	962.49
2	Amount of Provisions held Non-Performing Investments	520.10

3	Movement of Provisions for Depreciation on Investments	
	• Opening Balance (as on 01.04.2016)	506.70
	• Provision made in 2016-17	445.50
	• Write-offs/Write-back of excess provisions during the period	385.80
	• Closing Balance (as on 31.03.2017)	566.40

h) Geographical Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	11,490.06	4,509.93	0.00
Overseas	0.00	0.00	0.00
Total	11,490.06	4,509.93	0.00

4. Credit Risk: Disclosure for Portfolios under Standardized Approach

I. 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.
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 III guidelines for use of external ratings:

- The external rating assigned by an agency is considered 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 percent, all unrated claims on the same counter-party, whether short term or long term, should also receive a 150 percent 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 counter-party, whether long-term or short term, should also receive a 150 per cent

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risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.

- The unrated short term claim of counter-party will attract a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counter-party. If a short term rated facility to counter-party attracts a 20 per cent or a 50 per cent risk weight, unrated short-term claims to the same counter-party 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 counter-party, 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.

II. Quantitative Disclosures

Amount of exposure (after risk mitigation) outstanding as on 31st March, 2017 under major three risk buckets

Description of risk bucket	₹ in Million
Below 100% Risk Weight	4,36,348.12
Risk Weight at 100%	1,66,149.35
More than 100% Risk Weight	50,170.35
Deducted if any	

(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

I. Qualitative Disclosure

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 counter-party 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 counter-party. 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.

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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.

Credit Risk Mitigation Techniques

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

A. 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:
 - 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 banks 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.

B. 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.

C. 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 counter-party;
- 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.

II. Quantitative Disclosure

a. **Details of exposure covered by eligible financial collateral and information about (credit or market) concentration within the mitigation taken as on 31st March, 2017 is given in table below**

Sr. No.	Nature of Exposure	Exposure	Amount of Risk Mitigants	Risk Weighted Assets
1	Exposure covered by Gold	42,961.77	61,547.45	162.12
2	Exposure covered by deposits	19,907.81	22,119.79	0.00
3	Loan against KVP/VP/ NSC/LIC	83.19	115.96	0.00

6. Securitisation Exposures: Disclosure for Standardised Approach

Not applicable since the bank does not undertake securitisation activity.

7. Market Risk in Trading Book

I. 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

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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

- 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.
- Within the above Framework, various policies of the Bank prescribes Limits like Value at Risk (VaR) for Central Government Securities & 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.
- Risk profiles are analyzed and the effectiveness of risk mitigants is regularly monitored.
- 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.

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

- Values at Risk (VaR) numbers are arrived for Trading Book Central Government Securities, T Bills and Currencies.
- 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.

- 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 III.
- Stress testing analyses are done by applying rate shocks for parallel shift in the yield curve under current economic and political scenario.

II. Quantitative disclosures

Capital requirements for different categories of Market Risks at 10.25%

(₹ in Millions)

S. No.	Particulars	Capital Charge
1	Interest Rate Risk	3,960.76
2	Equity Position Risk	629.09
3	Foreign Exchange Risk	46.13

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 already completed the historical loss data collection and started Risk and Control Self Assessment

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(RCSA) and initiated steps to migrate into advanced approach.

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

I. 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 and 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.

II. Quantitative Disclosures

Amount in ₹ Million

Particulars	As on 31 st March, 2017
Change in NII	
Probable impact on Net Interest Income for 100 Bps downward movement in interest rate	59.00
Change in MVE	
Probable impact on Market Value of Equity (MVE) for a 200 Bps upward movement in interest rates.	214.90

10. General Disclosure for Exposures Related to Counter-party Credit Risk

I. Qualitative disclosures

Bank has put in place Counter-party Credit Risk limits for banks as counter-party, based on internal rating considering a number of financial parameters like net worth, capital adequacy ratio, rating etc., of the counter-party bank and with the approval of the Board. Counter-party exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counter-party Credit Risk is assessed based on the Standardized Approach.

II. 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 (CEM). The balance outstanding for forward contract as on 31st March, 2017 is as follows:

Particulars	₹ in Million
Forward Contracts valued based on CEM	1,325.76
Total	1,325.76

Table DF 11. Composition of capital as on 31st March, 2017

₹ in Million

Basel III Common Disclosure Template		Amounts subject to Pre-Basel III Treatment	
Common Equity Tier 1 Capital: Instruments and Reserves			Ref. No.
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	17,217.01	(a+d)
2	Retained earnings	3,556.62	(l+m)
3	Accumulated other comprehensive income (and other reserves)	26,339.94	(b+c+e+f+g+h+i+j+k)
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital before regulatory adjustments	47,113.57	

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017

₹ in Million

Common Equity Tier 1 Capital: Regulatory Adjustments		
7	Prudential valuation adjustments	0.00
8	Goodwill (net of related tax liability)	0.00
9	Intangibles (net of related tax liability)	415.01
10	Deferred tax assets	0.00
11	Cash-flow hedge reserve	0.00
12	Shortfall of provisions to expected losses	0.00
13	Securitisation gain on sale	0.00
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00
15	Defined-benefit pension fund net assets	0.00
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	0.00
17	Reciprocal cross-holdings in common equity	34.62
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)	0.00
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)	0.00
20	Mortgage servicing rights (amount above 10% threshold)	0.00
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold	0.00
23	<i>of which: significant investments in the common stock of financial entities</i>	0.00
24	<i>of which: mortgage servicing rights</i>	0.00
25	<i>of which: deferred tax assets arising from temporary differences</i>	0.00
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00
26a	<i>of which: Investments in the equity capital of the unconsolidated insurance subsidiaries</i>	0.00
26b	<i>of which: Investments in the equity capital of unconsolidated non-financial subsidiaries</i>	0.00
26c	<i>of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank</i>	0.00
26d	<i>of which: Unamortised pension funds expenditures</i>	0.00
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00
28	Total regulatory adjustments to Common equity Tier 1	449.63
29	Common Equity Tier 1 capital (CET1)	46,663.94
Additional Tier 1 Capital: Instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	0.00
31	<i>of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)</i>	0.00
32	<i>of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)</i>	0.00
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	0.00
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)	0.00
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	0.00
36	Additional Tier 1 capital before regulatory adjustments	0.00
Additional Tier 1 Capital: Regulatory Adjustments		
37	Investments in own Additional Tier 1 instruments	0.00
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00

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₹ in Million

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)	0.00	
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)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41a	<i>of which:</i> Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00	
41b	<i>of which:</i> Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00	
43	Total regulatory adjustments to Additional Tier 1 capital	0.00	
44	Additional Tier 1 capital (AT1)	0.00	
44a	Additional Tier 1 capital reckoned for capital adequacy	0.00	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	46,663.94	
Tier 2 Capital: Instruments and Provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	4,200.00	
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
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)	0.00	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	0.00	
50	Provisions	2,228.47	
51	Tier 2 capital before regulatory adjustments	6,428.47	
Tier 2 Capital: Regulatory Adjustments			
52	Investments in own Tier 2 instruments	0.00	
53	Reciprocal cross-holdings in Tier 2 instruments	24.45	
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)	0.00	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
56	National specific regulatory adjustments (56a+56b)	0.00	
56a	<i>of which:</i> Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	0.00	
56b	<i>of which:</i> Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
57	Total regulatory adjustments to Tier 2 capital	24.45	
58	Tier 2 capital (T2)	6,403.99	
59	Total capital (TC = T1 + T2) (45 + 58)	53,067.93	
60	Total risk weighted assets (60a + 60b + 60c)	4,29,177.01	
60a	<i>of which: total credit risk weighted assets</i>	<i>3,48,922.33</i>	
60b	<i>of which: total market risk weighted assets</i>	<i>45,229.10</i>	
60c	<i>of which: total operational risk weighted assets</i>	<i>35,025.67</i>	
Capital Ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.88%	
62	Tier 1 (as a percentage of risk weighted assets)	10.88%	
63	Total capital (as a percentage of risk weighted assets)	12.37%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	0.00%	
65	<i>of which: capital conservation buffer requirement</i>	<i>1.25%</i>	
66	<i>of which: bank specific countercyclical buffer requirement</i>	<i>0.00%</i>	

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₹ in Million

67	<i>of which: G-SIB buffer requirement</i>	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	5.38%	
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	0.00	
73	Significant investments in the common stock of financial entities	0.00	
74	Mortgage servicing rights (net of related tax liability)	0.00	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	
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)	0.00	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	0.00	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0.00	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0.00	
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	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

Notes to the Template

Row No. of the template	Particular	(₹ in million)
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	938.33
	Total as indicated in row 10	938.33
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	0.00
	of which: Increase in Common Equity Tier 1 capital	0.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
50	Eligible Provisions included in Tier 2 capital	2,228.45
	Eligible Revaluation Reserves included in Tier 2 capital	0.00
	Total of row 50	2,228.45

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017
Table DF-12 Composition of Capital- Reconciliation Requirements
₹ in Million

	Step 1	Balance Sheet as in Financial Statements	Balance sheet under regulatory scope of consolidation
		31.03.2017	31.03.2017
A	Capital & Liabilities		
i.	Paid-up Capital	1,802.84	
	Reserves & Surplus	46,651.86	
	Minority Interest	0.00	
	Total Capital	48,454.70	
ii.	Deposits	6,61,174.90	
	of which: Deposits from banks	30,711.96	
	of which: Customer deposits	6,30,462.94	
	of which: Other deposits (pl. specify)	0.00	
iii.	Borrowings	19,577.57	
	of which: From RBI	0.00	
	of which: From banks	2,443.48	
	of which: From other institutions & agencies	12,134.09	
	of which: Others (pl. specify)	0.00	
	of which: Capital instruments	5,000.00	
iv.	Other liabilities & provisions (includes ESOP outstanding)	13,914.36	
	Total	7,43,121.53	
B	Assets		
i	Cash and balances with Reserve Bank of India	30,779.78	
	Balance with banks and money at call and short notice	8,097.39	
ii	Investments:	1,94,296.75	
	of which: Government securities	1,70,439.23	
	of which: Other approved securities	0.00	
	of which: Shares	2,268.38	
	of which: Debentures & Bonds	0.00	
	of which: Subsidiaries/Joint Ventures/Associates	0.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	12,823.09	
iii	Loans and advances	4,63,894.70	
	of which: Loans and advances to banks	1,710.20	
	of which: Loans and advances to customers	4,62,814.50	
iv	Fixed assets	6,561.01	
v	Other assets	39,491.91	
	of which: Goodwill and intangible assets	415.01	
	of which: Deferred tax assets	938.33	
vi	Goodwill on consolidation	0.00	
vii	Debit balance in Profit & Loss Account	0.00	
	Total Assets	7,43,121.53	

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017

Step II

₹ in Million

		Balance Sheet as in Financial Statements	Balance Sheet under regulatory scope of consolidation	Ref No.
		31.03.2017	31.03.2017	
A	Capital & Liabilities			
i	Paid-up Capital	1,802.84		
	of which : Amount eligible for CET1	1,802.84		a
	of which : Amount eligible for AT1	0.00		
	Reserves & Surplus	46,651.86		
	of which			
	-Statutory Reserve	9,695.44		b
	-Revaluation Reserve (Part of CET 1 at a discount of 55%)	1,097.28		c
	-Revaluation Reserve at a discount of 55% (Tier – II) (if not already shown under CET 1)	0.00		c i
	-Share Premium	15,414.17		d
	-Capital Reserve	1,120.29		e
	-Revenue and other Reserve	14,426.92		f
	-Investment Fluctuation Reserve	0.00		g
	-Investment reserve	0.00		h
	-Foreign Currency Translation Reserve	0.00		i
	-Special Reserve	0.00		j
	-Contingency Reserve	0.00		k
	-Balance in Profit and Loss account at the end of the previous financial year	1,737.08		l
	-Current financial Profit (After appropriation)	1,819.54		m
	Minority Interest	0.00		
	Total Capital	48,454.70		
ii	Deposits	6,61,174.90		
	of which: Deposits from banks	30,711.96		
	of which: Customer deposits	6,30,462.94		
	of which: Other deposits (pl. specify)	0.00		
iii	Borrowings	19,577.57		
	of which: From RBI	0.00		
	of which: From banks	2,443.48		
	of which: From other institutions & agencies	12,134.09		
	of which: Others (pl. specify)			
	of which: Capital instruments (Tier II Bonds)	5,000.00		
	- Recognised under Tier II	4,200.00		n
	- Not Recognised under Tier II	800.00		
iv	Other liabilities & provisions	13,153.91		
	of which: DTLs related to goodwill	0.00		
	of which: DTLs related to intangible assets	0.00		
	of which: Standard asset provision included under Tier II	2,228.47		
	Total	7,43,121.53		

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017

B	ASSETS			
i	Cash and balances with Reserve Bank of India	30,779.78		
	Balance with banks and money at call and short notice	8,097.39		
ii	Investments	1,94,296.75		
	of which: Government securities	1,70,439.23		
	of which: Other approved securities	0.00		
	of which: Shares	2,268.38		
	of which: Debentures & Bonds	0.00		
	of which: Subsidiaries/Joint Ventures/Associates	0.00		
	of which: Others (Commercial Papers, Mutual Funds etc.)	12,823.09		
iii	Loans and advances	4,63,894.70		
	of which: Loans and advances to banks	1,710.20		
	of which: Loans and advances to customers	4,62,814.50		
iv	Fixed assets	6,561.01		
v	Other assets	39,491.91		
	of which: Goodwill and intangible assets	415.01		
	Out of which:			
	Goodwill	0.00		
	Other intangibles (excluding MSRs)	0.00		
	Deferred tax assets	938.33		
vi	Goodwill on consolidation	0.00		
vii	Debit balance in Profit & Loss Account	0.00		
	Total Assets	7,43,121.53		

Table DF 13: Main Features of Regulatory Capital Instruments
Series 1

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	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
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)	₹1200 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	20.08.2019
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>	

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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

Series II

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08028
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
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)	₹3000 Million
9	Par value of instrument	₹10,00,000
10	Accounting classification	Liability
11	Original date of issuance	30.09.2015
12	Perpetual or dated	Dated
13	Original maturity date	31.10.2025
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	10.25%
19	Existence of a dividend stopper	No

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017

20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
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	Yes
31	If write-down, write-down trigger(s)	PONV
32	If write-down, full or partial	Full
33	If write-down, permanent or temporary	Permanent
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

Table DF- 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

Series II

Nature of Instrument	10.25% Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures
Amount Subscribed	₹3,000 Million
Face Value	₹10,00,000/-
Date of allotment	30.09.2015
Date of Redemption	31.10.2025
Coupon Rate	10.25% p.a
Put and call option	Nil
Issuance, Trading & Listing	Listed in BSE

Table DF 15: Disclosures on Remuneration

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

Composition

The Nomination & 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.

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The roles and responsibilities of the Nomination & Remuneration Committee inter-alia include the following:

- i. 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 May 23, 2011 on Fit & Proper Criteria of the Banks.
 - ii. To devise a Succession Planning Policy for the Board and Senior Management.
 - iii. To formulate a Nomination Policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors.
 - iv. To identify persons who are qualified to become Directors/KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
 - v. To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
 - vi. To devise a policy on Board diversity.
 - vii. To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.
 - viii. To perform such other functions as may be necessary or appropriate for the performance of its duties.
 - ix. To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
 - x. 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.
 - xi. 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) 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 considered necessary;
 - iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
 - xii. The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 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.
 - xiii. 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.
 - xiv. 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.
 - xv. 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;
 - xvi. Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.
 - xvii. To conduct the annual review of the Compensation Policy.
 - xviii. 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 dt. January 13, 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 Section 197 of the Companies Act, 2013.

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017

- 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 NRC 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.

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.

Quantitative Disclosures

Number of meetings held by the Remuneration Committee during the year ended 31.03.2017	7
Remuneration paid to its members.	₹0.55 Million as Sitting fees.
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.	-
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.	-
Breakdown of amount of remuneration awards for the year ended 31.03.2017	(₹ in Millions)
- Fixed	7.92
- Variable	1.65

Summary comparison of accounting assets vs. leverage ratio exposure measure

Leverage Ratio:

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2017

Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	(₹ in Million)
1	Total consolidated assets as per published financial statements	7,43,121.53
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(449.63)
4	Adjustments for derivative financial instruments	1,325.76
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	532.21
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	35,701.75
7	Other adjustments	0.00
8	Leverage ratio exposure	7,80,231.63

Leverage ratio common disclosure template		
	Item	Leverage ratio framework (₹ in million)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	7,38,121.53
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(449.63)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	7,37,671.91
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	632.79
5	Add-on amounts for PFE associated with all derivatives transactions	692.97
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	Total derivative exposures (sum of lines 4 to 10)	1,325.76
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	5,000.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	532.21
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 15)	5,532.21
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	1,57,536.64
18	(Adjustments for conversion to credit equivalent amounts)	(1,21,834.89)
19	Off-balance sheet items (sum of lines 17 and 18)	35,701.75
Capital and total exposures		
20	Tier 1 capital	46,663.94
21	Total exposures (sum of lines 3, 11, 16 and 19)	7,80,231.63
Leverage ratio		
22	Basel III leverage ratio	5.98%

INSTRUCTIONS:

1. Please read the instructions given below very carefully and follow the same. If the form is not filed as per instructions, the same will be rejected.
2. The Nomination can be made by Individuals holding shares on their own behalf singly or jointly. Non-individuals including Society, Trust, Body Corporate, Partnership Firm, Karta or Hindu Undivided Family, Holders of Power of Attorney cannot nominate. If the shares are held jointly, all joint holders shall sign (as per the specimen registered with the Company) the nomination form.
3. A Minor can be nominated by a holder of shares and in that event, the name and address of the Guardian should be provided.
4. The Nominee shall not be a Trust, Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family or a Power of Attorney Holder; A Non-Resident Indian can be a nominee on re-patriable basis.
5. Nomination stands rescinded upon transfer of shares.
6. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heir.
7. Only one person can be nominated to a given folio.
8. Details of all holders in a folio need to be filled. Else the request will be rejected.
9. The nomination will be registered only when it is complete in all respects including the signature of all registered holders (as per the specimen lodged with the company).
10. Whenever the shares in the given folio are entirely transferred, transpositioned or dematerialized with some other folio, then this nomination shall stand rescinded.
11. The Nomination form shall be **filed in duplicate** with the Share Transfer Agents **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, Tamilnadu**, who will return one copy thereof to the Shareholders.
12. Upon receipt of a duly executed nomination form, the Company/Share Transfer Agent of the Company will register the form and allot a registration number. The registration number and Folio No. should be quoted by the nominee in all future correspondence.
13. The nomination can be varied or cancelled by giving a notice to the Company in Form No. SH-14. The cancellation/variation shall take effect from the date on which the notice of such variation or cancellation is received by the company.
14. This form is meant for shareholders holding shares in physical mode.
15. Shareholders holding shares in dematerialized mode, nomination is required to be filled with the Depository Participants (DPs) in their prescribed form.

FOR OFFICE USE ONLY

Nomination Registration Number and Date

Share Registrar/Company Seal

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)

<input type="checkbox"/> 10-Savings	<input type="checkbox"/> 11-Current	<input type="checkbox"/> 12-Cash Credit
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 - 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).

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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: __/__/2017

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 1, 2017 for receipt of dividend declared, if any, for the financial year 2016-17.
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).

ISO 27001: 2013 Certification



Mr. V G Mathew, MD & CEO receiving the ISO 27001: 2013 Certificate from Mr. Venkataram Arabolu, MD, BSI Group India in the presence of Mr. Raphael T.J, Senior General Manager (Technology and Marketing).

Launch of SIB Mirror+



Mr. Thomas Joseph K, Executive Vice President (Operations) along with Mr. Raphael T.J, Senior General Manager (Technology and Marketing) and Mr. Sreejil Mukund, General Manager, Hadi Express Exchange (Managed by South Indian Bank) unveiling the logo of SIB Mirror+ during the NRI meet 2016 held in Dubai.

SIB Scholar- Bank's Scholarship Scheme



Mr. V G Mathew, MD & CEO, Mr. E Sreedharan, former MD of Delhi Metro, Mr. Sivakumar G, Executive Vice President (Credit) and Mr. Paul V L (General Manager-Admin) with 42 students from various colleges in Kerala, who won the Bank's Scholarship Scheme- "SIB Scholar"- a CSR initiative.

Inauguration of Rural Development Scheme



Mr. Thomas Joseph K, Executive Vice President (Operations) inaugurating the goat rearing scheme as part of the Bank's socio economic development for rural masses in Pullu village in the presence of Mr. K Parameswaran, Ward Member, Pullu, Ms. Deepa S Pillai, AGM-NABARD, Ms. Sujatha Arvindakshan, President of Chazhoor Panchayat, Mr. Joby, Mr. Paul V L, General Manager-Admin and Mr. Jose Manuel, DGM.

IDRBT Best Bank Award



Dr. Raghuram Rajan, former RBI Governor, presenting the IDRBT Best Bank Award for Electronic Payments among Small Banks to Mr. V G Mathew, MD & CEO in the presence of Mr. A S Ramasastry, IDRBT Chairman, Sri. R Gandhi, RBI Dy. Governor and Mr. Raphael T.J, Senior General Manager (Technology and Marketing).

Launch of SIB Platinum SBI card



Mr. Sivakumar G, Executive Vice President (Credit) & Mr. Thomas Joseph K, Executive Vice President (Operations) along with Mr. Manish Dewan- Executive Vice President- Business Head Retail & Corporate, State Bank of India & Mr. Digmanu Gupta- Executive Vice President & CFO, State Bank of India launching the co-branded credit card named South Indian Bank Platinum SBI card.

IBA Banking Technology Award



Mr. Raphael T.J, Senior General Manager (Technology and Marketing) and Mr. Sony A, DGM (Digital Division) receiving the Banking Technology Awards among Small Banks instituted by IBA from RBI deputy Governor, Mr. Viral Acharya and Padma Vibhushan Mr. Raghunath Mashelkar.

Banking Frontiers' Finnoviti Award



Mr. Raphael T.J, Senior General Manager (Technology and Marketing) and Mr. Sony A, DGM (Digital Division) receiving the Finnoviti Award from Mr. Dhiraj Nayyar, Head-Economics, Finance & Commerce, NITI Aayog.

FIEO Export Excellence Award



Mr. V G Mathew, MD & CEO receiving the FIEO Export Excellence Award in the Best Financial Institution category from Smt. Nirmala Sitharaman, Hon'ble Minister of State (Independent Charge), Commerce & Industry, Govt. of India.

Launch of Contactless Debit card



Mr. V G Mathew, MD & CEO launching the contactless debit card in the presence of Mr. Thomas Joseph K., Mr. Sivakumar G, Executive Vice Presidents and Mr. Raphael T.J, Senior General Manager (Technology and Marketing).



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 treating customers in a fair, transparent and non-discriminatory manner.

NOTICE

NOTICE is hereby given that the 89th Annual General Meeting of the shareholders of The South Indian Bank Ltd. ("the Bank") will be held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur – 680 001, on Tuesday, July 11, 2017 at 10 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Bank's Audited financial statements, including audited Balance Sheet as at 31st March, 2017 and 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 dividend.
3. To appoint **Sri Achal Kumar Gupta (DIN: 02192183)** as Director of the Bank, liable to retire by rotation, in place of Sri Cheryan Varkey (DIN-06884551) who retires by rotation and does not offer himself for re-appointment, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that Sri Cheryan Varkey (DIN-06884551), Director liable to retire by rotation, who does not offer himself for re-appointment be not re-appointed as a Director of the Bank and in his place to appoint **Sri Achal Kumar Gupta (DIN: 02192183)**, 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 to retire by rotation."
4. To appoint Statutory Central Auditors and to authorize the Board to fix their remuneration
 M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, who were appointed as Statutory Central Auditors of the Bank for the year 2016-17 at the last Annual General Meeting (held on 8th July 2016) with RBI consent retiring at this ensuing Annual General Meeting and has completed their second consecutive year under the current spell. M/s Deloitte Haskins & Sells and their connected firm M/s Fraser & Ross were the statutory central auditors of the Bank for 2 terms earlier with a tenure of 4years each with in between cooling period of 4 years each, thereby aggregating to a total period of 10 years, by conclusion of the Audit for the year 2016-17, which is in compliance the RBI circulars/guidelines. However, in the absence of 5 years continuous cooling period, the appointment of Deloitte Haskins and Sells for 2017-18 will be not exactly in consonance with the provisions of Section 139 of the Companies Act, 2013 read with the underlying rules viz., Companies (Audit and Auditors) Rules, 2014 as regards the terms of appointment and cooling period mentioned therein. Therefore, the Board has decided to approve a panel of 3 Audit Firms for the purpose of seeking approval from the Reserve Bank of India in case of requirement to appoint as Statutory Central Auditor of the Bank as shown below:-
 - 1) M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai (Firm Regn. No. 008072S);
 - 2) M/s S. R. Batliboi & Co. LLP, Chartered Accountants, Mumbai (Firm Regn. No. 301003E/E300005);
 - 3) M/s Walker Chandio & Co. LLP, Chartered Accountants Kochi (Firm Regn. No. 001076N/N500013).

The Bank will seek approval from Reserve Bank of India for appointment of any one of the above firms as the Statutory Central Auditors of the Bank for the period commencing from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be decided by the Board of Directors.

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

"RESOLVED that subject to the approval of Reserve Bank of India ("RBI") and pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the underlying rules viz., Companies (Audit and Auditors) Rules, 2014 as may be applicable and the Banking Regulation Act, 1949, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, from time to time and subject to approval of and such other regulatory authorities, as may be applicable, any one of the following firms of Chartered Accountants be and is hereby appointed as Statutory Central Auditors of the Bank for the period commencing from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank on such remuneration as shall be decided by the Board of Directors or any Committee thereof.

- 1) M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai (Firm Regn. No. 008072S);
- 2) M/s S. R. Batliboi & Co. LLP, Chartered Accountants, Mumbai (Firm Regn. No. 301003E/E300005);
- 3) M/s Walker Chandio & Co. LLP, Chartered Accountants Kochi (Firm Regn. No.001076N/N500013)".

SPECIAL BUSINESS:

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 Section 139 and Section 143(8) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, the 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, Board of Directors be and is hereby authorised to arrange for the audit of the Bank's branches for the financial year 2017-18 and to appoint and fix the remuneration of branch auditors in consultation with the Central Statutory Auditors for the purpose."

NOTICE

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 10B and 35B 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, the applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being in force), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being in force), read with clause 95, 121 and 122 of Bank's Articles of Association and the approval granted by RBI vide letter No. DBR Appt. No. 4811/06.51.001/2016-17 dated October 27, 2016 (the "RBI Approval"), consent of the Members of the Bank be and is hereby accorded to take on record the RBI Approval including the payment of remuneration and terms of appointment of Sri Salim Gangadharan (DIN: 06796232), brief particulars whereof have been set out in the annexed Explanatory Statement, as Non-Executive – Part time Chairman of the Bank, for a period of three (3) years from November 2, 2016 as recommended by the Board of Directors of the Bank vide Resolution No. SEC/S-115/16-17 dated August 2, 2016".

7. **To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolution:**
"RESOLVED that subject to the approval by Reserve Bank of India and pursuant to the applicable provisions of the Companies Act, 2013 and rules made there under (including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being in force), 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, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being in force) read with provisions of the Articles of Association of the Bank, consent of the Shareholders be and is hereby accorded for the re-appointment of Mr. V. G. Mathew (DIN: 05332797), as Managing Director and Chief Executive Officer of the Bank and that he shall also be a Whole-time Key Managerial Person of the Bank for a further period of three years effective as from October 1, 2017 till September 30, 2020 on the terms and conditions, brief particulars whereof have been set out in the annexed Explanatory Statement, being the remuneration approved by the Board of Directors vide Resolution No. DBR/SEC/S-058/2017-18 dated May 26, 2017 and as may be approved by the Reserve Bank of India."

8. **To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:**
"RESOLVED that in supersession of the resolution passed by the Members of the Bank on July 15, 2015 and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and rules made there under (including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being in force) and the relevant provisions of the Memorandum and Articles of Association of the Bank, the consent of the Members 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 be deemed to include any Committee thereof or any other person(s) for the time being exercising the powers conferred on the Board by this Resolution and as may be authorized by the Board in that behalf) to borrow such sum of money in any manner, from time to time, upon such terms and conditions as they may think fit, notwithstanding that the money to be borrowed together with the monies already borrowed by the Bank (apart from deposits accepted in the ordinary course of business, temporary loans repayable on demand or within six months from the date of the loan or temporary loans, if any, obtained from the bankers of the Bank) may exceed the aggregate of the paid up share capital of the Bank and its free reserves, that is to say, reserves not set apart for any specific purposes, and determine, fix, arrange or agree to the terms and conditions of all such monies borrowed/to be borrowed from time to time, provided that the total amount so borrowed by the Board and outstanding at any time shall not at any time exceed the limit of ₹10,000 crore (Rupees Ten Thousand crore only) and/or in any other equivalent foreign currency."
RESOLVED FURTHER that the Board be and is hereby authorized to take, from time to time, all decisions and steps as the Board may deem fit, necessary or expedient or proper to give effect to this Resolution and give such directions as may, in its absolute discretion, deem fit or necessary and to settle any question that may arise in this regard."

9. **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)(c) and all other applicable provisions, if any, of the Companies Act, 2013 and rules made thereunder including any statutory modification or re-enactment thereof for the time being in force (the "Act"), the Banking Regulation Act, 1949 as amended, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI LODR Regulations"), the Foreign Exchange Management Act, 1999 ("FEMA"), as amended, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, as amended, the Depository Receipts Scheme, 2014, as amended, Rules, Regulations, Guidelines, Notifications and circulars, if any, prescribed by the Government of India, the Reserve Bank of India, the Securities and Exchange Board of India ("SEBI") including the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended ("SEBI ICDR Regulations") or any other competent authority, whether in India or abroad, from time to time and in accordance with the relevant provisions of the Memorandum of Association and Articles of Association of The South Indian Bank Limited (the "Bank")

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and subject to all necessary approvals, consents, permissions and/or sanctions of the Ministry of Finance (Department of Economic Affairs), the Ministry of Finance (Foreign Investment Promotion Board/Secretariat for Industrial Assistance), Government of India ("GoI"), the Reserve Bank of India ("RBI"), the Securities and Exchange Board of India ("SEBI"), the stock exchanges on which Bank's equity shares or any other securities are listed (the "**Stock Exchanges**"), lenders and all other appropriate and/or relevant/ concerned authorities 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 and/or combination thereof of equity shares of the Bank ("**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 "**Securities**") to all eligible investor(s), 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 portfolio investors (FPIs), foreign corporate bodies (FCBs)/companies/ mutual funds/pension funds/venture capital funds/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 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 of ₹20 crore (Rupees twenty crore only)** or its equivalent amount in such foreign currencies as may be necessary with any premium and green shoe option attached thereto, in one or more tranches, in such form and manner and on such terms and conditions as may be deemed appropriate by the Board 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 QIPs to QIBs in terms of Chapter VIII of the SEBI ICDR Regulations:

- i. the allotment of the Equity Shares, or any combination of the Equity Shares as may be decided by the Board shall be completed within 12 months from the date of this resolution or such other time as may be allowed under the SEBI ICDR Regulations from time to time.
- ii. the Equity Shares issued shall rank *pari passu* in all respects including entitlement to dividend with the existing Equity Shares of the Bank in all respects as may be provided under the terms of issue and in accordance with the placement document(s).
- iii. 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 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;
- iv. The issue of securities made by way of a QIP shall be at such price which is not less than the price determined in accordance with the pricing formula provided under Chapter VIII of the SEBI (ICDR) Regulations. The Board may, however, 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;
- v. 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 allowed by the applicable SEBI Regulations, from time to time;
- vi. the allotment to each QIB in the proposed QIP issue will not exceed 5% of the post issue paid-up capital of the Bank;

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- vii. 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 or except as may be permitted from time to time by the SEBI (ICDR) Regulations;
- viii. 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, subject to compliance of all applicable provisions of the Companies Act, 2013, the applicable provisions of the Companies Act, 1956, the Foreign Exchange Management Act, 2000, and the rules, circulars and guidelines issued thereunder from time to time, including the Foreign Exchange Management (Transfer or Issue of Security to a person resident outside India) Regulations, 2000, as amended, the Consolidated FDI Policy Circular of 2016, as amended, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, from time to time, the Securities Contracts (Regulation) Act, 1956 (**“SCRA”**), the SEBI (ICDR) Regulations, the regulations, guidelines, circulars issued by the Reserve Bank of India, the Listing Agreements and any other applicable provisions of law if any, the Board, any of the Directors, any member of the duly authorized committee, Managing Director & CEO and Chief Financial Officer are jointly and severally authorised, on behalf of the Bank to make necessary applications, letters, filings to any regulatory authority, including the Reserve Bank of India, Ministry of Finance, Foreign Investment Promotion Board, as may be required for the purpose of giving effect to the foregoing.”

“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 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 non-resident/foreign investor(s) (whether institutions and/or incorporated bodies and/or individuals and/or trusts and/or otherwise) / foreign institutional investors (FIIs) / foreign portfolio investors (FPIs) / mutual funds / pension funds / venture capital funds /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 up to such percentage as may be permitted by the applicable regulations and by relevant authorities.
- 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

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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), as it may, in its, absolute discretion, deem fit and with power on behalf of the Bank to settle any questions, difficulties or doubts that may arise in regard to any such issue(s) /offer(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".

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

"RESOLVED that pursuant to Section 42 and other applicable provisions, if any, of the Companies Act, 2013, as amended, and the rules made thereunder, Companies (Prospectus and Allotment of Securities) Rules, 2014, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 including any amendment, the applicable provisions of the Banking Regulation Act, 1949, as amended, and the rules, circulars and guidelines issued by Reserve Bank of India ("RBI") from time to time (including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being in force) and all other relevant provisions of applicable law(s), the provisions of the Memorandum and Articles of Association of the Bank and subject to such other approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the statutory authority(ies) concerned, including RBI, the approval of the Members of the Bank be and is hereby accorded to the Board of Directors of the Bank (hereinafter referred to as "Board" and which term shall be deemed to include any Committee of the Board or any other persons to whom powers are delegated by the Board as permitted under the Companies Act, 2013) for borrowing/raising of funds in Indian/foreign currency by issue of debt securities including but not limited to non-convertible debentures, bonds (including bonds forming part of Tier I capital/Tier II capital in accordance with and subject to the terms and conditions specified in the Basel III Capital Regulations prescribed by RBI, long terms infrastructure bonds or such other securities as may be permitted by RBI from time to time) in domestic and/or overseas market, on a private placement basis and/or for making offers and/or invitations therefore and/or issue(s)/issuances therefore, on private placement basis, for a period of one year from the date hereof, in one or more tranches and/or series and under one or more shelf disclosure documents and/or one or more letters of offer and on such terms and conditions for each series/tranches including the price, coupon, premium, discount, tenor etc., as deemed fit by the Board, as per the structure and within the limits permitted by the RBI, of **an amount not exceeding ₹500 crore (Rupees Five Hundred Crore only)**, within the overall borrowing limits of the Bank, as approved by the Members from time to time."

"RESOLVED FURTHER that the Board of Directors of the Bank or any Committee of the Board or such other persons as may be authorized by the Board, be and are hereby authorized to negotiate, modify and finalize the terms and conditions of the debt securities and sign the relevant documents/agreements in connection with the private placement of the debt securities, including without limitation, the private placement offer letter (along with the application form), information, memorandum, disclosure documents, debenture subscription agreement, debenture trust deed and any other documents as may be required, in connection with the offering(s), issuance(s) and/or allotment(s) on private placement of debt securities by the Bank and to further delegate the above powers to any Committee of Directors or any personnel of the Bank to act on their behalf as they may deem fit and to do all such other acts and things and to execute all such documents as may be necessary for giving effect to this resolution."

By order of the Board

Place : Nedumbassery
Date : May 26, 2017

(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, INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. 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.
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.

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3. MEMBERS/PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING AND BRING THEIR ATTENDANCE SLIPS TO THE MEETING.
4. **An Explanatory 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.**
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 Wednesday the 5th day of July, 2017, to Tuesday the 11th day of July, 2017 (both days inclusive). Dividend on equity shares as recommended by the Board for the year ended March 31, 2017, if declared at the meeting, will be paid on and from Monday, July 17, 2017 to Friday, July 21 2017:
 - a) In respect of shares held in dematerialized mode, to all beneficial owners as per the details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on Tuesday, July 4, 2017, and
 - b) To those members holding shares in physical form, whose names appear in the Bank's Register of Members at the close of business hours on Tuesday, July 11, 2017 after giving effect to all valid transfers in physical form lodged with the Bank and/or its Share Transfer Agents on or before Tuesday, July 4, 2017.

Further, letters were sent in May 2017 to shareholders whose dividend amount for FY 2009-10 as well as subsequent dividend warrants issued upto FY 2015-16 were outstanding indicating a timeline to claim the outstanding dividend amounts failing which the corresponding shares (if dividend is not claimed for a consecutive period of 7 years from the FY 2008-09) alongwith unclaimed dividend of 2009-10 will be transferred to the Demat account of IEPF Authority in adherence to the procedures prescribed under the Rules.
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. up to the date of the Annual General Meeting.
9. All dividends remaining unclaimed or unpaid including the balance in Dividend Account up to and including financial year 1994 – 95 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 kindly note that the unclaimed/unpaid dividend amounts for the years from 1996 – 97 to 2008 – 2009 have already been transferred to the Investors' Education and Protection Fund (the Fund) as required under Section 125 of the Companies Act, 2013 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 both the transferor and 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 updated by producing proof of age.
15. 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.
16. Brief profile and other required information about the Directors proposed to be appointed/re-appointed, as required under Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to this Notice.
17. **E-Voting:**
In terms of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 as amended, the Bank is providing the 'remote e-voting' (e-voting from a place other than venue of the AGM) 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 the 89th Annual General Meeting of the Bank, dated May 26, 2017 (the AGM Notice). E-voting facility to its members holding share in physical or dematerialized form, as on the cut-off date, being Tuesday, 4th July, 2017, to exercise their right to vote by electronic means on any or all of the business specified in the accompanying Notice (the "Remote e-voting.").

The instructions for shareholders voting electronically are as under:

- i. The remote e-voting commence on Saturday July 8, 2017 at 10.00 a.m. (IST) and ends on Monday July 10, 2017 at 5.00 p.m. (IST). During this period shareholders of the Bank, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. July 4, 2017 may cast their votes electronically. The remote e-voting module shall be disabled by CDSL for voting after 5.00 p.m. (IST) on July 10, 2017.
- ii. The shareholders should log on to the e-voting website: www.evotingindia.com.
- iii. Click on Shareholders.

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- iv. Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID.
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
 - c. Members holding shares in Physical Form should enter the 6 digits Folio Number registered with the Company as user id (for example user id of Folio No. SIB012345 will be '012345').
- v. Next enter the Image Verification as displayed and Click on Login.
- vi. 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.
- vii. If you are a first time user, follow the steps given below:

	For members holding shares in Demat Form / Physical Form
PAN	<ul style="list-style-type: none"> Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders). Members who have not updated their PAN with the company/Depository Participant are requested to use the sequence number (printed on the attendance slip) in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)#	Enter the Dividend Bank Details OR Date of Birth in (dd/mm/yyyy) format as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> If both the details are not recorded with the depository or company please enter the Registered folio number/DP ID & Client ID in the Dividend Bank details field as mentioned in instruction (iv).

There are 2 fields provided. Any one details to be entered.

- viii. After entering these details appropriately, click on "SUBMIT" tab.
- ix. Members holding shares in physical form will then directly reach the Company 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 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.
- x. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- xi. Click on the EVSN for the relevant <Company Name> on which you choose to vote. In this case, it would be The South Indian Bank Limited.
- xii. 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.
- xiii. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- xiv. 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.
- xv. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xvi. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- xvii. If you as a Demat account holder have forgotten the existing password, then enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.
- xviii. Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- xix. Note: For Non-Individual Shareholders and Custodians:

Non-Individual shareholders (i.e., other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates and Custodians respectively.

 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to: helpdesk.evoting@cdslindia.com.
 - After receiving the login details, a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- xxi. 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. or call on toll free no.: 1800-200-5533

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18. In terms of the recent amendment to the Companies (Management and Administration) Rules, 2014 with respect to the voting through electronic means, the Bank is also offering the facility for voting by way of venue e-voting/physical ballot. The Members attending the meeting should note that those who are entitled to vote but have not exercised their right to vote by Remote e-voting, may vote at the AGM via electronic means/ballot for all businesses specified in the accompanying Notice. The Members who have exercised their right to vote by Remote e-voting may attend the AGM but shall not vote at the AGM. The voting rights of the Members shall be in proportion to their shares of the paid-up equity share capital of the Bank as on the cut-off date being Tuesday, July 4, 2017, subject to the provisions of the Banking Regulation Act, 1949, as amended.
19. The Board of Directors has appointed Mr. Sivakumar P, FCS, CMA, CMA (USA), Practicing Company Secretary (Partner SVJS & Associates, Company Secretaries) or failing him Mr. P. D. Vincent, LLB, MBA, FCS, Practicing Company Secretary (Partner SVJS & Associates, Company Secretaries) as the Scrutinizer to scrutinize the voting and Remote e-voting process in a fair and transparent manner.
20. Any person, who acquires shares of the Bank and become member of the Bank after the cut-off date for despatch of the notice (i.e., after May 26 2017) and holding shares as of the cut-off date for e-voting (i.e., July, 4, 2017) may obtain the login id and password by sending a request at btschennai@gmail.com or helpdesk@btsindia.co.in or helpdesk.evoting@cdslindia.com. A person who is not a Member as on the cut off date should treat this Notice for information purposes only.
21. The Results on above resolutions shall be declared not later than 48 hours from the conclusion of the AGM of the Bank and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolutions.
22. 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 passing of the resolutions and communication of the same to the BSE Limited and the National Stock Exchange of India Limited.
23. 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 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 at least 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 e-mail id recorded or to update a fresh e-mail id and not from the members whose e-mail ids are already registered. In view of the above, the Bank hereby requests the members who have not updated their e-mail IDs to update the same with their respective Depository Participant(s) or M/s BTS Consultancy Services Private Limited, Registrar and Transfer Agent (R&T) of the Bank as applicable. Further, members holding shares in electronic mode also requested to keep their e-mail addresses updated with the Depository Participants/R&T of the Bank. Members holding shares in physical mode are also requested to update their e-mail addresses by writing to the R&T of the Bank quoting their folio number(s).
24. 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 26, 2017:

Item No.3 Although not required, the Explanatory Statement is being given in respect of Item No.[3] of the Notice

Sri Cheryan Varkey (DIN-06884551) who was appointed as a Director at the 88th AGM held on July 8, 2016 liable to retire by rotation in the ensuing AGM and does not offer himself for re-appointment. In his place, it is recommended to appoint Sri. Achal Kumar Gupta (DIN: 02192183), who was appointed as an additional Director of the Bank w.e.f. 11th January, 2017 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 Rs.1,00,000/- signifying the intention to propose the candidature of Mr. Achal Kumar Gupta for the office of Director. Further, Mr. Achal Kumar Gupta'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 Sri. Achal Kumar Gupta, 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 Sri. Achal Kumar Gupta and Sri Cheryan Varkey none of the Directors nor Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in the above Resolution.

NOTICE

Item No.05

In accordance with the provisions of Section 139 and Section 143(8) of the Companies Act, 2013/RBI and other regulatory requirements, the shareholders of the Bank may authorize its Board of Directors to appoint branch auditors for those branches, which are not proposed to be audited by the auditors of the Bank, in consultation with the Bank's Central Statutory Auditors.

Accordingly, your Directors recommend the adoption of the Resolution No. 5 of the Notice.

None of the Directors, Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in this resolution.

Item No.06

Sri. Amithaba Guha, former Part-time Chairman has demitted office of the Chairman of the Bank on November 1, 2016 on expiry of his tenure approved by RBI. The Nomination and Remuneration Committee vide Resolution No. NRC/SEC/10/16-17 dt. August 01, 2016 had recommended appointment of Sri Salim Gangadharan as Non-Executive Part time Chairman (Non-Independent) in the vacancy and Board approved the same vide agenda no. DBR/SEC/S-115/16-17 dt. August 02, 2016 RBI vide letter DBR.Appt. No. 4811/08.51.001/2016-17 dated October 27, 2016 approved the appointment of Sri. Salim Gangadharan as Non-Executive Part time Chairman of the Bank and terms and conditions of appointment.

Sri Salim Gangadharan aged 63 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. He was on secondment to the Central Bank of Oman for five years. He is also a consultant of the IMF and UNDP. He is part of several internal working groups of the Reserve Bank of India/Government of India. He was an observer under Banking Regulation Act, 1949 in Catholic Syrian Bank for an year. He is an Independent Director on the Board of The National Securities Clearing Corporation Ltd., Mumbai and Kerala Infrastructure Investment Fund Board (KIFB). He has been on the Board of the Bank, since January 16, 2014.

His rich banking experience will be of immense benefit to the Bank and hence the Board recommended his appointment as Non-Executive Part-time Chairman of the Bank on the terms and conditions mentioned herein below:

	Remuneration	Amount
1.	Salary	Honorarium - ₹6,00,000/- (Rupees six lakhs only) per annum
2.	Sitting fees and other allowances, if any	Sitting fees for attending the Board and Committee meetings of the Board as applicable to the other Directors of the Bank.
3.	Telephone Allowance	₹60,000/- per annum
	Perquisites	
1.	Use of bank's car	i. For official purpose - Bank's car will be provided for official purpose ii. For private purpose - Bank's car will be provided subject to recovery of ₹250/- per month up to 750 Kms, and be 60% of the rate fixed by the RTA beyond 750 Kms per month
2.	Travelling & Halting allowances	As applicable to MD & CEO of the Bank.
3.	Personal Accident Insurance	Will be covered under personal accident on official tour by appropriate insurance policy for a sum of ₹35.00 lakh during his tenure.
4.	Reimbursement of entertainment expenses	Will be eligible for re-imbursement of actual entertainment expenses incurred by him up to ₹50,000/- per annum on production of bills.

Members are requested to pass the resolution under Item No. 6 as an Ordinary Resolution.

None of the Directors or Key Managerial Personnel and their relatives excepting Sri Salim Gangadharan, are in any way, concerned or interested in this resolution.

Item No. 07

Sri. V. G. Mathew was appointed as the Managing Director and Chief Executive Officer, by the Board of the Bank for a period of three years, with effect from 1st October 2014 to 30th September 2017, for which approval from Reserve Bank of India was obtained vide letter DBOD. Appt. No.3926/08.51.001/2014-15 dated September 11, 2014.

Sri. V.G. Mathew joined the South Indian Bank Ltd. as Executive Vice President on January 02, 2014 after superannuation from State Bank of India as Chief General Manager. He was appointed as Managing Director & CEO of the Bank for a period of 3 years with effect from October 1, 2014 to September 30, 2017 with the approval of Reserve Bank of India under Section 35B of the Banking Regulation Act, 1949 vide letter No. DBOD.Appt. No.3926/08.51.001/2014-15 dt. September 11, 2014. The terms and conditions of the said appointment was approved by the Shareholders of the Bank at the 86th Annual General Meeting held on July 16, 2014. The current tenure of Sri V. G. Mathew, MD & CEO of the Bank will expire on September 30, 2017.

NOTICE

Under the leadership of Sri V. G. Mathew giant strides have been made by the Bank in all areas of business during the last three years. Total business of the Bank has increased by ₹30,868 Crore from ₹82,333 Crore as on 30.09.2014 to ₹1,13,201 Crore as on 31.03.2017 registering a growth of 37.49%, out of which the Deposit has grown by ₹19,424 Crs (41.60%) and Advance by ₹11,444 Crs (32.11%). Total CASA increased by Rs.5,431 Crore from ₹10,305 Crore as on 30.09.2014 to ₹15,746 Crore as on 31.03.2017, registering a growth of 52.65%. The capital and reserves increased from Rs.3,364 Crs as on 30.09.2014 to Rs.4,845 Crs as on 31.03.2017. Further Sri. Mathew has contributed immensely towards improving the functioning of the Bank. Considering the vital role played in implementing the business and control strategies and highly satisfactory performance and with a view to ensure continuance of this tempo of growth and with regard to the need to have continuity in management, The Board vide resolution No. SEC/S-058 /16-17 dated May 26, 2017, subject to the approval of RBI and shareholders, has unanimously proposed to re-appoint Mr. V. G. Mathew as Managing Director & Chief Executive Officer of the Bank for a further period of 3 years w.e.f. October 01, 2017 to September 30, 2020 on the following terms and conditions:

Sl.No.	Particulars	Details
	Remuneration	
1	Salary	Consolidated basic salary of ₹10,00,000/- (Rupees ten 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 1 st 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 options the said furniture, fixtures, fittings, appliances etc. at the then book value with a minimum value of 10% of the original price.
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 with prior approval of RBI. 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/Nomination & Remuneration Committee subject to a maximum stock option of 1,50,000 (one lakh fifty thousand) shares with prior approval of RBI.

Perquisites

1	Free furnished house	Yes
2	Free use of Bank's car	
	(i) for official purposes	Yes On demitting office, the Bank is allowed to offer to him and he may purchase at his options the said motor car at the then book value with a minimum value of 10% of the original price.
	(ii) for private purpose on compensating the bank with suitable amt.	Recovery of ₹250/- per month up to 750 kms. Charges for private use of the car in excess of 750 kms. per month 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) ₹2,000/- per day for halting in Mumbai, Delhi, Kolkata and Chennai and ₹1,500/- per day for halting in all other places in India in case boarding expenses are not claimed. b) ₹4,000/- per day for halting in Mumbai, Delhi, Kolkata and Chennai and ₹3,000/- 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.

NOTICE

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.

The Directors recommend the Resolutions at Item No.07 of the accompanying Notice for the approval of the Members of the Company by way of Special Resolution. None of the Directors or Key Managerial Personnel and their relatives excepting Sri V. G. Mathew, are in any way, concerned or interested in this resolution.

Item No. 08

In terms of Section 180(1)(c) of the Companies Act, 2013, borrowings by the Company (apart from the deposits accepted in the ordinary course of business by the Company, temporary loans repayable on demand or within six months from the date of the loan, and temporary loans, if any, obtained from the Company's bankers, other than loans raised for the purpose of financing expenditure of a capital nature), in excess of the paid-up capital of the Company and its free reserves, require the approval of the Members by way of special resolution.

The Shareholders of the Bank at their meeting held on July 15, 2015 had increased the borrowing powers of the Bank to ₹6000/- crore (Rupees Six Thousand crore). In pursuance of the provisions of Section 180(1) (c), 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 ₹6,000 crore (Rupees Six Thousand crore Only).

The Bank is eligible for drawing refinance from Reserve Bank of India and/or other institutions against certain types of advances. Moreover to maintain statutory reserves, the Bank may have to borrow monies from Reserve Bank of India and/or other banks in substantial sums. The Bank has issued unsecured subordinated bonds during earlier years in different tranches to augment its Tier II Capital and the Bank has further headroom for issuing various permitted debt securities. Further, considering the substantial growth in business and operations of the Bank, opportunity to raise attractive borrowings as per the recent guidelines of the Reserve Bank of India on Issue of Long Term Bonds by Banks for financing of Infrastructure and Affordable Housing, relaxation in Basel III guidelines on limit of Tier II capital to be considered for Capital Fund purpose, your approval is being sought to increase the borrowing limits from ₹6,000 crore (Rupees Six Thousand crore) to ₹10,000 crore (Rupees Ten Thousand crore). 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.

Further, the approval is being sought for ₹500 crore of borrowing/raising funds in Indian/foreign currency by issue of debt securities by the Bank in one or more tranches in Item No. 10 of this Notice which will be within the overall borrowing limits of the Bank as proposed hereby and as may be approved by the Members, from time to time. The Directors recommend the Resolutions at Item No. 08 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. 08.

Item No. 09

The present authorized capital of the Bank is ₹250 crore and the Issued and Paid-up Capital of the Bank as on March 31, 2017 is ₹180.28 crores divided in to 180,28,35,959 Equity shares of Re. 1/- each. The Bank has implemented SIB Employees Stock Option Scheme ("SIB ESOS 2008") for issue of Equity shares of ₹1/-, up to 5% of the paid-up capital of the Bank as on March 31, 2013, which when fully granted and exercised would increase the issued, subscribed and paid-up capital to ₹1,81,90,16,792 divided into 1,81,90,16,792 Equity shares of ₹1/- each.

The Bank's capital to risk weighted Assets Ratio (CRAR) as on March 31, 2017 stood at 12.37% under Basel III as against the regulatory requirement / prescribed minimum of 10.25%. The capital position as on March 31, 2016 was 11.82% as against the minimum requirement of 9.625%. The Bank could raise ₹630.99 crores in the recent rights issue of shares vide letter of offer dated February 28, 2017 which helped the Bank to report a comfortable CRAR position.

A banking company requires adequate capital not only to meet the needs of growing business, but also to meet the applicable regulatory requirements. 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 are to be introduced and such methods to be not only updated, but also have to be upgraded from time to time.

The Bank has been growing organically and has shown steady growth during the last few years. The Bank foresees significant increase in demand for 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 adequate funds by way of Equity Shares 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 ₹20 crore by issue of further Equity Shares of face value of Re. 1/- each with such premium as the Board may decide.

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 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.

NOTICE

Basis or Justification of Price: 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 SEBI ICDR Regulations. 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 floor price determined pursuant to the SEBI ICDR Regulations or such other discount as may be permitted under applicable law. The "Relevant Date" for this purpose in case of allotment of Equity Shares, will be the date when the Board or the Committee of the Board decides to open the qualified institutions placement for subscription or, in case of convertible securities, the date of the meeting in which the Board or Committee of Directors duly authorized by the Board decides to open the proposed issue. The Equity Shares allotted would be listed on one or more stock exchanges in India and in case of ADR/GDR, internationally. The offer/issue/allotment would be subject to the availability of the regulatory approvals, if any. The conversion of Securities held by foreign investors into Equity Shares would be subject to the applicable foreign investment cap and relevant foreign exchange regulations.

As and when the Board does take a decision on matters on which it has the discretion, necessary disclosures/intimation will be made to the stock exchanges as may be required under the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations") and other applicable laws.

The resolution is proposed to be passed as a special resolution pursuant to Section 62(1)(c) and other applicable provisions of the Companies Act, 2013. Section 62(1) of the Companies Act, 2013, provides, *inter alia*, that where it is proposed to increase the subscribed share capital of the Bank by issue and allotment of further shares, such further shares shall be offered to the persons who at the date of the offer are holders of the equity shares of the Bank, in proportion to the capital paid-up on those shares as of that date. Such issue is generally known as the rights issue. The Listing Regulations also stipulate that unless the shareholders in a general meeting decide by way of a special resolution, shares cannot be issued except by way of a rights issue. 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)(c) 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 under this item seeks the consent of the shareholders to make an issue of securities. The proposal also seeks to confer upon the Board absolute discretion to determine the mode, structure, price, number of shares to be issued and timing of the issue(s). 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 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, Key Managerial Personnel of the Bank and their respective relatives 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, Key Managerial Personnel or their respective relatives are, in any way, concerned or interested, financially or otherwise, in this resolution.

Item No.10

The Bank has been borrowing funds to meet the business requirements within the limits approved by the shareholders by way of issuance of various debt securities (bonds/debentures) as permitted by Reserve Bank of India ("RBI") and in accordance with the provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended, and other applicable laws, from time to time.

In terms of Section 42 of the Companies Act, 2013 read with Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company can make private placement of securities subject to the condition that the proposed offer of securities or invitation to subscribe securities has been previously approved by the Members of the Company, by a special resolution, for each of the offers or invitations/subscriptions. In case of offer or invitation for subscription of non-convertible debentures, it shall be sufficient if the Company passes a special resolution only once in a year for all the offers or invitation for subscription of such debentures during the year.

Accordingly, the Bank had obtained the approval of Members at the AGM held on July 08, 2016 for borrowing/raising funds by issue of debt securities pursuant to the relevant provisions of the applicable circulars or guidelines issued by RBI, up to ₹1,000 crore (Rupees One Thousand Crore Only), in one or more tranches. Pursuant to the said approval, the Bank has not raised any amount by way of issue of Bonds till March 31, 2017. The current approval of Members is valid up to July 07, 2017.

In order to facilitate the raising of funds by way of issue of debt securities, it would be necessary to have the fresh approval of members in place. Accordingly, the Board of Directors, after assessing its fund requirements, has proposed to obtain the consent of the Members of the Bank for borrowing/raising funds in Indian/foreign currency by issue of debt securities including but not limited to non-convertible debentures, bonds, etc., pursuant to the relevant provisions of the applicable circulars or guidelines issued by RBI, up to ₹500 crore (Rupees Five Hundred Crore only), in one or more tranches in domestic and/or overseas market, as per the structure and within the limits permitted by RBI and other regulatory authorities, to eligible investors on private placement basis, on such terms and conditions as the Board of Directors or any Committee(s) thereof or such other persons as may be authorized by the Board, from time to time, determine and consider proper and appropriate for the Bank. This would form part of the overall borrowing limits under Section 180(1)(c) of the Companies Act, 2013. The Resolution under Section 42 of Companies Act, 2013 shall be valid for a period of one year from the date of passing of this resolution.

The pricing of the debt securities referred above depends primarily upon the rates prevailing for risk free instruments, rates on other competing instruments of similar rating and tenor in the domestic or overseas markets, investor appetite for such instruments and investor regulations which enable investments in such instruments. Further, debt securities would be issued for cash either at par or premium or at discount to the face value depending upon the prevailing market conditions, as permitted under the laws.

Accordingly, the approval of Members is being sought by way of special resolution as set out at in Item No.10 of this Notice for borrowing/raising funds in Indian/foreign currency by issue of debt securities on private placement basis.

None of the Directors or Key Managerial Personnel and their relatives are in any way, concerned or interested in this resolution.

By order of the Board

Place : Nedumbassery
Date : May 26, 2017

(JIMMY MATHEW)
COMPANY SECRETARY

NOTICE

Additional information on Directors seeking appointment/re-appointment in the Annual General Meeting scheduled on July 11, 2017, as required under SEBI (Listing Obligations and Disclosure Requirements) and Secretarial Standard - 2 issued by the Institute of Company Secretaries of India.

1. Sri Achal Kumar Gupta (DIN: 02192183)

Date of Birth and age	27/11/1953 (63 Years)
Date of first appointment on Board	11th January, 2017
Qualifications	M.A CAIIB
Brief Resume including experience	<p>Sri Gupta retired as the Deputy Managing Director of IFCI Ltd. after serving for a period of 3 years from 12/12/2013 to 11/12/2016. He started his career at Syndicate Bank and thereafter joined State Bank of India in September, 1977 and retired as Managing Director of State Bank of Patiala on 30/11/2013. He is having over 40 years of varied experience in the areas of Banking and Finance such as credit appraisal and administration, retail banking, treasury management, branch banking, agriculture banking, NRI services and risk management, besides being controller of branches as Regional Manager in SBI. He was the CEO of two important subsidiaries of SBI-one banking (State Bank of Patiala) and one non-banking (SBI Funds Management Pvt. Ltd.).</p> <p>During his 3 year tenure with IFCI Ltd. he was responsible for the growth and development of the business of the Company as also overall administration. He was also on the Board of other 8 companies-subsidaries/associates of IFCI. These associates/subsidaries are engaged in varied activities like real estate development, equity/commodity trading, technical consultancy and skill training etc.</p>
Nature of his expertise in specific functional area	Sri Gupta has varied experience in the areas of Banking & Finance, Credit appraisal, administration, retail banking, treasury management, branch banking, agriculture banking, NRI services and risk management.
Directorship in Other entities	Independent Director- Canara Robeco Asset Management Company Ltd. w.e.f 24th May, 2017
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on 31st March, 2017	Nil
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	None
Details of the remuneration last drawn	Sitting fees of ₹3,20,000 for attending the Board and Committee meetings.
Number of Meetings of the Board attended during the year	3
Chairman/member of the Committee of the Board of Directors of this Company	Risk Management Committee – Chairman Audit Committee – Member Management Committee – Member NPA Committee – Member
Terms and conditions of appointment/ re-appointment including remuneration	Appointed as Non-Executive Director liable to retire by rotation and is eligible for sitting fees for attending the Board and its Committee Meetings as approved by the Board subject to the provisions of the applicable laws

2. Sri Salim Gangadharan (DIN: 06796232)

Date of Birth and age	13/10/1953 (63 years)
Date of first appointment on Board	16/01/2014
Qualifications	M.A. (Economics), CAIIB
Brief Resume including experience	<p>Sri Salim Gangadharan 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.</p> <p>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.</p> <p>He was on secondment to the Central Bank of Oman for five years. He is also a consultant of the IMF and UNDP. He was part of several internal working group in Reserve Bank of India/ Government of India. 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.</p> <p>He has been on the Board of the Bank since January 16, 2014.</p>
Nature of his expertise in specific functional area	Sri Gangadharan, has substantial exposure in the fields of Banking, Currency Management, HR., Payment Systems, Treasury Management and Financial markets.
Directorship in Other entities	The National Securities Clearing Corporation Ltd. (NSCCL) Kerala Infrastructure Investment Fund Board
Chairmanship/ Membership of Committees in Public Limited Companies (as on March 31, 2017)	The National Securities Clearing Corporation Ltd (NSCCL) a) Membership Selection Committee - Chairman b) Standing Committee on Technology- Chairman c) Independent Oversight Committee of the Governing Board for Member Regulation (IOC-MR) - Member d) Risk Management Committee - Chairman e) Grievance Redressal Committee - Member f) Defaulters Committee/SGF Utilisation Committee- Member g) Nomination and Remuneration Committee- Member h) Sub-committee for monitoring compliance of suggestions given in SEBI Inspection Report - Member i) Public Interest Directors Committee- Member
Shareholding in the Bank as on 31st March, 2017	16,510
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	None
Details of the remuneration last drawn	Only sitting fees of ₹8.90 lakh before appointment as Non-Executive Chairman.

NOTICE

Number of Meetings of the Board attended during the year	11
Chairman/member of the Committee of the Board of Directors of this Company	Management Committee – Chairman Capital Planning and Infusion Committee – Chairman Nomination and Remuneration Committee – Member Risk Management Committee – Member Committee to Prevent and Review Frauds in the Bank – Member IT Strategy Committee – Member
Terms and conditions of appointment/re-appointment including remuneration	As approved by RBI vide approval letter dated October 26, 2016 referred in the explanatory statement to the proposed resolution No. 6.

3. Sri V. G. Mathew (DIN: 05332797)

Date of Birth and age	28/11/1953 (63 Years)
Date of first appointment on Board	1st October, 2014
Qualifications	M.Sc. (Physics), CAIIB
Brief Resume including experience	<p>Sri V. G. Mathew, has joined The South Indian Bank Ltd., as Executive Vice President on 2nd January, 2014 after superannuation from State Bank of India as Chief General Manager and appointed as Managing Director & CEO of the Bank w.e.f. 1st October, 2014.</p> <p>He joined the State Bank of India as a Probationary Officer in 1978 and he has served as Chief Manager (Project Appraisal Cell) and Chief Manager (Credit Appraisal Cell) handling high value credit proposals. He has significant experience in Retail and Corporate Credit, Technical Consultancy, Technology and Risk Management. As a General Manager (Corporate Accounts Group) Mumbai Branch, handled a very large Portfolio (Fund based outstandings of about ₹45,000 cr.) for a period of 3 years. Upon elevation as Chief General Manager he was placed as CGM (Risk Management) with responsibility over Credit, Market, Operational, Enterprise and Group Risk. Thereafter he was in charge of the Corporate Accounts Group as its Chief General Manager with responsibility over a Credit Portfolio of ₹176000 cr., for a period of 20 months till superannuation on 30th November, 2013. Sri Mathew has also worked in Sate Bank of India, Paris Office as Head of Systems Department for four years. He has also served as a member of important Committees at the Corporate Centre of SBI such as Wholesale Banking Credit Committee, Corporate Centre Credit Committee which is the highest Committee of Executives for Credit Sanction and Corporate Centre Investment Committee, while working as Chief General Manager.</p> <p>Under the leadership of Sri V. G. Mathew as MD & CEO of the Bank, giant strides have been taken by the Bank in all areas of business during the last three years. Further Sri Mathew has contributed immensely towards improving the functioning of the bank.</p>

Nature of his expertise in specific functional area	Sri Mathew, being a veteran banker has expertise in the fields of Retail and Corporate Credit, Technical Consultancy, Technology, Risk Management and Administration.
Directorship in Other entities	Nil
Chairmanship/ Membership of Committees in Public Limited Companies as on March 31, 2017	Nil
Shareholding in the bank as on March 31, 2017	Nil
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	None
Details of the remuneration last drawn	Gross remuneration of ₹107,66,600/- (For details please refer Form MGT-9 given as annexure to the Directors Report)
Number of Meetings of the Board attended during the year	11
Chairman/member of the Committee of the Board of Directors of this Company	Customer Service Committee – Chairman Committee to Prevent and Review Frauds in the Bank – Chairman Management Committee – Member NPA Review Committee – Member Risk Management Committee – Member Premises Committee – Member IT Strategy Committee – Member Corporate Social Responsibility Committee – Member Capital Planning & Infusion Committee – Member
Terms and conditions of appointment/ re-appointment including remuneration	As detailed in the explanatory statement to the proposed resolution No. 7.

By order of the Board

Place : Nedumbassery
Date : May 26, 2017

(JIMMY MATHEW)
COMPANY SECRETARY

PROXY FORM
THE SOUTH INDIAN BANK LIMITED
CIN: L65191KL1929PLC001017

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, ho2006@sib.co.in

89th Annual General Meeting
Tuesday, July 11, 2017 at 10.00 a.m.

I/We being 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 89th Annual General Meeting of the Company, to be held on Tuesday, July 11, 2017 at 10.00 a.m. at Casino Cultural Auditorium, Thrissur and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions		Optional*	
No.	Ordinary Business	For	Against
1	To Adopt Financial Statements for the year ended 31st March, 2017		
2	To declare dividend		
3	To appoint Sri Achal Kumar Gupta as an Director in place of Sri Cheryan Varkey, Director, retiring by rotation.		
4	To Appoint Statutory Central Auditors of the Bank and fixing their remuneration.		
	Special Business		
5	To appoint Branch Auditors in consultation with Statutory Auditors.		
6	To ratify the appointment of Sri Salim Gangadharan as Non- Executive Part time Chairman and approve the payment of remuneration and other terms and conditions of appointment for a period of 3 years w.e.f. 02.11.2016 to 01.11.2019		
7	To Re-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. 01.10.2017 to 30.09.2020		
8	To pass a special resolution for exercising the borrowing powers of the Bank pursuant to Section 180(1)(c) of the Companies Act, 2013.		
9	To Augment the Paid-up Capital of the Bank by further issue of shares.		
10	To Approve the borrowing / raising funds in Indian /foreign currency by issue of debt securities upto Rs.500 crore on private placement basis		

Signed this..... day of..... 2017.

Signature of Proxy holder(s)

Affix
Revenue
Stamp not less
than
Re. 1

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 89th 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.

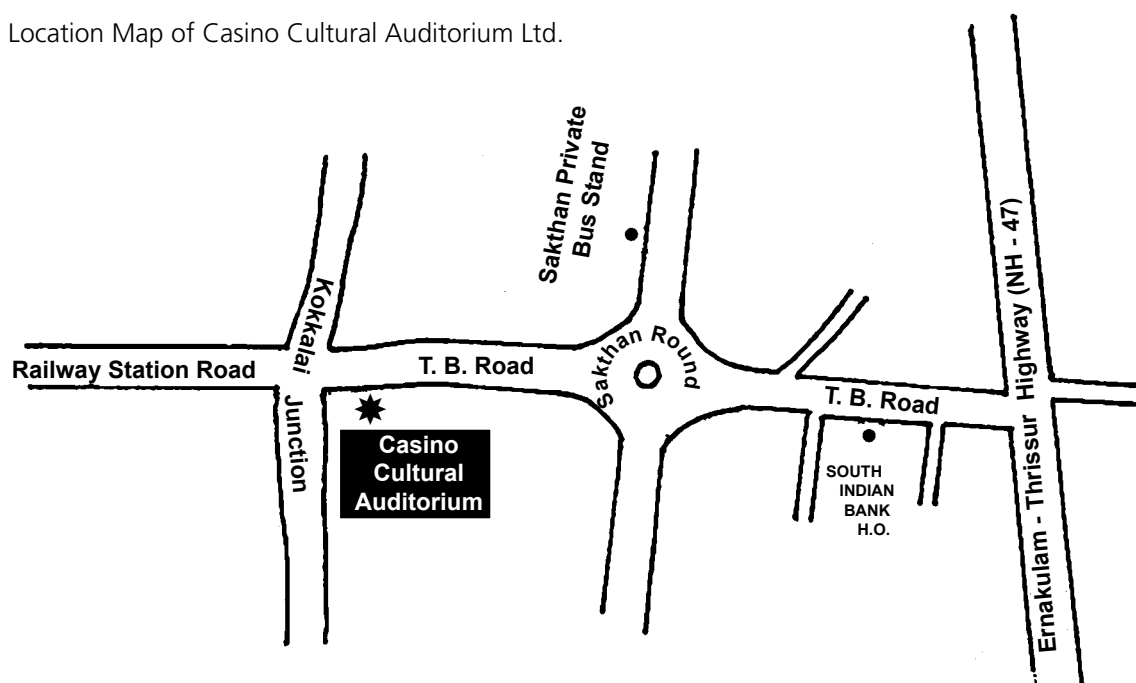
"Permitted to post on prepayment of postage in cash in Business Post Centre, Manipal - 576 104 under PMG, S. K. Region, Bengaluru - 560 001 vide license KT/SK/BD/3/102091/2017-18/13.6.2017 to 17.6.2017 with postage of ₹27/- (Rupees Twenty Seven only).

Venue of the 89th Annual General Meeting of SOUTH INDIAN BANK Limited
to be held on Tuesday, July 11, 2017 at 10:00 A.M.

Venue Address :

Casino Cultural Auditorium Ltd., T. B. Road, Thrissur – 680 001

Location Map of Casino Cultural Auditorium Ltd.



ATTENDANCE SLIP
THE SOUTH INDIAN BANK LIMITED

CIN: L65191KL1929PLC001017

Regd. Office: SIB House, T. B. Road, Mission Quarters, Thrissur – 680 001

89th Annual General Meeting

Tuesday, July 11, 2017 at 10.00 a.m.

Members Folio/DP ID & Client ID No.	
Name and Address of the Shareholder	

I/We hereby record my/our presence at the Eighty Ninenth Annual General Meeting held at Casino Cultural Auditorium, Thrissur.

.....
Member's/ Proxy's name in Block Letters

.....
Member's/Proxy's Signature

Note:

1. Please complete the 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