

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to place before you, the 81st Annual Report of the Bank along with the Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended 31st March 2009.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended 31st March 2009 are as follows: -

Key Parameters	Rs. in crore	
	2008-09	2007-08
Deposits	18092.00	15156.00
Advances	12145.00	10754.00
Total Business	30237.00	25910.00
Net Profit	194.75	151.62
Net Worth	1304.00	1160.98
Capital Adequacy (%) -Basel-I	13.89	13.80
Basel-II	14.76	----
EPS (in Rs.)	17.23	15.02*
Book Value per Share (in Rs.)	115.40**	128.43
Net NPA as % of Net Advances	1.13	0.33
Return on Assets (%)	1.09	1.01

* Weighted average and adjusted for issue of Bonus Shares in the ratio of 1:4

** After issue of Bonus Shares in the ratio of 1:4

FINANCIAL PERFORMANCE

Profit

The Bank has registered a record net profit of Rs.194.75 crore during the year. The Bank could achieve this substantial improvement in net profit mainly on account of higher scale of operations and better management of assets and liabilities of the Bank.

The Profit and Loss Account shows an Operating Profit of Rs.372.58 crore before depreciation, tax and provision as per details given below:

	(Rs. in crore)	
Profit before depreciation, taxes & provisions	372.58	
Less : Depreciation	: 13.90	
Provision for NPA/NPIs	: 21.87	
Provision for depreciation on investments	: 23.58	
Provision for contingencies	: 10.00	
Provision for Income Tax/Wealth Tax	: 106.63	
Provision for restructured advances	: 1.85	177.83
Net Profit	: 194.75	
Brought forward from last year	: 9.08	
Profit available for appropriation	: 203.83	

Appropriations

Transfer to Statutory Reserve	49.00
Transfer to Capital Reserve	0.50
Transfer to Revenue & other reserves	100.00
Proposed Dividend	33.90
Dividend Tax on Proposed Dividend	5.76
Carried over to Balance Sheet	14.67
Total	203.83

Dividend

The Board of Directors has recommended a dividend of 30% (tax-free in the hands of shareholders), i.e., @ Rs.3/- per Equity share of face value of Rs.10/- per share on the paid up capital increased by the issue of bonus shares in the ratio of 1:4 during the year. This is, however subject to the approval of shareholders at the Annual General Meeting.

EXPANSION PROGRAMME / POLICY OF THE BANK

The Bank has been successful in spreading its coverage across the country from South to North and West to East with 530 branches and 13 extension counters. The branch network now covers 23 states/union territories and has an ATM network at 280 centres. During the year, the Bank opened 30 new branches and 55 ATMs across the country.

The Bank plans to open 45 new branches & 45 new ATMs in the current financial year so as to reach the corporate goal of 575 branches and 325 ATMs by 31.03.2010.

CAPITAL & RESERVES

The Bank was having an issued and paid up capital of Rs. 90.41 crore as on 31.03.2008. During the year, 2,26,01,298 Equity shares of Rs.10 each were issued as fully paid up bonus shares in the ratio of 1 bonus share for every 4 shares held by capitalisation of corresponding value from Share Premium Account, adhering to the norms and guidelines issued by Securities and Exchange Board of India (SEBI). Pursuant to the bonus issue the paid up capital stands increased to Rs.113.01 crore as on 31/03/2009.

The Net worth of the Bank has gone up from Rs.1160.98 crore to Rs.1304 crore due to plough back of profits during the year.

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on 31st March 2009 according to Basel I guideline is 13.89% as against the statutory requirement of 9%. Tier I CRAR constituted 12.44% while Tier II CRAR constituted 1.45%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on 31st March 2009 according to Basel II guideline is 14.76%. Tier I CRAR constituted 13.22% while Tier II CRAR constituted 1.54%.

As per Reserve Bank of India guidelines, our Bank has migrated to new Capital Adequacy framework w.e.f March 31, 2009. The Bank has adopted Standardised Approach for Credit Risk, Standardised Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk towards computing the Capital requirement under Basel II guidelines.

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on The Cochin Stock Exchange Ltd., The Bombay Stock Exchange 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 2009-10.

BUSINESS ACHIEVEMENTS

The Bank crossed yet another milestone by surpassing Rs. 30,000 crore of gross business during the financial year 2008-2009, and registered a total gross business of Rs.30237 crore, consisting of total deposits of Rs.18092 crore and gross advances of Rs.12145 crore.

Deposits: The Bank could increase its total deposits to Rs.18092.33 crore from Rs.15156.12 crore last year, registering a growth of 19.37%.

The break up of the deposits as on 31.03.2009 is as under:-

	Amount (Rs. in crore)	% to total Deposits
Current Deposits	845.53	4.67
Savings Deposits	3459.68	19.12
Term Deposits	13787.12	76.21
Total	<u>18092.33</u>	<u>100.00</u>

Advances: Total advances of the Bank registered an increase of 12.93 %, to touch a gross figure of Rs.12,144.86 crore. Total Priority Sector advances have improved to Rs.4,246.24 crore, constituting 39.48 % of the Adjusted Net Bank Credit (ANBC) as at the end of the financial year. Exposure to Agricultural sector amounted to Rs.1,751.13 crore, forming 16.28 % of the ANBC as at the end of the financial year.

Split up of exposure under Priority Sector is furnished below:

	Amount (Rs. in crore)
Agriculture & Allied activities (including eligible RIDF investments)	: 1751.13
Small Enterprises	: 857.90
Other Priority Sector	: 1637.21
Total Priority Sector	: <u>4246.24</u>

INVESTMENTS

The Reserve Bank of India, during the first half year in order to control the inflationary pressures, had raised the policy rates and the second half, witnessed the central bank lowering the rates. The Cash Reserve Ratio (CRR) which was 7.50% during 2007-08 was hiked up to 9% during the 1st half of the year 2008-09, and during the second half the central bank lowered the CRR to 5% with a view to maintain the growth and also to provide a stimulus to the economy. The Statutory Liquidity Ratio (SLR) was also reduced from 25% of Net Demand and Time Liabilities (NDTL) to 24% during this financial year.

The 10 Year benchmark yield was at 7.01% as on 31.03.2009 as compared to 7.93% as on 31.03.2008. The debt market had been very volatile particularly during the last quarter of the

financial year. The Equity market has been very bearish throughout, and seemed to have become unidirectional with no cheer whatsoever. The markets fell below the 8000 mark on Sensex and 3000 mark on Nifty. This has been due to global economic weakness and tight liquidity conditions in the domestic markets. The IPO segment had been particularly quiet and had very few takers in this segment. The trading profit for the financial year was Rs.35.41 crore.

The Bank had an investment portfolio size of Rs.6,125.00 Cr(Gross)as on 31.03.2009 vis-à-vis Rs.4,608.00 Cr (Gross) as on 31.03.2008, registering a 33% rise in the total portfolio size. This increase has been in part due to increase in Net Demand and Time Liabilities and also due to increase in Non SLR securities yielding higher returns and investment of surplus funds in marketable Government Securities and Treasury Bills to maximize our return on surplus funds.

DISCLOSURE IN RESPECT OF VOLUNTARY RETIREMENT SCHEME (VRS) EXPENDITURE

The VRS expenditure incurred during the financial year 2006-07 amounting to Rs. 7.20 crore is getting amortised over a period of 4 years from the year 2006-07 and the unamortised amount is carried forward as deferred revenue expenditure. Proportionate expenditure on VRS amounting to Rs. 1.80 crore has been charged to Profit and Loss account during the current year and the unamortised amount of VRS expenditure carried forward amounts to Rs. 1.81 crore.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2008-09, the Bank had taken various steps for recovery of Non-performing Assets by conduct of recovery camps, issue of notice under Securities and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), One-time settlements etc. As a result of the various steps taken, the Bank could recover NPAs to the tune of Rs.150.95 crore during the year against the target of Rs.100 crore. The Gross and Net NPAs of the Bank as on 31.03.2009 were Rs.260.56 crore and Rs.134.31 crore against Rs.188.48 crore and Rs.33.97 crore respectively as on 31.03.2008. The increase in the total outstandings under gross and net NPA is mainly on account of a few large accounts not adhering to the credit discipline stipulated by the Bank and hence have been categorized as NPAs. However, a few of these accounts having complied with the requirements of the Bank have since been upgraded as performing assets during the first quarter of the current year. The percentage of Gross NPA to Gross Advances stood at 2.18% and Net NPA to Net Advances at 1.13% as on 31.03.2009.

AUTOMATION AND COMPUTERISATION

The Bank has been implementing host of IT initiatives to effectively compete and to mark its own niche in the banking horizon. First such initiative was the introduction of Core Banking Solution (CBS) with a centralized Data Centre (DC). The application deployed is FINACLE of INFOSYS, one of the globally recognized Core Banking Solutions. The Bank has taken a conscious decision to network all the Branches and implement Core Banking Solution subject to the feasibility of required infrastructure. As on 31/03/09, all the 530 branches and 13 ECs are functional with CBS platform covering 100% business on line.

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Leveraging on the CBS, the Bank has established an ATM network with a transaction switch installed at the Data Centre. As of review date, the Bank has 280 on line ATMs of which 39 are off site. To spread out the ATM reach, the Bank has tied up with MasterCard Inc. for Global debit and ATM card operations. Besides, the Bank has also taken membership in National Financial Switch (NFS) of Institute for Development and Research in Banking Technology (IDRBT), the technical arm of RBI, due to which all our ATM Card holders have the benefit of using our ATM Cards with about 39000 ATMs of 33 other Banks all over India.

The Bank has also launched net banking as well as SMS based mobile banking, enabling our customers to conduct cheaper and quicker mode of banking activities. The Bank has also introduced a payment gateway for facilitating E-Commerce, under which tie-ups have already been done with M/s. BILL Desk, M/s. Tech Process and on-line offerings with GURUVAYOOR Temple. An RTGS cell is set up at Fort Branch, Mumbai that facilitates the Real Time Gross Settlement (RTGS) of transactions of all our branches. The Bank has also joined the National Electronic Fund Transfer (NEFT) system, an initiative of RBI for national level fund transfer, supplementing the existing RTGS system. The Bank has launched Cheque Truncation System (CTS) as per RBI guidelines in National Capital Region-DELHI and all our branches in Delhi clearing zone are covered under this new system of electronic clearance of local cheques.

The Bank has a robust IS Security set up built up pursuant to the Information System (IS) Security policy adopted and approved by the Bank. The Bank has received a prestigious award from IDRBT in the area of Information System (IS) Security policy and practices in September 2006. System Audit and Security Audit are being done by external agencies. The apex body known as IS Security Forum conducts periodic review of the IS Security related matters.

The Board has approved a comprehensive Disaster Recovery (DR) Policy and DR solution. The DR infrastructure has been set up in Bangalore and the Bank has been conducting periodic Disaster Recovery (DR) drills from the DR centre to ensure its proper functioning. In order to upgrade and strengthen the Data Centre operations of the Bank, a state-of-the-art Data Centre is being planned to be constructed with "Green Building" concept in Kochi, where land has already been acquired and construction will commence shortly.

RISK MANAGEMENT AND BASEL II

In the present volatile and rapidly changing financial scenario, it is very challenging for the banks to manage complex and variable risks in a disciplined manner. It is imperative to have good risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets as a whole. During the year the risk management structure of the Bank was further strengthened to enable it to proactively identify and help in controlling the credit, operational and market risks faced by the Bank, while maintaining proper trade off between risk and return thereby maximizing the shareholder value.

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of

risks are approved by the sub-committee of the Board. The sub-committee of the Board also provides strategic guidance while reviewing portfolio behaviour. The senior level management committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) develop the risk management policies and vet the risk limits. The Asset Liability Management Committee, Credit Policy Planning and Intelligence Committee and Investment Committee ensure adherence to the implementation of the above risk management policies, and develop Asset Liability Management policy, Credit policy and Investment policy within the above risk framework. The risk management policies have laid down risk management processes to identify, measure & mitigate the risks to bring the risks within the tolerance level.

To integrate the risk management functions, the risk governance framework is put in place during the year keeping in mind the RBI guidelines, Basel II guidelines and international good practices such as the requirement of ensuring independence of the risk management functions, i.e. the role of risk management should not be compromised by consideration of profits or performance evaluation.

BASEL II

The growing concern and recognition of limitation of Basel I which largely ignored both the heterogeneity of the asset class and its differential risk sensitivity, led to the emergence of new accord, Basel II. The Bank has migrated to Basel II during the year and assesses the capital adequacy for credit, market and operational risk as under:

PILLAR I

Sl	Risks	Approach
1	Credit Risk	Standardized Approach
2	Market Risk	Standardized Duration Approach
3	Operational Risk	Basic Indicator Approach

PILLAR II

The Bank has also put in place a frame work known as ICAAP (Internal Capital Adequacy Assessment Process) for integrating capital planning with budgetary planning and to capture the residual risks which are not addressed in pillar I like credit concentration risk, interest rate risk in the banking book, liquidity risk, earnings risk, strategic risk, reputation risk etc.

PILLAR III

The Banks are required to adopt market discipline as laid down in pillar III of Basel II guidelines. The purpose of the market discipline is to complement the minimum capital requirement (as stipulated under pillar I) and the supervisory review process (as stipulated under pillar II).

For adhering to the market discipline, the Bank has adopted a common framework for disclosures stipulated under pillar 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, and these are disclosed elsewhere in this report.

CREDIT RISK

The Bank is exposed to credit risks through its lending and investment activities. The credit risk management framework

integrates both qualitative and quantitative processes to support growth in the asset book while ensuring an acceptable risk level in relation to the return. The aim of credit risk management continues to be the maintenance of a healthy credit portfolio.

The Bank uses internal rating models for rating borrowers for measuring credit risk; internal rating migration study to review the risk at portfolio level and analyse the portfolio behaviour. The Bank uses around 17 internal rating models for different borrower types. Rating model for Banks is used to fix exposure limits for inter-bank lending.

Apart from the above implementation of laid down policies for collateral management, credit risk mitigation has also enabled the Bank to proactively ensure asset quality. The Bank also uses risk based pricing model to maintain proper trade off between risk and return. As a measure towards credit risk mitigation, the Bank has strengthened the credit sanction and credit monitoring departments by inducting more experienced personnel. Credit risks inherent in investments in non SLR Bonds are being assessed independently by mid office treasury using the internal rating models. Minimum entry level ratings for external and internal rating are prescribed by credit risk & investment policies.

Moreover, the Bank continued to ensure better integration and ensure more independence of the risk management functions during the year by ensuring separation of risk control functions from risk taking function and vested the functions of rating confirmation, development of rating models, vetting of risk limits with Integrated Risk Management Department overseen by Credit Risk Management Committee at senior level.

MARKET RISK

Market risk results from changes in market value of assets arising due to the volatility of market risk factors and their probable impact on income and economic value for the aggregate banking and trading books, due to Asset -Liability mismatches. The Bank adopts a comprehensive approach to manage market risks in its trading and banking book.

The Bank has put in place a comprehensive market risk management framework, to identify, measure and mitigate 1) Interest rate Risk 2) Liquidity Risk 3) Foreign Exchange Risk and 4) Equity price risk that are inherent in Bank -wide Asset Liability Management (ALM) including Treasury operations.

The Bank uses VaR (Value at Risk) concept to quantify market risk in Central Government securities trading book investments and currencies. Modified Duration tools are used to assess the probable impact on the Held for Trading (HFT) and Available for Sale (AFS) portfolio in the backdrop of current economic scenario and volatility in the market. For Equity portfolio, sensitivity of total portfolio to sensex movements is assessed, risk limits for trading book are set according to a number of criteria including market analysis, business strategy, management experience and the Bank's risk appetite. Interest rate risks in the banking book are assessed using duration gap model whereby the impact on market value of equity is assessed for a possible adverse movement in interest rates.

As a market risk mitigation measure, investment decisions at treasury are supported by research desk at operational level and Investment sub-committee/ Investment committee at senior level.

Moreover, to ensure better integration and more independence of the risk management functions, the Bank has separated the risk control functions from risk taking function and vested the overall control of Mid offices of International Banking Division and Treasury with the Integrated Risk Management Department overseen by the Market Risk Management Committee.

LIQUIDITY RISK

Liquidity obligation of the Bank arises from withdrawal of deposits, repayments of borrowed funds at maturity and meeting credit and working capital needs. The primary tool of monitoring liquidity is the mismatch analysis, which is monitored over successive time bands on a static basis. The liquidity profile of the Bank is also estimated on a more dynamic basis by considering the growth in deposits and advances, investments etc. for a short term of 90 days. Apart from the above, the trend in the Bank's liquid assets to short-term liabilities, core deposits growth ratio, volatility dependence ratio and loans sources out of core deposits are measured, analysed and compared against limit fixed. Moreover, the funds readily available for contingency purposes, Bank's liquidity position and market liquidity position are reviewed by the Bank's Asset Liability Management Committee / Market Risk Management Committee.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It seeks to identify why a loss happened and at the broadest level includes the break down by four causes: People, Processes, Systems and External events

The Bank has a comprehensive policy on Operational Risk Management to ensure that all the operational risks within the Bank are identified, monitored and reported in a structured manner. Bank's Operational Risk Management Committee oversees the application of the policy directives.

People risk is mitigated by implementation of directives laid down in operational risk, human resources and training policies. Each new product or service introduced is subject to risk review and sign-off process where all relevant risks are identified and assessed by departments independent of the risk taking unit proposing the product.

To mitigate operational risks arising from frauds and as required by Basel II norms the Bank has put in place "Fraud prevention policy" during the year. The above framework lays down the steps to be adopted for preventive vigilance and categorically specifies the role of branches, regional offices, IT division, departments at HO and internal inspectors pertaining to prevention of frauds.

The risk of probable losses due to technical failures and business disruptions are mitigated through Business continuity planning, adequate backup facilities, the existence of disaster setup and regular testing rolled over by the DICT (Department of Information and Communication Technology).

Operational risk from external events, were brought down by transferring the risk outside the Bank by means of appropriate insurance cover during the year.

Operational risk management specialists have been designated for collecting loss data and to carry risk control self assessment

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(RCSA) to pro-actively identify emerging risks at operational level for devising mitigants at source itself.

INTERNATIONAL BANKING.

The forex merchant business turnover for the year ended 31st March 2009 was Rs.10650 crore. The exchange profit for the year ended 31st March 2009 was Rs.23.69 crore against Rs.15.58 crore last year, registering a growth of 52%.

At present Bank is having draft drawing arrangement/remittance arrangements with 3 Banks and 25 Exchange Houses and electronic fund transfer facility under the brand name "SIB EXPRESS" utilizing Bank's 'Finacle' Core Banking Solution with 17 Exchange Houses. The total turnover of the inward remittances through these Exchange Houses increased to Rs.2827.82 crore during the current financial year as against Rs.1318 crore during the previous year showing an increase of 69.31% from the corresponding period last year. We have taken steps to increase remittance business and already got approval of the Bank's Board for arrangement with 7 more Exchange Houses based in Gulf countries and these are expected to be operational during the current year.

The Bank continued providing managerial support to Hadi Express Exchange, UAE. The volume of remittance through this Exchange House increased to Rs.617.99 crore registering a growth rate of 335%. M/s. Hadi Express Exchange has obtained 3 more branch licenses which are being opened at different centers in U.A.E shortly.

The Bank has implemented the new Integrated Treasury Software, which is having interfaces to Finacle, SWIFT, CCIL and Reuters for more efficient functioning. Also, online access of forex rate was made available to 23 branches using Mercury software. Through this software, branches can directly book forex rates on behalf of their customers.

NRI PORTFOLIO

Our Bank has the unique distinction of opening the first exclusive NRI branch in Kerala in the private sector and still occupies the prime position with eight exclusive NRI branches in the state. The total NRI deposit of our Bank as on 31.03.2009 was Rs.3438 crore, which constitutes 19% of the Bank's total deposits.

Bank has introduced a new NRE SB Privilege Diamond account exclusively for high networth NRI customers. NRI Cell at Head office is dedicated only for the service of our NRI customers. The cell also offers good support to the branches and closely monitors the growth of NRI business. NRI Newsletter, a quarterly publication from NRI Cell continues to provide useful information to our NRI customers.

TRAINING

The Bank is giving great importance for training and development of its officers and staff, as improvements made in human resources directly result in improvements in organization's productivity. The Bank's Staff Training College identifies the gaps in people capability and trains them for capability improvement. During the financial year, Bank could provide training to 785 of its officers, 908 clerks and 215 sub staff in different facets of Bank's operations. Hence, the Bank could impart training to a total of 1908 of its personnel during 2008-2009 alone which is about 40% of total staff strength

of 4809 as on 31-03-2009. The identification of personnel for various training programmes is on the basis of training need analysis. Now the Bank is trying to ensure that every employee of the Bank is given training at least once in 3 years to keep them abreast with the changes happening in the Banking Industry and to improve their effectiveness.

MARKETING

The Bank has persistently embarked on new initiatives for various value entrenched products and services catering to the various financial needs of different segments of customers. The core banking solution facilitated various technological products and services, which helped the Bank to render flawless and quick service to its customers.

The Bank has a range of SB & CD products with Any Branch Banking facility to suit the needs of various customer segments. The Bank has launched two SB products, where the banking facilities and services are offered free of charges. 'SB-Platinum' account was devised to meet the expectations of high net worth domestic customers. A similar product 'SB-Diamond' was launched to cover the aspirations of NRI customers. 'Group Salary Savings Account' with Any Branch Banking was introduced for the salaried class of customers, where there is no stipulation on maintaining the minimum balance. In the Fixed Deposit category "SIB Eighty Plus" was instituted to commemorate the 80th Anniversary of the Bank. This high yield deposit scheme was launched for a limited period with a value addition of Rs.1 lakh personal accident death insurance cover.

Through the online fund transfer facility 'Fast Money', funds can be credited to any customer account maintained with the Bank and the fund transfer up to Rs. 5000/- is permitted free of charges. Customers can send and receive funds from accounts with any other bank in India, through RTGS and NEFT payment system put in place by RBI. Funds remitted from abroad through designated Exchange Houses and Correspondent Banks are credited online to the accounts of the customers. The Bank has tie-up with leading exchange houses and banks abroad, for this remittance facility. The Bank is a member of SWIFT, and hence international fund transfer, including outward remittance is available to the customer. The Bank has in place arrangements with M/s.UAE Exchange (Xpress Money), M/s.WallStreet (Instant Cash) and M/s.Thomas Cook (Moneygram) for receiving online remittance from abroad.

The Bank offers Depository services for the benefit of the customers. Through this facility, our customers can hold their securities in electronic form with Central Depository Services (India) Ltd. (CDSL). Thus the customers of the Bank can now open Demat accounts with the Bank through designated branches. The Bank is an authorized POS (Point of Service) of CDSL Ventures Ltd. The Bank is authorized for KYC certification for Mutual Fund Investment and the service is offered free of cost to the customers.

Pension Fund Regulatory and Development Authority (PFRDA) have launched the New Pension System (NPS) across the country. To cater this service to the subscribers of NPS, PFRDA has identified our Bank as a Point of Presence (POP). In fact, The South Indian Bank Ltd. is the single old generation private sector bank that has been selected by PFRDA among the 22 institutions identified as POPs. This has not only provided a unique opportunity for our Bank to enlist the support of public at large,

who would like to become members of the New Pension Scheme introduced by the Government, but also a recognition by the Government of India that a Bank like ours has a role to play in serving this new arm of the Government, and this is expected to be a forerunner for many more things to come.

Mutual Funds are one of the preferred investment options for all those who wish to play safe, yet earn more than what traditional saving avenues offer. Bank has tie ups with leading Asset Management Companies and currently has a bouquet of 13 Mutual Fund companies with an entire array of performance featured funds. The Bank has also provided facility to invest in HSBC and HDFC funds through Systematic Investment Plan (SIP). Bank has made arrangement with leading insurance companies for collecting their renewal insurance premium. Renewal premium of ICICI Prudential, TATA AIG and ING Vysya can be accepted through any branch of the Bank. 'General Insurance' offers various health packages and policies to protect the money and goods against various perils. Bank also acts as a corporate agent for the distribution of general insurance products of M/s. Bajaj Allianz General Insurance Company.

The Bank has negotiated to work as a corporate agent of Life Insurance Corporation of India to market all their life insurance products and an agreement with them has already been signed on 02/06/2009. By associating our Bank with the largest Public Sector insurer in the country, our Bank will be able to play an important role in providing varied products suited to the needs of a wide spectrum of our customers.

The Bank's International ATM cum Debit Card (SIB Card) enables withdrawal of cash upto / equivalent of INR Rs. 20,000 per day through ATMs across the globe. Customers can withdraw cash from any ATM displaying the 'CIRRUS' logo of MasterCard International or the 'INFINET' logo of IDBRT, the technical arm of RBI. SIB Card can be used in merchant establishments equipped with Point-of-Sale (POS) terminals in India and abroad, displaying the 'MAESTRO' logo of MasterCard International, for purchase of goods worth up to Rs.1 lakh per day. Bank also offers international co-branded Visa credit cards to its customers. 'Sibernet' - the internet banking service of the Bank, facilitates online and any-time banking transactions. Bank has made arrangements with three major aggregators in the country to provide e-commerce / online payment services to the customers. Customers can perform online transfer of funds from one account to another, online bills & utility payments, e-shopping, e-commerce, make offerings & book for 'Poojas' with the famous Guruvayur Sri Krishna temple in Kerala. Customers of the Bank enjoy the benefit of Mobile Banking Service where, transaction details in their accounts (debits and credits) are sent to the mobile phone number of the customer (both domestic and overseas), which is linked to the customer account for this purpose. This facility is available to NRI customers also. With this service, transaction alerts are sent to the customers on a real time basis, using the SMS technology. Bank has planned to launch M-Commerce facility as a value added service to the Mobile Banking customers in the next fiscal.

The Bank's award winning website provides host of information to the customers. Customers can locate the branch and ATM in a locality based on State and District filters. Contact details of the branches along with the email id, bank code, IFSC codes and name of branch managers are available for quick reference. Contact details of Head office Departments and Regional Offices

are also available. Direct links for making online bill payments & online shopping are available in the homepage. Facility to lodge the customer grievances is also provided through the website. The contact details of Principal Code Compliance Officer (PCCO) and the Chief Grievance Redressal Officer are published in the website. Bank has put in place a Call Centre with Toll Free facility, Nos. 1-800-843-1800 and 1-800-833-1800 at Kochi. Customer service compliance requirements are regularly monitored. In addition to the Code of Bank's Commitment to the individual customers, Bank has adopted the Code of Bank's Commitment to Micro & Small Enterprises.

PERSONNEL

In line with the growth in business volume as well as its geographical spread, the Bank has embarked upon a major recruitment drive with the primary objective of acquiring manpower of the right quality and numbers. Local recruitments have been made to synchronise with the culture of the particular region. Campus recruitments have also been done so as to retain its competitive edge and also to ensure that required skills are successfully brought on board.

The recent new recruitments has resulted in the average age of the Bank's employees falling from roughly 47 years to 42 years, instead of the normal phenomenon of an ageing staff team.

A performance based incentive scheme has been introduced by the Bank from April 2007 covering all the employees. The scheme has stimulated interest in each staff member. Apart from the Scheme, the Bank has also introduced a fast track promotion policy to retain the employees with us.

The Bank has instituted an Employee Stock Option Scheme for the Directors and employees of the Bank to create a proprietary interest in all the staff members and to further motivate and increase the morale and loyalty of the employees. The first tranche of such stock option is expected to be granted to the employees during the current financial year.

The Bank believes that with the staff friendly measures introduced, the attrition level amongst the new recruits can be reduced to a significant extent.

As on 31st March 2009, the Bank had 4523 personnel on its rolls on full time basis as against 4223 as on 31st March 2008. Cadre wise break up is as under:

Officers	2031
Clerks	1827
Sub staff	665
Total	4523
Part-time employees	286
	4809

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

The operations of the Bank are not energy intensive. However, the Bank has taken all possible measures to control and reduce consumption of energy. The Bank continues to undertake sufficient measures for innovation and absorption of technology in banking business.

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

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PARTICULARS OF EMPLOYEES

Information as required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given under:-

Name, Qualification and Age (in years)	Designation	Remuneration	Experience (in years)	Date of commencement of Employment	Last Employment
Dr. V.A. Joseph, M.Com., LLB, CAIIB, PhD (HRD), MPM, 58 Years.	MD & CEO	Rs.36.67 lakhs	37	December, 2003	General Manager of Syndicate Bank at Mumbai

CORPORATE SOCIAL RESPONSIBILITY

Declaration of Melur as Money Lender Free Village

Melur Village, near Chalakkudy is an agri-based village. Many of the villagers are agriculturists and farmers. Most of the villagers are poor and they lack in capital and depend on moneylenders for their needs, who in turn charge exorbitant rate of interest. To save the villagers from the clutches of these moneylenders, we have declared the village as "money lender free village" and started lending at lower rate of interest through SHGs in association with Organisation for Women Empowerment and Rural Development (OWERD) an NGO. The function was inaugurated by Mr. Ramaswamy, Regional Director, RBI, on 1st March 2008 in the presence of Dr. V A Joseph, our Managing Director & CEO.

Activities by the Bank in Tholur Village

Tholur Village is also an agri-based village in Thrissur District. Due to lack of knowledge of technical know how and capital, the farmers there could not effectively undertake agricultural activities. Realising this, the Bank in association with Tholur Panchayat, Kerala Agricultural University and OWERD, came forward to cater to their needs. Kerala Agri University attends to their technical needs and provide high yielding seeds, whereas our Bank is looking after their financial needs in association with OWERD by extending agricultural loans and also housing loans for general upliftment of the farmers.

SIB STUDENTS' ECONOMIC FORUM (SIBSEF)

Students' Economic Forum, which is celebrating its 18th year of publication was launched in December 1991. It is a monthly publication discussing one theme in an issue covering a whole range of economic affairs and activities. So far 208 themes have been published and in response to the requests from our readers and well wishers, we had compiled the first 150 themes of this publication in 3 volumes. The objective of this venture is to kindle interest in economic affairs in the minds of our younger generation and also to empower the student community. Although it is a publication targeted at the younger generation and student community, feedback received at our end show that, the booklet is being well referred by academics, administrators, diplomats etc. It is also a source of reference for the editors of various publications, including that of reputed banking journals. Following topics were discussed during the year 2008-2009 Sovereign Wealth Fund (April-2008), Employee Stock Option Plans (ESOP) (May-2008), Global Food Crisis (June-2008), Oil Shock and Energy Security - Part-I (July-2008), Oil Shock and Energy Security - Part-II (August-2008), Currency Futures

(September-2008), Global Financial Crisis - Part I (October-2008), Global Financial Crisis - Part II (November-2008), Know Your Customer (KYC), Anti-money Laundering (AML) & Combating Financing of Terrorism (CFT) (December-2008), Economic Slowdown / Recession and Stimulus Packages - Part-I (January-2009), Economic Slowdown / Recession and Stimulus Packages - Part II (February-2009), Convergence of Accounting Standards (March-2009).

Open access is also made available to this publication through the "Students' Corner" page of the Bank's website.

SIBLINK

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

In the 11th All India House Magazine Contest conducted by Rotary Club of Cochin-Mid-Town, 'SIBLINK' was the only house magazine from the banking sector to find a place in the list of winners.

ANTI - MONEY LAUNDERING (AML)

The Bank has attached great importance to Anti-Money Laundering and the transactions of all the branches of our Bank have been brought under the ambit of AML software. The alerts generated from the AML software are monitored on a daily basis and suspicious transactions are reported to FIU-India.

In line with the RBI Guidelines, our Bank is strictly following the "Know Your Customer" norms at the time of opening new Accounts.

80th ANNIVERSARY CELEBRATIONS OF SIB

Mr. Vinod Rai, Comptroller & Auditor General of India, inaugurated the 80th Anniversary celebrations of the Bank on 12th February 2009 at Thrissur. SIB Excellence Awards were also presented to five globally acclaimed personalities hailing from Kerala, for their life-time achievements. Dr. K.M. Cherian, the eminent Cardiologist, Mr. Adoor Gopalakrishnan, the acclaimed film Director, Padma Vibhushan Dr. Verghese Kurien, 'The Milk Man of India', the music-maestro, Padma Bhushan Dr. K.J. Yesudas and Mr. M.A. Yusuff Ali, the prominent NRI industrialist were conferred with the awards.

These celebrations were also held throughout the country during January 2009 in various centres where Regional Offices of the Bank are located, which provided an opportunity to communicate the history of the Bank and its growth during the 80 eventful years to all our customers across the country. To commemorate this occasion, the Bank for the first time in its long history offered during the year bonus shares in the ratio of 1 share for every 4 shares held to the shareholders of the Bank, thereby rewarding the shareholders for their continued support and patronage.

AWARDS AND ACCOLADES

At a time when the banking industry faces challenges on account of global downturn and when industry is looking for maintaining quality of assets in its books, the Bank has been collecting awards & accolades all along the way. During the year 2008-09, the Bank received the following Awards/Recognitions from different quarters/agencies both in India and abroad.

- **Best Bank in Asset Quality Award-** Dun & Bradstreet.
- **No. 1 in Asset Quality-** Business Today Ranking of Banks.

DIRECTORS' REPORT

- **Best Performer in Asset Quality-** Analyst 2008 Survey.
- **Top NPA Manager-** Assocham ECO Pulse Survey.
- **Best Old Private Sector Bank-** Financial Express India's Best Banks 08-09.
- **Best Asian Banking Website-** Asian Banking & Finance Magazine, Singapore.

On the occasion of 80th anniversary celebrations, Mr. Vinod Rai, the Comptroller & Auditor General of India mentioned that in the process of its journey of service to the nation, the Bank has set immaculate standards for excellence.

DIRECTORS

During the year, in deference to the instructions of RBI, the Bank has separated the post of Chairman and Chief Executive Officer of the Bank. The tenure of Dr. V.A. Joseph who took over as Chairman and CEO of the Bank on 05/06/2005 was to expire on 04/06/2008. He was given an extension as Chairman and CEO of the Bank till 30/09/2008 to enable the Bank to complete all necessary formalities of amending the Articles of Association of the Bank to facilitate this change.

Therefore, Dr. V.A. Joseph on completion of his extended tenure as Chairman and CEO, assumed charge as the Managing Director and CEO of the Bank w.e.f 1st October 2008.

While appointing Dr. V.A. Joseph as Managing Director and CEO of the Bank, the shareholders at the last Annual General Meeting held on 18/08/2008, had also approved the appointment of Sri. G.A. Shenai, the senior most Director of the Bank, as Non-Executive Part-time Chairman subject to the approval of RBI. On obtaining approval from RBI, Sri. G.A. Shenai took over as part-time Non-Executive Chairman of the Bank w.e.f 23rd October 2008. The RBI had approved the appointment/re-appointment of the following Directors of the Bank as under:-

1. Appointment of Dr. V.A. Joseph, as Chairman and CEO of the Bank from 05/06/2008 to 30/09/2008.
2. Appointment of Dr. V.A. Joseph as Managing Director and CEO of the Bank for a period of 3 years w.e.f. 01/10/2008.
3. Appointment of Sri. G.A. Shenai as Part-time Non-Executive Chairman of the Bank for a period of 2 years from the date of his assuming office i.e. 23rd October 2008.

Dr. John Joseph, Dr. C J Jose and Sri. Jose Alapatt who retired at the 80th Annual General Meeting held on 18/08/2008, were re-appointed as Directors of the Bank.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, Sri. A. S. Narayanamoorthy, Sri. Davy K Manavalan and Sri. Mathew L Chakola are the Directors who retire by rotation at the ensuing Annual General Meeting and being eligible for re-appointment, the Board recommends their re-appointment as the Directors of the Bank.

AUDITORS

The shareholders at its 80th Annual General Meeting held on 18th August 2008, appointed M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Central Auditors for the audit of Bank's accounts for the year 2008-09.

M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, vacate office at the end of the Annual General Meeting to be held this year but are eligible for re-appointment for the Financial Year 2009-10.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors' Report for the year 2008-09 does not have any qualifications. Hence, no explanation is given in this regard.

CORPORATE GOVERNANCE

A separate report on the status of implementation of Corporate Governance as required under Clause 49 of the Listing Agreement with Stock Exchanges and a certificate from M/s. Deloitte Haskins & Sells, Statutory Auditors of the Bank, are annexed to the Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby declare that: -

1. In the preparation of annual accounts for the financial year ended 31st March 2009, the applicable accounting standards have been followed and proper explanation has been furnished to the extent of departures from those standards.
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2008-09 and of the profit of the company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and Banking Regulation Act, 1949 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts for the financial year ended on 31st March 2009, on a going concern basis.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, Government of Kerala and all other State Governments where we operate, 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 pillars of any institution are its staff, executives and administrators, more so in the case of a service institution like our Bank. The Bank has no hesitation in acknowledging this fact and thank all of them for their diligence and loyalty towards the Bank. The Board, therefore, expresses its deep appreciation for the dedicated service rendered by employees of the Bank at all levels.

Thrissur
16.06.2009

By Order of the Board
Sd/-
(G.A. SHENAI)
CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

The Indian Economy has moved to a slower growth phase as the knock-on effect of global financial meltdown in the year 2008-09, after registering a robust growth during last five years. Even though, Gross Domestic Product (GDP) growth has moderated reflecting lower industrial production, negative exports, deceleration in services activities, dented corporate margins and diminished business confidence, there are some comforting factors like well-functioning financial markets, robust rural demand, lower headline inflation and comfortable foreign exchange reserves which buffered the economy from the worst impact of the crisis. The growth in Gross Domestic Product (GDP) for 2008-09 was 6.9% as compared to 9% for the year 2007-08. Agriculture and allied activities could register a growth of 0.6% as against 5.5% in the previous year. During 2008-09, industrial growth based on the index of industrial production (IIP), decelerated to 3.5 per cent, from 7.9 per cent in the corresponding period of the previous year. Real GDP originating in service sector also showed a slight decrease as it grew 9.7% compared with 10.5% in last year. The performance of the private non-financial corporate sector also deteriorated in the year 2008-09.

Inflation measured by year-on-year variations in the wholesale price index (WPI), decelerated sharply from the last year figure of 7.4% and from its intra-year peak of 12.91% on August, 2008 to 0.26% by March, 2009. For its overall assessment of inflation outlook for policy purposes, the Reserve Bank continuously monitors the full array of price indicators. The conduct of monetary policy has condition and contain perception of inflation in the range of 4.0-4.5 per cent.

During 2008-09, equity markets weakened in tandem with global stock markets, reflecting general deterioration in sentiments, FII outflows, slowdown in industrial growth and lower corporate profits. The BSE Sensex declined to 8160 on March 9, 2009 from a peak of 17480 recorded on April 30, 2008. NSE Nifty also declined as low as 2252 points from its intra-year peak of 5298. By the year end both indices are showing positive signs of recovery.

Banking Scenario

Aggregate deposits of Scheduled Commercial Banks (SCBs) increased by 19.8 per cent during 2008-09 as compared with 22.4 per cent in the previous year. The demand for credit moderated reflecting the slowdown of the economy in general and the industrial sector in particular. Credit growth by public sector banks to industry and to real estate sector accelerated in 2008-09. However, credit growth to personal loans services and to small enterprises decelerated.

During 2008-09, the growth in non-food bank credit (year-on-year basis) decelerated from a peak of 29.4 per cent in October 2008 to 17.5 per cent by March 2009. At this rate, non-food credit expansion was lower than that of 23.0 per cent in 2007-08. The actions of the Reserve Bank since mid-September 2008 have resulted in augmentation of actual/potential liquidity of over Rs.4,22,000 crore. In addition, the permanent reduction in the SLR by 1.0 per cent of Net Demand and Time Liabilities (NDTL) has made available liquid funds of the order of Rs.40,000 crore for the purpose of credit expansion.

Commercial banks' investment in Statutory Liquidity Ratio (SLR) securities, adjusted for Liquidity Adjustment Facility (LAF), declined marginally from 28.4 per cent of Net Demand and Time Liabilities (NDTL) in March 2008 to 26.7 per cent in March 2009.

Since mid-September 2008, the Reserve Bank has cut the repo rate by 400 basis points and the reverse repo rate by 250 basis points. The CRR was also reduced by 400 basis points of NDTL of banks.

Money supply (M3) increased by 18.4 per cent in 2008-09 as compared with 21.2 per cent in 2007-08. The year to year increase in reserve money was much lower at 6.4% compared to 31% in the previous year. Reserve money variations during 2008-09 largely reflected the increase in the currency in circulation and reduction in the cash reserve ratio (CRR) of banks.

Development in global financial market in the context of exceptionally challenging circumstances of global recession warranted more intensified monitoring and swift responses with all available instruments to preserve and maintain domestic macro economic and financial stability. The policy responses in India since September 2008 have been designed largely to mitigate the adverse impact of the global financial crisis on the Indian economy and for providing ample rupee liquidity, ensuring comfortable dollar liquidity and maintaining a market environment conducive for the continued flow of credit to productive sectors. The evolving stance of policy has been increasingly conditioned by the need to preserve financial stability while arresting the moderation in the growth momentum.

The overall stance of monetary policy in 2009-10 will broadly be:

- Ensure a policy regime that will enable credit expansion at viable rates while preserving credit quality so as to support the return of the economy to a high growth path.
- Continuously monitor the global and domestic conditions and respond swiftly and effectively through policy adjustments as warranted so as to minimize the

impact of adverse developments and reinforce the impact of positive developments.

- Maintain a monetary and interest rate regime supportive of price stability and financial stability taking into account the emerging lessons of the global financial crisis.

Economic and Banking Outlook

In spite of gloomy economic scenario world across, the Indian economy and Indian banking system have shown extreme resilience and have been able to sustain themselves as a result of high domestic demand, productivity, credit growth and high levels of savings and investment. The current global financial crisis, however, has resulted in the outlook being uncertain in the short term. Though India may face deceleration in its macro economic growth in the short term, 8 per cent plus growth for India is sustainable in the medium-term. There are several comforting factors that have helped India weather the crisis, like normal functioning of financial markets, particularly our banks, comfortable foreign exchange reserves which provide confidence in our ability to manage our balance of payments notwithstanding lower export demand and dampened capital flows, declining headline inflation, as measured by the wholesale price index (WPI), mandated agricultural lending and social safety-net programmes, which made rural demand continue to be robust. RBI forecast a GDP growth at around 6.0 per cent, 18% growth in the aggregate deposits of commercial banks and 20% growth in adjusted non-food credit, including investment in bonds/debentures/shares of public sector undertakings and private corporate sector and CPs for the year 2009-10.

The problems of global banks arose mainly due to exposure to sub-prime mortgage lending and investments in complex collateralised debt obligations whose values have seen sharp erosion. Globally, banks have also been affected by the freeze in the inter-bank lending market due to confidence-related issues. On both counts, Indian banks have limited vulnerability. Indian banks' global exposure is relatively small, with international assets at about 6 per cent of the total assets. Indian banks' dependence on international funding is also low.

Opportunities and Threats

Global meltdown on India's financial system so far has been negligible and last year credits by banks grew by 18 per cent. The RBI too has released adequate funds to the tune of Rs.4 lakh crore into the banking system from September 2008. Liquidity is no more an issue in the Indian Banking Sector. RBI monetary easing measures such as reduction in Cash Reserve Ratio and key interest rates have helped the banks to reduce the interest rate regime and increase affordability. There is no general credit aversion among banks. In fact, their lending performance is satisfactory. Credit growth is expected to remain fairly strong

on relatively lower credit penetration and higher growth vis-à-vis other emerging markets, and there is no systemic supply constraint on the availability of financial resources with high private savings. But, there exist a need to channelise these resources efficiently and effectively by way of knowledge based banking, information management and securitisation of corporate lending. Banking institutions will remain crucial in the foreseeable future while recognising the greater role for markets in industrial financing. Even as industry may see some temporary disruptions as the full effect of the current global crisis pans out, the agrarian-based nature of our economy provides us with the other big opportunity.

There are several immediate challenges facing the economy which includes supporting the drivers of aggregate demand to enable the economy to return to its high growth path, boosting the flow of credit to all productive sectors of the economy, managing the large government borrowing programme in 2009-10 in a non-disruptive manner, restoring the fiscal consolidation process ensuring an orderly withdrawal of the large liquidity injected in the system since September 2008 by the Reserve Bank to support the economy's productive requirements; and the continued challenge of preserving the stability of our financial system drawing from the lesson of the global crisis.

Indian banking system is relatively insulated from the factors leading to the turmoil in the global banking industry. However, the banking sector faces profitability pressures due to higher funding costs, mark-to-market requirements on investment portfolios, and asset quality pressures due to a slowing economy. The increased dependence by several banks on wholesale funds and on bulk deposits to fund credit growth can have liquidity and profitability implications, considering a specific regulatory capital charge if dependence on "purchased liquidity" exceeded a defined threshold. The strong capitalisation of Indian banks is a positive feature in the current environment.

Financial Performance Vs Operational Performance

For the first time in the history of the Bank, the Net Profit reached a level of Rs.194.75 crore as against Rs. 51.62 crore last year. As regards the total gross business of the Bank, it grew from Rs.25910 crore to Rs.30237 crore. While the deposits grew from Rs.15156 crore to Rs.18092 crore, gross advances grew from Rs.10754 crore to Rs.12145 crore. Food credit increased to Rs.268.22 crore from Rs.260.90 crore and non-food credit increased to Rs.11876.64 crore from Rs.10493 crore in the last year, showing a total increase of Rs.1383.64 crore. The Board has recommended a dividend of 30% i. e. @ Rs.3/- per equity share of Rs 10/- each, on the increased share capital after issue of bonus shares in the ratio of 1:4, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 2.18% and the Net NPA to Net Advances at 1.13% respectively as on 31/03/09. The Capital Adequacy Ratio of the Bank has reached

DIRECTORS' REPORT

a level of 13.89% under Basel I and 14.76% under Basel II norms as on 31/03/09 as against the RBI mandated level of 9%. The book value per share stood at Rs.115.40 (pursuant to bonus issue of 2,26,01,298 Equity shares of Rs.10 each as fully paid up during the year by capitalisation of corresponding value from the Share Premium Account).

Internal control systems and their adequacy

Insider Trading Code

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

Code of Conduct

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

Whistle Blower Policy

The Bank has adopted a Whistle Blower Policy pursuant to which employees of the Bank can raise their concerns relating to fraud, malpractice or any other activity or event which is against the interest of the Bank or society as a whole.

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

Risks and Concerns

It is imperative to have good risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets as a whole. The Bank aims to put in place the best risk management structure which proactively identifies and helps in controlling the risk faced by the Bank, while maintaining proper trade off between risk and return thereby maximising the shareholder value.

In furtherance of above goals the Bank has strengthened its risk management processes by fine tuning its internal rating models,

internal rating migration study, introducing comprehensive policies for credit and operational risk areas and business continuity plan, to take care of various emerging risks. The Bank has also introduced risk management processes like risk control self assessment framework (RCSA), stress testing framework and risk based pricing model linked to rating during the year to achieve proper trade off between risk and return.

Apart from the Risk Management Committee of the Board at apex level, the Bank has strengthened its Bank-wide risk management structure by introducing Credit Risk Management Committee and Operational Risk Management Committee at senior management level and designating operational risk management specialists in all Regional Offices and dedicated mid office at Head Office / Treasury Department / International Banking Division at operational level during the year.

Maintenance of Capital Adequacy Ratio (CAR) at the stipulated level is one of the most important concerns of all the banks. The Bank has attained a CAR of 13.89% as per Basel I and 14.76% as per Basel II norms as on 31st March 2009, compared to the RBI mandated level of 9%.

Human Resource Development/Industrial Relations

Human Resources policies and practices of the Bank focus on attracting, motivating and retaining qualified and skilled manpower. Concurrent with these initiatives, steps are taken to improve manpower efficiency. Industrial relations in the Bank have been cordial and harmonious. The representatives of Workmen Union, Officers Association and Management have been working collectively for achieving all-round growth and prosperity of the Bank. On account of cordial industrial relations, Bank has achieved considerable growth over the years. The grievances of the employees, if any, are resolved promptly through mutual discussions.

To motivate the employees further and to inculcate in them a feeling of ownership, an Employees' Stock Option Scheme (ESOS) approved by the shareholders at the last Annual General Meeting held on 18/08/08, will be introduced by the Bank during the current financial year subject to the regulatory guidelines in this regard. This will serve to strengthen the bond of relationship between the Bank and its employees.

Thrissur
16.06.2009

By Order of the Board
Sd/-
(Dr. V.A.JOSEPH)
MD & CEO

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

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

The required details on Corporate Governance are given hereunder:-

1. BOARD OF DIRECTORS
Composition of Board:

The composition of the Board of Directors is governed by the provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where the securities issued by the Bank are listed. The Board consists of eminent persons with considerable professional expertise and experience in Banking, Accounting, Finance, Economics, Business Management and other fields as specified in the said Acts. In terms of the Reserve Bank of India directive dated June 25, 2004 on 'Fit and Proper Criteria' for Directors of banks, the Bank has already undertaken the due diligence process of all its Directors including the Chairman and has obtained the Deed of Covenant signed by all of them, as on 31st of March, 2009.

The composition and category of the Directors along with their shareholdings in the Bank as on 31/03/2009 are given below: -

Sl.No.	Name of Director	Category of Director	No. of Board Meetings attended (14 meetings held)	No. of shares held	% of holding
1.	Sri. G. A. Shenai, Part-time Chairman	INE	14	12000	0.01%
2.	Dr. V.A. Joseph, M D & C E O	Whole time Director	13	12855	0.01%
3.	Dr. John Joseph, Director	INE	14	31172	0.03%
4.	Sri. A. S. Narayanamoorthy, Director	INE	13	25775	0.02%
5.	Sri. Davy K Manavalan, Director	INE	13	2421	0.002%
6.	Dr. C. J. Jose, Director	INE	12	1338	0.001%
7.	Sri. Jose Alapatt, Director	INE	7	7625	0.007%
8.	Sri. Paul Chalissery, Director	INE	14	12439	0.01%
9.	Sri. Mathew L Chakola, Director	INE	6	84017	0.07%
10.	Dr. N. J. Kurian, Director	INE	13	2875	0.003%

INE - Independent Non - Executive Director

All the Directors were present at the last AGM held on 18/08/2008.

ANNEXURE TO THE DIRECTORS' REPORT

Board Meetings

A total of 14 Board Meetings were held during the year and their dates are: -

18/04/08, 06/05/08, 16/06/08, 28/06/08, 12/07/08, 18/08/08, 23/09/08, 14/10/08, 25/10/08, 05/12/08, 12/01/09, 29/01/09, 13/02/09 and 14/03/09.

Committee position of Directors in the Bank as on 31.03.2009

The Board has for the first time nominated each Director as chairman of one of the Committees, thereby ensuring wider participation of all the Directors in the Bank's functioning. The names of committees with the names of respective chairman as on 31/03/2009 are furnished below.

1. Management Committee	Chairman- Sri. G A Shenai.
2. Audit Committee	Chairman- Sri. A S Narayanamoorthy.
3. Nomination Committee	Chairman- Dr. V A Joseph.
4. N P A Review Committee	Chairman- Dr. John Joseph.
5. Compensation & Remuneration Committee	Chairman- Sri. Davy K Manavalan.
6. Customer Service Committee	Chairman- Dr. C J Jose.
7. Shareholders / Investors Grievance Committee	Chairman- Sri. Jose Alapatt.
8. Fraud Monitoring Committee	Chairman- Sri. Paul Chalissery.
9. Premises Committee	Chairman- Sri. Mathew L Chakola.
10. Risk Management Committee	Chairman- Dr. N J Kurian.

Note: The Compensation Committee of the Board was merged with the Remuneration Committee on 12/01/09 to form a new committee named Compensation & Remuneration Committee.

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

Committee position and Directorship of Directors in other Public Limited Companies and Public Institutions.

1. Sri. G. A. Shenai, Part-time Chairman, is a Director on the Board of Syndbank Services Ltd., (A wholly owned subsidiary of Syndicate Bank), a public limited Company.
2. Sri. A. S. Narayanamoorthy, Director, is a Director of the Cochin Stock Exchange Ltd. and LIC Housing Finance Ltd.
3. Sri. Davy K Manavalan, Director, is a Director in Action for Food Production (AFPRO) an NGO at Delhi.
4. Dr. N. J. Kurian, Director, is a Director and CEO of Council for Social Development, an NGO at New Delhi.

Other than these Directors, no other Director is a Director in any other Public Limited Company.

2. COMMITTEES OF BOARD

(A) MANAGEMENT COMMITTEE

Management Committee of Board has been constituted based on RBI instruction vide its circular No. DBOD. No. BP. BC. 96/21.03.038/2004-05 dated 10th June 2005 mainly to sanction credit proposals beyond the powers of MD & CEO and all other matters permitted by the Board from time to time. The members of the Committee as on 31/03/09 are Sri. G A Shenai (Chairman), Dr. V A Joseph, Dr. John Joseph, Sri. A S Narayanamoorthy and Sri. Paul Chalissery.

A total of 21 meetings were held during the year.

(B) AUDIT COMMITTEE

The Audit Committee of the Board is chaired by Sri. A.S. Narayanamoorthy, who is a Chartered Accountant by profession. The other members of the committee are Sri. G A Shenai (Ceased to be member w.e.f. 25/10/08), Dr. C.J. Jose (Ceased to be member w.e.f. 25/10/08), Sri. Paul Chalissery (Ceased to be member w.e.f. 25/10/08 & reinducted into the committee w.e.f. 12/01/09), Dr. N J Kurian, Dr. John Joseph (Inducted into the committee w.e.f. 25/10/08) and Sri. Jose Alapatt (Inducted into the committee w.e.f. 25/10/08 and ceased to be member w.e.f. 12/01/09). The terms of reference of Audit Committee are harmonised with the requirements of clause 49 of the Listing Agreement and responsibilities enjoined upon it by the RBI, which inter alia includes the following:

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

presently being put up before the committee; and

- f) Any other terms of reference as may be included from time to time in clause 49 of the listing agreement.

The Committee met 11 times during the year.

(C) NOMINATION COMMITTEE

This Committee was constituted by the Board for the specific purpose of scrutinising the declarations received from persons to be appointed as directors as well as from the existing directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India, vide their directive dated June 25, 2004 on 'Fit & Proper Criteria' of Directors of Banks. The members of the Committee are Dr. V A Joseph (Chairman), Sri. G A Shenai, Dr. John Joseph, Sri. A.S. Narayanamoorthy, Sri. Davy K Manavalan and Sri. Jose Alapatt.

During the year only one meeting was held.

(D) N P A REVIEW COMMITTEE

This Committee has been constituted to review all NPA Accounts above Rs. 50.00 Lakh. The Committee meets once in a quarter. The members of the Committee are Dr. John Joseph (Chairman), Sri. G.A. Shenai (Ceased to be member w.e.f. 12/01/09), Dr. V. A. Joseph, Sri. Davy K. Manavalan, Dr. C.J. Jose (Ceased to be member w.e.f. 12/01/09), Sri. Paul Chalissery (Inducted into the committee w.e.f. 12/01/09) and Dr. N. J. Kurian (Inducted into the committee w.e.f. 12/01/09).

During the year four meetings were held.

(E) REMUNERATION COMMITTEE *

A Remuneration Committee of the Board was constituted with effect from 23-04-2007 with Sri. Davy K Manavalan as Chairman and Sri. G. A. Shenai, Sri. A. S. Narayanamoorthy and Dr. John Joseph as members. The terms of reference of the Committee are as under: -

- a) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive Scheme.
- b) Moderate the Scheme on an on-going basis depending upon the circumstances and link with the recommendations of the Audit Committee.
- c) Co-ordinate the progress of growth of business vis-à-vis the business parameters laid down by the Board and the Audit Committee and effect such improvements in the scheme as are considered necessary.

ANNEXURE TO THE DIRECTORS' REPORT

- d) On completion of the year, finalise the criteria of allotment of marks to ensure objectivity/equity.
- e) Any other matters regarding remuneration to senior management of the Bank as and when permitted by the Board.

The committee met four times during the year.

(F) COMPENSATION COMMITTEE *

A Compensation Committee of the Board was constituted with effect from 17-03-2008 for formulating a compensation policy which provided a fair and persistent basis for motivating, inspiring and rewarding employees appropriately according to their job / role size, performance, accomplishments, contribution, skill, aptitude and competence. The Compensation Committee reviews the overall compensation structure and policies of the Bank with a view to attract, retain and motivate employees, consider grant of stock options to employees, reviewing compensation levels of the Bank's employees vis-à-vis other banks and industry in general. The members of the Committee are Dr. V A Joseph (Chairman), Sri. G A Shenai, Dr. John Joseph, Sri. A S Narayanamoorthy and Sri. Davy K Manavalan.

During the year only one meeting was held.

* Note: The Compensation Committee of the Board and Remuneration Committee of the Board were merged together on 12/01/09 to form a new committee named Compensation & Remuneration Committee of the Board. The Committee has as its chairman Sri. Davy K Manavalan and the members are Sri. G A Shenai, Sri. A S Narayanamoorthy, Dr. V A Joseph and Dr. John Joseph.

(G) 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 are to formulate comprehensive deposit policy incorporating the issues arising out of death of a depositor for operations of his account, the product approval process and any other issues having a bearing on the quality of customer services rendered.

The members of the Committee as on 31/03/09 are Dr. C.J. Jose, Chairman (Inducted into the committee w.e.f. 12/01/09),

Dr. V A Joseph, Sri. G A Shenai, Dr. John Joseph (Ceased to be member w.e.f. 12/01/09), Sri. A S Narayanamoorthy, and Dr. N.J. Kurian (Inducted into the committee w.e.f. 12/01/09). Besides, w.e.f. Dec 2008, the Bank has been inviting one of the customers of the Bank for the meeting as a special invitee with a view to seek his suggestions for improving Customer Service and to share his experience with the Bank.

The committee met four times during the year.

(H) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee looks into redressal of shareholders/investors complaints 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 are Sri. Jose Alapatt (Chairman), Sri. Davy. K Manavalan, Sri. G A Shenai (Ceased to be member w.e.f. 12/01/09), Dr. C.J. Jose (Inducted into the committee w.e.f. 12/01/09) and Sri. Mathew L Chakola (Inducted into the committee w.e.f. 12/01/09).

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

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

During the year four meetings were held.

ANNEXURE TO THE DIRECTORS' REPORT
Status of Shareholder Complaints as on 31/03/09

Sl. No.	Items	No. of complaints		
		Pending / Received	Redressed	Pending
1.	Non-receipt of Refund Order/Allotment credit	--	--	Nil
2.	Non-receipt of Dividend Warrants	18	18	Nil
3.	Request for issue of duplicate share certificates	25	25	Nil
4.	Complaints received from BSE/NSE/SEBI/ROC	5	5	Nil
5.	Other miscellaneous complaints	3	3	Nil
6.	Non-receipt of share certificate after transfer	2	2	Nil
	TOTAL	53	53	Nil

(I) FRAUD MONITORING COMMITTEE

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank with a view to provide focused attention on monitoring of frauds involving amounts of Rupees One Crore and above. The members of the Committee as on 31/03/09 are Sri. Paul Chalissery - Chairman (Inducted into the committee w.e.f. 12/01/09), Sri.G A Shenai, Dr.John Joseph (Ceased to be member w.e.f. 12/01/09), Sri. A.S Narayanamoorthy, Dr.V A Joseph and Dr. N J Kurian (Inducted into the committee w.e.f. 12/01/09).

During the year two meetings were held.

(J) PREMISES COMMITTEE

A Premises Committee was constituted by the Board of Directors at its meeting held on 28/12/2007 to oversee and monitor the improvements to the Head Office building and a new Data Centre building at Rajagiri Valley, Kakkanad, Kochi. Its terms of reference include calling tenders from reputed architects and contractors, scrutinizing, shortlisting and negotiating their site plans, estimates, finalizing their appointment, fees and other terms and conditions and monitoring the progress of the project. Sri. Mathew. L. Chakola (Chairman), Sri. A.S.Narayanamoorthy, Sri. Paul Chalissery, Dr. V A Joseph (Inducted into the committee w.e.f. 12/01/09) and Sri. Jose Alapatt (Inducted into the committee w.e.f. 12/01/09) are the members of the Committee.

During the year four meetings were held.

(K) 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 are Dr.N.J.Kurian (Chairman), Dr.V A Joseph, Sri. G.A. Shenai, Dr. John Joseph (Ceased to be member w.e.f. 12/01/09), Sri. A.S. Narayanamoorthy and Sri. Davy K Manavalan. The committee meets at least once in a quarter.

The committee inter-alia looks into the following aspects:

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

During the year five meetings were held.

ANNEXURE TO THE DIRECTORS' REPORT
COMPOSITION OF COMMITTEES OF DIRECTORS AND THE ATTENDANCE AT THE MEETINGS
MANAGEMENT COMMITTEE

(Total of 21 meetings were held)

Name	No. of meetings attended
Sri. G A Shenai*	20
Dr. V A Joseph	19
Dr. John Joseph	21
Sri. A S Narayanamoorthy	20
Sri. Paul Chalissery	19
Sri. Davy K Manavalan**	01

* Chairman of the Committee w.e.f.12/01/09

** Special invitee to the meeting held on 31/07/08

N P A REVIEW COMMITTEE

(Total of 4 meetings were held)

Name	No. of meetings attended
Dr. John Joseph	04
Sri. G A Shenai*	03
Dr. V A Joseph	04
Sri. Davy K Manavalan	04
Dr. C.J. Jose*	01
Sri. Paul Chalissery**	01
Dr. N J Kurian**	01

* Ceased to be members w.e.f. 12/01/09

** Inducted into the committee w.e.f. 12/01/09

AUDIT COMMITTEE

(Total of 11 meetings were held)

Name	No. of meetings attended
Sri. A S Narayanamoorthy	10
Sri. G A Shenai*	07
Dr. C.J. Jose*	06
Sri. Paul Chalissery ***	09
Dr. N J Kurian	10
Dr. John Joseph**	04
Sri. Jose Alapatt #	—

* Ceased to be members w.e.f. 25/10/08

** Inducted into the committee w.e.f.25/10/08

*** Ceased to be member w.e.f. 25/10/08 & reinducted into the committee w.e.f. 12/01/09

Inducted into the committee w.e.f. 25/10/08 and ceased to be member w.e.f. 12/01/09

REMUNERATION COMMITTEE

(Total of 4 meetings were held)

Name	No. of meetings attended
Sri. Davy K Manavalan	04
Sri. G A Shenai	04
Dr. John Joseph	04
Sri. A S Narayanamoorthy	04

COMPENSATION COMMITTEE

(Only 1 meeting was held)

Name	No. of meetings attended
Dr. V A Joseph	01
Sri. G A Shenai	01
Dr. John Joseph	01
Sri. A S Narayanamoorthy	01
Sri. Davy K Manavalan	01

NOMINATION COMMITTEE

(Only 1 meeting was held)

Name	No. of meetings attended
Dr. V A Joseph	01
Dr. John Joseph	01
Sri. A S Narayanamoorthy	01
Dr. C.J. Jose*	01
Sri. Davy K Manavalan	—
Sri. G A Shenai**	—
Sri. Jose Alapatt**	—

* Dr.C.J Jose, Director who was a member of the committee till 12/01/2009 also attended the said meeting.

** Inducted into the committee w.e.f. 12/01/09

CUSTOMER SERVICE COMMITTEE

(Total of 4 meetings were held)

Name	No. of meetings attended
Dr. C.J. Jose **	01
Dr. V A Joseph	04
Sri. G A Shenai	04
Dr. John Joseph*	03
Sri. A S Narayanamoorthy	04
Dr. N J Kurian**	01

* Ceased to be member w.e.f. 12/01/09

** Inducted into the committee w.e.f. 12/01/09

ANNEXURE TO THE DIRECTORS' REPORT
**SHAREHOLDERS / INVESTORS
GRIEVANCE COMMITTEE**

(Total of 4 meetings were held)

Name	No. of meetings attended
------	--------------------------

Sri. Jose Alapatt	02
Sri. Davy K Manavalan	04
Sri. G A Shenai*	03
Dr. C.J. Jose**	01
Sri. Mathew L Chakola**	01

* Ceased to be member w.e.f. 12/01/09

** Inducted into the committee w.e.f. 12/01/09

FRAUD MONITORING COMMITTEE

(Total of 2 meetings were held)

Name	No. of meetings attended
------	--------------------------

Sri. Paul Chalissery**	01
Sri. G A Shenai	02
Dr. John Joseph*	01
Sri. A S Narayanamoorthy	02
Dr. V A Joseph	02
Dr. N J Kurian**	01

* Ceased to be member w.e.f. 12/01/09

** Inducted into the committee w.e.f. 12/01/09

PREMISES COMMITTEE

(Total of 4 meetings were held)

Name	No. of meetings attended
------	--------------------------

Sri. Mathew L Chakola	04
Sri. A S Narayanamoorthy	04
Sri. Paul Chalissery	04
Dr. V A Joseph*	02
Sri. Jose Alapatt*	01

* Inducted into the committee w.e.f. 12/01/09

RISK MANAGEMENT COMMITTEE

(Total of 5 meetings were held)

Name	No. of meetings attended
------	--------------------------

Dr. N J Kurian	05
Dr. V A Joseph	05
Sri. G A Shenai	05
Dr. John Joseph*	04
Sri. A S Narayanamoorthy	05
Sri. Davy K Manavalan	05

* Ceased to be member w.e.f. 12/01/09

**REMUNERATION PAID TO DIRECTORS DURING
THE YEAR ENDED ON 31ST MARCH 2009**

A) The Bank paid a remuneration of Rs.36.67 lakhs during the year to the Managing Director & Chief Executive Officer.

B) Details of Remuneration paid to non-executive Directors: -

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

Sri. G A Shenai-Rs.400000/-*, Dr. John Joseph- Rs.370000/-, Sri. A S Narayanamoorthy- Rs.400000/-, Sri. Davy K Manavalan- Rs.230000/-, Dr. C.J. Jose- Rs.170000/-, Sri. Jose Alapatt- Rs.85000/-, Sri. Paul Chalissery-Rs.310000/-, Sri. Mathew L Chakola- Rs.85000/-, Dr. N. J. Kurian- Rs.220000/-.

Total amount paid Rs.22,70,000/-

* Sri. G A Shenai, Director assumed charge as Part-time Non-Executive Chairman of the Bank w.e.f. 23/10/08 and the Bank paid him a remuneration of Rs.2.65 lakhs, during the financial year 2008-09 in addition to the sitting fees mentioned above.

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

Resume of Directors retiring by rotation at the 81st Annual General Meeting are given below:

a)	Name	: Sri. A S Narayanamoorthy
	Age	: 62 years
	Qualifications	: B.Com, FCA
	Experience	: Practicing Chartered Accountant
	Present position:	Non-executive Director
	Sector	: Majority-Accountancy

Sri. A S Narayanamoorthy was co-opted as Additional Director of the Bank on 18th July, 2002 and was appointed as Director at the 75th Annual General Meeting held on 14th July, 2003. He is a Chartered Accountant and is a senior partner in M/s. RGN Price & Co., a firm of Chartered Accountants. He is a Director of Cochin Stock Exchange Ltd. and LIC Housing Finance Ltd. He is the chairman of Audit Committee of Board and Member of following committees of the Board : Management Committee, Risk Management Committee, Premises Committee, Nomination Committee, Fraud Monitoring Committee and Customer Service Committee.

ANNEXURE TO THE DIRECTORS' REPORT

- b) Name : Sri. Davy K. Manavalan
 Age : 68 years
 Qualifications : B.Sc. (Hons.), IAS (Retd.)
 Experience : He was Secretary to Department of Rural Development and Panchayath Raj, Government of West Bengal and served as Secretary to the Ministry of Social Justice and Empowerment, Government of India.
 Present position: Non-executive Director
 Sector : Majority -Agriculture & Rural

Sri. Davy. K. Manavalan, was appointed as Additional Director on 22nd March 2004 and was elected as a Director at the 76th Annual General Meeting held on 10th September, 2004. He is a retired IAS Officer. During the period from 1975 to 1981, he was overall in-charge of Development of the newly formed state of Sikkim, predominantly an agrarian economy. Between the years 1992 and 1993 he was Secretary to Department of Rural Development and Panchayath Raj, Government of West Bengal. Thereafter, he had served as Secretary to the Ministry of Social Justice and Empowerment, Government of India. He is currently working as Executive Director in Action for Food Production (AFPRO), a non-governmental organization at New Delhi. He is not a Director in any other Public Limited Company. He is the chairman of Compensation and Remuneration Committee of Board and member of following Committees of the Board : Nomination Committee, NPA Review Committee, Shareholders / Investors Grievance Committee and Risk Management Committee.

- c) Name : Sri. Mathew L Chakola
 Age : 45 years
 Qualifications : Graduate
 Experience : He is a real estate promoter in Ernakulam.
 Present position: Non-executive Director
 Sector : Minority

Sri. Mathew L Chakola was co-opted as a Director on 30th September 2006, in the casual vacancy caused due to the death of Sri. John P Chakola on 22/08/2006 and was elected as a director at the 79th Annual General Meeting held on 29th June 2007. He is a real estate promoter in Ernakulam. He is the chairman of Premises Committee and member of Shareholders / Investors Grievance Committee of the Board of the Bank.

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

Name of Meeting	Day, Date and Time	Venue	Whether any Special Resolution Passed
78th Annual General Meeting	Monday 10th July, 2006 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B.Road, Thrissur.	No
79th Annual General Meeting	Friday 29th June, 2007 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B.Road, Thrissur	Yes Special Resolution for further issue of equity shares passed.
Extra Ordinary General Meeting	Friday 17th August, 2007 10.00 a.m.	Registered Office of the Bank at SIB House, Thrissur	Yes Special Resolution passed for further issue of Equity Shares by way of Qualified Institutions Placement
80th Annual General Meeting	Monday 18th August, 2008 10.00 a.m.	Towers Auditorium Trichur Tower Hotel P Ltd., T.B.Road, Thrissur	Yes 2 Special Resolutions passed. 1. For altering Articles of Association of the Bank. 2. For approval of creation, grant and issue of Equity Stock Options.

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

5. DISCLOSURES

1. We have extended the following credit facilities to M/s. Sunili Leathern Pvt Ltd., Kolkata, in which Mr. Lazar K Manavalan is a Director. Mr. Lazar K Manavalan is the brother of Mr. Davy K Manavalan, one of our Directors.

Items	Limit Sanctioned
Packing Credit	Rs.70.00 Lakhs
Foreign Bills Purchase	Rs.10.00 Lakhs
Fully Secured Term Loan	Rs.27.59 Lakhs

2. We have extended a Homeloan of Rs. 20 Lakhs to Mr. Francis K Manavalan, brother of Mr. Davy K Manavalan, one of our Directors.
3. We have extended a Working Capital (CCOL) limit of Rs.60 Lakhs to M/s. Johnson Exports, whose Proprietor Mr. George Antony is the brother-in-law of Dr. John Joseph, one of our Directors.
4. We had extended a fully secured loan of Rs.30,000/- to Ms.Tessa Joseph, daughter of Dr.John Joseph, one of our Directors, for purchase of computer and accessories and the loan has since been closed.
5. We have extended the following Term Loans to M/s. LIC Housing Finance Ltd.

Items	Limit Sanctioned
Term Loan 1	Rs.100 crore
Term Loan 2	Rs. 50 crore
Term Loan 3	Rs. 25 crore

Mr. A.S.Narayanamoorthy, one of our Directors, is a Director of M/s. LIC Housing Finance Ltd. from July, 2008. However, the above term loans were granted to M/s. LIC Housing Finance Ltd. before he joined their Board and no fresh sanction of any further loan has been permitted after he joined the Board of the said company.

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 Meetings or are tabled in course of the Board Meetings or are tabled before the appropriate Committees of the Board.

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 informations are also furnished to the Board: -

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

6. MEANS OF COMMUNICATION

The unaudited/audited quarterly financial results of the Bank are forwarded to the Cochin Stock Exchange Ltd., Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd. immediately after the Board meeting and are published in 2 newspapers, one a local Malayalam daily and the other a National newspaper. These information are updated in the Electronic Data Information Filing and Retrieval System (EDIFAR) as per SEBI guidelines and Listing Agreement and are open to public through www.sebidifar.nic.in. The results are also displayed on the Bank's website at www.southindianbank.com

ANNEXURE TO THE DIRECTORS' REPORT
7. GENERAL SHAREHOLDER INFORMATION

81st Annual General Meeting	Date	21st August 2009
	Day	Friday
	Time	10.00 a.m.
	Venue	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur.
Financial year		2008-09
Book Closure Date		15.08.2009 to 21.08.2009 (both days inclusive)
Dividend Payment Date		26th August 2009
Name & designation of Compliance Officer		K.S. Krishnan CFO & Company Secretary
Share Transfer Agents		BTS Consultancy Services Pvt. Ltd. No. 4, Ramakrishna Nagar, Near Kumaran Matriculation School, Villivakkam, Chennai - 600 049. Phone - 044 - 26503337 Fax No. 044 - 26503338 E-mail : ramesh@btsindia.co.in helpdesk@btsindia.com Contact Person- Sri. S Rameshbabu, Director
Bank's address for correspondence		The South Indian Bank Ltd., "SIB House", Secretarial Department, P.B.No.28, T.B.Road, Thrissur - 680 001, Kerala. Phone: 0487-2429333 Fax : 0487-2424760
E-mail address		ho2006@sib.co.in
Bank's website		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 Cochin Stock Exchange Ltd.
2. The Bombay Stock Exchange Ltd.- 532218
3. The National Stock Exchange of India Ltd.- SOUTHBANK

The listing fees payable to the Stock Exchanges for the financial year 2009-10 have already been remitted.

ANNEXURE TO THE DIRECTORS' REPORT
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 The Bombay Stock Exchange Ltd. (BSE), Mumbai during the financial year are as under:

Month	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	169.90	134.25	169.90	134.50
May	172.00	135.00	170.95	135.20
June	146.00	100.05	145.95	99.95
July	117.00	87.00	119.00	87.00
August	123.00	102.60	123.00	102.90
September	117.50	87.00	117.00	91.50
October	107.85	56.00	108.00	54.95
November	79.70	53.00	81.00	51.10
December	58.20	50.00	58.00	50.00
January	63.45	50.10	63.80	50.20
February	51.40	42.70	51.95	43.50
March	55.95	43.80	55.95	43.90

Distribution of shareholding as on 31.03.2009

Category (No. of Shares)	Physical		Demat	
	No.of holders	Shares	No.of holders	Shares
up to - 100	13662	391423	14970	699798
101 - 200	23612	3065847	18147	2515399
201 - 500	9392	3105082	13101	4359774
501 - 1000	2046	1524764	4654	3373265
1001 - 5000	1483	2766868	4147	8099585
5001 - 10000	103	772223	347	2407019
10001 - 50000	57	1177027	277	5890079
50001 & above	4	373916	96	72484421
TOTAL	50359	13177150	55739	99829340
% to total Shares	-----	11.66%	-----	88.34%

Total number of shareholders both physical and electronic put together is 106098

Members' Profile as on 31st March, 2009 is as under

Category	Shares		Total	% to total shares
	Physical	Demat		
Resident Individuals	10635678	29729597	40365275	35.72
Indian Financial Institutions	---	2766427	2766427	2.45
Foreign Institutional Investors	---	40567523	40567523	35.90
Non-Resident Indians	1799787	2003071	3802858	3.37
Bodies Corporates	657523	9817723	10475246	9.27
Directors & Relatives	84150	380237	464387	0.41
Mutual Funds	---	2362878	2362878	2.09
Trusts	---	3068820	3068820	2.72
Banks	12	8515313	8515325	7.53
Clearing Members	---	209137	209137	0.18
HUFs	---	408614	408614	0.36
Grand Total	13177150	99829340	113006490	100.00

ANNEXURE TO THE DIRECTORS' REPORT**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 General Manager (Admin.), wherever necessary, for his approval and thereafter all such cases are put up to the Shareholders / Investors Grievance Committee of the Board of the Bank for its information.

Trading in the Bank's shares is now compulsorily in dematerialised form. However, members with share certificates in physical form can transfer their shareholding by sending the share certificates along with a copy of PAN card of the transferee and duly executed and stamped transfer deed signed by the transferor (or on his/her behalf) and the transferee, either to the Registered Office of the Bank or to the Bank's Share Transfer Agents.

Dematerialisation of Shares

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 683A01015. As at the end of March 2009, 88.34% of the Bank's shares have been converted into dematerialised form.

The Shareholders of the Bank who have not dematerialised 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 dematerialising their shareholding.

Unpaid dividend

All dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Any claim in respect of transferred amounts shall be made to the Registrar of Companies, Kerala, Company Law Bhavan, Bharath Matha College P.O., Kochi- 682021.

In terms of Section 205A of the Companies Act, 1956, the amount which has remained unclaimed/unpaid for a period of 7 years from the date of transfer to the Unpaid/Unclaimed Dividend Account has to be transferred to the "Investors' Education and Protection Fund" (The Fund) and thereafter, no claim can be made by any shareholder against the Bank or fund for the dividend amount of that year. In terms of this section, the unclaimed dividend for the financial years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-2001 have been transferred to the "Investors' Education and Protection Fund". The unpaid dividend for the financial year 2001-2002 will become due to be transferred to the Fund on or before 27th July 2009.

8. COMPLIANCE STATUS OF CLAUSE 49 OF THE LISTING AGREEMENT

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

9. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

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

Thrissur
16.06.2009

By Order of the Board
Sd/-
(Dr. V.A.JOSEPH)
MD & CEO

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

THE MEMBERS OF
THE SOUTH INDIAN BANK LIMITED
THRISSUR

We have examined the compliance of conditions of Corporate Governance by **The South Indian Bank Ltd.** (hereinafter referred to as 'the Bank') for the year ended on 31st March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Bank with Stock Exchange(s).

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

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

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

For **Deloitte Haskins & Sells**
Chartered Accountants

Sd/-
M. Ramachandran
Partner
Membership No. 16399

Place : Kochi
Date : 16th June 2009

AUDITORS' REPORT

The Shareholders of
The South Indian Bank Limited
Thrissur

1. We have audited the attached Balance Sheet of The South Indian Bank Limited as at 31st March 2009 and also the Profit and Loss Account of the Bank and the Cash Flow Statement annexed thereto for the year ended on that date in which are incorporated the returns of 4 branches/offices audited by us and 523 branches audited by branch auditors. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
4. We report that:
 - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
5. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
6. We further report that:
 - (i) the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.
 - (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
 - (iii) the reports on the accounts of the Branches audited by Branch Auditors have been dealt with in preparing our report in the manner considered necessary by us.
 - (iv) as per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956.
 - (v) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the bank as at 31st March, 2009;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Thrissur
30th April, 2009

For Deloitte Haskins & Sells
Chartered Accountants
Sd/-
M. Ramachandran
Partner
M.No. 16399

BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule No.	As at 31.3.2009 Rs('000)	As at 31.3.2008 Rs('000)
CAPITAL AND LIABILITIES			
Capital	1	1130065	904052
Reserves and Surplus	2	11909975	10705764
Deposits	3	180923322	151561215
Borrowings	4	2570104	275851
Other liabilities and Provisions	5	7301753	7452416
TOTAL		203835219	170899298
ASSETS			
Cash and Balances with Reserve Bank of India	6	9977324	9736487
Balances with banks and money at call & short notice	7	10381281	7290001
Investments	8	60752032	45722249
Advances	9	118520274	104537496
Fixed Assets	10	1363188	1127547
Other Assets	11	2841120	2485518
TOTAL		203835219	170899298
Contingent Liabilities	12	22040540	21053481
Bills for collection		2222942	1818534

Thrissur 30.04.2009	C.P. Gireesh (Sd/-) AGM	K.S.Krishnan (Sd/-) CFO & Company Secretary	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) Chief General Manager	H. Suresh Prabhu (Sd/-) Executive Director
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M.Valsan (Sd/-)
Executive Director

Dr.V.A.Joseph (Sd/-)
MD & CEO

G.A. Shenai (Sd/-)
Chairman

DIRECTORS

1. Dr. John Joseph (Sd/-)

2. A.S. Narayanamoorthy (Sd/-)

3. Davy K. Manavalan (Sd/-)

4. Dr. C.J. Jose (Sd/-)

5. Paul Chalissery (Sd/-)

6. Dr. N.J. Kurian (Sd/-)

As per our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants
(Sd/-)

M. Ramachandran
Partner
M. No. 16399

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule No.	Year ended 31.3.2009 Rs('000)	Year ended 31.3.2008 Rs('000)
I. INCOME			
Interest Earned	13	16869219	12912348
Other Income	14	1642717	1425827
TOTAL		18511936	14338175
II. EXPENDITURE			
Interest Expended	15	11640380	9150979
Operating Expenses	16	3284769	2480673
Provisions & Contingencies		1639261	1190288
TOTAL		16564410	12821940
III. PROFIT/LOSS			
Net Profit for the year		1947526	1516235
Transfer from Revenue & Other Reserves		117100	—
Transfer to Other Liabilities & Provisions		(117100)	—
Profit brought forward from previous year		90779	81920
TOTAL		2038305	1598155
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		490000	380000
Transfer to Capital Reserves		5000	70
Transfer to Revenue and Other Reserves		1000000	810000
Proposed Dividend		339019	271216
Tax on Proposed Dividend		57616	46090
Balance carried over to Balance Sheet		146670	90779
TOTAL		2038305	1598155
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (Basic & Diluted) (in Rs.)		17.23	15.02*

*Weighted Average

Thrissur 30.04.2009	C.P. Gireesh (Sd/-) AGM	K.S.Krishnan (Sd/-) CFO & Company Secretary	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) Chief General Manager	H. Suresh Prabhu (Sd/-) Executive Director
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As per our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants
(Sd/-)

M. Ramachandran
Partner
M. No. 16399

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	As at 31.3.2009 Rs('000)	As at 31.3.2008 Rs('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital	1250000	1250000
12,50,00,000 Equity shares of Rs 10/- each		
Issued Capital	1130065	904052
11,30,06,490 (9,04,05,192) Equity shares of Rs 10/- each		
Subscribed Capital	1130065	904052
11,30,06,490 (9,04,05,192) Equity shares of Rs 10/- each		
Called up & Paid up Capital	1130065	904052
11,30,06,490 (9,04,05,192) Equity shares of Rs 10/- each		
[2,26,01,298 (Nil) equity shares of Rs. 10 each were issued as fully paid up bonus shares during the year by capitalisation of corresponding value from Share Premium Account]		
TOTAL	1130065	904052

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	As at 31.3.2009 Rs('000)	As at 31.3.2008 Rs('000)
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserves		
Opening Balance	1778139	1398139
Additions during the year	490000	380000
Sub total	2268139	1778139
II. Capital Reserves		
Opening Balance	353388	353318
Additions during the year	5000	70
Sub total	358388	353388
III. Asset Revaluation Reserve		
Opening Balance	187680	191911
Deductions during the year:		
Due to demolition of premises	—	317
Depreciation on revaluation of Premises	3567	3914
Sub total	184113	187680
IV. Share Premium		
Opening Balance	5338915	2278915
Additions during the year	—	3060000
Deductions due to issue of bonus shares	226013	—
Sub total	5112902	5338915
V. Revenue and Other Reserves		
Opening Balance	2956863	2231363
Adjustments during the year (refer Note B 12 in Schedule 18)	(117100)	(84500)
	2839763	2146863
Additions during the year	1000000	810000
Sub total	3839763	2956863
VI. Balance in Profit and Loss Account	146670	90779
TOTAL	11909975	10705764

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	As at 31.3.2009 Rs('000)	As at 31.3.2008 Rs('000)
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
(i) From Banks	52669	59918
(ii) From Others	8402602	7671318
II. Savings Bank Deposits	34596790	28757174
III. Term Deposits		
(i) From Banks	7594752	5482059
(ii) From Others	130276509	109590746
TOTAL	180923322	151561215
B I. Deposits of branches in India	180923322	151561215
II. Deposits of branches outside India	—	—
TOTAL	180923322	151561215
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	—	260000
(ii) Other Banks	2300000	—
(iii) Other Agencies	212432	15851
II. Borrowings outside India	57672	—
TOTAL	2570104	275851
Secured borrowings included in above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	1183993	1375562
II. Interest Accrued	943458	586934
III. Bonds-Subordinated debts *	1550000	1550000
IV. Others (including provisions)	3624302	3939920
TOTAL	7301753	7452416
*Amount reckoned for Tier II capital out of subordinated debt	650000	960000
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	893162	1166887
II. Balances with Reserve Bank of India in Current Account	9084162	8569600
TOTAL	9977324	9736487

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	As at 31.3.2009 Rs('000)	As at 31.3.2008 Rs('000)
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	192884	232628
(b) In Other Deposit Accounts	9319456	6528750
(ii) Money at call & short notice With Banks	—	—
Sub total	9512340	6761378
II. Outside India		
(i) Balances with Banks		
In Current Accounts	—	81131
(ii) Money at call & short notice With Banks	868941	447492
Sub total	868941	528623
TOTAL	10381281	7290001
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
(i) Government Securities	40471298	35902573
(ii) Other Approved Securities	202410	280053
(iii) Shares	544036	479907
(iv) Debentures and Bonds	2648214	2664359
(v) Others	16886074	6395357
TOTAL	60752032	45722249
Gross Investments	61246703	46084131
Less: Depreciation	438546	257357
Provisions	56125	104525
Net Investments	60752032	45722249
II. Investments outside India	—	—
TOTAL	60752032	45722249
SCHEDULE 9 - ADVANCES		
A I Bills Purchased and Discounted	16936827	11402673
II Cash Credits, Overdrafts and Loans repayable on demand	53184595	47825010
III Term Loans	48398852	45309813
TOTAL	118520274	104537496
B I Secured by tangible assets*	101992711	81319371
II Covered by Bank/Government Guarantees	2688612	8519877
III Unsecured	13838951	14698248
TOTAL	118520274	104537496
C I. Advances in India		
(i) Priority Sector	40292611	35797830
(ii) Public Sector	6831470	9742103
(iii) Others	71396193	58997563
TOTAL	118520274	104537496
II. Advances outside India	—	—
TOTAL	118520274	104537496

* Including advances against Book Debts

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	As at 31.3.2009 Rs('000)	As at 31.3.2008 Rs('000)
SCHEDULE 10 - FIXED ASSETS		
I. Premises and Electrical Installations		
At cost as on 31st March of the preceding year	1538142	1251665
Additions during the year	310398	295489
	<u>1848540</u>	<u>1547154</u>
Deductions during the year being depreciation on Revaluation of Premises adjusted from Asset Revaluation Reserve	3567	3914
Sales/write off during the year	<u>7309</u>	<u>5098</u>
	10876	9012
	<u>1837664</u>	<u>1538142</u>
Depreciation to date	691879	596103
Sub total	<u>1145785</u>	<u>942039</u>
II. Other Fixed Assets(including Furniture and Fixtures)		
At cost as on 31st March of the preceding year	500070	433004
Additions during the year	82182	72718
	<u>582252</u>	<u>505722</u>
Deductions during the year	7091	5652
	<u>575161</u>	<u>500070</u>
Depreciation to date	357758	314562
Sub total	<u>217403</u>	<u>185508</u>
TOTAL	<u>1363188</u>	<u>1127547</u>

SCHEDULE 11 - OTHER ASSETS

I. Inter- Office adjustments (Net)	361956	51127
II. Interest Accrued	1924294	1541464
III. Deferred tax asset	247741	420941
IV. Stationery and Stamps	13755	12943
V. Non-Banking Assets acquired in satisfaction of claims	3423	4362
VI. Others	289951	454681
TOTAL	<u>2841120</u>	<u>2485518</u>

SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts:		
(i) Service Tax disputes	21600	2790
(ii) FERA disputes	630000	—
(iii) Others	20565	16832
II. Liability on account of outstanding Forward Exchange Contracts	9952496	10410481
III. Guarantees given on behalf of constituents in India	7693391	7292177
IV. Acceptances, endorsements and other obligations	3722488	3182528
V. Other items for which the bank is contingently liable: Unexpired Capital Commitments	—	148673
TOTAL	<u>22040540</u>	<u>21053481</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Year ended 31.3.2009 Rs('000)	Year ended 31.3.2008 Rs('000)
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	12709026	9605668
II. Income on Investments	3588133	2727124
III. Interest on balances with Reserve Bank of India and Other Inter - Bank funds	572060	579556
TOTAL	16869219	12912348
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	281556	280932
II. Profit on sale of Investments	384346	354437
Less : Loss on sale of Investments	30226	38777
III. Profit on sale of land, buildings and other assets	10241	1322
Less : Loss on sale of land, buildings and other assets	2530	2903
IV. Net Profit /(Loss) on Exchange transactions	244840	156896
V. Miscellaneous Income	754490	673920
TOTAL	1642717	1425827
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	11369699	8948117
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	142856	67950
III. Others	127825	134912
TOTAL	11640380	9150979
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	2141768	1463452
II. Rent, Taxes and Lighting	271334	217545
III. Printing and Stationery (incl. Software)	39177	81929
IV. Advertisement and Publicity	54945	35405
V. Depreciation	142539	125810
Less : Depreciation on revaluation of premises transferred from Asset Revaluation Reserve	3567	3914
VI. Directors' fees, allowances and expenses	3746	3509
VII. Auditors' fees and expenses (incl. branch auditors)	13032	10669
VIII. Law charges	9804	10071
IX. Postage, telegrams, telephones, etc	76050	63360
X. Repairs and Maintenance	90539	66131
XI. Insurance	155679	131941
XII. Other Expenditure	289723	274765
TOTAL	3284769	2480673

Thrissur 30.04.2009	C.P. Gireesh (Sd/-) AGM	K.S.Krishnan (Sd/-) CFO & Company Secretary	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) Chief General Manager	H. Suresh Prabhu (Sd/-) Executive Director
------------------------	----------------------------	--	---------------------------------------	--	---

M.Valsan (Sd/-)
Executive Director

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MD & CEO

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5. Paul Chalissery (Sd/-)

6. Dr. N.J. Kurian (Sd/-)

As per our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants
(Sd/-)

M. Ramachandran
Partner
M. No. 16399

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES
(Forming part of Balance Sheet and Profit and Loss Account)

GENERAL

The South Indian Bank Limited (SIB) was incorporated on January 29, 1929 at Trichur as a Private Limited Company and was later converted into a Public Limited Company on August 11, 1939. SIB has a net work of 526 branches in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution, in addition to Treasury and Foreign Exchange Business. SIB is governed by Banking Regulation Act, 1949 and other applicable Acts / Regulations. Its shares are listed in leading stock exchanges in India.

1. BASIS OF PREPARATION

The Financial Statements have been prepared on historical cost basis, except as otherwise stated. The bank adopts the accrual system of accounting and it conforms to statutory provisions, practices prevailing in the banking industry and the guidelines issued by the Reserve Bank of India (RBI) for banks.

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

2. REVENUE RECOGNITION

- a) Interest Income is recognised on accrual basis except in the case of non-performing / other assets where it is recognised upon realisation, as per Reserve Bank of India guidelines. In respect of non performing assets, overdue interest is recognized as income on realization.
- b) Dividends on investments in shares and units of mutual funds are accounted on accrual basis when the bank's right to receive the dividend is established.
- c) Insurance claims and locker rent are accounted on receipt basis, due to uncertainty of collection.
- d) Fee / Commission income on Bank Guarantee / Letter of Credit issued are recognized over the period of the underlying liability.

3. INVESTMENTS

A) Classification

- (a) In accordance with the RBI guidelines, investments

are categorized in to "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 resale within 90 days from the date of purchase are classified as "Held for Trading".
- (c) Investments which the bank intends to hold till maturity are classified as "Held to Maturity".
- (d) Investments which are not classified in either of the above two categories are classified as "Available for Sale".

B) Valuation

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

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

- a. Held for Trading/Available for Sale - Each security in this category is revalued at the market price or fair value and the net depreciation of each group is recognized in the Profit and Loss account. Net appreciation, if any, is ignored. Further, provision for diminution other than temporary is made for, at the individual security level.

The market value of investments where current quotations are not available is determined as per the norms laid down by the RBI.

- b. Held to Maturity - These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortised over the balance maturity of the security. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Repurchase and reverse repurchase transactions - These are accounted as outright purchase and outright sale respectively. The difference between the clean price of the first leg and the clean price of the second leg is recognized as interest income / interest expense over the period of the transaction. However, depreciation in their value, if any, compared to their original cost, is provided for.

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES
(Forming part of Balance Sheet and Profit and Loss Account)

C) Transfer Between Categories

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

D) Profit or Loss on sale / Redemption of Investments

a. Held for Trading and Available for Sale - Profit or loss on sale / redemption is included in the Profit and Loss account.

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

E) Repo and Reverse Repo Transactions

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

4. ADVANCES

a) Advances are classified into Standard, Sub-standard, Doubtful and Loss assets in accordance with the Reserve Bank of India guidelines and are stated net of provisions made towards non performing advances.

b) Provision for non performing advances comprising Sub-standard, Doubtful and Loss assets is made in accordance with the Reserve Bank of India guidelines. In addition, the bank adopts an approach to provisioning that is based on past experience, evaluation of security and other related factors.

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

<u>Category of Advance</u>	<u>General Provision</u>
All Direct Advances to Agricultural and SME sector	0.25%
All other Standard Advances	0.40%

5. FIXED ASSETS

a) The Fixed Assets (other than those, which are revalued) are stated at historical cost less depreciation.

b) The revalued assets are stated at the revalued amount less depreciation. The appreciation in value consequent to revaluation has been credited to Asset Revaluation Reserve. Depreciation on assets revalued has been charged on written down values including the additions made on revaluation, and an equivalent amount towards the additional depreciation provided on revaluation, has been transferred from the Asset Revaluation Reserve to profit and loss account.

c) Depreciation on fixed assets other than computers is provided on written down value method, at the rates specified in Schedule XIV of the Companies Act, 1956. Computers are depreciated at 33.33% on straight-line method as per RBI Guidelines.

6. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

i) Monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated to Indian Rupee equivalent at the exchange rates notified by FEDAI as on the Balance Sheet date.

ii) Forward Exchange contracts are translated to Indian Rupee equivalent at the exchange rate prevailing on the date of commitments. Gain/Losses on outstanding forward exchange contracts are taken to revenue as per the FEDAI guidelines.

iii) Income and Expenditure in foreign currency are accounted for at the exchange rate prevailing on the date of transaction.

7. EMPLOYEE BENEFITS

a) Provident Fund:

Eligible employees (Employees who have not opted for pension plan) receive benefits from a Provident Fund, which is a defined contribution plan. The contribution made by the bank to the South Indian Bank Ltd Employees Provident Fund, administered by the trustees is charged to Profit & Loss account.

b) Pension Fund:

Contribution towards the South Indian Bank Ltd Employees Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the accounts.

c) Gratuity:

The bank makes annual contribution to the South Indian Bank Ltd Employees Gratuity Trust Fund administered and managed by the trustees. The net

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES
(Forming part of Balance Sheet and Profit and Loss Account)

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. Actuarial gains and losses are recognized in the accounts.

- d) Compensation for absence on Privilege / Sick / Casual Leave

The employees of the bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the accounts.

- e) Expenditure on Voluntary Retirement Scheme (VRS)

The expenditure incurred on VRS during financial year 2006-07 is amortised over a period of 4 years from the year of payment, in accordance with the Accounting Standard 15 on Retirement Benefits specified in Companies (Accounting Standards) Rules, 2006. The un-amortised amount is carried forward as Deferred Revenue Expenditure.

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 segments:

- a) Treasury

The treasury services segment primarily consists of interest earnings on investments portfolio of the bank, gains or losses on investment operations and earnings from foreign exchange business. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.

- b) Corporate / Whole sale Banking

The Corporate / Whole sale Banking segment provides loans and other banking services to corporate segment identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to Corporate customers and the charges / fees earned from other banking services. The principal expenses of the

segment consist of interest expense on funds borrowed and other expenses.

- c) Retail banking

The Retail Banking segment provides loans and other banking services to non corporate customers identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on Loans made to non corporate customers and the charges / fees earned from other banking services. The principal expenses of the segment consist of interest expense on funds borrowed and other expenses.

- d) Other Banking Operations

This segment includes income from para banking activities such as debit cards, third party product distribution and associated costs.

Geographic segment

The Bank operates only in domestic segment.

9. EARNINGS PER SHARE (EPS)

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

10. TAXES ON INCOME

The income tax expense comprises current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised subject to prudence and judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the balance sheet date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES
(Forming part of Balance Sheet and Profit and Loss Account)

are given effect to in the profit and loss account in the period of the change.

11. IMPAIRMENT OF ASSETS

The bank assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

12. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In accordance with Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets specified in Companies (Accounting Standards) Rules, 2006, the Bank recognizes provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

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

Contingent assets, if any, are not recognized in the financial statements since this may result in the recognition of Income that may never be realized.

13. NET PROFIT

Net Profit is arrived at after provisions for contingencies, which include Provision for:

- i) Depreciation on Investments;
- ii) Standard Assets and Non-Performing Advances and investments;
- iii) Taxation in accordance with statutory requirements.

Thrissur 30.04.2009	C.P. Gireesh (Sd/-) AGM	K.S.Krishnan (Sd/-) CFO & Company Secretary	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) Chief General Manager	H. Suresh Prabhu (Sd/-) Executive Director
	M.Valsan (Sd/-) Executive Director	Dr.V.A.Joseph (Sd/-) MD & CEO	G.A. Shenai (Sd/-) Chairman		

DIRECTORS

- | | | | |
|---------------------------|--------------------------------|-----------------------------|-------------------------|
| 1. Dr. John Joseph (Sd/-) | 2. A.S. Narayanamoorthy (Sd/-) | 3. Davy K. Manavalan (Sd/-) | 4. Dr. C.J. Jose (Sd/-) |
| 5. Paul Chalissery (Sd/-) | 6. Dr. N.J. Kurian (Sd/-) | | |

As per our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants
(Sd/-)
M. Ramachandran
Partner
M. No. 16399

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**
A. Disclosures in terms of the Reserve Bank of India guidelines
1. CAPITAL ADEQUACY

Items	Basle II *		Basle I	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Capital to Risk weighted Asset Ratio (CRAR %)	14.76	N A	13.89	13.80
CRAR - Tier I Capital (%)	13.22	N A	12.44	12.08
CRAR - Tier II Capital (%)	1.54	N A	1.45	1.72
Percentage of the shareholding of the Government of India in nationalised banks			N A	N A
Amount of subordinated debt raised during the year as Tier II Capital [Rs. in Lakhs]			NIL	NIL

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

2. Business ratios / Information

Items	31.03.2009	31.03.2008
(i) Interest Income as a percentage to working funds	9.42 %	8.70%
(ii) Non-interest income as a percentage to working funds	0.92 %	0.83%
(iii) Operating Profit as a percentage to Working Funds	2.00 %	1.80%
(iv) Return on Assets	1.09 %	1.01%
(v) Business (Deposits plus Advances) per employee (Rs.in Lakhs)	645.14	600.43
(vi) Profit per employee (Rs. in Lakhs)	4.31	3.59

3. Movement in provisions for depreciation on investments:

(Rs. in Lakhs)

Items	Year ended 31.03.2009	Year ended 31.03.2008
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	612467.03	460841.31
(b) Outside India	—	—
(ii) Provisions for Depreciation		
(a) In India	4385.46	2573.57
(b) Outside India	—	—
(iii) Provisions for NPI		
(a) In India	561.25	1045.25
(b) Outside India	—	—
(iv) Net Value of Investments		
(a) In India	607520.32	457222.49
(b) Outside India	—	—
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	2573.57	1527.77
(ii) Provisions made during the year	2358.09	1145.81
(iii) Less: Write-off/ write back of excess provisions during the year	546.20	100.01
(iv) Closing Balance	4385.46	2573.57
c. Movement of provisions held towards Non Performing Investments		
(i) Opening Balance	1045.25	1160.25
(ii) Provisions made during the year	0.00	10.00
(iii) Less: Write-off/ write back of excess provisions during the year	484.00	125.00
(iv) Closing Balance	561.25	1045.25

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

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

Particulars	As at 31st March 2009				As at 31st March 2008			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	1865	62537	340311	404713	992	87746	270288	359026
Other Approved	—	80	1944	2024	—	80	2720	2800
Shares	—	5416	24	5440	100	4542	157	4799
Debentures & Bonds	—	26482	—	26482	—	26644	—	26644
Others	—	136881	31980	168861	—	45606	18348	63954
Total	1865	231396	374259	607520	1092	164618	291513	457223

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March 2009: (Rs. in Lakhs)

No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment 'Grade' Securities	Extent of Unrated Securities	Extent of Unlisted Securities
[1]	[2]	[3]	[4]	[5]	[6]	[7]
(i)	PSUs	23224.57	17739.90	—	227.18	2041.49
(ii)	FIs	2898.49	1604.87	—	2048.42	1631.79
(iii)	Banks	141762.72	3105.10	—	1760.95	100.00
(iv)	Private Corporate	4773.55	874.72	—	1504.29	593.89
(v)	Subsidiaries/Joint Ventures	—	—	—	—	—
(vi)	Others	31979.72	31979.72	—	31979.72	31979.72
(vii)	Provision held towards depreciation	(3855.81)				
	Total *	200783.24	55304.31	—	37520.56	36346.89

(ii) Issuer composition of Non-SLR investments as at 31st March 2008:

(Rs. in Lakhs)

No.	Issuer	Amount	Extent of Private Placement	Extent of Below Investment 'Grade' Securities	Extent of Unrated Securities	Extent of Unlisted Securities
[1]	[2]	[3]	[4]	[5]	[6]	[7]
(i)	PSUs	23780.80	15629.97	—	353.66	2748.92
(ii)	FIs	1314.23	556.74	—	1086.52	493.47
(iii)	Banks	48796.99	5439.25	—	652.12	92.54
(iv)	Private Corporate	5231.81	1745.43	—	3051.21	704.22
(v)	Subsidiaries/ Joint Ventures	—	—	—	—	—
(vi)	Others	18348.01	18348.01	—	18348.01	18348.01
(vii)	Provision held towards depreciation	(2075.61)				
	Total *	95396.23	41719.40	—	23491.52	22387.16

Note:(1) *Total under column 3 should tally with the total of Investments included under the following categories in Schedule 8 to the balance sheet:

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

(Rs. in Lakhs)

	31.03.2009	31.03.2008
a) Shares	5440.36	4799.07
b) Debentures & Bonds	26482.14	26643.59
c) Subsidiaries/ joint ventures	—	—
d) Others (includes RIDF)	168860.74	63953.57

(2) Amounts reported under columns 4, 5, 6 and 7 above may not be mutually exclusive.

(iii) Non performing Non-SLR investments

(Rs. in Lakhs)

Particulars	31.03.2009	31.03.2008
Opening Balance	1045.25	1225.25
Additions during the year	—	—
Reductions during the year	484.00	100.00
Closing balance	561.25	1125.25
Total provisions held	561.25	1045.25

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

a) Done during the year ended March 31, 2009:

(Rs. in Lakhs)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2009
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	—	—	—

b) Done during the previous year ended March 31, 2008:

(Rs. in Lakhs)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2008
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	—	—	—

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

7. Lending to sensitive sectors:

A. Exposure to capital market sectors

(Rs. in Lakhs)

Items	31.03.2009	31.03.2008
(i) Direct Investments in equity shares	8454.78	4605.45
(ii) Investments in convertible bonds/ convertible debentures	NIL	NIL
(iii) Investments in units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	839.50	750.00
(iv) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in equity shares (including IPOs/ESOPs), bonds and debentures, units of equity oriented mutual funds	NIL	NIL
(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	NIL	NIL
(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	NIL	NIL
(vii) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	188.00	197.19
(viii) Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	NIL	NIL
(ix) Bridge loans to companies against expected equity flows/ issues	NIL	NIL
(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	NIL	NIL
(xi) Financing to stockbrokers for margin trading	NIL	NIL
(xii) All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	NIL	NIL
Total Exposure to Capital Market	9482.28	5552.64

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**
B. Real Estate Sector

(Rs. in Lakhs)

Category	31.03.2009	31.03.2008
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; (Individual housing loans up to Rs. 20 lakh may be shown separately)	97111.00	80403.96
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (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 would also include non-fund based (NFB) limits	74099.00	62519.71
	22689.00	24116.77
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential	NIL	NIL
b. Commercial Real Estate	NIL	NIL
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	47910.00	60909.22

C. Risk category wise country exposure:

Country Risk exposure has been classified on the following basis:

(Rs. in Lakhs)

Risk Category	Exposure (net) as at 31.03.2009	Provision held as at 31.03.2009	Exposure (net) as at 31.03.2008	Provision held as at 31.03.2008
Insignificant	19669.07	—	19169.10	—
Low	2758.00	—	2257.87	—
Moderate	649.68	—	290.93	—
High	6.25	—	10.81	—
Very High	—	—	—	—
Restricted	—	—	—	—
Off Credit	—	—	—	—
TOTAL	23083.00	—	21728.71	—

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

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

8. Movements in non-performing advances (funded)

(Rs. in Lakhs)

Particulars	31.03.2009	31.03.2008
(i) Net NPAs to Net Advances [%]	1.13	0.33
(ii) Movement of NPAs (Gross)		
(a) Opening Balance	18848.00	32121.00
(b) Additions during the year	17166.00	5795.00
(c) Reductions during the year	9958.00	19068.00
(d) Closing Balance	26056.00	18848.00
(iii) Movement of NPAs (Net)		
(a) Opening Balance	3397.00	7781.00
(b) Additions during the year	12873.00	2627.00
(c) Reductions during the year	2839.00	7011.00
(d) Closing Balance	13431.00	3397.00
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening Balance	14311.00	23247.00
(b) Additions during the year	4293.00	1406.00
(c) Reductions during the year	7291.00	10342.00
(d) Closing Balance	11313.00	14311.00

Provisions on Standard Assets:

(Rs. in Lakhs)

Items	31.03.2009	31.03.2008
Provisions towards Standard Assets	5170.20	5170.20

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

(Rs. in Lakhs)

Items	31.03.2009	31.03.2008
(i) No. of Accounts	NIL	1
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	NIL	NIL
(iii) Aggregate Consideration	NIL	1691.00
(iv) Additional consideration realised in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate gain/ (loss) over net book value	NIL	1170.72

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

10. Details of Loan Assets subjected to restructuring during the year 2008-09:

Particulars of Accounts Restructured

(Rs. in Lakhs)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	1	18	91
	Amount outstanding	727.36	1452.72	21622.46
	Sacrifice (diminution in the fair value)	80.09	4.80	101.76
Sub Standard advances restructured	No. of Borrowers	NIL	NIL	9
	Amount outstanding	NIL	NIL	420.19
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
Doubtful advances restructured	No. of Borrowers	NIL	NIL	NIL
	Amount outstanding	NIL	NIL	NIL
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
TOTAL	No. of Borrowers	1	18	100
	Amount outstanding	727.36	1452.72	22042.65
	Sacrifice (diminution in the fair value)	80.09	4.80	101.76

Additional Disclosures regarding restructured accounts

(Rs. in Lakhs)

Sl. No.	Disclosures	Number	Amount
1	Application received upto March 31, 2009 for restructuring, in respect of accounts which are standard as on September 1, 2008	112	24540.12
2	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet	95	18766.78
3	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category	0	0.00
4	Of (1), proposals under process/ implementation which were standard as on March 31, 2009	15	5708.10
5	Of (1), proposals under process/ implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on implementation of the package	2	65.24

Additional Disclosures regarding restructured accounts

No of Accounts in respect of which applications for restructuring are under process, but the restructuring package has not been approved as on 31.03.2009	17
Amount involved (Rs. in Lakhs)	5773.34

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

Particulars of Accounts Restructured during 2007-08

(Rs. in Lakhs)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	NIL	2	61
	Amount outstanding	NIL	97.88	5308.06
	Sacrifice (diminution in the fair value)	NIL	NIL	3.46
Sub Standard advances restructured	No. of Borrowers	NIL	1	NIL
	Amount outstanding	NIL	2.49	NIL
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
Doubtful advances restructured	No. of Borrowers	NIL	NIL	NIL
	Amount outstanding	NIL	NIL	NIL
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
TOTAL	No. of Borrowers	NIL	3	61
	Amount outstanding	NIL	100.37	5308.06
	Sacrifice (diminution in the fair value)	NIL	NIL	3.46

11. Asset quality

Percentage of net NPAs to net advances works out to 1.13% (0.33 % as on 31.03.2008).

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

12. Maturity Pattern of key assets and liabilities:

As at 31st March 2009 :

(Rs. in Lakhs)

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	53961	24076	19287	75229	115118	272614	325016	711878	194558	17496	1809233
Loans & Advances	22634	9374	9725	35092	171566	120631	342613	201372	126346	145850	1185203
Investments	34042	10503	3743	13665	49854	55638	90996	38114	49230	261735	607520
Borrowings	25580	0	0	0	0	0	0	52	69	0	25701
Foreign Currency-Assets	8518	0	0	1745	19623	5230	4915	2365	2755	0	45151
Foreign Currency-Liabilities	2140	0	0	41	30	195	30	0	0	0	2436

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

As at 31 st March, 2008 :

(Rs in Lakhs)

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	46710	21436	18018	28638	158389	261561	258874	604867	96131	20988	1515612
Loans & Advances	62662	13726	19455	35342	132114	105468	274482	174803	111104	116219	1045375
Investments	20189	3496	4990	14444	29785	31079	37631	61795	45606	208207	457222
Borrowings	2604	0	0	0	10	10	15	52	46	22	2759
Foreign Currency- Assets	16458	126	0	6992	10252	8220	3562	5560	7578	0	58748
Foreign Currency- Liabilities	664	230	472	830	3774	6960	18040	12553	6468	0	49991

13. 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.

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

During the year the bank had sanctioned credit limits, with the approval of the Board, to the following borrowers which were in excess of 15% of capital funds as indicated hereunder.

As on 31.03.2009

Sl. No.	Name of Borrower	(Rs. in Lakhs)		
		Total Exposure Limit	Maximum Exposure during the year	Percentage of Capital Funds
	NIL			

As on 31.03.2008

Sl. No.	Name of Borrower	(Rs. in Lakhs)		
		Total Exposure Limit	Maximum Exposure during the year *	Percentage of Capital Funds
1	Housing Development Finance Corporation Ltd	15700	15700	19.92
2	Power Finance Corporation Ltd	15000	14999	19.03
3	Tata Tele services Ltd	15000	15046	19.09
4	Bharat Petroleum Corporation Ltd	15000	15000	19.03
5	LIC Housing Finance Ltd	14938	13400	17.00
6	Housing & Urban Development Corporation	12924	13027	16.52
7	Indian Oil Corporation Ltd	15000	15000	19.03

* Balance including interest debited and Non Funded Exposure

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

15. Provision for taxes during the year

(Rs. in Lakhs)

	31.03.2009	31.03.2008
Current Tax	8854.00	4728.00
Deferred Tax	1732.00	3243.00
Fringe Benefit Tax	75.00	40.00
Wealth Tax	2.00	1.75
Total	10663.00	8012.75

16. Penalties Levied by the Reserve Bank of India

No penalties were levied by the Reserve Bank of India during the financial years ended March 31, 2009 and March 31, 2008.

17. Status of Complaints

a. Shareholder complaints

	31.03.09	31.03.08
(a) No. of complaints pending at the beginning of the year	—	—
(b) No. of complaints received during the year	53	294
(c) No. of complaints redressed during the year	53	294
(d) No. of complaints pending at the end of the year	—	—

b. Customer complaints

	31.03.09	31.03.08
(a) No. of complaints pending at the beginning of the year	8	12
(b) No. of complaints received during the year	331	373
(c) No. of complaints redressed during the year	324	377
(d) No. of complaints pending at the end of the year	15	8

c. Status of Awards passed by the Banking Ombudsman

	31.03.09	31.03.08
(a) No. of unimplemented Awards at the beginning of the year	—	1
(b) No. of awards passed by the Banking Ombudsman during the year	—	—
(c) No. of Awards implemented during the year	—	1
(d) No. of unimplemented Awards at the end of the year	—	—

18. Provisions and Contingencies debited to Profit and Loss Account

(Rs. in Lakhs)

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	31.03.2009	31.03.2008
Provision for NPA/ NPIs	2195.24	1291.31
Provision for taxes (Net) *	8931.00	4769.75
Deferred Tax	1732.00	3243.00
Provision for Standard Assets	—	1520.00
Provision for Restructured Advances	185.11	(96.81)
Provision for depreciation in the value of investments	2358.09	1145.81
Provision for contingencies @	1000.00	0.00
Others	(8.83)	29.82
TOTAL	16392.61	11902.88

* Includes Fringe Benefit Tax Rs. 75 Lakhs (Rs. 40 Lakhs) and Wealth Tax Rs. 2.00 Lakhs (Rs. 1.75 Lakhs)

@ Contingency provision towards pending disputes before statutory authorities.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

19. Reconciliation

Identification of items pending adjustment in inter branch accounts (including Extension counters), demand drafts paid and payable, sundries, inter bank and clearing have been completed upto March 31, 2009. Elimination of pending items in the above is in progress and in the opinion of the management, its consequential impact in the accounts will not be material.

B: Other Disclosures

1. Fixed Assets

Some of the Bank's Premises were revalued as on 31.03.2000 and as on 31.03.2005. The resultant appreciation in value has been credited to Revaluation Reserve.

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

Items	31.03.2009	31.03.2008
Weighted average number of equity shares used in computation of basic and diluted earnings per share	113006490	100978142
Earnings used in the computation of basic and diluted earnings per share (Rs. in Lakhs)	19475.26	15162.35
Nominal Value of share (in Rs.)	10.00	10.00
Basic and diluted earnings per share@ (in Rs.)	17.23	15.02*

* Weighted average

@After issue of Bonus Shares in the ratio 1:4

3. Segment reporting

In accordance with Accounting Standard - 17 and RBI guidelines in regard to business segments of banks, the bank has determined the business segments and the required disclosures are as follows:

(Rs. in Lakhs)

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	46886	38562	50119	22431	85417	81601	2697	788	185119	143382
Result	(2759)	3020	4534	(6621)	27145	26125	2218	651	31138	23175
Unallocated Expenses										
Operating profit										
Income Taxes										
Extraordinary Profit/ Loss		—		—		—		—		—
Net Profit										
Other Information:										
Segment Assets	607520	467672	544989	395630	640298	650045	—	—	1792807	1513347
Unallocated Assets										
Total Assets										
Segment Liabilities	607520	467672	544989	395630	640298	650045	—	—	1792807	1513347
Unallocated Liabilities										
Total Liabilities										

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

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

4. Deferred Tax

Others (Schedule 11) include Deferred Tax Asset of Rs. 2477.41 Lakhs (Rs. 4209.41 Lakhs). The components of the same are as follows:

	(Rs. in Lakhs)	
	31.03.2009	31.03.2008
Timing Difference	31.03.2009	31.03.2008
Depreciation on Assets	9.79	9.79
Provisions for Loans/Investments/ others	2467.62	4199.62
Total	2477.41	4209.41

5. Intangible Assets

Printing and stationery under Schedule - 16 include intangible assets relating to Computer software - Nil (Rs.480.94 Lakhs).

6. Related party disclosure:

a) Key Management Personnel

Dr. V A Joseph, Chairman & CEO till September 30, 2008 and Managing Director & CEO w.e.f October 1, 2008.

b) Remuneration paid Rs. 36.67 Lakhs (Previous year Rs. 23.04 Lakhs).

7. Employee Benefits

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

Disclosures under AS-15 (Revised)

Retirement Benefits.

1. The bank has recognized the following amounts in the Profit and loss account towards employee benefits as under:

	(Rs. in Lakhs)	
Particulars	31.03.2009	31.03.2008
Pension Fund	1605.00	1076.00
Gratuity Fund	1275.00	126.00
Compensation for absence on privilege/sick/casual leave	1877.00	(681.00)

2. Changes in the defined benefit obligations

	(Rs. in Lakhs)			
	Gratuity Plan 31.03.09	Gratuity Plan 31.03.08	Pension Plan 31.03.09	Pension Plan 31.03.08
Projected defined benefit obligation, beginning of the year (April 1, 2008)	6998.00	6429.00	13128.00	11999.00
Current Service Cost	314.00	378.00	324.00	653.00
Interest Cost	608.00	509.00	1129.00	960.00
Actuarial (gain)/Loss	907.00	(183.00)	(81.00)	(484.00)
Benefits paid	(398.00)	(135.00)	(6784.00)	—
Projected defined benefit obligation, end of the year	8429.00	6998.00	7716.00	13128.00

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

3. Changes in the fair value of plan assets

(Rs. in Lakhs)

	Gratuity Plan 31.03.09	Gratuity Plan 31.03.08	Pension Plan 31.03.09	Pension Plan 31.03.08
Fair value of plan assets, beginning of the year (April 1, 2008)	6872.00	5953.00	8960.00	2500.00
Expected return on plan assets	550.00	539.00	717.00	413.00
Employer's contributions	221.00	476.00	4400.00	4379.00
Actuarial (gain)/Loss	4.00	39.00	(950.00)	(360.00)
Benefits paid	(398.00)	(135.00)	(6784.00)	—
Fair value of plan assets, end of the year	7249.00	6872.00	6343.00	6932.00
Liability (Net)	1180.00	126.00	1373.00	6196.00

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

(Rs. in Lakhs)

	Gratuity Plan 31.03.09	Gratuity Plan 31.03.08	Pension Plan 31.03.09	Pension Plan 31.03.08
Current Service Cost	314.00	378.00	324.00	653.00
Interest defined benefit obligation	608.00	509.00	1130.00	960.00
Expected return on plan assets	(550.00)	(539.00)	(717.00)	(413.00)
Net actuarial (gain)/loss recognized in the year	903.00	(222.00)	868.00	(124.00)
Past service cost	—	—	—	—
Net Benefit expense	1275.00	126.00	1605.00	1076.00
Actual return on plan assets	553.00	578.00	(281.00)	53.00

5. Categories of plan assets as a percentage of the fair value of total plan assets

	Gratuity Plan 31.03.09	Gratuity Plan 31.03.08	Pension Plan 31.03.09	Pension Plan 31.03.08
Government of India Securities	70 %	73 %	0 %	0 %
State Government Securities	0 %	0 %	0 %	0 %
High quality Corporate Bonds	29 %	25 %	0 %	0 %
Equity Shares of Listed Companies	0 %	0 %	0 %	0 %
Funds Managed by Insurer	0 %	0 %	41 %	38 %
Others (With Fund and Bank)	1 %	2 %	49 %	62 %
Total	100 %	100 %	100 %	100 %

6. Assumptions used by the actuary in accounting for gratuity and Pension

	Gratuity Plan 31.03.09	Gratuity Plan 31.03.08	Pension Plan 31.03.09	Pension Plan 31.03.08
Discount rate	8.00 %	8.00 %	8.00 %	8.00 %
Expected rate of return on plan assets	8.00 %	8.80 %	8.00 %	8.80 %
Increase in compensation cost	5.00 %	5.00 %	5.00 %	5.00 %

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

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

7. Compensation for absence on Privilege / Sick / Casual Leave

The charge on account of compensation for privilege / sick / casual leave, has been actuarially determined and the shortfall of Rs.1877 Lakhs (Excess provision Rs.681 Lakhs) has been debited / (credited) to Profit and Loss account.

(Note: The above information is as certified by Actuary and relied upon by Auditors.)

8. Expenditure on VRS.

The proportionate expenditure on VRS amounting to Rs 180 Lakhs (Rs. 180 Lakhs) has been charged to revenue and the balance expenditure to be amortised amounts to Rs. 181 Lakhs (Rs. 361 Lakhs).

9. Wage revision

Pending industry level settlement of wage revision, a sum of Rs. 2125 lakhs has been provided towards arrears for the period from November 1, 2007 on an estimated basis and included under payments to and provision for employees.

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

11. Description of contingent liabilities

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

* Also refer Schedule - 12

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

12. The bank had reversed an amount of Rs. 1171 Lakhs during 2007-08 being excess provision arising out of cash realization on sale of an asset to Asset Reconstruction Company of India Limited (ARCIL). A provision for an equal amount has been restored during the current year by drawing down from Revenue and other Reserves as permitted by Reserve Bank of India.
13. The Bank has implemented the Agricultural Debt Waiver and Debt Relief Scheme, 2008. Accordingly, the bank has claimed an amount of Rs.965.91 Lakhs pertaining to debt waiver scheme from Government of India (of which Rs. 396.02 Lakhs have been received). In respect of debt relief scheme, claim amount ascertained by the bank of Rs.193.16 Lakhs will be filed within the stipulated time limit. These claims are subject to certification by Statutory Auditors. In terms of RBI guidelines, ineligible amount of Rs.1.17 Lakhs has been charged to Profit & Loss account.
14. Previous year's figures have been regrouped / given in brackets, wherever necessary to conform to the current year classification.

Thirissur 30.04.2009	C.P. Gireesh (Sd/-) AGM	K.S.Krishnan (Sd/-) CFO & Company Secretary	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) Chief General Manager	H. Suresh Prabhu (Sd/-) Executive Director
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M.Valsan (Sd/-)
Executive Director

Dr.V.A.Joseph (Sd/-)
MD & CEO

G.A. Shenai (Sd/-)
Chairman

DIRECTORS

1. Dr. John Joseph (Sd/-)

2. A.S. Narayanamoorthy (Sd/-)

3. Davy K. Manavalan (Sd/-)

4. Dr. C.J. Jose (Sd/-)

5. Paul Chalissery (Sd/-)

6. Dr. N.J. Kurian (Sd/-)

As per our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants
(Sd/-)

M. Ramachandran
Partner
M. No. 16399

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	Year ended 31.3.2009 Rs('000)	Year ended 31.3.2008 Rs('000)
Cash Flow from operating activities		
Net profit before taxes	3013826	2317510
Adjustment for:		
Depreciation for the year	138972	121896
Net Loss on Revaluation of Investments	198556	180026
Provision for Depreciation / Non Performing Investments	187809	103082
General Provisions against Standard Assets	—	152000
Provision for contingencies	100000	—
Provision for Non Performing Assets	267524	140631
Other Provisions	17628	(6699)
Share Issue Expenses	—	26997
Interest on Subordinated bonds	127825	134912
(Net Profit)/ Loss on sale of land, buildings and other assets	(7711)	1581
Operating profit before working capital changes	(A) <u>4044429</u>	<u>3171936</u>
Changes in working capital:		
Increase / (Decrease) in Deposits	29362107	29169128
Increase / (Decrease) in Borrowings	2294253	(49204)
Increase / (Decrease) in Other liabilities	(517436)	934620
(Increase) / Decrease in Investments	(15416148)	(11704031)
(Increase) / Decrease in Advances	(14250302)	(25489006)
(Increase) / Decrease in Other Assets	(528801)	(81611)
	(B) <u>943673</u>	<u>(7220104)</u>
Cash flow from operating activities before taxes	(A+B) <u>4988102</u>	<u>(4048168)</u>
Direct Taxes Paid	(840382)	(727877)
Net cash flow from operating activities	(C) <u>4147720</u>	<u>(4776045)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	Year ended 31.3.2009 Rs('000)	Year ended 31.3.2008 Rs('000)
Cash Flow from investing activities		
Purchase of Fixed Assets	(392580)	(368208)
Sale of Fixed Assets	22111	8850
Net cash flow from investing activities	(D) (370469)	(359358)
Cash flow from financing activities:		
Subordinated Debt repaid	—	(185000)
Proceeds from issue of share capital	226013	200000
Share Premium on above	—	3060000
Reduction from Share Premium on account of Bonus Issue	(226013)	—
Share Issue Expenses	—	(26997)
Dividend paid including Corporate Dividend Tax	(317309)	(205936)
Interest on Subordinated bonds	(127825)	(134912)
Net cash flow from financing activities	(E) (445134)	2707155
Net increase in cash and cash equivalents	(C+D+E) 3332117	(2428248)
Cash and cash equivalents as at beginning of the year	17026488	19454736
(Refer note below)		
Cash and cash equivalents as at the end of the year	20358605	17026488
(Refer note below)		
Note:		
Cash and Balance with Reserve Bank of India (As per Schedule 6)	9977324	9736487
Balance with Banks and Money at Call and Short Notice (As per Schedule 7)	10381281	7290001
Cash and cash equivalents as at the end of the year	<u>20358605</u>	<u>17026488</u>

Thrissur 30.04.2009	C.P. Gireesh (Sd/-) AGM	K.S.Krishnan (Sd/-) CFO & Company Secretary	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) Chief General Manager	H. Suresh Prabhu (Sd/-) Executive Director
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As per our Report attached
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(Sd/-)

M. Ramachandran
Partner
M. No. 16399

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

I Registration Details

Registration Number

					1	0	1	7
--	--	--	--	--	---	---	---	---

State Code

0	9
---	---

Balance Sheet Date

3	1		0	3		2	0	0	9
---	---	--	---	---	--	---	---	---	---

Date Month Year

II. Capital Raised During the year (Amount in Rs '000)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

			2	2	6	0	1	3
--	--	--	---	---	---	---	---	---

Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds
(Amount in Rs. '000)

Total Liabilities

2	0	3	8	3	5	2	1	9
---	---	---	---	---	---	---	---	---

Total Assets

2	0	3	8	3	5	2	1	9
---	---	---	---	---	---	---	---	---

Sources of funds

Paid-up Capital

		1	1	3	0	0	6	5
--	--	---	---	---	---	---	---	---

Reserves & Surplus

	1	1	9	0	9	9	7	5
--	---	---	---	---	---	---	---	---

Deposits

1	8	0	9	2	3	3	2	2
---	---	---	---	---	---	---	---	---

Borrowings

		2	5	7	0	1	0	4
--	--	---	---	---	---	---	---	---

Other Liab. & Provisions

		7	3	0	1	7	5	3
--	--	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

		1	3	6	3	1	8	8
--	--	---	---	---	---	---	---	---

Investments

	6	0	7	5	2	0	3	2
--	---	---	---	---	---	---	---	---

Advances

1	1	8	5	2	0	2	7	4
---	---	---	---	---	---	---	---	---

Other Assets

		2	8	4	1	1	2	0
--	--	---	---	---	---	---	---	---

Misc. Expenditure

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

IV. Performance of the Company (Amount in Rs. '000)

Total Income

	1	8	5	1	1	9	3	6
--	---	---	---	---	---	---	---	---

Total Expenditure

	1	6	5	6	4	4	1	0
--	---	---	---	---	---	---	---	---

Profit Before Tax

		3	0	1	3	8	2	6
--	--	---	---	---	---	---	---	---

Profit After Tax

		1	9	4	7	5	2	6
--	--	---	---	---	---	---	---	---

Earnings per share in Rs.

				1	7	.	2	3
--	--	--	--	---	---	---	---	---

Dividend %

3	0
---	---

V. Generic Names of Principal Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

						N	A
--	--	--	--	--	--	---	---

Product Description

B	A	N	K	I	N	G		C	O	M	P	A	N	Y
---	---	---	---	---	---	---	--	---	---	---	---	---	---	---

Thirssur 30.04.2009 C.P. Gireesh (Sd/-) AGM K.S.Krishnan (Sd/-) CFO & Company Secretary Alex Mathew (Sd/-) General Manager Cheryan Varkey (Sd/-) Chief General Manager H. Suresh Prabhu (Sd/-) Executive Director

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(Sd/-)

M. Ramachandran
Partner
M. No. 16399

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**
TABLE DF-1
CAPITAL OF SUBSIDIARIES NOT CONSOLIDATED
Qualitative Disclosures

The Bank has no subsidiaries.

Quantitative Disclosures

The Bank has no subsidiaries.

TABLE DF-2
CAPITAL STRUCTURE
Qualitative Disclosures

(a) Summary:

Type of Capital	Features	% of Share holding
Equity (Tier - I)	Shares issued to:	
	Foreign Institutional Investors	35.90
	Resident Individuals	35.72
	Body Corporates	9.27
	Banks	7.53
	Non Resident Individuals	3.37
	Trusts	2.72
	Indian Financial Institutions	2.45
	Mutual Funds	2.09
	Directors & Relatives	0.41
	Others (Clearing members, HUFs etc)	0.54
Tier - II Capital Instruments	Subordinated Debt Instruments: (Unsecured, Redeemable, Non Convertible Bonds) Unconditional Put/Call Option embedded: Yes / No Period ranges from 80 months to 92 months	

Quantitative Disclosures

(Rs. in crore)

(b)	Tier - I Capital		1259.01
	● Paid up Capital	113.01	
	● Reserves	1172.58	
	● Innovative Instruments	0.00	
	● Other Capital Instruments	0.00	
	● Amount deducted from Tier I Capital	(26.58)	
(c)	Total Eligible Tier - II Capital (Net of Deductions)		146.70
(d)	Debt Instruments eligible for inclusion in Upper Tier - II Capital		
	● Total amount outstanding	0.00	
	● Of which amount raised during current year	0.00	
	● Amount eligible to be reckoned as capital	0.00	
(e)	Subordinated Debt eligible for inclusion in Lower Tier-II Capital		
	● Total amount outstanding	155.00	
	● Of which amount raised during current year	0.00	
	● Amount eligible to be reckoned as capital	65.00	
(f)	Other deductions from Capital, if any	0.00	
(g)	Total Eligible Capital		1405.71

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

TABLE DF-3

CAPITAL ADEQUACY

Qualitative Disclosures

(a) Summary :

Indicate

- ICAAP Policy has been put in place YES
- Capital requirement for current business levels and framework for assessing capital requirement for estimated future business levels has been made YES
- CAR has been worked out based on Basel I and Basel II Guidelines and CAR estimated to be above the regulatory minimum level of 9% YES

Quantitative Disclosures

(Rs. in crore)

(b) Capital requirements for Credit Risk :

- Portfolios subject to Standardised Approach 726.72
- Securitisation Exposure 0.00

(c) Capital requirements for Market Risk :

- Standardised Duration Approach 43.94

(d) Capital requirements for Operational Risk :

- Basic Indicator Approach 86.61

Total capital requirement at regulatory minimum of 9% 857.27

(e) Total, Tier I & Tier II Capital Adequacy Ratio :

CRAR - Total	14.76%
CRAR Tier I	13.22%
CRAR Tier II	1.54%

TABLE DF-4

CREDIT RISK : GENERAL DISCLOSURES (INCLUDING EQUITIES)

Qualitative Disclosures

a) General Qualitative Disclosures	
Definition of Past Due and Impaired Assets (whether the extant RBI instructions for definitions of these categories for accounting purpose is being followed or not)	YES

The definitions used are given in Annexure - I

Discussion of Bank Credit Risk Management Policy

• Bank has a proper Credit Risk Management Policy	YES
• Bank has a Loan / Credit Policy which is periodically reviewed	YES
• The above policies take into account the need for better Credit Risk Management and avoidance of Risk Concentration.	YES
• Exposure limit for Single Borrower, Group entities, Categories of Borrowers, Specific Industry/Sector etc. have been stipulated.	YES
• Specific norms and policy for appraising, sanctioning, documentation, inspections & monitoring, renewals, maintenance, Rehabilitation and Management of Assets have been stipulated, with sufficient room for innovation, deviation, flexibility with proper authority.	YES

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

Quantitative Disclosures

- b) Total Gross Credit Exposures (Fund Based and Non-fund Based separately), without taking into account the effect of Credit Risk Mitigation, e.g. Collaterals and Netting.

(Rs. in crore)

Exposure		Amount	Total
Fund Based	Loans & Advances	12,139.24	14,819.17
	Others (Fixed Assets, Other Assets etc.)	2,679.93	
Non Fund Based	LC/BG etc.	1,141.59	2,080.67
	Forward Contracts	868.69	
	Others	70.39	
Investments (Banking Book only)		3,762.66	3,762.66
Grand total of Credit Risk Exposure			20,662.50

- c) Geographic Distribution of Credit Risk Exposure

(Rs. in crore)

Domestic	20662.49
Overseas	Nil

- d) Industry-type distribution of gross advances

(Amount in Lakhs)

Code	Industry	Standard Asset	NPA	Total
1	Coal	160.81	0.00	160.81
2	Mining	1074.26	9.15	1083.41
3	Iron and Steel	10123.67	7.16	10130.83
4	Other Metal and Metal Products	7314.61	17.32	7331.93
5	All Engineering	6563.34	300.92	6864.26
51	<i>Of which (005) Electronics</i>	688.34	13.91	702.25
6	Electricity	24972.42	1.31	24973.73
7	Cotton Textiles	35476.45	658.66	36135.11
8	Jute Textiles	117.85	0.00	117.85
9	Other Textiles	19905.37	1603.82	21509.19
10	Sugar	2197.36	0.00	2197.36
11	Tea	251.52	0.00	251.52
12	Food Processing	34879.59	96.09	34975.68
13	Vegetable Oils and Vanaspati	2413.94	54.88	2468.82
14	Tobacco and Tobacco Products	35.48	0.25	35.73
15	Paper and Paper Products	4523.19	1127.44	5650.63
16	Rubber and Rubber Products	13951.78	7.30	13959.08
17	Chemicals, Dyes, Paints etc.	47949.79	32.65	47982.44
171	<i>Of which Fertilisers</i>	221.55	0.44	221.99
172	<i>Of which Petro- chemicals</i>	16.69	0.66	17.35
173	<i>Of which Drugs and Pharmaceuticals</i>	19804.37	0.68	19805.05
18	Cement	4199.67	11.79	4211.46
19	Leather and Leather Products	3152.16	26.64	3178.80
20	Gems and Jewellery	18062.40	407.35	18469.75

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

Code	Industry	Standard Asset	NPA	Total
21	Construction	26135.31	493.76	26629.07
22	Petroleum	595.40	0.00	595.40
23	Automobiles including trucks	2314.61	2.34	2316.95
24	Computer Software	7.17	3.63	10.80
25	Infrastructure	106399.49	0.96	106400.45
251	<i>Of which Power</i>	31804.20	0.96	31805.16
252	<i>Of which Telecommunications</i>	21045.88	0.00	21045.88
253	<i>Of which Roads & Ports</i>	349.19	0.00	349.19
26	NBFCs	63032.02	8991.11	72023.13
27	Trading	165374.93	2560.58	167935.51
28	Other Industries	22276.05	265.01	22541.06
29	Residuary Other Advances	546999.39	9376.01	556375.40
	Total	1170460.03	26056.13	1196516.16

(Rs. in crore)

(e)	Amount of Gross NPAs	260.56
	• Substandard	145.12
	• Doubtful-1	10.57
	• Doubtful-2	11.08
	• Doubtful-3	16.66
	• Loss	77.13
(f)	Net NPA	134.31
(g)	Net NPA Ratios	
	• Gross NPA to Gross Advance	2.18%
	• Net NPA to Net Advance	1.13%
(h)	Movement of NPA (Gross)	
	• Opening Gross NPA	188.48
	• Additions to Gross NPA	171.66
	• Reductions to Gross NPA	99.58
	• Closing Balance of Gross NPA	260.56
(i)	Movement of NPA Provisions	
	• Opening Balance of NPA Provisions held	143.11
	• Provisions made during the period	42.93
	• Write-offs during the period	72.91
	• Write-back of excess provisions during the period	—
	• Closing Balance of NPA Provisions	113.13
(j)	Amount of Non Performing Investments (Gross)	5.61
(k)	Amount of Provisions held NP Investments	5.61
(l)	Movement of Provisions for Depreciation on Investments	
	• Opening Balance of Provisions for Depreciation	25.74
	• Provisions made during the period	23.58
	• Write-offs during the period	—
	• Write-back of excess provisions during the period	5.46
	• Closing Balance of Provisions for Depreciation	43.86

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

TABLE DF-5

CREDIT RISK : DISCLOSURE FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

Qualitative Disclosures

State whether External Credit Rating Agencies have been approved for the purpose and if so the names of the ECRAs:
External Credit Rating Agencies have been approved for the purpose of credit rating of borrowal account for the purpose of computing risk weight under Standardised Approach

The following are the approved ECRAs :

- 1 Credit Analysis and Research Limited (CARE)
- 2 CRISIL Limited
- 3 Fitch India
- 4 ICRA Limited

If not yet approved, reasons therefore and proposed action to be indicated briefly: Not Applicable

(a) For portfolios under Standardised Approach

- Names of ECRAs used
 - 1 Credit Analysis and Research Limited (CARE)
 - 2 CRISIL Limited
 - 3 Fitch India
 - 4 ICRA Limited
- Reason for changes No changes
- Type of exposure for which each agency has been used Both Fund based
and Non fund based
- Brief description of the process used /proposed to be used for converting
Public Issue rating into comparable Assets in the Banking Book
(Additional qualitative disclosures are given in Annexure II)

Quantitative Disclosure

For exposures amounts (as defined for Disclosure in item (b) of Table DF-4), after Risk Mitigation subject to Standardised Approach, amount of outstanding (rated and unrated together)in the following three risk buckets as well as that are deducted, if any :

(Rs. in crore)

Below 100% Risk Weight	14025.77
Risk Weight at 100%	4549.53
More than 100% Risk Weight	2087.19
Amount deducted, if any	Nil

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

TABLE DF-6

CREDIT RISK MITIGATION : DISCLOSURES FOR STANDARDISED APPROACH

Qualitative Disclosures

(i) Policies and Processes for Collateral Valuation and Management

- Has Credit Risk Mitigation and Collateral Management Policy been put in place YES
- Whether the policy provides for policies and procedures for collaterals that can be accepted, method and frequency of their valuation and management YES

[Note : Other salient features of policies and procedures for Collateral Valuation and Management are given in Annexure -III]

(ii) List of main types of Collaterals taken by the Bank :

Financial Collaterals

1. Cash, Bank deposits, CDs
2. Gold, including bullion and jewellery
3. Government Securities
4. NSCs, IVPs etc.
5. LIC Policies restricted to their surrender value
6. Debt securities rated by an approved Rating Agency
7. Unrated Debt Securities issued by banks, listed in Stock Exchange
8. Units of Mutual Funds regulated by securities regulator

Guarantor

1. Individuals of adequate worth
2. Corporates -Public Sector & Private Sector
3. Governments /Sovereign
4. Other third parties of acceptable worth

Other Non -Financial Collaterals

1. Book Debts/Receivables
2. Inventory of goods
3. Mortgage of Landed Residential & Commercial Properties

(iii) Information about (credit or market) concentration within the mitigation taken

Financial Risk Mitigants	Outstanding amount of Risk Mitigants (Rs. in crore)	Risk Concentration %
1. Gold	2444.77	82.18
2. Cash & Bank Deposits	502.64	16.90
3. KVP/IVP/NSC/LIC	27.55	0.92
Total #	2974.96	100.00

This has to agree with item (i) under quantitative disclosures below.

Note: (1) Loans and Advances to staff members may be excluded, if needed.

(2) If more than one mitigant is taken for one exposures, the outstanding may be divided equally amongst the mitigants.

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

Quantitative Disclosure

For the disclosed Credit Risk portfolio under the Standardised Approach, the total exposure that is covered by:

- | | |
|---|-------------|
| (i) Eligible Financial Collateral (Excluding Staff Loan) | Rs. 2974.96 |
| (ii) Other eligible Collateral (after Hair Cuts) | Nil |

[Note: This should show the total credit portfolio covered by Financial Mitigants and should agree with Total in the preceding table under qualitative disclosure marked (#)]

TABLE DF-7

SECURITISATION: DISCLOSURE FOR STANDARDISED APPROACH

Not applicable since Bank does not undertake securitisation activity.

TABLE DF -8

MARKET RISK IN THE TRADING BOOK

Strategies and processes

- 1) The Bank has put in place a comprehensive **Market Risk Management Framework** to address the Market risks (bank wide) including that of the Trading Book.
- 2) Within the above Framework, various policies of the Bank prescribe limits like VaR (Value at Risk) for Central Government securities & Currencies Maximum holding period, duration, holding of liquid assets, defeasance period, exposure limits, Forex open position limits (day light/over night), Stop loss limits etc.
- 3) Risk profiles are analyzed and the effectiveness of risk mitigants are regularly monitored.
- 4) The Bank's Board/**Market Risk Management Committee** (MRMC)/Investment Management Committee (IMC)/IM sub-committee 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 independent of Treasury /IBD operational units.

Risk Measurement

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

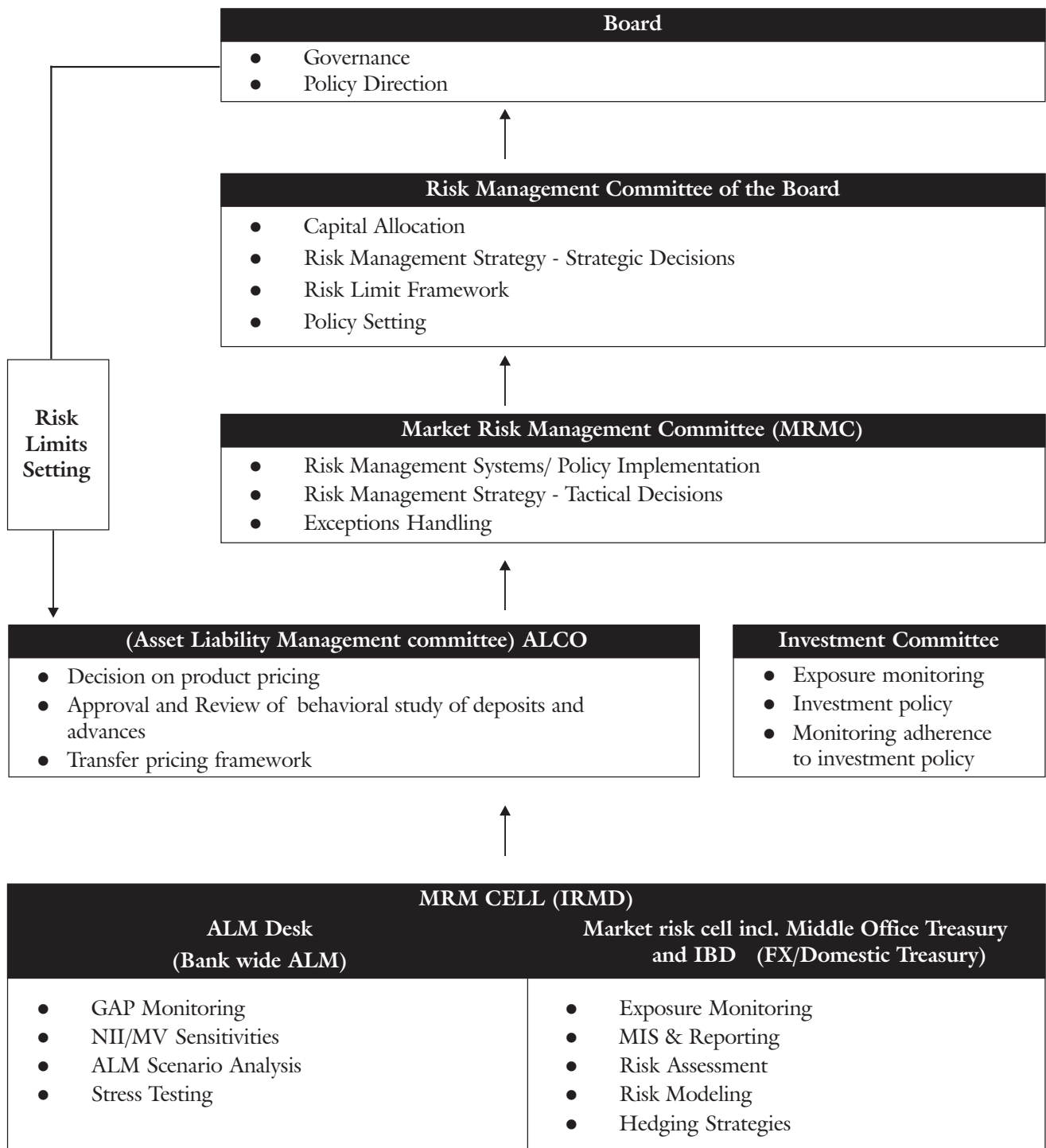
Quantitative Disclosures

Sl No	Capital Requirements	Capital Charge (Rs. in Lakhs)
1.	Interest Rate Risk	3366.64
2.	Equity Position Risk	937.65
3.	Forex Risk	90.00

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

The Structure and organisation of relevant Risk Management Functions

**Market Risk Management Cell Organization
(Composition, Roles & Responsibility)**



**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

TABLE DF-9

OPERATIONAL RISK

Qualitative Disclosures

● Operational Risk Policy is in place	YES
● Risk Control Self Assessment (RCSA) has been/is being rolled out to Zones/Branches	YES
● ORMC has been constituted	YES
● Disaster Recovery Policy & Business Continuity Plan has been put in place	YES
● Risk Reporting Design and Framework for Operational Risk has been Finalised	YES
● Operational Risk Capital Assessment has been worked out on the basis of	Basic Indicator Approach

Brief write up on steps taken for migration to Advanced Approach:

The Operational Risk Management Policy of the Bank is in place which establishes an explicit Operational Risk Management process of identification, analysis, monitoring and mitigation of operational risk at the business level and also establishes a reporting line to the senior management to ensure their knowledge as to the current operational risk profile. The Bank has started the Risk Control Self Assessment (RCSA) and loss data collection, and at the same time identified the data gaps to be filled, to facilitate a step by step migration into the Advanced approaches.

Quantitative Disclosure

Capital Charge on Operational Risk : Rs. 86.61 crore

TABLE DF-10

INTEREST RATE RISK IN THE BANKING BOOK

Strategies and processes

- 1) The Bank has put in place a comprehensive Market Risk Management Framework to address market risks including that of the Banking Book. The above Framework, prescribes various methodologies like Earning at Risk, Duration Gap Model to assess the impact on market value of Equity.
- 2) The Framework for managing interest rate risk in the Banking Book under pillar II of Basel II is put in place by the Internal Capital Adequacy Assessment Policy.

The scope and nature of Risk reporting and /or Measurement systems.

The assessment of interest rate risk in the Banking Book takes into account, the earnings perspective and economic value perspective of interest rate risk.

- a) 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 is being calculated using Traditional Gap Analysis as per ALM guidelines of RBI.
- b) The Bank calculates the impact on the **Market value of equity by duration gap method** 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.

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

Quantitative disclosures

Particulars	As on 31/03/09
Change in NII Probable impact on Net Interest Income for 100 bps downward movement in interest rate	Rs.3.82 crore
Change in MVE Probable impact on Market Value of Equity (MVE) for a 200 bps upward movement in interest rates.	11.13% of Net-worth

TABLE DF-4

ANNEXURE I

CREDIT RISK: GENERAL DISCLOSURES

(I)	Qualitative Disclosures	Remarks
Definition of past due impaired	<p>2.1 Non Performing Assets</p> <p>2.1.1 An asset including a leased asset, becomes non-performing when it ceases to generate income for the Bank.</p> <p>2.1.2 A non performing asset (NPA) is a loan or an advance where;</p> <p>(i) interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan</p> <p>(ii) the account remains 'out of order' as indicated at paragraph 2.2 below, in respect of an Overdraft / Cash Credit (OD/CC)</p> <p>(iii) the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted</p> <p>(iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops</p> <p>(v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops.</p> <p>2.1.3 Banks should classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.</p>	
	<p>2.2 'Out of Order' status</p> <p>An account should be treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In the 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 should be treated as out of order.</p>	
	<p>2.3 'Overdue'</p> <p>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.</p>	

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

(II) Definition of Credit Risk	<p>(i) inability or the unwillingness of the counter party to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities.</p> <p>(ii) Downgrading of counter parties whose credit instruments the Bank may be holding, causing the value of those assets to fall.</p> <p>(iii) Settlement risk (possibility that the Bank may pay a counter party and fail to receive the corresponding settlement in return).</p>
(III) Risk Governance Structure is in place	Yes
(IV) Principal Committees that review credit risk management	Credit Risk Management Committee (CRMC) is in place.
(V) Changes in the credit risk management structure since prior period disclosure.	No
(VI) Approved policies with regard to credit risk	
(i) Credit Risk Management Policy	Yes
(ii) Credit Risk Mitigation and Collateral Management Policy	Yes
(iii) Stress Testing Policy	Yes
List any other relevant policies	Nil

TABLE DF-5

ANNEXURE II

CREDIT RISK: DISCLOSURE FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

Qualitative Disclosures	Remarks
(I) Names of credit rating agencies used	Domestic Credit Rating Agencies (DCRA): CRISIL Ltd., ICRA Ltd., CARE and FITCH India. International Credit Rating Agencies (ICRA) : Fitch, Moodys and Standard & Poor's.
(II) Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same	No Change
(III) Types of exposure for which each agency is used	<p>All the above identified Rating Agency ratings are used for various types of exposures as follows:</p> <p>(i) For exposure with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), short-term rating given by DCRA will be applicable.</p> <p>(ii) For domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and/ or Term Loan exposures of over one year, long term rating will be applicable.</p> <p>(iii) For overseas exposures, irrespective of the contractual maturity, long term rating given by ICRA will be applicable.</p> <p>(iv) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.</p>

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

IV) Description of the process used to transfer public issue rating on to comparable assets in the banking book.	<p>Long-term Issue Specific (our own exposures or other issuance of debt by the same borrower-constituent/ counter-party) Ratings or Issuer (borrower-constituent/ counter-party) Ratings can be applied to other unrated exposures of the same borrower-constituent/ counter-party in the following cases:</p> <p>(i) If the Issue Specific Rating or Issuer Rating maps to Risk weight equal to or higher than the unrated exposures, any other unrated exposure on the same counter-party will be assigned the same risk weight as applicable to the rated exposure, if the exposure ranks pari-passu or junior to the rated exposure in all aspects.</p> <p>(ii) In cases where the borrower-constituent/ counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to Bank's unrated exposures if the Bank's exposure ranks pari-passu or senior to the specific rated debt in all respects and the maturity of unrated Bank's exposure is not later than maturity of rated debt, except where the rated claim is a short-term obligation.</p>
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TABLE DF-6

ANNEXURE III

CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH

(a) Qualitative Disclosures	Remarks
(i) Policy for collateral valuation and management is in place	Yes
(ii) Main types of credit risk mitigation techniques	Credit risk mitigation by way of collateralized transaction on balance sheet netting and guarantees.
(iii) Eligible financial collaterals	<p>(i) Cash (as well as certificates of deposit or comparable instruments, including fixed deposit receipts, issued by the lending bank) and / or deposits with the Bank.</p> <p>(ii) 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.</p> <p>(iii) Securities issued by the Central and State Governments.</p> <p>(iv) Kisan Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period.</p> <p>(v) Life Insurance policies with declared surrender value of an insurance company which is regulated by an insurance sector regulator.</p> <p>(vi) Debt securities rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are either:</p> <p>a) Attracting 100% 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</p>

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2009**

	<ul style="list-style-type: none"> b) Attracting 100% or lesser risk weight i.e. rated at least PR3 / P3 / F3 / A3 for short-term debt instruments. (vii) Debt securities not rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are: <ul style="list-style-type: none"> a) Issued by a bank; and b) listed on a recognized 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 PR3/P3/F3/ 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 PR3 / P3 / F3 / A3 (as applicable); and f) Banks should be sufficiently confident about the market liquidity of the security. (viii) Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation mutual funds where : <ul style="list-style-type: none"> 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) Quantitative Disclosures	Remarks
(i) On-balance sheet netting	<p>Where the Bank :</p> <ul style="list-style-type: none"> (a) has a well founded legal basis for conducting that the netting or offsetting agreement is enforceable in each relevant jurisdiction regardless of whether the counter-party is insolvent or bankrupt; (b) is able at any time to determine the loans/ advances and deposits with the same counter-party that are subject to the netting agreement; and (c) Monitors and controls the relevant exposures on a net basis.
(ii) Guarantees	Where guarantees are direct, explicit, irrevocable and unconditional.
(iii) Main types of guarantor counter-party and their creditworthiness	<ul style="list-style-type: none"> (a) Range of recognized Guarantors (Counter-guarantors) sovereigns, sovereign entities (including BIS, IMF, European Central Bank and European Community as well as the eligible Multilateral Development Banks (MDBs), ECGC and Credit Guarantee Fund Trust for Small Industries (CGTSTI), banks and primary dealers with a lower risk weight than the counter-party; (b) other entities rated AA(-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.

NOTICE

NOTICE is hereby given that the 81st Annual General Meeting of the shareholders of The South Indian Bank Ltd., will be held at Casino Cultural Auditorium Ltd., T.B.Road, Thrissur, on Friday, the 21st day of August 2009 at 10 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Bank's Audited Balance Sheet as at 31st March 2009 and the Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint Statutory Central Auditors for the year 2009-10 and to authorise the Board to fix their remuneration. The present Statutory Central Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, vacate office at this Meeting. They are eligible for re-appointment and they have given their consent for the same.
4. To appoint a Director in the place of Sri. A.S. Narayanamoorthy (Director in the Majority Sector), who retires by rotation under Section 256 of the Companies Act, 1956, and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Sri. Davy K Manavalan (Director in the Majority Sector), who retires by rotation under Section 256 of the Companies Act, 1956, and being eligible offers himself for re-appointment.
6. To appoint a Director in the place of Sri. Mathew L Chakola (Director in the Minority Sector), who retires by rotation under Section 256 of the Companies Act, 1956, and being eligible offers himself for re-appointment.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT in terms of Sec.228 of the Companies Act, 1956, the Board of Directors be and is hereby authorised to appoint from time to time in consultation with the Bank's Statutory Central Auditors, one or more persons qualified for appointment as branch auditors to audit the accounts for the financial year 2009-10, of such of the branch offices of the Bank as are not proposed to be audited by the Bank's Statutory Central Auditors on such remuneration and subject to such terms and conditions as may be fixed by the Board of Directors."

NOTES :

1. **A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. A PROXY NEED NOT BE A MEMBER OF THE BANK.**
2. **PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE BANK ATLEAST 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING. A FORM OF PROXY IS APPENDED FOR THE CONVENIENCE OF MEMBERS.**
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to items coming under Special Business is annexed hereto.
4. The Register of Members and share transfer books of the Bank will remain closed from Saturday the 15th day of August, 2009, to Friday the 21st day of August, 2009 (both days inclusive). Dividend, if declared, will be paid to those members whose names appear in the Register of Members on Friday the 21st August, 2009 and to beneficial owners whose names appear in the Register of Beneficial Owners on Friday the 14th August, 2009. Transfers received during book closure will be considered only after reopening of the Register of Members.
5. All documents referred to in the notice are open for inspection at the Registered Office of the Bank on all working days between 10.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
6. All dividends remaining unclaimed or unpaid including the balance in the Dividend Account upto and including financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Any claim in respect of the transferred amounts shall be made to the Registrar of Companies, Kerala, Company Law Bhavan, B.M.C. P.O., Kochi-682 021. Members may kindly note that the unclaimed/unpaid dividend amounts for the years from 1994-95 to 2000-01 have already been transferred to the Investors' Education and Protection Fund (the Fund) as required under Section 205(A)(5) of the Companies Act, 1956 and that no claim can be made against the dividend amounts of the above mentioned years.
7. Members may please note that the balance of unclaimed dividend for financial year 2001-02 will be due for transfer to the Fund on or before 27/07/2009 and thereafter no claims can be made by any shareholder against the Bank or the Fund, for the dividend amount of that year.

NOTICE

8. Polling if needed, in respect of any resolution will take place within 48 hours of the time when the demand for poll was made, details of which will be announced by the Chairman.
9. 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.
10. Shares of the Bank are traded in dematerialised form. Members may opt for availing the benefits of electronic holding/transfer of shares held by them.
11. 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.
12. Members may please note that, a copy of the PAN card of the transferee must mandatorily be submitted along with the transfer deed for registering transfer of physical shares.
13. Members described as "Minors" in the address but who have attained majority of age, may get their status in Register of Members corrected by producing proof of age.
14. Members should produce the attendance slip at the venue of the meeting.
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. A brief profile of the Directors, who are retiring by rotation and eligible for re-appointment, is furnished in the report under "Corporate Governance".
17. 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.

No.4, Ramakrishna Nagar, Near Kumaran Matriculation School, Villivakkam , CHENNAI - 600 049

Phone- 044-26503337 Fax No. 044-26503338 E-mail: ramesh@btsindia.co.in, helpdesk@btsindia.co.in

Place : Thrissur

Date : 16.06.2009

By Order of the Board of Directors

Sd/-

(K.S. KRISHNAN)

CFO & COMPANY SECRETARY

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956**ITEM No. 7**

As per Section 228 of the Companies Act, 1956, Branch offices of the Bank have to be audited by Statutory Auditors or by other qualified auditors. It is proposed to appoint Branch Auditors in consultation with the Statutory Auditors to audit the branch offices of the Bank, on such remuneration and on such terms and conditions, as may be fixed by the Board of Directors. Such of those branches, which are not proposed to be audited by the auditors of the Bank alone, would fall under this category. Section 228 of the Act requires a resolution of the shareholders of the Bank to empower the Board of Directors to appoint branch auditors and to fix their remuneration.

None of the Directors is interested or concerned in this Resolution.

MEMORANDUM OF INTEREST

The Directors who seek re-appointment may be deemed to be interested in the respective resolutions.

Place : Thrissur

Date : 16.06.2009

By Order of the Board of Directors

Sd/-

(K.S. KRISHNAN)

CFO & COMPANY SECRETARY

ATTENDANCE

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

I hereby record my presence at the 81st Annual General Meeting held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur, on Friday, the 21st day of August 2009.

Name and Address of the Member

Folio No. / Client ID No.

Signature of the Member / Proxy

THE SOUTH INDIAN BANK LTD.

Regd. Office : P.B. No. 28, Thrissur - 680 001

Client ID /
Folio No. :

No. of Shares :

PROXY

I/We
of in the district of
being a Member/Members of The South Indian Bank Ltd., hereby appoint of
..... in the district of or
failing him/her of in
the district of as my/our proxy to vote for me/us on my/our
behalf at the 81st Annual General Meeting of the Company to be held on Friday, the 21st day of August, 2009 and
at any adjournment thereof.

Signed this day of 2009.

Affix
15 Paise
Revenue
Stamp

Signature