



82nd Annual Report
2009 - 2010



<i>Front row:</i>	Dr. C.J. Jose Independent Director	Sri. A.S. Narayanamoorthy Independent Director	Sri. G.A. Shenai Chairman	Dr. V.A. Joseph Managing Director & CEO	Sri. Davy K. Manavalan Independent Director
<i>Back row:</i>	Sri. Mathew L. Chakola Independent Director	Sri. Mohan E. Alapatt Independent Director	Dr. N.J. Kurian Independent Director	Sri. Jose Alapatt Independent Director	Sri. Paul Chalissery Independent Director

THE SOUTH INDIAN BANK LTD.

BOARD OF DIRECTORS*

Mr. G. A. Shenai, Chairman
Dr. V. A. Joseph, Managing Director &
Chief Executive Officer
Mr. A. S. Narayanamoorthy
Mr. Davy K. Manavalan
Dr. C. J. Jose
Mr. Jose Alapatt
Mr. Paul Chalissery
Mr. Mathew L. Chakola
Dr. N. J. Kurian
Mr. Mohan E. Alapatt

TOP MANAGEMENT*

Executive Directors

Mr. H. Suresh Prabhu
Mr. Abraham Thariyan

Chief General Manager

Mr. Cheryan Varkey

General Managers

Mr. M. S. Mani
Mr. N. V. Ignatius
Mr. George Davis Thottan

Deputy General Managers

Mr. A. G. Varughese
Mr. K. S. Krishnan
Mr. K. S. George
Mr. P. E. Mathai
Mr. Joseph George Kavalam
Mr. P. J. Jacob
Mr. K. C. Francis
Mr. Roy Alex Vilangupara
Mr. C.J. Jose Mohan
Mr. Thomas Joseph K.
Mr. K. L. Baby
Mr. John Thomas
Mr. P. K. Kochanthony

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells
Chartered Accountants,
7th Floor, ASVN Ramana Tower,
52, Venkatnarayana Road,
T. Nagar, CHENNAI – 600 017.

CFO & COMPANY SECRETARY

Mr. K. S. Krishnan, A.C.A., A.C.S.

REGISTRAR & SHARE TRANSFER AGENT

M/s. BTS Consultancy Services Pvt. Ltd.

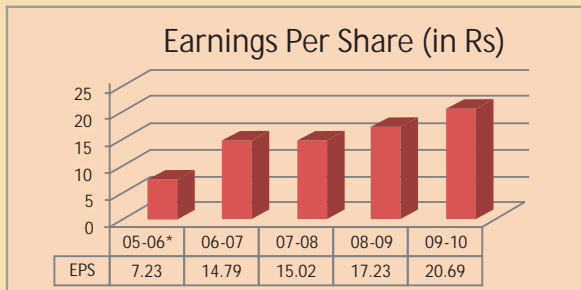
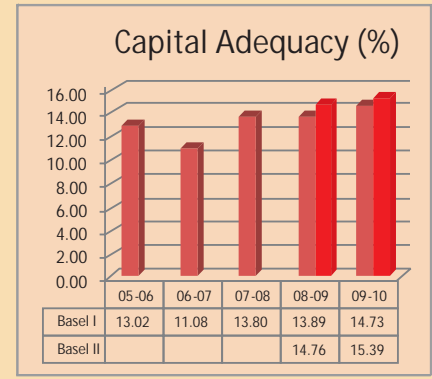
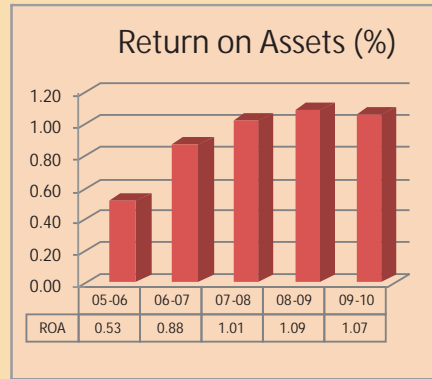
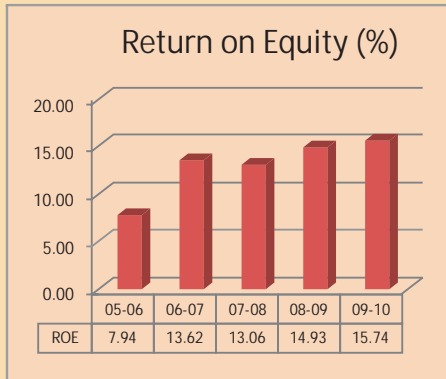
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Near Kumaran Matriculation School,
Villivakkam, CHENNAI – 600 049.
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REGISTERED OFFICE

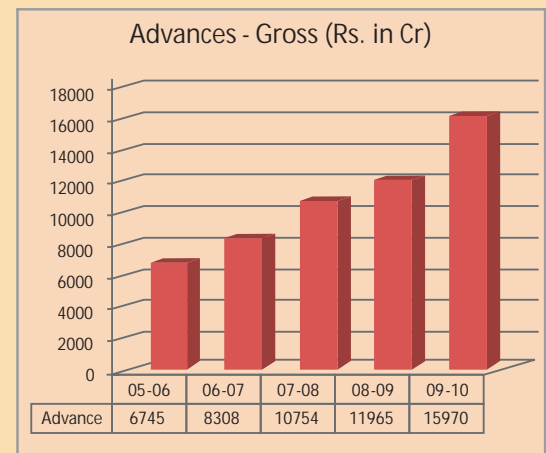
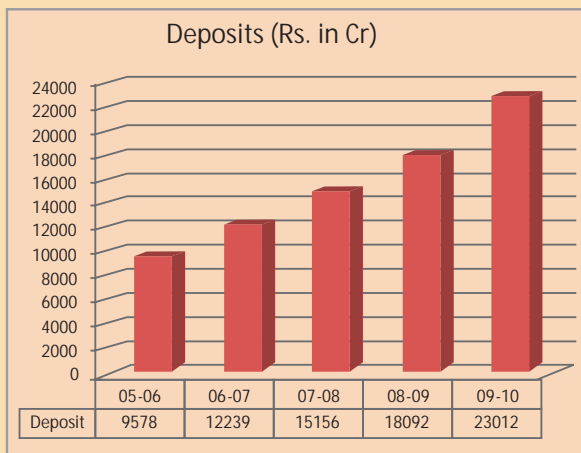
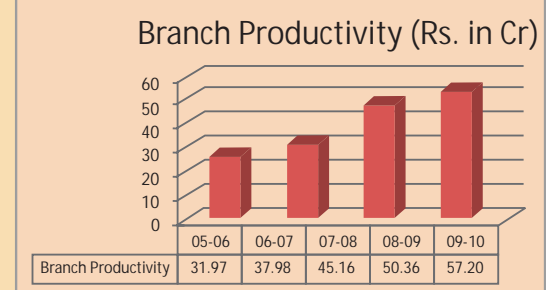
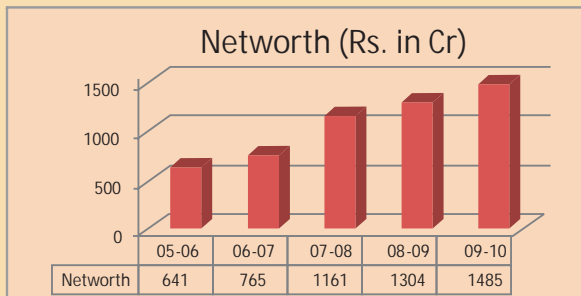
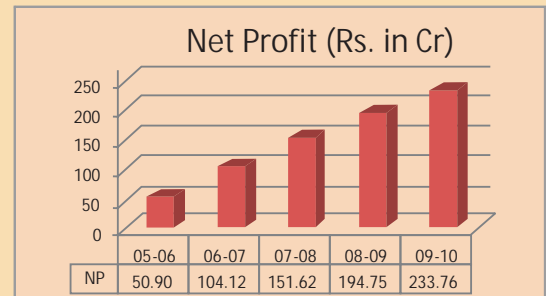
The South Indian Bank Ltd.

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Mission Quarters,
THRISSUR - 680 001,
Kerala, India.
Tel : +91 487 2420020
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email: head@sib.co.in

GROWTH INDICATORS



* Weighted average



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DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to place before you the 82nd Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended March 31, 2010.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2010 are as follows: -

Key Parameters	Rs. in crore	
	2009-10	2008-09
Deposits	23012.00	18092.00
Gross Advances	15970.00	11965.00
Total Gross Business	38982.00	30057.00
Net Profit	233.76	194.75
Net Worth	1484.71	1304.00
Capital Adequacy (%) - Basel-I	14.73	13.89
Basel-II	15.39	14.76
Earning Per Share (EPS) :		
(a) Basic EPS (in Rs.)	20.69	17.23
(b) Diluted EPS (in Rs.)	20.58	17.23
Book Value per Share (in Rs.)	131.39	115.40
Gross NPA as % of Gross Advances	1.32	2.18
Net NPA as % of Net Advances	0.39	1.13
Return on Average Assets (%)	1.07	1.09

FINANCIAL PERFORMANCE

Profit

The Bank has achieved a record net profit of Rs.233.76 Crore during the year registering a growth of 20.1% over the previous year. The Bank could achieve this improvement in net profit mainly on account of higher scale of operations and better management of assets and liabilities of the Bank.

The Profit and Loss Account shows an Operating Profit of Rs. 427.33 crore before depreciation, tax and provision as per details given below :

	(Rs. in crore)	
Profit before depreciation, taxes & provisions	427.33	
Less : Depreciation	: 16.76	
Provision for NPA/NPIs	: 37.19	
Provision for depreciation on investments	: (40.94)	
Provision for contingencies	: 33.00	
Provision for Income Tax/Wealth Tax	: 133.55	
Provision for standard advances	: 6.43	
Provision for restructured advances	: 7.58	193.57
Net Profit	: 233.76	
Brought forward from last year	: 14.67	
Profit available for appropriation	: 248.43	248.43

Appropriations

Transfer to Statutory Reserve	58.45
Transfer to Capital Reserve	0.69
Transfer to Revenue & Other Reserves	90.00
Transfer to Investment Reserve	20.27
Transfer to Special Reserve u/s 36(i) (viii) of the Income Tax Act, 1961	9.28
Proposed Dividend	45.20
Dividend Tax on Proposed Dividend	7.51
Carried over to Balance Sheet	17.03
Total	248.43

Dividend

The Board of Directors has recommended a dividend of 40% (tax-free in the hands of shareholders), i.e., @ Rs.4/- per Equity share of face value of Rs.10/- per share as against 30%, i.e. Rs.3/- 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 been successful in spreading its coverage across the country from South to North and West to East with 580 branches and 3 extension counters. The branch network now covers 26 states/union territories and has an ATM network at 373 centres. During the year, the Bank opened 50 new branches and 93 ATMs across the country.

The Bank plans to open 60 more new branches and 107 new ATMs in the current financial year so as to reach the corporate goal of 640 Branches and 480 ATMs by March 31, 2011.

CAPITAL & RESERVES

The Bank was having an issued and paid up capital of Rs. 113.01 crore as on March 31, 2010. The Net worth of the Bank has gone up from Rs.1304 crore to Rs.1484.71 crore due to plough back of profits during the year.

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2010 according to Basel I and Basel II guidelines was 14.73% and 15.39 % respectively. Tier I CRAR constituted 11.89% and 12.42% while Tier II CRAR constituted 2.84% and 2.97% under Basel I and Basel II respectively. This is against the statutory requirement of 9% stipulated by Reserve Bank of India.

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on The Cochin Stock Exchange Ltd., The Bombay Stock Exchange Ltd., and The National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2010-11.

DIRECTOR'S REPORT

BUSINESS ACHIEVEMENTS

The Bank could achieve a total gross business of Rs.38982 Crore, consisting of total deposits of Rs.23012 Crore and gross advances of Rs.15970 Crore as on March 31, 2010 registering a total business growth of 29.69% over the previous year.

Deposits: The Bank could increase its total deposits to Rs. 23012 Crore from Rs. 18092 Crore last year, registering a growth of 27.19%.

The break up of the deposits as on March 31, 2010 is as under:-

	Amount (Rs. in crore)	% to total Deposits
Current Deposits	1052.00	4.57
Savings Deposits	4272.00	18.56
Term Deposits	17688.00	76.87
Total	<u>23012.00</u>	<u>100.00</u>

Advances: Total advances of the Bank registered an increase of 33.47%, to touch a gross figure of Rs. 15970 Crore. Total Priority sector advances have improved to Rs.5090.93 Crore, constituting 41.92% of the Adjusted Net Bank Credit (ANBC) as on March 31, 2010. Exposure to agricultural sector amounted to Rs.2656.80 Crore, forming 21.88 % of ANBC as at the end of the financial year.

Split up of exposure under Priority Sector is furnished below :

	Amount (Rs. in crore)
Agriculture & Allied activities (including eligible RIDF investments)	2656.80
Small Enterprises	1094.50
Other Priority Sector	1339.63
Total Priority Sector	<u>5090.93</u>

INVESTMENTS

The fiscal 2009-10 saw a divergent trend in long duration and short duration fixed income securities resulting in a steepening of yield curve. Longer end of the curve was under pressure on account of the higher government borrowing and rising inflationary expectations. The demand for the short term debt instrument was high due to higher liquidity in the system. In the second half of the fiscal, RBI initiated an exit from the soft monetary policy, began by a hike in SLR from 24% to 25%. This was followed by hikes in cash reserve requirements and repo and reverse repo rates. There was a spectacular rally in the equity market in the fiscal backed by a lower base, stable government at the Centre, sign of economic recovery, abundant liquidity and return of risk appetite in the markets.

During the fiscal, our Bank's gross investment portfolio increased by 16.97% to Rs. 7164.29 crore as against a deposit growth of 27.19% resulting in a more healthy investment deposit ratio of 31.13% against 33.85% on March 31, 2009. The Statutory Liquidity Ratio (SLR) investments had grown by 38.69%. The Bank made a total trading profit of Rs. 78.02 crore against Rs.35.41 crore in previous year.

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 has been getting amortised over a period of 4 years from the year 2006-07 and the unamortised amount was being carried forward as deferred revenue expenditure. The proportionate expenditure on VRS amounting to Rs. 1.81 crore (Previous year Rs.1.80 crore) has been charged to Profit and Loss account during the current year and hence there is no unamortised amount of VRS expenditure outstanding as at the end of the year as it stands fully absorbed during the last four years.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2009-10, the Bank had taken various steps for recovery of non-performing assets by conduct of recovery camps, issue of notice under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) one-time settlements, etc.

As a result of the various steps taken, the Bank could recover NPAs to the tune of Rs. 269.62 Crore during the year against the target of Rs. 225 Crore. The Gross and Net NPAs of the Bank as on March 31, 2010 were Rs. 211 Crore and Rs. 61.57 crore against Rs. 260.56 Crore and Rs.134.31 Crore respectively as on March 31, 2009. The percentage of Gross NPA to Gross Advance came down from 2.18% as on March 31, 2009 to 1.32% as on March 31, 2010.

The most notable achievement in NPA management was that the Bank could reduce the percentage of net NPA to net Advances from 1.13% to 0.39% as on March 31, 2010.

AUTOMATION AND COMPUTERISATION

Rapid advancement in Information Technology (IT) made a paradigm shift in the way business has been conducted and banking was also not an exception. The stiff and fierce competition being experienced in the banking horizon especially from foreign banks as well as new generation private sector banks forced the managements of old generation private sector banks to ponder upon new dimensions of banking, deploying IT in the best possible manner. Our Board of Directors and the Top Management embraced this idea in early 2000 and thus the 'SIBerTech' initiative was born.

'SIBerTech' was the initiative to deploy Core Banking Solution (CBS) and Bank could achieve 100% CBS status as on March 31, 2007.

Leveraging on the CBS platform Bank could introduce a host of services such as Anywhere Banking, on line ATMs, Net Banking, Mobile Banking, E commerce, M commerce etc.

Information System Security Awareness

The menace of phishing, spoofing, various kinds of e-threats, etc. and precautionary measures to be taken by the users/customers to thwart such potential perils have been incorporated in our web site as well as net banking home page, besides as ticker message in the home page of web site, as part of Customer Education. Further educating customers and branches on the impact of 'E-Threats' periodically through circulars/e-mail mode/customers' meets/structured training sessions forms part of continuing awareness programme introduced by the Bank during the year.

DIRECTOR'S REPORT

Our web site is provided with a guidance column for customers in regard to the safety measures to be undertaken to guard against the possible E- Threats. Mobile alerts are also being sent periodically to make customers vigilant about the same. Bank is in the process of introducing two-factor authentication mechanism, which augments the existing security in net banking.

Major IT initiatives during the year

New Pension System was introduced in the Bank as per Pension Fund Regulatory Development Authority (PFRDA) guidelines and South Indian Bank is the only old generation private sector bank included for this purpose as of now. To encourage and smoothen the working of the New Pension Scheme, the entire operations have been computerised with access to the designated branches to upload all the information easily and quickly.

E commerce has been commenced with tie up with various service providers for bill payments, trading etc.

M commerce has been introduced through a tie up with M/s PayMate to facilitate purchase transactions through Mobile banking.

A new data centre with state-of-the-art technology and complying with green building concepts is being set up at Kakkanad, Kochi and the same is expected to be operational during the current year.

Banking Business Intelligent Solution, which is akin to CBS to facilitate various reporting and information processing under distinct subject areas such as Customer Intelligence, Financial Intelligence, Operational Intelligence and Risk Intelligence, is in the process of implementation.

IT Training

During the year, several IT Training programmes (both advanced and basic) in relevant areas to keep the resource abreast with the advancement and rapid changes in IT were arranged for the benefit of our staff at all levels.

RISK MANAGEMENT AND BASEL II

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

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of risks are approved by Risk Management Committee of Board (RMC), which provides strategic guidance while reviewing portfolio behavior. The senior level management committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) develop the risk management policies and vet the risk limits. The Asset Liability Management Committee, Credit Policy Planning and Intelligence Committee and Investment Committee ensure adherence to the

implementation of the above risk management policies, and develop Asset Liability Management policy, Credit policy and Investment policy within the above risk framework. The risk management policies have laid down risk management processes to identify, measure and mitigate the risks to bring the risks within the tolerance level.

The Bank has already migrated to Basel II during FY 08-09 and assesses the capital adequacy for credit risk under Standardized Approach, market risk under Standardized Measurement Method and operational risk under Basic Indicator Approach. To address the issues of Pillar II, the Bank has implemented ICAAP framework (Internal Capital Adequacy Assessment Process) during the year for integrating capital planning with budgetary planning and to capture the residual risks which are not addressed in pillar I like credit concentration risk, interest rate risk in the banking book, liquidity risk, earnings risk, strategic risk, reputation risk etc. For adhering to market discipline as laid down in pillar III of Basel II guidelines, the Bank has adopted a common framework for disclosures. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner.

INTERNATIONAL BANKING

At present the Bank is having inward remittance arrangement with 4 Banks and 27 Exchange Houses. During the year, we had entered into an arrangement with the Commercial Bank of Qatar to improve inward remittances and trade related activities from Qatar. We have also initiated tie up with two banks in Saudi Arabia for participating in the growing trade between the two countries. With a view to improve remittance facilities to NRI's in the Gulf countries, the Bank has entered into Speed Remittance arrangement (SIB Express) with 3 new Exchange Houses and with 5 existing Exchange Houses with whom we already have Draft Drawing Arrangement.

To facilitate real time credit of inward remittances from overseas countries through Exchange Houses and Banks, we have launched a Web based Payment Hub which will provide instant credit to the beneficiary's account not only with our Bank but also for credit of other Banks' account through National Electronic Fund Transfer (NEFT) facility provided by Reserve Bank of India. We have also entered into an arrangement with Bank of New York towards online remittance in US Dollar under SIBeazyRemit for Non resident Indians living in U.S.A.

The Bank continued providing managerial support to Hadi Express Exchange, UAE. The Exchange House opened two new branches at Ras Al Khaimah and Deira Dubai during the year, totaling the branch network to four. Bank had also set up a stall in Global Village Dubai, in connection with Dubai Shopping Festival, which attracted a large number of visitors during the festival period.

To improve forex business, Bank had upgraded 11 branches to 'B' category thus bringing the total number of "B" category branches to 25. The Bank has also started publishing the Exchange rates of all major currencies through our web-site on a daily basis. Bank is presently maintaining 11 nostro accounts in 8 major currencies.

During the year, the Bank has introduced Foreign Currency Non Resident (FCNR) Deposits in Australian Dollar (AUD) to

DIRECTOR'S REPORT

Non resident Indians residing in Australia, with a view to provide this additional facility of investment of their surplus savings in AUD in India.

Our Bank has signed a MOU with Colombo-headquartered Hatton National Bank and this tie-up is a mutually beneficial agreement that will facilitate cross-border business between India and Sri Lanka.

NRI PORTFOLIO

Our Bank has the unique distinction of opening the first exclusive NRI branch in Kerala and still occupies the prime position with eight exclusive NRI branches in the state. The total NRI deposit of our Bank as on March 31, 2010 constitutes 20.77% of the Bank's total retail deposit.

The NRI Division of the Bank has since been strengthened to provide dedicated service to our NRI customers. The Division also offers best support to the branches in their NRI related matters and closely monitors the growth of NRI business. NRI Newsletter, a quarterly publication from NRI Division continues to provide useful information to our NRI customers.

TRAINING

The Bank is giving utmost importance for training and development of its Officers and Staff, as improvements made in human resources directly result in enhancement in organization's productivity. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and train them for qualitative improvement. During the financial year, Bank could provide training to 1486 of its Officers, 906 clerks and 116 sub staff in different facets of Bank's operations. Hence, the Bank could impart training to a total of 2511 of its personnel during 2009-2010 which is about 49 percent of total staff strength of 5132 as on March 31, 2010. This is in pursuance of the Bank's objective to provide opportunities for continuous upgradation of skills to our entire staff to ensure that they meet the rising expectations of our customers in the entire spectrum of banking operations.

MARKETING

Bank has taken various marketing oriented initiatives to ensure business growth and competitiveness in the market. Systems, procedures, products and services are designed from the customer's point of view. This exercise has helped the Bank to design each customer touch point as easy and result oriented as possible. Bank has leveraged the Core banking system to offer varied financial products and services in a hassle free and effective manner.

Bank has a range of SB & CD products with Any Branch Banking facility to suit the needs of various customer segments. Through Real Time Gross Settlement / National Electronic Fund Transfer (RTGS / NEFT), customers can send funds to and receive funds from accounts with any other bank in India, who are the members of this payment system. Through the 'fast money' mode of funds transfer, money can be sent / received between

2 customer accounts maintained within the Bank. Customers can also send and receive funds to and from abroad through the arrangements made with Society for Worldwide Inter-bank Financial Telecommunication (SWIFT).

During the year, the Bank has launched a special Savings Bank product exclusively for women called 'SIB MAHILA'. This packaged savings bank product, which is linked to an RD account, is offered along with free insurance cover in respect of 'house-to-house' travel and death due to accident. There are two categories of this product bundled with a variety of free banking / technology services. Targeting the investors in the Stock Market, Bank launched another SB product 'SB Invest' where the customer is free to operate the account without any obligation to keep a minimum balance. This is a 'zero balance' account but with complete banking facilities - at par payable cheques, any branch banking, net banking, mobile banking, online trading and demat service.

Bank offers the depository services for the benefit of the customers. Through this facility, customers can hold their securities in electronic form with Central Depository Services (India) Ltd. (CDSL). For e-trading, Bank has launched 'SIBer Trade' - the online trading facility to buy stocks and shares from Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd. (NSE) through a tie-up arrangement with Geojit BNP Paribas Financial Services Ltd.

Pension Fund Regulatory and Development Authority (PFRDA) has launched the New Pension System (NPS) across the country. To cater this service to the subscribers of NPS, PFRDA has identified the Bank as a Point of Presence (POP) and the Bank launched the service w.e.f. May 1, 2009. It is proposed to offer this service through all our branches by the end of June 2010. With effect from April 1, 2010 tax will be deducted at source on interest earned on time deposit with banks at higher rates if Income Tax Permanent Account Number (PAN) is not made available. Based on the representations received from the customers, Bank has made a direct arrangement with M/s. UTI Technology Services Ltd. for servicing the PAN card applications. This is in addition to the already launched KYC Certification services for the Mutual Fund Investors, in association with M/s. CDSL Ventures Ltd. (CVL).

Mutual Funds are one of the preferred investment options for all those who wish to play safe, yet earn more than what traditional saving avenues offer. During the year, Bank entered in to a tie up with LIC Mutual Fund and with this, Bank offers a range of funds from 14 performing Mutual Fund companies.

From June 2009 onwards, Bank acts as a corporate agent of Life Insurance Corporation (LIC) of India for selling the life insurance products. All our branches are equipped to provide customised services to our account holders in the area of life insurance and with the wide and varied life insurance products provided by LIC, our Bank is in an unique position to meet the aspirations of our customers for protecting their families

DIRECTOR'S REPORT

through innovative life insurance products from the country's largest insurer, namely LIC of India.

'General Insurance' offers various health packages and policies to protect the assets and goods against various perils. Bank also acts as a corporate agent for the distribution of insurance products of M/s. Bajaj Allianz General Insurance Company. During the year, facility for online purchase of insurance policy is also provided in association with M/s. Bajaj Allianz General Insurance Company. Bank has entered in to an arrangement with M/s. Cholamandalam MS General Insurance Company to offer Health Insurance coverage to all our customers at competitive rates of premium and a very efficient after sales service.

SIB's ATM cum Debit Card (SIB Card) enables withdrawal of cash through ATMs across the globe. Customers can withdraw cash from any ATM displaying the 'CIRRUS' logo of Mastercard International or the 'INFINET' logo of Institute for Development and Research in Banking Technology (IDRBT), the technical arm of RBI (now taken over by National Payments Corporation of India). SIB Card can be used in merchant establishments equipped with Point-of-Sale (POS) terminals in India and abroad, displaying the 'MAESTRO' logo of MasterCard International, for purchase of goods and services worth up to Rs.1 lakh per day. In order to widen the ATM/POS reach, Bank has recently acquired the principal membership of VISA International. With this Visa International membership, the Bank can issue and acquire the whole range of VISA debit cards and prepaid cards which are expected to be launched during the current year.

'Sibernet' - the internet banking service of the Bank, facilitates online and any-time banking transactions. Bank has made arrangements with three major aggregators in the country to provide e-commerce / online payment services to the customers. Customers can perform online transfer of funds from one account to another, online bills & utility payments, e-shopping, e-commerce and make offerings & book for 'Poojas' with the famous Guruvayur Sree Krishna temple in Kerala.

Customers of the Bank enjoy the benefit of Mobile Banking Service where, transaction alerts are sent to the customers on a real time basis, using the SMS technology. This facility is available to NRI customers also. This year, the Bank has launched M-Commerce facility as a value added service in association with M/s. Paymate. M-commerce is an entirely new breed of secured payment channel, which involves online and real time payments by debit to the customer's bank account which is authenticated through the registered mobile phone number of the customer.

The Bank's award winning website provides a host of information to the customers. Customers can locate the branch and ATM in a locality based on State and District filters. Contact details of the branches along with the email ID, branch code, IFSC codes and name of branch managers are available for quick reference. Contact details of Head Office departments and Regional Offices are also available. Direct links to make online bill payments, online shopping and online trading are available in the homepage itself. Visitors can lodge the complaints, send the feedback on customer satisfaction, watch the stock

information of the Bank, get the latest Forex rates etc. through the Bank's website. Bank has also put in place a Call Centre with Toll Free facility at Kochi, and this has been operational for more than a year now.

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.

New Software for maintenance of Personnel Data - Human Resources Management Software Solution (HRMSS)

In order to improve the management of Human Resource in the Bank, a new software has been put in place which serves to provide access to the Data Bank of all employees and is accessible through the Bank's network by all branches and offices. The service records along with the photographs of the employees are all captured in the Data Bank and is available in HRMSS. To make it more comprehensive, more modules like details of deputation, promotion, leave and LFC records, the training needs of the employees etc. will be added to the Data Bank in the second phase which will be completed during the current year.

Introduction of Online Recruitment

Software for online registration of applications for general recruitment was developed in house. This facilitated online validation of eligibility criteria and invalid applications could be reduced substantially for the last recruitment test in January, 2010.

Talent Acquisition

Campus recruitment has become a thrust area for acquiring talented personnel in Bank's workforce. A total number of 95 officers were recruited from campuses of various reputed colleges and universities from different centres during the year under review.

Talent Retention

Job satisfaction is the major morale booster for talent retention. Starting from comfortable posting & proper training, the Performance Linked Incentive Scheme of the Bank is very unique in the industry. They also have opportunity for promotions through fast track promotion policy. The attrition rate of Bank has been brought down below 2%.

Employee Stock Option

During the financial year 2008-09, the Bank has instituted an Employee Stock Option Scheme to enable its eligible employees to participate in the future growth and financial success of the Bank. The Bank's shareholders approved the plan on

DIRECTOR'S REPORT

August 18, 2008 for the issuance of stock options to the employees. Compensation and Remuneration Committee of the Board granted the options on November 21, 2009 at a discount of 10% on the closing price of the shares quoted on NSE on November 20, 2009.

Under the Scheme, Bank has granted 30,72,500 options to eligible employees which works out to 2.72% of the paid up share capital of the Bank as at March 31, 2010. This scheme has been introduced by the management to reward eligible employees with options which when vested and exercised will give rise to acquisition by the said employees of Equity shares equivalent to the option exercised.

With a view to maintain highest standards of personal ethics, all the Directors of the Bank including the Chairman and Managing Director & CEO have voluntarily decided not to accept any stock options, though the shareholders of the Bank were gracious enough to permit grant of stock options to all the Directors of the Bank during the previous Annual General Meeting.

SIBLINK

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

Staff Position

As on March 31, 2010, the Bank had 4860 personnel on its rolls on full time basis as against 4523 as on March 31, 2009. Cadre wise break up is as under:

Officers	2234
Clerks	1973
Sub staff	653
	4860
Part-time employees	272
	5132

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.

With a view to conserve energy and to protect the environment, the Bank has taken a policy decision to buy only energy efficient equipments bearing 5 star rating of Bureau of Energy Efficiency of Government of India for all our requirements in future.

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

PARTICULARS OF EMPLOYEES

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

Name, Qualification and Age (in years)	Designation	Remuneration	Experience (in years)	Date of commencement of employment	Last employment
Dr. V.A.Joseph, M.Com., LLB, CAIIB, PhD (HRD), MPM, 59 Years.	MD & CEO	Rs.41.58 lakhs	38	December, 2003	General Manager of Syndicate Bank at Mumbai

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank has formulated a CSR Policy to guide our strategic planning and provide a roadmap for our CSR initiatives, which is an integral part of overall business policy and is aligned with our business goals.

The CSR Policy covers the following core elements:

- Care for all Stakeholders
- Ethical functioning
- Respect for Workers' Rights and Welfare
- Respect for Human Rights
- Respect for Environment
- Activities for Social and Inclusive Development
- Implemented Minimum Wages for Contract workers

The Bank has always been keen in discharging its social responsibility. As part of the continued efforts to be an active player in the field of sustainable development, the Bank has been in the forefront to popularise inclusive growth. Towards achieving the objective, we are one of the pioneers in starting the no frill account for the less privileged. Bank has been making all out efforts in extending finance to small and micro-enterprises and the participation in the government sponsored schemes like SJSRY has been quite impressive. The Bank believes that agriculture and allied activities form an integral part of the development and therefore, emphasis is given to achieve maximum flow of credit to the eligible activities. Considerable assistance by way of finance and non-refundable contributions have been given towards palliative care, AIDS avoidance, general medical care for the under privileged, furtherance of education etc. Bank has adopted a few villages in Kerala with a view to cater to their all-inclusive growth.

The Bank is determined to ensure that environmental sustainability is given the adequate priority. We have been encouraging financing and setting up of non-conventional energy production units such as wind mill, solar energy gadgets etc. More emphasis will continue to be given towards growth of such units. Infrastructure development is a major requirement for the long term development. Accordingly the Bank has been participating in viable projects such as power generation, road

DIRECTOR'S REPORT

and bridge construction, oil exploration etc., referred to for financing. As a long term sustenance strategy, while taking up medium and large scale projects with a threshold limit of Rs.50 crore and above, we are examining the impact on the environmental issues like carbon emission, damage to the eco system, effect on the virginity of the land surface etc.

The Bank has taken a decision that any new construction by the Bank shall conform to the green concept and towards this goal the new Data Centre building being constructed at Ernakulam is expected to get a good Green Rating by the Indian Green Building Council.

SIB STUDENTS' ECONOMIC FORUM (SIBSEF)

Students' Economic Forum, which has completed 18 years after its first publication was launched in December 1991. It is a monthly publication discussing and analyzing a theme relating to important economic affairs and events. So far 220 themes have been published. In response to the requests from our readers and well wishers, we compiled the first 201 themes of this publication in 4 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 primarily targeted at the student community, the feedbacks received at our end show that the booklet is being well referred to by academicians, administrators, bankers and researchers. It is also a source of reference for the editors of various publications, including banking journals.

The following topics were discussed during the year 2009-2010: IFRS (April-2009), RBI Annual Policy Statement - 2009-10 (May-2009), Microfinance Part-I (June-2009), Microfinance - Part-II (July-2009), Union Budget 2009-10 (August-2009), Limited Liability Partnerships (September-2009), Interest Rate Futures (October- 2009), MSMEs (November-2009), ASEAN - India Free Trade Agreement (December-2009), Tax Reforms in India- Direct Taxes Code - Part-I (January-2010), Tax Reforms in India - Goods & Services Tax - Part II (February-2010), Union Budget - 2010-11 - the path of Fiscal Prudence (March-2010). Open access is also made available to this publication through the "Students' Corner" page of the Bank's website.

FINANCIAL INCLUSION INITIATIVES

As on March 31, 2010, Bank has 580 branches in the country. Out of these, 358 branches are located in rural / semi-urban areas. Out of the proposed 60 new branches to be opened during the financial year 2010-2011, 33 branches (55%) will be opened in rural and semi-urban areas. We have so far opened 1,50,130 'no frills' accounts (basic SB Accounts facilitating financial inclusion), with a minimum balance requirement of just Rs.10/-. We have opened more than 5 lakh 'SIB Junior' accounts, which is another financial inclusion product being offered by the Bank. This SB account is exclusively for the students.

In addition to this, Bank plans to adopt the Business Correspondent Model (Branchless Banking Model) for financial inclusion as permitted by RBI. As per the scheme, Business

Correspondents appointed by the Bank will facilitate basic banking services using the Hand Held Terminals (HHTs). Authentication will be done using the smart cards issued to the customers along with their finger print matches. It is proposed to implement the scheme on a pilot basis in 5 villages during the financial year 2010-11. As per the financial inclusion plan, the Bank proposes to cover at least 100 under banked villages by the end of financial year 2012-13.

ANTI - MONEY LAUNDERING (AML)

The Bank has attached great importance to Anti-Money Laundering and the transactions of all the branches of our Bank have been brought under the ambit of AML software. The alerts generated from the AML software are monitored on a daily basis and suspicious transactions are reported to Financial Intelligence Unit (FIU-India). In line with the RBI Guidelines, our Bank is strictly following the "Know Your Customer" norms at the time of opening new Accounts.

In order to educate the staff members at all levels, the Bank has provided a hand-book on "KYC/AML Guidelines", incorporating the various RBI Guidelines, to all the branch/offices. We have also started conducting online tests on KYC/AML, for the staff members at branches, so as to improve the knowledge level. With the motive of creating customer awareness towards compliance of KYC/AML guidelines, a notice was also published in leading newspapers.

E-CIRCULAR

The Bank has stopped the practice of issuing manual circulars and all the circulars of the Bank are uploaded using the 'e-circular software'. In e-circular, Bank's Policies, Guidelines and Forms are also uploaded so as to enable branches to take copies of the same for their immediate requirements.

DIRECTORS

Sri. A. S. Narayanamoorthy, Sri. Davy K. Manavalan and Sri. Mathew L. Chakola who retired at the 81st Annual General Meeting held on August 21, 2009, were re-appointed as Directors of the Bank. Dr. John Joseph retired from the Board w.e.f. February 12, 2010 on completing 8 years of Directorship as stipulated under the Banking Regulation Act, 1949. The Board places on record its appreciation for the invaluable services rendered by him during his tenure as Director. Sri. Mohan E. Alapatt was appointed as additional Director by the Board of Directors at its meeting held on March 1, 2010.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Sri. Mohan E. Alapatt vacates his office at the ensuing Annual General Meeting. A member of the Bank has expressed his intention to propose Sri. Mohan E. Alapatt as a candidate for being elected as a Director and has given a notice in writing along with a deposit of Rs. 500/-, in terms of Section 257 of the Companies Act, 1956.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, Sri. Paul Chalissery and Dr. N. J. Kurian are the directors who retire by rotation at the ensuing Annual General Meeting, and being eligible offer

DIRECTOR'S REPORT

themselves for re-appointment, and the Board recommends their re-appointment as the Directors of the Bank.

AUDITORS

The shareholders at its 81st Annual General Meeting held on August 21, 2009, appointed M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Central Auditors for the audit of Bank's accounts for the year 2009-10.

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 2010-11.

AUDIT AND INSPECTION

In addition to regular inspection of our branches at periodical intervals according to the rating awarded to the branches, we have a system of surprise inspection of branches as well. We also conduct Concurrent Audit in a selected number of branches, Stock Audit, Credit Audit, Revenue Audit to check income leakage etc. Besides, all our branches are subjected to statutory audit on yearly basis. Apart from this RBI also conducts an Annual Financial Inspection of our Bank.

In view of the various comprehensive audits and inspection covering all the areas of banking operations, a separate Management Audit is not considered necessary at present.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors' Report for the year 2009-10 does not have any qualifications. Hence, no explanation is required to be 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 March 31, 2010, 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 2009-10 and of the profit of the company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and Banking Regulation Act, 1949 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts for the financial year ended on March 31, 2010, on a going concern basis.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, Government of Kerala and all other state Governments where we operate, other Government and Regulatory Authorities, including stock exchanges, where the Bank's shares are listed and correspondent banks for their strong support and guidance, during the year. The Board also places on record its gratitude to the Bank's shareholders and customers for their continued support, patronage and goodwill. The pillars of any Institution are its staff, executives and administrators, more so in the case of a service institution like our Bank. The Bank has no hesitation in acknowledging this fact and thank all of them for their diligence and loyalty towards the Bank. The Board, therefore, expresses its deep appreciation for the dedicated service rendered by employees of the Bank at all levels.

Thrissur
May 25, 2010

By Order of the Board

G.A. SHENAI
CHAIRMAN

DIRECTORS' REPORT
STATUTORY DISCLOSURES REGARDING EMPLOYEES' STOCK OPTION SCHEME (ESOS)

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

Particulars	Options	Exercise price (Rs.)
Options outstanding at the beginning of the year	-	-
Options granted during the year	30,72,500	129.33
Options exercised during the year	-	-
Shares arising as a result of exercise of option	-	-
Options vested during the year	2,200	129.33
Forfeited/lapsed during the year	28,500	129.33
Options outstanding at the end of the year	30,44,000	129.33
Options Exercisable	30,44,000	129.33

Other details are as under:

Variation of terms of Options	None	
Money realized by exercise of options	Nil	
Pricing Formula	At a discount of 10% to Closing market price of Rs.143.70 quoted at National Stock Exchange of India Ltd., Mumbai on which the shares of the Bank are listed and traded with the highest volume on November 20, 2009, the immediately preceding working day of the date of grant.	
Details of options granted to senior managerial personnel	Name	Options Granted
	Mr. H. Suresh Prabhu	5000.00
	Mr. Abraham Thariyan	5000.00
	Mr. Cheryan Varkey	4200.00
	Mr. M. S. Mani	700.00
	Mr. N. V. Ignatius	4200.00
	Mr. George Davis Thottan Mr. K. S. Krishnan	4200.00 3600.00
Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None	
Identified employees who were granted option during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None	
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) - 20 'Earnings Per Share'	Rs. 20.58	
Weighted-average exercise prices of Options whose : ● exercise price either equals market price	Nil	

DIRECTORS' REPORT

<ul style="list-style-type: none"> ● exercise price greater than market price ● exercise price is less than the market price 	<p>Nil</p> <p>The price of the stock options granted is Rs.129.33</p>
<p>Weighted-average fair value of Options whose :</p> <ul style="list-style-type: none"> ● exercise price either equals market price ● exercise price greater than market price ● exercise price is less than the market price 	<p>Nil</p> <p>Nil</p> <p>The price of the fair value options granted is Rs.178.30</p>

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

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

● Net profit as reported	Rs.233.76 Crore
● Proforma Net profit based on fair value approach	Rs.231.53 Crore
● Basic EPS as reported	Rs.20.69
● Basic EPS (Proforma)	Rs.20.49
● Diluted EPS as reported	Rs.20.58
● Diluted EPS (Proforma)	Rs.20.49

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

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

● Exercise Price Per Share	Rs.129.33
● Fair value of options granted	Rs.178.30
● Expected Volatility	41.86%
● Historical Volatility	41.86%
● Life of the options granted (Vesting & Exercise period)	2 to 4.94 years
● Average Risk Free Interest Rate	5.68% to 7.04%
● Expected Dividend Rate	2.52%
● The Price of underlying share in market at the time of option grant	Rs.143.70

DIRECTOR'S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

The Indian economy showed clear momentum in recovery despite the impact of a deficient monsoon on agricultural production, the growth in Gross Domestic Product (GDP) for 2009-10 has been estimated at 7.2% compared to 6.7% recorded in 2008-09. As a result of a rebound in industrial output, better prospects for the Rabi crop and continuing resilience of the services sector the concerns about domestic output growth are now subdued as the recovery is getting more broad-based. After a continuous decline for nearly a year, exports and imports have expanded since October/November 2009. Flow of resources to the commercial sector from both bank and non-bank sources has picked up. Reflecting the stronger recovery in economic activities, growth in broad money (M3) and flow of credit to the private sector exceeded the Reserve Bank's indicative projections for 2009-10. The banking system's credit to the government was the prime driver of monetary expansion during the year. The flow of resources to commercial sector distinctly improved from both bank as well as non-bank sources. Going forward, the demand for money may increase with acceleration in recovery and the elevated level of inflation.

Headline wholesale price index (WPI) inflation accelerated from 1.5% in October 2009 to 9.9% by March 2010. There has been a significant change in the drivers of inflation in recent months. What was initially a process driven by food prices has now become more generalised. This is reflected in non-food manufactured products inflation rising from (-) 0.4% in November 2009 to 4.7% in March 2010.

The monetary policy response in India since October 2009 has been calibrated to India's specific macroeconomic conditions. In the wake of the global economic crisis, Reserve Bank pursued an accommodative monetary policy beginning mid-September 2008. This policy instilled confidence in market participants, mitigated the adverse impact of the global financial crisis on the economy and ensured that the economy started recovering ahead of most other economies. However, in view of the rising food inflation and the risk of it impinging on inflationary expectations, Reserve Bank began the process of exit from the expansionary monetary policy beginning October 2009.

Banking Scenario

The credit extended by private banks at end-March 2010 showed improvement over last year due to the revival in credit demand for the banking system as a whole. The loan portfolio of foreign banks, however, contracted.

Reflecting the revival in credit demand from the private sector, Scheduled Commercial Banks (SCBs) investment in Statutory Liquidity Ratio (SLR) securities increased at a lower rate of 18.5%

(y-o-y) during 2009-10 as compared with 20% a year ago. Commercial banks' holdings of such securities at 28.8% of their net demand and time liabilities (NDTL) were only marginally higher than 28.1% at end-March 2009. Adjusted for Liquidity Adjustment Facility (LAF) collateral securities on an outstanding basis, SCBs' holding of SLR securities amounted to 28.4% of NDTL on March, 2010. SCBs reduced their overseas foreign currency borrowings as well as their holding of foreign currency assets during the year.

During 2009-10, money supply (M3) growth decelerated from over 20% at the beginning of the financial year to 16.4% in February 2010 before increasing to 16.8% by March 2010, slightly above the Reserve Bank's indicative projection of 16.5%. This was reflected in non-food credit growth of 16.9%, above the indicative projection of 16%. Keeping in view the need to balance the resource demand to meet credit off take by the private sector and government borrowings, monetary projections have been made consistent with the growth and inflation outlook. The M3 growth for 2010-11 is projected at 17%. Consistent with this, aggregate deposits of SCBs and growth in non-food credit of SCBs are projected to grow by 18% and 20% respectively.

The overall stance of monetary policy for 2010-11 is intended to:

- Anchor inflation expectations, while being prepared to respond appropriately, swiftly and effectively to further build-up of inflationary pressures.
- Actively manage liquidity to ensure that the growth in demand for credit by both the private and public sectors is satisfied in a non-disruptive way.
- Maintain an interest rate regime consistent with price, output and financial stability.

Economic and Banking Outlook

The Indian economy is firmly on the recovery path. Exports have been expanding since October 2009, a trend that is expected to continue. The industrial sector recovery is increasingly becoming broad-based and is expected to take firmer hold going forward on the back of rising domestic and external demand. According to the Reserve Bank's quarterly industrial outlook survey, although the business expectation index (BEI) showed seasonal moderation from 120.6 in Q4 of 2009-10 to 119.8 in Q1 of 2010-11, it was much higher in comparison with the level of 96.4 a year ago. The improved performance of the industrial sector is also reflected in the improved profitability in the corporate sector. Service sector activities have shown optimism, especially during the latter half of 2009-10. The leading indicators of various sectors such as tourist arrivals, commercial vehicles production and traffic at major ports show

DIRECTOR'S REPORT

significant improvement. A sustained increase in bank credit and in the financial resources raised by the commercial sector from non-bank sources also suggest that the recovery is gaining momentum. The GDP growth projection for 2010-11 is at 8.0% with the assumption of a normal monsoon and good performance of the industrial and services sectors. However, three major uncertainties cloud the outlook for inflation. First, the prospects of the monsoon in 2010-11 are not yet clear. Second, crude prices continue to be volatile. Third, there is evidence of demand side pressures building up. Considering the domestic demand-supply balance and the global trend in commodity prices, the baseline projection for WPI inflation for March 2011 is placed at 5.5%. The M3 growth for 2010-11 is projected at 17% and the aggregate deposits and non-food credit of SCBs are expected to grow by 18% and 20% respectively.

Scheduled commercial banks (SCBs) raised their deposit rates by 25-50 basis points between February and April 2010 so far, signalling a reversal in the trend of reduction in deposit rates. Introduction of a reporting platform for all secondary market transactions in Certificate of Deposits (CDs) and Commercial Papers (CPs) and the RBI is considering giving some additional banking licenses to private sector players including NBFCs, if they meet the Reserve Bank's eligibility criteria. The Base Rate system of loan pricing, which will replace the BPLR system with effect from July 1, 2010, is expected to facilitate better pricing of loans, enhance transparency in lending rates and improve the assessment of monetary policy transmission.

Opportunities and Threats

The rapid turnaround after the crisis induced slowdown evidences the resilience of the Indian economy and financial sector. The monetary and fiscal stimulus measures initiated in the wake of the global financial crisis played an important role, first in mitigating the adverse impact from contagion and then in ensuring that the economy recovered quickly. While the increase in CRR effected by the Reserve Bank in its Third Quarter Policy Review of January 2010 led to some moderation in excess liquidity, overall liquidity conditions remain comfortable as reflected in the daily reverse repo operations. Over the last several years, the Reserve Bank has undertaken wide ranging financial sector reforms to improve financial intermediation and maintain financial stability. This process has now become more intensive with a focus on drawing appropriate lessons from the global financial crisis and putting in place a regulatory regime that is alert to possible build-up of financial imbalances. The Reserve Bank will further its efforts to improve the efficiency of the financial sector and financial markets while maintaining financial stability.

While the indicative projections of growth and inflation for 2010-11 may appear reassuring there are several uncertainties persisting over the economy which include the pace and shape

of global recovery and the perspective of both domestic demand & inflation management, the south-west monsoon during 2010 and the overall size of the government borrowing programme which is still very large and can exert pressure on interest rates. Private spending in advanced economies continues to be constrained and inflation remains generally subdued making it likely that fiscal and monetary stimuli in these economies will continue for an extended period. Emerging market economies (EMEs) are significantly ahead on the recovery curve, but some of them are also facing inflationary pressures.

India's growth-inflation dynamics are in contrast to the overall global scenario. The economy is recovering rapidly from the growth slowdown but inflationary pressures, which were triggered by supply side factors, are now developing into a wider inflationary process. Despite the increase of 25 basis points each in the repo rate and the reverse repo rate in mid-March 2010, the real policy rates are still negative. The monetary policy stance is the need to balance the monetary policy imperative of absorbing liquidity and ensuring that credit is available to both the Government and the private sector.

Financial Performance Vs Operational Performance of our Bank

For the first time in the history of the Bank, the Net Profit reached a level of Rs. 233.76 crore as against Rs. 194.75 crore last year. As regards the total gross business of the Bank, it grew from Rs. 30057 crore to Rs. 38982 crore. While the deposits grew from Rs. 18092 crore to Rs. 23012 crore, gross advances grew from Rs. 11965 crore to Rs. 15970 crore. Food credit increased to Rs. 285.89 crore from Rs. 268.22 crore and non-food credit increased to Rs. 15684.11 crore from Rs. 11696.78 crore in the last year, showing a total increase of Rs. 4005 crore. The Board has recommended a dividend of 40% i. e. @ Rs. 4/- per equity share of Rs. 10/- each, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 1.32% and the Net NPA to Net Advances at 0.39% respectively as on March 31, 2010. The Capital Adequacy Ratio of the Bank has reached a level of 14.73% under Basel I and 15.39% under Basel II norms as on March 31, 2010 as against the RBI mandated level of 9%. The Book Value per share has gone up from Rs. 115.40 to Rs. 131.39 by plough back of a substantial part of the net profit during the year.

Internal Control Systems and their adequacy

Insider Trading Code

The Bank has formulated a Code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Insider Trading) (Amendment) Regulation 2002 to prevent practices of Insider Trading. The Chief Financial Officer has been designated as Compliance Officer for this purpose. The

DIRECTOR'S REPORT

Chairman, Managing Director, Directors and Senior Management of the Bank have affirmed compliance with this Code.

Code of Conduct

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

Whistle Blower Policy

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

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

Risks and Concerns

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

In furtherance of above goals the Bank has strengthened its risk management processes by fine tuning its internal rating models, internal rating migration study, introducing comprehensive policies for credit and operational risk areas and business continuity plan, to take care of various emerging risks. The Bank has also introduced risk management processes like Risk Control Self Assessment framework (RCSA), stress testing framework and risk based pricing model linked to rating during the year to achieve proper trade off between risk and return.

Apart from the Risk Management Committee of the Board at apex level, the Bank has strengthened its Bank-wide risk management structure by introducing Credit Risk Management Committee and Operational Risk Management Committee at senior management level and designating operational risk management specialists in all Regional Offices and dedicated

mid office at Head Office / Treasury Department / International Banking Division at operational level during the year.

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. Given the market challenges, there has been considerable focus on optimizing the existing resources - through internal job postings, transfers and development initiatives. Training and development has assumed significant importance. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and train them for qualitative improvement. During the financial year, Bank could provide training to 1486 of its Officers, 906 clerks and 116 sub staff in different facets of Bank's operations.

To motivate the employees further and to inculcate in them a feeling of ownership, an Employees' Stock Option Scheme (ESOS) approved by the shareholders at the Annual General Meeting held on August 18, 2008, has been introduced by the Bank during the current financial year subject to the regulatory guidelines in this regard. This will serve to strengthen the bond of relationship between the Bank and its employees.

Industrial relations in the Bank have been cordial and harmonious. The representatives of Workmen Union, Officers Association and Management have been working collectively for achieving all-round growth and prosperity of the Bank. On account of cordial industrial relations, Bank has achieved considerable growth over the years. The grievances of the employees, if any, are resolved promptly through mutual discussions.

Thrissur
May 25, 2010

By Order of the Board

Dr. V.A.JOSEPH
MD & CEO

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

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

The required details on Corporate Governance are given hereunder:-

1. BOARD OF DIRECTORS
Composition of Board:

The composition of the Board of Directors is governed by the provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where the securities issued by the Bank are listed. The Board consists of eminent persons with considerable professional expertise and experience in Banking, Accounting, Finance, Economics, Business Management and other fields as specified in the said Acts. In terms of the Reserve Bank of India directive dated June 25, 2004 on 'Fit and Proper Criteria' for Directors of Banks, the Bank has already undertaken the due diligence process of all its Directors including the Chairman and has obtained the Deed of Covenant signed by all of them, as on March 31, 2010.

The composition and category of the Directors along with their attendance at Board Meetings and shareholdings in the Bank as on March 31, 2010 are given below: -

Sl.No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of last AGM on 21/08/09	No. of shares held	% of holding
			Held during the tenure	Attended			
1.	Sri. G. A. Shenai, Part-time Chairman	INE	9	9	Present	12000	0.01%
2.	Dr. V.A. Joseph, M D & C E O	Whole time Director	9	9	Present	12855	0.01%
3.	Dr. John Joseph, Director*	INE	7	7	Present	31172	0.02%
4.	Sri. A. S. Narayanamoorthy, Director	INE	9	7	Present	27775	0.02%
5.	Sri. Davy K. Manavalan, Director	INE	9	8	Present	2421	0.002%
6.	Dr. C. J. Jose, Director	INE	9	8	Present	1338	0.001%
7.	Sri. Jose Alapatt, Director	INE	9	5	Present	7625	0.007%
8.	Sri. Paul Chalissery, Director	INE	9	8	Present	12439	0.01%
9.	Sri. Mathew L. Chakola, Director	INE	9	8	Absent	91783	0.08%
10.	Dr. N. J. Kurian, Director	INE	9	9	Present	2875	0.003%
11.	Sri. Mohan E. Alappat, Director **	INE	2	2	NA	6567	0.006%

INE- Independent Non - Executive Director

* Dr. John Joseph retired from the Board w.e.f.12/02/2010

** Sri. Mohan E. Alappat was appointed as Additional Director w.e.f. 01/03/2010.

ANNEXURE TO THE DIRECTORS' REPORT

Board Meetings

A total of 9 Board Meetings were held during the year on the following dates: -

30/04/09, 16/06/09, 15/07/09, 21/08/09, 11/10/09, 21/11/09, 14/01/10, 01/03/10 and 31/03/10.

Committee position of Directors in the Bank as on March 31, 2010

The Board has nominated each Director as chairman of one of the Committees, thereby ensuring wider participation of all the Directors in the Bank's functioning. The names of committees with the names of respective chairman as on March 31, 2010 are furnished below.

1.	Management Committee	-	Chairman- Sri. G. A. Shenai
2.	Audit Committee	-	Chairman- Sri. A. S. Narayanamoorthy
3.	Nomination Committee	-	Chairman- Dr. V. A. Joseph
4.	N P A Review Committee	-	Chairman- Sri. Davy K. Manavalan
5.	Compensation & Remuneration Committee	-	Chairman- Sri. Paul Chalissery
6.	Customer Service Committee	-	Chairman- Dr. C. J. Jose
7.	Shareholders / Investors Grievance Committee	-	Chairman- Sri. Jose Alapatt
8.	Committee to Prevent and Review Frauds in the Bank	-	Chairman- Dr. V. A. Joseph
9.	Premises Committee	-	Chairman- Sri. Mathew L. Chakola
10.	Risk Management Committee	-	Chairman- Dr. N. J. Kurian
11.	Information Technology Committee	-	Chairman - Sri. Mohan E. Alapatt

Note: The Information Technology Committee (I.T.C.) of the Board was formed on March 1, 2010.

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

Directorship of Directors in other Public Limited Companies and Public Institutions

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

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

ANNEXURE TO THE DIRECTORS' REPORT

2. COMMITTEES OF BOARD

(A) MANAGEMENT COMMITTEE

Management Committee of Board has been constituted based on RBI instruction vide its circular No. DBOD. No. BP. BC. 96/21.03.038/2004-05 dated June 10, 2005 mainly to sanction credit proposals beyond the powers of MD & CEO and all other matters permitted by the Board from time to time. The members of the Committee as on March 31, 2010 are Sri. G. A. Shenai - Chairman, Dr. V. A. Joseph, Sri. A. S. Narayanamoorthy and Sri. Paul Chalissery.

A total of 19 meetings were held during the year.

(B) AUDIT COMMITTEE

The Audit Committee of the Board is chaired by Sri. A.S. Narayanamoorthy, who is a Chartered Accountant by profession. The other members of the committee are Sri. Paul Chalissery, Sri. Davy K. Manavalan and Dr. C. J. Jose as on March 31, 2010. The terms of reference of Audit Committee are harmonised with the requirements of clause 49 of the Listing Agreement and responsibilities enjoined upon it by the RBI, which inter alia includes the following:

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

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

The Committee met 8 times during the year.

(C) NOMINATION COMMITTEE

This Committee was constituted by the Board for the specific purpose of scrutinising the declarations received from persons to be appointed as directors as well as from the existing directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India, vide their directive dated June 25, 2004 on 'Fit & Proper Criteria' of Directors of Banks. The members of the Committee as on March 31, 2010 are Dr. V. A. Joseph - Chairman, Sri. G. A. Shenai, Sri. Davy K. Manavalan, and Sri. Mohan E. Alapatt.

During the year only one meeting was held.

(D) N P A REVIEW COMMITTEE

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 as on March 31, 2010 are Sri. Davy K. Manavalan as Chairman, Dr. V. A. Joseph, Dr. N. J. Kurian and Sri. A. S. Narayanamoorthy.

During the year 4 meetings were held.

(E) COMPENSATION AND REMUNERATION COMMITTEE

This Committee has been constituted with effect from January 12, 2009. The Members of the Committee as on March 31, 2010 are Sri. Paul Chalissery as Chairman, Sri. G. A. Shenai, Sri. A. S. Narayanamoorthy, and Dr. V. A. Joseph. The terms of reference of the Committee are as under: -

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

ANNEXURE TO THE DIRECTORS' REPORT

- e) Any other matters regarding remuneration to senior management of the Bank as and when permitted by the Board.
- f) Formulate a compensation policy which provide a fair and persistent basis for motivating, inspiring and rewarding employees appropriately according to their job / role size, performance, accomplishments, contribution, skill, aptitude and competence.
- g) Review the overall compensation structure and policies of the Bank with a view to attract, retain and motivate employees, consider grant of stock options to employees, reviewing compensation levels of the Bank's employees vis-à-vis other banks and industry in general.

The committee met 2 times during the year.

(F) CUSTOMER SERVICE COMMITTEE

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

The members of the Committee as on March 31, 2010 are Dr.C.J. Jose - Chairman, Dr. V. A. Joseph, Sri. G. A. Shenai and Sri. A. S. Narayanamoorthy.

Besides, w.e.f. December, 2008 the Bank has been inviting one of the customers of the Bank for the meeting as a special invitee with a view to seeking his suggestions for improving Customer Service and to share his experience with the Bank.

The committee met 4 times during the year.

(G) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

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 etc. from time to time. The members of the Committee as on March 31, 2010 are Sri. Jose Alapatt (Chairman), Dr.C.J. Jose, Sri. Mathew L. Chakola and Sri. Paul Chalissery.

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

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

During the year 4 meetings were held.

Status of Shareholder Complaints as on March 31, 2010

Sl. No.	Items	No. of complaints		
		Pending /Received	Redressed	Pending
1.	Non-receipt of Refund Order/Allotment credit	Nil	Nil	Nil
2.	Non-receipt of Dividend Warrants	11	11	Nil
3.	Request for issue of duplicate share certificates	75	75	Nil
4.	Complaints received from BSE/NSE/SEBI/ROC	5	5	Nil
5.	Other miscellaneous complaints	11	11	Nil
6.	Non-receipt of share certificate after transfer	4	4	Nil
	TOTAL	106	106	Nil

ANNEXURE TO THE DIRECTORS' REPORT

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

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank with a view to provide focused attention on preventing and monitoring of frauds involving amounts of Rupees One Crore and above. The members of the Committee as on March 31, 2010 are Dr.V. A. Joseph as Chairman, Sri. G. A. Shenai, Sri. A. S. Narayanamoorthy, and Dr. N. J. Kurian.

During the year 3 meetings were held.

(I) PREMISES COMMITTEE

A Premises Committee was constituted by the Board of Directors at its meeting held on December 28, 2007 to oversee and monitor the improvements to the Head Office building and a new Data Centre building at Rajagiri Valley, Kakkanad, Kochi. Its terms of reference include calling tenders from reputed architects and contractors, scrutinizing, shortlisting and negotiating their site plans, estimates, finalizing their appointment, fees and other terms and conditions and monitoring the progress of the project. Sri. Mathew L. Chakola (Chairman), Sri. A.S. Narayanamoorthy, Dr. V. A. Joseph and Sri. Jose Alapatt are the members of the Committee as on March 31, 2010.

During the year 4 meetings were held.

(J) RISK MANAGEMENT COMMITTEE

In terms of the guidelines of Reserve Bank of India on the Asset Liability Management / Risk Management Systems, a Risk Management Committee of Board has been constituted. The members of the committee as on March 31, 2010 are Dr. N.J.Kurian - Chairman, Dr. V. A. Joseph, Sri. Davy K. Manavalan and Sri. Mohan E. Alapatt. The Committee meets at least once in a quarter.

The committee inter-alia looks into the following aspects:

- a. 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.

- b. Approve risk management governance structure of the Bank and deciding the allocation of resources.
- c. Define the risk appetite of the Bank.
- d. Approve the vendors for risk data warehouse and other risk management software requirements.
- e. Approve revisions in existing systems and policies to address risk management requirements and good practices.
- f. 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.
- g. Oversee and monitor the Bank's compliance with regulatory requirements.
- h. Approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities.
- i. Review risk mitigation plans on significant risks, which affects policy or procedure level changes for effective implementation.

During the year 4 meetings were held.

(K) INFORMATION TECHNOLOGY COMMITTEE

This committee has been constituted w.e.f. March 2, 2010 to suggest improvement and monitor the implementation of modern technology in the Bank. The members of the Committee are Sri. Mohan E. Alapatt - Chairman, Dr. V. A. Joseph, Sri. G. A. Shenai and Sri. Paul Chalissey.

During the year only one meeting was held.

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

Name	No. of meetings	
	Held during the tenure	Attended
Sri. G. A. Shenai	19	19
Dr. V. A. Joseph	19	19
Dr. John Joseph*	16	15
Sri. A. S. Narayanamoorthy	19	16
Sri. Paul Chalisserly	19	18

* Ceased to be member w.e.f.12/02/10

N P A REVIEW COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. John Joseph*	04	04
Dr. V. A. Joseph	04	04
Sri. Davy K. Manavalan	04	04
Sri. Paul Chalisserly**	04	04
Dr. N. J. Kurian	04	04

* Ceased to be member w.e.f. 12/02/10

** Ceased to be member w.e.f. 02/03/10

Sri. A.S. Narayanamoorthy was inducted into the Committee w.e.f.02/03/10 and thereafter no meetings were held.

AUDIT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri. A. S. Narayanamoorthy	08	08
Dr. John Joseph*	07	07
Sri. Paul Chalisserly	08	08
Dr. N. J. Kurian***	07	06
Sri. Davy K Manavalan**	01	--
Dr. C. J. Jose**	01	01

* Ceased to be member w.e.f. 12/02/10

** Inducted into the committee w.e.f.02/03/10

*** Ceased to be member w.e.f. 02/03/10

COMPENSATION AND REMUNERATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri. Davy K. Manavalan*	02	02
Sri. G. A. Shenai	02	02
Dr. V. A. Joseph	02	02
Dr. John Joseph**	02	02
Sri. A. S. Narayanamoorthy	02	02

* Ceased to be member w.e.f. 02/03/10

** Ceased to be member w.e.f. 12/02/10

Sri. Paul Chalisserly was inducted into the Committee as Chairman w.e.f.02/03/10 and thereafter no meetings were held.

NOMINATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. V. A. Joseph	01	01
Sri. G. A. Shenai	01	01
Sri. A. S. Narayanamoorthy*	01	01
Sri. Davy K. Manavalan	01	01
Sri. Jose Alapatt*	01	--
Sri. Paul Chalisserly**	01	01

* Ceased to be members w.e.f.02/03/10

** Special invitee to the meeting held on 01/03/10

Sri. Mohan E. Alapatt was inducted into the committee w.e.f.02/03/10 and thereafter no meetings were held.

CUSTOMER SERVICE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. C. J. Jose	04	04
Sri. G. A. Shenai	04	04
Dr. V. A. Joseph	04	04
Sri. A. S. Narayanamoorthy	04	03
Dr. N. J. Kurian*	03	02

* Ceased to be member w.e.f. 02/03/10

ANNEXURE TO THE DIRECTORS' REPORT

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri. Jose Alapatt	04	03
Sri. Davy K. Manavalan*	03	02
Dr. C. J. Jose	04	04
Sri. Mathew L. Chakola	04	04
Sri. Paul Chalissery**	01	01

* Ceased to be member w.e.f. 02/03/10

** Inducted into the committee w.e.f. 02/03/10

COMMITTEE TO PREVENT AND REVIEW FRAUDS IN THE BANK

Name	No. of meetings	
	Held during the tenure	Attended
Sri. Paul Chalissery*	02	02
Sri. G. A. Shenai	03	03
Dr. V. A. Joseph	03	03
Sri. A. S. Narayanamoorthy	03	02
Dr. N. J. Kurian	03	02

* Ceased to be member w.e.f. 02/03/10

PREMISES COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri. Mathew L. Chakola	04	04
Dr. V. A. Joseph	04	02
Sri. A. S. Narayanamoorthy	04	04
Sri. Paul Chalissery*	04	04
Sri. Jose Alapatt	04	--

* Ceased to be member w.e.f. 02/03/10

RISK MANAGEMENT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. N. J. Kurian	04	04
Sri. G. A. Shenai*	04	04
Dr. V. A. Joseph	04	04
Sri. A. S. Narayanamoorthy*	04	03
Sri. Davy K. Manavalan	04	04

* Ceased to be members w.e.f. 02/03/10

Sri. Mohan E. Alapatt was inducted into the committee w.e.f. 02/03/10 and thereafter no meetings were held.

INFORMATION TECHNOLOGY COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri. Mohan E. Alapatt	01	01
Sri. G.A. Shenai	01	01
Dr. V. A. Joseph	01	01
Sri. Paul Chalissery	01	01

REMUNERATION PAID TO DIRECTORS DURING THE YEAR ENDED MARCH 31, 2010

A) The Bank paid a total remuneration of Rs.41.58 lakhs during the year to Dr. V. A. Joseph, Managing Director and Chief Executive Officer.

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

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

Sri. G. A. Shenai-Rs.300000/-*, Dr. John Joseph- Rs.220000/-, Sri. A. S. Narayanamoorthy - Rs.275000/-, Sri. Davy K. Manavalan

- Rs.175000/-, Dr. C. J. Jose - Rs.125000/-, Sri. Jose Alapatt - Rs.65000/-, Sri. Paul Chalissery - Rs.275000/-, Sri. Mathew L. Chakola - Rs.120000/-, Dr. N. J. Kurian - Rs.180000/- and Sri. Mohan E. Alapatt - Rs.25000/-.

Total amount paid Rs.17,60,000/-

* Sri. G. A. Shenai, Director assumed charge as Part-time Non-Executive Chairman of the Bank w.e.f. October 23, 2008 and the Bank paid him a remuneration of Rs. 6 lakhs, during the financial year 2009-10 in addition to the sitting fees mentioned above.

ANNEXURE TO THE DIRECTORS' REPORT

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

Resume of Directors retiring by rotation at the 82nd Annual General Meeting is given below:

- a) Name : Sri. Paul Chalissery
 Age : 46 years
 Qualifications : B. Com, PGDM
 Experience : A former Director of the Bank during the period from 16/09/1996 to 10/09/2004. He has extensive knowledge and experience for over 20 years of managing small and medium business enterprises and he is currently looking after his family business.

Present position: Non-executive Director

Sector : Minority.

Sri Paul Chalissery was appointed as an Additional Director on the Board on September 30, 2006 and was elected as a Director at the 79th Annual General Meeting held on June 29, 2007. He holds 12439 shares of the Bank in demat form. He is the Chairman of Compensation & Remuneration Committee and member of the following committees of the Board:

Audit Committee, Management Committee, Shareholders/ Investors Grievance Committee and Information Technology Committee.

- b) Name : Dr. N. J. Kurian
 Age : 66 years
 Qualifications : M.A., M.Sc., Ph.D.
 Experience : He is presently Professor of Council for Social Development, New Delhi. Has served the Govt. of India at various levels for about 38 Years and retired as Advisor (Financial Resources) to Planning Commission, Government of India.

Present position: Non-executive Director

Sector : Majority - Economics

Dr. N. J. Kurian was appointed as an Additional Director on the Board on May 23, 2007 and was elected as a Director at the 79th Annual General Meeting held on June 29, 2007. He holds 2875 shares of the Bank in demat form.

Dr. Kurian is a post-graduate in Economics and Statistics and holds a Doctorate in Economics. While he took his post-graduate degree in Statistics from the University of Kerala, India, he took his postgraduate degree (in Economics) and Doctorate from the University of Western Ontario, Canada. He is now a Professor of Council for Social Development, 53 Lodi Estate, New Delhi. He has served the Government of India in various capacities right from the year 1968 and for about 10 years from the year 1994 to 2004, he was the Advisor (Financial Resources), Planning Commission, Government of India with the status of Additional Secretary to the Government of India. He has also served as consultant to World Bank, Asian Development Bank, UNICEF, etc. He is the Chairman of Risk Management Committee and member of the Committee to Prevent and Review Frauds in the Bank and NPA Review Committee of the Board.

Resume of Director seeking appointment at 82nd Annual General Meeting is given below:

- a) Name : Sri. Mohan E. Alapatt
 Age : 46 years
 Qualifications : B.E (Mech)
 Experience : Qualified Engineer with considerable experience in varied industries for over 20 years and he is presently a corporate executive. He was a Director of the Bank earlier for a period of 8 years from 30/04/1999 to 23/04/2007.

Present position : Non-executive Director

Sector : Minority

Sri. Mohan E. Alapatt was appointed as an Additional Director on the Board on March 1, 2010 and will hold office till the date of the 82nd Annual General Meeting pursuant to Section 260 of the Companies Act, 1956.

He holds 6567 shares of the Bank in demat form. He is the Chairman of Information Technology Committee and member of Nomination Committee and Risk Management Committee of the Board.

A member of the Bank has expressed his intention to propose Sri. Mohan E. Alapatt as a candidate for being elected as a Director and has given a notice in writing with a deposit of Rs. 500/- in terms of Section 257 of the Companies Act, 1956.

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
79th Annual General Meeting	Friday 29th June 2007 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B.Road, Thrissur.	Yes Special Resolution passed for further Issue of Equity shares.
Extra Ordinary General Meeting	Friday 17th August, 2007 10.00 a.m.	"SIB House", Mission Quarters, T.B. Road, P B No. 28, Thrissur.	Yes Special Resolution passed for further issue of Equity Shares by way of Qualified Institutions Placement.
80th Annual General Meeting	Monday 18th August, 2008 10.00 a.m.	Towers Auditorium Trichur Tower Hotel P Ltd., T.B.Road, Thrissur	Yes 2 Special Resolutions passed. 1. For altering Articles of Association of the Bank. 2. For approval of creation, grant and issue of Equity Stock Options.
81st Annual General Meeting	Friday 21st August 2009 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B.Road, Thrissur.	No

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

5. DISCLOSURES

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

Items	Limit Sanctioned
Packing Credit	Rs.70.00 Lakhs
Foreign Bills Purchase (LC/Non-LC)	Rs.10.00 Lakhs
Fully Secured Term Loan (M)	Rs.28.00 Lakhs
Fully Secured Term Loan (V)	Rs.3.36 Lakhs

- We have extended a Housing loan of Rs. 20 Lakhs to Sri. Francis. K. Manavalan, brother of Sri. Davy. K. Manavalan, one of our directors and the balance outstanding as on March 31, 2010 was Rs. 14.53 Lakhs.
- We have awarded a contract for the construction of the new Data Centre project for the Bank at Kakkanad, Ernakulam to M/s. RDS Projects Limited, with a Contract Value of Rs. 6.30 crore. Sri. John K. Manavalan, is a Director of M/s. RDS Projects Limited, who is the brother of Sri. Davy K. Manavalan, one of our Directors.
- We have extended the following Term Loans to M/s. LIC Housing Finance Ltd.

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

Sri. A.S. Narayanamoorthy, one of our Directors, is a Director of M/s. LIC Housing Finance Ltd., from July, 2008. However, the above term loans were granted to M/s. LIC Housing Finance Ltd. before he joined their Board and no fresh sanction of any further loan has been permitted after he joined the Board of the Company. The modifications in sanction terms and conditions on the loans have been approved by Reserve Bank of India.

Information supplied to the Board

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

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

Among others, the following informations are also furnished to the Board: -

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

ANNEXURE TO THE DIRECTORS' REPORT
6. MEANS OF COMMUNICATION

The unaudited/audited quarterly / annual financial results of the Bank are forwarded to the Cochin Stock Exchange Ltd., Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd. immediately after the Board meeting and are published in 2 newspapers, one a local Malayalam daily and the other a National newspaper. These informations 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.sebidifar.nic.in. The results are also displayed on the Bank's Website at <http://www.southindianbank.com>.

7. GENERAL SHAREHOLDER INFORMATION

82nd Annual General Meeting	Date	14th July, 2010
	Day	Wednesday
	Time	3.00 p.m.
	Venue	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur.
Financial year		2009-10
Book Closure Date		08.07.2010 (Thursday) to 14.07.2010 (Wednesday) (both days inclusive)
Dividend Payment Date		23rd July, 2010
Name & designation of Compliance Officer		Sri. K.S. Krishnan CFO & Company Secretary
Registrar & Share Transfer Agents		M/s. BTS Consultancy Services Pvt. Ltd. No. 4, Ramakrishna Nagar, Near Kumaran Matriculation School, Villivakkam, Chennai - 600 049. Phone - 044 - 26503337 Fax No. 044 - 26503338 E-mail : ramesh@btsindia.co.in helpdesk@btsindia.co.in Contact Person- Sri. S Rameshbabu, Director
Bank's address for correspondence		The South Indian Bank Ltd., "SIB House", Secretarial Department, P.B.No.28, T.B.Road, Thrissur - 680 001, Kerala. Phone: 0487-2429333 Fax : 0487-2424760
E-mail address		ho2006@sib.co.in
Bank's website		www.southindianbank.com

Listing of the Bank's Equity Shares

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

1. The Cochin Stock Exchange Ltd.
2. The Bombay Stock Exchange Ltd.- 532218
3. The National Stock Exchange of India Ltd.- SOUTHBANK

The listing fees payable to the Stock Exchanges for the financial year 2010-11 have already been remitted.

ANNEXURE TO THE DIRECTORS' REPORT

The Market Price Data of Bank's Shares

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

Month	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	67.00	51.35	66.70	51.20
May	99.70	61.20	99.80	61.55
June	104.80	83.50	105.00	81.20
July	121.00	84.00	121.40	84.00
August	123.50	106.00	123.50	107.05
September	126.95	114.50	127.30	114.20
October	160.40	117.50	160.00	117.60
November	150.30	125.25	150.00	125.00
December	171.00	138.00	152.95	137.35
January	152.60	131.00	169.70	130.05
February	147.00	130.90	146.80	130.90
March	179.45	145.00	179.45	144.65

Distribution of shareholding as on March 31, 2010

Category (No. of Shares)	Physical		Demat	
	No. of holders	Shares	No. of holders	Shares
up to - 100	13703	397387	17850	830506
101 - 200	22852	2966653	16032	2265039
201 - 500	8961	2962671	12145	4084160
501 - 1,000	1925	1432787	4306	3150867
1,001 - 5,000	1392	2602500	3692	7296021
5,001 - 10,000	93	704890	340	2381686
10,001 - 50000	53	1108686	251	5408380
50001 & above	3	254416	109	75159841
TOTAL	48982	12429990	54725	100576500
% to total Shares	-----	11.00%	-----	89.00%

Total number of shareholders both physical and electronic put together is 103707

Members' profile as on March 31, 2010 is as under

Sl. No.	Category	Shares		Total shares	% to total shares
		Physical	Demat		
1	Resident Individuals	10110925	25867429	35978354	31.84
2	Indian Financial Institutions	---	2819501	2819501	2.50
3	Foreign Institutional Investors	---	41531720	41531720	36.75
4	Non-Resident Indians	1704575	1811898	3516473	3.11
5	Bodies Corporates	530490	8687068	9217558	8.16
6	Directors & Relatives	84000	303795	387795	0.34
7	Mutual Funds	---	11662139	11662139	10.32
8	Trusts	---	3066774	3066774	2.71
9	Banks	---	3650864	3650864	3.23
10	Clearing Members	---	642983	642983	0.57
11	HUFs	---	532329	532329	0.47
	GRAND TOTAL	12429990	100576500	113006490	100.00

ANNEXURE TO THE DIRECTORS' REPORT

Share Transfer System

The Bank has appointed M/s. BTS 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, wherever necessary, for his approval and thereafter all such cases are put up to the Shareholders / Investors Grievance Committee of the Board of the Bank for its information.

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

Dematerialisation of Shares

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 683A01015. As at the end of March 2010, 89% 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.

Our Bank is also a Depository Participant of CDSL and those shareholders holding shares in physical form and desiring to dematerialize their shares may please contact any of our Bank's branches nearest to them and get their shares dematerialized as it is most convenient to hold the shares in electronic form. The detailed list with full address of our branches is available on our website: www.southindianbank.com

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 upto and including financial year 2001-02 have been transferred to the "Investors' Education and Protection Fund". The unpaid dividend for the financial year 2002-2003 will become due to be transferred to the Fund on August 18, 2010.

8. COMPLIANCE STATUS OF CLAUSE 49 OF THE LISTING AGREEMENT

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

9. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

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

Thrissur
May 25, 2010

By Order of the Board

Dr. V.A.JOSEPH
MD & CEO

ANNEXURE TO THE DIRECTORS' REPORT

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

THE MEMBERS OF
THE SOUTH INDIAN BANK LIMITED
THRISSUR

We have examined the compliance of conditions of Corporate Governance by **The South Indian Bank Ltd.** (hereinafter referred to as 'the Bank') for the year ended on 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Bank with Stock Exchange(s).

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

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

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

For **Deloitte Haskins & Sells**
Chartered Accountants

Place : Kochi
Date : 25th May, 2010

M. Ramachandran
Partner
Membership No. 16399

AUDITORS' REPORT

The Shareholders of
The South Indian Bank Limited
Thrissur

1. We have audited the attached Balance Sheet of **The South Indian Bank Limited** as at 31st March 2010 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 573 branches audited by branch auditors. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
4. We report that:
 - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
5. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
6. We further report that:
 - (i) the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.
 - (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
 - (iii) the reports on the accounts of the Branches audited by Branch Auditors have been dealt with in preparing our report in the manner considered necessary by us.
 - (iv) as per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act, 1956.
 - (v) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2010 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, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Thrissur
30th April, 2010

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

M. Ramachandran
Partner
M.No. 16399

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule No.	As at 31.3.2010 Rs ('000)	As at 31.3.2009 Rs ('000)
CAPITAL AND LIABILITIES			
Capital	1	1130065	1130065
Employees' Stock Options (Grants) Outstanding		5745	—
Reserves and Surplus	2	13717089	11909975
Deposits	3	230115241	180923322
Borrowings	4	3309637	4120104
Other liabilities and Provisions	5	7062669	5710600
TOTAL		255340446	203794066
ASSETS			
Cash and Balances with Reserve Bank of India	6	13909488	9977324
Balances with banks and money at call & short notice	7	5967239	10381281
Investments	8	71556127	60752032
Advances	9	158229174	118479121
Fixed Assets	10	1525377	1363188
Other Assets	11	4153041	2841120
TOTAL		255340446	203794066
Contingent Liabilities	12	27297348	21940540
Bills for collection		2574632	2222942

Thirssur
30.04.2010

C.P. Gireesh
AGM

K.S.Krishnan
CFO & Company Secretary

Cheryan Varkey
Chief General Manager

Abraham Thariyan
Executive Director

H. Suresh Prabhu
Executive Director

Dr.V.A.Joseph
MD & CEO

G.A. Shenai
Chairman

DIRECTORS

1. A.S. Narayanamoorthy
4. Paul Chalissery

2. Davy K. Manavalan
5. Mathew L Chakola

3. Dr. C.J. Jose
6. Dr. N.J. Kurian

In terms of our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants

M. Ramachandran
Partner

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule No.	Year ended 31.3.2010 Rs ('000)	Year ended 31.3.2009 Rs ('000)
I. INCOME			
Interest Earned	13	19357210	16869219
Other Income	14	2084602	1642717
TOTAL		21441812	18511936
II. EXPENDITURE			
Interest Expended	15	13674284	11640380
Operating Expenses	16	3661814	3284769
Provisions & Contingencies		1768109	1639261
TOTAL		19104207	16564410
III. PROFIT/LOSS			
Net Profit for the year		2337605	1947526
Transfer from Revenue & Other Reserves		—	117100
Transfer to Other Liabilities & Provisions		—	(117100)
Profit brought forward from previous year		146670	90779
Profit available for Appropriation:		2484275	2038305
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		584500	490000
Transfer to Capital Reserve		6873	5000
Transfer to Revenue and Other Reserves		900000	1000000
Transfer to Investment Reserve		202666	—
Transfer to Special Reserve u/s 36(i)(viii) of Income Tax Act		92800	—
Proposed Dividend		452026	339019
Tax on Proposed Dividend		75076	57616
Balance carried over to Balance Sheet		170334	146670
TOTAL		2484275	2038305
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (Basic) (in Rs.)		20.69	17.23
Earning per share (Diluted) (in Rs.)		20.58	17.23

 Thrissur
30.04.2010

 C.P. Gireesh
AGM

 K.S.Krishnan
CFO & Company Secretary

 Cheryan Varkey
Chief General Manager

 Abraham Thariyan
Executive Director

 H. Suresh Prabhu
Executive Director

 Dr.V.A.Joseph
MD & CEO

 G.A. Shenai
Chairman

DIRECTORS

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4. Paul Chalissery

 2. Davy K. Manavalan
5. Mathew L Chakola

 3. Dr. C.J. Jose
6. Dr. N.J. Kurian

 In terms of our Report attached
AUDITORS

 For Deloitte Haskins & Sells
Chartered Accountants

 M. Ramachandran
Partner

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.3.2010 Rs ('000)	As at 31.3.2009 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 11,30,06,490 Equity shares of Rs 10/- each	<u>1130065</u>	<u>1130065</u>
Subscribed Capital 11,30,06,490 Equity shares of Rs 10/- each	<u>1130065</u>	<u>1130065</u>
Called up & Paid up Capital 11,30,06,490 Equity shares of Rs 10/- each [2,26,01,298 equity shares of Rs. 10 each were issued as fully paid up bonus shares during the year 2008-09 by capitalisation of corresponding value from Share Premium Account]	<u>1130065</u>	<u>1130065</u>
TOTAL	<u>1130065</u>	<u>1130065</u>
Employees' Stock Options (Grants) Outstanding Employees' Stock Options Outstanding	<u>43742</u>	<u>—</u>
Less: Deferred Employee Compensation Expense (unamortised)	<u>37997</u>	<u>—</u>
TOTAL	<u>5745</u>	<u>—</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.3.2010 Rs ('000)	As at 31.3.2009 Rs ('000)
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	2268139	1778139
Additions during the year	584500	490000
Sub total	2852639	2268139
II. Capital Reserve		
Opening Balance	358388	353388
Additions during the year	6873	5000
Sub total	365261	358388
III. Asset Revaluation Reserve		
Opening Balance	184113	187680
Deductions during the year:		
Depreciation on revaluation of Premises	3389	3567
Sub total	180724	184113
IV. Share Premium		
Opening Balance	5112902	5338915
Deductions due to issue of bonus shares	—	226013
Sub total	5112902	5112902
V. Revenue and Other Reserves		
Opening Balance	3839763	2956863
Adjustments during the year	—	(117100)
Sub total	3839763	2839763
Additions during the year	900000	1000000
Sub total	4739763	3839763
VI. Investment Reserve		
Opening Balance	—	—
Additions during the year	202666	—
Sub total	202666	—
VII. Special Reserve u/s 36(i)(viii) of Income Tax Act		
Opening Balance	—	—
Additions during the year	92800	—
Sub total	92800	—
VIII. Balance in Profit and Loss Account	170334	146670
TOTAL	13717089	11909975

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.3.2010 Rs ('000)	As at 31.3.2009 Rs ('000)
SCHEDULE 3 - DEPOSITS		
A I. Demand Deposits		
(i) From Banks	41185	52669
(ii) From Others	10477597	8402602
II. Savings Bank Deposits	42714667	34596790
III. Term Deposits		
(i) From Banks	12458700	7594752
(ii) From Others	164423092	130276509
TOTAL	230115241	180923322
B I. Deposits of branches in India	230115241	180923322
II. Deposits of branches outside India	—	—
TOTAL	230115241	180923322
 SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Other Banks	—	2300000
(ii) Other Agencies	9637	212432
(iii) Bonds-Subordinated debts *	3300000	1550000
II. Borrowings outside India	—	57672
TOTAL	3309637	4120104
Secured borrowings included in above	Nil	Nil
*Amount reckoned for Tier II capital out of subordinated debt	2390000	650000
 SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	1390264	1183992
II. Interest Accrued	1042327	943458
III. Others (including provisions)	4630078	3583150
TOTAL	7062669	5710600
 SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	1275742	893162
II. Balances with Reserve Bank of India in Current Account	12633746	9084162
TOTAL	13909488	9977324

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.3.2010 Rs ('000)	As at 31.3.2009 Rs ('000)
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
(i) Balances with Banks		
(a) In Current Accounts	286514	192884
(b) In Other Deposit Accounts	4730380	9319456
(ii) Money at call & short notice With Banks	<u>500000</u>	<u>—</u>
Sub total	<u>5516894</u>	<u>9512340</u>
II. Outside India		
(i) In Current Accounts	38487	—
(ii) In Other Deposit Accounts	90675	—
(iii) Money at call & short notice	<u>321183</u>	<u>868941</u>
Sub total	<u>450345</u>	<u>868941</u>
TOTAL	<u>5967239</u>	<u>10381281</u>
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
(i) Government Securities	56245960	40471298
(ii) Other Approved Securities	163665	202410
(iii) Shares	951003	544036
(iv) Debentures and Bonds	1293821	2648214
(v) Others	<u>12901678</u>	<u>16886074</u>
TOTAL	<u>71556127</u>	<u>60752032</u>
Gross Investments	71642863	61246703
Less: Depreciation	19258	438546
Provisions	<u>67478</u>	<u>56125</u>
Net Investments	<u>71556127</u>	<u>60752032</u>
II. Investments outside India	<u>—</u>	<u>—</u>
TOTAL	<u>71556127</u>	<u>60752032</u>
SCHEDULE 9 - ADVANCES		
A I Bills Purchased and Discounted	30587624	16930946
II Cash Credits, Overdrafts and Loans repayable on demand	68048845	53166128
III Term Loans	<u>59592705</u>	<u>48382047</u>
TOTAL	<u>158229174</u>	<u>118479121</u>
B I Secured by tangible assets*	14185922	101957297
II Covered by Bank/Government Guarantees	3409591	2687678
III Unsecured **	<u>12963661</u>	<u>13834146</u>
TOTAL	<u>158229174</u>	<u>118479121</u>
C I. Advances in India		
(i) Priority Sector	49414364	40278620
(ii) Public Sector	10173225	6829098
(iii) Others	<u>98641585</u>	<u>71371403</u>
TOTAL	<u>158229174</u>	<u>118479121</u>
II. Advances outside India	<u>—</u>	<u>—</u>
TOTAL	<u>158229174</u>	<u>118479121</u>

* Including advances against Book Debts

** Including Advances covered by Rights, Licenses etc

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.3.2010 Rs ('000)	As at 31.3.2009 Rs ('000)
SCHEDULE 10 - FIXED ASSETS		
I. Premises and Electrical Installations		
At cost as on 31st March of the preceding year	1837664	1538142
Additions during the year	250655	310398
	<u>2088319</u>	<u>1848540</u>
Deductions during the year being depreciation on Revaluation of Premises adjusted from		
Asset Revaluation Reserve	3389	3567
Sales/write off during the year	6123	7309
	<u>9512</u>	<u>10876</u>
	<u>2078807</u>	<u>1837664</u>
Depreciation to date	809096	691879
	<u>1269711</u>	<u>1145785</u>
	Sub total	
II. Other Fixed Assets(including Furniture and Fixtures)		
At cost as on 31st March of the preceding year	575161	500070
Additions during the year	93301	82182
	<u>668462</u>	<u>582252</u>
Deductions during the year	4642	7091
	<u>663820</u>	<u>575161</u>
Depreciation to date	408154	357758
	<u>255666</u>	<u>217403</u>
	Sub total	
	TOTAL	
	<u>1525377</u>	<u>1363188</u>
SCHEDULE 11 - OTHER ASSETS		
I. Inter- Office adjustments (Net)	763253	361956
II. Interest Accrued	2544065	1924294
III. Tax Paid in Advance/Tax Deducted at Source (Net)	138765	—
IV. Deferred tax asset	341741	247741
V. Stationery and Stamps	17647	13755
VI. Non-Banking Assets acquired in satisfaction of claims	3064	3423
VII. Others	344506	289951
	<u>4153041</u>	<u>2841120</u>
	TOTAL	
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts:		
(i) Service Tax disputes	21600	21600
(ii) FERA disputes	200000	530000
(iii) Others	18756	20565
II. Liability on account of outstanding Forward Exchange Contracts	15020848	9952496
III. Guarantees given on behalf of constituents in India	6924833	7693391
IV. Acceptances, endorsements and other obligations	4984415	3722488
V. Other items for which the bank is contingently liable: Unexpired Capital Commitments	126896	—
	<u>27297348</u>	<u>21940540</u>
	TOTAL	

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year ended 31.3.2010 Rs ('000)	Year ended 31.3.2009 Rs ('000)
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	15186247	12709026
II. Income on Investments	3780662	3588133
III. Interest on balances with Reserve Bank of India and Other Inter - Bank funds	390301	572060
TOTAL	19357210	16869219
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	300899	281556
II. Profit on sale of Investments	840905	384346
Less : Loss on sale of Investments	<u>(60725)</u>	<u>(30226)</u>
III. Profit on sale of land, buildings and other assets	914	10241
Less : Loss on sale of land, buildings and other assets	<u>(1371)</u>	<u>(2530)</u>
IV. Net Profit /(Loss) on Exchange transactions	204132	244840
V. Miscellaneous Income	799848	754490
TOTAL	2084602	1642717
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	13393832	11369699
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	30227	142856
III. Others	250225	127825
TOTAL	13674284	11640380
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	2263241	2141768
II. Rent, Taxes and Lighting	308569	273091
III. Printing and Stationery (incl. Software)	70688	39177
IV. Advertisement and Publicity	76510	54945
V. Depreciation	171001	142539
Less : Depreciation on revaluation of premises transferred from Asset Revaluation Reserve	<u>3389</u>	<u>3567</u>
VI. Directors' fees, allowances and expenses	2413	3746
VII. Auditors' fees and expenses (incl. branch auditors)	13287	13032
VIII. Law charges	11450	9804
IX. Postage, telegrams, telephones, etc	75013	76050
X. Repairs and Maintenance	102374	90539
XI. Insurance	191548	155679
XII. Other Expenditure	379109	287966
TOTAL	3661814	3284769

 Thrissur
30.04.2010

 C.P. Gireesh
AGM

 K.S.Krishnan
CFO & Company Secretary

 Cheryan Varkey
Chief General Manager

 Abraham Thariyan
Executive Director

 H. Suresh Prabhu
Executive Director

 Dr.V.A.Joseph
MD & CEO

 G.A. Shenai
Chairman

DIRECTORS

 1. A.S. Narayanamoorthy
4. Paul Chalissery

 2. Davy K. Manavalan
5. Mathew L Chakola

 3. Dr. C.J. Jose
6. Dr. N.J. Kurian

 In terms of our Report attached
AUDITORS

 For Deloitte Haskins & Sells
Chartered Accountants

 M. Ramachandran
Partner

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

GENERAL

The South Indian Bank Limited (SIB) was incorporated on January 29, 1929 at Trichur as a private Limited Company and was later converted into a Public Limited Company on August 11, 1939. SIB has a net work of 576 branches in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution, in addition to Treasury and Foreign Exchange Business. SIB is governed by Banking Regulation Act, 1949 and other applicable Acts / Regulations. Its shares are listed in leading stock exchanges in India.

1. BASIS OF PREPARATION

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

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

2. REVENUE RECOGNITION

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

- d) Fee / Commission income on Bank Guarantee / Letter of Credit issued are recognized over the period of the underlying liability.

3. INVESTMENTS

A) Classification

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

B) Valuation

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

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

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

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

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

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.

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

E) Repo and Reverse Repo Transactions

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

transaction. Revenues thereon are accounted as interest income.

4. ADVANCES

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

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

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

Category of Advance	General Provision
All Direct Advances to Agricultural and SME sector	0.25%
All Advances to Commercial Real Estate Sector	1.00 %
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.

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

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

7. EMPLOYEE BENEFITS

- a) Provident Fund:
Eligible employees (Employees who have not opted for pension plan) receive benefits from a Provident Fund, which is a defined contribution plan. The contribution made by the bank to the South Indian Bank Ltd Employees Provident Fund, administered by the trustees is charged to Profit & Loss account.
- b) Pension Fund:
Contribution towards the South Indian Bank Ltd Employees Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the accounts.
- c) Gratuity:
The bank makes annual contribution to the South Indian Bank Ltd Employees Gratuity Trust Fund administered and managed by the trustees. The

net present value of the bank's obligation towards the same is actuarially determined based on the projected unit credit method as at the balance sheet date. Actuarial gains and losses are recognized in the accounts.

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

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

e) Expenditure on Voluntary Retirement Scheme (VRS)

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

f) Employees Stock Option Scheme (ESOS)

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

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

8. SEGMENT REPORTING

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

a) Treasury

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

b) Corporate / Whole sale Banking

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

c) Retail banking

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

d) Other Banking Operations

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

Geographic segment

The Bank operates only in domestic segment.

9. EARNINGS PER SHARE (EPS)

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

10. TAXES ON INCOME

The income tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act. Deferred tax assets and liabilities are 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.

11. IMPAIRMENT OF ASSETS

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

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

12. ACCOUNTING FOR PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information

indicates that the loss on the contingency is reasonably possible but the amount of loss can not be reasonably estimated, a disclosure is made in the financial statements.

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

13. NET PROFIT

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

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

Thrissur
30.04.2010

C.P. Gireesh
AGM

K.S.Krishnan
CFO & Company Secretary

Cheryan Varkey
Chief General Manager

Abraham Thariyan
Executive Director

H. Suresh Prabhu
Executive Director

Dr.V.A.Joseph
MD & CEO

G.A. Shenai
Chairman

DIRECTORS

- 1. A.S. Narayanamoorthy
- 4. Paul Chalissery

- 2. Davy K. Manavalan
- 5. Mathew L Chakola

- 3. Dr. C.J. Jose
- 6. Dr. N.J. Kurian

In terms of our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants

M. Ramachandran
Partner

**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

Particulars	Basle II *		Basle I	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
i) Capital to Risk weighted Asset Ratio (CRAR %)	15.39	14.76	14.73	13.89
ii) CRAR - Tier I Capital (%)	12.42	13.22	11.89	12.44
iii) CRAR - Tier II Capital (%)	2.97	1.54	2.84	1.45
iv) Percentage of the shareholding of the Government of India in nationalised banks			N A	N A
v) Amount of Innovative Perpetual Debt Instruments raised during the year as Tier II Capital [Rs. in Crore]			N A	N A
vi) Amount of subordinated debt raised during the year as Tier II Capital [Rs. in Crore]			200.00	NIL

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

2. Business ratios / Information

Particulars	31.03.2010	31.03.2009
(i) Interest Income as a percentage to working funds	8.82 %	9.42 %
(ii) Non-interest income as a percentage to working funds	0.95 %	0.92 %
(iii) Operating Profit as a percentage to Working Funds	1.87 %	2.00 %
(iv) Return on Average Assets	1.07 %	1.09 %
(v) Business (Deposits plus Advances) per employee (Rs. In Crore)	7.71	6.45
(vi) Profit per employee (Rs. In Crore)	0.05	0.04

3. Movement in provisions for depreciation on investments:

(Rs. in Crore)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	7164.29	6124.67
(b) Outside India	—	—
(ii) Provisions for Depreciation		
(a) In India	1.93	43.86
(b) Outside India	—	—
(iii) Provisions for NPI		
(a) In India	6.75	5.61
(b) Outside India	—	—
(iv) Net Value of Investments		
(a) In India	7155.61	6075.20
(b) Outside India	—	—
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	43.86	25.74
(ii) Provisions made during the year	1.93	23.58
(iii) Less: Write-off/ write back of excess provisions during the year	43.86	5.46
(iv) Closing Balance	1.93	43.86
c. Movement of provisions held towards Non Performing Investments		
(i) Opening Balance	5.61	10.45
(ii) Provisions made during the year	2.14	—
(iii) Less: Write-off/ write back of excess provisions during the year	1.00	4.84
(iv) Closing Balance	6.75	5.61

**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 Crore)

Particulars	As at 31st March 2010				As at 31st March 2009			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	—	969.51	4655.08	5624.59	18.65	625.37	3403.11	4047.13
Other Approved	—	0.70	15.67	16.37	—	0.80	19.44	20.24
Shares	1.39	93.47	0.24	95.10	—	54.16	0.24	54.40
Debentures & Bonds	—	129.38	—	129.38	—	264.82	—	264.82
Others	12.00	687.90	590.27	1290.17	—	1368.81	319.80	1688.61
Total	13.39	1880.96	5261.26	7155.61	18.65	2313.96	3742.59	6075.20

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March 2010: (Rs. in Crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of Unrated Securities	Extent of Unlisted Securities
[1]	[2]	[3]	[4]	[5]	[6]	[7]
(i)	PSUs	86.10	23.90	—	17.59	16.92
(ii)	FIs	19.46	18.64	—	21.46	17.91
(iii)	Banks	761.33	54.05	—	13.23	1.00
(iv)	Private Corporate	58.41	5.00	—	48.35	5.01
(v)	Subsidiaries/ Joint Ventures	—	—	—	—	—
(vi)	Others	590.27	590.27	—	590.27	590.27
(vii)	Provision held towards depreciation	(0.92)				
	Total *	1514.65	691.86	—	690.90	631.11

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

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of Unrated Securities	Extent of Unlisted Securities
[1]	[2]	[3]	[4]	[5]	[6]	[7]
(i)	PSUs	232.25	177.40	—	2.27	20.41
(ii)	FIs	28.98	16.05	—	20.48	16.32
(iii)	Banks	1417.63	31.05	—	17.61	1.00
(iv)	Private Corporate	47.74	8.75	—	15.04	5.94
(v)	Subsidiaries/ Joint Ventures	—	—	—	—	—
(vi)	Others	319.80	319.80	—	319.80	319.80
(vii)	Provision held towards depreciation	(38.57)				
	Total *	2007.83	553.05	—	375.20	363.47

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 Crore)

	31.03.2010	31.03.2009
a) Shares	95.10	54.40
b) Debentures & Bonds	129.38	264.82
c) Subsidiaries/ joint ventures	—	—
d) Others (includes RIDF)	1290.17	1688.61

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

(iii) Non performing Non-SLR investments

(Rs. in Crore)

Particulars	31.03.2010	31.03.2009
Opening Balance	5.61	10.45
Additions during the year	2.14	—
Reductions during the year	1.00	4.84
Closing balance	6.75	5.61
Total provisions held	6.75	5.61

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

a) Done during the year ended March 31, 2010:

(Rs. in Crore)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2010
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	—	—	—

b) Done during the previous year ended March 31, 2009:

(Rs. in Crore)

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

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

7. Lending to sensitive sectors:

A. Real Estate Sector

(Rs. in Crore)

Category	31.03.2010	31.03.2009
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 eligible for inclusion in priority sector advances may be shown separately)	1002.74	971.11
(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	801.38	740.99
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	191.42	226.89
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)	373.48	479.10
Total Exposure to Real Estate Sector	1567.64	1677.10

B. Exposure to capital market sectors

(Rs. in Crore)

Particulars	31.03.2010	31.03.2009
(i) Direct Investments in equity shares	92.14	84.55
(ii) Investments in convertible bonds/ convertible debentures	NIL	NIL
(iii) Investments in units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	4.02	8.40
(iv) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), bonds and debentures, units of equity oriented mutual funds	NIL	NIL
(v) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	NIL	NIL

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

Particulars	31.03.2010	31.03.2009
(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:	0.25	1.88
(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)	NIL	NIL
Total Exposure to Capital Market	96.41	94.83

C. Risk category wise country exposure:

Country Risk exposure has been classified on the following basis:

(Rs. in Crore)

Risk Category	Exposure (net) as at 31.03.2010	Provision held as at 31.03.2010	Exposure (net) as at 31.03.2009	Provision held as at 31.03.2009
Insignificant	130.93	—	196.69	—
Low	72.50	—	27.58	—
Moderate	10.31	—	6.50	—
High	—	—	0.06	—
Very High	—	—	—	—
Restricted	—	—	—	—
Off Credit	—	—	—	—
TOTAL	213.74	—	230.83	—

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

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

8. Movements in non-performing advances (funded)

(Rs. in Crore)

Particulars	31.03.2010	31.03.2009
[i] Net NPAs to Net Advances [%]	0.39	1.13
[ii] Movement of NPAs (Gross)		
(a) Opening Balance	260.56	188.48
(b) Additions during the year	174.25	171.66
(c) Reductions during the year	223.81	99.58
(d) Closing Balance	211.00	260.56
[iii] Movement of NPAs (Net)		
(a) Opening Balance	134.31	33.97
(b) Additions during the year	99.58	128.73
(c) Reductions during the year	172.32	28.39
(d) Closing Balance	61.57	134.31
[iv] Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening Balance	113.13	143.11
(b) Provisions made during the year	74.67	42.93
(c) Write off / write back of excess provisions	52.37	72.91
(d) Closing Balance	135.43	113.13

(Rs. in Crore)

	31.03.2010	31.03.2009
Details of non performing financial assets purchased / sold	—	—

Provisions on Standard Assets:

(Rs. in Crore)

Particulars	31.03.2010	31.03.2009
Provisions towards Standard Assets	58.13	51.70

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

(Rs. in Crore)

Particulars	31.03.2010	31.03.2009
(i) No. of Accounts	1	NIL
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	NIL	NIL
(iii) Aggregate Consideration	4.33	NIL
(iv) Additional consideration realised in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate gain/ (loss) over net book value	4.33	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 2009-10:

Particulars of Accounts Restructured

(Rs. in Crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	NIL	7	63
	Amount outstanding	NIL	8.92	131.01
	Sacrifice (diminution in the fair value)	NIL	0.23	6.01
Sub Standard advances restructured	No. of Borrowers	NIL	NIL	2
	Amount outstanding	NIL	NIL	1.43
	Sacrifice (diminution in the fair value)	NIL	NIL	0.06
Doubtful advances restructured	No. of Borrowers	NIL	NIL	NIL
	Amount outstanding	NIL	NIL	NIL
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
TOTAL	No. of Borrowers	NIL	7	65
	Amount outstanding	NIL	8.92	132.44
	Sacrifice (diminution in the fair value)	NIL	0.23	6.07

Particulars of Accounts Restructured during 2008-09

(Rs. in Crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	1	18	91
	Amount outstanding	7.27	14.53	216.22
	Sacrifice (diminution in the fair value)	0.80	0.05	1.02
Sub Standard advances restructured	No. of Borrowers	NIL	NIL	9
	Amount outstanding	NIL	NIL	4.20
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
Doubtful advances restructured	No. of Borrowers	NIL	NIL	NIL
	Amount outstanding	NIL	NIL	NIL
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
TOTAL	No. of Borrowers	1	18	100
	Amount outstanding	7.27	14.53	220.42
	Sacrifice (diminution in the fair value)	0.80	0.05	1.02

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

Additional Disclosures regarding restructured accounts during 2008 - 09

(Rs. in Crore)

Sl. No.	Disclosures	Number	Amount
1	Application received upto March 31, 2009 for restructuring, in respect of accounts which are standard as on September 1, 2008	112	245.40
2	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet	95	187.67
3	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category	0	0.00
4	Of (1), proposals under process/ implementation which were standard as on March 31, 2009	15	57.08
5	Of (1), proposals under process/ implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on implementation of the package	2	0.65

Additional Disclosures regarding restructured accounts during 2008-09

No of Accounts in respect of which applications for restructuring are under process, but the restructuring package has not been approved as on 31.03.2009	17
Amount involved (Rs. in Crore)	57.73

11. Asset quality

Percentage of net NPAs to net advances works out to 0.39 % (1.13% as on 31.03.2009).

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. Concentration of Deposits, Advances, Exposures and NPAs

Concentration of Deposits

(Rs. in Crore)

Particulars	31.03.2010
Total Deposits of twenty largest depositors	3009.10
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	13.08%

Concentration of Advances

(Rs. in Crore)

Particulars	31.03.2010
Total Advances to twenty largest borrowers	3335.49
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	20.70%

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

Concentration of Exposures

(Rs. in Crore)

Particulars	31.03.2010
Total Exposure to twenty largest borrowers/customers	3342.72
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/customers	8.54%

Concentration of NPAs

(Rs. in Crore)

Particulars	31.03.2010
Total Exposure to top four NPA accounts	43.49

13. Sector-wise NPAs

Sl. No	Particulars	31.03.2010	31.03.2010
	Sector	Percentage of Gross NPAs to Total Advances in that sector	Percentage of Net NPAs to Total Advances in that sector
1	Agriculture & allied activities	0.47	0.24
2	Industry (Micro & Small, Medium and Large)	1.29	0.13
3	Services	8.22	2.11
4	Personal Loans	2.53	0.53

14. Movement of NPAs

(Rs. in Crore)

Particulars	31.03.2010
Gross NPAs as on 1st April of 2009	260.56
Additions (Fresh NPAs) during the year	174.25
Sub-total (A)	434.81
Less:-	
(i) Upgradation	147.79
(ii) Recoveries (excluding recoveries made from upgraded accounts)	63.34
(iii) Write Offs	12.68
Sub Total (B)	223.81
Gross NPAs as on 31st March 2010 (A-B)	211.00

15. Overseas Assets, NPAs and Revenue

(Rs. in Crore)

Particulars	31.03.2010
Total Assets	—
Total NPAs	—
Total Revenue	—

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

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

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

17. Unsecured Advances

(Rs. in Crore)

Particulars	31.03.2010
Total Advances for which intangible securities such as charge over the rights, licenses, authority etc has been taken as collateral	24.24
Estimated value of such intangible collateral	480.00

18. Letter of Comfort (LoCs) issued by banks:

(Rs. in Crore)

Particulars	31.03.2010
Letter of Comfort issued during the year	235.64
Assessed financial impact	50.98
Assessed cumulative financial obligations	131.35

19. Bancassurance Business

(Rs. in Crore)

Particulars	31.03.2010
Fees/ remuneration received from bancassurance business	2.79

As the disclosures in para 12 to 19 are pursuant to Reserve Bank of India guidelines issued during the current year, corresponding previous year figures have not been furnished

20. Maturity Pattern of key assets and liabilities:

As at 31st March 2010 :

(Rs. in Crore)

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	165.96	700.54	848.84	468.44	1888.08	2549.37	5701.87	8892.38	529.94	1266.10	23011.52
Loans & Advances	306.54	182.49	324.16	641.64	2760.50	2107.68	3889.19	2571.67	1240.18	1798.87	15822.92
Investments	31.14	374.44	303.56	230.52	700.73	424.47	55.34	447.44	660.08	3927.89	7155.61
Borrowings	0.04	65.00	0.00	0.00	0.00	0.00	0.24	0.45	65.23	200.00	330.96
Foreign Currency-Assets	16.67	32.11	0.00	23.14	144.70	70.88	15.71	23.70	0.00	0.00	326.91
Foreign Currency-Liabilities	26.90	0.00	0.00	0.35	0.04	1.84	0.50	0.00	0.00	0.00	29.63

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

As at 31 st March, 2009 :

(Rs in Crore)

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	539.61	240.76	192.87	752.29	1151.18	2726.14	3250.16	7118.78	1945.58	174.96	18092.33
Loans & Advances	226.34	93.74	97.25	350.92	1715.66	1206.31	3426.13	2013.72	1263.46	1454.38	11847.91
Investments	340.42	105.03	37.43	136.65	498.54	556.38	909.96	381.14	492.30	2617.35	6075.20
Borrowings	255.80	0.00	0.00	0.00	0.00	0.00	25.00	65.52	65.69	0.00	412.01
Foreign Currency-Assets	85.18	0.00	0.00	17.45	196.23	52.30	49.15	23.65	27.55	0.00	451.51
Foreign Currency-Liabilities	21.40	0.00	0.00	0.41	0.30	1.95	0.30	0.00	0.00	0.00	24.36

21. Derivatives

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

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

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

As on 31.03.2010

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

As on 31.03.2009

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

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

23. Provision for taxes during the year

(Rs. in Crore)

	31.03.2010	31.03.2009
Current Tax	142.92	88.54
Deferred Tax	(9.40)	17.32
Fringe Benefit Tax	0.00	0.75
Wealth Tax	0.03	0.02
Total	133.55	106.63

24. Penalties Levied by the Reserve Bank of India

No penalties were levied by the Reserve Bank of India during the financial years ended March 31, 2010 and March 31, 2009.

25. Status of Complaints

a. Shareholder complaints

	31.03.2010	31.03.2009
(a) No. of complaints pending at the beginning of the year	—	—
(b) No. of complaints received during the year	106	53
(c) No. of complaints redressed during the year	106	53
(d) No. of complaints pending at the end of the year	—	—

b. Customer complaints

	31.03.2010	31.03.2009
(a) No. of complaints pending at the beginning of the year	15	8
(b) No. of complaints received during the year	321	331
(c) No. of complaints redressed during the year	317	324
(d) No. of complaints pending at the end of the year	19	15

c. Status of Awards passed by the Banking Ombudsman

	31.03.2010	31.03.2009
(a) No. of unimplemented Awards at the beginning of the year	—	—
(b) No. of awards passed by the Banking Ombudsman during the year	4	—
(c) No. of Awards implemented during the year	4	—
(d) No. of unimplemented Awards at the end of the year	—	—

26. Provisions and Contingencies debited to Profit and Loss Account

(Rs. in Crore)

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	31.03.2010	31.03.2009
Provision for NPA/ NPIs	37.12	21.95
Provision for taxes (Net) *	142.95	89.31
Deferred Tax	(9.40)	17.32
Provision for Standard Assets	6.43	-
Provision for Restructured Advances	7.58	1.85
Provision for depreciation in the value of investments	(40.94)	23.58
Provision towards FERA dispute	33.00	10.00
Others	0.07	(0.08)
TOTAL	176.81	163.93

* Includes Fringe Benefit Tax Rs. NIL (Rs. 0.75 Crore) and Wealth Tax Rs. 0.03 Crore (Rs. 0.02 Crore)

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

27. 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, 2010. Elimination of pending items in the above is in progress and in the opinion of the management, its consequential impact in the accounts will not be material.

In accordance with the guidelines issued by Reserve Bank of India vide Notification dated May 11, 2009, an amount of Rs. 0.25 Crore being the un-reconciled entries of individual value less than USD 2500 in nostro accounts originated upto March 31, 2002 have been credited to the Profit & Loss Account for the current year and is included in the amount appropriated to the Revenue and Other Reserves.

B: Other Disclosures

1. Fixed Assets

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

2. Earnings per Share

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

Particulars	31.03.2010	31.03.2009
Weighted average number of equity shares used in computation of basic earnings per share	113006490	113006490
Potential equity shares arising out of the Employees' Stock Option Scheme [ESOS 2008]	620885	NIL
Weighted average number of equity shares used in computation of diluted earnings per share	113627375	113006490
Earnings used in the computation of basic and diluted earnings per share (Rs. In Crore)	233.76	194.75
Nominal Value of share (in Rs.)	10.00	10.00
Basic earnings per share (in Rs.)	20.69	17.23
Effect of potential equity shares for ESOS	0.11	NIL
Diluted earnings per share (in Rs.)	20.58	17.23

3. Accounting for Employee Share Based Payments.

The Shareholders of the Bank approved Employees Stock Option Scheme ESOS 2008 on August 18, 2008. Under the terms of the scheme, the Bank had granted Stock Options equivalent to 30,72,500 Equity Shares to the Employees of the Bank. Compensation Committee of the Board (CCB) granted the options on November 21, 2009 at a discount of 10% on the closing price of the shares quoted on NSE on November 20, 2009.

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

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

Activity in the options outstanding under the ESOS as at March 31, 2010.

Particulars	Options	Weighted average exercise price (Rs.)
Options outstanding at the beginning of the year	—	—
Options granted during the year	30,72,500	129.33
Options exercised during the year	—	—
Forfeited / lapsed during the year	28,500	129.33
Options outstanding at the end of the year	30,44,000	129.33
Options Exercisable	30,44,000	129.33

Fair Value methodology

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

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Exercise Price per share (Rs.)	129.33	—
Weighted Average Share Price per share (Rs.)	178.30	—
Expected Volatility	41.86%	—
Historical Volatility	41.86%	—
Life of the options granted (Vesting and Exercise period in years)	2.00 to 4.94	—
Average Risk Free Interest rate	5.68% to 7.04%	—
Expected Dividend Rate	2.52%	—

The expected volatility was determined based on historical volatility data; the Bank expects the volatility of its share price to reduce as it matures.

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

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Total Employee compensation cost pertaining to ESOS (Rs. in Crore)	4.37	—
Compensation Cost pertaining to ESOS amortised during the year (Rs. in Crore)	0.57	—
Liability for ESOS outstanding as at year end (No of Shares)	30,44,000	—
Deferred compensation cost (Rs. in Crore)	3.80	—

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

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

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

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Net Profit as reported(Rs. in Crore)	233.76	—
Proforma Net profit based on fair value approach (Rs. in Crore)	231.53	—
Basic EPS as reported (Rs.)	20.69	—
Basic EPS (Proforma)(Rs.)	20.49	—
Diluted EPS as reported(Rs.)	20.58	—
Diluted EPS (Proforma)(Rs.)	20.49	—

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

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 Crore)

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	517.20	468.86	621.23	501.19	980.21	854.17	25.54	26.97	2144.18	1851.19
Result	41.86	(27.59)	55.98	45.34	281.30	271.45	21.17	22.18	400.31	311.38
Unallocated Expenses										
Operating profit										
Income Taxes										
Extraordinary Profit/ Loss	—	—	—	—	—	—	—	—	—	—
Net Profit										
Other Information:										
Segment Assets	7155.61	6075.20	7333.70	5447.07	8489.22	6400.84	—	—	22978.53	17923.11
Unallocated Assets										
Total Assets										
Segment Liabilities	7155.61	6075.20	7333.70	5447.07	8489.22	6400.84	—	—	22978.53	17923.11
Unallocated Liabilities										
Total Liabilities										

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

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

5. Deferred Tax

Other assets (Schedule 11) include Deferred Tax Asset of Rs. 34.17 Crore (Previous Year Rs. 24.77 Crore). The components of the same are as follows:

(Rs. in Crore)

	31.03.2010	31.03.2009
Timing Difference		
Depreciation on Assets	0.10	0.10
Provisions for Loans/Investments/ others	34.07	24.67
Total	34.17	24.77

6. Related party disclosure:

a) Key Management Personnel

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

b) Remuneration paid Rs. 41.58 Lakhs (Previous year Rs. 36.67 Lakhs).

7. Employee Benefits

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

a. Retirement Benefits.

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

(Rs. in Crore)

Particulars	31.03.2010	31.03.2009
Pension Fund	19.62	16.05
Gratuity Fund	12.16	12.75
Compensation for absence on privilege/sick/casual leave	(3.57)	18.77

b. Changes in the defined benefit obligations

(Rs. in Crore)

	Gratuity Plan 31.03.10	Gratuity Plan 31.03.09	Pension Plan 31.03.10	Pension Plan 31.03.09
Projected defined benefit obligation, beginning of the year	84.29	69.98	77.16	131.28
Current Service Cost	3.91	3.14	3.88	3.24
Interest Cost	6.90	6.08	6.93	11.29
Actuarial gain/ (loss)	8.14	9.07	78.75	(0.81)
Benefits paid	(4.67)	(3.98)	(92.13)	(67.84)
Projected defined benefit obligation, end of the year	98.57	84.29	74.59	77.16

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

c. Changes in the fair value of plan assets

(Rs. in Crore)

	Gratuity Plan 31.03.10	Gratuity Plan 31.03.09	Pension Plan 31.03.10	Pension Plan 31.03.09
Fair value of plan assets, beginning of the year	72.49	68.72	63.43	89.60
Expected return on plan assets	5.72	5.50	5.07	7.17
Employer's contributions	11.80	2.21	13.73	44.00
Actuarial gain/ (loss)	1.07	0.04	13.48	(9.50)
Benefits paid	(4.67)	(3.98)	(40.74)	(67.84)
Fair value of plan assets, end of the year	86.41	72.49	54.97	63.43
Liability (Net)	12.16	11.80	19.62	13.73

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

(Rs. in Crore)

	Gratuity Plan 31.03.10	Gratuity Plan 31.03.09	Pension Plan 31.03.10	Pension Plan 31.03.09
Current Service Cost	3.91	3.14	3.88	3.24
Interest defined benefit obligation	6.90	6.08	6.93	11.30
Expected return on plan assets	(5.72)	(5.50)	(5.07)	(7.17)
Net actuarial gain/ (loss) recognized in the year	7.07	9.03	13.88	8.68
Past service cost	—	—	—	—
Net Benefit expense	12.16	12.75	19.62	16.05
Actual return on plan assets	6.79	5.53	39.84	(2.81)

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

	Gratuity Plan 31.03.10	Gratuity Plan 31.03.09	Pension Plan 31.03.10	Pension Plan 31.03.09
Government of India Securities	48 %	70 %	0 %	0 %
State Government Securities	0 %	0 %	0 %	0 %
High quality Corporate Bonds	46 %	29 %	0 %	0 %
Equity Shares of Listed Companies	0 %	0 %	0 %	0 %
Funds Managed by Insurer	0 %	0 %	81 %	41 %
Others (With Fund and Bank)	6 %	1 %	19 %	59 %
Total	100 %	100 %	100 %	100 %

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

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

	Gratuity Plan 31.03.10	Gratuity Plan 31.03.09	Pension Plan 31.03.10	Pension Plan 31.03.09	Compensa- tion for absence 31.03.10	Compensa- tion for absence 31.03.09
Discount rate	8.00 %	8.00 %	8.00 %	8.00 %	8.00 %	8.00 %
Expected rate of return on plan assets	8.00 %	8.00 %	8.00 %	8.00 %	—	—
Increase in compensation cost	5.00 %	5.00 %	5.00 %	5.00 %	5.00 %	5.00 %

Notes :

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

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

The charge on account of compensation for privilege / sick / casual leave, has been actuarially determined and the excess provision of Rs. 3.57 Crore (Previous year shortfall of provision Rs. 18.77 Crore) has been credited / (debited) to Profit and Loss account.

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

8. Expenditure on VRS.

The proportionate expenditure on VRS amounting to Rs 1.81 Crore (Previous year Rs. 1.80 Crore) has been charged to revenue and the balance expenditure to be amortised is NIL (Previous year Rs. 1.81 Crore).

9. Wage revision

Based on the recently concluded industry level settlement of wage revision, a sum of Rs. 29.50 Crore (Previous year Rs. 21.25 Crore) has been provided / paid towards arrears for the period from November 1, 2007 on an estimated basis and included under payments to and provision for employees.

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

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

11. Description of contingent liabilities

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

* Also refer schedule - 12

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

Thrissur
30.04.2010

C.P. Gireesh
AGM

K.S.Krishnan
CFO & Company Secretary

Cheryan Varkey
Chief General Manager

Abraham Thariyan
Executive Director

H. Suresh Prabhu
Executive Director

Dr.V.A.Joseph
MD & CEO

G.A. Shenai
Chairman

DIRECTORS

1. A.S. Narayanamoorthy
4. Paul Chalissery

2. Davy K. Manavalan
5. Mathew L Chakola

3. Dr. C.J. Jose
6. Dr. N.J. Kurian

In terms of our Report attached
AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants

M. Ramachandran
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010

	Year ended 31.3.2010 Rs ('000)	Year ended 31.3.2009 Rs ('000)
Cash Flow from operating activities		
Net profit before taxes	3673080	3013826
Adjustment for:		
Depreciation for the year	167612	138972
Net Loss on Revaluation of Investments	164974	198556
Provision for Depreciation / Non Performing Investments	(388010)	187809
General Provisions against Standard Assets	64300	—
Provision for contingencies	330000	100000
Provision for Non Performing Assets	349839	267524
Other Provisions	76505	17628
ESOS Employee Compensation expense amortised	5745	—
Interest on Subordinated bonds	250225	127825
(Net Profit)/ Loss on sale of land, buildings and other assets	457	(7711)
Operating profit before working capital changes	(A) 4694727	4044429
Changes in working capital:		
Increase / (Decrease) in Deposits	49191919	29362107
Increase / (Decrease) in Borrowings	(2560467)	2294253
Increase / (Decrease) in Other liabilities	962995	(517436)
(Increase) / Decrease in Investments	(10581059)	(15416148)
(Increase) / Decrease in Advances	(40175712)	(14250302)
(Increase) / Decrease in Other Assets	(1079155)	(528801)
	(B) (4241479)	943673
Cash flow from operating activities before taxes	(A+B) 453248	4988102
Direct Taxes Paid	(1704617)	(840382)
Net cash flow from operating activities	(C) (1251369)	4147720

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010

	Year ended 31.3.2010 Rs ('000)	Year ended 31.3.2009 Rs ('000)
Cash Flow from investing activities		
Purchase of Fixed Assets	(343958)	(392580)
Sale of Fixed Assets	10310	22111
Net cash flow from investing activities	(D) (333648)	(370469)
Cash flow from financing activities:		
Subordinated Debt repaid	(250000)	—
Proceeds from issue of share capital	—	226013
Proceeds from issue of Subordinated Debt	2000000	—
Reduction from Share Premium on account of Bonus Issue	—	(226013)
Dividend paid including Corporate Dividend Tax	(396636)	(317309)
Interest on Subordinated bonds	(250225)	(127825)
Net cash flow from financing activities	(E) 1103139	(445134)
Net increase in cash and cash equivalents	(C+D+E) (481878)	3332117
Cash and cash equivalents as at beginning of the year (Refer note below)	20358605	17026488
Cash and cash equivalents as at the end of the year (Refer note below)	19876727	20358605
Note:		
Cash and Balance with Reserve Bank of India (As per Schedule 6)	13909488	9977324
Balance with Banks and Money at Call and Short Notice (As per Schedule 7)	5967239	10381281
Cash and cash equivalents as at the end of the year	<u>19876727</u>	<u>20358605</u>

 Thrissur
30.04.2010

 C.P. Gireesh
AGM

 K.S.Krishnan
CFO & Company Secretary

 Cheryan Varkey
Chief General Manager

 Abraham Thariyan
Executive Director

 H. Suresh Prabhu
Executive Director

 Dr.V.A.Joseph
MD & CEO

 G.A. Shenai
Chairman

DIRECTORS

 1. A.S. Narayanamoorthy
4. Paul Chalissery

 2. Davy K. Manavalan
5. Mathew L Chakola

 3. Dr. C.J. Jose
6. Dr. N.J. Kurian

 In terms of our Report attached
AUDITORS

 For Deloitte Haskins & Sells
Chartered Accountants

 M. Ramachandran
Partner

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

Thrissur
30.04.2010

C.P. Gireesh
AGM

K.S.Krishnan
CFO & Company Secretary

Cheryan Varkey
Chief General Manager

Abraham Thariyan
Executive Director

H. Suresh Prabhu
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3. Dr. C.J. Jose
6. Dr. N.J. Kurian

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

TABLE DF - 1

CAPITAL OF SUBSIDIARIES NOT CONSOLIDATED

Qualitative Disclosures

The Bank has no subsidiaries.

Quantitative Disclosures

The Bank has no subsidiaries.

TABLE DF - 2

CAPITAL STRUCTURE

Qualitative Disclosures

(a) Summary:

Type of Capital	Features	% of Share holding
Equity (Tier - I)	Shares issued to: Foreign Institutional Investors Resident Individuals Body Corporates Banks Non Resident Individuals Trusts Indian Financial Institutions Mutual Funds Directors & Relatives Others (Clearing members, HUFs etc.)	36.75 31.84 8.16 3.23 3.11 2.71 2.50 10.32 0.34 1.04
Tier - II Capital Instruments	Subordinated Debt Instruments: (Unsecured, Redeemable, Non Convertible Bonds) Unconditional Put/Call Option embedded: Yes / No Period ranges from 80 months to 92 months	

Quantitative Disclosures

(Rs. in crore)

(b) Tier - I Capital			1412.20
● Paid up Capital	113.01		
● Reserves	1333.36		
● Innovative Instruments	0.00		
● Other Capital Instruments	0.00		
● Amount deducted from Tier I Capital	(34.17)		
(c) Total Eligible Tier - II Capital (Net of Deductions)			337.24
(d) Debt Instruments eligible for inclusion in Upper Tier - II Capital			
● Total amount outstanding	0.00		
● Of which amount raised during current year	0.00		
● Amount eligible to be reckoned as capital	0.00		
(e) Subordinated Debt eligible for inclusion in Lower Tier-II Capital			
● Total amount outstanding	330.00		
● Of which amount raised during current year	200.00		
● Amount eligible to be reckoned as capital	239.00		
(f) Other deductions from Capital, if any	0.00		
(g) Total Eligible Capital			1749.44

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2010

TABLE DF - 3

CAPITAL ADEQUACY

Qualitative Disclosures

(a) Summary :

Indicate

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

Quantitative Disclosures

(Rs. in crore)

- (b) Capital requirements for Credit Risk :
- Portfolios subject to Standardised Approach 901.70
 - Securitisation Exposure 0.00
- (c) Capital requirements for Market Risk :
- Standardised Duration Approach 34.91
- (d) Capital requirements for Operational Risk :
- Basic Indicator Approach 86.61
- Total capital requirement under the regulatory minimum of 9%** **1023.22**
- (e) Total, Tier I & Tier II Capital Adequacy Ratio :
- | | |
|--------------|--------|
| CRAR - Total | 15.39% |
| CRAR Tier I | 12.42% |
| CRAR Tier II | 2.97% |

TABLE DF - 4

CREDIT RISK : GENERAL DISCLOSURES (INCLUDING EQUITIES)

Qualitative Disclosures

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

The definitions used are given in Annexure - I

Discussion of Bank Credit Risk Management Policy

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

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

Quantitative Disclosures

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

Exposure		Amount	Total
Fund Based	Loans & Advances	16111.09	19048.89
	Others (Fixed Assets, Other Assets etc.)	2937.80	
Non Fund Based	LC/BG etc.	1190.92	3149.48
	Forward Contracts	1502.08	
	Others	456.48	
Investments (Banking Book only)		5361.26	5361.26
Grand total of Credit Risk Exposure			27559.63

- c) Geographic Distribution of Credit Risk Exposure (Rs. in crore)

Domestic	27559.63
Overseas	Nil

- d) Industry-type distribution of gross advances (Amount in Lakhs)

Code	Industry	Standard Asset	NPA	Total
1	Coal	11,461.46	0.00	11,461.46
2	Mining	449.43	0.00	449.43
3	Iron and Steel	54,481.25	1,335.41	55,816.66
4	Other Metal and Metal Products	6,762.68	52.52	6,815.20
5	All Engineering	7,576.52	12.62	7,589.14
51	<i>Of which (005) Electronics</i>	<i>1,872.51</i>	<i>5.60</i>	<i>1,878.11</i>
6	Electricity	80,321.02	0.00	80,321.02
7	Cotton Textiles	44,745.67	550.04	45,295.71
8	Jute Textiles	870.88	57.35	928.23
9	Other Textiles	18,063.00	606.79	18,669.79
10	Sugar	1,462.69	292.10	1,754.79
11	Tea	415.16	0.00	415.16
12	Food Processing	19,669.24	48.95	19,718.19
13	Vegetable Oils and vanaspati	4,822.66	23.54	4,846.20
14	Tobacco and Tobacco Products	8.21	0.00	8.21
15	Paper and Paper Products	3,139.85	2,431.42	5,571.27
16	Rubber and Rubber Products	11,243.81	30.79	11,274.60
17	Chemicals, Dyes, Paints, etc.	21,279.68	141.08	21,420.76
171	<i>Of which Fertilizers</i>	<i>32.14</i>	<i>107.06</i>	<i>139.20</i>
172	<i>Of which Petro- chemicals</i>	<i>1,971.17</i>	<i>2.78</i>	<i>1,973.95</i>
173	<i>Of which Drugs and Pharmaceuticals</i>	<i>16,503.38</i>	<i>30.64</i>	<i>16,534.02</i>
18	Cement	115.57	2.26	117.83
19	Leather and Leather Products	2,598.80	11.54	2,610.34
20	Gems and Jewellery	2,408.81	0.84	2,409.65

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

Code	Industry	Standard Asset	NPA	Total
21	Construction	3,353.26	0.88	3,354.14
22	Petroleum	306.66	0.00	306.66
23	Automobiles including trucks	21,400.25	3.09	21,403.34
24	Computer Software	913.08	10.23	923.31
25	Infrastructure	49,411.48	235.65	49,647.13
25.1	<i>Of which Power</i>	<i>5,766.96</i>	<i>0.00</i>	<i>5,766.96</i>
25.2	<i>Of which Telecommunications</i>	<i>24,338.92</i>	<i>234.80</i>	<i>24,573.72</i>
25.3	<i>Of which Roads & Ports</i>	<i>14,407.01</i>	<i>0.25</i>	<i>14,407.26</i>
26	NBFC s	98,867.19	8.89	98,876.08
27	Trading	180,968.13	3,901.14	184,869.27
28	Other Industries	64,260.68	365.95	64,626.63
29	Residuary Other Advances	864,527.77	10,976.70	875,504.47
	Total	1,575,904.89	21,099.78	1,597,004.67

(Rs. in crore)

(e)	Amount of Gross NPAs	211.00
	● Substandard	54.97
	● Doubtful-1	17.30
	● Doubtful-2	10.82
	● Doubtful-3	25.22
	● Loss	102.69
(f)	Net NPA	61.57
(g)	Net NPA Ratios	
	● Gross NPA to Gross Advance	1.32%
	● Net NPA to Net Advance	0.39%
(h)	Movement of NPA (Gross)	
	● Opening Gross NPA	260.56
	● Additions to Gross NPA	174.25
	● Reductions to Gross NPA	223.81
	● Closing Balance of Gross NPA	211.00
(i)	Movement of NPA Provisions	
	● Opening Balance of NPA Provisions held	113.13
	● Provisions made during the period	74.67
	● Write-offs during the period	52.37
	● Write-back of excess provisions during the period	—
	● Closing Balance of NPA Provisions	135.43
(j)	Amount of Non Performing Investments (Gross)	6.75
(k)	Amount of Provisions held NP Investments	6.75
(l)	Movement of Provisions for Depreciation on Investments	
	● Opening Balance of Provisions for Depreciation	43.85
	● Provisions made during the period	1.93
	● Write-offs during the period	—
	● Write-back of excess provisions during the period	43.85
	● Closing Balance of Provisions for Depreciation	1.93

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

TABLE DF - 5

CREDIT RISK : DISCLOSURE FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

Qualitative Disclosures

State whether External Credit Rating Agencies have been approved for the purpose and if so the names of the ECRA's: External Credit Rating Agencies have been approved for the purpose of credit rating of borrower account for the purpose of computing risk weight under Standardized Approach.

The following are the approved ECRA's :

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

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

(a) For portfolios under Standardised Approach

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

Quantitative Disclosures

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

	(Rs. in crore)
Below 100% Risk Weight	17551.33
Risk Weight at 100%	4787.00
More than 100% Risk Weight	1099.09
Amount deducted, if any	Nil

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2010

TABLE DF - 6

CREDIT RISK MITIGATION : DISCLOSURES FOR STANDARDISED APPROACH

Qualitative Disclosures

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

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

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

Financial Collaterals

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

Guarantor

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

Other Non -Financial Collaterals

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

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

Financial Risk Mitigants	Outstanding amount of Risk Mitigants (Rs. in crore)	Risk Concentration %
1. Gold	2345.28	78.12
2. Cash & Bank Deposits	652.33	21.73
3. KVP/IVP/NSC/LIC	4.48	0.15
Total #	3002.09	100.00

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

- Note: (1) Loans and Advances to staff members may be excluded, if needed.
(2) If more than one mitigant is taken for one exposure, the outstanding may be divided equally amongst the mitigants.

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

Quantitative Disclosures

For the disclosed Credit Risk portfolio under the Standardised Approach, the total exposure that is covered by: (Rs. in crore)

- | | |
|---|-------------|
| (i) Eligible Financial Collateral (Excluding Staff Loan) | Rs. 3002.09 |
| (ii) Other eligible Collateral (after Hair Cuts) | Nil |

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

TABLE DF - 7

SECURITISATION: DISCLOSURE FOR STANDARDISED APPROACH

Not applicable since Bank does not undertake securitisation activity.

TABLE DF - 8

MARKET RISK IN THE TRADING BOOK

Strategies and processes

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

The Scope and nature of Risk reporting and /or measurement system

Risk Reporting

Adherence to limits are being monitored by dedicated mid office reporting exceptions to IRMD Chief risk officer independent of Treasury /IBD operational units.

Risk Measurement

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

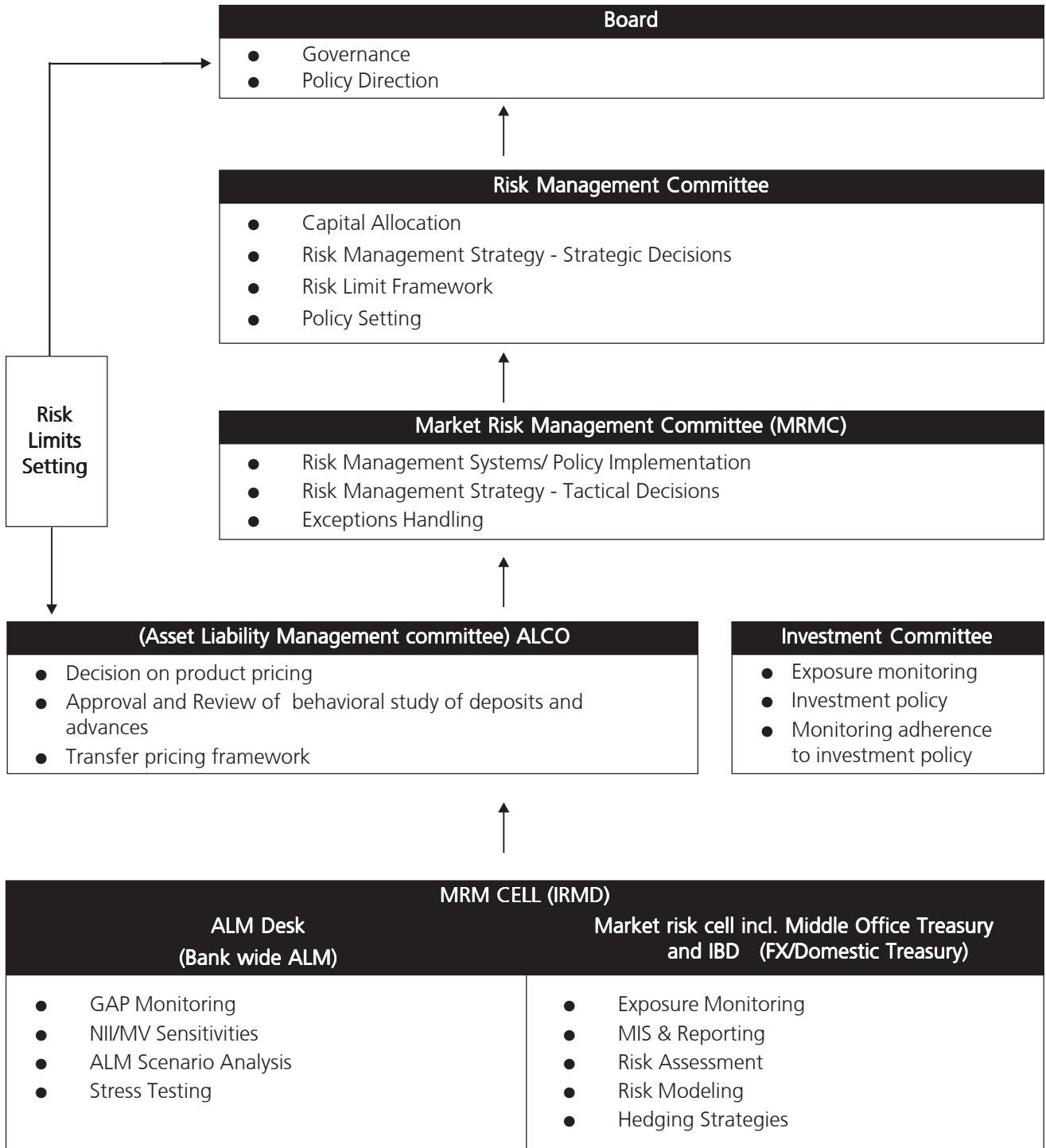
Quantitative Disclosures

Sl. No.	Capital Requirements	Capital Charge (Rs. in Lakhs)
1.	Interest Rate Risk	1748.84
2.	Equity Position Risk	1652.32
3.	Forex Risk	90.00

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2010

The Structure and organisation of relevant Risk Management Functions

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



**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

TABLE DF - 9

OPERATIONAL RISK

Qualitative Disclosures

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

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

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

Quantitative Disclosure

Capital Charge on Operational Risk : Rs. 86.61 crore

TABLE DF - 10

INTEREST RATE RISK IN THE BANKING BOOK

Strategies and processes

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

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

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

- a) The Bank calculates the impact on the earnings by gap analysis with the assumed change in yield over one year. Bank has put in place prudential limits for probable reduction in Net Interest Income (NII) for buckets below one year due to adverse change in interest rates. Earnings at risk is being calculated using Traditional Gap Analysis as per ALM guidelines of RBI.
- b) The Bank calculates the impact on the **Market value of equity by duration gap method** and the impact is calculated by applying a notional interest rate shock of 200 basis points **as per ALM guidelines of RBI.**

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

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2010

Quantitative Disclosures

Particulars	As on 31/03/10
Change in NII Probable impact on Net Interest Income for 100 Bps upward movement in interest rate	Rs.0.52 crore
Change in MVE Probable impact on Market Value of Equity (MVE) for a 200 Bps upward movement in interest rates.	14.51% of Net-worth

TABLE DF - 4

ANNEXURE I

CREDIT RISK: GENERAL DISCLOSURES

Qualitative Disclosures	Remarks
(l) Definition of past due impaired	<p>2.1 Non Performing Assets</p> <p>2.1.1 An asset including a leased asset, becomes non-performing when it ceases to generate income for the Bank.</p> <p>2.1.2 A non performing asset (NPA) is a loan or an advance where;</p> <p>(i) interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan</p> <p>(ii) the account remains 'out of order' as indicated at paragraph 2.2 below, in respect of an Overdraft / Cash Credit (OD/CC)</p> <p>(iii) the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted</p> <p>(iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops</p> <p>(v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops.</p> <p>2.1.3 Banks should classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.</p>
	<p>2.2 'Out of Order' status</p> <p>An account should be treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as out of order.</p>
	<p>2.3 'Overdue'</p> <p>Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.</p>

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

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

TABLE DF - 5

ANNEXURE II

CREDIT RISK: DISCLOSURE FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

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

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2010

- IV) Description of the process used to transfer public issue rating on to comparable assets in the banking book.
- i) If an issuer has a long-term exposure with an external long term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether short-term or long-term, should also receive a 150 per cent risk weight, unless the bank uses recognised credit risk mitigation techniques for such claims.
 - (ii) If an issuer has a short-term exposure with an external short term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether long-term or short-term, should also receive a 150 per cent risk weight, unless the bank uses recognised credit risk mitigation techniques for such claims.
 - (iii) The unrated short term claim on counterparty will attract a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counter-party. If a short-term rated facility to counterparty attracts a 20 per cent or a 50 per cent risk-weight, unrated short-term claims to the same counter-party cannot attract a risk weight lower than 30 per cent or 100 per cent respectively.
 - (iv) In circumstances where the borrower has a specific assessment for an issued debt - but the bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to the bank's unassessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unassessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation. If not, the rating applicable to the specific debt cannot be used and the unassessed claim will receive the risk weight for unrated claims.
 - (v) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same counterparty, which is unrated by any chosen credit rating agency, will be assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari passu or junior to the rated exposure in all respects.

TABLE DF - 6

ANNEXURE III

CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH

(a) Qualitative Disclosures	Remarks
(i) Policy for collateral valuation and management is in place	Yes
(ii) Main types of credit risk mitigation techniques	Credit risk mitigation by way of collateralized transaction on balance sheet netting and guarantees.

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2010**

- | | |
|--------------------------------------|--|
| (iii) Eligible financial collaterals | <ul style="list-style-type: none"> (i) Cash (as well as certificates of deposit or comparable instruments, including fixed deposit receipts, issued by the lending bank) on deposit with the bank. (ii) Gold: Gold would include both bullion and jewellery. However, the value of the collateralized jewellery should be arrived at after notionally converting these to 99.99 % purity. (iii) Securities issued by the Central and State Governments. (iv) Kisan Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period. (v) Life Insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator. (vi) Debt securities rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are either: <ul style="list-style-type: none"> a) Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by public sector entities and other entities (including banks and Primary Dealers); or b) Attracting 100% or lesser risk weight i.e. rated at least PR3/ P3/ F3/A3 for short-term debt instruments. (vii) Debt securities not rated by a chosen Credit Rating Agency in respect of which the banks should be sufficiently confident about the market liquidity where these are: <ul style="list-style-type: none"> a) Issued by a bank; and b) listed on a recognized exchange; and c) Classified as senior debt; and d) All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or PR3/P3/F3/A3 by a chosen Credit Rating Agency; and e) the bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or PR3/ P3/F3/A3 (as applicable) and; f) Banks should be sufficiently confident about the market liquidity of the security. (viii) Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation mutual funds where <ul style="list-style-type: none"> a) a price for the units is publicly quoted daily i.e. , where the daily NAV is available in public domain, and b) Mutual fund is limited to investing in the instruments listed in this paragraph. |
|--------------------------------------|--|

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2010

(b) Quantitative Disclosures	Remarks
(i) On-balance sheet netting	Where the Bank : <ul style="list-style-type: none"> (a) has a well founded legal basis for conducting that the netting or offsetting agreement is enforceable in each relevant jurisdiction regardless of whether the counter-party is insolvent or bankrupt, (b) is able at any time to determine the loans/ advances and deposits with the same counter-party that are subject to the netting agreement; and (c) Monitors and controls the relevant exposures on a net basis.
(ii) Guarantees	Where guarantees are direct, explicit, irrevocable and unconditional.
(iii) Main types of guarantor counter-party and their creditworthiness	Range of recognized Guarantors (Counter-guarantors) <ul style="list-style-type: none"> (a) sovereigns, sovereign entities (including BIS, IMF, European Central Bank and European Community as well as the eligible MDBs, ECGC and CGTSI), banks and primary dealers with a lower risk weight than the counter-party; (b) other entities rated AA(-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.

NOTICE

NOTICE is hereby given that the 82nd Annual General Meeting of the shareholders of The South Indian Bank Ltd., will be held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur, on Wednesday, the 14th day of July 2010 at 3.00 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Bank's Audited Balance Sheet as at 31st March 2010 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 2010-11 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 subject to RBI approval and they have given their consent for the same.
4. To appoint a Director in the place of Sri. Paul Chalissery (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.
5. To appoint a Director in the place of Dr. N. J. Kurian (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.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT Sri. Mohan E. Alapatt, No. 503, Golf Manor, 126 Nal Wind Tunnel Road, Off Airport Road, Bangalore - 560 017, be and is hereby appointed a director in the Minority Sector, whose period of office is liable for determination by retirement of directors by rotation."
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 2010-11, 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. **Sub-division (Stock-Split) of Equity Shares of Rs.10/- each of the Company**
To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED that pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") or any other applicable rules, regulations, guidelines and laws (including any amendments thereto or re-enactments thereof for the time being in force) and the provisions of Memorandum and Articles of Association of the Bank and subject to the approval of RBI and such other approvals, consents, confirmation, permissions and sanctions as may be required under any law for the time being in force, each Equity Share of the Bank having a face value of Rs.10/- each fully paid-up be sub-divided into 10 (Ten) Equity Shares of the face value of Re.1/- each fully paid up."
"FURTHER RESOLVED that upon sub-division of Equity Shares as aforesaid, the existing Share Certificate(s) in relation to the existing Equity Shares of the face value of Rs.10/- each held in Physical form shall be deemed to have been automatically cancelled and be of no effect on and from the Record date and the Bank may, without requiring the surrender of existing Share Certificate(s) directly issue and despatch the new Share Certificate(s) of the Bank in lieu of such existing Share Certificate(s) subject to the provisions of the Companies (Issue of Share Certificates) Rules, 1960 and in case of shares held in dematerialized form, the number of sub-divided Equity Shares be credited to the respective beneficiary accounts of the shareholders with the Depository Participants, in lieu of the existing credits representing the Equity Shares of the Bank before sub-division."
"FURTHER RESOLVED that the Board of Directors of the Bank (which expression shall also include a Committee thereof) be authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise in relation to the above and to settle all matters arising out of and incidental thereto and to execute all deeds, applications, documents and writings that may be required, on behalf of the Bank and generally to do all acts, deeds, matters and things that may be

NOTICE

necessary, proper, expedient or incidental for the purpose of giving effect to this Resolution.”

9. Alteration of Memorandum of Association of the Company

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

“RESOLVED that subject to the approval of RBI and pursuant to Section 16 and all applicable provisions, if any, of the Companies Act, 1956 the existing clause V of the Memorandum of Association of the Bank be and is hereby amended by substituting the words and figures “Rs.125,00,00,000 divided into 125,00,00,000 shares of Re.1/- each”, for the words and figures “Rs.125,00,00,000 divided into 12,50,00,000 shares of Rs.10/- each”, appearing in clause V thereof.”

Place : Thrissur
Date : May 25, 2010

By Order of the Board of Directors

K.S. KRISHNAN
CFO & COMPANY SECRETARY

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 is annexed in respect of Item Nos. 6, 7, 8 & 9.
4. The Register of Members and share transfer books of the Bank will remain closed from Thursday the 8th day of July, 2010, to Wednesday the 14th day of July, 2010, (both days inclusive). Dividend, if declared, will be paid to those members whose names appear in the Register of Members on Wednesday the 14th day of July, 2010 and to beneficial owners whose names appear in the Register of Beneficial Owners on Wednesday the 7th day of July, 2010. 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 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. Members may kindly note that the unclaimed/unpaid dividend amounts for the years from 1994-95 to 2001-2002 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 2002-2003 will be due for transfer to the Fund on August 18, 2010, 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 and photo identity proof.
12. Members may please note that, a copy of the PAN card of the transferee must mandatorily be submitted along with the transfer deed for registering transfer of physical shares.

NOTICE

13. Members described as "Minors" in the address but who have attained majority of age, may get their status in Register of Members corrected by producing proof of age.
14. Members should produce the attendance slip at the venue of the meeting.
15. Members holding (physical) shares in identical order of names in more than one folio are requested to write to the Share Transfer Agents to facilitate consolidation of their holdings in one folio.
16. A brief profile of the Directors, who are retiring by rotation and eligible for re-appointment, is furnished in the report under "Corporate Governance".
17. All communications/correspondence with regard to Equity Shares and dividend may be forwarded to the Share Transfer Agents at the address given below:-

M/s. BTS Consultancy Services Pvt. Ltd.
No.4, Ramakrishna Nagar,
Near Kumaran Matriculation School,
Villivakkam, CHENNAI - 600 049
Phone : 044-26503337 Fax No : 044-26503338
E-mail : ramesh@btsindia.co.in
helpdesk@btsindia.co.in

Place : Thrissur
Date : May 25, 2010

By Order of the Board of Directors

K.S. KRISHNAN
CFO & COMPANY SECRETARY

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956

ITEM No. 6

The Board of Directors appointed Sri. Mohan E. Alapatt as an Additional Director on March 1, 2010 under Section 260 of the Companies Act, 1956. In terms of the provisions of the said Section, Sri. Mohan E. Alapatt vacates office at this meeting.

Sri. Mohan E. Alapatt is a qualified engineer with considerable experience in varied industries for over 20 years and he is presently a corporate executive. He has been appointed as a director in the minority sector. He was a director of the Bank earlier for a period of 8 years from 30/04/1999 to 23/04/2007.

A member of the Bank has expressed his intention to propose Sri. Mohan E. Alapatt as a candidate for being elected as a Director and has given a notice in writing along with a deposit of Rs. 500/- in terms of section 257 of the Companies Act, 1956. If elected as a director, the period of his office will be subject to determination by retirement of directors by rotation.

No director other than Sri. Mohan E. Alapatt is interested or concerned in the passing of this resolution.

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.

NOTICE

ITEM No. 8 & 9

The shareholders may note that the equity shares of your Company are listed on The Bombay Stock Exchange Limited (BSE), The National Stock Exchange of India Limited (NSE) and the Cochin Stock Exchange Limited (CSE). The shares are actively traded on NSE and BSE.

In order to improve the liquidity of the Bank's shares in the stock market and to make it more affordable to the small investors and to facilitate wide holding of Bank's shares, the Board of Directors of the Bank ('the Board') at its meeting held on May 25, 2010, has recommended sub-division (stock-split) of each Equity Shares of the Company having a present face value of Rs.10/- into 10 (Ten) Equity shares of face value of Re.1/- each subject to the approval of RBI, Shareholders of the Bank and all concerned statutory authorities.

The Record Date for the aforesaid sub-division of the Equity Shares will be fixed by the Bank after obtaining the approval of Reserve Bank of India (RBI) and the Shareholders .

The sub-division of Equity Shares would inter alia require appropriate adjustments to be made to the number of options granted and outstanding as at the Record Date and exercise price, in accordance with the provisions of the South Indian Bank Limited Employees' Stock Option Scheme and Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The shareholders may please note that presently the Authorised Share Capital of the Bank is Rs. 125 crore divided into 12,50,00,000 Equity Shares of Rs. 10/- each. The Issued and paid up capital of the Bank as on date is Rs. 113,00,64,900/- divided into 11,30,06,490 Equity Shares of Rs. 10/- each.

Shareholders attention is also invited to the fact that in view of the foregoing, the existing Capital Clause V in the Memorandum of Association needs relevant amendment to give effect to the sub-division.

The Board of Directors is of the opinion that the aforesaid sub-division of the face value of the Equity Shares, is in the best interest of the Bank and the investors and hence recommends passing of the Resolution as an ordinary resolution.

A copy of the existing Memorandum and Articles of Association of the Company along with the proposed draft amendments is available for inspection by any Shareholder at the Registered Office of the Bank between 10.00 a.m. and 1.00 p.m. on all working days (except Sundays and public holidays) upto 14th July, 2010.

MEMORANDUM OF INTEREST

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

The Directors of the Company are deemed to be concerned or interested in the resolution only to the extent of shares held by them in the Company.

Place : Thrissur
Date : May 25, 2010

By Order of the Board of Directors

K.S. KRISHNAN
CFO & COMPANY SECRETARY

ATTENDANCE

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

I hereby record my presence at the 82nd Annual General Meeting held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur, on Wednesday, the 14th day of July 2010 at 3.00 p.m.

Name and Address of the Member

Folio No. / Client ID No.

Signature of the Member / Proxy

THE SOUTH INDIAN BANK LTD.

Regd. Office : SIB House, T.B. Road, Mission Quarters, 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 82nd Annual General Meeting of the Company to be held on Wednesday, the 14th day of July, 2010
and at any adjournment thereof.

Signed this day of 2010.

Affix
15 Paise
Revenue
Stamp
Signature

ECS MANDATE FORM

To

M/s. BTS Consultancy Services Pvt Ltd.
No.4, Ramakrishna Nagar
Near Kumaran Matriculation School
Villivakkam, Chennai - 600049
Ph: 044 - 2650 3337
Fax: 044 - 2650 3338
email: helpdesk@btsindia.co.in

FOR SHARES HELD IN PHYSICAL MODE

Please complete this form and send it to
M/s BTS Consultancy Services Pvt Ltd, Chennai.

SHAREHOLDERS HOLDING SHARES IN DEMAT MODE

Should inform their DPs directly.

I hereby consent to have the amount of dividend on my Equity Shares credited through the Electronic Clearing Service(Credit Clearing) - (ECS).The particulars are :

1) Folio No./Client ID No. : _____

2) Name of the 1st Registered Holder : _____

3) Bank Details :

● Name of the Bank : _____

● Full Address of the Branch : _____

● Complete Account Number : _____

● Account Type : (Please tick the relevant box for Savings Bank A/c, Current A/c or Cash Credit A/c)

<input type="checkbox"/> 10 - Savings	<input type="checkbox"/> 11 - Current	<input type="checkbox"/> 12 - Cash Credit
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● 9 Digit Code Number of the Bank and Branch appearing on the MICR Cheque issued by the Bank (Please attach a photocopy of a cheque for verifying the accuracy of the code number).

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I hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I will not hold the company responsible.

Signature of the 1st Registered holder as per
the specimen signature with the Company

Name : _____

Date: __/__/2010

Address: _____

Note :-

1. This form should be submitted to our Share Transfer Agents at the address given above to reach them on or before 07/07/2010 for receipt of dividend declared, if any, for the financial year 09-10.
2. This form is meant for shareholders holding shares in physical mode.
3. Shareholders holding shares in demat mode should submit this form to their Depository Participants (DPs) directly.

**SHARE NOMINATION FORM
FORM 2B**

(See rules 4CC and 5D)

(To be filled by individual(s) applying singly or jointly)

I/We _____ and
 _____ and
 _____ the

Member(s) of **The South Indian Bank Ltd.** Thrissur - 680001 Kerala, holding shares bearing

Folio No(s).	Share Certificate No(s).	Distinctive No(s).	No. of shares

wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of my or our death.

Name and Address of Nominee

Name	Mr/Mrs/Miss.
S/o-D/o-W/o	
Address	
Date of Birth	(if nominee is a Minor)

Guardian of the Minor (is to be furnished only if nominee is a minor)

Name	
Address	

SHAREHOLDERS' INFORMATION

Holder 1	Signature	
	Name	
	Address	
	Date	
Holder 2	Signature	
	Name	
	Address	
	Date	
Holder 3	Signature	
	Name	
	Address	
	Date	

Name, Address and Signature of two Witnesses

	Name and Address	Signature with Date
1.		
2.		

Encl : Photo Id proof(s) of shareholder(s): Please mark [✓] and write Id Registration No(s).

Driving License	Electoral Voter Id	PAN card	Passport	Bank Passbook (with Photo)	Bank / Govt Employee Id card	Others (Specify)

(For instructions see overleaf)

INSTRUCTIONS:

1. Please read the instructions given below very carefully and follow the same. If the form is not filled as per instructions, the same will be rejected.
2. The Nomination can be made by Individual/s holding shares on their own behalf singly or jointly. Non-individuals including Society, Trust, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family, Holder of Power of Attorney cannot nominate. If the Shares are held jointly, all Joint holders shall sign (as per the specimen registered with the Company) the nomination form.
3. A Minor can be nominated by a holder of shares and in that event, the name and address of the Guardian should be provided.
4. The Nominee shall not be a Trust, Society, Body Corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney Holder. A Non-Resident Indian can be a nominee on re-patriable basis.
5. Nomination stands rescinded upon transfer of shares.
6. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heir.
7. Only one person can be nominated for a given folio.
8. Details of all holders in a folio need to be filled; else the request will be rejected.
9. The nomination will be registered only when it is complete in all respects including the signature of all registered holders (as per specimen lodged with the company).
10. Whenever the Shares in the given folio are entirely transferred, transpositioned or dematerialised with some other folio, then this nomination will stand rescinded.
11. **The Nomination form shall be filed in duplicate with the Share Transfer Agents M/s. BTS Consultancy Services Pvt. Ltd. Unit: SIB, No.4, Ramakrishna Nagar, Near Kumaran Matriculation School, Villivakkam, Chennai - 600049, Tamilnadu, who will return one copy thereof to the Shareholders.**
12. Upon receipt of a duly executed nomination form, the Company / Share Transfer Agent of the Company will register the form and allot a registration number. The registration number and Folio no. should be quoted by the nominee in all future correspondence.
13. The nomination can be varied or cancelled by executing fresh nomination form.
14. This form is meant for shareholders holding shares in physical mode.
15. Shareholders holding shares in dematerialized mode, nomination is required to be filed with the Depository Participants (DPs) in their prescribed form.

FOR OFFICE USE ONLY

Nomination Registration Number and date :

Share Registrar / Company seal :

South Indian Bank and LIC of India Announce Strategic Bancassurance Tie-up



Dr. V. A. Joseph, our MD & CEO and Mr. Rajesh B. Kandwal, Executive Director of LIC of India exchange the MOU for the distribution of life insurance products through all the branches of our Bank, in the presence of our Executive Director Mr. Abraham Thariyan and Mr. C. J. Jose Mohan, Deputy General Manager.

MOU with Hatton National Bank (HNB), Sri Lanka



Dr. V. A. Joseph, MD & CEO of our Bank and Mr. Rajendra Theagarajah, Managing Director of Hatton National Bank (HNB), the largest private sector bank in Sri Lanka, sign the MOU for exchange of expertise and services in the presence of our Executive Director Mr. Abraham Thariyan and HNB Chief Representative - India, Mr. B. K. Achan.

Management Support To HADI EXPRESS EXCHANGE (UAE)



Mr. Mohammad Sharif Mohammad Al Hadi, Chairman Hadi Express Exchange opens the branches of Hadi Express Exchange, for which management support is provided by our Bank, at Ras Al Khaimah and Diera Dubai in the presence of our Non-Executive Chairman, Mr. G. A. Shenai and our MD & CEO, Dr. V. A. Joseph.

National Launch Of SIB MAHILA



Dr. Kiran Bedi at the national launch of our Bank's novel packaged savings bank product for women, "SIB Mahila" from New Delhi in the presence of Dr. V.A. Joseph, our MD & CEO, Mr. Rati Ramji, Chairman, APMC and Dr. N. J. Kurian, our Director.

BEST BANK AWARD TO SOUTH INDIAN BANK



Hon : Union Finance Minister Mr. Pranab Mukherjee presents the "Financial Express" Award for "India's Best Banks" selected by Ernst & Young to our MD & CEO, Dr. V.A. Joseph in the old generation banks' category.



Experience Next Generation Banking

THE SOUTH INDIAN BANK LTD.,
Regd. Office: SIB House
T.B. Road, Mission Quarters, Thrissur 680 001, Kerala, India
Telephone Nos: +91-487-2420020, 2420058, 2420113
Email: ho2006@sib.co.in
www.southindianbank.com