

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to place before you, the 80th Annual Report of the Bank along with the Audited Balance Sheet as at 31st March 2008 and the Profit and Loss Account for the year ended 31st March 2008.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended 31st March 2008 are as follows: -

Key Parameters	Rs. in Crores	
	2007-08	2006-07
Deposits	15156.00	12239.00
Advances	10754.00	8308.00
Total Business	25910.00	20547.00
Net Profit	151.62	104.12
Net Worth	1160.98	723.96
Capital Adequacy (%)	13.80	11.08
Earning per share (in Rs.)	18.77*	14.79
Book Value per Share (in Rs.)	128.43	102.84
Net NPA as % of Net Advances	0.33	0.98
Return on Assets (%)	1.01	0.88

* Weighted average

The Bank has registered a record Net Profit of Rs.151.62 Crore. The Bank could achieve this substantial improvement in Net Profit mainly on account of higher scale of operations and aggressive NPA recoveries.

FINANCIAL PERFORMANCE

Profit

The Profit and Loss Account shows an Operating Profit of Rs 282.84 crore before depreciation, tax and provision as per details given below :

	(Rs. in crores)
Profit before depreciation, taxes & provisions	282.84
Less : Depreciation	: 12.19
Provision for NPA	: 12.24
Provision for depreciation on investments	: 11.46
Provision for Income Tax/ Wealth Tax	: 80.13
Provision for standard assets	: 15.20
Net Profit	: 151.62
Brought forward from last year	: 8.19
Profit available for appropriation	: 159.81

Appropriations

Transfer to Statutory Reserve	38.00
Transfer to Capital Reserve	0.01
Transfer to Revenue & other reserves	81.00
Proposed Dividend	27.12
Dividend Tax on Proposed Dividend	4.60
Carried over to Balance Sheet	9.08
Total	159.81

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/- as against 25%, i.e. Rs.2.50 per share declared last year. This is however subject to the approval of shareholders at the Annual General Meeting.

EXPANSION PROGRAMME / POLICY OF THE BANK

The Bank has taken long strides in its expansion programme and with 500 branches and 26 extension counters, it has struck its roots in 23 States and Union Territories. The Bank has an ATM network at 225 centres. During the year under review, the Bank opened 25 new branches, upgraded 8 extension counters and also opened 50 ATMs.

A new Regional Office (RO) at Kolkata started functioning from February 2008 and leveraging on it, Bank intends to take up expansion programmes in the hitherto unrepresented North Eastern States of Arunachal Pradesh, Manipur, Meghalaya, Tripura, etc. Another RO has recently been opened at Hyderabad, which will accelerate the business growth in Andhra Pradesh, where Bank is already having a good business volume.

The Bank already holds licence to open 15 new branches and plans to open 30 branches in the current financial year.

CAPITAL & RESERVES

The Bank was having an issued and paid up capital of Rs. 70.41 crore as on 31.03.2007. In September 2007, the Bank successfully completed issue of 2 crore shares @ Rs.163/- per share inclusive of premium of Rs.153/- per share to Qualified Institutional Investors under the guidelines issued by Securities and Exchange Board of India (SEBI).

The Net worth of the Bank has therefore gone up from Rs. 723.96 crore to Rs. 1160.98 crore owing to fresh capital infusion with premium and plough back of profits during the year.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on 31st March 2008 is 13.80% as against the statutory requirement of 9%. Tier I CRAR constituted 12.08% while Tier II CRAR constituted 1.72%.

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares have been 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 2008-09.

BUSINESS ACHIEVEMENTS

Deposits: The Bank could increase its total deposits to Rs. 15156 Crore from Rs.12239 Crore last year, registering a growth of 23.83 %.

The break up of the deposits as on 31.03.2008 is as under:-

	Amount (Rs. in crores)	% to total Deposits
Current Deposits	773.12	5.10
Savings Deposits	2875.72	18.97
Term Deposits	11507.28	75.93
Total	15156.12	100.00

Advances: Total advances of the Bank stood at Rs. 10754.36 crore registering a growth of 29.45% from that of the previous year. Total Priority Sector Advances amounted to Rs. 3816.72 crore which is 45.94 % of the Adjusted Net Bank Credit (ANBC) as at the end of the previous year, as against the target of 40% of the ANBC prescribed by Reserve Bank of India (RBI). Exposure to Agricultural sector amounted to Rs.1489.05 crore forming 17.92% of the ANBC as at the end of the previous year.

Split-up of exposure under Priority Sector is furnished below:

	Amount (Rs. in crores)
Agriculture & Allied Activities (including eligible RIDF investments)	: 1489.05
Small Enterprises	: 738.46
Other Priority Sector	: 1589.21
Total Priority Sector Advances	: <u>3816.72</u>

INVESTMENTS

The financial year saw RBI continuing its tight monetary policy. During the year, RBI hiked Cash Reserve Ratio (CRR) by 125 basis points to 7.50% resulting in higher cost of funds to the Bank. Ten year benchmark yield at the beginning and end of the financial year remained unchanged at 7.93%. However during the course of the year, the ten-year yields had dropped to a low of 7.50%.

The Stock markets showing a spectacular bull run upto December 2007 corrected very sharply during the last quarter of the financial year with index losing nearly 25% of its gains. The capital market also saw a number of companies coming out with Initial Public Offers (IPOs) to augment their capital base and to benefit from the growing confidence of the investors in the capital market during the earlier part of the year. The Bank actively participated in primary market issues which has generated good income. The trading profit during the year was Rs. 31.57 Crore by trading in equity, bonds, mutual funds, etc.

During the financial year, the gross investments increased from Rs.3457.00 crore to Rs.4608.00 crore. The incremental investments were mainly due to increase in Statutory Liquidity Ratio (SLR) requirements and Non-SLR investments, which are yielding higher returns.

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 previous year 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.3.60 crore.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2007-08, the Bank had taken various steps for recovery of non-performing assets and thereby contain the growth of NPAs. 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. were the major tools used by the Bank for NPA recovery.

As a result of the various steps taken, the Bank could recover NPAs to the tune of Rs.172.31 crore during the year against the target of Rs. 130.00 crore. The Gross NPAs of the Bank as on 31.03.2008 were Rs.188.48 crore as against Rs.321.21 crore as on 31.03.2007. The percentage of Gross NPA to Gross Advances came down from 3.94% as on 31.03.2007 to 1.78% as on 31.03.2008.

The most notable achievement in NPA management was that the Bank could reduce the percentage of net NPA to net Advances from 0.98% as on 31.03.2007 to 0.33% as on 31.03.2008.

AUTOMATION AND COMPUTERISATION

The Bank has accomplished 100% core banking status as on 31.03.2007. It has a primary data centre at Ernakulam and a back up disaster recovery centre at Bangalore functioning to support the Core Banking Solution (CBS) application. The Wide Area Network (WAN) built up as an exclusive CUG (Closed User Group) to run the CBS application consists of both terrestrial and VSAT media. The network is both voice and data enabled.

Leveraging on the CBS platform, Bank could introduce net banking, mobile banking, anywhere banking and other related delivery channel services. Bank could also introduce Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT) payment gateways for interbank and customer initiated fund transfers, at all its branches.

Information Security Management System of the Bank has been robust and efficient ever since it was introduced in 2003. Bank has deployed all regulatory and mandatory security framework in order to ensure the requirements of information asset - confidentiality, integrity and availability. Bank has bagged the prestigious technology excellence award in 2006 from IDRBT, the technical arm of RBI for the best policy and practice in Information Security. Bank has been conducting periodical Information System (IS) Audits, penetration testing, ethical hacking and also conducts periodical Disaster Recovery (DR) drills to ensure a tested Business Continuity Plan.

The Bank has plans to introduce a comprehensive Management Information System (MIS) which would provide information and data on demand to the needy at any time. Bank also contemplates to have a Business Intelligence System (BIS) as well which will cater to the requirement of data/information with dynamicity using the artificial intelligence embedded in it. Both these will assist and augment the Decision Support System (DSS) of the Bank.

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 to face 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

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helps in controlling the various risks faced by the Bank, while maintaining proper trade off between risk and return thereby maximising the shareholder value.

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of risk are approved by the sub committee of the Board. The sub-committee of the Board also provides strategic guidance while reviewing portfolio behaviour. Senior level Management Committees like Credit Risk Management Committee, Operational Risk Management Committee, Investment Committee, Asset Liability Management Committee, etc. develop and implement the risk policies.

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 a new accord, Basel II. Basel II encompasses all three risks inherent in the business

1. Credit Risk
2. Market Risk
3. Operational Risk

of which the most difficult and hence controversial part has been assessment, measurement and quantification of Operational Risk.

CREDIT RISK

The Bank is exposed to credit risks through its lending and investment activities. The credit risk management frameworks integrate 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 in this year has been to maintain a healthy credit portfolio in the Bank. In line with the above goal, the Bank has strengthened its risk management processes by fine tuning its internal rating models for measuring credit risk and internal rating migration study to review the risk at the portfolio level and analyse the portfolio behaviour. As a measure towards credit risk mitigation, Bank has strengthened the Credit Sanction and Credit Monitoring departments by inducting more expert and experienced personnel.

Credit risks inherent in investments in Non SLR Bonds are being assessed independently by Mid office Treasury using the internal rating models developed by Integrated Risk Management Department (IRMD). Minimum entry level rating for external and internal rating are prescribed in Investment Policy for investments in Non SLR Bonds. Moreover, to strengthen the risk management system, it is proposed that the internal rating done by mid offices shall be independently confirmed by IRMD in the proposed Market Risk Management (MRM) policy.

MARKET RISK

Market risk results from changes in market value of assets arising due to 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 risk for its trading and banking book. The market risk framework identifies the types of market risks to be covered, the risk metrics and methodologies to be used to capture such risks and the standards governing the management of market risk including limit setting.

Market risk measurement on portfolios uses both statistical and non-statistical measures to monitor risks with triggers in cases of breaches in the pre-accepted levels of identified risks.

The Bank is also using Value at Risk measure, which provides valuable insights into the risk profile of the Bank's exposures. Regular stress testing is carried out to monitor the Bank's vulnerability to shocks and the impact of extreme market movements. 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.

LIQUIDITY RISK

Liquidity obligations of the Bank arise from withdrawal of deposits, repayment of purchased funds at maturity, extension of 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 period of 90 days. Stress tests are conducted in periodic intervals to test the Bank's ability to meet the obligation in a crisis scenario and to assess the impact on the Bank's liquidity to withstand stressed conditions. These positions are reviewed periodically by the Bank's Asset Liability Management Committee.

OPERATIONAL RISK

A policy on management of operational risk has been approved by the Bank to ensure that the operational risk within the Bank is properly identified, monitored and reported in a structured manner. Bank's Operational Risk Management Committee oversees application of the above said policy directives. 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. The losses due to technical failures and business disruptions are mitigated through adequate back up facilities, the existence of disaster setup and regular testing rolled over by the Information Technology Division (ITD).

The Bank has started computing capital charge under Basel II parallel run as required by RBI guidelines for Credit, Market and Operational risks from June 2006. Bank has fine tuned its Basel II parallel run by adopting various credit risk mitigation strategies aided by improved MIS systems during the year which has improved the CRAR of the Bank under Basel II. Further, Bank had appointed a consultant during the year, who is experienced in the Risk Management and Basel II implementation to review risk management processes and the parallel run under Basel II adopted by the Bank. The consultants have completed their assignments and submitted their suggestions / recommendations on various areas of risk management during the year and the Bank is in the process of further fine-tuning the system based on the consultant's recommendations. The Bank has geared up to be Basel II compliant by 31.03.2009 as prescribed by RBI.

INTERNATIONAL BANKING.

During the year ended 31st March 2008, the Bank's total forex business reached a level of Rs.54000 crore as against Rs.35473 crore last year. The merchant turnover for the year was

Rs.14219 crore as against Rs.12562 crore last year. The exchange profit for the year ended 31st March, 2008 is Rs.15.69 crore.

At present Bank is having draft drawing arrangements/remittance arrangements with three banks and nineteen Exchange Houses and electronic fund transfer (Speed remittance) facility under the brand name "SIB EXPRESS" utilizing Bank's 'Finacle' Core Banking Solution with 12 exchange houses.

The Bank continued providing managerial support to Hadi Express Exchange. The year under review was one of consolidation for the branches of Hadi Express Exchange at Dubai and Sharjah. Both these offices extended good services to attract the remittance business. The Bank with a view to increase the home remittance business from our NRI customers is having the draft drawing arrangement with 19 exchange houses. The speed remittance product, SIB Express, an arrangement under which, the remittance gets credited to the beneficiary's account with the Bank on the same day with facility to get SMS confirmation has caught the attention of the remitters from abroad. The turnover under the draft drawing arrangement increased by 65% from Rs.800 crore to Rs.1318 crore. The more popular SIB Express showed substantial increase in turn over from Rs.83 crore in previous year to Rs.454 crore for the year 2007-08.

NRI PORTFOLIO

The Bank which has the unique distinction of opening the first exclusive NRI branch in Kerala in the private sector, still occupies the prime position with 10 exclusive NRI branches in the state. The total NRI deposit is Rs. 3084.91 crore as on 31.03.2008. NRI deposit contributes 20.35% of the total deposits of the Bank.

The Bank already has drawing arrangement with many exchange companies to provide better remittance facilities to the NRIs. The Bank is in the process of making arrangements with some more major exchange companies, which will help speedy and faster remittance from various Middle East countries with a view to provide best services to the customers.

The NRI Cell at Head Office is dedicated to the full service of NRIs. The Cell also offers best support to branches in their NRI related matters and closely monitors the growth of NRI business. "NRI newsletter", a quarterly publication from NRI Cell at HO continues to provide useful information to NRIs. A new product titled Any Branch Banking (ABB) exclusively for NRIs is under consideration which aims to provide a total gamut of banking services to this segment of customers.

TRAINING

During the year 2007-2008, Staff Training College, Thrissur could conduct 61 training programmes, thereby imparting training to 1562 personnel of the Bank. This comes to 35% of the total personnel strength as on 31st March 2008. Other than the induction programmes and refresher programmes, special programmes on Basel II, Credit Management, Risk Management, HRD & Marketing, International Banking and Core Banking System were also conducted during the year. In addition to this, Bank's Regional Training Centres could impart training to 358 personnel. Over and above these programmes, during the last fiscal, Bank had nominated 175 officers to attend special programmes conducted by other training institutions, viz., Bankers Training College, Mumbai, NABARD, NIBM, Pune,

Southern Banks Staff Training College, FEDAI etc. Some of the external programmes include AML, Basel II, Branch Management, Credit & Risk Management and Financial Analysis. Thus during the last fiscal, Bank could provide training to 2095 of its personnel (Officers 1304, Clerks 701 & Sub-Staff 90), which comes to 47% of the total personnel strength.

An exclusive workshop for two days on "Basel II & Integrated Risk Management" was also conducted for the benefit of Bank's Directors at the Administrative Staff College of India, Hyderabad, during the year.

BRAND IMAGE

The incorporation of the new logo on the Bank's site as well as on the electronic media has helped to attract the youth into the Bank and thereby substantially improve the savings deposit base. Bank's website, www.southindianbank.com, is also redesigned during the year to make it more communicative, informative and educative to the visitors.

MARKETING

The Bank ventured new initiatives towards deeper penetration into varied customer segments and diversification of value embedded products and services. The technology driven products and services such as ATM cum Debit Cards, ABB accounts - CD Premium and SB Privilege, SMS Banking and Sibernet enabled the Bank to render impeccable, best-in-class services to the customers and provided impetus in acquiring a robust, widespread client base in India and abroad. Youthplus SB accounts with attractive features and freebies were launched during the year targeting tech-savvy younger generation. SB Privilege scheme was liberalized to provide differentiated options dependent on segmented customer profile, at the same time making technology dividends percolate to even ordinary SB account-holders. Also, the technology edge could be leveraged to drive business and income growth. Enhanced version of internet banking - Sibernet, was introduced for facilitating funds transfer via internet payment gateway, with further scalability already planned for utility and bills payments in the immediate future. Depository services are made available from 114 designated branches, and commencement of trading facilities with tie up with reputed broking companies is in the final phase of implementation. With a view to provide value added services to corporate clients in managing collection of receipts and payments across diverse locations, the facility of Cash Management Services (CMS) was initiated during the year.

During the year, the Bank could attain a phenomenal increase in revenue by marketing of mutual funds and insurance business. Tie ups with leading Asset Management Companies such as HSBC Investments, HDFC Mutual Fund, Fidelity Fund Management Ltd., and ABN AMRO Asset Management (India) Ltd. were concluded for distribution of Mutual Funds products. Thus an entire array of performance-featured funds is now available to the investors. Innovative strategies were designed for marketing of life insurance products of ICICI Prudential Life Insurance Co. and general insurance products of Bajaj Allianz General Insurance Co. Ltd., resulting in considerable increase in premium collections as well as income. Direct Marketing Vertical (DMV), a three tier organizational structure, was pioneered for exclusive, focused marketing of mutual funds and insurance products. This endeavour has made direct

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marketing more efficacious and sustainable in earning revenues for the Bank. Corporate branding exercise was completed during the year with the publication of 'Corporate Identity Guidelines', detailing imperatives of usage of logo in corporate communications.

'Customer Service' continues to be the paramount paradigm of all the activities of the Bank. Customer service compliance requirements are regularly monitored. The efforts to internalize the provisions of Code of Bank's Commitment to the Customer are continuously revisited and the directions of RBI/BC SBI are meticulously implemented to provide hassle-free, convenient customer services. Arrangements are made by the Bank in the website such that customers can register their complaint on-line. The name and address of Principle Code & Compliance Officer (PCCO) & Grievance Redressal Officer also is published on the website to facilitate settling of customer complaints in time. The Bank has initiated steps to provide a toll-free number for the convenience of the customers, which is expected to be functional during the first quarter of 2008-09. Bank is also in the final stages of tie up with 2 leading aggregators in India. With this tie up over Sibernet (I-banking product) customers will be able to make bill payments, e-commerce etc. from the convenience of their office/home. The arrangement is expected to be in place by the first quarter of 2008-09.

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.

Approximately 500 people are recruited annually in recent years and this will continue this year as well.

An interesting feature noticed in the Bank now is that a significant portion of the business is accounted for by younger clients and therefore it is an advantage to have young people who are adept at serving this segment of clients.

The recent new recruitments have also 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 its employees.

Needless to mention that the incentive scheme was a roaring success last year with the business growth reaching a level exceeding Rs.25,000 crore and a record all time high Net Profit of above Rs.150 crore.

Subject to the approval of the shareholders at the ensuing Annual General Meeting, the Bank is also planning to introduce 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 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 2008, the Bank had 4223 personnel on its rolls as against 3868 as on 31st March 2007. Cadre - wise break up is as under:

Officers	1932
Clerks	1616
Sub staff	675
Total	4223

Besides, there were 275 part-time employees in subordinate cadre.

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.

PARTICULARS OF EMPLOYEES

There were no employees in receipt of remuneration covered by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, during the year.

SOCIAL COMMITMENTS

Being sensitive to the issue of rural farming communities especially private borrowing from moneylenders, the Bank launched a programme named 'money lender free village' and focused Meloor, a small village in Thrissur District. Working in tandem with an NGO, Bank surveyed the village and impressed upon the borrowers to clear their liabilities with the money lenders who were charging exorbitant rate of interest.

The Bank then made arrangements to lend money to these borrowers at lower rate of interest with repayment in convenient instalments. This concept was well received by beneficiaries and social circles. On successful implementation of this project, the Bank may consider launching similar programmes in other villages.

SIB Students' Economic Forum (SIBSEF)

Student's Economic Forum, which is celebrating its 17th 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 196 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, feed back 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 2007-2008 : Global warming and Carbon Credit (April 2007), Sustainable banking (May 2007), Mutual funds part-1 (June 2007), Mutual funds part-2 (July 2007), Monetary and Credit Policy (August 2007), Reverse mortgage (September 2007), Sub-prime bubble (October 2007), Hedge funds (November 2007), Basel II and Banks' preparedness (December 2007), Basel II Pillar-I (January 2008), Basel II Pillar 2 & 3 and Union budget 2008-09 (March 2008). Open access is also made available to this publication through the "Students' Corner" page of the Bank's website.

SIBLINK

'SIBLINK', Bank's corporate family magazine, has been functioning as an internal PR tool educating and also motivating the staff for better performance.

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 given much importance to compliance of the AML guidelines to guard against money laundering through our Branches. The transactions flowing from all the Branches and all the transactions on systems used in International Banking Division, Treasury Department, etc. will also be brought under automated monitoring of the AML software.

E-Circular

The Bank has acquired a software named 'e-circular' to issue circulars to the branches from Head Office and Regional offices, in electronic form, enabling the branches to access the instructions instantaneously on a real time basis. This has taken the Bank one step forward towards the vision of a paperless office.

DIRECTORS

Sri Davy K Manavalan and Sri G A Shenai who retired at the 79th Annual General Meeting held on 29.06.2007, were re-appointed as Directors of the Bank. At the said Annual General Meeting, Sri Paul Chalissery, Sri Mathew L Chakola and Dr N J Kurian were elected as Directors of the Bank liable to retire by rotation.

Dr John Joseph, Dr C J Jose and Sri Jose Alapatt 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 79th Annual General Meeting held on 29th June 2007, appointed M/s Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Central Auditors for the audit of Bank's accounts for the year 2007-08.

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 2008-09.

Reserve Bank of India (RBI), vide its letter DBS.ARS. No.17264/08:21:005/2007-08 dated June 16 2008, has approved the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Statutory Auditors of the Bank for

the year 2008-09 under section 30(1A) of the Banking Regulation Act, 1949, pursuant to an application made by the Bank. The Board of Directors recommends their appointment.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors' Report for the year 2007-08 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 2008, 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 2007-08 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 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 2008, 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, 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. Further, the Board expresses its appreciation for the dedicated service rendered by employees of the Bank at all levels.

Thrissur
28.06.2008

By Order of the Board
Sd/-
(Dr. V.A.JOSEPH)
CHAIRMAN

**MANAGEMENT DISCUSSION AND ANALYSIS
REPORT**
Economic Scenario

The Indian Economy maintained a robust and steady growth in 2007-08, though marginally short by previous year's performance. The growth in Gross Domestic Product (GDP) for 2007-08 was 9% as compared to 9.6% for 2006-07. Agriculture and allied activities registered a growth of 4.5% as against 3.8% in the year before. Industrial sector grew by 8.6% in 2007-08, lower than 10.6% in the previous year. Real GDP originating in the services sector rose by 10.6 % during 2007-08 as compared with 11.2% a year ago. The output of the key infrastructure industries also registered a lower growth of 5.6% during 2007-08 as against 8.7% in the previous year. Corporate sector experienced some slackness in growth with respect to the recent past but continued to remain healthy during 2007-08.

On a year to year basis, inflation based on the wholesale price index stood at 7.4% in the last week of March, 2008 as against 5.9% a year ago. However on an annual average basis, inflation at 4.7% during 2007-08 was lower than 5.4% in the previous year. Timely intervention of RBI with monetary measures like hike in CRR rate has helped to hold back the inflation rate from further escalation.

Capital market was eventful with heavy fluctuations. The BSE Sensex which stood at 13072, at the beginning of the year, grew by 19.7% to reach 15644 by March end 2008. The intra-year peak of 20873 was recorded on January 8, 2008 whereas the intra-year trough of 12445 was recorded on April 2, 2007. Performance of the equity market was influenced largely by sound macroeconomic fundamentals, private corporate profitability, institutional buying support and global macroeconomic conditions. Corporates were successful in mobilizing huge capital through public issues.

Banking Scenario

Aggregate deposits of Scheduled Commercial Banks (SCBs) increased by 22.2% (Rs.580208 crore) during 2007-08 as compared with 23.8% (Rs.502885 crore) in the previous year. In addition to the mobilization of deposits, the banking sector's lendable resources were augmented substantially by capital raised through public issues and innovative capital instruments during 2007-08.

Provisional information on the sectoral deployment of bank credit available upto February 2008 indicates, as anticipated, a gradual deceleration over the year. While credit to services, industry and agriculture sector recorded a good growth, credit growth in

personal loans, housing and real estate loans decelerated considerably. Growth of non-food credit extended by the SCBs was lower at 22.3% compared with 28.5% in the previous year. Food credit of SCBs declined by Rs. 2121 crore in 2007-08 as against an increase of Rs.5830 crore in the previous year.

SCBs' investments in bonds/debentures/shares of public sector undertakings, private corporate sector and commercial paper (CP) increased by 14.2% during 2007-08 as against an increase of 5.1% in the previous year. Commercial Banks' investment in Government and other approved securities increased by 22.9% compared to 10.3% in 2006-07.

Money supply (M3) increased by 20.7% in 2007-08 as compared with 21.5% in 2006-07. Reserve money increased by 30.9 percent during 2007-08 as compared with 23.7% in the previous year. Bankers' deposits with Reserve Bank of India increased substantially by 66.5% due to hike in CRR during the year, as compared with the increase of 45.6% in 2006-07.

Developments in global financial markets in the context of subprime crisis warranted more intensified monitoring and swift responses with all available instruments to preserve and maintain domestic macro economic and financial stability. In addition to the risks to inflation from high and volatile international price of fuel, increase in the price of food and metal has complicated the task of the monetary authorities in soothing out the liquidity and solvency stress in financial markets and institutions. Inflationary trends necessitate better liquidity management and this will continue to assume priority in the conduct of monetary policy.

The overall stance of the monetary policy for the current year will be:-

- to ensure a monetary and interest rate environment that will contain the inflation but at the same time be conducive to continuation of the growth momentum.
- To be alert to the changing international economic developments and take appropriate measures to respond accordingly.
- To ensure credit quality as well as credit delivery, in particular, for employment-intensive sectors, while pursuing financial inclusion.

Economic and Banking Outlook

Macroeconomic condition in India continues to be sound. The Global economy is into a recession with subprime mortgage crisis carrying the gravest risk for the world economy. A spill over effect of the global scenario to our economy cannot be ruled out as the domestic markets are not fully insulated from

the developments abroad. Rising inflation due to hardening of international food, crude and metal prices are causes of concern for the Indian Economy. RBI intends to bring down inflation from the current high level to around 5.5 percent in 2008-09 with a preference for bringing it as close to 5% as soon as possible. The monetary measures embarked upon to achieve this feat would have a direct impact on the credit growth of the banking sector. Expecting a moderation in growth, RBI forecasts a GDP growth of 8 to 8.5% in the current financial year.

Global economic activity decelerated somewhat in relation to earlier expectations, mainly on account of the slowdown in the US economy. During the first quarter of 2008, the unfolding of the sub-prime mortgage crisis coupled with growing concerns about a contraction of economic activity in the US in 2008 appears to be feeding into a deterioration in the outlook for global growth which has remained relatively resilient so far. There are some signs that the slowdown in the US may spill over to the Euro area and Japan with potential implications for the emerging market economies (EMEs) through trade, financial markets and other linkages.

Opportunities and Threats

Business confidence surveys conducted by certain agencies convey a somewhat tempered but overall positive outlook on the economic conditions for the first half of the current financial year. The scope for investment is high as there is a positive expectation of improvement in the financial position, order books and capacity utilisation.

The Indian equity market witnessed large swings during 2007-08. The BSE sensx reached an intra year peak of 20873 in January 2008. The Corporates mobilised large resources through public issues during the year. Sound macro-economic fundamentals, private corporate profitability, institutional buying support and global macro-economic conditions were the major factors determining the movements in equity prices. Institutional and procedural changes to improve credit delivery to productive sectors, especially those with relatively higher employment intensity, have been undertaken by RBI. Going forward, the combination of these measures should provide a conducive environment for the revival of consumption demand. The investment demand is high and will remain the driving force of overall economic activities. This will be complemented by rising domestic savings, on-going improvement in productivity and a steady expansion of supply capabilities.

Threats to growth and stability from global developments have increased considerably with highly uncertain likelihood of early

resolution. Global economic activity decelerated somewhat in relation to earlier expectations, mainly on account of the slow down in the US Economy. There is now much higher probability of a global economic and credit slow down than was anticipated till recently. However, uncertainties in regard to the Indian economy appear less relative to those in the global economy and moderation in growth rather than a significant slow down appears likely in the case of India.

Risks to inflation and inflation expectation due to international food, crude and metal prices have become more potent and real than before. Volatile capital flows, large movement in the cash balances of the Government and consequent changes in liquidity conditions continue to complicate monetary management.

Financial performance Vs. Operational performance

For the first time in the history of the Bank, the Net Profit crossed the milestone figure of Rs.150 crore to reach a level of Rs.151.62 crore as against Rs.104.12 crore last year (Rs.86.49 crore excluding extra ordinary profit). As regards the total business of the Bank, it grew from Rs.20547 crore to Rs.25910 crore. While the deposits grew from Rs.12239 crore to Rs.15156 crore, advances grew from Rs.8308 crore to Rs.10754 crore. Food credit increased to Rs.260.90 crore from Rs. 259.00 crore and non-food credit increased to Rs.10494.90 crore from Rs. 8049.00 crore in the last year, showing a total increase of Rs. 2445.90 crore. The Board has recommended a dividend of 30% i. e. @ Rs.3 per Equity share of Rs 10/- which is subject to approval of the shareholders.

Owing to aggressive recovery measures resorted to during the course of the year, the Bank could bring down the Gross NPA to Gross Advances from 3.94% to 1.78% and the Net NPA to Net Advances from 0.98% to 0.33%. The Capital Adequacy Ratio of the Bank has reached a level of 13.80% as on 31/03/08 as against the RBI mandated level of 9% and the Bank could increase the book value per share from Rs.102.84 to Rs.128.43 by infusion of fresh capital at a premium and plough back of profits.

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) Regulations 2002 to prevent practices of Insider Trading. The Chief Financial Officer has been designated as Compliance Officer for this purpose. The Chairman, Directors and Senior Management of the Bank have affirmed compliance with this Code.

DIRECTORS' REPORT**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, 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.

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.

The Directors attended an exclusive work-shop for 2 days on "Basel II and Integrated Risk Management" at the Administrative Staff College of India, Hyderabad, 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 13.80% as on 31st March 2008, 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. 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) has been proposed by the Bank which is subject to the approval of the shareholders. This will serve to strengthen the bond of relationship between the Bank and its employees.

Thrissur
28.06.2008

By Order of the Board
Sd/-
(Dr. V.A.JOSEPH)
CHAIRMAN

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

Corporate Governance ensures high standards of transparency, accountability, ethical operating practices, professional management and thereby enhancing shareholder 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:

a) Composition of Board:

The composition of the Board of Directors is governed by the provisions of the Banking Regulation Act, 1949. 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 Act. 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, 2008.

The composition and category of the Directors during the year are given below: -

Sl.No.	Name of Director	Category of Director	No. of Board Meetings attended (13 meetings held)	Attendance at last AGM on 29 - 06 -2007
1	Dr. V. A. Joseph Chairman & Chief Executive Officer	Executive	13	Present
2	Sri. Mohan Alapatt*	Independent Non-executive	01	N. A
3	Sri G. A. Shenai, Director	Independent Non-executive	13	Present
4	Dr. John Joseph, Director	Independent Non-executive	13	Present
5	Sri A. S. Narayanamoorthy, Director	Independent Non-executive	13	Present
6	Sri. Davy K Manavalan Director	Independent Non-executive	10	Present
7	Dr. C. J. Jose Director	Independent Non-Executive	08	Absent
8	Sri. Jose Alapatt Director	Independent Non-Executive	05	Absent
9	Sri. Paul Chalissery Director	Independent Non-Executive	12	Present
10	Sri. Mathew L Chakola Director	Independent Non-Executive	11	Present
11	Dr N. J. Kurian** Director	Independent Non-Executive	09	Present

* Sri. Mohan Alapatt retired from the Board w.e.f. 23-04-2007

** Dr. N J Kurian was appointed as Additional Director w.e.f. 23/05/2007.

ANNEXURE TO THE DIRECTORS' REPORT

b) Board Meetings held and dates on which held:

A total of 13 Board Meetings were held during the year and their dates are: - 23-04-2007, 23-05-2007, 29-06-2007, 10-07-2007, 17-08-2007, 24-09-2007, 10-10-2007, 17-11-2007, 28-12-2007, 09-01-2008, 11-02-2008, 17-03-2008, 29-03-2008

c) Directors' Shareholding as on 31-03-2008

Name of the Director	No. of shares held	% of holding
1 Dr. V A Joseph	10284	0.01%
2 Sri G A Shenai	9279	0.01%
3 Dr John Joseph	21538	0.02%
4 Sri A S Narayanamoorthy	11550	0.01%
5 Sri Davy K Manavalan	1937	0.002%
6 Dr. C J Jose	1071	0.001%
7 Sri Jose Alapatt	6100	0.007%
8 Sri Paul Chalissery	3210	0.004%
9 Sri Mathew L Chakola	91218	0.10%
10 Dr N. J. Kurian	1500	0.001%

d) Committee position of Directors in the Bank as on 31.03.08.

The Board has constituted the following Committees for discharging various functions:

- | | |
|--|--------------|
| 1. Audit Committee of Board | (A.C.B.) |
| 2. Management Committee of Board | (M.C.B.) |
| 3. Share holders/Investors Grievance Committee. | (S.I.G.C.) |
| 4. Committee to Review Irregular Advances. | (C.R.I.A.) |
| 5. Committee to Review Large Value Frauds | (C.R.L.VF.) |
| 6. Risk Management Committee of Board | (R.M.C.B.) |
| 7. Nomination Committee of Board | (N.C.B.) |
| 8. Customer Service Committee of Board. | (C.S.C.B.) |
| 9. Remuneration Committee of Board | (R.C.B.) |
| 10. Committee to Explore the Possibilities of Acquiring a Bank | (C.E.P.A.B.) |
| 11. Real Estate Committee of Board | (R.E.C.B.) |
| 12. Compensation Committee of Board | (C. C. B.) |

Dr.V A Joseph, Chairman is the Chairman of C.R.I.A., R.M.C.B., C.R.L.VF., C.S.C.B., N.C.B., M.C.B. & C.C.B.

Dr. John Joseph, Director is the Chairman of C.E.P.A.B.

Sri.A S Narayanamoorthy, Director is the Chairman of A.C.B. Sri.Davy K Manavalan, Director is the Chairman of S.I.G.C. & R.C.B. Sri.Mathew L Chakola, Director is the Chairman of R.E.C.B.

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.

e) Committee position of the Directors in other Public Limited Companies.

Sri. G A Shenai, Director, is a Director on the Board of Syndbank Services Ltd., (A wholly owned subsidiary of Syndicate Bank), a public limited Company. Sri A S Narayanamoorthy, Director, is a Director of the Cochin Stock Exchange Ltd and also an Additional Director in LIC Housing Finance Ltd. Other than these Directors, no other Director including Chairman is a Director in any other Public Limited Company.

2. COMMITTEES OF BOARD

2 a. AUDIT COMMITTEE OF THE BOARD (ACB):

The names of members and the number of meetings attended by them are furnished below: A total of 10 meetings were held during the year.

Members	No. of meetings attended
Sri. A S Narayanamoorthy (Chairman)	09
Sri. G A Shenai	10
Sri. Davy K Manavalan*	02
Dr. C J Jose	07
Sri. Paul Chalissery	09
Dr N. J. Kurian**	05

* Ceased to be a member w. e. f. 29-06-2007

** Inducted into the Committee w. e. f. 29-06-2007

Sri. A.S Narayanamoorthy, who is also a Chartered Accountant by profession, is the Chairman of the Committee. 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.

The functions of Audit Committee include the following: -

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the quarterly/half-yearly/yearly financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing with the management performance of statutory/internal auditors, adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with internal auditors on any significant findings and follow up there on.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
9. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
11. To review the functioning of the Whistle Blower mechanism.
12. To review the Inspection Reports of Poorly Rated Branches ('D' rated), Specialized Branches (other than NRI Branches) and large branches. The report should have special focus on the follow-up on:
 - Inter branch adjustment accounts
 - Un-reconciled long outstanding entries in inter-bank accounts and nostro accounts
 - Arrears in balancing of books at various branches

ANNEXURE TO THE DIRECTORS' REPORT

- Frauds and
 - All other major areas of house-keeping
13. To obtain and review half-yearly reports from the Compliance Officers appointed in the Bank in terms of RBI instructions.
14. On statutory audits, it should follow up on all issues raised in the long form audit report. It should interact with the external auditors before the finalization of the annual/half-yearly financial accounts and reports.
15. It should follow up on all the issues/concerns raised in the inspection reports of RBI. It shall have the authority to investigate into any matter in relation to the items specified in the terms of reference or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the company and seek external professional advice, if necessary.
16. All other review reports including Risk Based Internal Audit Reports, which are presently being put up before the committee.

A total of 10 meetings of Audit Committee were held during the year and their dates are:

22/04/2007, 23/05/2007, 10/07/2007, 06/08/2007, 24/09/2007, 09/10/2007, 17/11/2007, 09/01/2008, 11/02/2008, 17/03/2008

2-b MANAGEMENT COMMITTEE OF BOARD :-

Management Committee of Board (MCB) 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 Chairman and all other matters permitted by the Board from time to time. The Board of Directors of the Bank at its meeting held on 24.03.07, decided to constitute the Management Committee of Board (MCB) w.e.f 01/04/2007. The Committee was constituted with the following members:- Dr V A Joseph (Chairman), Sri. G A Shenai, Dr. John Joseph, Sri. A S Narayanamoorthy , and Sri. Paul Chalissery. A total of 18 meetings were held during the year and the number of meetings attended by each member and the dates of meetings are given below:-

14-05-2007, 12-06-2007, 28-06-2007, 14-07-2007, 06-08-2007, 05-09-2007, 17-09-2007, 10-10-2007, 27-10-2007, 17-11-2007, 07-12-2007, 28-12-2007, 09-01-2008, 22-01-2008, 11-02-2008, 01-03-2008, 17-03-2008, 29-03-2008

Members	No. of meetings attended
Dr. V A Joseph (Chairman)	18
Sri. G A Shenai	18
Dr. John Joseph	18
Sri. A.S Narayanamoorthy	15
Sri. Paul Chalissery	17
Sri. Davy K Manavalan*	03

* Sri. Davy K Manavalan had been included in the Management Committee of Board (MCB) as a special invitee for a short period during the QIP Issue and he attended 3 meetings.

2-c. SHAREHOLDERS /INVESTORS GRIEVANCE COMMITTEE (SIGC)

The Committee looks into redressal of shareholders and 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 from time to time. The terms of reference of Shareholders/Investors Grievance Committee has been expanded. The following agenda items are being placed before the committee: -

1. Consolidated statement of transfer of shares/transmission/deletion etc., duly approved by General Manager (Admn.) from time to time.
2. Certificate issued by Practising Company Secretary (PCS) in connection with half-yearly physical share transfer audit.
3. Certificate issued by PCS for secretarial audit on quarterly basis.
4. Details of shareholder complaints received, redressed, pending etc during a particular quarter.
5. List of Top 10/100 shareholders at the end of every quarter.
6. Corporate Governance Report and Certificate issued by PCS, prepared once in a year.
7. Any other item with the permission of the Board.

During the year four meetings were held on 29.06.07, 24.09.07, 28.12.07 and on 29.03.2008.

Members	No. of meetings attended
Sri. Davy K Manavalan (Chairman)	04
Sri. G A Shenai*	04
Sri. Jose Alapatt	01

*Inducted into the Committee w. e. f. 29-06-2007

During the year 2007-08, the number of investor complaints received and attended to by the Company is as follows:

Nature of complaint	No. of complaints pending as on 01.04.2007	No. of complaints received	No. of complaints replied / redressed	Pending as on 31.3.2008
Non-receipt of Refund Order	NIL	08	08	NIL
Non-Receipt of dividend warrants	NIL	52	52	NIL
Request for issue of duplicate share certificates	NIL	34	34	NIL
Complaints received through SEBI/ Stock Exchanges	NIL	03	03	NIL
Other miscellaneous complaints	NIL	01	01	NIL
Non receipt of share certificate after transfer	NIL	04	04	NIL
TOTAL	NIL	102	102	NIL

As on 31.03.2008, no complaints from shareholders were pending for redressal.

2-d. COMMITTEE TO REVIEW IRREGULAR ADVANCES (CRIA):

This Committee has been constituted to review all N.P.A Accounts above Rs. 50.00 Lakh. The Committee meets once in a quarter. The members of the Committee are Dr. V A Joseph (Chairman), Sri. G A Shenai, Dr. John Joseph, Sri. Davy K Manavalan and Dr. C J Jose. During the year four meetings were held on 28.06.2007, 24.09.2007, 28.12.2007 and on 16.03.2008. Excepting Dr. C J Jose who attended only 2 meetings, the rest of the members attended all the meetings.

2-e. COMMITTEE TO REVIEW LARGE VALUE FRAUDS (CRLFV):

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank on 13/02/2004 with a view to provide focused attention on monitoring of frauds involving amounts of Rupees One Crore and above.

The members of the Committee are Dr. V A Joseph (Chairman), Sri. G A Shenai, Dr. John Joseph and Sri. A.S Narayanamoorthy. As no fraud of this magnitude was detected during the year, the Committee did not meet during the year.

2-f. RISK MANAGEMENT COMMITTEE OF BOARD (RMCB):

In terms of the guidelines of Reserve Bank of India, a Risk Management Committee of Board has been constituted. 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 Dr.N.J.Kurian

The committee meets atleast once in a quarter. During the year four meetings were held on 23.05.2007, 24.09.2007, 27.10.2007 and 11.2.2008. The committee members attended all the 4 meetings.

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

The Bank has started computing capital charge under Basel II parallel run from June 2006. Parallel run has been fine tuned by adopting various risk mitigation strategies. The Bank has geared up to be Basel II compliant by 31.3.2009.

ANNEXURE TO THE DIRECTORS' REPORT
2-g. NOMINATION COMMITTEE OF THE BOARD (NCB): -

This Committee was constituted by the Board on 01.10.2004 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), Dr. John Joseph, Sri. A.S Narayanamoorthy, Dr. C J Jose and Sri. Davy K Manavalan. During the year two meetings were held on 23.05.07 and 16.03.2008. While all the members excepting Dr. C J Jose attended both the meetings, Dr. C J Jose attended only one meeting.

2-h. CUSTOMER SERVICE COMMITTEE OF THE BOARD (C.S.C.B) -

Pursuant to the directives of RBI, the Bank on 12/10/2004 has constituted a Customer Service Committee of the Board.

The Committee will address the following issues-

1. Formulation of a comprehensive deposit policy
2. Incorporating issues such as treatment in case of death of depositor and operations of his/her account.
3. Product approval process.
4. Annual survey of depositor satisfaction and tri-ennial audit of such services.
5. Any other issues having a bearing on the quality of customer services rendered.
6. Placing of the report on the performance of the Ad-hoc Committee on the procedures and performance Audit, periodically.

The members of the Committee are Dr. V A Joseph (Chairman), Sri. G A Shenai, Dr. John Joseph and Sri. A.S Narayanamoorthy. The committee met four times during the year on 28.06.2007,

24.09.2007, 28.12.2007 and 16.03.2008. The Committee members attended all the four meetings.

2-i. REMUNERATION COMMITTEE OF THE BOARD (RCB):

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:-

1. Approve the changes, if any, to the Performance linked Incentive Scheme.
2. Draw up terms and conditions of the Scheme.
3. Moderate the Scheme on an on-going basis depending upon the circumstances and link with the recommendations of the Audit Committee.
4. Co-ordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and the Audit Committee and to effect such improvements in the scheme as are considered necessary.
5. On completion of the year, finalise the criteria of allotment of marks to ensure objectivity/equity.
6. Any other matter regarding remuneration to senior management of the Bank as and when permitted by the Board.

The committee met three times during the year on 14-07-2007, 10-10-2007 and 16-03-2008. While Sri. Davy K Manavalan attended only 2 meetings; the rest of the members attended all the meetings.

2-j. COMMITTEE TO EXPLORE THE POSSIBILITIES OF ACQUIRING A BANK. (CEPAB)

The Committee was constituted by the Board on 30/09/2006 to consider the inorganic growth of the Bank. The terms of reference of the Committee are as follows : -

1. To identify a suitable Commercial Bank in the Private Sector having synergy and common interest with our Bank with an intention for eventual takeover and merger with our Bank.

2. To initiate preliminary discussions with the promoters/directors of the so identified bank, to prepare them for merger with our Bank and to recommend steps to be taken to proceed further in the matter.
3. To consider and recommend all issues on manpower requirements and all other relevant matters if and when the merger of the identified bank takes place.
4. To recommend all options and alternatives available for inorganic growth of the bank considering the commercial viability and without sacrificing our identity as an independent bank.

The Committee members are Dr. John Joseph (Chairman), Sri. G A Shenai, Sri. A.S Narayanamoorthy and Sri. Davy K Manavalan. During the year, one meeting was held on 10.07.2007 and all the members attended the meeting.

2.k. Real Estate Committee of Board (RECB):-

A Real Estate Committee of Board (RECB) was constituted by the Board of Directors at its meeting held on 28-12-2007 to oversee and monitor the construction of Head Office Annexe building and a new Data Centre building at Rajagiri Valley, Kakkanad, Kochi. Sri. Mathew L. Chakola (Chairman), Sri. A.S.Narayanamoorthy and Sri. Paul Chalissery are the members of the Committee. The terms of reference of the Committee are the following:-

1. To call for tenders from reputed architects and contractors.
2. Scrutinize their site plans and estimates/fees and shortlist them for consideration.
3. Negotiate their estimates/ fees and terms and conditions.
4. Finalise the appointment of architects and contractors.
5. To continue to monitor the progress of construction till the building is completed in all respects.

During the year two meetings were held on 02.01.2008 and 25.03.2008. While Sri. A.S Narayanamoorthy attended only one meeting, the rest of the members attended both the meetings.

2.l. Compensation Committee of Board(CCB):-

A Compensation Committee of the Board (CCB) was constituted with effect from 17-03-2008 with the following Directors as members of the Committee: -

1. Dr V A Joseph(Chairman)
2. Sri G A Shenai
3. Dr John Joseph
4. Sri A S Narayanamoorthy
5. Sri Davy K Manavalan

The following will be the terms of reference for the CCB:-

1. Approval of terms and conditions of the Stock Option Scheme to be formulated by the Bank.
2. Authorise obtaining of necessary clearances, approvals and sanctions from SEBI, RBI, Stock Exchanges, Shareholders, etc for the implementation of Stock Option Scheme.
3. Appoint Merchant Bankers for advising on the Scheme and to fix their remuneration.
4. The quantum of options to be granted under an Employee Stock Option Scheme (ESOS) per employee and in the aggregate.
5. The conditions under which options vested in employees may lapse in case of termination of employment for misconduct.
6. The exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period.
7. The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
8. The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period.
9. The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others.

ANNEXURE TO THE DIRECTORS' REPORT

10. Allot the shares as and when the option holders exercise their options in terms of the Scheme.

11. Any other points which may arise while framing the scheme.

Remuneration paid to Directors during the year ended on 31st March 2008

A) The Bank paid a remuneration of Rs 23.04 lakh during the year to the Chairman and 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. Mohan Alapatt*-Rs. 5000/-, Sri. G A Shenai-Rs. 355000/-, Dr. John Joseph- Rs.290000/-, Sri. A S Narayanamoorthy-Rs. 290000/-, Sri. Davy K Manavalan-Rs. 190000/-, Dr. C.J Jose- Rs. 105000/-, Sri. Jose Alapatt-Rs. 40000/-, Sri. Paul Chalissery-Rs. 230000/-, Sri. Mathew L Chakola-Rs. 90000/-, Dr N. J. Kurian**-Rs. 105000/-. Total amount paid Rs. 17,00,000/-

* Sri. Mohan Alapatt retired from the Board w.e.f. 23-04-2007

** Dr. N J Kurian was appointed as Additional Director w.e.f. 23-05-2007.

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

Resume of Directors retiring by rotation at the 80th Annual General Meeting is given below:

a) Name : Dr. John Joseph
Age : 55 years
Qualifications : MBBS DLO
Experience : He is an industrialist, managing a SSI unit along with his brother.
Present position: Director
Sector : Majority SSI

Dr. John Joseph was co-opted as Director of the Bank on 12.02.2002. He is not a Director in any other public limited company. However, he is a Director in Janakshemam Kuries Pvt. Ltd., Thrissur. He is a member of the following committees of

the Board of the Bank and the Chairman of CEPAB. : - MCB, CRIA, RMCB, CRLVE, CSCB., NCB, RCB and CCB.

He holds 21538 shares in the Bank. He retires by rotation at the 80th Annual General Meeting and is eligible for re-appointment.

b) Name : Dr. C. J. Jose
Age : 68 years
Qualifications : MD (General Medicine)
Experience : Practicing Physician and an Agriculturist
Present position: Director
Sector : Majority-Agriculture & Rural Economy.

Dr. C.J Jose was appointed as a Director on the Board on 01.10.2004. He has sufficient knowledge and practical experience in agriculture and rural economy especially in raising of food crops, plantation crops, etc. and also in marketing these produces, by assisting and supervising family farms, coconut gardens and banana plantations in Kunnankulam, Thrissur District. He is not a Director in any other public limited company. He is a member of the following committees of the Board of the Bank: -ACB, NCB and CRIA

He holds 1071 shares in the Bank. He retires by rotation at the 80th Annual General Meeting and is eligible for re-appointment.

c) Name : Sri. Jose Alapatt
Age : 59 years
Qualifications : B.Sc.,
Experience : An established business leader and exporter.
Present position: Director
Sector : Minority.

He is a member of the SIGC of the Board. He holds 6100 shares in the Bank. He is not a Director in any other public limited company. He retires by rotation at the 80th Annual General Meeting and is eligible for re-appointment.

ANNEXURE TO THE DIRECTORS' REPORT
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
77th Annual General Meeting	Friday 23rd Sept- ember,2005 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B.Road, Thrissur.	Yes 3Special Resolution passed 1. For altering Article 60 of the Articles of Association of the Bank. 2. Issue of further Equity shares 3. For approval for the de-listing of the Bank's shares from Cochin Stock Exchange Ltd.
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	Special Resolution passed for issue of shares under Qualified Institutions Placement (QIP)

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

5. DISCLOSURES:

- We have extended the following facilities to M/s Sunili Leathern Pvt. Ltd., Kolkata, in which Sri. Lazar K Manavalan is a Director whose brother Sri. Davy K Manavalan is one of our Directors:-
 - Packing Credit Limit Rs. 70 lakh
 - Foreign Bill Purchase Rs. 10 lakh
 - Fully Secured Term Loans Rs. 27.59 lakh.
- We have extended a Home Loan for Rs. 20 lakh to Sri. Francis K Manavalan, brother of Sri. Davy K Manavalan, who is one of our Directors.
- The Bank has extended a Fully Secured Loan of Rs. 797.56 lakh to M/s. Ravindra & Associates, an affiliate of M/s. RDS Projects Ltd. in which Mr. John Manavalan, brother of Mr. Davy K Manavalan, (Director of the Bank), is a Director.
- We have extended a CCOL limit of Rs. 60 lakh to M/s. Johnson exports, whose proprietor, Sri. George Antony, is the brother-in-law of Dr. John Joseph, one of our Directors

Other than the above, there were no other material transactions between the Company and the Directors of the Company.

- No strictures have been imposed on the Company by any regulatory authority for non-compliance of any laws.
- There were no instances of non-compliance of any of the rules of SEBI/ Stock Exchanges during the last three financial years.
- No Director was disqualified to act as a Director under Section 274(1)(g) of the Companies Act, 1956.
- Incidentally, Sri. A. S. Narayanamoorthy has become a Director of the Cochin Stock Exchange Ltd., Kochi w. e. f. 23-07-2007.

Information supplied to the Board

Among others, this includes: -

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

ANNEXURE TO THE DIRECTORS' REPORT
7. Materially important show cause, demand, prosecution, and penalty notices.

The Board is routinely presented with all information under the above 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.

6. MEANS OF COMMUNICATION

The unaudited/audited quarterly financial results of the Bank are forwarded to the Cochin Stock Exchange Ltd., The Bombay Stock Exchange Ltd. Mumbai 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 open to public through www.sebiedifar.nic.in. The results are also displayed on the Bank's Website at <http://www.southindianbank.com>

7. GENERAL SHAREHOLDER INFORMATION

80th Annual General Meeting	Date	18.08.2008
	Day	Monday
	Time	10.00 a.m.
	Venue	Towers Auditorium, Trichur Towers Hotel P Ltd., T.B. Road, Thrissur - 21.
Financial year		2007-08
Book Closure Date		11.08.2008 to 18.08.2008 (both days inclusive)
Dividend Payment Date		23.08.2008
Name & designation of Compliance Officer		A.S. Narayanan, Company Secretary
Share Transfer Agents.		BTS Consultancy Services Private Limited Panna Plaza, 2nd Floor, New No. 139 (Old No. 74) Arcot Road, Kodambakkam, Chennai - 600 024. Phone - 044 - 23723355 Fax No. 044 - 23750282 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		asnarayanan@sib.co.in / ho2006@sib.co.in
Bank's Website		http://www.southindianbank.com

Listing of the Bank's Equity Shares:

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

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 2008-09 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 & Year	High (in Rs.)		Low (in Rs.)	
	NSE	BSE	NSE	BSE
April 2007	107.45	107.20	90.90	80.00
May 2007	110.50	109.40	98.50	98.00
June 2007	129.00	129.00	96.30	98.60
July 2007	161.90	162.00	128.10	123.00
August 2007	156.05	156.00	128.10	129.15
September 2007	178.00	170.95	152.50	152.00
October 2007	178.70	175.00	146.10	145.15
November 2007	191.90	192.00	155.00	157.50
December 2007	231.90	233.00	169.05	169.10
January 2008	286.80	285.60	153.50	154.65
February 2008	214.20	214.00	173.10	173.05
March 2008	180.00	179.90	128.40	128.00

Distribution of shareholding as on 31.03.2008:

Category (No. of Shares)	Physical		Demat	
	No. of holders	Shares	No. of holders	Shares
Upto 100	35617	2513990	19850	1417745
101 - 200	6654	1176371	8878	1473329
201 - 500	6650	2265434	7779	2753886
501 -1000	1537	1160792	2869	2175454
1001 - 5000	1242	2169004	2340	4542099
5001-10000	102	709197	188	1357063
10001-50000	44	908365	145	3108910
50001 & above	2	201633	68	62471920
Total	51848	11104786	42117	79300406

Total number of shareholders both physical and electronic put together is 93965.

Members' Profile as on 31st March, 2008 is as under:

Category	Shares		Total	% to total shares
	Physical	Demat		
Resident Individuals	8962671	17673598	26636269	29.46
Non - Resident Individuals	1523796	764191	2287987	2.53
Domestic Companies	533544	2485754	3019298	3.34
Directors and their relatives	84775	279236	364011	0.40
Public Financial Institutions	—	80000	80000	0.09
Foreign Bodies Corporate	—	4340000	4340000	4.80
Insurance Companies	—	2006593	2006593	2.22
Nationalised Banks	—	679924	679924	0.75
Other Banks	—	4440355	4440355	4.91
Trusts	—	2454053	2454053	2.72
FII's	—	41439267	41439267	45.84
Mutual Funds	—	2615846	2615846	2.89
Others (Clearing Members)	—	41589	41589	0.05
Total	11104786	79300406	90405192	100.00

ANNEXURE TO THE DIRECTORS' REPORT
Break up of shares in physical and electronic mode as on 31-3-2008:

Mode	No. of holders	No. of shares	% to total shares
Physical	51848	11104786	12.28
Electronic	42117	79300406	87.72
Total	93965	90405192	100.00

Share Transfer System:

The Bank has appointed M/s. B.T.S Consultancy Services Private Limited, Chennai as its Share Transfer Agents and the share transfer/transmission, dividend payments and all other investor related matters are attended to and processed at the office of Share Transfer Agents of the Bank. The Share Transfer Agents, after processing the requests of investors, put up the same to the Bank's General Manager (Administration), 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 with a valid, 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 2008, 87.72% 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 1995-1996, 1996-1997, 1997-98, 1998-99 and 1999-2000 have been transferred to the "Investors' Education and Protection Fund". The unpaid dividend for the financial year 2000-2001 will become due to be transferred to the Fund on or before 22nd August 2008.

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, Chairman and Chief Executive Officer of the Bank, hereby declare that the Bank's Code of Conduct has been accepted and 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
28.06.2008

By Order of the Board
Sd/-
(Dr. V.A.JOSEPH)
CHAIRMAN

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members
The South Indian Bank Limited
Thrissur

We have examined the compliance of conditions of Corporate Governance by The South India Bank Limited for the year ended on 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Bank with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the 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 : 28th June 2008

AUDITORS' REPORT

The Members

The South Indian Bank Limited
Thrissur

1. We have audited the attached Balance Sheet of The South Indian Bank Limited as at 31st March 2008 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 493 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 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 2008 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, 2008;
 - (ii) in the case of the Profit and Loss Account, of true balance of 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.

Kochi
18th April, 2008

For Deloitte Haskins & Sells
Chartered Accountants

Sd/-
M. Ramachandran
Partner
M.No. 16399

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule No.	As at 31.3.2008 Rs('000)	As at 31.3.2007 Rs('000)
CAPITAL AND LIABILITIES			
Capital	1	904052	704052
Reserves and Surplus	2	10705764	6535566
Deposits	3	151561215	122392087
Borrowings	4	275851	325055
Other liabilities and Provisions	5	7452416	6569030
TOTAL		170899298	136525790
ASSETS			
Cash and Balances with Reserve Bank of India	6	9736487	6996701
Balances with banks and money at call & short notice	7	7290001	12458035
Investments	8	45722249	34301326
Advances	9	104537496	79189121
Fixed Assets	10	1127547	895900
Other Assets	11	2485518	2684707
TOTAL		170899298	136525790
Contingent Liabilities	12	21053481	16405761
Bills for collection		1818534	1681541

Kochi 18.04.2008 A.S.Narayanan (Sd/-) Secretary K.S.Krishnan (Sd/-) Chief Financial Officer Alex Mathew (Sd/-) General Manager Cheryan Varkey (Sd/-) General Manager M.Valsan (Sd/-) Executive Director Dr.V.A.Joseph (Sd/-) Chairman

DIRECTORS

1. G.A. Shenai (Sd/-) 2. Dr. John Joseph (Sd/-) 3. A.S. Narayanamoorthy (Sd/-) 4. Davy K. Manavalan (Sd/-) 5. Dr. C.J. Jose (Sd/-)
6. Jose Alapatt (Sd/-) 7. Paul Chalissery (Sd/-) 8. Mathew L. Chakola (Sd/-) 9. Dr. N.J. Kurian (Sd/-)

As per our Report of even date 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, 2008

	Schedule No.	Year ended 31.3.2008 Rs('000)	Year ended 31.3.2007 Rs('000)
INCOME			
Interest Earned	13	13092374	9766097
Other Income	14	1245801	1031539
	TOTAL	14338175	10797636
EXPENDITURE			
Interest Expended	15	9150979	6090917
Operating Expenses	16	2480673	2188551
Provisions & Contingencies		1190288	1476992
	TOTAL	12821940	9756460
PROFIT/LOSS			
Net Profit for the year		1516235	1041176
Profit brought forward from previous year		81920	64780
	TOTAL	1598155	1105956
APPROPRIATIONS			
Transfer to Statutory Reserves		380000	268100
Transfer to Capital Reserves		70	141710
Transfer from Investment Fluctuation Reserve		—	-820602
Transfer to Revenue and Other Reserves		810000	1228902
Proposed Dividend		271216	176013
Dividend Tax on Proposed Dividend		46090	29913
Balance carried over to Balance Sheet		90779	81920
	TOTAL	1598155	1105956
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (Basic & Diluted) (in Rs.)		18.77 *	14.79

*Weighted Average

Kochi 18.04.2008	A.S.Narayanan (Sd/-) Secretary	K.S.Krishnan (Sd/-) Chief Financial Officer	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) General Manager	M.Valsan (Sd/-) Executive Director	Dr.VA.Joseph (Sd/-) Chairman
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DIRECTORS

1. G.A. Shenai (Sd/-)	2. Dr. John Joseph (Sd/-)	3. A.S. Narayanamoorthy (Sd/-)	4. Davy K. Manavalan (Sd/-)	5. Dr. C.J. Jose (Sd/-)
6. Jose Alapatt (Sd/-)	7. Paul Chalissery (Sd/-)	8. Mathew L. Chakola (Sd/-)	9. Dr. N.J. Kurian (Sd/-)	

As per our Report of even date attached
AUDITORS

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

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31.3.2008 Rs('000)	As at 31.3.2007 Rs('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital 12,50,00,000 Equity shares of Rs 10/- each	<u>1250000</u>	<u>1250000</u>
Issued Capital 9,04,05,192 (7,04,05,192) Equity shares of Rs 10/- each	<u>904052</u>	<u>704052</u>
Subscribed Capital 9,04,05,192 (7,04,05,192) Equity shares of Rs 10/- each	<u>904052</u>	<u>704052</u>
Called up & Paid up Capital 9,04,05,192 (7,04,05,192) Equity shares of Rs 10/- each	<u>904052</u>	<u>704052</u>
TOTAL	<u>904052</u>	<u>704052</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31.3.2008 Rs('000)	As at 31.3.2007 Rs('000)
SCHEDULE 2 - RESERVES AND SURPLUS		
Statutory Reserves		
Opening Balance	1398139	1130039
Additions during the year	380000	268100
Sub total	<u>1778139</u>	<u>1398139</u>
Capital Reserves		
Opening Balance	353318	211608
Additions during the year	70	141710
Sub total	<u>353388</u>	<u>353318</u>
Asset Revaluation Reserve		
Opening Balance	191911	196049
Deductions during the year:		
Due to demolition of premises	317	
Depreciation on revaluation of Premises	3914	4138
Sub total	<u>187680</u>	<u>191911</u>
Share Premium		
Opening Balance	2278915	2278915
Additions during the year	3060000	—
Sub total	<u>5338915</u>	<u>2278915</u>
Revenue and Other Reserves		
Opening Balance	2231363	1002461
Adjustment for Employee benefits	(84500)	—
	<u>2146863</u>	<u>1002461</u>
Additions during the year	810000	1228902
Sub total	<u>2956863</u>	<u>2231363</u>
Investment Fluctuation Reserve		
Opening Balance	—	820602
Transfer to Profit & Loss Appropriation Account	—	820602
Sub total	<u>—</u>	<u>—</u>
Balance in Profit and Loss Account	90779	81920
TOTAL	<u>10705764</u>	<u>6535566</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31.3.2008 Rs('000)	As at 31.3.2007 Rs('000)
SCHEDULE 3 - DEPOSITS		
Demand Deposits		
From Banks	59918	76475
From Others	7671318	6115482
Savings Bank Deposits	28757174	23105084
Term Deposits		
From Banks	5482059	5159235
From Others	109590746	87935811
TOTAL	151561215	122392087
Deposits of branches in India	151561215	122392087
Deposits of branches outside India	—	—
TOTAL	151561215	122392087
SCHEDULE 4 - BORROWINGS		
Borrowings in India		
Reserve Bank of India	260000	320000
Other Agencies	15851	5055
TOTAL	275851	325055
Secured borrowings included in above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
Bills Payable	1375562	1358411
Interest Accrued	586934	511633
Bonds-Subordinated debts *	1550000	1735000
Others (including provisions)	3939920	2963986
TOTAL	7452416	6569030
* Amount reckoned for Tier II capital out of subordinated debt	960000	1140000
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in hand (including foreign currency notes)	1166887	696016
Balances with Reserve Bank of India in Current Account	8569600	6300685
TOTAL	9736487	6996701

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31.3.2008 Rs('000)	As at 31.3.2007 Rs('000)
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
In India		
i) Balances with Banks		
In Current Accounts	232628	274527
In Other Deposit Accounts	6528750	9341600
ii) Money at call & short notice		
With Banks	—	800000
Sub total	<u>6761378</u>	<u>10416127</u>
Outside India		
i) Balances with Banks		
In Current Accounts	81131	167537
ii) Money at call & short notice		
With Banks	447492	1874371
Sub total	<u>528623</u>	<u>2041908</u>
TOTAL	<u>7290001</u>	<u>12458035</u>
SCHEDULE 8 - INVESTMENTS		
Investments in India in :		
Government Securities	35902573	29315422
Other Approved Securities	280053	392776
Shares	479907	146267
Debentures and Bonds	2664359	2654190
Others	6395357	1792671
TOTAL	<u>45722249</u>	<u>34301326</u>
Gross Investments	46084131	34570127
Less: Depreciation	257357	152776
Provisions	104525	116025
Net Investments	45722249	34301326
Investments outside India	—	—
TOTAL	<u>45722249</u>	<u>34301326</u>
SCHEDULE 9 - ADVANCES		
Bills Purchased and Discounted	11402673	5854172
Cash Credits, Overdrafts and Loans repayable on demand	47825010	34336790
Term Loans	45309813	38998159
TOTAL	<u>104537496</u>	<u>79189121</u>
Secured by tangible assets*	81319371	69392522
Covered by Bank/Government Guarantees	8519877	2297749
Unsecured	14698248	7498850
TOTAL	<u>104537496</u>	<u>79189121</u>
Advances in India		
Priority Sector	35797830	29328056
Public Sector	9742103	7926731
Others	58997563	41934334
TOTAL	<u>104537496</u>	<u>79189121</u>
Advances outside India	—	—
TOTAL	<u>104537496</u>	<u>79189121</u>

* Including advances against Book Debts

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2008

	As at 31.3.2008 Rs('000)	As at 31.3.2007 Rs('000)
SCHEDULE 10 - FIXED ASSETS		
Premises and Electrical Installations		
At cost as on 31st March of the preceding year	1251665	1178158
Additions during the year	295489	82722
	<u>1547154</u>	<u>1260880</u>
Deductions during the year being depreciation on Revaluation of Premises adjusted from Capital Reserve	3914	4137
Sales/write off during the year	5098	5078
	<u>9012</u>	<u>9215</u>
	<u>1538142</u>	<u>1251665</u>
Depreciation to date	596103	508499
Sub total	<u>942039</u>	<u>743166</u>
Other Fixed Assets(including Furniture and Fixtures)		
At cost as on 31st March of the preceding year	433004	390803
Additions during the year	72718	45425
	<u>505722</u>	<u>436228</u>
Deductions during the year	5652	3224
	<u>500070</u>	<u>433004</u>
Depreciation to date	314562	280270
Sub total	<u>185508</u>	<u>152734</u>
TOTAL	<u>1127547</u>	<u>895900</u>
SCHEDULE 11 - OTHER ASSETS		
Inter- Office adjustments (Net)	51127	140613
Interest Accrued	1541464	1540141
Deferred tax asset	420941	701741
Stationery and Stamps	12943	15753
Non-Banking Assets acquired in satisfaction of claims	4362	5100
Others	454681	281359
TOTAL	<u>2485518</u>	<u>2684707</u>
SCHEDULE 12 - CONTINGENT LIABILITIES		
Claims against the Bank not acknowledged as debts:		
Service Tax	2790	—
Others	16832	17371
Liability on account of outstanding Forward Exchange Contracts	10410481	10227010
Guarantees given on behalf of constituents in India	7292177	2273186
Acceptances, endorsements and other obligations	3182528	3887063
Other items for which the bank is contingently liable:		
Unexpired Capital Commitments	148673	1131
TOTAL	<u>21053481</u>	<u>16405761</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Year ended 31.3.2008 Rs('000)	Year ended 31.3.2007 Rs('000)
SCHEDULE 13 - INTEREST EARNED		
Interest/Discount on Advances/Bills	9605668	6944144
Income on Investments	2907150	2188035
Interest on balances with Reserve Bank of India and Other Inter - Bank funds	579556	633918
TOTAL	13092374	9766097
SCHEDULE 14 - OTHER INCOME		
Commission, Exchange and Brokerage	280932	242797
Net Profit/(Loss) on sale of Investments	315660	315959
Net Profit/(Loss) on Revaluation of Investment	(180026)	(183748)
Net Profit/(Loss) on sale of land, buildings and other assets	(1581)	(170)
Net Profit/(Loss) on Exchange transactions	156896	146918
Miscellaneous Income	673920	509783
TOTAL	1245801	1031539
SCHEDULE 15 - INTEREST EXPENDED		
Interest on Deposits	8948117	5926026
Interest on Reserve Bank of India/Inter-Bank Borrowings	67950	9125
Others	134912	155766
TOTAL	9150979	6090917
SCHEDULE 16 - OPERATING EXPENSES		
Payments to and Provisions for Employees	1463452	1332309
Rent, Taxes and Lighting	217545	194490
Printing and Stationery (incl. Software)	81929	52141
Advertisement and Publicity	35405	36358
Depreciation	125810	121987
Less : Depreciation on revaluation of premises transferred from Asset Revaluation Reserve	3914	4138
Directors' fees, allowances and expenses	3509	3246
Auditors' fees and expenses (incl. branch auditors)	10669	8224
Law charges	10071	8874
Postage, telegrams, telephones, etc	63360	52020
Repairs and Maintenance	66131	62496
Insurance	131941	101487
Other Expenditure	274765#	219057
TOTAL	2480673	2188551

Includes expenses on issue of shares under QIP Rs.27000 ('000)

Kochi 18.04.2008	A.S.Narayanan (Sd/-) Secretary	K.S.Krishnan (Sd/-) Chief Financial Officer	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) General Manager	M.Valsan (Sd/-) Executive Director	Dr.V.A.Joseph (Sd/-) Chairman
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DIRECTORS

1. G.A. Shenai (Sd/-)	2. Dr. John Joseph (Sd/-)	3. A.S. Narayanamoorthy (Sd/-)	4. Davy K. Manavalan (Sd/-)	5. Dr. C.J. Jose (Sd/-)
6. Jose Alapatt (Sd/-)	7. Paul Chalissery (Sd/-)	8. Mathew L. Chakola (Sd/-)	9. Dr. N.J. Kurian (Sd/-)	

As per our Report of even date 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)**

1. GENERAL

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 considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates 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 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.

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 costs including brokerage, commission etc paid at the time of acquisition of investments is 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.

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.

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES
(Forming part of Balance Sheet and 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.

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 provides 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%
Residential Housing loans beyond Rs.20 Lakhs	1.00%
Loans and Advances qualifying as Personal loans, Exposures to Capital Market, Commercial Real Estate and Non deposit taking systemically important NBFCs	2.00%
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, determined on actuarial basis on projected unit credit method as on the Balance Sheet date and are 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 present value of the Bank's obligation towards the same is actuarially determined based on the

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

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 the gains / losses 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 issued by ICAI. The un-amortised amount is carried forward as Deferred Revenue Expenditure.

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

9. PROVISIONS AND CONTINGENCIES

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.

Kochi 18.04.2008	A.S.Narayanan (Sd/-) Secretary	K.S.Krishnan (Sd/-) Chief Financial Officer	Alex Mathew (Sd/-) General Manager	Cheryan Varkey (Sd/-) General Manager	M.Valsan (Sd/-) Executive Director	Dr.V.A.Joseph (Sd/-) Chairman
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DIRECTORS

- | | | | | |
|------------------------|---------------------------|--------------------------------|-----------------------------|-------------------------|
| 1. G.A. Shenai (Sd/-) | 2. Dr. John Joseph (Sd/-) | 3. A.S. Narayanamoorthy (Sd/-) | 4. Davy K. Manavalan (Sd/-) | 5. Dr. C.J. Jose (Sd/-) |
| 6. Jose Alapatt (Sd/-) | 7. Paul Chalissery (Sd/-) | 8. Mathew L Chakola (Sd/-) | 9. Dr. N.J. Kurian (Sd/-) | |

As per our Report of even date 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	31.03.2008	31.03.2007
Capital to Risk weighted Asset Ratio (CRAR %)	13.80	11.08
CRAR - Tier I Capital (%)	12.08	8.84
CRAR - Tier II Capital (%)	1.72	2.24
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

2. Business ratios / Information

Items	31.03.2008	31.03.2007
(i) Interest Income as a percentage to working funds	8.70%	8.26%
(ii) Non-interest income as a percentage to working funds	0.83%	0.87%
(iii) Operating Profit as a percentage to Working Funds	1.80%	2.13%
(iv) Return on Assets	1.01%	0.88%
(v) Business (Deposits plus Advances) per employee (Rs.in Lakhs)	600.43	508.00
(vi) Profit per employee (Rs. in Lakhs)	3.59	2.69

3. Movement in provisions for depreciation on investments:

(Rs. in Lakhs)

Items	Year ended 31.03.2008	Year ended 31.03.2007
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	460841.31	345701.28
(b) Outside India	—	—
(ii) Provisions for Depreciation		
(a) In India	2573.57	1527.77
(b) Outside India	—	—
(iii) Provisions for NPI		
(a) In India	1045.25	1160.25
(b) Outside India	—	—
(iv) Net Value of Investments		
(a) In India	457222.49	343013.26
(b) Outside India	—	—
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	1527.77	2566.52
(ii) Provisions made during the year	1145.81	820.01
(iii) Less: Write-off/ write back of excess provisions during the year	100.01	1858.77
(iv) Closing Balance	2573.57	1527.77
c. Movement of provisions held towards Non Performing Investments		
(i) Opening Balance	1160.25	1517.89
(ii) Provisions made during the year	10.00	135.00
(iii) Less: Write-off/ write back of excess provisions during the year	125.00	492.64
(iv) Closing Balance	1045.25	1160.25

**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 2008				As at 31st March 2007			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	992	87746	270288	359026	—	93416	199738	293154
Other Approved	—	80	2720	2800	—	1109	2819	3928
Shares	100	4542	157	4799	85	1221	157	1463
Debentures & Bonds	—	26644	—	26644	—	26542	—	26542
Others	—	45606	18348	63954	—	3885	14041	17926
Total	1092	164618	291513	457223	85	126173	216755	343013

5. Disclosure in respect of Non-SLR investments:

(i) 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

(ii) Issuer composition of Non-SLR investments as at 31st March 2007:

(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	22757.92	22642.86	—	257.92	1942.96
(ii)	FIs	1553.33	1539.33	—	138.50	1543.17
(iii)	Banks	6712.04	3200.00	—	101.84	800.00
(iv)	Private Corporate	3076.56	1470.75	—	2376.56	1534.00
(v)	Subsidiaries/Joint Ventures	—	—	—	—	—
(vi)	Others	14041.17	14041.17	—	14041.17	14041.17
(vii)	Provision held towards depreciation	2209.74				
	Total *	45931.28	42894.11	—	16915.99	19861.30

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)

	31.03.2008	31.03.2007
a) Shares	4799.07	1462.67
b) Debentures & Bonds	26643.59	26541.90
c) Subsidiaries/ joint ventures	—	—
d) Others (includes RIDF)	63953.57	17926.71

(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	31.03.2008	31.03.2007
Opening Balance	1225.25	1517.89
Additions during the year since 1st April 2007/2006	—	200.00
Reductions during the above period	100.00	492.64
Closing balance	1125.25	1225.25
Total provisions held	1045.25	1135.25

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

a) Done during the 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	—	15000.00	289.04	8000.00
Securities purchased under reverse repos	—	60000.00	1273.70	—

b) Done during the previous year ended March 31, 2007:

(Rs. in Lakhs)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2007
Securities sold under repos	—	15000.00	486.30	—
Securities purchased under reverse repos	—	53000.00	6065.21	—

**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	31.03.2008	31.03.2007
(i) Investments made in equity shares	4799.07	1462.67
(ii) Investments in 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	646.69	500.00
(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	643.29
(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:	197.19	125.00
(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	5642.95	2730.96

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

B. Real Estate Sector

(Rs. in Lakhs)

	31.03.2008	31.03.2007
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. 15 lakh may be shown separately)	80403.96	61254.53
(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	62519.71	50559.87
(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)	24116.77	21925.79
	60909.22	41094.92

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 31.03.2008	Provision held as at 31.03.2008	Exposure (net) as at 31.03.2007	Provision held as at 31.03.2007
Insignificant	19124.20	Nil	24042.15	Nil
Low	2257.87	Nil	11057.53	Nil
Moderate	335.82	Nil	521.12	Nil
High	10.81	Nil	64.47	Nil
Very High	Nil	Nil	39.43	Nil
Restricted	Nil	Nil	Nil	Nil
Off Credit	Nil	Nil	Nil	Nil
TOTAL	21728.70	Nil	35724.70	Nil

As the Bank's net funded exposure 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)

	31.03.2008	31.03.2007
[i] Net NPAs to Net Advances [%]	0.33	0.98
[ii] Movement of NPAs (Gross)		
(a) Opening Balance	32121.00	32782.00
(b) Additions during the year	5795.00	14434.00
(c) Reductions during the year	19068.00	15095.00
(d) Closing Balance	18848.00	32121.00
[iii] Movement of NPAs (Net)		
(a) Opening Balance	7781.00	11820.00
(b) Additions during the year	2627.00	8647.00
(c) Reductions during the year	7011.00	12686.00
(d) Closing Balance	3397.00	7781.00
[iv] Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening Balance	23247.00	20025.06
(b) Additions during the year	1406.00	8228.24
(c) Reductions during the year	10342.00	5006.30
(d) Closing Balance	14311.00	23247.00

Provisions on Standard Assets:

(Rs. in Lakhs)

Items	31.03.2008	31.03.2007
Provisions towards Standard Assets	5170.20	3650.20

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

(Rs. in Lakhs)

Items	31.03.2008	31.03.2007
(i) No. of Accounts	1	NIL
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	NIL	NIL
(iii) Aggregate Consideration	1691.00	NIL
(iv) Additional consideration realised in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate gain/ (loss) over net book value	1170.72	NIL

**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:

(Rs. in Lakhs)

Items	31.03.2008	31.03.2007
[i] Total amount of loan assets subjected to restructuring rescheduling, renegotiation:	5408.43	12868.85
- of which under CDR	Nil	5044.01
[ii] Total amount of standard assets subjected to restructuring, rescheduling, renegotiation:	5405.94	6954.28
- of which under CDR	Nil	Nil
[iii] Total amount of sub standard assets subjected to restructuring, rescheduling, renegotiation:	2.49	848.23
- of which under CDR	Nil	Nil
[iv] Total amount of doubtful assets subjected to restructuring, rescheduling, renegotiation:	Nil	5066.34
- of which under CDR	Nil	5044.01
Note: [(i) = (ii) + (iii) + (iv)]		

11. Asset quality

Percentage of net NPAs to net advances works out to 0.33% (0.98 % as on 31.03.2007).

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 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	-	-	-	10	10	15	52	46	22	2759
Foreign Currency-Assets	16458	126	-	6992	10252	8220	3562	5560	7578	-	58748
Foreign Currency-Liabilities	664	230	472	830	3774	6960	18040	12553	6468	-	49991

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

As at 31 st March, 2007 :

(Rs in Lakhs)

	Day 1 - 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 years and upto 5 years	Over 5 years	Total
Deposits	69520	43474	141036	105642	171760	581453	78424	32612	1223921
Loans & Advances	50584	18497	93368	90290	194556	140710	102690	101195	791891
Investments	20196	15324	70194	4565	1593	20665	27896	182579	343013
Borrowings	343	364	1484	1023	10	24	3	—	3251
Foreign Currency- Assets	22282	6196	16404	6421	646	4084	576	3897	60507
Foreign Currency- Liabilities	3579	389	2132	4830	14415	25423	9834	—	60602

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 31.03.2008

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

As on 31.03.2007

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	11050	10800	15.46
2	Bharat Petroleum Corporation Ltd	13900	13900	19.89

* 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)

	31.03.2008	31.03.2007
Current Tax	4728.00	2528.63
Deferred Tax	3243.00	1624.74
Fringe Benefit Tax	40.00	75.00
Wealth Tax	1.75	2.40
Total	8012.75	4230.77

16. No penalties or strictures have been imposed on the Bank during the year by the RBI.

17. Status of Complaints

a. Shareholder complaints during the year ended 31st March, 2008:

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

b. Customer complaints during the year ended 31st March, 2008:

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

c. Status of Awards passed by the Banking Ombudsman during the year ended 31st March 2008

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

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	31.03.2008	31.03.2007
Provision for NPA/ NPIs	1291.31	8329.14
Provision for taxes (Net) *	4769.75	2606.03
Deferred Tax	3243.00	1624.74
Provision for Standard Assets	1520.00	1390.00
Provision for Restructured Advances	(96.81)	Nil
Provision for depreciation in the value of investments	1145.81	820.01
Other Provision and Contingencies	29.82	Nil
TOTAL	11902.88	14769.92

* Includes Fringe Benefit Tax Rs.40 Lakhs (Rs. 75 Lakhs) and Wealth Tax Rs. 1.75 Lakhs (Rs. 2.40 Lakhs)

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, 2008. Elimination of pending items in the above is in progress and in the opinion of the management, the consequential impact of which in the accounts is not material.

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

B: Other Disclosures

1. Infusion of Capital:

During the current year, the Bank issued two crore Equity shares of face value Rs. 10 each at a premium of Rs. 153 per share aggregating to Rs. 32600 Lakhs by way of Qualified Institutions Placement (QIP).

The funds raised have been used for the business of the Bank.

2. 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.

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

Items	31.03.2008	31.03.2007
Weighted average number of equity shares used in computation of basic earnings per share	80787706	70405192
Weighted average number of equity shares used in computation of diluted earnings per share	80787706	70405192
Nominal Value of share (in Rs.)	10.00	10.00
Basic earnings per share (in Rs.)*	18.77	14.79
Diluted earnings per share (in Rs.)*	18.77	14.79
Earnings used in the computation of basic and diluted earnings per share (Rs. in Lakhs)	15162.35	10411.76

* Weighted average

4. 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	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	37698.58	—	22438.64	—	81639.52	—	1605.01	—	143381.75	—
Result	1865.98	—	-6437.22	—	26448.65	—	1297.69	—	23175.10	—
Unallocated Expenses										
Operating profit										
Income Taxes										
Extraordinary Profit/ Loss	—	—	—	—	—	—	—	—	—	—
Net Profit										
Other Information:										
Segment Assets	467672.49	—	395630.15	—	650044.81	—	—	—	1513347.45	—
Unallocated Assets										
Total Assets										
Segment Liabilities	467672.49	—	395630.15	—	650044.81	—	—	—	1513347.45	—
Unallocated Liabilities										
Total Liabilities										

Since the Bank operates only in domestic segment, disclosure regarding geographical segment is not applicable.
(Note: Previous year's figures are not disclosed as this is the first year of change as per the guidelines of RBI)

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

5. Deferred Tax

Others in other assets (Schedule 11) include Deferred Tax Asset of Rs. 4209.41 Lakhs (Rs. 7017.41 Lakhs).
The components of the same are as follows:

	(Rs. in Lakhs)	
Timing Difference	31.03.2008	31.03.2007
Depreciation on Assets	9.79	9.90
Provisions for Loans/Investments/ others	4199.62	7007.51
Total	4209.41	7017.41

6. Intangible Assets

Printing and stationery under schedule - 16 include intangible assets relating to Computer soft ware - Rs.480.94 Lakhs (Rs.1313.51 Lakhs).

7. Related party disclosure:

a) Key Management Personnel

Dr. V A Joseph, Chairman and Chief Executive Officer.

b) Remuneration paid Rs.23.04 Lakhs (Previous year Rs.14.08 Lakhs).

8. Employee Benefits

The Accounting Standard - 15 (revised) became mandatorily applicable to the Bank w.e.f April 1, 2007 and accordingly the Bank has adopted the Standard effective from that date. Pursuant to this, the Bank has reassessed its liability on various employee benefits as on that date and additional liability arising thereon amounting to Rs. 845 Lakhs (net of tax effect of Rs. 435 Lakhs.) has been adjusted against revenue and other reserves in accordance with the transitional provisions in this standard.

As estimated by the management, the current year profit is higher by Rs. 407 lakhs (net of tax effect of Rs. 209 lakhs) on account of adoption of 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:

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

2. Changes in the defined benefit obligations

Rs. in Lakhs

	Gratuity Plan	Pension Plan
Projected defined benefit obligation, beginning of the year (April 1, 2007)	6429.00	11999.00
Current Service Cost	378.00	653.00
Interest Cost	509.00	960.00
Actuarial (gain)/Loss	(183.00)	(484.00)
Benefits paid	(135.00)	—
Projected defined benefit obligation, end of the year	6998.00	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	Pension Plan
Fair value of plan assets, beginning of the year (April 1, 2007)	5953.00	2500.00
Expected return on plan assets	539.00	413.00
Employer's contributions	476.00	4379.00
Actuarial (gain)/Loss	39.00	(360.00)
Benefits paid	(135.00)	—
Fair value of plan assets, end of the year	6872.00	6932.00
Liability (Net)	126.00	6196.00

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

Rs. in Lakhs

	Gratuity Plan	Pension Plan
Current Service Cost	378.00	653.00
Interest defined benefit obligation	509.00	960.00
Expected return on plan assets	(539.00)	(413.00)
Net actuarial (gain)/loss recognized in the year	(222.00)	(124.00)
Past service cost	—	—
Net Benefit expense	126.00	1076.00
Actual return on plan assets	578.00	53.00

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

Rs. in Lakhs

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

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

	Gratuity Plan	Pension Plan
Discount rate	8.00%	8.00%
Expected rate of return on plan assets	8.80%	8.80%
Increase in compensation cost	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 change on account of compensation for privilege / sick / casual leave, has been actuarially determined and excess provision of Rs.681 Lakhs has been written back to Profit and Loss account.

(Note: This being the first year of adoption of the standard, previous year figures have not been furnished. 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. 309 Lakhs) has been charged to revenue and the balance expenditure to be amortised amounts to Rs. 361 Lakhs (Rs. 541 Lakhs).

9. There are no dues to micro and small enterprises as at 31st March 2008. This disclosure is based on the records available with the Bank and relied upon by the auditors.

10. Description of contingent liabilities

Sl. No	Contingent liability *	Brief Description
1	Claims not acknowledged as debts	This includes liability on account of Service tax and legal cases filed against the Bank. The Bank is a party to various legal proceedings in the ordinary course of business. 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

11. Previous year's figures have been regrouped / given in brackets, wherever necessary to conform to the current year classification.

Kochi 18.04.2008 A.S.Narayanan (Sd/-) Secretary K.S.Krishnan (Sd/-) Chief Financial Officer Alex Mathew (Sd/-) General Manager Cheryan Varkey (Sd/-) General Manager M.Valsan (Sd/-) Executive Director Dr.V.A.Joseph (Sd/-) Chairman

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As per our Report of even date attached
AUDITORS

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Year ended 31.3.2008 Rs('000)	Year ended 31.3.2007 Rs('000)
Cash Flow from operating activities		
Net profit before taxes	2317510	1464253
Adjustment for:		
Depreciation for the year	121896	117849
Net Profit/ (Loss) on Revaluation of Investments	180026	183748
Provision for Depreciation / Non Performing Investments	103082	92091
General Provisions against Standard Assets	152000	139000
Provision for Non Performing Assets	140631	822824
Other Provisions	(6699)	—
Share Issue Expenses	26997	—
Interest on Subordinated bonds	134912	155765
Net Profit/ (Loss) on sale of land, buildings and other assets	1581	170
Operating profit before working capital changes	(A) <u>3171936</u>	<u>2975700</u>
Changes in working capital:		
Increase / (Decrease) in Deposits	29169128	26605489
Increase / (Decrease) in Borrowings	(49204)	317832
Increase / (Decrease) in Other liabilities	934620	619650
(Increase) / Decrease in Investments	(11704031)	(7183312)
(Increase) / Decrease in Advances	(25489006)	(16309638)
(Increase) / Decrease in Other Assets	(81611)	(1873)
	(B) <u>(7220104)</u>	<u>4048147</u>
Cash flow from operating activities before taxes	(A+B) (4048168)	7023848
Direct Taxes Paid	(727877)	(315271)
Net cash flow from operating activities	(C) <u>(4776045)</u>	<u>6708577</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	Year ended 31.3.2008 Rs('000)	Year ended 31.3.2007 Rs('000)
Cash flow from investing activities		
Purchase of Fixed Assets	(368208)	(128147)
Sale of Fixed Assets	8850	8132
Net cash flow from investing activities	(D) (359358)	(120015)
Cash flow from financing activities:		
Subordinated Debt repaid	(185000)	(268300)
Proceeds from issue of share capital	200000	—
Share Premium on above	3060000	—
Share Issue Expenses	(26997)	—
Dividend paid including Corporate Dividend Tax	(205936)	(144504)
Interest on Subordinated bonds	(134912)	(155765)
Net cash flow from financing activities	(E) 2707155	(568569)
Net increase in cash and cash equivalents	(C+D+E) (2428248)	6019993
Cash and cash equivalents as at beginning of the year (Refer note below)	19454736	13434743
Cash and cash equivalents as at the end of the year (Refer note below)	17026488	19454736
Note:		
Cash and Balance with Reserve Bank of India (As per Schedule 6)	9736487	6996701
Balance with Banks and Money at Call and Short Notice (As per Schedule 7)	7290001	12458035
Cash and cash equivalents as at the end of the year	<u>17026488</u>	<u>19454736</u>

Kochi 18.04.2008 A.S.Narayanan (Sd/-) Secretary K.S.Krishnan (Sd/-) Chief Financial Officer Alex Mathew (Sd/-) General Manager Cheryan Varkey (Sd/-) General Manager M.Valsan (Sd/-) Executive Director Dr.V.A.Joseph (Sd/-) Chairman

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As per our Report of even date attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants
(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 State Code

Balance Sheet Date
Date Month Year

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

Public Issue Rights Issue

Bonus Issue Private Placement

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

Total Liabilities Total Assets

Sources of funds

Paid-up Capital Reserves & Surplus

Deposits Borrowings

Other Liab. & Provisions

Application of Funds

Net Fixed Assets Investments

Advances Other Assets

Misc. Expenditure Accumulated Losses

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

Total Income Total Expenditure

Profit Before Tax Profit After Tax

Earnings per share in Rs. Dividend %

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

Item Code No. (ITC Code)

Product Description

Kochi 18.04.2008 A.S.Narayanan (Sd/-) Secretary K.S.Krishnan (Sd/-) Chief Financial Officer Alex Mathew (Sd/-) General Manager Cheryan Varkey (Sd/-) General Manager M.Valsan (Sd/-) Executive Director Dr.V.A.Joseph (Sd/-) Chairman

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As per our Report of even date attached

AUDITORS

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

M. Ramachandran
Partner
M. No. 16399

NOTICE

NOTICE is hereby given that the 80th Annual General Meeting of the shareholders of The South Indian Bank Ltd., will be held at Towers Auditorium, Trichur Towers Hotel Pvt. Ltd., T.B.Road, Thrissur, on Monday, the 18th day of August 2008 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 2008 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 2008-09 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.

Reserve Bank of India (RBI), vide its letter DBS.ARS.No.17264/08:21:005/2007-08 dated June 16, 2008, has approved the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Statutory Auditors of the Bank for the year 2008-09 under Section 30(1A) of the Banking Regulation Act, 1949, pursuant to an application made by the Bank. The Board of Directors recommends their appointment.

4. To appoint a Director in the place of Dr. John Joseph (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 Dr. C. J. Jose (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. Jose Alapatt (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 2008-09, 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."

8. To consider, and if thought fit, to pass with or without modification, the following resolutions as **Special Resolutions**:

"RESOLVED THAT the Articles of Association of the Bank be and is hereby altered as follows:

- a) Clause (a) of Article 2 be and is hereby deleted and in its place the following clause be and is hereby substituted:

"Any reference to "Act" or "the Companies Act", or "the Companies Act, 1913", or "the Companies Act, 1956", unless the context otherwise requires, shall mean the Companies Act, 1956 and its modifications or re-enactments from time to time and any reference to a specific provision of an Act shall, without repugnant to the context thereof, be construed to be referring to a corresponding provision of an Act that came into existence repealing the former Act."

- b) Clause (f) of Article 2 be and is hereby deleted and in its place the following clause be and is hereby substituted:

"Chairman" shall mean any person occupying the position of Chairman in terms of Articles of Association of the Bank and subject to applicable provisions of law; Chairman may be an Executive Chairman or Non-executive Chairman and shall include a person occupying any such position on a Part-time basis."

- c) Clauses (g), (h) and (i) of Article 2 be and are hereby renumbered as Clause (h), (i) and (j).

NOTICE

- d) The following clause be and is hereby inserted as Clause (g) under Article 2:
"Dematerialised Shares or Securities" shall mean Shares or Securities, as the case may be, which are in electronic form held in a Depository within the meaning of the Depositories Act, 1996.
- e) The following clause be and is hereby inserted as Clause (m) under Article 2:
"Managing Director" shall mean a Director designated as such and entrusted with substantial powers of day-to-day management and may be designated as Chief Executive Officer also.
- f) The following clause be and is hereby inserted as Article 5:
"Shares and other securities issued by the Bank from time to time may be issued in dematerialised form and accordingly Bank sign up agreements for dematerialisation with such Depositories as the Board may decide from time to time."
- g) The following clause be and is hereby inserted as Article 16:
"Every person subscribing to securities offered by the Bank shall have the option either to receive the share / security certificates or to hold shares / securities in a dematerialized form. The Bank shall not issue any certificate of shares or other securities to any person who is holding his shares or other securities in dematerialised form."
- h) The following clause be and is hereby inserted as Article 47(a):
"No instrument of transfer shall be necessary as regards transfer of shares or other securities held in dematerialised form and such transfers shall be registered in accordance with the applicable regulations of the Depositories subject to Depositories Act, 1996.
- i) Existing Article 55 shall be re-numbered as Article 55(a) and the following Article be and is hereby inserted as Article 55(b).
Any issue of shares by the Bank to persons other than the existing shareholders of the Bank either on preferential basis or otherwise, or by way of Qualified Institutions Placement, Stock Option Schemes, Stock Purchase Schemes, Sweat Equity or in any other manner shall be so issued subject to prior approval of the shareholders of the Bank under Section 81(1A) of the Act.
- j) The following Clauses be and are hereby inserted as Article 59A with the margin note "Capitalisation of Reserves etc."
(a) The Bank may at a General Meeting resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys forming part of the undivided profits standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other Fund of the Bank (other than the revaluation reserve) and available for dividend be capitalised:-
(i) by issue and distribution as fully paid-up shares, securities of the Bank; or
(ii) by crediting shares of the Bank which may have been issued and are not fully paid-up, with whole or any part of the sum remaining unpaid thereon.
Provided that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares of the Bank to be issued to Members (as herein provided) as fully paid bonus shares.
(b) Such issue and distribution under (a) (i) above and such payment to credit of unpaid share capital under (a) (ii) above shall be made to, among and in favour of the Members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under (a) (i) or payment under (a) (ii) above shall be made on the footing that such members become entitled thereto.
- k) Article 69 be and is hereby deleted and the following clause be and is hereby substituted in its place:
"Clear notice of not less than 21 (twenty-one) days shall be necessary for calling a general meeting, whether it be an annual general meeting or an extra-ordinary general meeting."

NOTICE

- l) "The following clause be and is hereby inserted as Article 93A, immediately after the existing Article 93:
- "Board shall constitute a committee of Directors styled Nomination Committee which shall apply a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director of the Bank based on his educational qualification, experience and track record, and every such person shall meet the 'fit and proper' criteria, as Reserve Bank of India may stipulate from time to time and accordingly any appointment or re-appointment of a Director shall be subject to prior approval by Nomination Committee of the Bank."
- m) Article 98 be and is hereby deleted and the following clause be and is hereby substituted in its place:
- "Not less than two-thirds of the strength of the Board at any time be directors appointed by a general meeting and their office shall be liable to determination by retirement on rotation basis of which at every annual general meeting not less than one-third of those directors shall retire or if their number is not three or a multiple of three, then, the number nearest to one-third shall retire from office."
- n) Article 99 be and is hereby deleted and the following clause be and is hereby substituted in its place:
- "Save as provided in Article 98 and subject to provisions of the Act, Chairman, whether executive or non-executive, whether full time or part-time, managing director and other whole time directors, by whatever name called, shall not be liable to retirement by rotation. However if they cease to hold such positions, they shall ipso facto become liable to retirement by rotation."
- o) Article 121-122 be and is hereby deleted and the title covering Articles 121 to 124 shall be changed as PRINCIPAL OFFICERS.
- p) The following Clauses be and are hereby inserted as sub-clauses (a) to (g) of Article 121:
- a. Subject to the provisions of the Companies Act, 1956, Banking Regulation Act, 1949 and directions, if any, of the Reserve Bank of India, the Board has the powers to appoint Chairman, whether Executive or Non-executive, Part-time or full time. When a person is appointed full time Chairman, he shall be styled as Chairman and Chief Executive Officer or Executive Chairman and Chief Executive Officer. The Board shall also have powers to appoint a Managing Director and Chief Executive Officer. The Chairman and Chief Executive Officer or Executive Chairman and Chief Executive Officer or as the case may be, the Managing Director and Chief Executive Officer may be entrusted with the management of the whole of the affairs of the Bank and shall be in the whole-time employment of the Bank. The Chairman, whether Executive or Non-executive, Part-time or full time, Managing Director, Chief Executive Officer shall be jointly or severally referred to as Principal Officer(s).
 - b. When a person is appointed as Chairman on Part-time basis, he shall be styled as Chairman or Non-executive Chairman and he shall perform such functions as the Board may assign to him from time to time.
 - c. The Principal Officers shall hold office as per the terms of their appointment or re-appointment.
 - d. The Board shall have powers to appoint one or more Directors as Executive Directors or whole-time Directors who shall discharge such duties and functions as the Board may decide from time to time.
 - e. The Board shall have the power to revoke, vary, withdraw, terminate, cancel the appointment or re-appointment of any such Principal Officers or alter their powers and duties and they shall exercise their respective powers subject to the overall superintendence, control and direction of the Board of Directors.
 - f. No Principal Officer shall resign without giving necessary notice as per terms of their respective appointments.
 - g. Subject to directions of the Board, if any, Principal Officers shall continue to be in office until a successor is appointed in their place.
- q) The following Clauses be and are hereby inserted in Article 122:
- "Subject to necessary approvals and applicable provisions of the Companies Act, 1956 and the Banking Regulation Act, 1949, the Principal Officers of the Bank may be entitled to such remuneration, honorarium, pay and perquisites as the Board may determine from time to time."
- r) The word "Chairman" appearing in Article 123 be and is hereby altered as "Principal Officers" and the word "on him" appearing in the said Article be and are hereby altered as "upon them".

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- s) The following Clause be and is hereby inserted in Article 124:

The Executive Chairman or the Chairman and Chief Executive Officer or the Managing Director and Chief Executive Officer shall have the powers to represent the Bank in all legal and other proceedings before any Court of Law, Quasi-judicial Forums and other Authorities and he shall have the powers to appoint advocates, authorized representatives, sign vakalat, issue powers of attorney, sign plaints, counters, affidavits and other pleadings, and certify documents and resolutions of the Bank.

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

"RESOLVED THAT approval of the Bank be and is hereby accorded for payment of remuneration and other terms and conditions of appointment of Mr.G.A Shenai as Non Executive / Part time Chairman of the Bank w. e. f. 1st October 2008, as recommended by the Board of Directors of the Bank vide Agenda item No.SEC/46 dated 28/06/2008, for a period of two years and that this will be subject to the approval of RBI and in terms of the amendments made to the Articles of Association of the Bank for splitting the post of Chairman of the Bank.

10. To consider, and if thought fit, to pass, with or without modification, the following resolutions as Ordinary Resolutions:

"RESOLVED THAT in terms of RBI sanction letter DBOD No.16614/08.51.001/2007-08 dated 26-05-2008 and subject to the approval of RBI in respect of payment of revised remuneration, including other terms and conditions, consent of the Bank be and is hereby accorded for payment of the same to Dr. V. A. Joseph, Chairman and Chief Executive Officer of the Bank, as recommended by the Board vide its Resolution No.SEC/123 dated 11-02-2008 and Resolution No. SEC/23 dated 06-05-2008, from 5th June 2008 to 30th September 2008."

"RESOLVED FURTHER THAT subject to approval of RBI, consent of the Bank be and is hereby accorded for payment of remuneration including other terms and conditions to Dr.V.A.Joseph, as Managing Director and Chief Executive Officer of the Bank for a period of 5 years w.e.f. 01st October 2008, as recommended by the Board vide its Resolution No.SEC/123 dated 11-02-2008 and Resolution No. SEC/23 dated 06-05-2008."

11. To consider, and if thought fit, to pass, with or without modification, the following resolutions as Special Resolutions:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and further subject to the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ("the Guidelines") and other applicable Rules, Regulations, Guidelines, Provisions of Memorandum and Articles of Association of the Bank and further subject to necessary approval of appropriate authorities, consent of the Bank be and is hereby accorded to create, grant and issue Equity Stock Options resulting in issue of a maximum of 5% of the Issued Share Capital of the Bank as on 31/03/2008 but not exceeding 45,00,000 (Forty Five Lakhs only) Equity Shares to eligible present and future employees including Directors of the Bank."

"RESOLVED FURTHER that the holders of the Equity Stock Options shall be entitled to exercise their options and thereby subscribe to 1 (one) Equity Share of the Bank of Rs.10/- each for every one Option granted to them."

"RESOLVED FURTHER that the grant, vesting and exercise thereof and the price payable by the holders of the options at the time of exercising their options shall be in such manner as may be determined by the Board and specified in the Employee Stock Option Scheme (ESOS) approved by the Board."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to formulate, evolve, decide upon and bring into effect the ESOS, material terms whereof have been mentioned in the Explanatory Statement annexed to this Notice and subject to applicable provisions of the Guidelines and to make such modification(s), change(s), variation(s), alteration(s) or revision(s) in terms and conditions of the ESOS including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOS."

"RESOLVED FURTHER THAT the new Equity shares to be issued and allotted by the Bank under the aforesaid ESOS shall rank pari passu in all respects with the existing fully paid Equity shares of the Bank."

"RESOLVED FURTHER THAT in case Bank's Equity share capital or its valuation is affected due to any corporate actions like issue of bonus/rights shares, any split or consolidation of face value of Equity shares or any event of merger/consolidation, capitalization or other reorganization of the Bank, tender offer of Equity shares or sale of undertaking, the Board may make such adjustment with respect to stock options and take other action as it deems necessary or appropriate to reflect such corporate action, including but without limitation, the substitution of new stock options or adjustment of outstanding stock options, acceleration of exercise period or removal of restriction on outstanding stock options.

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"RESOLVED FURTHER THAT the Options may be granted to eligible employees and Directors directly or through a Trust, as the Board may decide."

"RESOLVED FURTHER THAT a Compensation Committee as constituted by the Board be and is hereby authorised to identify the eligible employees and determine the number of options and the tranches that may be offered to them pursuant to the Scheme."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such deeds, matters and things as may be necessary or expedient including getting the shares issued upon exercise of Options listed in one or more Stock Exchanges and to sign up agreements with Depositories and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the Bank in this regard, subject to the provisions of the Guidelines."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to the Chairman or anyone of the Directors of the Bank."

12. To consider, and if thought fit, to pass, with or without modification, the following resolutions as Ordinary Resolutions:

"RESOLVED THAT subject to the SEBI Guidelines, Listing Agreement(s) and pursuant to Article 59A (now inserted) of the Articles of Association of the Bank a sum of Rs.22,60,12,980/- out of the General Reserves of the Bank forming part of the undistributed profits of the Bank be and are hereby capitalised and the approval of the Bank be and is hereby granted to utilize the sum so capitalised for issue of Bonus Equity Shares of Rs.10/- each, credited as fully paid up, to and amongst the members of the Bank whose names are on the Register of Members of the Bank on a particular date (Record Date) to be determined by the Board of Directors of the Bank (hereinafter referred to as 'the Board')."

"RESOLVED FURTHER that the approval of the Bank be and is hereby granted to issue the said Bonus Equity Shares in the proportion of ONE Equity Shares of Rs.10/- each, fully paid up, for every FOUR Equity Shares of Rs.10/- each, fully paid up, held by such members on the Record Date."

"RESOLVED FURTHER that the Bonus Equity Shares to be issued shall rank pari passu with existing shares of the Bank and the entire sum so credited shall form part of the paid up capital of the Bank."

"FURTHER RESOLVED that no letter of allotment shall be issued in respect of the Bonus Shares; in the case of Members who hold Equity Shares in dematerialized form (or opt to receive the Bonus Shares in dematerialized form), the Bonus Shares shall be credited to the respective beneficiary accounts of the Members with their respective Depository Participants; in the case of Members who hold Equity Shares in certificate form, the share certificates in respect of the Bonus Shares shall be despatched, within such time as prescribed by law and the relevant authorities."

"RESOLVED FURTHER that no fractions, if any, arising out of the issue and allotment of the Bonus Shares shall be allotted by the Bank and the Bank shall not issue any certificate or coupon or credit to the beneficiary account in respect thereof but all such fractional entitlements, if any, shall be consolidated and the Bonus Shares, in lieu thereof, shall be allotted by the Board to nominee(s) to be appointed by the Board, who shall hold the same as trustee(s) for the members entitled thereto, and sell the said shares so arising at the prevailing market rate and pay to the Bank the net sale proceeds thereof, after adjusting therefrom the cost and expenses in respect of such sale, for distribution to Members in proportion to their fractional entitlements."

"RESOLVED FURTHER that the issue and allotment of the Bonus Shares to Non-Resident Members, Foreign Institutional Investors (FIIs) and other foreign investors and / or distribution of net sale proceeds in respect of fractions to which such Members may be entitled, be subject to the approval of Reserve Bank of India, as may be necessary."

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts/ deeds, matters and things and give such directions as may be necessary or expedient and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding."

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

"RESOLVED THAT pursuant to Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Bank be and is hereby authorised to borrow monies as and when required in excess of its paid-up capital and free reserves of the Bank such that the aggregate borrowings of the Bank shall not at any time exceed Rs. 2000 crore (Rupees Two Thousand crore only) "

NOTICE**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 Monday the 11th August to Monday the 18th August, 2008, (both days inclusive). Dividend, if declared, will be paid to those members whose names appear in the Register of Members on 18th August 2008 and to beneficial owners whose names appear in the Register of Beneficial Owners on 9th August, 2008. 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 1999-2000 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 2000-2001 will be due for transfer to the Fund on or before 22.08.2008, and thereafter no claims can be made by any shareholder against the Bank or the Fund, for the dividend amount of that year.
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.
12. 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.
13. Members should produce the attendance slip at the venue of the meeting.
14. 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.
15. A brief profile of the Directors, who are retiring by rotation and eligible for re-appointment, is furnished in the report under "Corporate Governance".
16. 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,
Panna Plaza, 2nd Floor, New No. 139 (Old No. 74) Arcot Road, Kodambakkam, Chennai 600024.
Phone- 044-23723355 Fax No. 044-23750282 E-mail: ramesh@btsindia.co.in helpdesk@btsindia.co.in

Place : Thrissur
Date : 12.07.2008

By Order of the Board of Directors
Sd/-
(A.S. NARAYANAN)
COMPANY SECRETARY

NOTICE**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.

ITEM No. 8

The present Articles of Association of the Bank contains reference to the Indian Companies Act, 1913 and words like Cochin State etc. These have to be removed so as to fall in line with the provisions of the Companies Act, 1956.

The present Articles do not contain provision on shares/securities, which can be issued in dematerialised form. As the shareholders are well aware, the shares of the Bank are traded in electronic form and therefore it is necessary that the terms dematerialised shares/securities are incorporated suitably in the respective places in the Articles of Association. Once shares are in dematerialised form, the Bank need not issue any physical certificate. Similarly no instrument of transfer is required for transfer of shares/securities in dematerialised form. These provisions are also proposed to be incorporated in the Articles of Association of the Bank. Further the existing articles do not contain a provision for issue of shares to persons other than the existing shareholders and a provision for capitalisation of reserves for issue of bonus shares. These provisions are now proposed to be incorporated in the Articles of Association of the Bank.

RBI issued a circular DBOD No.BC.105/08.139.001/2003-04 dated 25/06/04 advising the Banks in the Private Sector to undertake a process of due diligence to determine the suitability of a person to be appointed as Director based upon qualification, expertise, track record, integrity and other fit and proper criteria. The said circular was issued under Section 35A of the Banking Regulation Act, 1949. The Board of the Bank has constituted a Nomination Committee to determine the suitability of a person to be appointed / reappointed as a Director of the Bank. The said Committee is undertaking the process of due diligence in terms of the 'fit and proper' criteria as and when necessary and determines the suitability or otherwise of a person to be appointed as a Director of the Bank. In order to incorporate these provisions in the Articles and to treat the decision of the Nomination Committee as final, it is proposed to insert Article 93A in the Articles.

The present Articles do not match with the provisions of the Companies Act, 1956 in relation to appointment of Directors and proportion of those who are to retire by rotation at every Annual General Meeting. In order to fall in line with Sections 255 and 256 of the Act a new Article has been created under Article 98 instead of the present Article 99.

The Banking Regulation Act, 1949 was amended by the Banking Regulation (Amendment) Ordinance 1994 issued on 31st January, 1994. The amendment made to the said Act provided for appointment of either a Chairman on part-time basis (Non Executive Chairman) and Managing Director or a Chairman on whole-time basis (Executive Chairman.) RBI vide its circular DBOD No.11690/29.39.001/2006-07 dated 24th May, 2007 advised the Banks in Private Sector to amend its Articles of Association suitably for appointment of a Part-time Chairman (Non Executive Chairman) and whole-time Managing Director. In the said Circular RBI has also advised that all Banks in Private Sector irrespective of the size, are required to have a part-time Chairman of the Board and a separate Chief Executive Officer/Managing Director who would be responsible for day to day management of the Bank. This instruction has been made based on the recommendations of Dr.Ganguly Committee on Corporate Governance. It is therefore proposed to amend the Bank's Articles of Association suitably to have a part-time Chairman and a separate Managing Director. Accordingly it is also proposed to change the title as 'Principal Officers' instead of 'Chairman' at present. Provision is also proposed to be made to empower the Board to appoint one or more Directors as Executive Directors or Whole-time Directors who shall discharge such duties and functions as the Board may decide from time to time.

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

NOTICE**ITEM No. 9**

Based on the amendments made to the Articles of Association of the Bank as recommended in Item No.8, for splitting of the post of Chairman, the Board recommends the appointment of Mr.Gurpur Anantharaya Shenai as the Part-time / Non-Executive Chairman of the Bank with effect from 1st October, 2008 on the remuneration and other terms and conditions recommended vide Agenda Item No. SEC/46 dt. 28/06/2008. The terms of appointment if approved by the shareholders will be for a period of 2 years from 01/10/2008 and will be subject to the approval of RBI.

Sri.G A Shenai is 68 years old. He is a post graduate in Commerce and fellow member of the Indian Institute of Banking and Finance. Sri.Shenai joined the Board of the Bank as a Non-Executive Director on 24/10/2000. He still continues as a Non-Executive Director. Before joining the Bank he had worked for Canara Bank for 40 years in various capacities both in India and abroad. Sri.Shenai is a Director on the Board of Syndbank Services Ltd., a wholly owned subsidiary of Syndicate Bank.

During the last over 7 years of his association with the Bank as a Non Executive Director, he has contributed immensely to the progress of the Bank and has played a vital role in improving the functioning of the Bank. His rich banking experience gained in India and abroad will be of immense benefit to the Bank and hence the Board recommends his appointment as Part-time/Non Executive Chairman on the terms mentioned herein below:

1. The period of appointment will be for two years from 1st October 2008.
2. He will be paid a honorarium of Rs.50,000/- (Rupees Fifty thousand only) per month.
3. He will be paid sitting fees for attending the Board and or Committee meetings of the Board as applicable to other Non-executive Directors of the Bank.
4. He will be governed by the rules as applicable to the whole time directors of the Bank with regard to the reimbursement of his travel, halting allowance and other expenses incurred for attending the meetings of the Board and other official business and visits.
5. He will be provided with a bank's car for official use and for any personal use, appropriate amount will be recovered as per the rules of the Bank.

None of the Directors is interested or concerned in this Resolution excepting Sri G A Shenai, as the resolution under this item relates to his remuneration.

ITEM No. 10

Dr.V A Joseph was appointed Chairman and Chief Executive Officer of the Bank w.e.f. 05/06/2005 for a period of 3 years with the approval of RBI. Before the expiry of his tenure, having regard to his contribution and wide experience, the Board of Directors of the Bank vide resolution No.SEC/123 dt.11/02/2008 resolved to reappoint Dr.V A Joseph as Chairman and Chief Executive Officer for a further period of 5 years from 05/06/2008, subject to the approval of RBI. The Bank submitted an application to RBI vide its letter dated 03/03/2008. RBI in its reply dated 08/04/2008 expressed its inability to accede to Bank's request for the continuation of the existing combined post of Chairman and Chief Executive Officer of the Bank beyond the then existing term of Dr.V A Joseph. Bank was further advised to submit a fresh proposal in line with RBI circular dated 24/05/2007 for splitting of the post of Chairman and Chief Executive Officer.

At its meeting dated 06/05/2008 the Board of Directors of the Bank while considering the latest letter of RBI decided to seek RBI approval for continuance of Dr.V A Joseph as Chairman and Chief Executive Officer of the Bank for a short period of 6 months from 05/06/2008 or on completion of the necessary formalities of splitting the post, whichever is earlier.

In its reply dated 26/05/2008 RBI has conveyed its approval for continuation of Dr.V A Joseph as Chairman and Chief Executive Officer for a further period up to 30/09/2008. As the letter is silent regarding the payment of remuneration (i.e., the existing or the revised package recommended by the Board while deciding to extend his appointment.), the Board of Directors has approached RBI again for payment of the revised remuneration for the extended period up to 30/09/2008.

During the tenure of Dr. V A Joseph, the Bank has grown on all fronts with the total business having reached a level of Rs.25910 crore as on 31/03/08. The Bank has recorded the highest ever Net Profit of Rs.151.62 crore for the year ended on 31/03/08. The

NOTICE

Bank has also reached a milestone of having crossed 500 branches and achieving a Net Worth of Rs. 1160.98 crore as on 31/03/08. The Bank implemented core banking solution in all its branches and secured the prestigious award for Banking Technology Excellence from IDRBT of Reserve Bank of India. Considering his performance as evidenced by the growth of the Bank in all areas of its activity, the Board of the Bank at its meeting held on 28/06/08 appointed Dr.V A Joseph as Managing Director and CEO of the Bank for a further period of 5 years from 01/10/08 on the following terms, subject to the approval of RBI. The Board therefore recommends his appointment as Managing Director and CEO as it feels that his continuation at the helm of affairs would immensely benefit the Bank.

With the splitting of the post of Chairman, Dr.V A Joseph will cease to be Chairman and therefore the Board recommends the appointment of Dr.V A Joseph as Managing Director and Chief Executive Officer on the following remuneration.

01. Salary: Consolidated basic salary of Rs3, 00,000/- (Rupees three lakh only) per month with an annual increment of 10% of the basic salary per month. The increment in the scale shall automatically fall due on an annual basis and shall be granted on the 1st day of the month in which it falls due.
02. Housing Loan: He is eligible/entitled to avail a housing loan from the Bank to the maximum extent of three years' total basic salary. Other terms and conditions of the housing loan shall be those applicable to the other Executives of the Bank.
03. The existing privilege leave and sick leave at his credit remaining unavailed at the end of his present term of office be and is hereby permitted to be carried over and accumulated during his extended tenure initially as Chairman & CEO and as Managing Director & CEO thereafter up to the maximum permitted limit of 240 days in respect of privilege leave and 360 days in respect of sick leave on the existing terms and conditions.
04. He is eligible/entitled for allotment of stock options as decided by the Board/Compensation Committee of the Board as and when The South Indian Bank Employees' Stock Option Scheme is implemented by the Bank as per the SEBI regulations.
05. All other terms, conditions and perquisites as existing at present shall continue for the entire tenure as decided above.

Pursuant to section 35B of the Banking Regulation Act, 1949, the Bank has applied to RBI seeking its approval. Under Section 309 of the Companies Act, 1956 read with relevant articles of the Articles of Association of the Bank, the revision in remuneration payable to Dr.V A Joseph requires approval of the shareholders at the General Meeting. The resolution approving the revision in remuneration will be given effect only after RBI approves the same.

None of the Directors is interested or concerned in this Resolution excepting Dr V A Joseph, as the resolution under this item relates to his remuneration.

ITEM No. 11 - Employees' Stock Option Scheme (ESOS) - 2008

A glance through the Annual Reports of the Bank for the last 3 years reveals the tremendous leap the Bank has made in the areas of Deposits, Advances, Net Profit, Earning Per Share, etc. This was made possible, only with the hard work of the employees. The Board of Directors at its meeting held on 17.03.2008 deliberated on the need to reward the employees and felt that grant of stock option to the employees would go a long way in rewarding the existing employees who have put in long years of service and to offer incentive to the new staff members.

Stock options have been recognised as an effective tool to attract, reward, retain and motivate the employees. They create a proprietary interest among the employees, provide them an opportunity to share in the growth of the Bank and create long term wealth in their hands. Therefore, the Management of the Bank proposes to offer stock options to its eligible employees and Directors. Accordingly, the Bank has formulated a stock option scheme called "The South Indian Bank Ltd. Employees' Stock Option Scheme - 2008" (SIBESOS-2008). The Compensation Committee of the Board constituted for this purpose shall administer the scheme.

The salient features of the ESOS are as under:

(A) Total number of options to be granted

- (a) The total number of options to be granted under this scheme shall initially not exceed 45 lakh.
- (b) One option entitles the holder of the options to apply for one Equity share of the Bank.

NOTICE**(B) Identification of classes of employees entitled to participate in the ESOS.**

- (a) Persons who are in permanent employment of the Bank including Directors, both whole time and Non-Executive as may be decided by 'the Board' (which term shall be deemed to include any Committee including Compensation Committee of the Board). This will also include persons to be recruited in future.
- (b) Employees/Directors holding 1% of the outstanding share capital of the Bank's Equity share capital at any time after the commencement of this scheme will not be eligible for grant of options.

(C) Date of Grant

The date of grant would be a date as would be decided by the Board for the purpose of grant of options.

(D) Requirements of vesting, period of vesting and maximum period of vesting.

- (a) There shall be a gap of two years between the grant of options and vesting of options.
- (b) The vesting period may extend up to 5 years from the date of grant.
- (c) The vesting shall happen in one or more tranches, subject to the terms and conditions of vesting as may be stipulated by the Board which may include satisfactory performance of the employees.

(E) Exercise Price or Pricing formula.

At such price, in such manner, during such period and on such terms and conditions as the Board may decide, provided that the Exercise Price per option shall not be less than the par value of the Equity share of the Bank and shall not be more than the market price as defined in the Guidelines.

(F) Exercise Period and the Process of Exercise.

- (a) Exercise period will commence from the vesting date and extend upto the expiry period of the options decided by the Board. The Board will decide on the expiry period of options for employee leaving the Bank after grant of options in his/her favour.
- (b) The options will be exercisable by employees by written application to the designated officer of the Bank to exercise the options, in such manner and on execution of such documents, as may be prescribed by the Board under the Scheme.
- (c) The options will lapse if not exercised within the specified exercise period.
- (d) An option granted to an employee is not transferable.

(G) Appraisal Process for determining the eligibility of employees to the ESOS

The appraisal process and the criteria to be followed in respect of grant of options shall be such as may be decided by the Board.

The Scheme is proposed to be related to the Performance Linked Incentive Scheme of the Bank for all the eligible employees, except the Chairman, Managing Director and Non-Executive Directors of the Bank.

The number of options granted will be decided according to the cadre of the eligible employees and the number of years of their service.

Though the total number of options to be granted will be 45 lakh, it has been limited to 41 lakh leaving a margin of 4 lakh for the new recruits.

The decision of the Board in this matter shall be binding on the employees. The Board may at its sole discretion vary the conditions on the basis of which the grant size shall be determined.

(H) Maximum number of options to be issued per employee and in aggregate.

- (a) The maximum number of options to be granted to each employee will depend upon the cadre/experience/performance of the employee as on the date of grant of options. However under the scheme no employee shall be entitled to get more than 1% of the total outstanding shares of the bank at the time of granting of ESOS.
- (b) The aggregate number of options to be granted under this scheme shall not exceed initially 45 lakh.
- (c) The Board shall decide on the number of options to be granted to each employee within this limit.

NOTICE

(d) As per revised Clause 49 of the Listing Agreement, the resolution for introduction of ESOS should specify the limits for the maximum number of stock options that can be granted to Non-Executive Directors, including Independent Directors, in any financial year and in aggregate. Accordingly, it is proposed to fix the following limits for Non-executive directors:

- 10000 shares each for Chairman, Managing Director and other Non-Executive Directors.
- Aggregate options not to exceed 5% of the total options to be granted under the Scheme.

(I) Accounting Methods.

The Bank shall conform to the accounting policies specified in Clause 13.1 of the Guidelines, and/or such other guidelines as may be applicable, from time to time.

(J) Method of valuation of the options.

The Bank shall use the intrinsic value method for valuation of the options.

Since the Bank calculates the employee compensation cost using intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that would have been recognized if the fair value of the options had been used, will be disclosed in the Directors' Report and the impact of this difference on profits and on EPS of the Bank will also be disclosed in the Directors' Report.

Clause 6 of the ESOS Guidelines requires that any ESOS for offering stock options to the employees of the Bank must be approved by the shareholders by way of a special resolution. Furthermore, as the scheme will entail further shares to be offered to persons other than existing shareholders of the Bank, consent of the members is required by way of a special resolution pursuant to the provisions of Section 81(1A) of the Companies Act, 1956.

Any income tax or fringe benefit tax liability arising out of vesting or exercise of the stock options shall be borne by the employees.

Accordingly the resolution set as item No.11 is being placed for the approval of shareholders pursuant to the provisions of sections 81(1A) of the Companies Act, 1956 and clause 6 of the ESOS guidelines and all other applicable provisions of law for the time being in force.

The Board of Directors recommends the Resolution as set out in item No.11 for the approval of the members.

All the Directors of the Bank are concerned or interested in the resolution, to the extent of the options/shares that may be offered to them under the scheme.

ITEM No. 12

The Bank in its nearly 80 years of existence had, at several times, augmented its capital base by various types of issue of shares viz. Right Issue, Public Issue, Follow-on-Public Issue and Qualified Institutions Placement. However, it has not, at any time, issued Bonus Shares.

The Authorised Capital of the Bank is Rs.125 crore divided into 12.50 crore equity shares of Rs.10 each. The issued and subscribed capital is Rs.90.41 crore with 90405192 shares as on 31-03-2008. The Bank is having a strong shareholder base of 94000. It has been paying dividend regularly and the Board of Directors feels that the shareholders should be rewarded suitably for their unstinted support and co-operation. The Board therefore recommends a Bonus issue of shares to all the shareholders in the ratio of 1:4 as on the record date to be fixed separately.

The Bonus shares will be issued by capitalising the free reserves of the Bank and the shares so issued shall rank pari passu with the existing paid up equity shares of the Bank. Issue of Bonus shares does not require the approval of RBI but will be subject to guidelines of Securities and Exchange Board of India (SEBI).

The resolution as set out above empowers the Board to do all such acts as may be necessary for giving effect to the resolution for issue of Bonus Equity Shares. The fractional entitlements arising out of the Bonus issue shall be consolidated and the Board shall have full power to appoint Nominees who shall hold the same as trustees and sell the said shares at the prevailing market rate and pay to the Bank the net sale proceeds thereof, after adjusting therefrom the cost and expenses in respect of such sale, for distribution to Members in proportion to their fractional entitlements.

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The Board of Directors recommends the Resolution as set out in item No. 12 for the approval of the members.

All the Directors of the Bank are concerned or interested in the resolution, to the extent of the Bonus shares that may be offered to them.

ITEM No. 13

The Directors' power to borrow is covered by Section 293(1)(d) of the Companies Act, 1956 read with Regulation 60 of the Bank's Articles of Association. Vide a resolution passed at its 77th Annual General Meeting held on 23rd September 2005, the borrowing powers were enhanced from Rs.500 crore to 750 crore.

The Bank is eligible for drawing refinance from Reserve Bank of India and/or other institutions against certain types of advances. Moreover to maintain statutory reserves, the Bank may have to borrow monies from Reserve Bank of India and/or other banks in substantial sums. In addition to this, the Bank has issued unsecured subordinated bonds during earlier years in different tranches to augment its Tier II Capital and the Bank has further headroom for raising such Tier II Capital to the extent of over Rs. 450 crore. Hence the present limit of Rs. 750 crore has become inadequate. Anticipating the requirements for future growth, a limit of Rs. 2000 crore is recommended to be fixed.

As per Section 293(1)(d) of the Companies Act, 1956 to exercise borrowing powers beyond the paid-up capital and free reserves of the Bank, the Board of Directors should obtain the sanction of the shareholders of the Bank by means of an ordinary resolution duly passed in a general meeting. Hence the resolution under the above item. None of the Directors is interested in this ordinary resolution.

Memorandum of Interest :

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

Place : Thrissur
Date : 12.07.2008

By Order of the Board of Directors
Sd/-
(A.S. NARAYANAN)
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 80th Annual General Meeting held at Towers Auditorium, Trichur Towers Hotel Pvt. Ltd., T. B. Road, Thrissur, on Monday, the 18th August, 2008.

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 80th Annual General Meeting of the Company to be held on Monday, the 18th August, 2008 and
at any adjournment thereof.

Signed this day of 2008.

Affix 15 Paise Revenue Stamp

Signature