



Experience Next Generation Banking

91st

ANNUAL
REPORT

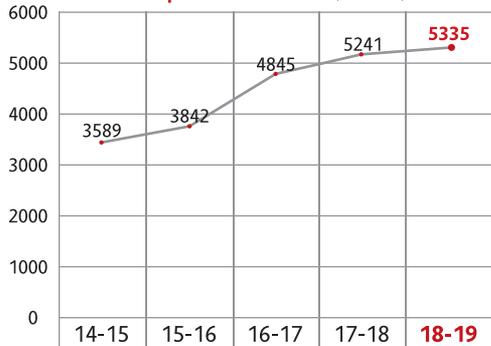
2018 - 2019

GROWTH INDICATORS

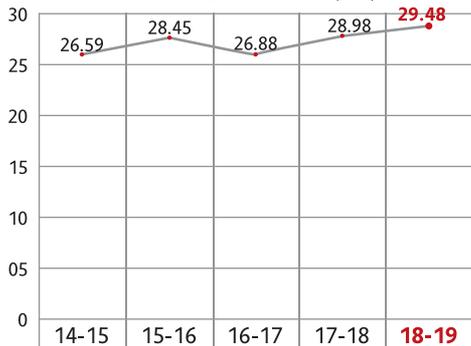
Net Profit (₹ in Cr.)



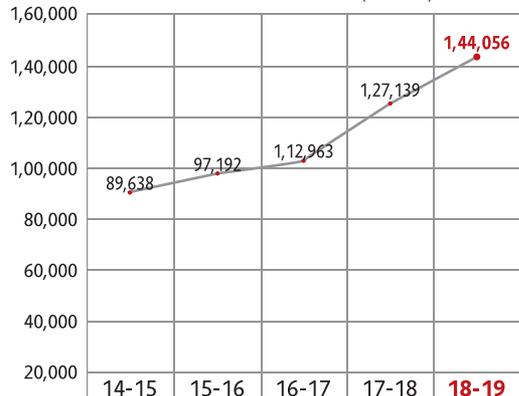
Capital and Reserves (₹ in Cr.)



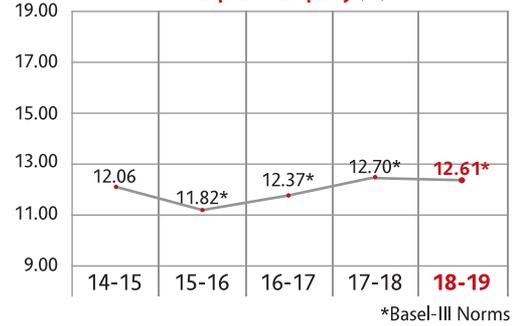
Book Value Per Share (in ₹)



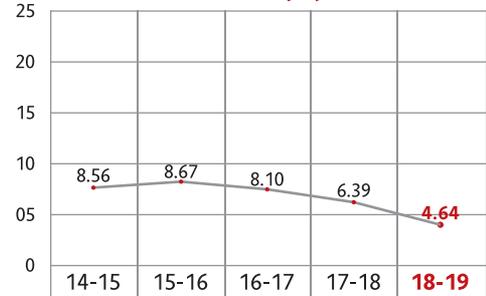
Total Gross Business (₹ in Cr.)



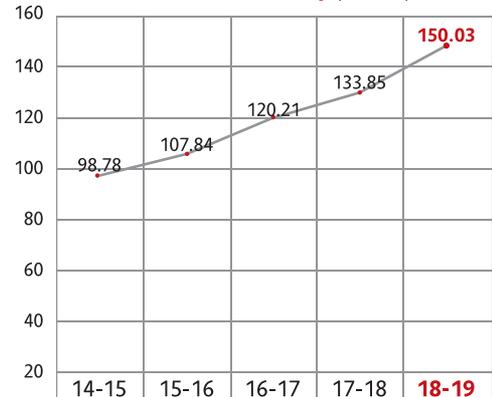
Capital Adequacy (%)



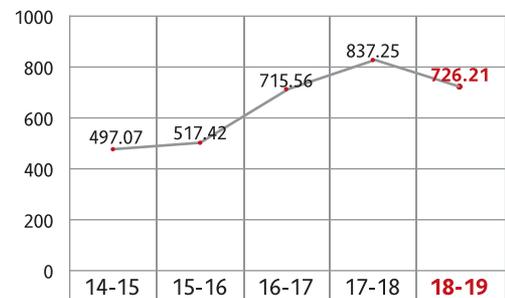
Return on Equity (%)



Branch Productivity (₹ in Cr.)



Other Income (₹ in Cr.)



Operating Profit (₹ in Cr.)



OUR BANK'S VISION AND MISSION

VISION

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

MISSION

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

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The Board of Directors



Mr. Pradeep M. Godbole
Non-Executive Director

Mr. V. J. Kurian
Independent Director

Mr. Parayil George John Tharakan
Independent Director

Mr. Francis Alapatt
Independent Director

Mr. Salim Gangadharan
Chairman

Mr. V. G. Mathew
Managing Director & CEO

Dr. John Joseph Alapatt
Independent Director

Mrs. Ranjana S. Salgaocar
Independent Director

Mr. Achal Kumar Gupta
Non-Executive Director

Mr. M. George Korah
Independent Director

Chairman's Communique

Salim Gangadharan
Chairman



Dear Shareholders,

I am pleased to place before you the highlights of your Bank's performance during the financial year 2018-19. Details of the achievements made and initiatives taken by your Bank during the year have been provided in the enclosed Annual Report. We have taken several pioneering strides in catalyzing the growth trajectory of the Bank. As a financial institution, your Bank has been on a continuous journey of transformation, diversification and expansion.

The global economy is facing a confluence of risks, which could severely disrupt economic activity and inflict significant damage on longer-term development prospects. These risks include an escalation of trade disputes, an abrupt tightening of global financial conditions, geo-political risks and intensifying climate risks. Global inflation remains moderate, but is on an upward trend in majority of countries. Rising oil prices contributed to additional inflationary pressures in oil-importing countries over the course of 2018, while currency depreciation against the US dollar put upward pressure on imported prices in many countries. Economic activity has slowed in many Emerging Market Economies (EMEs). Financial markets have been driven by uncertainties surrounding US-China trade negotiations and Brexit.

The Indian economy retained its tag of one of the fastest growing major economies in the world for a second year in a row. On an annual basis, National Statistical Office (NSO) has estimated GDP growth at 6.8% in 2018-19, against 7.2% in 2017-18. Sharp improvement in ease of doing business (India's rank in World Bank's Ease of Doing Business Survey has improved sharply from 142 in 2014 to 77 in 2018) has helped to significantly turnaround the investment sentiment in the country. Amid slowing economic growth and rising global uncertainty, the RBI had reduced the short-term lending rate (repo rate) by 25 basis points to 5.75% for third time in a row and left the door open for more policy easing to shore up a sagging economy.

The Indian economy witnessed robust industrial growth during FY 2018-19 and the momentum is expected to continue in the next year as well. The Index of Industrial Production (IIP) for the period 2018-19 registered a growth of 6.9%, compared to 5.9% reported in the previous year. Eleven out of twenty-three industry-groups exhibited positive growth during 2018-19 over the previous year, with the industry groups "Manufacture of Food Products" and "Manufacture of Wearing Apparel" recording highest growth rates at 17% and 16.4%, respectively. Among other positives, industries such as capital goods and infrastructure/construction goods expanded significantly. Healthy growth in core sectors such as steel and cement is expected to strengthen further.

The year 2018-19 has been a crucial year of change and challenges for the banking sector. Major reforms initiated by the Government have encouraged development of a digital ecosystem which, in turn, has given the much-needed thrust to the vision of a cashless economy. The key innovations for 2020 as far as the banking industry is

concerned are Artificial Intelligence and Cognitive opportunities, Block chain and Distributed Ledger Technology (DLT), Robotic Process Automation (RPA) and Cyber Security.

Looking forward, some of the major trends driving the banking industry in the coming years are:

- **Corporate banking to make a comeback:** In the last few years, the retail engine has been growing robustly. There are now expectations of corporate lending to make a turnaround. Infrastructure (especially roads, metro etc), commodities (steel, cement etc) and consumption companies are set to see action.
- **Peaking of NPAs:** The NPAs have almost peaked. As the banks have made huge provisions for stressed assets, year 2019 may see writing back of some provisions, as resolution of assets will also gather steam.
- **More realization through IBC:** In the last two years, the Insolvency and Bankruptcy Code (IBC) saw a lot of action in terms of amendments, challenges and counter claims. This will help the banks recover good value.
- **Engaging the 2020 customer "Digital footprint"** will be the way forward for all banks. How well the banks engage in competition with FinTech start-ups playing in emerging technologies will determine how they can differentiate in an increasingly crowded market that will likely see high customer churn. The success of these banks will largely depend on the customer base they target, adapt to, and the types of alliances Payment Banks form.
- **FinTech or 'Financial Technology'** has become a buzzword in financial circles. Globally, FinTech players are challenging the status quo of the financial services industry by bringing in a fresh take on problems faced by customers, as seen through the lens of technology.

During the year, the Bank recorded a total gross business of ₹1,44,056 crore- comprising total deposit of ₹80,420 crore and gross advances of ₹63,636 crore as on March 31, 2019, where as the net profit of the bank decreased to ₹247.53 crore as compared to ₹334.89 crore in the preceding year. The Bank widened its network gainfully across India with 870 Branches, 53 Extension counters, 1322 ATMs and 84 CRMs/CDMs. The Bank also opened 18 new outlets (16 Branches and 2 Extension Counters), 36 ATMs and 7 CRMs across the country during the financial year 2018-19.

The management team, led by the Managing Director & CEO has charted out a clear and sustained growth

strategy with well defined risk appetite and risk management policies and practices, optimal capital allocation framework, sound internal control systems and compliance. The Bank has executed a focussed strategy during the year, of nimbly capturing opportunities and resolutely addressing challenges. The Bank has achieved robust growth in its retail business, across lending, deposit-taking and fee-based services. It continued to be at the forefront of technology-led innovation in the banking sector. The employees worked tirelessly to serve the large numbers of customers visiting branches during this period. In the area of corporate banking, the Bank continued to capture new opportunities, while focussing on resolution of stressed assets with perseverance.

At South Indian Bank, we remain focussed on running our business in a way which generates value for our customers, employees and other stakeholders. Technological innovations and initiatives play a predominant role in reducing costs, improving efficiency and canvassing business by providing excellent customer service. A great deal of emphasis is being placed by your Bank on digitizing core business processes and reassessing organizational structures and internal talent to be better equipped for facilitating enhanced customer satisfaction. Today your Bank has a robust technology framework which caters to all customer requirements and provides quick turnaround time.

During the year, Mr. Thomas Jacob K, retired from the Bank's Board upon completion of his tenure. We thank him for his valuable contribution to the Bank's Board over the years. I take this opportunity to welcome the newly appointed Directors Mr. M George Korah and Mr. Pradeep M Godbole, who bring diverse and rich experience with them, and I am sure that they will provide invaluable guidance to the Bank. Your Bank is privileged to have an inspiring value driven Board of Directors comprising 10 Directors, including six Independent Directors, with outstanding calibre and credentials in various segments of banking business.

With the continued support and patronage of all, I am confident that your Bank would reach greater heights during the coming years and look forward to our team scaling new heights of glory. I humbly thank all our shareholders for their continued faith in our strength and capabilities, Members of the Board and Reserve Bank of India for their valuable support and guidance, our customers for their continued support and trust and last but not the least, our employees for their tireless efforts and hard work towards achieving our goals.

Best Wishes,
Salim Gangadharan

MD and CEO's Message

V. G. Mathew
Managing Director & CEO



Dear Shareholders,

I am delighted to present your Bank's Annual Report for 2018-19. It has been a remarkable year on many counts and one that has reinforced confidence in our strategy and belief in our long-term goals and aspirations. On this occasion, I would like to thank each one of you for your continued support and loyalty which has enabled the bank to perform better.

Economic developments in fiscal 2019 point to a positive momentum for the Indian economy. The emerging economic environment indicates a marked shift to a higher growth trajectory in the latter part of the year. The growth momentum in various sectors is encouraging as it has the potential to spur recovery in capital investments in the private sector.

Achieving consistent growth every year, driven by our pan India retail banking strategy, is one of the major goals for the Bank. We are constantly learning and internalizing this learning to serve our customers better with the help of appropriate technologies and digital initiatives. We find ourselves as a growing bank in a highly competitive sector, but finding a place of our own in this vast market in India.

Sound risk management is critical to a bank's success. Business and revenue growth have therefore to be aligned with risk appetite in the context of the risks embedded in the Bank's business strategy and balance sheet. The importance of effective risk management cannot be overstated in today's scenario. While asset quality remains the top differentiator across banks today, transaction practices, governance and credit quality monitoring mechanisms are also becoming more relevant. We have put together best-in-class systems and procedures to deliver superior banking services grounded on the principles of strong governance, robust professional standards and an ethical value system. At South Indian Bank, we do not look at risk as a standalone function, but have integrated its mitigation into our entire operations through constant training across levels and being on top of emerging trends, technologies and best practices.

Digital technology is transforming the way customer interacts with the Bank. Digitalization in the banking industry continues to be in full throttle, fuelled by widespread usage of UPI. In line with the changes in the industry, we have also strengthened our digital banking ecosystem. The Bank has effectively leveraged technology and introduced several variants of traditional products and new e-based services tailor-made to meet the diversified needs of our customers. The Bank has set up a separate Digital Banking Department to take care of product innovation and process improvement of all technology products. The Bank has embarked on several new business initiatives for improving customer service and strengthening digital banking and alternate delivery channels with a view to significantly enhancing CASA deposits, Retail, Agriculture and MSME credit and fee income.

Financial year 2018-19 witnessed a significant growth in the count of leads generated from various sources and also on the conversion side. Subsequent to the setting up of Customer Experience Group (CEG) all leads generated from various sources are being diligently pursued by the CEG team for effective conversion.

The Bank has been continuously investing in HR talent with an appropriate mix of direct recruitment of Probationary officers/clerks and lateral recruitment of executives with requisite experience and background. The average age of employees at 33 years and the gender diversity of 41.39% are expected to give the Bank a tangible demographic dividend going forward.

Let me share an overview of Last Year's financials:

- The y-o-y growth in deposits was 11.65% and in advances was 15.47%, thereby showing an overall business growth of 13.31%.
- The operating profit has gone down from ₹1,480.79 crore in 2017-18 to ₹1,238.98 crore, in 2018-19 mainly on account of lower treasury performance and higher staff costs.
- The Net profit for the year has decreased from ₹334.89 crore during the FY 2017-18 to ₹247.53 crore during 2018-19.
- Book value per share increased from ₹28.98 as on 31.03.2018 to ₹29.48 as on 31.03.2019.
- The average business per employee increased from ₹14.86 crore as on 31.03.2018 to ₹15.92 crore as on 31.03.2019.
- CASA has grown from ₹17,141.74 crore as on 31-03-2018 to ₹19,467.15 crore as on 31-03-2019, with a growth rate of 13.57%.
- The capital plus reserves of the Bank has moved up from ₹5,241.22 crore to ₹5,335.33 crore on account of exercise of options, during the current financial year.
- The bank has been successful in widening its network across India with 870 Branches 53 Extension counters, 1,322 ATMs and 84 CRMs/CDMs.

The year 2018-19 saw the Bank being honoured with significant Institutional recognitions, awards and accolades.

- Adjudged as the 'Best Performing Primary Lending Institution of HUDCO' under Credit Linked Subsidy Scheme from HUDCO.
- Won Corporate Social Responsibility (CSR) Award instituted by Kerala Management Association (KMA) for Banks & NBFCs under Education Sector.

- Won National Payments Excellence Award for RuPay instituted by NPCI.
- In the annual IBA awards the Bank emerged winner in the 'Most Customer Centric Bank Using Technology' category and runner up in the 'Best Payments Initiative' category amongst small Banks.

Moving forward, in FY 2019-20, enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth, suggesting that there will be robust need for credit. The Bank's strategy for FY 2019-20 is to further expand the Retail franchise and to improve operational efficiency along with aggressive recovery of NPAs with a view to achieving healthy growth in Retail, MSME & Agricultural advances and marked improvement in operating performance.

Our Bank is future-ready, with multiple growth enablers firmly in place. As we live up to the promise of becoming a Retail Banking Power House, we keep our sights on the horizon and our ears and feet firmly on the ground. Our nimble-footedness and agility allow us to respond to as well as benefit from emerging trends and environmental shifts. We shall continue on this path and do everything needed to deliver sustainable, balanced growth.

With support from valued shareholders such as yourself and all our stakeholders including clients and partners, South Indian Bank is committed to ensuring a culture of Professional Entrepreneurship as we move towards our vision of becoming a "Retail Banking Power House".

I take this opportunity to thank the Board members, Government of India, RBI, SEBI, other regulatory authorities, various financial institutions, banks and correspondents in India and abroad for their valuable and continued support and guidance. I thank all our shareholders for reposing their confidence and faith in us. I also thank all our esteemed customers for their continued co-operation and backing. I would also like to register my appreciation of the dedication and commitment shown by our staff members which has enabled the bank to achieve significant growth in the Retail business.

The Bank looks forward to the continued support of all stakeholders in its journey.

Best Wishes,

V G Mathew

Management Team



Mr. Thomas Joseph K.
Executive Vice President



Mr. Sivakumar G.
Executive Vice President



Mr. Reghunathan K.N.
Executive Vice President



Mr. Raphael T. J.
CGM & CIO



Mr. Benoy Varghese
Country Head -
Wholesale Banking



Mr. John Thomas
Country Head -
Business Development



Mr. Anto George T.
GM-Insp. & Vig.



Mr. Sanchay Kumar Sinha
Country Head -
Retail Banking



Mr. Reddy N.J.
GM - Recovery



Mr. Shelly Joseph
General Manager

Joint General Managers*

Mr. Ramesh K.
Mr. Satheesh Kumar K.S.
Mr. Nandakumar G.
Mr. Sivaraman K.
Mr. Sony A.
Ms. Chithra H.
Mr. Jose P.Varghese
Mr. Vinod Francis Tharail

Deputy General Managers*

Mr. Jacob E.A.

Mr. George Paul

Mr. Shibu.K.Thomas

Mr. Ajit Chacko Jacob

Mr. Paul Thaliath

Mr. Saravanan M.

Mr. Sreekumar Chengath

Mr. Mohan T. M.

Mr. Shashidhar.Y

Mr. Joly Sebastian

Mr. Joby M.C.

Mr. Sibi P.M.

Mr. Peter A.D.

Mr. Madhu M.

Ms. Minu Moonjely

Mr. John C.A.

Mr. Job P.M.

Mr. Jojo Antony

Mr. Vijith S.

Ms. Biji S. S.

Mr. Paul Antony Maliakal

Capt. Arvind Kumar Kamboj

Ms. Lakshmi Prabha T. M.

Mr. Biju E. Punnachalil

Mr. Vinod Francis

Mr. Jimmy Mathew

Mr. Pradeep V.N.

Mr. John C. Lazar

Ms. Geetha K.

Mr. Vinayak Jayawant Sawant

Mr. Peter C.A.

Mr. Jose Sebastian E.

STATUTORY AUDITORS

S.R. Batliboi & Co. LLP

Chartered Accountants

14th Floor, The Ruby, 29 Senapati Bapat Marg

Dadar (West) Mumbai - 400 028

REGISTERED OFFICE

The South Indian Bank Ltd, SIB House, T. B. Road, Mission Quarters

Thrissur - 680 001, Kerala, India. CIN: L65191KL1929PLC001017

Tel: +91 487 2420020, Fax: +91 487 2442021.

www.southindianbank.com, Email: head@sib.co.in

*As on 31.03.2019

REGISTRAR & SHARE TRANSFER AGENT

M/s BTS Consultancy Services Pvt. Ltd.

M S Complex, 1st Floor, No.8, Sastri Nagar

Near 200 Feet Road / RTO Kolathur, Kolathur

CHENNAI - 600 099. Tel: 044-2556 5121,

Fax: 044-2556 5131. Email: helpdesk@btsindia.co.in

CHIEF FINANCIAL OFFICER

Ms. Chithra H., ACA

COMPANY SECRETARY

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors is pleased to place before you, the 91st Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2019, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2019.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2019 are as follows:

Key Parameters	₹ in crore	
	2018-19	2017-18
Deposits	80,420.12	72,029.59
Gross Advances	63,635.92	55,108.99
Total Gross Business	1,44,056.04	1,27,138.58
Operating Profit	1,238.98	1,480.79
Net Profit	247.53	334.89
Capital & Reserves	5,335.33	5,241.22
Capital Adequacy (%) - Basel-III	12.61	12.70
Earnings Per Share (EPS)* :		
(a) Basic EPS (in ₹) [face value ₹1/-]	1.37	1.86
(b) Diluted EPS (in ₹) [face value ₹1/-]	1.37	1.85
Book Value per Share (in ₹) [face value ₹1/-]	29.48	28.98
Gross NPA as % of Gross Advances	4.92	3.59
Net NPA as % of Net Advances	3.45	2.60
Return on Average Assets (%)	0.29	0.43

BUSINESS ACHIEVEMENTS:

The Bank has achieved a Total Business of ₹1,44,056.04 crore, consisting of Deposits of ₹80,420.12 crore and Gross Advances of ₹63,635.92 crore as on March 31, 2019.

Deposits

The Total Deposits of the Bank has increased from ₹72,029.59 crore as on March 31, 2018 to ₹80,420.12 crore registering a growth of 11.65%.

The break-up of the deposits as on March 31, 2019 is as under:

	Amount (₹ in crore)	% to total Deposits
Current Deposits	3,331.87	4.14
Savings Deposits	16,135.28	20.06
Term Deposits	60,952.97	75.80
Total	80,420.12	100.00

The Bank during the year focused on Advances & CASA.

CASA has grown from ₹17,141.74 crore as on March 31, 2018 to ₹19,467.15 crore as on March 31, 2019, with a growth rate of 13.57%. The savings bank deposits grew by 14.56% and current deposits grew by 8.97% on a year on year basis.

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

Advances

During the year, the gross advances of the Bank registered a growth of 15.47%, to touch ₹63,635.92 crore. In spite of subdued general economic activity, the Bank could do well in the retail segment including MSME.

The Bank is presently focusing on the retail, agriculture and MSME sectors for growth in advance. Retail segment which accounts for 29% of the Loan book registered a growth of 33.88% during the year, while MSME, which accounts 24% of the loan book recorded an annual growth of 16%. The Bank is however moving steadily ahead in its strategy of granularizing and derisking the Balance Sheet.

The Bank has implemented various measures to ensure high credit quality through complete centralization of credit sanction through the new centralized processing centre viz Retail Banking Centralized Processing Centre, Mid-Corporate Centralized Processing Centre and Wholesale Banking Centralized Processing Centre. All major credit sanctions have been brought under various credit committee set up for the purpose.

The Bank is now focusing on the growth of retail lending segment with a view to transforming the Bank into a Retail Banking Power House by 2020. Accordingly, the thrust is given to retail loan products such as Housing loan, Vehicle loan, Gold loan and MSME loans.

The Bank has taken various steps to achieve the projected growth without compromising on credit quality and pursuing stringent credit underwriting and administration standards.

During the year, the Bank has exceeded the regulatory prescription on the Priority Sector & Agricultural Sector. The Bank could even sell off the excess priority sector advances, thereby generating additional revenue.

Break-up of exposure under Priority Sector as on March 31, 2019 is furnished below:

	Amount (₹ in crore)
Agriculture & Allied activities (Net of PSLC)	10,260.23
MSME	14,769.70
Other Priority Sector	3,124.64
Total Priority Sector	28,154.57
PSLC (General PS)	5,119.50
TOTAL PS (Net PSLC)	23,035.07

DIRECTORS' REPORT

Roll out of a centralised credit monitoring mechanism was another milestone in the improvement of credit administration, which has resulted in continuous monitoring of accounts above ₹5.00 crore.

Yet another milestone was the setting up of a centralised "collection hub", which ensures continuous follow up of potential impairments, follow up through SMS, telecalls, etc. to enable the Bank to be more proactive in the retail segment.

FINANCIAL PERFORMANCE

Profit

The net interest income of the Bank has increased by ₹54.18 crore (2.76%) from ₹1,965.52 crore to ₹2,019.70 crore. Non-interest income was ₹726.21 crore during the year as against ₹ 837.25 crore in previous year. The decrease was mainly on account of subdued treasury performance due to the adverse market conditions.

The Operating Profit for the year under review was ₹1,238.98 crore before taxes and provisions as against ₹1,480.79 crore for the year 2017-18 mainly on account of lower non-interest income and increased employee cost including provision for expected wage revision. Provision other than taxes and contingencies decreased by ₹122.42 crore (12.48%) from ₹980.90 crore. The Net profit for the year was ₹ 247.53 crore as compared to a net profit of ₹334.89 crore during the previous year. The profit available for appropriation was ₹601.56 crore as per details given below:

	(₹ in crore)
<u>Profit before depreciation, taxes and provisions</u>	1,238.98
Less: Provision for NPI	3.42
Provisions for Non-Performing Assets	684.30
Provision for FITL	2.19
Provision for Depreciation on Investments	140.23
Provision for Income Tax	132.97
Provision for Standard Assets	27.36
Provision for Restructured Assets	(1.22)
Provision for Other Impaired Assets	(10.02)
Provision for Un-hedged Forex Exposure	1.10
Provision for Non-Banking Asset Provision	11.12
Net profit	247.53
Brought forward from previous year	354.03
Profit available for appropriation	601.56
Appropriations:	
Transfer to Statutory Reserves	61.89
Transfer to Capital Reserves	36.37
Transfer to Investment Fluctuation Reserve	22.15
Transfer to Special Reserve	70.00
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act pertaining to earlier years including corresponding DTL	32.37
	(FY 15-16)
	(FY 16-17)
Dividend Paid for FY 17-18	72.38
Tax on Dividend Paid for FY 17-18	14.87
Balance carried over to Balance Sheet	276.73

Dividend

The Board of Directors recommends a dividend of 25% (tax-free in the hands of shareholders other than Individuals whose dividend income is above ₹10 lakh), i.e., @ ₹0.25 per Equity Share of face value of ₹1/- per share.

CAPITAL & RESERVES

The Bank's issued and paid up capital increased to ₹180.97 crore as on March 31, 2019.

During the Financial Year 2018-19, 8,51,071 stock options were exercised by the eligible employees granted under the Employee Stock Option Scheme.

The Bank has successfully issued Non-Convertible, Redeemable, Unsecured, Basel III compliant Tier II Bonds worth ₹250.00 crore during Q4 of FY 2018-19. At the time of issue, CARE had assigned a rating of 'CARE A+' (Outlook: Stable) and India Ratings had assigned a rating of 'IND A+' (Outlook: Stable).

The capital plus reserves of the Bank has moved up from ₹5,241.22 crore to ₹5,335.33 crore on account of exercise of options and plough back of profits during the current financial year.

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2019 according to Basel III guidelines is 12.61 as against the statutory requirement of 10.875 (including Capital Conservation Buffer). Tier I CRAR constitutes 9.97 while Tier II CRAR works out to 2.64.

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

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on BSE Ltd. and The National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2019-20.

EXPANSION PROGRAMME

The Bank has been successful in widening its network across India with 870 Branches 53 Extension counters, 1322 ATMs and 84 CRMs/CDMs. The bank has opened 18 new outlets (16 Branches and 2 Extension counters) 36 ATMs and 7 CRMs across the country during the financial year 2018-19. The branch network now covers 27 States and 3 Union Territories. During the year, the Bank had closed 18 ATMs, 1 CRM and replaced 27 ATMs with CRMs.

The Bank plans to open a maximum of 20 new outlets (Branches & Extension counters) and 25 ATMs/CRMs during the financial

DIRECTORS' REPORT

year 2019-20. With the opening of a Representative Office in Dubai in April 25, 2018, the Bank is now in a better position to serve its NRI customers and other stakeholders in the Middle East.

LOAN ORIGATION SYSTEM

One of the major achievement during FY 2018-19 was the implementation of Loan Origination System (LOS).

The Bank has implemented an advanced LOS software as one of the major projects, to equip its Central Processing Centres to handle large volumes of proposals, to bring more transparency and control and to reduce the turnaround time (TAT) in processing the loan applications.

The implementation process was carried out in a phased manner and as on date and the Bank has carried out full-fledged implementation of LOS software at its Mid Corporate Central Processing Centre (MCCPC). All loan proposals including modification and renewals are handled through the LOS application and MCCPC is now functioning as a paperless office.

At the Retail Banking Central Processing Centre (RBCPC), the Bank has rolled out four retail products viz. Housing loan, Personal loan, Education loan and Vehicle loan on PAN INDIA level through the above process. LOS for Mortgage loan, SME & Agri module is under development.

Trade Receivable Discounting System (TReDS)

From FY 2018-19 onwards the Bank is actively participating in Trade Receivable Discounting System (TReDS) an online electronic institutional mechanism introduced by RBI, for facilitating the financing of trade receivables of MSMEs. In this respect, the Bank has joined hands with two of the RBI authorised platform providers of TReDS, i.e. Mynd Solutions Private Limited & A-TREDS.

Trade Finance Central Processing Centre (TFCPC)

Another milestone was setting up of Trade Finance Central Processing Centre (TFCPC). It is an exclusive vertical under Credit Department to establish a professional, proactive and vibrant Trade Finance operational vertical (both Forex and Domestic). With the introduction of TFCPC, the Bank has centralised all Outward remittances and Trade Finance activities and thus streamlined the related procedures.

PRODUCTS

During the FY 2018-19, the Bank has introduced eight new loan products, of which most of them were launched to give thrust to MSME sector.

In addition to the above, the Bank has revamped 'Supply Chain Finance' which is supported by a robust Supply Chain Management Solution, which could be accessed via URL by

vendors, dealers and corporates along with the bank user for real time entry, monitoring and disbursement of credits.

INVESTMENT

Bank's gross investment portfolio stood at ₹19,524.98 crore as on March 31, 2019 compared to ₹18,750.57 crore as on March 31, 2018, showing an increase of 4.13%. Investment Deposit ratio declined from 26.03 as on March 31, 2018 to 24.28 as on March 31, 2019. This drop came in the wake of rising growth in advances, falling regulatory SLR requirement and portfolio readjustment in the scenario of hardening interest rates.

Profit on sale of investment for the FY 2018-19 stood at ₹119.91 crore. Total interest income from investment for the year was ₹1286.14 crore. Yield on Investment (Profit + interest earned to average investments) during the FY 2018-19 was 7.33%. The financial markets were highly volatile during the FY 2018-19, with USD/INR and crude oil prices making new high during the period. The G sec yields and money market rates experienced wide fluctuations due to mounting fiscal stress, high crude prices, tight liquidity conditions and depreciating exchange rate.

Globally the US Federal Reserve had begun the balance sheet normalization process and had commenced increasing the FED rates in 2018. However, the concerns of slowing global growth may prompt central bankers across the world to ease the rates and adopt an accommodative stance. The Indian financial markets would also take cues from RBI's monetary policy stance, movement in crude prices, the election outcome and stability of the upcoming Central Government and size and frequency of liquidity injection measures such as USD/INR swaps, OMOs etc.

NON-PERFORMING ASSETS (NPA)

During the year 2018-19, as a result of focused and sustained efforts for early recovery of NPAs, through prompt and effective measures under the SARFAESI Act, follow up of recovery cases pending before DRTs and Civil Courts, one time compromise settlements of accounts, asset sale to ARC, etc., Bank could recover NPAs to the extent of ₹506.10 crore (recovery including up-gradation ₹265.16 crore), as against the target of ₹500.00 crore. Special thrust was given to selection and underwriting of credit, effective due diligence and improvement in credit administration to ensure improvement in the quality of assets.

During the year, the Gross NPA of the Bank has increased from ₹1,980.30 crore as on March 31, 2018 to ₹3,131.67 crore as on March 31, 2019 and Net NPA increased from ₹1,415.80 crore as on March 31, 2018 to ₹2,163.62 crore as on March 31, 2019. In spite of the prompt and effective credit risk management and recovery measures, the fresh slippages of accounts from the corporate sector (mostly legacy accounts), resulted in the increase of gross NPA to ₹3,131.67 crore. In

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terms of percentages, the GNPA increased from 3.59% as on March 31, 2018 to 4.92% as on March 31, 2019 and Net NPA increased from 2.60% as on March 31, 2018 to 3.45% as on March 31, 2019. As a result of Bank's strong focus on recovery as well as the initiatives taken in underwriting credit, the NPA level is expected to moderate.

DIGITAL AND INFORMATION TECHNOLOGY ENABLED SERVICES

Digitization and Innovative technologies has brought about remarkable transformation in the banking sector. The global banking sector is becoming more strategically focused and technologically advanced to respond to customer expectations and new business models.

The Bank has grown with effective use of the technology by realigning technology and business in order to ensure better growth in present competitive environment. A great deal of emphasis is being placed by the Bank on digitizing core business processes and reassessing organizational structures and internal talent to be better prepared for facilitating enhanced customer satisfaction. The Bank has streamlined its Information Technology organization structure by setting up Digital Banking Department and IT Operations Department. Digital Banking Department has been focusing on the innovation, improvement and implementation of major business oriented projects on the digital front viz., ATM, Net Banking, Mobile Banking and other emerging technologies such as Block chain, AI etc.. IT Operations department provides highest level of integrity of internal applications and furnishes infrastructural needs adequately capacitated to provide a seamless platform for growth of business operations. The last year digital transaction growth was Adoption of new technologies and embracing innovation has been one of the forefront policies of South Indian Bank and it's IT Team. Today the Bank has a robust technology framework which caters to all customer requirements and provides quick turnaround time.

The bank offers the best in class technology services to cater to the diverse requirements of our retail clientele. The technology stack includes well designed customer touch points, and robust back end systems. We are enriching our digital channels with lot of innovative and value added services for better customer experience.

Retail Customers:

- ❖ Internet Banking – Sibernet
- ❖ Mobile Banking – Mirror +
- ❖ Variants of VISA, Mastercard & Rupay Debit Cards
- ❖ ATM, Cash Recyclers (CRM) other Value added services
- ❖ Call Centre Solution catering to customers 24/7

Corporate Customers:

- ❖ Internet Banking – Sibernet
- ❖ Host to Host Integration facility ("Hi-Hi Banking")

- ❖ Supply Chain Management Solution
- ❖ Debit cards to the business customers
- ❖ API Banking
- ❖ Remote Cheque Printing
- ❖ FeeBook
- ❖ E-Academia

There has been a growth of 131% in Mobile Banking activation, 35% growth in Internet Banking Corporate activation and 25% growth in Internet Banking Retail activation.

Digital/Technology initiatives/solutions embarked during the year

Solutions/ solutions that the Bank has launched during the year:

- Data Centre and DR Enhancement/ initiatives [DR Management, Disk based Backup solution at DC, Solaris OS Migration at DC &DR and Data Center certification]
- e-Academia allows parents to remit fees online using Debit Card/Credit Card/Net Banking without waiting in a long queue to remit the fees of their children.
- FEEBOOK - online event based fund management/collection portal, with a tagline 'You Decide You Collect' allows organizations/institutions/associations conducting any number of events with fees involved in it to create their own payment portals, do any modifications on their payment portal, and view the payment reports as and when required. Payments can be made through Payment Gateway solution offered by the Bank.
- Supply Chain Finance Scheme, the Bank has introduced (1) Vendor Finance Scheme to address financing the vendors/suppliers of raw-materials, components etc. to manufacturing companies (referred to as corporate) and (2) Dealer Finance Scheme to finance dealers of the products manufactured by corporate.
- Bank also offers Host to Host Integration facility ("Hi-Hi Banking") which handles fund transfer in a seamless fashion by real time interface with ERP solutions of corporates. This facility is available for 365*24*7 and the clients can securely access the system from anywhere.
- Migrated on premise e-mail solution to the cloud based email solution.
- Optimizing infrastructure using Virtual Machines.
- The Bank has implemented second factor authentication in CBS for branch user login to strengthen the user level login security.
- Implementation of Straight Through Processing (STP) between CBS and SWIFT. All types of SWIFT messages are automated and inward processing of SWIFT messages has also been brought into the purview of STP.
- Implementation of automated DR management solution - Ensures that applications can be resumed from DR site during any disaster as per the defined RTO (Recovery Time Objective).

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- LOS (Loan Origination System) was introduced in the Bank in phased manner for Retail & SME loans, for scaling up of loan volumes and quick processing of loan application from centralized hubs with reduced TAT.
- Implementation of Process Automation Solution - Automation solution for converting Non STP processes to STP to ensure Secure, seamless and automated Data Transfer across different nodes.
- Aadhaar linking/seeding enabled across all important customer touch points.
- Implemented NACH H2H automation mechanism by which mandate management & ACH processing is happening via STP process.
- Fraud Risk Management (FRM) Solution for CBS & channel transactions.
- South Indian Bank is the first bank to be certified as EMV enablement as Issuer on ATMs.
- Lead Capture through ATMs.
- Anti skimming solution in ATMs to safeguard ATMs and especially ATM customers from loss and fraud.
- Introduced MasterCard Business Debit Cards.
- Dynamic Currency Conversion Support for MasterCard International Transactions-Foreign MasterCard card holders will be able to withdraw money from our ATMs by knowing the transaction value in their home currency.
- Introduction of Payment Gateway Service in tie-up with M/s Worldline has become an important tool for acquiring float funds and new business relationships.
- Bharat Bill Payment Systems – BBPS which offers integrated and interoperable bill payment services to customers across geographies with certainty, reliability and safety of transactions.
- NETC – National Electronic Toll Collection – which helps the vehicles with a RFID tag to pass through the toll plazas across the country, seamlessly.
- Bharat QR issuing and acquiring - QR based transactions by making use of debit cards and UPI.
- The Bank has enabled GST Payment, online loan against deposit opening, IT Returns – e filing, online Mutual Fund Service, Funds Transfer to Virtual Accounts through Internet Banking.
- Block Chain Based Cross Border Remittance Solution, an important technology set to completely improve the remittance system and potentially assist and improve the existing bank settlement system, and active participation on other block chain consortiums focusing on different implementation projects.
- Digital Onboarding – CASA and Insurance. In addition to tab banking and quick opening in branches based on Aadhaar, the Bank has also introduced end to end digital onboarding for insurance products of Banks partners.

Awards and Certifications received on Technology front

- South Indian Bank has won two technology awards during the Indian Banking Association (IBA) Technology Awards 2019.
 1. Winner – The Most Customer Centric Bank using technology
 2. Runner Up – Best payment initiatives
- South Indian Bank has won IMC Digital Technology Awards 2018 – Award for Excellence through Digital Transformation in End User of IT – BFSI Sector for Large Enterprise.

IT Training

During the year, many training programmes had been attended by the Bank's officers in premier institutions such as IDRBT, NIBM, IBA, UIDAI to keep themselves abreast with the advancements in IT, Information Security, CRM, Databases, Operating Systems, Virtualization, Network, Mobile banking etc.

Business Continuity planning

As per BCP Policy, the Bank has already setup BCP location and DR site at Bangalore. Planned BCP drills are conducted on a half yearly basis to ensure connectivity and functionality test of critical applications. In the context of the flood which happened in Kerala during August 2018, it became necessary for us to invoke the BCP operations from BCP and DR site – Bangalore for our critical applications to continue the operations. Even though the State of Kerala was severely flooded, the Bank was able to continue with the banking services including the customer facing applications unhindered due to the joint efforts taken by IT Operations Department, Digital Banking Department and CISO Office with the necessary support from vendors. The only disruptions were in the local branches/ATMs in flood affected areas of Kerala, which were also restored back to normalcy in the earliest possible time. This BCP exercise was conducted for the first time with all critical applications switching to DR on a single day.

Information Security and Risk Management

- As banks adopt sophisticated technology to roll-out the best banking solutions to customers, they are increasingly exposed to technology risks. It is therefore imperative for each bank to work out appropriate IT risk management strategies to secure its most vital information assets and to ensure that related risk management systems and processes are strengthened for smooth and continuous banking operations.
- IT Departments including Data Centre and DR Site are ISO 27001 certified for the implementation of Information Security Management System (ISMS). As a part of ISMS implementation, bank has prepared IS Security Policy and related IT risk management procedures.
- The Bank also ensures that all cyber security requirements as per statutory/regulatory guidelines and best industrial practices are implemented on priority basis.

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- The organization structure is revamped with setting up of CISO Office for surveillance on the security architecture/ infrastructure and for coordinating security incident-response activities. Information Security Committee, IT Strategy Committee and the Board of Directors periodically review the cyber security posture of the Bank. The Bank has formulated Cyber Security Policy and Cyber Crisis Management Plan to provide guidance in addressing various cyber threat scenarios. The Bank has also identified various types of IT risks and the required preventive, detective and corrective cyber security controls are being implemented.
- The Bank has ensured that Security Operation Centre (SOC) does 24*7 surveillance and keeps itself regularly updated on the latest nature of emerging cyber threats. Bank is using Security incident and event management (SIEM) monitoring tool, for the process of identifying, monitoring, recording and analyzing security events or incidents within a real-time IT environment.
- The Bank has put in place advanced security solutions to manage any type of cyber-attacks. As part of advanced security solutions, the Bank has implemented Anti-Advanced Persistent Threat (APT) Solution, Server Protection Solution, Network Protection Solution etc. to handle variety of malicious attacks.
- Employees are updated with the latest security threats and the best security practices.
- The Bank provides cyber security awareness to its customers on a continuous basis through various channels like SMS/ Email/Website/Social media etc.

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

- Effective measures have been taken to address the identified gaps in each area such as IT Governance, Information Security, IT Service outsourcing, IS Audit, IT Operations, Cyber Frauds, Business Continuity Plan (BCP), Customer Education and Legal issues. The IT Organization setup has been redrawn to suit the functions/roles specified in the recommendations with segregation of duties. Information Security policy is revamped incorporating various guidelines and stipulations mentioned in the report. In addition, other IT Policies such as IT Operation Policy, IT Governance Policy and IT Outsourcing Policy are also enforced.
- IT Strategy Committee of the Board, IT Steering Committee and Information Security Committee are in place. Cyber security preparedness of the Bank is reviewed by Information security Committee, IT Strategy Committee of Board and Board of Directors on a quarterly basis.

Transaction Banking Department [TBD]

The Transaction Banking Department, which has come in to being in August 2015, undertakes the following functional operations in centralized environment with a view to bring

standardization of process and procedures, scalability in line with business expansion and compliance to regulatory and statutory requirements, besides enforcement of internal controls.

Functional Division	Functional Operations Covered
Centralized CASA Opening and associated functions	Opening of CASA – SB, CD, NRI Customer Modifications Unification of Customer Accounts Account Level Modifications – Dormant Account Activation and Unfreezing Periodical KYC Updation Central KYC
Centralized Loan Opening	Opening of Loan Accounts (Fund Based) Renewals and Enhancements NPA Upgrading Capturing Risk rate/score Ensuring Collateral entries (SGMS) Income Leakage Identification & Recovery
Payment & Settlement Operations (PSD)	RTGS/NEFT PFMS – Aadhar Mapping PFMS – DBT PFMS – WPS (Wage Protection System) CTS Operations NACH Operations
Service Operations	Debit Card Internet Banking Mobile Banking Post Open Welcome Kit (POWK)
Support Operations	Channel Reconciliation (Debit Card, Internet Banking, IMPS, UPI, Prepaid Cards, ICD)
Audit & Compliance Function	Concurrent Audit (Channel Reconciliation and CPC functions) rectification
Ancillary Operations	ATM cash replenishment outsourcing operations Aadhar Enrolment Operations Door Step Banking Operations Tax Cell Operations

The above centralized operations are driven through approved SOP (Standard Operating Procedure), governed by allotted Job Card/task/functions, adhering to specified TAT (Turn Around Time) leading to increased operational efficiency so as to make this centralized department as a Centre of Excellence. For TBD functions, Kochi is the primary operation centre with Coimbatore and Bangalore as the BCP centres. CTS functions are getting consolidated at CHENNAI as Primary and BANGALORE as BCP centre.

Compliance Department

The Bank has institutionalized a strong compliance culture and mechanism across the organization, pursuant to its strategic goals of transparency and trust, among all its stakeholders. The Bank has a dedicated independent Compliance Department headed by a Deputy General Manager which operates as per a well documented compliance policy for ensuring regulatory

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compliance, across all its businesses and operations. The key functions of the Department include tracking of regulatory updates affecting the various business verticals of the Bank, dissemination of regulatory updates to functional units, monitoring of timely implementation of regulatory instructions, review of processes from a regulatory compliance perspective, provide guidance on compliance-related matters, impart training to employees on compliance aspects, among others. The Bank is having well defined and structured mechanism to assess the compliance risk and monitor its mitigation measures thereby ensuring the effectiveness of the compliance function in managing the compliance risk. Compliance officials have been appointed in all business units and departments for overseeing the compliance function at various levels. Any new product/process introduced in the bank is reviewed by the Compliance function to ensure adherence to regulatory guidelines.

Business Development Department

The Business Development Department is providing continuous mentoring to Regional Offices and Branches for the growth of both Deposit and Advance portfolios of the Bank. The Department is reviewing the daily/weekly business position of all Regions, conducting conferences and meetings to promote business growth, compiling the Business Strategy Document of the Bank, following up for compliance, providing potential customer leads to branches, mentoring green channel branches (Potential branches for advances growth) and Purple Branches (Potential branches for CASA and Deposit growth), following up with loss making branches and low advance base branches.

Salient Strategies as per Business Strategy Plan (FY 2019-20 to FY 2023-24)

In compliance with the SEBI circular, the business strategy plan for the Bank inter-alia, includes the following:

- In order to have a focused growth at branches which are located at distant places from Regional Office headquarters and also considering various other factors, clusters have been formed at 16 centers and Cluster Heads have been posted. Cluster Heads will be following up for growth of Advances, CASA and Term Deposits at the branches under their clusters.
- Large Corporate Group (LCG) has been formed under Credit Department for specialized follow up/monitoring of ₹50 crore and above advances. Hereafter Henceforth, LCG will be taking care of growth and monitoring of Large Corporate Advances of ₹50 crore and above. Regions will be given target for advances with per borrower / group exposure of less than ₹50 crore.
- Thrust on MSME, Agri and Retail advances will continue.
- Focus on CASA and term deposits. Within CASA, the focus will be more on improving the current account balances and low cost savings bank account balances. An exclusive vertical under a JGM is created at RBD to focus on deposit growth.
- Increased focus on fee based income from Third party, Digital & Para banking products.

- Focus on increasing digital transactions.
- Social media platforms will be effectively utilized for implementing the campaigns that would create customer affinity and brand space on a national level.
- More customer friendly products to increase merchant forex business.
- Increased focus on Food & Agri processing units up to a per borrower exposure of ₹100 crore from the banking system, as they can be classified as priority sector Agri Advances.
- E-mail and SMS campaigns for customers for Retail Loan products.
- Launch of Pre approved Personal Loans, Home Loans and Auto Loans.
- Scaling up of alternative channel/location hubs for on boarding new customers through DSAs & DSTs.

BUSINESS INTELLIGENCE AND ANALYTICS

The Business Intelligence and Analytics Department was formed in April 2018, with the primary objective of accelerating and improving decision making, optimizing internal business processes, operational efficiencies, driving new revenues and gaining competitive advantage over business rivals and thereby achieving the pre-determined corporate goals in an engineered manner. A single Centralized Data Repository with data collaborated both from internal systems as well external sources is setup. This repository holds the entire data of the Bank and thereby allowing us to better understand the customer behaviour and thus enabling development of personalized products and targeted marketing. The department has delivered valuable insights to the various stake holders of the Bank by means of interactive & intelligent dashboards supported by descriptive analytical models and thus enabled top management for better and quicker decisions. The department uses industry best practices in data analytics and leveraged predictive & prescriptive data science tools to improve the Business, Customer Relationship & Operational efficiency.

The Bank has rolled out the Pre-approved Personal Loan Product as the first step towards implementation of advanced analytics and machine learning. This fully digital product, which is accessed using SIB Mirror+ and Sibernet, hence paperless with the loan amount getting instantaneously credited to the customer's savings account has made the bank a technology front runner.

RISK MANAGEMENT

Risk is an integral part of banking business. Risk Management underscores the fact that the survival of an organization depends heavily on its capabilities to anticipate and prepare for the change rather than just waiting for the change and reacting. The objective of risk management is not to prohibit or prevent risk taking activity, but to ensure that the risks are consciously taken with full knowledge, purpose and clear understanding so that it can be measured and effectively mitigated. The essential functions of risk management are to

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identify, measure and more importantly monitor the profile of the Bank. Managing risk is fundamental to banking and is the key to sustained profitability and stability. Management of risk aims to achieve best trade-off between risk and return and to ensure optimum Risk Adjusted Return on Capital (RAROC). Sound risk management is critical to a bank's success. Business and revenue growth have therefore to be aligned with Risk appetite in the context of the risks embedded in the Bank's business strategy and balance sheet strength. Of the various types of risks the Bank is exposed to, the most important are credit risk, market risk, cyber risk and operational risk. The identification, measurement, monitoring and mitigation of risks continue to be key focus areas for the Bank. The risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level through quantitative examinations of embedded risks. The risk management strategy of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The policies and procedures established for this purpose are continuously evaluated and benchmarked against the best practices followed in the industry. Through continuous refinement / improvement of the risk measurement / management systems, including automation of feasible processes, the Bank aims to ensure regulatory compliance as well as better return on and utilization of capital in line with the business objectives. While Non-Performing Assets are the legacy of the past in the present, Risk Management System is the pro-active action in the present for the future.

Risk Appetite

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

Risk Management Policy Framework

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

Management Discussion and Analysis Report annexed to the Directors' Report.

Compliance with Basel III and Basel II Framework

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

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

INTERNATIONAL BANKING

The total forex business turnover for the year ended 31st March 2019 was ₹4,95,182.17 crore (comprising Merchant Turnover ₹15,477.60 crore and Interbank Turnover ₹4,79,704.57 crore) recording an increase of 24.06% as compared to the previous financial year. Bank earned an exchange profit of ₹40.63 crore for the year 2018-19.

At present the Bank has Rupee inward remittance arrangement with four banks and 34 Exchange Houses and turnover for the year ended March 2019 was ₹9,071.68 crore. The Bank has concluded speed remittance arrangement during the FY 2018-19 with the following Exchange Houses:

- Remit International Pty Ltd., Australia
- Buckzy Payments INC, Canada

The Bank has continued providing managerial support to M/s. Hadi Express Exchange, UAE. The Bank has presently deputed 10 officers of the Bank to manage the operations of Hadi Express Exchange. Considering the scope in improving the remittance business through arrangements with EH's, the Bank has deputed eight officers to UAE with UAE Exchange Centre, Al Ansari Exchange, Al Ahalia Money Exchange Bureau, Hadi Express Exchange and Al Fardan Exchange, three officers to

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Qatar with City Exchange, Doha, Qatar, Al Dar For Exchange Works and M/s AlFardan Exchange LLC, Doha Qatar and one officer to UAE Exchange Centre W.L.L., Kuwait.

Considering the increase in international trade by Indian Exporters and Importers in SAR currency, a Nostro relationship in SAR with Alrajhi Bank, Saudi Arabia has been opened.

NRI PORTFOLIO

NRI segment plays a pivotal role in the total business of the bank. In the current competitive banking scenario it is very important to give individual attention to banking and investment needs of NRI customers considering their geographical limitations. The NRI deposits constitute 26.71% of the total deposits and NRI CASA is 22.92% of the total CASA portfolio. The Bank has a separate NRI Division which works for the growth of NRI business at Retail Banking Department, Kalamassery, Kochi. It is headed by an Assistant General Manager and its functions and working are monitored by Country Head, Retail Banking. Dedicated officers and staff working in NRI Division are rendering exemplary support and assistance to NRIs and in turn all the branches give impetus to the growth of NRI business of the Bank. The Branch level NRI Relationship Officers and the NRI Desk functioning in major NRI Business Branches are giving special care and attention to Bank's NRI clientele.

The Bank has a Representative office in Dubai where at present the Bank has 14 Non-resident Relationship Managers deputed in three different countries viz. UAE, Qatar and Kuwait. Apart from this the Bank is giving managerial support to M/s Hadi Express Exchange from 2006. The Bank has deputed 11 Officers to M/s Hadi Express Exchange House in UAE which is having 8 branches in UAE.

The Bank provides Portfolio Investment Scheme for NRI customers. The Bank is authorized by RBI to administer the Portfolio Investment Scheme for NRIs for which the Bank has a PIS Cell under Retail Banking Department. The Bank has tie-up with M/s Geojit BNP Paribas Financial Services Ltd. for the broking side.

The Bank is providing a wide array of Third party products like Mutual Fund, Life Insurance, Health Insurance, National Pension Scheme and Demat facility to NRI Clientele. Customers can avail online banking facility e-invest to open/invest/redeem in Mutual Funds. PFRDA, a statutory body established by Govt. of India, has designated the Bank as POP agent, authorised to collect and invest in National Pension Scheme.

In this age of digital banking the bank has great focus in pushing the technology products such as mobile banking application 'SIB Mirror +' to NRI customers thereby equipping them with the best of technology for day to day banking transactions. Opening of Fixed Deposit and Recurring Deposit through online mode has also made banking much easier for NRI Patrons. Loans against Fixed Deposit can be availed online through the Internet Banking platform.

The Bank is providing executive transit stay facility to Bank's HNI NRI Customers, in major cities. NRI Meets are being conducted by the bank at various centres in Kerala & selected Overseas Centres. The NRI Meets provide a great opportunity for top executives to interact with Bank's beloved HNI NRI customers thereby deepening their existing relationship with the Bank.

TRAINING

The Bank accords utmost importance to enhancement of skills of staff members. Training Programmes are conducted at SIB Staff Training College (SIBSTC), Thrissur and at seven Regional Training Centres (RTCs) for development of professional skills. Training programmes are designed to develop competency of operating personnel while imbibing the SIBIAN's spirit and culture through an effective learning process. The success of these programmes reflects on the enhanced organizational productivity. SIBSTC and the RTCs identify skill gaps in the personnel and provide support for qualitative improvement. Staff members are also nominated to external training centers for being trained in specialized areas as well as to have higher exposure. During the financial year 2018-19, the Bank has imparted training to 4,014 officers, 1,802 clerks and 54 sub staff in various aspects of banking operations. A total of 5,870 staff members were trained during the FY 2018-19, which is about 70% of total staff strength of 8440 as on March 31, 2019. This is in consonance with the Bank's priority of continuous up-gradation of skills to ensure that the staff members meet the rising expectations of customers and discharge services professionally covering the entire gamut of banking operations. In addition to this, trainings have also been imparted to 125 FLCs/BCs for better rural banking services or as a measure of expanding financial inclusion initiatives by the Bank.

RETAIL BANKING DEPARTMENT

The Retail Banking Department focuses primarily in increasing retail business for the Bank through customer acquisition and retention. The Retail Banking Department has two verticals Retail Liabilities & Retail Assets. The Liability vertical constitutes the entire retail liability portfolio of the Bank including Core Deposits, CASA, NRI Business, Marketing of Third Party and Digital Products. Apart from the above the department also plays a vital role in ensuring continued product development and promotion by creating awareness on products and by driving customer-centric campaigns.

Technology Products of the Bank

Digital technology is transforming the way customer interacts with the Bank. Digitalization in banking industry continued to be in full throttle, fuelled by widespread usage of UPI. In coherence with the changes in the industry, the Bank has also strengthened the digital banking space. The Bank has effectively leveraged technology and introduced several variants of traditional products and new e-based services, tailor-made to the diversified needs of customers. Technology services like ATM/Debit cards, Internet banking, Mobile banking etc. have

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transformed the customers' digital banking experience from branch banking to anytime, anywhere banking. The Bank has set up a separate Digital Banking Department to take care of product development and process improvement of all technology products.

- **SIB ATM cum Debit Cards:** The Bank is offering Visa, Master and RuPay debit cards to its customers. For the premium segment the bank is also offering NFC Cards which utilizes the latest technology enabling the Tap & Pay feature. Bank has introduced **Business Debit Cards** exclusively for SME customers with tailor made offers for the business segment.
- The Bank has **prepaid cards** in RuPay platform and these cards can be used similar to Debit cards for Online/ POS transactions. These cards can be preloaded and are being used by customers as a preferred gifting option. This product has also gained its position in the corporate segment wherein this is used for employee / client gifting.
- The **Co-branded Credit Card** launched in association with one of the major players in Indian Credit Card industry, M/s SBI cards has gained popularity across the country. Under this arrangement the bank offers two of the most sought after variants - Simply SAVE Credit Card and Platinum Credit Card.
- The **Co-branded Foreign Currency Travel Card** launched in association with Axis Bank is specifically designed for customers who travel abroad. This Travel Card can be loaded in 16 currencies (USD, EUR, GBP, SGD, AUD, CAD, JPY, CHF, SEK, THB, AED, SAR, HKD, NZD, ZAR, DKK) and to make payments while travelling to multiple countries.
- **Internet Banking:** The internet banking service under the brand name "SIBerNet" has helped to position the Bank as a technology-driven Bank offering superior banking services to both retail and corporate customers. Instant Net banking activation enables customers to activate SIBerNet instantaneously with a User ID of customer choice. In addition to NEFT/RTGS and within bank fund transfer facility, the Bank has implemented IMPS (Immediate Payment Service) facility which offers 24 x 7 fund transfer facility to all including NRI customers. The Bank has also facilitated various online investment options such as opening of Recurring Deposits (RD), Fixed Deposits (FD) & facility to avail Online Loan against Deposits (FSLD). More investment options such as online Mutual Fund are also incorporated which provides added benefits to the customers. The Bank has also introduced Bill Pay & Recharge service to help the customers to make payment towards their various bill payments from a single platform. SIBerNet is also enabled with Tax payments including GST Payment and e-Filing of income tax and thereby enables customers to conduct their tax payments and filing of returns at the comfort of their homes/offices.
- **Mobile Banking:** A lot more features are added to Mobile banking application 'SIB Mirror+' to provide a next

generation digital banking experience. SIB Mirror+, which is available to both Domestic and NRI customers, is loaded with features such as Self Registration facility, E-statement, Bill Payment module, within bank, NEFT, IMPS & UPI 24X7 fund transfer, e-lock, Mobile/DTH Recharge, Social Money and Scan & Pay option using **BHARAT QR and UPI** etc. Mobile Banking app is also further enhanced with SiberMart (Online Shopping Portal), Fee Book (Online Collection Portal), Online deposit opening, submission of 15G/H form & Pre approved personal loan feature rolled out for eligible customers.

- **E-Lock:** Mobile Banking also has innovative feature, e-Lock, in mobile banking apps which secures the customer account from any kind of fraudulent or unauthorized transactions. The Bank is the first bank in the country to introduce such a product and many in the industry have been bringing out similar products since then.
- **Unified Payment Interface (UPI),** "Future of payments" is transforming the digital payment space. The Bank has introduced UPI features in mobile banking application SIB Mirror+ (BHIM UPI Pay). SIB is the first Bank to upload UPI app in Google Play store. The UPI module is having features such as send money to virtual address, collect money, Aadhaar fund transfer, scan and pay, etc. Bank has also launched a Mobile application for merchants, UPI-POS for accepting payments through UPI channel. UPI has gained wide acceptance among the customers.
- **Point of Sale (POS):** The Bank is offering three types of POS terminals – PSTN (wired terminal), GPRS (wireless) and M-Pos (Mobile Pos) in association with M/s Atos Worldline India Pvt. Ltd., the market leader in India in this segment. The Bank has also introduced paperless GPRS POS terminal.
- **FASTag:** The Bank has implemented NETC FASTag (in association with National Highways Authority of India (NHAI) and National Payments Corporation of India (NPCI)) in the month of February 2018 offering, hassle-free movement of vehicles through toll plazas. Any vehicle with a FASTag (RFID) tag can cruise through the Toll gates wherein the toll payment is made digitally. SIB NETC FASTags are available for both SIB Customers and Non-customers.
- **SiberMart:** The Bank has introduced an online shopping portal that enables customer to compare prices between different market places like Amazon, Flipkart, Tatacliq etc. This gives an added advantage to the customer in ensuring the Best Buy. Flight booking was also added to SiberMart which compares the prices of flight tickets in travel portals like clear trip and yatra.
- **Payment Gateway:** Internet Payment gateway service provides a platform for the online e-payment transaction between a shopper/client and merchant. Payment Gateway can be integrated in the website of the merchant and customer/client can directly pay the amount using Debit Card, Credit Card, Internet Banking, E-Wallets etc.

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- **Feebook:** Feebook is an event based fund management/ collection portal, which can be customized by the organization/ merchant all by themselves. FeeBook, comes with a tagline, '*YOU DECIDE, YOU COLLECT*'. In Fee Book, the organization has the flexibility of deciding & customizing the entire collection cycle. This can be integrated to the existing Website of the Client or can be provided as a separate Portal. Feebook backed by payment gateway was successfully integrated for CMDRF fund collection during Kerala Floods and tent booking for Kumbhmela 2019.
- **Hi – Hi Banking :** This is a Host to Host fund transfer application facilitating seamless transfer of funds between accounts that can be initiated by the client from his host system without Banks intervention. This can be integrated to the customers ERP system.
- **Remote Cheque Printing:** This facility enables corporates to process the bulk issuance of cheques/dividend warrants etc. through a system driven model affixing the facsimile signature of the authorised signatory.
- **Social Media & Digital Marketing:** The Bank has made its presence in all major social media platforms like Face book, Twitter, Instagram, Linked In, You Tube etc. The Bank has been instrumental in utilizing these channels in creating better engagement and awareness among customers about its innovative products and services. The latest digital marketing models are being adopted to reach out to customers across the globe in the most cost effective and sought after means.

Third Party Products

Insurance: As per the approvals received from IRDAI, the Bank has opted for Multiple Corporate Agency Model with effect from 1st April 2016. As per this model the Bank is allowed to tie up with three partners in Life, Health and General Insurance streams. The Bank has tied up with Kotak Mahindra Life Insurance Co. Ltd. and SBI Life Insurance Co. Ltd. in addition to the existing partner Life Insurance Corporation of India for soliciting life insurance. As the second and third partner for General Insurance in addition to Bajaj Allianz General Insurance Co. Ltd. the Bank has tied up with The New India Assurance Co. Ltd. and Bharti Axa General Insurance Co. Ltd. The Bank has also tied up with Max Bupa Health Insurance Co. Ltd. and Cigna TTK health Insurance Co. Ltd. for sourcing health insurance business. FY 2017-18 was very fruitful for insurance business and income worth 17.62 crore was generated compared to 12.63 crore for financial year 2017-18.

Mutual Funds: Mutual Fund is a popular form of investment since it provides the advantages of professional portfolio management and dividend reinvestment. The Bank has tied up with 15 leading Mutual Fund companies thereby offering a variety of mutual fund products to customers. Bank's AMFI Registration Number is 3845. Asset Under Management (AUM)

of the bank is ₹94 crore as on March 2019. With the aim of increasing the mutual fund business and thereby increasing third party income, the Bank has launched a new online mutual fund platform '*SIB E-Invest*' to facilitate online purchase & sale of mutual funds. Customers approaching branches can create investment account and execute purchase/sales of mutual funds through this platform. After the successful launch of '*SIB e-Invest*' - Bank's Online Mutual Fund platform in branches, the Bank has extended the facility to all single/individually operated retail SiberNet users also.

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

Depository services: The Bank offers Depository services for the benefit of its customers. Through this facility, customers can hold their securities in electronic form in demat account with M/s Central Depository Services (India) Ltd. (CDSL). For e-trading, the Bank offers SIBerTrade – the online trading facility to buy/sell stocks for its domestic customers from stock exchanges in India through tie-up with M/s Geojit Financial Services Ltd. & M/s Religare Securities Ltd. Customers are also having the option of trading through mobile application in their comfort zone where the Demat Account and Bank account will be with us and the trading account will be with either M/s Geojit Financial Services Ltd. or M/s Religare Securities Ltd.

SEBI has also registered the Bank as **Self Certified Syndicate Bank (SCSB)** for accepting application under Application Supported by Blocked Amount (ASBA) through all the branches of the Bank. ASBA enables the Bank's customers to apply for IPO/FPO, Rights issue etc. by marking a lien on the account instead of actual debit at the time of applying, which is more beneficial for the customers. The Bank has participated in 89 issues (including IPO/FPO/NCD/Rights Issue) in FY 2018-19.

Portfolio Investment Scheme (PIS) – An extensive share trading facility for NRI customers through tie-up with M/s Geojit. Under PIS, NRI customers can directly invest in the Indian securities market through recognized stock exchanges under repatriable/non-repatriable basis.

National Pension System (NPS): The Government of India has introduced the National Pension System (NPS) on 01.01.2004 (except for armed forces). NPS was made available to All Citizens of India from 01.05.2009. The Bank has been appointed as a Point of Presence (POP) and since then and all branches are authorized to extend the product and services of NPS. Recently, Government of India has announced the increase of tax exemption limit for NPS to 60%. This has effectively

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made NPS tax free at maturity and an effective 'EEE' status is attained, i.e. Tax Exempt at Entry, Earning and Exit stages. NPS is a very appealing product for NRIs and in fact, the bank is the topper among the peer-banks and Kerala based banks for both resident and NRI NPS. Only NPS offers the additional tax benefits up to ₹50,000/- under section 80 CCD(1B) of the Income Tax Act, which is over and above the ₹1.50 lakh of section 80C investments.

APY was introduced by Govt. of India in place of NPS Lite providing minimum assured pension from ₹1,000/- to ₹5,000/- to subscribers and is available to Bank's customers.

Cumulative Achievement (Nos) as on 31.03.2019

NPS – All Citizen Model	8155
NPS Corporate (Including Staff)	6883
APY	10270
Total	25308

SIB E-Pay: In association with BSNL, the Bank is facilitating the payment of BSNL Landline bill of its customers through their accounts maintained with the branches. A customer can avail this facility by submitting a mandate form at the branch where the account is being maintained. Once registered, the BSNL landline bill of the customer will be automatically debited from the customer's account every month. The key feature of this facility is that it is totally hassle free and is offered free of cost to the customers.

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

Centralized Direct Debit Service: The Bank has entered into tie-up with leading aggregator M/s Bill Desk Services for Centralized Direct Debit arrangement. Through this tie-up Bank's customers will be able to make regular payments like monthly/quarterly/half yearly payments of Mutual Fund SIP investments/ Loan EMIs (Vehicle/Equipment Loans)/Insurance premium etc. by directly debiting their account and thereby making the payments to various billers/institutions. This facility is available to all customers irrespective of their branches being located in ECS/non-ECS locations. The Bank has similar arrangements with 4 companies - TVS Credit Services, Sundaram Finance Ltd. and Shriram City Union Finance and Bajaj Finance Ltd.

Customer Experience Group (CEG)

Financial year 2018-19 witnessed a significant growth in the count of leads generated from various sources and also on the conversion side while comparing YOY basis. Subsequent to the set up of Customer Experience Group in the Bank, all leads

generated from various sources provided were being engaged & followed up by the CEG team till the end of the lead life cycle.

Customer Experience Group has two divisions with inbound team predominantly concentrating on customer service and outbound team focused on sales. CEG Inbound team is the touch point for customers for all banking needs via call, mail, Chat and Social Media. Inbound team handles all customer queries concerns and complaints. The Bank has a dedicated resource to handle Ibanking and Mirror Plus service and complaints. Inbound call centre provide 24x7 customer service on calls whereby customers calls us and state the nature of their problem. The front line analyst uses call centre software to identify the customer and after collecting the required details responds to the problem. The goal of the agent is to solve the problem to the customer's satisfaction. Agents are required to follow procedures to facilitate moving problems to more advanced and experienced back office teams when initial help levels cannot resolve them. Service team manages CEG's complaint handling processes through various channels like Customer care mails, Ibanking Mails, Mobile Banking Emails, IVR cases, Ibanking grievances lodged through Mirror Plus app and Mobile banking grievances lodged through Mirror Plus app. Complaints regarding staff misbehaviour or charges reversal are sent directly to CRD for action.

Further, outbound teams major responsibility is to on board the customers with first point of service and sales of the Bank's products and TPP products. Leads are created and managed in CRM for the interested customers and further Bank's team follows up with branches or TPP vendors for the conversion of the same. The ultimate vision of the team is to become a sales powerhouse of the bank and develop its channel as a cost neutral unit in the coming years.

Liability

CASA Initiatives:

- The Bank is among the pioneers in offering Mahila Savings Accounts with unique feature of insurance. Based on the market study the Bank had revamped the existing Mahila Plus scheme adding more customized features for women. In essence, bank is aiming to penetrate more among the women folk and yield a certain amount of revenue by offering comprehensive package and strengthen the CASA portfolio. The salient features and offers of Mahila Delight are comprehensive insurance coverage at a nominal cost, concession in locker rent & loan processing fee and much more.
- Trader Smart current accounts were introduced with lot of free facilities and exemptions in cash handling charges to greater extent. The account is embedded with features like sweep in, sweep out, Doorstep banking, POS facilities etc. The account is designed keeping in mind the requirements

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of Traders in general and the performance is encouraging w. r. to the average balances in the account.

- The Bank has launched SIB Elite Senior and Mahila Elite for catering to the needs of pensioners and Senior citizens in particular. The accounts are having very attractive features like sweep in, sweep out, Door step banking, Unlimited ATM free facility etc.
- The Bank has introduced GSS Smart & Executive for salaried class of people. Being a salary saving account, this account has got features of both saving account and salary account, which is basically a Zero-balance account. Salary OD is an attractive feature of this account along with other benefits like concession in loan processing, locker rent, free internet banking, mobile banking, demat account opening and many more.
- **Government Business Cell** was formed two years before with a focus on canvassing government accounts and for liaison with Government Departments. The Cell was able to canvass substantial fresh CASA in the last financial year and able to bring good number of government accounts in the kitty. In order to scale up the government business portfolio of the Bank to further heights, many new initiatives are being implemented.
- **Priority Banking Service** – South Indian Bank Prime Platinum and Prime are exclusive Priority Banking Services offered to the customers who make their relationship with the bank mutually rewarding with benefits and offerings that enhance the privileges enjoyed by them. As a Priority Banking Customer, they have the advantage of enjoying customized benefits that recognize their total relationship with the Bank and have been tailored to suit their individual needs.

The privileges of SIB Prime Platinum and SIB Prime are not exclusively limited to the customers alone: some of those benefits also get extended to their families as well. As a Priority Banking client, the customer would have access to Red Carpet treatment at SIB Branches across the country. Also with the launch of Priority Banking, it is envisaged to create a comprehensive Personal Economy Management Solution to maintain and diversify the customers' wealth.

Business Development Officers

- The Bank has started the retail business model through Business Development Officers (BDOs) in May 2016 with 72 BDOs. Today BDO stands as a strong arm of the Bank bringing in new Business to the Bank. Moreover, the intensive grass root level experience and learning have helped the BDOs to develop themselves as more confident and promising officers. With concentrated and focused approach, there has been steady improvement in the performance of BDOs which has laid a strong foundation for the vertical.
- Now, in order to make the vertical stronger and to get the desired results for a substantial growth in retail business,

the Bank has redeployed the BDOs under the following categories.

Liability BDOs	Savings Account Group (SAG)
	Current Account Group (CAG)
	Corporate Salary Group (CSG)
	GBG/TASC Group

- In the Financial Year 2018-19 the BDO vertical could source 17502 accounts with total AMB amounting to ₹166.05 crore, retail advances advances of ₹213.52 crore and Insurance amount of ₹1.55 crore.

Visibility Enhancement Initiatives during the FY 2018-19:

During the financial year 2018-19, the Bank had undertaken many brand promotion initiatives in various media like Newspaper, Television, Radio, Outdoor and Online media.

- Through effective PR strategy, major events and financial results pertaining to the Bank were promoted globally across all the media platforms. The Bank had held major Press conferences, in connection with Quarterly results and during the launch of SIB SCHOLAR Edition - III, a prestigious CSR initiative by the bank. Regular press releases were made in connection with the various CSR initiatives, product launch and social associations. Newspaper Advertisement campaign were undertaken in major newspapers on the exclusive loan products for the Kerala flood victims.
- As part of Casual Advertisement, the Bank has partnered with Tie Con Kerala (Rebuilding Kerala Conference), Rashtra Deepika (132nd Foundation Celebration), Thrissur Management Association (TMA) etc. which fetched us good responses.
- The Bank had also associated with Dhanam Magazine's Retail summit and Award nite at Kochi that had attracted a lot of entrepreneurs.
- In order to inculcate the concept of healthy life style, the Bank had partnered with Thrissur Round Table 88 for a Mini Marathon at Thrissur – "Run Thrissur Run" which attracted a lot of public and sports lovers including youth.
- With a view to make the Bank's presence felt in foreign countries, bank had undertaken some NRI campaigns. The Bank had associated with Malayala Manorama (Parpidam – Gulf), Keli Switzerland (Onam 2018), Thrissur Association of Kuwait (TRASSK Maholsavam 2018), Madhyamam (Come On Kerala), NITCAA, Kuwait (TRISHNA 13) etc.
- As part of the Radio promotions, the Bank had aired advertisements on Gold Loan across South India.
- Outdoor brandings were concentrated in major cities like Mumbai, Chennai, Coimbatore and Kochi through bus shelters and hoardings respectively. The Bank had forayed into the digital product promotion on Volvo buses at Mumbai. Bank had also undertaken a bus shelter campaign

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at Coimbatore city, which fetched us good response. In order to increase brand visibility the Bank had undertaken hoarding campaign at major cities like Bangalore.

- The Bank's new Corporate Advertisement is based on the theme of Trust, directed by Mr. Prakash Varma was released and was promoted through various Television channels and You Tube on a national basis and has received a good response.

HUMAN RESOURCE

In a dynamic world where an individual defines the organisation, Human Resource (HR) is the most valuable asset. Achievement of an organisation's objectives depends on the individual and the collective efforts of its workforce. Every employee is a vital factor for the smooth functioning by bridging the gap between the customers and the organisation. The Bank has team of highly motivated, skilled, committed, loyal and empathetic staff members, who strive to meet customer aspirations and organisational goals. A strategic approach towards effective development and management of human resources is of paramount importance. In order to augment the workforce in tune with the Bank's sustained growth and expanding network, major initiatives towards talent acquisition and retention have been continued in the FY 2018-19 also.

MANPOWER

As on March 31, 2019, the Bank had 8,440 personnel on its rolls. Cadre wise break up is as under:

Cadre	Men	Women	Total
Officers	3089	1620	4709
Clerks	1452	1661	3113
Peons	352	26	378
Part-time employees	60	180	240
Total	4953	3487	8440

With the infusion of young personnel, Bank was able to maintain the average age of employees as 33 years as on March 31, 2019.

Staff Members having professional Qualification as on 31.03.2019 are as under:

EDUCATIONAL STREAM	NUMBER OF STAFF
Management	1429
Post Graduation	1259
CA	58
CS	5
Engineering	1773
PHD	1
Legal	65
ICWA/CMA	37

MAINTENANCE OF PERSONNEL DATA

Maintenance of staff records were streamlined under "HRMSS" (Human Resources Management Software Solution) System. The data can be accessed by all controlling offices and various reports based on the data can be generated for the quick disposal of staff related matters. To make HRMSS more comprehensive, the Bank has introduced new modules such as Employee Development Module, Staff Advances, facility for capturing Job role for each officer, online TA module with auto credit facility and provision for capturing GST details, introduction of NEFT facility for HRA disbursement in addition to the existing modules like Transfers, Promotion Maintenance, HRA, Leave and LFC, Training, Online Annual Performance Appraisal of Officers, Service Record, Pension Maintenance, Marketing Excellence, Staff Medical Insurance, Staff Allowances, Provident Fund, Staff Attendance, Audit Compliance and so on.

Motivation Initiatives

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

- Promotions: The Bank is offering ample opportunities to its employees for their growth and motivation. During this financial year, 521 clerical staff were promoted to Scale-I officers, 345 Scale-I officers to Scale-II officers and 183 Officers to various senior cadres.
- The Staff Welfare Study Support Scheme which was introduced in the FY 2016-17 for children of staff members has been successfully continued in the current financial year also. The scheme has proved to be effective in its implementation with the aim of encouraging the children of staff members to soar greater heights.
- This year 94 staff members availed the benefit of 'The South Indian Bank Staff Welfare Scheme' introduced in December 2008 for availing long leave with reason of child care after maternity, higher education, medical treatment and so on. The scheme ensures the Bank's employee friendly approach towards its employees and the concern for their family members.
- Employee Development Module for Award Staff is introduced in HRMSS. EDM provides an opportunity for all the confirmed employees in the category of Award staff (which includes clerk and substaff) to place on record all achievements, various training needs, area of interest and suggestions for their improvement.
- Employee Code of Conduct and Ethics to all employees of the Bank was updated and the same has been incorporated in HRMSS w.e.f. 01.01.2019.
- Officer's service rules have been updated w.e.f. 01.01.2019 and the same is made available in HRMSS for information to all staff members.
- Reclassified the branches/offices based on the Census 2011 and approved enhancement of HRA to officers w.e.f. 01.09.2018.
- PLIS – Performance Linked Incentive Scheme is continued

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in this financial year also to ensure enhanced productivity and efficiency in all areas of operations and instill motivation among all SIBians to achieve long term growth and profitability.

Industrial Relations

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

EMPLOYEE STOCK OPTION SCHEME (ESOS)

During the financial year 2008-09, the Bank instituted an Employee Stock Option Scheme to enable its employees to be a partner in the future growth and financial success of the Bank. The Bank's shareholders approved the plan on August 18, 2008 for the issuance of stock options to the employees.

Till March 2019, 5,44,23,943 stock options were vested, out of which 2,89,09,199 stock options were exercised by eligible employees. The money realized due to exercise of the said options was ₹42,65,88,572.64 and consequently 2,89,09,199 shares of ₹1/- each have been allotted to the concerned employees/legal heirs.

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

The total options granted under nine phases of SIB ESOS 2008 works out to 3.0% of the paid-up share capital of the Bank as at March 31, 2019. The scheme has generated intended motivation amongst the staff.

Statutory disclosures regarding details of the stock options granted, vested, exercised and forfeited and expired during the year under review is annexed to this report as Annexure A.

SIB Executive Brief

"SIB Executive Brief" – a daily news update on Banking, Finance, Economy, Industry, Market Rates etc. is being provided by SIB Staff Training College. It is e-mailed on a daily basis to the Board members, Executives and is also made available in SIB-Insight for the benefit of staff members.

E-Learning Tests

The Bank has completed 18 online tests through GIEOM Application during the year 2018-19 for staff members on various topics relevant to Banking. Toppers are recognized and their names are published in Insight. The E-learning platform is being used increasingly for improving the knowledge level of the staff members.

Continuous Assessment Test for Probationary Officers

To facilitate updation and continuous learning by the Probationary Officers, tests are conducted on a monthly basis,

covering the products, procedures, instructions etc. through different modules.

E-Circular

The Bank has since migrated to issuance of e-circulars in place of manual circulars. All the circulars of the Bank are uploaded using the 'e-circular software'. In e-circular, Bank's policies, Guidelines and Forms are also uploaded so as to empower the branches with readily accessible pool of information/guidelines.

SIB STUDENTS' ECONOMIC FORUM (SIBSEF)

Students' Economic Forum is a monthly publication from the SIB Staff Training College and it provides an analysis of contemporary themes relating to developments in Economy, Banking and Finance. As on 31.03.2019, 328 themes have been published since the first publication in December 1991. The objective of this venture is to kindle interest in economic affairs among the younger generation and also to provide a learning platform for the student community. The hard copies of the publication numbering about 3,500 are being sent to all the branches/offices, reputed schools/colleges/academic institutions, RBI offices, other Banks, government organizations and corporate offices. It has wide acceptance among students, bankers and academic community. The subjects discussed during the Financial Year 2018-19 are – Trade Receivable Discounting System (TReDS), Green Finance, PMAY-Urban, An Insight into Inflation, Project Sashakt, Fraud Risk Management in Banks, Foreign Exchange Rate, Capital Conservation Buffer, Fugitive Economic Offenders Bill 2018, Ayushman Bharat, Budget 2019 Highlights, Artificial Intelligence. These themes are made available in the Bank's Website under the heading Student's Corner.

SIBLINK

A corporate magazine - 'SIBLINK' is published on a quarterly basis. During the Financial Year 2018-19, the Bank has published SIBLINK with the themes – 'Compliance in Banks' and 'HR Initiatives in Banks'.

Awards and Accolades

The Bank has received following awards during the Financial Year 2018-19:

1. Corporate Social Responsibility (CSR) Award instituted by Kerala Management Association (KMA) for Banks & NBFCs under Education Sector.
2. Best Performing Primary Lending Institution of HUDCO under Credit Linked Subsidy Scheme from HUDCO.
3. National Payments Excellence Award for RuPay instituted by NPCI.
4. Best MSME Bank-Runner Up award instituted by Chamber of Indian Micro, Small & Medium Enterprises.
5. Banking Technology 2019 awards instituted by IBA - The Bank emerged winner in the 'Most Customer Centric Bank Using Technology' category and runner up in the 'Best Payments Initiative' category amongst small Banks'.

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ISO 270001:2013 certification

The Bank has been awarded ISO 270001:2013 certification for its Information Security Management System (ISMS).

Achievements and milestones:

1. The Bank has shifted Portfolio Investment Scheme (PIS) cell from Ernakulam NRI branch to RBD with a separate SOL ID (8072). This change has resulted in enabling Bank's customers to open their PIS account under their parent sol ID. Earlier PIS account got opened only under the sol ID of Ernakulam NRI branch (0307).
2. During the FY 2018-19, the Bank has started online NPS services like Instant NPS Account opening (e-NPS) and making Subsequent Contribution through the SIB website.
3. Insurance business achieved a YoY growth of 40% in income.
4. Tied up with Bharti AXA as the third general Insurance partner which in turn will provide a better spread of products to customers as well as aid in significantly improving the other income.
5. Mutual Fund SIP business registered a YoY growth of 320% and Mutual Fund Lump sum business registered YoY growth of 130%.
6. The BDO channels is divided into 4 groups, SAG (Savings Account Group), CAG (Current Account Group), CSG (Corporate Salary Group), GBG (Govt. Business Group) for on boarding new to bank customers giving more focus on Salary and Govt. accounts.
7. Introduced Merchant in a Box – Master card business debit card and Bharat QR is provided in a bundled offer to pre identified merchants free of cost.
8. Launched Secured Credit Card - Secured Credit Card is a new product under the digital products catalogue, by which a Credit Card can be issued to Bank's retail customers who maintain a fixed deposit with the Bank. Unlike an unsecured Credit card issued based on the credibility of the applicant, Secured credit card is issued based on the Fixed deposit of the applicant, Lien-marked for the card.
9. Introduced Preapproved Credit Card in tie-up with SBI Credit Card. Bank has identified prospective customers who are eligible for preapproved credit card. This customer data is qualified as per SBI Card criteria like CIBIL Score, Age and PAN.
10. Introduced a new Savings Bank Account-“SIB - RUBY” with Best in Class Features and Higher Interest rate. SIB RUBY is bundled with bouquet of offerings which will satisfy the customer's investment and insurance appetite. SB balance above ₹3 lakhs will be converted to Flexi Fixed Deposit in multiples of ₹10,000/- with maximum holding period of 92 days. (Sweep In and Sweep out would be provided based on one time request from customers).

Foreign Exchange Advisory Cell

The Bank has launched Foreign Exchange Advisory Cell to provide advisory services by subject experts on FEMA rules

and trade finance related issues to the general public. The complimentary service is available to all Foreign Exchange Trade Fraternity.

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

The Bank ensures strict compliance with all statutory requirements and voluntarily undertakes several sustainable steps in order to contribute towards a better environment. The Bank has undertaken various initiatives for energy conservation at its premises. Further, the Bank has used information technology extensively in its operation and consistently pursuing its goal of technological up-gradation in a cost effective manner for delivering quality customer service. As a next generation Bank, the Bank has deployed 'Technology' as a Strategic Business enabler – to build a distinct competitive advantage and to achieve superior standards of Customer Service. The Bank, being a banking company and an authorized dealer in Foreign Exchange, has taken all possible steps to encourage export credit.

Number of cases filed, if any, and their disposal under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has zero tolerance approach towards any action on the part of any executive/employees which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the dignity of every women staff working in the Bank. The Bank has complied with provisions relating to the constitution of internal Compliants Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 [14 of 2013]. The Policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. All the employees (permanent, contractual, temporary, trainees) are covered under this policy.

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

Number of complaints filed during the financial year - Nil

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

Particulars of Employees

The Bank had 8,440 employees as on March 31, 2019. Only MD & CEO (employed throughout the year) was in receipt of aggregate remuneration of more than ₹1.02 crore per annum and no other employees was employed for a part of the year was in receipt of remuneration of ₹8.5 lakhs and above per month. The details of top 10 employees in terms of remuneration drawn pursuant to provisions of Section 197(12)

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of the Companies Act, 2013 read with Rule 5 (2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this report (Annexure B).

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

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

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

South Indian Bank's CSR Policy

South Indian Bank is grateful to the society that has supported and encouraged the Bank during its long journey of growth and development. The Bank believes that no organization can make sustainable development without the patronage of the society. The Bank is committed to integrate social and environmental concerns in its business operations. The Bank shall continue to have among its objectives, promotion and growth of national economy and shall continue to be mindful of its social and moral responsibilities to customers, shareholders and the society. The Bank is committed to financing the economic and developmental activities of the nation with concern for human rights and environment.

In line with the CSR Policy and in accordance with Schedule VII, Section 135 of Companies Act, Bank undertook various activities during **FY 2018-19**, which had significant impact on the society. These activities include:

- Eradicating hunger, poverty and malnutrition, promoting health care including preventive healthcare and sanitation and making available safe drinking water.
- Promoting Education, including special education and employment enhancing vocation skills and livelihood enhancement projects.
- Empowering women, setting up homes and hostels for women and orphans, setting up old age homes, measures for reducing inequalities faced by socially and economically backward groups.
- Ensuring environmental sustainability, maintaining quality of soil, air and water.
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art.
- Training to promote nationally recognized sports.
- Contribution to Prime Minister's National Relief Fund.
- Rural development projects.
- Promoting Financial Literacy.

CSR Expenditure

South Indian bank has always given top priority to fulfilling its obligations under Corporate Social Responsibility. Diversified Projects in the areas of healthcare, education, sports and

sanitation that would benefit the society as a whole are identified and the Bank wholeheartedly supports such initiatives. In the Financial Year 2018-19, the Bank spent ₹12.22 crore (92.01% of the budget) towards CSR activities against ₹7.28 crore in the Year 2017-18.

The amount to be spent by the Bank towards CSR for FY 2018-19 as per Section 135 of the Companies Act, 2013, comes to ₹13.28 crores. Amount spent by the Bank this year towards CSR was ₹12.22 crores. Through various projects which are already sanctioned, the Bank will be thoughtfully spending the CSR funds earmarked for the purpose. The Bank had also embarked on some major projects last year in the field of education, youth engagement, healthcare, infrastructure development, etc. By choosing long term sustainable projects, Bank has taken an approach which brings steady and long lasting impact on the society. The details of the CSR activities of FY 2018-19 are mentioned in Annexure D to this report.

Web-Link to the CSR Policy

https://www.southindianbank.com/UserFiles/file/CSR_Policy.pdf

FINANCIAL INCLUSION

Financial inclusion aims to ensure the availability of formal and basic banking services to all Indian households, including those in the un-banked and under-banked areas. South Indian Bank has adopted several financial inclusion initiatives, including Kiosk banking. The Bank has successfully migrated to Aadhaar Enabled Payment System (AePS) in the existing KIOSK Model of Banking, from the earlier mode of customer ID payment service. Now AePS is the only mode by which transactions are taking place in Kiosk Banking solution.

Aadhaar Enabled Payment System (AePS)

Aadhaar Enabled Payment System (AePS) is a payment service, empowering a bank customer to use Aadhaar as his/her identity to access his/her respective Aadhaar enabled bank account and perform basic banking transactions through a Business Correspondent / POS machine. National Payment Corporation of India (NPCI), an umbrella organisation for all retail payments are controlling AePS operations. AePS offers basic banking services such as Cash Withdrawal, Cash Deposit, Balance Enquiry, Aadhaar to Aadhaar Fund Transfer, Mini Statement, and Best Finger Detection. The Bank has implemented Kiosk Banking Model in the state of Kerala through 16 Individual Business Correspondents and in Tamilnadu through 64 Individual Business Correspondents.

Financial Literacy Centres

Financial Literacy is the ability to understand how money works in its day to day life and how someone manages it, how he/she invests it and how a person offers it to others. More specifically, it refers to the set of skills and knowledge that

DIRECTORS' REPORT

allows an individual to make informed and effective decisions with their financial resources. The Bank has engaged 12 FLCs in different Blocks of Kerala to disseminate financial literacy to the people and it is functional through retired bank employees and educated youth. In addition to this the Bank has voluntarily appointed 8 FLCs in eight different Districts in Tamilnadu to emphasize the objectives of Financial Literacy. Bank's FLCs are now branded under the name "SIB JYOTHIS". Efforts are on to make them more efficient, responsive to the needs of the people. A Board approved policy covering all aspects of Financial Literacy Centres has been formulated, giving due consideration to the revised guidelines on FLCs circulated by RBI. During the FY 2018-19, FLCs have conducted 1,646 camps covering 1,08,432 participants.

Government of India Scheme - PMJDY

Pradhan Mantri Jan DhanYojana (PMJDY), is conceived as a national mission on financial inclusion initiated by Honourable Prime Minister on August 15, 2014. The scheme envisages universal access to banking facilities, with at least one basic banking account for every household. In line with the directives given by Ministry of Finance and SLBC, PMJDY scheme was implemented in the Bank since August 18, 2014.

The Bank has opened 2,00,998 BSBD accounts as on March 31, 2019 with an outstanding balance of ₹51.81 crore. RuPay Debit Cards are issued in PMJDY accounts providing customers with the benefit of accident insurance coverage of ₹1.00 Lacs. Social Security schemes in insurance (PMJJBY and PMSBY), were also given high priority by the Bank

AADHAAR ENROLMENT STATION

Department of Financial Services (DFS) under Ministry of Finance, had directed banks to become Enrolment Registrars with UIDAI so as to set up AADHAAR enrolment stations at branch premises. As per DFS advisory, at least 10% of branches should be facilitated for the Aadhaar enrolment facility. In view of the same, 85 Branches across 7 states were identified as Aadhaar Enrolment Station (AES) to provide services in connection with Aadhaar enrolment and update facility.

As on 31.03.2019, all the 85 Aadhaar Enrolment Stations identified were functional.

GREEN INITIATIVES IN CORPORATE GOVERNANCE

Despatch of documents in Electronic Form: As a responsible corporate citizen, the Bank supports and pursues the 'Green Initiative' of the Ministry of Corporate Affairs ("MCA"). In conformance with such initiatives and in terms of Rule 18 of the Companies (Management and Administration) Rules, 2014, the Bank may give notice through electronic mode including e-mail to those Members who have provided their e-mail address either to their Depository Participants (DPs) or to the Registrar/Company.

Further, in terms of Regulation 36 of the Listing Regulations, the listed entity is required to send soft copies of its Annual Report to all those shareholder(s), who have registered their email address for this purpose. Accordingly, the documents including the notice and explanatory statement of 91st Annual General Meeting, Annual Report of the Bank for the financial year 2018-19 including Audited Financial Statements, Directors' Report, Auditors' Report etc., for the year ended March 31, 2019, sent to the e-mail address registered with their Depository Participant (DP)/Registrar/Company. The e-mail addresses indicated in respective DP accounts which will be periodically downloaded from NSDL/CDSL will be deemed to be their registered e-mail address for serving notices/documents including those covered under Section 136 of the Companies Act, 2013. In case a Member, whose email address has changed, fails to update this new e-mail address, the said documents will be sent to the existing e-mail address and the said documents will be deemed to have been delivered, in compliance with the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder and the Listing Regulations. Member who have not yet registered their email address are requested to do so, at the earliest. In case of shares held in electronic form and in case of any change in the email address, Member are requested to update the same with their DP and in case of shares held in Physical form, Members are requested to update the same with the Registrar/Company.

Please note that the said documents will also uploaded on the Bank's website www.southindianbank.com and copies thereof will be made available for inspection at the Registered Office of the Bank during 10.00 a.m. to 3.00 p.m. on all working days except 2nd and 4th Saturdays, Sundays, Bank Holidays and Public Holidays up to the date of ensuing AGM.

Shareholders have been requested on several occasions to update their e-mail IDs in their folio/demat a/c to help accelerate the Bank's migration to paperless compliances. The Bank seeks your support to the said green initiatives, as it is designed to protect the fragile environment.

Further, as a part of green initiative by the Bank, all relevant agenda papers pertaining to the Board/Committee are being circulated well in advance to the Board of Directors through electronic mode to facilitate easy access of agenda on iPad which would provide sufficient time to the Board for reading and understanding the proposals placed in a meeting.

ANTI-MONEY LAUNDERING (AML)

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

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

DIRECTORS' REPORT

The Bank had implemented UIDAI's e-KYC services for Aadhaar authentication, in all the branches. The Bank has attached great importance for compliance of KYC/AML/CFT norms by the customers as per the Reserve Bank of India directive

FATCA-CRS

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

RATING OF VARIOUS DEBT INSTRUMENT

The Bank has successfully raised Non-Convertible, Redeemable, Unsecured, BASEL III compliant Tier II Bonds worth ₹250.00 crore during Q4 FY 2018-19. At the time of issue, CARE had assigned a rating of 'CARE A+' (Outlook: Stable) and India Ratings had assigned a rating of 'IND A+' (Outlook: Stable). The details of credit rating accorded to various debt instruments issued by the Bank from time to time is as follows:

Sl. No.	ISIN	Issuance date	Maturity date	Amount Outstanding (₹ in crore)	Rating
1	INE 683 A 09091	20-08-2009	20-04-2020	200.00	Care A+ & Ind A+
2	INE683 A 08028	30-09-2015	31-10-2025	300.00	Care A+ & Ind A+
3	INE 683 A 08036	28-11-2017	28-05-2028	490.00	Care A+ & Ind A+
4	INE 683 A 08044	26-03-2019	26-06-2029	250.00	Care A+ & Ind A+

Further, Bank's Certificate of Deposits for ₹7,500 crores bear a rating of CARE A1+ by CARE ratings.

During the financial year 2018-19 there is no change in the credit rating.

DIRECTORS

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

Excluding the MD & CEO, all other members of the Board are Non-Executive Directors and six Directors out of the total 10 Directors are Independent Directors. Declaration has been obtained from the Independent Directors as required under the RBI Regulations, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Companies Act, 2013. The remuneration and other benefits paid to MD & CEO of the Bank and other Non-Executive and Independent Directors during the financial year 2018-19 are disclosed in Corporate Governance Report.

During the 90th Annual General Meeting held on July 11, 2018 as recommended by the Bank the shareholders accorded their approval for :

- Appointment of Mr. V J Kurian (DIN: 01806859) as an

Independent Director for a period of 5 years, not be liable to retire by rotation.

- Re-appointment of Sri Achal Kumar Gupta (DIN: 02192183) as a Director liable to retire by rotation.
- Re-appointment of Dr. John Joseph Alapatt (DIN: 00021735) and Mr. Francis Alapatt (DIN: 01419486) for a period up to 23rd September, 2020 and 31st October, 2021 respectively, not be liable to retire by rotation.

Sri K Thomas Jacob (DIN : 00812892), Non-executive Independent Director of the Bank, retired from the Board of Directors w.e.f. 30th August, 2018 upon completion of his eight year term, as per Section 10A(2A) of the Banking Regulation Act 1949.

Sri M George Korah (DIN: 08207827) has been appointed as the Additional Independent Director of the Bank representing majority sector w.e.f. 31st August, 2018 pursuant to section 161(1) of the Companies Act, 2013 and shall hold the office up to the ensuing Annual General Meeting of the Bank. He will be appointed as a Non-Executive Independent Director of the Bank in majority sector (i.e. accountancy), not liable to retire by rotation.

Mr. Pradeep M Godbole (DIN: 08259944) has been appointed as the Additional Director of the Bank w.e.f. 26th March, 2019 pursuant to Section 161(1) of the Companies Act, 2013 and shall hold the office up to the ensuing Annual General Meeting of the Bank. He will be appointed as a Non-Executive Director of the Bank in minority sector, liable to retire by rotation.

Sri Salim Gangadharan (DIN: 06796232) was appointed as the Non Executive Director of the Bank with effective from January 16, 2014 pursuant to the provisions of Section 161 of the Companies Act, 2013 and appointed as a director liable to retire by rotation in the 90th AGM held on 11 July, 2018.

Smt. Ranjana S Salgaocar (DIN-00120120) and Mr. Parayil George John Tharakan, (DIN-07018289) have been appointed as additional Independent Directors of the Bank w.e.f. 1st October, 2014 and November 25, 2014 respectively and they have been appointed as Independent Directors of the Bank for a period of five (5) years vide shareholders' resolution dated July 15, 2015 in terms of the provisions of the Companies Act, 2013. Their term of appointment would come to an end on 30th September, 2019 and November 24, 2019. In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. In terms of Section 10A(2A) of the Banking Regulation Act, 1949, no director of a banking company, other than its Chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years. Hence approval of Shareholders of the Bank is sought for the reappointment of Smt. Ranjana S Salgaocar and Mr. Parayil

DIRECTORS' REPORT

George John Tharakan for a further term upto 30th September, 2022 and 24th November 2022 respectively. Resolution for their reappointment as Independent Directors is included in the AGM Notice.

CHANGE IN KEY MANAGERIAL PERSONNEL

Mr. C P Gireesh, Joint General Manager & Chief Financial Officer and Key Managerial Personnel has opted for Voluntary Retirement from the Service of the bank w.e.f. 1st September, 2018 and, the Bank has appointed Ms. Chithra H, Joint General Manager as Chief Financial Officer and Key Managerial Personnel of the Bank with effect from 1st September, 2018. There was no other change in Key Managerial Personnel during the year ended March 31, 2019.

Composition of Audit Committee

The Audit Committee of the Board is chaired by Sri M George Korah, who is a Chartered Accountant. The other members of the committee are, Sri Achal Kumar Gupta (Non-Executive Director), Sri V J Kurian (Non-Executive Independent Director) and Sri Francis Alapatt (Non-Executive Independent Director). The constitution of the Committee is in compliance with the regulatory requirements. The terms of reference of the Audit Committee, incorporated in the Bank's Code of Corporate Governance, are in accordance with the SEBI (LODR) Regulations, 2015 entered into by the Bank with Stock Exchanges where the Bank's shares are listed, Companies Act, 2013 and RBI guidelines.

Independent Directors

In terms of the definition of Independence of Director as prescribed under Regulation 16(1) (b) of the SEBI (LODR) Regulations, 2015 and Section 149(6) of Companies Act, 2013 and based on the confirmation / disclosures received from the Directors, the following Directors are Independent Directors of the Bank as on the date of this report

1. Dr. John Joseph Alapatt (DIN: 00021735)
2. Sri Francis Alapatt (DIN: 01419486)
3. Smt. Ranjana S Salgaocar (DIN: 00120120)
4. Sri Parayil George John Tharakan (DIN: 07018289)
5. Sri V J Kurian (DIN: 01806859)
6. Sri M George Korah (DIN: 08207827)

Woman Director

In terms of the provisions of Section 149 of the Companies Act, 2013 and Regulation 17 of the SEBI (LODR) Regulations 2015, the Bank has appointed Smt. Ranjana S Salgaocar (DIN: 00120120) as Woman Director on the Board of the Bank.

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

Criteria for appointment as Director of the Bank

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

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

Criteria For Determining Qualifications, Positive Attributes

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

Criteria for determining Independence of a Director

The Criteria of Independence of a director is determined based on conditions as laid down in the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. The independent director shall at the first meeting of the Board in which he/she participates as a Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his/her status as an independent director, give a declaration that he/she meets the criteria of independence.

REMUNERATION POLICY:

Remuneration Policy for Employees of the Bank:

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

DIRECTORS' REPORT

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

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

REMUNERATION POLICY OF DIRECTORS:

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

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

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

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

Remuneration of Chairman:

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

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

Remuneration of Non-Executive Directors (NEDs):

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

Policy on Board Diversity:

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

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

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

The NRC has the responsibility to lead the process for Board appointments and for identifying and nominating, candidates for appointment to the Board. The benefits of diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of directors to the Board.

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

DIRECTORS' REPORT

Board Level Performance Evaluation

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

The process for formal annual performance evaluation is as under:

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

The criteria for performance evaluation are as under:

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

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

Performance Evaluation of Board

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

Performance Evaluation of the Board Level Committees

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

Outcome of Performance Evaluation

An annual performance evaluation of the Board, Committees of the Board and the individual members of the Board was conducted in May 2019 as per the aforesaid process and the report on the evaluation were presented at the meeting of the N&RC and the Board of Directors. The Directors expressed their satisfaction with the evaluation process.

The feedback of the Board, post completion of the exercise of performance evaluation of the Board and Committees of the Board were as under:

1. The Board is functioning as a collective body and has performed on all the parameters and the Board of the Bank is well balanced in terms of diversity of experience and skill sets to meet the requirements of the Bank as well as conforming to the Regulatory requirements.
2. The Board and its Committees were effective in achieving their respective Charters and the members acted with diligence and care. Further, important issues are brought up and discussed in the Board/Committee Meetings.
3. Directors qualified to continue on the Board having understood and discharged their responsibilities and also continue to qualify under the 'Policy on Board Diversity and Fit and Proper criteria and Succession Planning' of the Bank.
4. The Board noted that there is a need for more efforts for further improvement on visibility and it is suggested that respective Committee Chairpersons may apprise the Board on key matters that have been discussed in their committees.

AUDITORS

a) Statutory Auditors:

The shareholders at its 90th Annual General Meeting held on July 11, 2018, appointed M/s S. R. Batliboi & Co. LLP (ICAI Firm Registration No. 301003E/E300005), Chartered Accountants, Mumbai as Statutory Central Auditors of the Bank for the audit of Bank's accounts for the year 2018-19.

For the year ended March 31, 2019, fees paid/payable to the Statutory Auditor M/s S. R. Batliboi & Co. LLP is as follows

Fee paid (excluding taxes)	Amount (₹ in Lakh)
Statutory Audit/Limited review	71.85
Certification and other attestation services	37.00
Non-audit services	0.00
Total	108.85

DIRECTORS' REPORT

M/s S. R. Batliboi & Co. LLP, Chartered Accountants, Mumbai, vacates the office at the ensuing Annual General Meeting and are eligible for reappointment subject to the approval of the RBI and shareholders of the Bank.

b) Secretarial Auditors and Secretarial Audit Report:

Pursuant to Section 204 of the Companies Act, 2013, the Bank had appointed M/s SVJS & Associates, Company Secretaries, Practicing Company Secretaries, Kochi as its Secretarial Auditors to conduct the secretarial audit of the Bank for the FY 2018-19. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY 2018-19 is annexed to this report as Annexure E.

INTERNAL CONTROL AND AUDIT/INSPECTION

Internal Control

The Bank has put in place extensive internal controls and processes to mitigate operational risks, which includes maker-checker authentication of CBS transactions, centralized processing of opening and modifications of CASA accounts, centralized sanctioning of loan facilities, day end checks to monitor critical issues involving timely renewal of credit reports, closure of Bank Guarantees, timely obtaining of loan documents, EM creation and CERSAI registration, etc.

Various Preventive controls viz, Dual custody for cash, gold and other security items, maintenance of daily control registers for security items, introduction of finger-scan-authentication for processing of transactions in CBS in addition to login passwords, stringent guidelines on password usage, STP processes between CBS and payment interface systems for transmission of messages are in place.

Audit/Inspection

The Bank has an Inspection & vigilance department which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, risk management systems, governance systems and processes. The Department is manned by appropriately qualified personnel to handle the Risk based internal audit, Management Audits, Information Systems Audit, and Special audits including Investigations. All the internal audits are conducted broadly based on the RBI direction in relation to conducting risk based internal audit and concurrent audit of branches and identified critical process of the branch.

Reporting structure of Head of Inspection and vigilance is made in such a way that matters relating to Inspection Division, he reports to Executive in charge of administration (presently EVP – Operations) and in relation to the matters of Vigilance Division he directly reports to MD & CEO.

Internal inspectors conduct inspection at regular intervals and the inspection reports are placed to Audit Committee at Executive level (Audit Committee of Executives - ACE) for review, which is overseen and controlled by Board Level committee (Audit Committee of Board - ACB).

Audit of Branches

All the branches are subjected to Risk based internal audit. (RBIA). This audit is conducted at periodical intervals based on its risk perception. All the audits are conducted based on check points and all the operational areas are covered under this audit. Credit audit is also conducted as part of Risk Based internal audit for all the major customers where the credit exposure is more than 5 crore, and are audited by specialized/experienced auditors.

In addition to RBIA of branches, the Bank has concurrent audit system which covers selected Branches, Concurrent audit of branches is being conducted by qualified Chartered Accountants/retired officers covering 60% of total business, 70% of total advances and 50% of total deposits of the Bank. The selection of branches for concurrent audit is done in such a way that it covers branches having substantial business, 'B' Category Branches and almost all isolated remote branches irrespective of its business volume.

The Bank has introduced special audit from April 2019, where audit is conducted by qualified Chartered Accountants/retired officers, in the remaining branches where concurrent audit is not done, on the critical areas for a limited period of time in a month.

In additions to the concurrent and risk based internal audit branches are subjected to surprise inspection, Revenue inspection, self-inspection, Gold Loan asset verification and compliance inspection.

During the financial year the Bank has introduced a separate monitoring team called 'Inspection Monitoring Group (IMG)' for closely monitoring various inspections/audits at the Branches. There are four IMGs and each IMG is headed by AGM/CM. These monitoring groups have exclusive responsibility to ensure the compliance and closure of the inspection reports of the branches. During the course of Inspections, any serious issues concerning regulatory guidelines, legal requirements and operational processes are escalated to the Management for timely action.

All the branch related audits are now automated, where reporting, risk rating, compliance and closure of the reports are done through automated system by which the Bank has an overall control related to the various audits conducted in branches. During the current financial year, the Bank has successfully automated credit audit, self-audit, gold asset verification and surprise inspection.

DIRECTORS' REPORT

Audit of Departments and critical process

Management Audit of Regional Offices (RO) and Departments is conducted at periodical intervals based on its risk perception. Audit conducted through web based application and the risk assessment, rectification of comments etc. and its evaluation, monitoring and review are automated.

In addition to the Management audit conducted by Inspection Department all the critical operations such as International Banking Division, Treasury Department, and Credit Department and Centralized Processing Centers are subjected to concurrent audit by Chartered Accountants firms. All these reports are reviewed by Audit Committee of Executives and corrective steps are taken to rectify the lapses/irregularities pointed out in such inspections.

Information System Audit of CBS and major applications are conducted by internal audit department and also by external audit firms.

Any new product / process introduced in the Bank is reviewed by Inspection Department from the perspective of existence of internal controls and they recommends improvements for deficiencies in such internal controls.

Inspection Division also carries out independent evaluation of Bank's internal financial controls in terms of Companies Act, 2013 and the details in respect of adequacy of internal financial controls with reference to the Financial Statements.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Statutory Auditors Report for the year 2018-19 does not contain any qualification.

On the observation made by Secretarial auditors in the secretarial audit report as well as Certificate on Corporate Governance, as per Regulation 18 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, two-thirds of the members of audit committee are required to be independent directors. For a period of eleven days the audit committee consisted of three Independent Directors out of five members, which is slightly less than the requirement on account of fractional number. This occurred due to the rounding off to the nearest number. The committee was reconstituted on 08.04.2019 pursuant to which three out of four members were independent thereby complying with the requirement. The Exchanges have levied fine which was paid and the bank has represented to the Exchanges to waive the fine and refund the same.

CORPORATE GOVERNANCE

A separate report profiling Corporate Governance as required under applicable regulations of the SEBI (LODR) Regulations 2015 and a certificate from M/s SVJS & Associates Company

Secretaries, Secretarial Auditors of the Bank, are annexed to this Report.

Extracts of Annual Return

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014 the extracts of the Annual Return as at March 31, 2019 in form No. MGT-9 is hosted on the website of the Bank and can be viewed <https://www.southindianbank.com/content/annual-report-financial-year-2018-to-2019/3759>.

Business Responsibility Report

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

Dividend Distribution Policy

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

Subsidiary Companies/Joint Ventures or Associate Companies

There are no companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year; The Board of Directors has formulated a policy for determining 'material' subsidiaries pursuant to the provisions of the Listing Regulations. The same is displayed on the website of the Bank (<https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=781&linkId=781>).

Related Party Transactions

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

Material Changes and Commitment Affecting Financial Position of the Bank

There are no material changes and commitments, affecting the financial position of the Bank which has occurred between the end of the financial year of the Bank i.e. March 31, 2019 and the date of the Directors' report i.e. May 9, 2019.

DIRECTORS' REPORT

Significant and material orders passed by Regulators

During the year under review, there are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Bank's operations in future.

Maintenance of Cost Records

Being a Banking Company, the Bank is not required to maintain cost records as per sub-section (1) of Section 148 of the Companies Act, 2013.

Details in respect of frauds reported by auditors

There is no fraud reported by auditors under sub-section (12) of section 143 of the Companies Act, 2013 other than those which are reportable to the Central Government.

Compliance to Secretarial Standards

The relevant Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) related to the Board Meetings and General Meeting have been complied with by the Bank.

Strictures and Penalties

During the last three financial years, there were no penalties or strictures imposed on the Bank by the SEBI and any of the stock exchanges and/or any other statutory authorities on matters relating to capital market.

Management Discussion and Analysis Report

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

Particulars of Loans, Guarantees or Investments

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided or investment made by a banking company in the ordinary course of business.

Directors' Responsibility statement

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

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2019, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and

applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year 2018-19 and of the profit of the Bank for that period;

- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts for the financial year ended on March 31, 2019, on a going concern basis;
- (e) the directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENTS

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

By Order of the Board

(SALIM GANGADHARAN)
 CHAIRMAN
 DIN : 06796232

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

Place : Cochin
 Date : May 9, 2019

DIRECTORS' REPORT
Annexure to Directors Report for the year ended March 31, 2019

Annexure A

STATUTORY DISCLOSURES REGARDING ESOS

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

Particulars	Tranche 1 Exercise Price per option ₹12.93	Tranche 2 Exercise Price per option ₹24.98	Tranche 3 Exercise Price per option ₹24.12	Tranche 4 Exercise Price per option ₹12.93	Tranche 5 Exercise Price per option ₹21.65	Tranche 6 Exercise Price per option ₹18.72	Tranche 7 Exercise Price per option ₹21.65	Tranche 8 Exercise Price per option ₹18.72	Tranche 9 Exercise Price per option ₹28.40
Options outstanding at the beginning of the year	0	0	0	0	0	5039777	1369150	4288266	150000
Options granted during the year	0	0	0	0	0	0	0	0	0
Options exercised during the year	0	0	0	0	0	765396	85675	0	0
Options vested during the year	0	0	0	0	0	0	746000	1863	0
Forfeited/lapsed during the year	0	0	0	0	0	4270541	537475	1642270	150000
Options outstanding at the end of the year	0	0	0	0	0	3840	746000	2645996	0
Total Number of options in force as on March 31, 2019	3395836								

There was no change in the ESOS scheme during the last Financial Year and Total 8,51,071 shares issued towards 8,51,071 options exercised during Financial Year 2018-19.

Other details are as under:

Money realised by exercise of options	₹42,65,88,572.64
Pricing Formula:	
a) for Tranche 1, Tranche 2, Tranche 3, Tranche 5, Tranche 6, Tranche 7 & Tranche 9	a) At a discount of 10% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the dates of grant.
b) Tranche 4	b) At a discount of 45% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the date of grant.
c) Tranche 8	c) At a discount of 40.67% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the date of grant.

Details of options granted to KMPs & Senior managerial personnel	Name of KMP/Senior Managerial Personnel	Options Granted	Details of options granted		
			Tranche & Price	Tranche & Price	Tranche & Price
	Mr Mathew V G MD & CEO*	1,33,333	1,00,000 shares in Tranche 7 @ ₹21.65	33,333 shares in Tranche 8 @ ₹18.72	-
	Mr Thomas Joseph K, EVP (Operations)	88,417	36,000 shares in Tranche 1 @ ₹12.93	42,500 shares in Tranche 6 @ ₹18.72	9,917 shares in Tranche 8 @ ₹18.72
	Mr Raphael T J, CGM & CIO	82,417	30,000 shares in Tranche 1 @ ₹12.93	42,500 shares in Tranche 6 @ ₹18.72	9,917 shares in Tranche 8 @ ₹18.72
	Mr Benoy Varghese, SGM & Country Head- Wholesale banking	82,417	30,000 shares in Tranche 1 @ ₹12.93	42,500 shares in Tranche 6 @ ₹18.72	9,917 shares in Tranche 8 @ ₹18.72
	Mr John Thomas, SGM & Country Head- Business Development	88,417	36,000 shares in Tranche 1 @ ₹12.93	42,500 shares in Tranche 6 @ ₹18.72	9,917 shares in Tranche 8 @ ₹18.72
	Mr Anto George T, General Manager - Inspection & Vigilance	48,383	12,000 shares in Tranche 1 @ ₹12.93	29,500 shares in Tranche 6 @ ₹18.72	6883 shares in Tranche 8 @ ₹18.72
	Ms. Chithra H, Joint General Manager & CFO	34,200	12,000 shares in Tranche 1 @ ₹12.93	18,000 shares in Tranche 6 @ ₹18.72	4,200 shares in Tranche 8 @ ₹18.72
	Mr. Sibi PM, Deputy General Manager & CCO	32,400	12,000 shares in Tranche 1 @ ₹12.93	18,000 shares in Tranche 6 @ ₹18.72	2,400 shares in Tranche 8 @ ₹18.72
	Mr. Biju Punnachalil, Deputy General Manager & CRO	32,400	12,000 shares in Tranche 1 @ ₹12.93	18,000 shares in Tranche 6 @ ₹18.72	2,400 shares in Tranche 8 @ ₹18.72
	Mr. Jimmy Mathew, Deputy General Manager & Company Secretary	15,833	3,500 shares in Tranche 3 @ ₹24.12	10,000 shares in Tranche 6 @ ₹18.72	2,333 shares in Tranche 8 @ ₹18.72

*1,50,000 employee stock option granted to Sri V.G. Mathew MD & CEO in FY 17-18, was not considered by the RBI and accordingly was lapsed/forfeited in FY 18-19.

Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None
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DIRECTORS' REPORT

Identified employees who were granted option during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None
Variation of terms of Options	Nil
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) - 20 'Earnings Per Share'	1.37
Weighted-average exercise prices of Options whose: <ul style="list-style-type: none"> • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price* 	Nil Nil The price of the stock options granted are: Tranche 6 – 18.72, Tranche 7 – 21.65, Tranche 8 – 18.72, Tranche 9 – 28.40
Weighted-average fair value of Options whose: <ul style="list-style-type: none"> • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price* 	Nil Nil The price of the fair value options granted are: Tranche 6 - 23.49 and Tranche 7 – 27.56 , Tranche 8- 25.91 Tranche 9- 25.91

*For outstanding grants only

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

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

Particulars	31.03.2019
Net Profit as reported (₹ in crore)	247.53
Proforma Net profit based on fair value approach (₹ in crore)	247.33
Basic EPS as reported (₹)	1.37
Basic EPS (Proforma) (₹)	1.37
Diluted EPS as reported (₹)	1.37
Diluted EPS (Proforma) (₹)	1.37

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

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

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

Tranches	Year ended March 31, 2019				Year ended March 31, 2018			
	6	7	8	9	6	7	8	9
Exercise Price per share (₹)	18.72	21.65	18.72	28.40	18.72	21.65	18.72	28.40
Weighted Average Share Price per share (₹)	23.49	27.56	25.91	25.91	23.49	27.56	25.91	25.91
Expected Volatility (%)	29.95	34.59	33.09	33.09	29.95	34.59	33.09	33.09
Historical Volatility (%)	32.19	34.83	33.09	34.49	32.19	34.83	33.09	34.49
Life of the options granted (Vesting and Exercise period in years)	2.16 to 4.16	3.10 to 5.10	3.00 to 5.00	3.00 to 5.00	2.16 to 4.16	3.10 to 5.10	3.00 to 5.00	3.00 to 5.00
Average Risk Free Interest rate (%)	8.61 to 8.88	8.15 to 8.19	7.10 to 7.44	7.10 to 7.44	8.61 to 8.88	8.15 to 8.19	7.10 to 7.44	7.10 to 7.44
Expected Dividend Yield (%)	3.41	2.90	1.54	1.54	3.41	2.90	1.54	1.54
Price of underlying share in the market at the time of grant of option (₹)	20.80	24.05	31.55	31.55	20.80	24.05	31.55	31.55

(SALIM GANGADHARAN)

CHAIRMAN

DIN : 06796232

Place : Cochin

Date : May 9, 2019

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

DIRECTORS' REPORT

Annexure B

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 197 OF THE COMPANIES ACT, 2013

Information as required by the provisions of Section 197 of the Companies Act, 2013, read with Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, is given under: (Top 10 employees based on Annual Salary)

Name, Qualification and Age (in years)	Designation	Remuneration		Experience (in years)	Date of Employment	Nature of employment (Contractual/ otherwise)	Last Employment
		Gross (₹)#	Net (₹)##				
V G Mathew, M.Sc. CAIB (65 years)	MD & CEO	1,18,09,110	7239395	40	02.01.2014	Whole-Time	Chief General Manager, SBI
Reghunathan K N, B.Com., CAIB (61 years)	Executive Vice President (Treasury)	54,63,575	3534322	40	14.12.2015	Contractual	GM, Union Bank of India
Sanchay Kumar Sinha, PG Diploma in Management (51 years)	Country Head - Retail Banking-GM	49,46,744	3739376	26	02.09.2017	Contractual	SVP- Head Liabilities and Client Engagement for Consumer Banking - Indusind Bank
Thomas Joseph K, B.Sc., (Mechanical Engg.), Diploma in Management, CAIB (60 years)	Executive Vice President (Operations)	43,11,271	3239922	35	15.10.1984	Whole-Time	-
Sivakumar G, MBA (Finance), M.Sc., CAIB, (63 years)	Executive Vice President (Credit)	39,93,548	3011747	39	14.12.2015	Contractual	GM, State Bank of India
Raphael T J, B.Com., CAIB, Master of Export and Import Management, DFM (58 years)	Chief General Manager & CIO	25,29,176	2081665	35	16.11.1983	Whole-Time	-
Benoy Varghese, B.A., MBA, CAIB (61 years)	Country Head-Wholesale Banking-SGM	22,81,320	1875838	36	21.11.1983	Contractual (w.e.f. 01.03.2018)	-
John Thomas, B.Sc., MBA, CAIB (61 years)	Country Head-Business Development-SGM	21,74,989	1708864	37	15.06.1981	Contractual (w.e.f. 01.06.2018)	-
Vinayak Sawant, Master of HR Development (54 years)	Deputy General Manager	21,74,552	1817484	30	06-08-2018	Contractual	Deputy Vice President, Axis Bank
Anto George T, BA, CAIB-1, MBA-HR (50 years)	General Manager	21,42,703	1776914	29	01.02.1996	Whole-Time	South Malabar Gramin Bank

#Gross salary means total salary as per the Form 16 issued for the FY 2018-19.

##Net Salary means Gross Salary less TDS.

- None of the above employees holds together with his relatives two percent or more of the total voting power of the Company.
- The above mentioned personnel are not related to any Director of the Bank.

(SALIM GANGADHARAN)

CHAIRMAN
DIN : 06796232

Place : Cochin
Date : May 9, 2019

(V G MATHEW)

MANAGING DIRECTOR & CEO
DIN : 05332797

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

Annexure C

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

Sr. No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration ¹ of the employees for the financial year	Chairman Mr. Salim Gangadharan 2.45x MD & CEO Mr. V G Mathew 7.56x For this purpose, sitting fees paid to the Directors (except Sitting fee paid to Chairman as approved by RBI) have not been considered as remuneration
II	The percentage increase in remuneration of each Director, CFO, CEO, CS in the financial year	Chairman Mr. Salim Gangadharan 54.30% Mr. V G Mathew (MD & CEO) 0 Mr. C P Gireesh (CFO)* 6.60% Mr. Chithra H (CFO)** 4.64% Mr. Jimmy Mathew (Company Secretary) 19.19%
III	The percentage increase in the median remuneration of employees in the financial year	NIL
IV	The number of permanent employees on the rolls of the Bank	There were 8440 employees as on March 31, 2019
V	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average percentage increase made in the median salaries of employees other than the managerial personnel is 5.65% Increase in the median remuneration of managerial personnel was - Nil
VI	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed

* Mr. C.P. Gireesh (CFO) has opted for VRS w.e.f. 01.09.2018

** Appointed as CFO w.e.f. 01.09.2018

Notes:

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

1. The median salary of the staff members is arrived by taking 12 months' actual salary paid during the FY 2018-19.

2. Remuneration of Chairman and MD & CEO is regulated by RBI guidelines.

(SALIM GANGADHARAN)

CHAIRMAN

DIN : 06796232

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

Place : Cochin

Date : May 9, 2019

DIRECTORS' REPORT

Annexure D

DETAIL OF CSR ACTIVITIES DURING THE FY 2018-19
Composition of CSR Committee

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

Members of the Committee are

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

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

Average net profit before tax of the Company for the last three financial years: ₹664.00 crore. Prescribed CSR expenditure (two percent of the amount as above): ₹13.28 crore.

Details of CSR spent during the Financial Year

- a) Total amount to be spent for the Financial Year 2018-19 : ₹13,28,00,000
- b) Amount not spent, if any : ₹1,05,54,328.88
- c) Manner in which the amount spent during the financial year is detailed below:

Sector wise utilization of CSR funds for FY 2018-19 (Amount in ₹)							
Sl. No.	CSR Project or Activity Identified	Sector in which the project is covered	Projects or Programs (1) Local area or Other (2) Specify the State and District where projects or Programmes was undertaken	Amount outlay (Budget) project or programme wise	Amount spent on the projects or programmes(1) Direct Expenditure on projects (2) overheads	Cumulative Expenditure up to Reporting Period	Amount Spent Direct or through Implementing Agency
1	Providing Ambulances, dialysis machines, ICU beds, conducting medical camps and purchase of other medical equipments, cleaning of road, construction of toilet blocks for households/ school, providing water purifiers to various institutions	Promoting health care including preventive healthcare and sanitation, making available safe drinking water, eradicating hunger, poverty and malnutrition	Local area-ThrissurKerala-Trivandrum, Ernakulam, Kottayam, Kozhikode, Kannur, AlappuzhalTamilnadu-Coimbatore, Velankanni, Tiruchirappally, ErodelGoa-North GoalBihar-PatnalTelangana-SecunderabadDelhilKarnataka-Bangalore, Davangere, Mysore, Shimoga	44762815.00	27628321.50	27628321.50	Direct
2	Assistance to financially challenged students, setting up of smart class rooms, employment enhancing training for women	Promoting Education, including special education and employment enhancing vocation skills and livelihood enhancement projects.	Local area- ThrissurKerala- all districts, Tamilnadu- Tiruchirappalli, ThanjavurKarnataka-BangaloreNagaland-DimapurIMaharashtra-KolhapurITelangana-Secunderabad	36833145.00	24491333.12	24491333.12	Direct
3	Empowering blind women by providing smart cane sticks, setting up of old age homes and providing necessary facilities to the marginalized sections of the society	Empowering women, setting up homes and hostels for women and orphans, setting up old age homes, measures for reducing inequalities faced by socially and economically backward groups.	Local area- ThrissurKerala-Ernakulam, Kozhikode, Kollam, Malappuram, TrivandrumMaharashtra-Thane	6901700.00	6863000.00	6863000.00	Direct

DIRECTORS' REPORT

4	Installation of solar panels, electric/battery operated vehicles, bio-digesters for wet waste management, distribution of cloth bags as an alternative to plastic carry bags to various beneficiaries	Ensuring environmental sustainability, maintaining quality of soil, air and water.	Kerala-Ernakulam, Palakkad, Malappuram, Alappuzhal Tamilnadu-Madurai, Tiruchirappally	5532375.00	2555880.00	2555880.00	Direct
5	Restoration of historically important temple, partnering for conducting Kochi Muziris Biennale 2018, Kerala Literature Festival 2019	Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art.	Local area-Thrissur Kerala-Ernakulam, Kozhikode	11898250.00	11899442.50	11899442.50	Direct
6	Financial assistance for training budding talents in football, construction of shuttle/basket ball court, wooden flooring and installation of flood lights at indoor stadium	Training to promote nationally recognized sports	Local area- Thrissur Kerala-Ernakulam	5025050.00	4903801.00	4903801.00	Direct
7	Contribution to Prime Minister's National Relief Fund.	Contribution to Prime Minister's National Relief Fund.	Delhi	20000000.00	20000000.00	20000000.00	Direct
8	Setting up of CSR Trust	CSR Trust	Local area-Thrissur	82170.00	82170.00	82170.00	Direct
9	Kerala Flood Relief Measures - Distribution of essential food materials/ medicines to flood affected people in Kerala, Construction of temporary shelters for flood affected 34 families at "Pullu" village, Thrissur and other contribution	Eradicating hunger, poverty and malnutrition, promoting health care including preventive healthcare, rural development projects	Local area-Thrissur Kerala-Trivandrum, Alappuzha, Kottayam, Idukki, Ernakulam, Kozhikode, Wayanad, Kannur	23878688	23821723	23821723.00	Direct
TOTAL				15,49,14,193.00	12,22,45,671.12	12,22,45,671.12	

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

Reason for not spending the prescribed CSR Expenditure

South Indian bank has always given top priority to fulfilling its obligations under Corporate Social Responsibility. Diversified Projects in the areas of healthcare, education, sports and sanitation that would benefit the society as a whole are identified and the bank wholeheartedly supports such initiatives. In the Financial Year 2018-19, the Bank spent ₹12.22 crore (92.01% of the budget) towards CSR activities against ₹7.28 crore in the Year 2017-18. Apart from the above, an outlay of ₹13.40 crore has been sanctioned in various projects, pending disbursements

as on 31.03.2019. The Bank expect that this outlay will be positively spent during the forthcoming years. The Bank stays committed to add substantial value to the society through CSR initiatives..

Responsibility Statement

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

Sd/-
V G Mathew
 MD & CEO
 DIN : 05332797

Sd/-
Francis Alapatt
 Chairman-CSR Committee
 DIN : 01419486

DIRECTORS' REPORT

Form No. MR-3

Annexure E

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2019

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

To

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

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

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31.03.2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **The South Indian Bank Limited** ("the Company") for the financial year ended on 31.03.2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under to the extent applicable;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, to the extent applicable;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): –
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 to the extent applicable
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client
- (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (h) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 to the extent applicable.
- (vi) As informed to us, the following other laws are specifically applicable to the Company:
 1. The Banking Regulation Act, 1949 and Banking Regulation (Companies) Rules, 1949
 2. Reserve Bank of India Act, 1934
 3. Banking Ombudsman Scheme 2006
 4. The Bankers' Books Evidence Act, 1891
 5. The Banking Companies (Period of Preservation of Records) Rules, 1985
 6. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and The Security Interest (Enforcement) Rules, 2002
 7. The Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records) Rules, 2005
 8. The Industrial Disputes (Banking and Insurance Companies) Act, 1949
 9. The Deposit Insurance and Credit Guarantee Corporation Act, 1961 and The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961

DIRECTORS' REPORT

10. The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and
11. Credit Information Companies (Regulation) Act, 2005.

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

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

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. *As per Regulation 18 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 two-thirds of the members of audit committee are required to be independent directors. For a period of eleven days the audit committee consisted of three independent directors out of the total of five members.*

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive

During the period, the following issues have taken place:

Sl. No.	Method of Issue	Mode of Approval	Date of Approval	Number of shares issued/Amount
1.	Qualified Institutional Placement	Shareholders' approval by way of special resolution in the Annual General Meeting	11.07.2018	Shareholders' approval obtained for issuing securities for an amount not exceeding ₹20 crore.
2.	Private Placement	Shareholders' approval by way of special resolution in the Annual General Meeting	11.07.2018	Shareholders' approval obtained on 11.07.2018 for borrowing / raising of funds by issue of debt securities including but not limited to non-convertible debentures, bonds, on a private placement basis for an amount not exceeding ₹500 crore, within the overall borrowing limits; and the Bank has allotted Non-Convertible, Redeemable, unsecured, Basel III Compliant Tier-II bonds aggregating to ₹250 crores on 26.03.2019

During the aforesaid period, a resolution was passed under Section 180 (1) (c) of the Companies Act, 2013, at the Annual General Meeting held on 11.07.2018 increasing the borrowing powers to ₹12,000 crores over and above the paid up capital, free reserves and securities premium.

This report is to be read with **Annexure A** of even date and the same forms an integral part of this report.

For SVJS & Associates
Company Secretaries

Sd/-
CS Vincent P D
Managing Partner
CP No.: 7940, FCS: 3067

Kochi
09.05.2019

DIRECTORS' REPORT

ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To

The Members

THE SOUTH INDIAN BANK LIMITED

S I B House, Mission Quarters

T B Road, Thrissur – 680 001

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

1. Maintenance of the secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and processes as were appropriate, to obtain reasonable assurance about the correctness of the contents of the secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of Financial Records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31st March, 2019 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SVJS & Associates
Company Secretaries

Kochi
09.05.2019

Sd/-
CS Vincent P D
Managing Partner
CP No.: 7940, FCS: 3067

DIRECTORS' REPORT
BUSINESS RESPONSIBILITY REPORT

Annexure F

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1.	Corporate Identity Number (CIN) of the Company	L65191KL1929PLC001017
2.	Name of the Company:	The South Indian Bank Limited
3.	Registered address:	SIB House, TB Road, Mission Quarters, Thrissur – 680 001 Kerala, India.
4.	Website:	www.Southindianbank.com
5.	E-mail id:	sibcorporate@sib.co.in
6.	Financial Year reported:	2018-2019
7.	Sector(s) that the Company is engaged in (industrial activity code-wise):	Banking Services NIC Code of the Service 64191
8.	List three key products/services that the Company manufactures/provides:	South Indian Bank is a publicly held banking company engaged in providing a wide range of banking and financial services including retail banking, corporate banking and treasury operations.
9.	Total number of locations where business activity is undertaken by the Company	
	Number of International Locations:	As on March 31 st 2019, the bank has one representative office in Dubai
	Number of National Locations:	As on March 31 st 2019, The Bank had a network of 870 Branches, 53 Extension Counters, 1322 ATMs and 84 CRMs/CDMs spanning in 27 states and 3 union territories
10.	Markets served by the Company Local/State/National/ International	National / International

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid-up Capital (INR):	₹180.97 crores
2.	Total Turnover (INR):	₹7602.73 crores Total turnover represents the sum of "Interest earned" (Schedule 13 of the financial statements) and "Other income" (Schedule 14 of the financial statements).
3.	Total profit after taxes (INR):	₹ 247.53 crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	4.93%
5.	List of activities in which expenditure in 4 above has been incurred:	<ol style="list-style-type: none"> 1. Eradicating hunger, poverty and malnutrition, promoting health-care including preventive healthcare and sanitation and making available safe drinking water. 2. Promoting Education, including special education and employment enhancing vocation skills and livelihood enhancement projects. 3. Empowering women, setting up homes and hostels for women and orphans, setting up old age homes, measures for reducing inequalities faced by socially and economically backward groups. 4. Ensuring environmental sustainability, maintaining quality of soil, air and water. 5. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art. 6. Training to promote nationally recognized sports. 7. Contribution to Prime Minister's National Relief Fund. 8. Rural development projects.

SECTION C: OTHER DETAILS

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

DIRECTORS' REPORT

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

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

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

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

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

The principle-wise responses are mentioned below.

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

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

DIRECTORS' REPORT

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

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

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

P3 Sr. No. 3 - In line with the general laws and regulations and sound ethical practices followed nationally, the Bank has adopted a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Bank is an equal opportunity employer and treats all employees at par. In order to ensure well being of the employees the Bank has South Indian Bank Employees Association & South Indian Bank Officers Association recognized by the Management. The Whistle Blower Policy broadly conforms to the standards set by the Protected Disclosure Scheme of Reserve Bank of India and provide an option to the employees to report any malpractices. Sr. No. 6 - These policies can be viewed online at <https://www.southindianbank.com/content/viewContentLv1.aspx?linkIdLv2=215&LinkIdLv3=789&linkId=789>

P4 . Sr. No. 3 - As per the extant directions of Reserve Bank of India on Financial Inclusion, lending to weaker section and priority sector lending etc. the Bank is identifying its disadvantaged, vulnerable and marginalised stakeholders. Bank's CSR Cell initiates number of programmes aiming at the improved living condition of the under-privileged and marginalised sections of the society. Sr. No. 6 - Bank has charted out elaborate action plans for the effective economic development of disadvantaged, vulnerable and marginalised stakeholders. For details please refer "CSR report" section of the

Annual Report. The Bank has a Corporate Social Responsibility Policy which can be viewed on the web link: https://www.southindianbank.com/UserFiles/file/CSR_Policy.pdf

P5 Sr. No. 3 - The Code of Conduct which has been adopted by the Bank addresses the requirements of this principle. The Code emphasizes fair employment practices & diversity, fair competition, prohibition of harassment & intimidation and safety at the workplace. The Bank follows the Code of Commitment based on the standards issued by The Banking Codes and Standards Board of India which covers aspects like good and fair banking practices, transparency in services and products, high operating standards and cordial relationship with customers. The Bank is an equal opportunity employer and believes in providing a safe workplace and an enabling work environment to its employees. Sr. No. 6 – The Code of Conduct and Code of Commitment is available on the website of the Bank at <https://www.southindianbank.com/content/viewContentLv1.aspx?linkIdLv2=215&Link&linkId=422> .

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

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

P8 Sr. No. 3 - The Bank has formulated a three-year Financial Inclusion Plan (FIP). The plan is approved by the Board of the Bank. Sl. No. 6 – South Indian Bank, had charted out elaborate action plans for the effective economic development and upliftment of the rural poor in villages. Programmes/projects are undertaken through in-house teams.

P9 Sr. No. 3 - The Bank has a Customer Grievance Redressal Policy and a Customer Compensation Policy which conform to the guidelines issued by Reserve Bank of India. Further, In compliance with RBI directives, Bank adopted Citizen Charter for customers which explains our commitments and responsibilities along with the redressal methods and also specifies the obligation on the part of customers for healthy practices in customer-banker relationships. Sr. No. 6 – This policy can be viewed online at https://www.southindianbank.com/UserFiles/file/Grievance_Redressal_Policy.pdf

3. Governance related to BR

➤ Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, more than 1 year

Annually

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

The Bank publishes the BR Report annually. The hyperlink for viewing the report is <https://www.southindianbank.com/content/investor-desk-annual-reports/911>

DIRECTORS' REPORT

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1

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

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

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

The number of complaints received from shareholders in FY2018-19 was 332 and all complaints have been resolved except one case.

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

Principle 2

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

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

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

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

- i. *Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?*

NA

- ii. *Reduction during usage by consumers (energy, water) has been achieved since the previous year?*

NA

3. *Does the company have procedures in place for sustainable sourcing (including transportation)?*

NA

4. *Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?*

If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

NA

5. *Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.*

NA

Principle 3

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

The Bank had 8,440 employees as on March 31, 2019.

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

The Bank had 3,077 employees as on March 31, 2019 on fixed term contract.

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

The Bank had 3,487 women employees as on March 31, 2019, which constitutes 41% of the total employees.

4. *Please indicate the number of permanent employees with disabilities:*

The Bank does not specifically track the number of disabled employees. The Bank is an equal opportunity employer and treats all employees at par. Based on the income tax declarations which enable claiming income tax deduction for self-disability, the Bank has 17 such employees.

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

Yes – South Indian Bank Employees Association for Clerical staff & South Indian Bank Officers Association for Officers.

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

South Indian Bank Employees Association for Clerical staff – 87%
South Indian Bank Officers Association for Officers - 94%

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

No complaints relating to child labour, forced labour, involuntary labour, received during the FY 2018-19. The Bank does not engage in any form of child labour/forced labour/involuntary labour and does not adopt any discriminatory employment practices. The Bank has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. No complaints have been reported for the same in the FY 2018-19. The said policy is in line with relevant Act passed by the Parliament in 2013. The Bank, through the policy ensures that all such complaints are resolved within defined timelines.

8. *What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?*

▶ Permanent employees

▶ Permanent women employees

DIRECTORS' REPORT

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

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

The Bank over the years has invested in imparting the requisite knowledge and skills to all permanent employees and has ensured the same for the FY 2018-19 also. The Bank has training centres where various training programmes, designed to meet the changing skill requirements of employees are conducted. A total of 5,870 personnel were trained during the FY 18-19, which is about 70% of total staff strength of 8,440 as on March 31, 2019.

Principle 4

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

Yes

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

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

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

Bank's CSR Cell initiates number of programmes with the intention to improve the living conditions of the under-privileged and marginalised sections of the society. Our financial inclusion initiatives include KIOSK Banking facilities in unbanked rural areas of Kerala and Tamil Nadu and Financial Literacy Centres in 12 Blocks in Kerala and 8 centres in Tamil Nadu. Bank has charted out elaborate action plans for the effective economic development of disadvantaged, vulnerable and marginalised stakeholders. For details please refer "CSR report" section of the Annual Report.

Principle 5

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

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

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

The number of complaints outstanding at the beginning of the FY 2018-19 was 358. Out of the 63680 net complaints received during the financial year, 62196 net complaints have been resolved.

97.12% of complaints were satisfactorily resolved.

Principle 6

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

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

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

The Bank continues its efforts to make aware its employees on concepts of "Reduce, Reuse and Recycle" to eliminate waste and protect our environment. Since the banking outlets / offices are the major targets for saving energy, bank gives priority for the installation of energy-efficient products that reduces the consumption of energy. The new branches/offices have been designed so that they are equipped with energy efficient air conditioners, LED lights, timers, motion detector sensors and other energy conservation measures. Additionally paper conservation measures such as e-statements to customers by email / mobile application, Green PIN facility" for ATM card holders etc. are other environment friendly initiatives taken by the Bank.

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

During this year, the Bank installed a solar power plant at its corporate office, which is capable of producing 50KW of electricity. Another solar plant of 100 KW capacity is also proposed at its administrative building at Kakkanad. Further, the Bank has provided assistance for installation/purchase of solar panels, electric/battery operated vehicles, bio-digesters for wet waste management, distribution of cloth bags as an alternative to plastic carry bags to various beneficiaries and also supported activities under "Swachh Bharat" during the FY 2018-19.

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

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

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

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

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

7. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in**

DIRECTORS' REPORT

about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

No. (it is not applicable as it is not a manufacturing company, however, the Bank assist to the extent possible the projects that promotes such activities)

Principle 7

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

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

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

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

Principle 8

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

The Bank formulated a three-year financial inclusion plan (FIP). The plan is approved by the Board of the Bank. The FIP interalia covers the following aspects:

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

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

Programmes /projects are undertaken through in- house teams.

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

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

4. **What is your company's direct contribution to community development projects-Amount in INR and the details of the projects undertaken**

The Bank has spent ₹12.22 crore on Corporate Social Responsibility activities during the FY 2018-19. The above expenditure has been undertaken primarily on promoting healthcare including preventive health care, promoting education, training to promote nationally recognised sports, contribution to Prime Minister's National Relief Fund etc.

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

The bank through effective monitoring of its CSR and Financial Inclusion activities ensures that community development initiatives are reaching the target groups and it is being adopted and utilised by the beneficiaries. Periodic visits to Financial Literacy Centres and BC points, project sites of CSR assistance are measures taken to ensure the above objectives.

Principle 9

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

Only 2.88% of customer care complaints are pending as on the end of the FY 2018-19.

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

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

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

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

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

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

(SALIM GANGADHARAN)

CHAIRMAN

DIN : 06796232

Place : Cochin

Date : May 9, 2019

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

DIRECTORS' REPORT**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Economic Scenario****Global**

Global growth is expected to remain over 3.0% in 2019 and 2020; however, the steady pace of expansion in the global economy masks an increase in downside risks that could potentially exacerbate development challenges in many parts of the world, according to the World Economic Situation and Prospects 2019. The global economy is facing a confluence of risks, which could severely disrupt economic activity and inflict significant damage on longer-term development prospects. These risks include an escalation of trade disputes, an abrupt tightening of global financial conditions, geo-political issues and intensifying climate risks.

After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards; investment dropped in Italy as sovereign spreads widened; and external demand, especially from emerging Asia, softened. Elsewhere, natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in the spring of 2018 and then in advanced economies later in the year, weighing on global demand. Conditions have eased in 2019 as the US Federal Reserve signalled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal, but they remain slightly more restrictive than in the fall.

In many developed countries, growth rates have risen close to their potential, while unemployment rates have dropped to historical lows. Among the developing economies, the East and South Asia regions remain on a relatively strong growth trajectory, amid robust domestic demand conditions. Beneath the strong global headline figures, however, economic progress has been highly uneven across regions. Despite an improvement in growth prospects at the global level, several large developing countries saw a decline in per capita income in 2018. Even among the economies that are experiencing strong per capita income growth, economic activity is often driven by core industrial and urban regions, leaving peripheral and rural areas behind. While economic activity in the commodity-exporting countries, notably fuel exporters, is gradually recovering, growth remains susceptible to volatile commodity prices. For these economies, the sharp drop in global commodity prices in 2014/15 has continued to weigh on fiscal and external balances, while leaving a legacy of higher levels of debt.

Global economic growth remained steady in the coming years, as a fiscally induced acceleration in the United States of America offset slower growth in some other large economies. Economic activity at the global level is expected to expand at a solid pace of 3.0% in 2019, but there are increasing signs that growth may have peaked. The growth in global industrial production and merchandise trade volumes has been tapering since the beginning of 2018, especially in trade-intensive capital and intermediate goods sectors. Leading indicators point to some softening in economic momentum in many countries in 2019, amid escalating trade disputes, risks of financial stress and volatility, and an undercurrent of geopolitical tensions. At the same time, several developed economies are facing capacity constraints, which may weigh on growth in the short term.

Global inflation remains moderate, but is on an upward trend in the majority of countries. Rising oil prices contributed to additional inflationary pressures in oil-importing countries over the course of most of 2018, while currency depreciation against the US Dollar put upward pressure on imported prices in many countries. By contrast, some of the commodity-exporting countries in Africa and the Commonwealth of Independent States (CIS) that experienced sharp currency depreciations in response to the commodity price shocks of 2014/15 have seen inflation recede in 2018, as the exchange-rate shock has been absorbed into the price level. Ongoing trade disputes can be expected to put some upward pressure on inflation in 2019, as the impact of tariffs passes through value chains to consumer prices. In developed economies, rising capacity constraints have put some upward pressure on inflation, and headline inflation generally exceeds Central Banks' targets in Europe and North America.

In South Asia, growth is projected to accelerate to 7.1% in 2019. This is, mainly a reflection of strengthening domestic demand in India, as the benefits of structural reforms such as GST harmonization and bank recapitalization take effect. Elsewhere in the region, the forecast is for a moderation in activity, notably in Bangladesh and Pakistan. Over the medium term, growth is expected to remain at 7.1%, underpinned by robust domestic demand in the region. External vulnerabilities are rising, reflected in mounting external debt, widening current account deficits, and eroding foreign reserves. Risks to the outlook are to the downside. On the domestic front, vulnerabilities are being exacerbated by fiscal slippages and rising inflation, and there is a risk of delays in structural reforms to address balance sheet issues in the banking and non-financial corporate sectors. Key external risks include a further deterioration in current accounts and a faster-than expected global financial tightening.

Investors may become particularly wary of countries with significant domestic vulnerabilities, such as high current account and fiscal deficits, large external financing needs, a lack of transparency in their debt obligations, or limited policy buffers. Financial stress can also spread between countries through banking channels and other financial market linkages. In addition, there is evidence of recent financial market contagion

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through discrete shifts in investor confidence, irrespective of underlying fundamentals, placing emerging markets more broadly at risk. Compared to the beginning of 2018, major stock markets in China have seen declines of more than 20% while the renminbi has weakened by about 6% against the US Dollar. Most other East Asian economies also experienced equity market losses and currency depreciations but to varying extents, as investors increasingly differentiated between countries based on their strength of macroeconomic fundamentals. Despite heightened financial market volatility, however, financial intermediation generally remained undisrupted in the region, supported by sufficient liquidity in domestic banking systems.

India

The Indian economy retained its tag of the fastest growing major economy in the world in FY 2018-19 for a second year in a row as it continued its climb on an upward growth path. The economy registered a growth rate of 6.8% during the 2018-19 period as per quarterly (Q4) estimates of the Central Statistical Office. The Indian economy started the fiscal year 2018-19 with a healthy 8.2% growth in the first quarter on the back of domestic resilience. Growth eased to 7.3% in the subsequent quarter due to rising global volatility, largely from financial volatility, normalized monetary policy in advanced economies, externalities from trade disputes, and investment rerouting. Further, the Indian rupee suffered because of the crude price shock, and conditions exacerbated as recovery in some advanced economies caused faster investment outflows. However, economic activity decelerated sharply to 5.8% in Q4, as compared to 6.6% in Q3. Despite softer growth, the Indian economy remains one of the fastest growing, and possibly the least affected by global turmoil. In fact, the effects of the aforementioned external shocks were contained in part by India's strong macroeconomic fundamentals and policy changes (including amendments to the policy/code related to insolvency and bankruptcy, bank recapitalization, and foreign direct investment).

The economy is projected to grow at the rate of 7.5% during 2019, expanding further to 7.7% during 2020 as per the International Monetary Fund (IMF) World Economic Outlook. The growth rates for the economy are pegged much higher than the global growth rates for the same years, at 3.5% and 3.6% for 2019 and 2020 respectively, thus placing the economy on a solid footing even amidst growing global uncertainties. The Reserve Bank of India has revised downwards the GDP growth from 7.2% to 7.0% for 2019-20, due escalation in trade wars, subdued consumption demand and weakened investment activity.

The Indian economy witnessed robust industrial growth during FY 2018-19 and the momentum is expected to continue next year as well. The Index of Industrial Production (IIP) with base 2011-12 for the April-January period for 2018-19 registered a 4.4% increase over the corresponding period for the previous year.

Eleven out of twenty-three industry-groups exhibited positive growth during 2018-19 over the previous year, with the industry groups "Manufacture of Food Products" and "Manufacture of Wearing Apparel" recording highest growth rates at 17% and 16.4% respectively. Among other positives, industries such as capital goods and infrastructure/construction goods expanded significantly. Healthy growth in core sectors such as steel and cement is expected to strengthen further.

Growth in the agriculture sector is expected to moderate as the Gross Value Added (GVA) at basic prices for the sector is estimated at 2.7% for 2018-19 on a high base of 5% in 2017-18. The Indian Meteorological Department has indicated that monsoons will not be abnormal in India during this year and this would assist in growth of the farming sector.

The manufacturing sector is expected to post robust growth in 2019-20 with the sector's GVA growth estimated at 8.1% in 2018-19 as compared to 5.9% during 2017-18. Growth in the sectors including trade, hotel, transport, communication and services related to broadcasting, which moderated during the first half of the year is expected to pick up on account of improved domestic demand conditions. GVA growth for these sectors is estimated to grow by 7.3% in 2018-19 in contrast to 6.2% in 2017-18. Construction sector is expected to grow by 8.9% during 2018-19 as compared to 5.6% during 2017-18.

The consumer durables market is expected to pick up supported by rising disposable incomes, greater electrification and FDI investments. The FMCG sector continues to perform well and is expected to grow further, fueled by rising consumption and investment patterns. Retail businesses also continue to grow and present more growth opportunities as new retail outlets and malls open up.

On the trade front, Indian exports grew by 3.74% over January 2018 to reach US\$ 26.36 billion in January 2019. Drugs and pharmaceuticals, organic and inorganic chemicals and ready made garments were the top performing commodity groups with growth rates of 15.2%, 15.56% and 9.33% respectively. Overall trade including services trade for India is estimated at around US\$ 440 billion for April-January 2019, exhibiting a positive growth rate of 9.07% over the corresponding period during last year. Export growth is expected to gain further pace as global trade tensions ease.

While higher Government investments have helped retain a healthy sentiment for capital formation, the stretch in government expenses has already become evident in the expansion of fiscal deficit net. The fiscal deficit target was amended previously, but the recent budget announcement expanded it further to 3.4% of GDP for both FY 2018-19 and FY 2019-20 (from 3.3% and 3.1% earlier, respectively). This became necessary given the expected higher expenditure toward income support scheme for farm households, pension scheme for the unorganized sector workers, and income tax rebate.

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The India's economic expansion behaved in line with the global trend. The first half of FY 2018-19 saw GDP growth at 7.5%. However, as per implied Central Statistical Organization's (CSO's) forecast for the full financial year, GDP growth momentum could slip sharply to 6.4-6.6% in the second half of FY 2018-19. Increase in crude oil prices during the course of the financial year to USD 70 per barrel from USD 56 per barrel in FY 2017-18 and adverse (albeit transient) spillover impact of recent tightness in financial conditions for the Non-Banking Financial Company (NBFC) sector provided headwinds for domestic growth momentum.

The implementation of structural reforms like the Goods and Services Tax (GST) and the Insolvency and Bankruptcy Code (IBC) framework have been of critical importance. While GST collections have lagged the initial budget estimates on account of ongoing adjustments in the tax framework, it has certainly widened the tax base. These reforms hold promise for improving tax buoyancy in the year FY 2019-20. The IBC framework has churned out closures for 586 Corporate Insolvency Resolution Process (CIRPs) as of December 2018, thereby helping financial creditors realize ₹658 billion in the due process.

The domestic retail inflation continued to moderate, despite an increase in global crude oil price. Average CPI inflation in FY 2018-19 decelerated to 3.4% from 3.6% in FY 2017-18. This will mark the second successive year of below target (4%) inflation out-turn for India's economy. This while boosting credibility in Reserve Bank of India's (RBI's) inflation targeting framework, would also help in anchoring household and business expectations of inflation.

Indian Banking industry

The Indian banking system is in a state of flux and 2019 will be a critical year. The banking system has struggled since late 2015, when the Reserve Bank of India revised the asset quality review. This has led to full recognition of non-performing loans (NPLs). The deteriorating asset quality had implications for higher provisioning, falling profitability and weak capital position. However, significant improvement in asset quality of scheduled commercial banks and the gross non-performing assets declined to 9.3% in March 2019. There were a host of changes in the retail banking and FinTech spaces from the Supreme Court's restrictions on the use of Aadhaar for e-KYC to the exit of high profile execs from leading private banks plagued with governance and performance issues to the RBI ban on cryptocurrency.

Economic and Banking outlook

The global expansion continues to lose momentum. Global growth is projected to ease further to 3.3% in 2019 and 3.4% in 2020, with downside risks continuing to build. Growth has been revised downwards in almost all G20 economies, with particularly large revisions in the euro area in both 2019 and 2020. High policy uncertainty, ongoing trade tensions, and a further erosion of business and consumer confidence are all contributing to the slowdown.

Macroeconomic conditions in the region appear to be more challenged as Asia-Pacific Banks prepare to exit the extraordinarily long credit cycle. Potential deterioration in credit conditions exacerbated by higher interest rates in the US and volatile domestic currencies pave way for more difficult financing conditions in 2019. High debt and high asset prices fuelled by the past excesses of cheap lending pose additional risks, should there be a sharp correction in asset prices and withdrawal of market liquidity.

Although most banks are well capitalized and pose strong balance sheets to weather any economic shocks, the region reflects an array of banking risks. Strong growth of debt, particularly household debt in Australia, Korea, Malaysia, New Zealand, Singapore and Thailand and property market-downturn related risks in jurisdictions of China and Hong Kong are of particular concern. Resolution of Non-performing loans (NPL) and recapitalization of systemically important public sector banks (PSBs) in India whereas the ongoing trade skirmish between US and China could erode corporate profitability and asset quality of Chinese banks. For Japanese banks, the Negative Interest Rate Policy (NIRP) is yet to translate into higher lending and increased profitability.

Looking ahead, it will be critical for policy makers and multilateral institutions across the globe to insulate economic activity from build-up in financial vulnerabilities and inward-looking trade protectionist policies, which could impinge on trade flows and overall economic productivity.

Opportunities and threats

The Bank has a strong and experienced leadership, competitive product offerings, and technology-driven operations and services across Corporate, MSME and Retail segments. India is among of the fastest growing major economies in the world with the potential to become one of the top three global economies over the next decade. As a full service commercial bank with products across Corporate, MSME, Retail and Transaction Banking segments, among others and various markets, the bank is geared to benefit from this opportunity.

As India moves ahead with its vision to become an economic behemoth in the next few years, the average level of prosperity among its populace and the degree of equitable distribution of wealth will, to a large extent, be determined by the scale of inclusive growth achieved. In response to the evolving forces of customer expectations, regulatory requirements, technology, demographics, new competitors and shifting economics, much of the landscape will change significantly. Banks need to choose what posture to adopt against this change – whether to be an architect of the future, a fast follower, or to manage defensively, putting off change. In the field of technology based banking, information technology and electronic funds transfer system have emerged as the twin pillars of modern banking development. Products offered by banks have moved way beyond conventional banking and access to these services have

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become round the clock. This, indeed, is a revolution in Indian banking industry. Payments banks will open another alternative channel after internet and mobile banking, and help improve efficiencies and reduce costs involved in catering to customers in the rural and semi-urban areas.

Another extremely important issue is the infrastructure financing. Banks have been the primary source of funding for the infrastructure sector. As a result, banking sector credit to the infrastructure sector has also increased. Infrastructure advances have grown at a compound annual growth rate (CAGR) of around 25% in the last 10 years, which is higher than the banking sector advances growth. India's financial regulators have helped build one of the world's strongest banking and financial systems that has sailed past international crises. They are now injecting more competition by allowing different classes of banks and financial service providers. The Government is also stepping in with the bankruptcy law and the Bank Boards bureau, which will make it easier to do business. Some of the major trends and the threats and opportunities of the same is detailed below:

- Corporate banking to make a comeback: In the last few years, the retail engine was growing robustly. There are now expectations of corporate lending to make a comeback. Infrastructure (especially roads, metro etc.), commodities (steel, cement etc.) and consumption companies are set to see action.
- Peaking of NPAs: The NPAs are almost peaked. As the banks have made huge provisions for stressed assets, year 2019 may see writing back of some provisions as resolution of assets will also gather steam.
- More realization through IBC: In the last two years, the Insolvency and Bankruptcy Code (IBC) saw a lot of action in terms of amendments, challenges and counter claims. The law is now stabilizing and could see more cases are being resolved. This will help the banks recover good value.
- Engaging the 2020 customer "Digital footprint" will be the way forward for all banks. How well banks engage in competition with FinTech startups playing in emerging technologies will determine how they can differentiate in an increasingly crowded market that will likely see high customer churn. The success of these banks will largely depend on the customer base they target, adapt to, and the types of alliances payment banks form. Therefore, judicious selection of partners, e.g., partners with similar brand values, for scaling their businesses is key to ensuring the success of these new age banks.
- FinTech or 'Financial Technology' has become a buzzword in financial circles. FinTech players are challenging the status quo of the financial services industry by bringing in a fresh take on problems faced by customers, as seen through the lens of technology. Tie-up with correct FinTech firms, will help the banks to take advantage of the technological changes in industry.

Some of the key innovations for 2020 as far as the banking industry is concerned are:

1. Artificial Intelligence & Cognitive Opportunities: Cognitive engagement improves customer understanding and activation through personalization, influencing desired actions. Companies have explored cognitive engagement solutions-interactive computing systems that use artificial intelligence to collect information, automatically build models of understanding and inference, and communicate in natural ways.
2. Block Chain and Distributed Ledger Technology (DLT): Block chain and distributed ledgers have a bright future. As real-time, open-source and trusted platforms that securely transmit data and value, they can help banks not only reduce the cost of processing payments, but also create new products and services that can generate important new revenue streams.
3. Robotic Process Automation (RPA): The spectrum of automation expands from simple rule based automation to advanced cognitive and artificial intelligence automation. Hence, the task of exploring and understanding automation can often appear more daunting than it is. RPA allows companies to automate processes that were difficult to automate using existing technology tools. RPA is easier to implement and has a quicker payback period as compared to traditional IT programs and hence has the potential to help companies reap significant business benefits quickly. Together, with other emerging technologies, (e.g., Blockchain, Internet of Things), RPA and Cognitive Automation have the potential to redraw the competitive landscape of many industries. However, there is no 'one-size-fits-all' solution to RPA; business leaders worldwide will need to try out this evolving technology in their organizations with a diligent and ambitious intent to fundamentally transform their business outcomes and value proposition and thus fortify their competitive positioning in the rapidly transforming global economic environment.
4. Cyber Security: The very innovation that drives business growth and value also creates first order cyber risks. Innovative technologies such as Chip-based cards and SMS-based OTP have helped banks to implement security controls to mitigate traditional cyber risks. However, as the technology has evolved, attack vectors have also become more sophisticated. Questions are now being raised on technologies that were previously thought as secure. Looking at cyber threats in isolation, severely limits our ability to understand the complete impact of cyber risk. There is a need for enhanced cyber risk assessment framework and testing methodology to continuously detect and protect against evolving cyber threats. While being secure is more important than ever, there is a need to also be constantly vigilant and resilient in face of evolving cyber threats.

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Financial Performance Vs Operational Performance

The total gross business of the Bank grew from ₹1,27,138.58 crores to ₹1,44,056.04 crore. While the deposits grew from ₹72,029.59 crore to ₹80,420.12 crore, gross advances grew from ₹55,108.99 crore to ₹63,635.92 crore. Food credit decreased from ₹144.59 crore to ₹140.00 crore and non-food credit stood at ₹63,495.92 crore vis-à-vis ₹54964.44 crore in the last year, posting an increase of ₹8,531.48 crore. Operating profit of the Bank had decreased by ₹241.81 crore during the year, i.e. decreased from ₹1,480.79 crore to ₹1,238.98 crore. The Net Profit decreased to ₹247.53 crore as against ₹334.89 crore reported in last year. The Board has recommended a dividend of 25% i.e. @ ₹0.25 per equity share of ₹1/- each, subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 4.92% and the Net NPA to Net Advances at 3.45% as on March 31, 2019. The Capital Adequacy Ratio of the Bank was 12.61% under Basel III norms as on March 31, 2019, as against the RBI mandated level of 10.875%. Book value per share increased from ₹28.98 to ₹29.48 during the year 2018-19.

The gross revenue from Treasury Operations segment increased from ₹1,483.89 crore to ₹1,484.82 crore, Corporate/Wholesale Banking segment increased from ₹3,018.42 crore to ₹3,302.28 crore, Retail Banking segment increased from ₹2,288.81 crore to ₹2,564.70 crore and Other Banking Operations segment increased from ₹238.94 crore to ₹250.93 crore.

Segment results net of allocated/apportioned cost and provisions from Treasury segment increased from ₹(117.71) crore to ₹(41.97) crore, Corporate/wholesale Banking segment decreased from ₹(40.83) crore to ₹(126.64) crore and Other Banking Operations increased from ₹194.86 crore to ₹201.19 crore, whereas segment results net of allocated/apportioned cost and provisions from the Retail Banking segment decreased from ₹463.57 crore to ₹347.92 crore.

UPDATE ON IND-AS IMPLEMENTATION

The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards (IFRS). The Ministry of Corporate Affairs (MCA) has notified these accounting standards (Ind AS) for adoption. The Reserve Bank of India (RBI) through vide notification DBR.BP.BC.No. 29/21.07.001/2018-19 dated March 22, 2019, has deferred the implementation of Indian Accounting Standards (Ind AS) till further notice.

The Bank has a well-planned strategy for this implementation and has made good progress in this financial year. As per RBI directions, the Bank has taken following steps so far:

- o In line with the guidance issued by the Reserve Bank of India in August 2016, the Bank has set up a Steering Committee headed by the Executive Vice President (Operations) that monitors the progress of implementation.

- o Submitted Proforma Ind AS financial statements to the RBI for each quarters of FY 2018-19 as per extant regulatory guidelines.
- o Further, the Bank is in the process of negotiation with various vendors for implementation Ind AS solution in the bank.

Even though the regulator has extended the effective date of implementation, the Bank is continuing its preparedness towards adopting Ind-AS.

Accounting Policy

The significant accounting policy of the Bank is mentioned in Schedule 17 of the financial statements. There is no change in the accounting policy having financial impact during the FY 2018-19.

KEY BUSINESS RATIOS

The operating Profit as a percentage to the Working Funds for the FY 2018-19 was decreased by 25.13% from 1.91% to 1.43% mainly on account of the lower contribution from the Non Interest Income especially due to lower Trading Profit from Treasury activities and reduced opportunity to earn income from sale of Priority Sector Lending Certificates. The Employee cost for the FY 2018-19 was also higher compared to the previous year considering the higher superannuation provisions and the provisions for wage revision. The return on Assets (based on working fund) for the FY 2018-19 was down by 32.56% from 0.43% to 0.29% and Return on Equity for the FY 2018-19 was down by 27.39% from 6.39% to 4.64% due to lower Operating Profit on account of lower contribution from Non Interest Income and higher Employee Cost. Further GNPA during the FY 2018-19 has increased by 36.95% from 3.59% to 4.92% mainly on account of slippages of a few large value corporate accounts during the year.

RISK MANAGEMENT PRACTICES:

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

The Bank has put in place independent risk management architecture and practices that is overseen by Risk Management Committee of the Board (RMCB). Appropriate policies to manage various types of risks are approved by the Board of Directors after review by Risk Management Committee of the Board (RMCB), which provides strategic guidance while reviewing portfolio behaviour. The senior level executive committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC), Operational Risk Management Committee

DIRECTORS' REPORT

(ORMC) and Asset Liability Management Committee (ALCO) develop the risk management policies and vet the risk limits to ensure better control. EWIRM solution will facilitate suitable alignment of risk and capital to the overall business strategy.

a) Credit Risk Management:

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

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

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

and conduct of account. As required under IRB guidelines, Bank validates its rating models and score cards on an annual basis.

Appropriate credit approval processes, risk mitigation, post-disbursement monitoring and timely remedial actions are part of the credit risk management. Segment-wise and borrower category-wise exposure limits are fixed and monitored by the Bank to address the risk of concentration. Rating migration studies and default rate analysis based on the credit risk rating of the borrowers are undertaken on a periodic basis to analyze the changes in credit risk profile of the borrowers and to provide input for policy and strategic decisions. Portfolio analysis of various products/industries, covering various credit quality indicators are being carried out on a periodic basis for identifying portfolio trends, and generating portfolio level MIS. The Bank has commenced to calculate the risk components (PD, LGD and EAD) in line with board approved methods, which also serves as an input for prudent pricing of its advances.

b) Market Risk Management:

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

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

c) Operational Risk Management:

The Bank has developed and implemented an operational risk management framework that is fully integrated into the Bank's overall risk management system. The Bank has put in place processes, systems and procedures to actively mitigate operational risks and to optimize resources not only to protect the interests of the Bank but also to ensure return commensurate with the risk profile adopted. With respect to operational risk management, identification and assessment of risk together with assessment of control effectiveness are key to the risk management process and towards this end the Bank has put in place risk management tools like Risk and Control Self Assessment (RCSA) and Key Risk Indicator (KRI) frameworks to ensure continuous monitoring & evaluation of various risk elements.

All new products and processes are vetted by Risk Management Department and thus, it is ensured that all risks involved in new products and processes are clearly documented and adequate

DIRECTORS' REPORT

procedures and controls are implemented before the product/process is launched.

In order to ensure adequate and timely identification, measurement, monitoring, control and mitigation of reputation risk posed by banking operations at the business line and firm-wide levels, a board approved reputation risk management policy is put in place. Risk drivers for reputation risk is identified and monitored on a quarterly basis. Quantification of reputation risk is accomplished through Reputation risk score card and is undertaken on a quarterly basis along with the ICAAP process. Further a reputation risk matrix is prepared to identify the magnitude and direction of various risk drivers. With a view to monitor reputation risk emanating from various forms of media, a Media monitoring mechanism is put in place to ensure timely and proactive identification and mitigation of risk.

d) Liquidity Risk

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

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

e) Cyber Risk Management

In order to provide guidelines for cyber security related initiatives, a Board approved Cyber Security policy is in place. Also, Cyber Crisis Management Plan (CCMP) is in place, to provide the requisite strategy, direction and roadmap towards cyber threat mitigation. The Cyber Security governance is a

part of banks Information Security framework. In order to consider cyber security from the bank-wide perspective, a steering committee of executives known as Information Security Committee is formed with formal terms of reference. The Chief Information Security Officer (CISO) is the member secretary of the committee. The committee serves as an effective communication channel for management's cyber security aims and directions. The Committee also guides and monitors development and facilitation and implementation of Cyber security policies, standards and procedures to ensure that all identified risks are managed within the bank's risk appetite. Also, Bank has a comprehensive Incident Management procedure which proactively address potential threats/ risks arising out of cyber security incidents. The incident management procedure specifies the requirements for establishing, implementing, maintaining and continually improving incident management process as applicable to IT in the bank. Key Risk Indicators are used to track various security parameters and their progress/ changes. Regular IS audits and VA/PT is carried out to assess the vulnerabilities, if any, in the IT systems. The CISO office and IRMD maintain a close working relationship to ensure a holistic approach to risk management.

f) Business Continuity Plan

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

INTERNAL FINANCIAL CONTROL AND ITS ADEQUACY

Internal Financial Controls:

The Bank has put in place adequate internal control measures and processes with respect to its financial record keeping procedure to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements. These controls and processes are driven through various policies, procedures and certifications. The processes and controls are reviewed periodically and strengthened wherever considered necessary. The bank also ensures that internal controls are operating effectively, through the robust internal inspection and vigilance system.

DIRECTORS' REPORT

The Bank is having a full-fledged Inspection and Vigilance Department, which ensures adherence to the set rules and regulations by the Branches / Regional Offices / Departments at the Administrative Office. Internal inspectors conduct inspection at regular intervals to ensure that the internal control systems put in place is working effectively. The reports of internal inspections are placed to Sub/Audit Committee of Executives (SACE/ACE)/Audit Committee of Board (ACB) as the case may be. SACE/ACE/ACB reviews the reports and ensures that corrective steps are taken to rectify the shortcomings in the report and recommends for strengthening the internal control over various processes.

VIGILANCE MECHANISM/WHISTLE BLOWER POLICY IN THE BANK

Vigilance Mechanism of the Bank is functioning as a separate vertical, viz., Vigilance Division and reporting directly to the MD & CEO of the Bank. Vigilance Division has twin roles to play namely, investigation of frauds and putting in place a dynamic mechanism for detection of fraud, in order to have more controls over the incidence of frauds.

The Bank has in place a vibrant Whistle Blower Policy (WBP) and a Protected Disclosure Scheme (PDS), which are reviewed from time to time. Whistle Blower Policy and the Protected Disclosure Scheme of the Bank are published in the website of the Bank and thereby awareness is given to all the stake holders about the same so as to make the said Policy and the Scheme an effective tool in the reporting and prevention of frauds.

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

The Bank has a separate Transaction Monitoring Team at two levels-HO Level and RO Level. The said teams monitor transactions using alerts generated from software on pre-set rules. During the year Inspection Department has upgraded the system for transaction monitoring. The new software is capable of generating near real time alert generation & other features which assists effective monitoring of transactions. Based on the alerts, clarifications are called from the branches wherever necessary and the alerts are closed on a daily basis.

Fraud Risk Monitoring Cell (FRM Cell) is established to prevent fraudulent activity in the customer accounts through all the channel transaction such as debit cards, Internet banking and mobile banking activities, by generating rule based alerts. Current year adequate staffing is done in FRM division to ensure monitoring 24 X7 and 365 days in year.

HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

As on March 31, 2019, the Bank had 8,440 personnel on its rolls. Human Resources policies and practices of the Bank focus on attracting, motivating and retaining qualified and skilled manpower. Concurrent with these objectives, steps are taken to improve manpower efficiency. Given the market challenges, there has been considerable focus on optimising the existing resources - through internal job postings, transfers and skill development initiatives. Our Human Resources Department has been awarded with the ISO 9001:2008 Certification in the year 2015 and this certification has been upgraded to ISO 9001:2015 on 27.03.2018. Training has assumed significant importance in the present banking scenario. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and trains them for qualitative improvement.

The development of employees is essential to the future strength of our business. We have implemented a systematic approach for identifying, developing and deploying talented employees through a new initiative 'Talent pool' in HRMS System. This will further motivate our employees by providing opportunities according to their skills and area of interest.

To motivate the employees further and to inculcate in them a sense of ownership, Employees' Stock Option Scheme (ESOS) was approved by the shareholders at the Annual General Meeting held on August 18, 2008. The Bank introduced Tranche 1 of the scheme in 2009-10, Tranche 2 of the scheme in 2010-11, Tranche 3 of the scheme in 2011-12, Tranche 4 and Tranche 5 during 2012-13, Tranche 6 during 2013-14, Tranche 7 during 2014-15 and Tranche 8 and Tranche 9 during 2017-18, subject to the regulator guidelines in this regard. An aggregate of 8,51,071 options were exercised by the employees during the current financial year and equal number of shares have been allotted against those exercised. In order to ensure enhanced productivity and efficiency in all areas of operations and cultivate motivation among employees in all cadres, the Bank implemented the Performance Linked Incentive Scheme (PLIS) from the Financial year 2007-08 onwards. PLIS calculation will be based on the score obtained by each employee in respective score card. We have implemented score card based performance evaluation system in our Bank from FY 18-19. Score cards are used for performance appraisal, incentive, Promotion etc.

By Order of the Board

(SALIM GANGADHARAN)
CHAIRMAN
DIN : 06796232

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

Place : Cochini
Date : May 9, 2019

ANNEXURE TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE FOR THE PERIOD APRIL 1, 2018 TO MARCH 31, 2019

Bank's Philosophy on Code of Governance:

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

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

The required details on Corporate Governance are given hereunder:

1. BOARD OF DIRECTORS

The Board of Directors of your Bank is broad based and varied in terms of experience of the members of the Board. The Board has been constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and in accordance with best practices in Corporate Governance. The Board comprises of 10 Directors as on 31st March 2019, with rich experience and specialized knowledge in various areas. The Board functions either as a full Board or through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals, evaluation of performance and control functions vest with the Board. The Committees have oversight of operational issues assigned to them by the Board.

Composition of Board

The composition and category of the Directors along with their attendance at Board Meetings, Annual General Meeting and shareholdings in the Bank as on March 31, 2019 are given below:

Sl. No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of Last AGM held on 11.07.2018	No. of Shares of held	% of holding
			Held during the tenure	Attended			
1	Sri Salim Gangadharan, Chairman	NE	10	10	Present	20,000	0.001%
2	Sri V G Mathew, MD & CEO	Managing Director	10	10	Present	60,000	0.003%
3	Sri K Thomas Jacob, Director*	INE	6	6	Present	73,446	0.004%
4	Dr. John Joseph Alapatt, Director	INE	10	10	Present	2,80,292	0.015%
5	Sri Francis Alapatt, Director	INE	10	9	Present	2,20,000	0.012%
6	Smt. Ranjana S Salgaocar, Director	INE	10	9	Present	83,666	0.005%
7	Sri Parayil George John Tharakan, Director	INE	10	9	Present	21,874	0.001%
8	Sri Achal Kumar Gupta, Director	NE	10	10	Present	Nil	Nil
9	Sri V J Kurian, Director	INE	10	10	Present	Nil	Nil
10	Sri M. George Korah, Director**	INE	4	4	NA	Nil	Nil
11	Sri Pradeep M Godbole, Director***	NE	1	1	NA	Nil	Nil

NE – Non-Executive Director

INE – Independent Non-Executive Director

*Sri K Thomas Jacob (DIN :00812892), ceased to be the Director of the Bank w.e.f. 31st August, 2018.

** Sri M George Korah (DIN :08207827) was appointed as Additional Independent Director of the bank w.e.f. 31st August, 2018.

*** Sri Pradeep M Godbole (DIN :08259944) was appointed as Additional Director of the bank w.e.f. 26th March, 2019.

@Leave of absence was granted to the concerned Members who had expressed their inability to attend the respective meetings.

During the year under review the Board and its committees were re-constituted thrice on 31.08.2018, 19.01.2019 and 28.03.2019.

All the Independent Directors of the Bank possess the requisite qualifications and experience which enable them to contribute effectively to the Bank. The Board confirms that in the opinion of the Board, the Independent Directors fulfill the conditions specified in the SEBI Listing Regulations and the Companies Act, 2013 and are independent of the management

ANNEXURE TO THE DIRECTORS' REPORT

PROFILE OF BOARD OF DIRECTORS

The profile of the Directors of the Bank as on March 31, 2019 is as under:

Sri Salim Gangadharan, aged 65 years is the Chairman and Non-Executive Director of the Board of the Bank. Sri Gangadharan holds a master's degree in economics from the University of Kerala. He is also a certified associate of the Indian Institute of Bankers. He has several years of experience in the Reserve Bank of India. He retired in October, 2013 as principal chief general manager and regional director, RBI, Trivandrum. He has been on Bank Board since January, 2014. He is also a director in NSE Clearing Limited. He is not a director in any other public limited company.

Sri Salim Gangadharan holds 20,000 shares of the Bank as on 31.03.2019

Sri V G Mathew, aged 65 years is the Managing Director and Chief Executive Officer of the Bank w.e.f. October 1, 2014. Sri Mathew holds bachelor's degree and a master's in science from the University of Kerala. Additionally, he is a certified associate of the Indian Institute of Bankers. Sri Mathew was the Executive Vice President of our Bank from January 2, 2014 to September 30, 2014. Prior to joining the Bank, Sri Mathew was employed at State Bank of India for more than 30 years. He retired from State Bank of India as Chief General Manager on November 30, 2013. He is not a director in any other company. Sri V G Mathew holds 60,000 shares of the Bank as on 31.03.2019.

Dr. John Joseph Alapatt, aged 65 years is a Non-Executive Independent Director of the Bank. He holds a Bachelor of Medicine and Bachelor of Surgery degree as well as a Post-Graduate diploma from Bangalore University. He is an industrialist having several years of experience in managing a small scale industry unit and has been the Director of the Bank for 21 years. He is not a director in any other public limited company.

Dr. John Joseph Alapatt holds 2,80,292 shares of the Bank as on 31.03.2019.

Sri Francis Alapatt, aged 66 years is a Non-Executive Independent Director of the Bank. He holds a bachelor's degree in science. He is a director of M/s CII Guardian International Ltd. and an established business man.

Sri Francis Alapatt holds 2,20,000 shares of the Bank as on 31.03.2019.

Smt. Ranjana S. Salgaocar aged 64 years is a Non-Executive Independent Director of the Bank. Ms. Salgaocar holds a bachelor's degree in social work from University of Bombay and MBA from the prestigious Jamnalai Bajaj Institute of Management. Smt. Salgaocar has been on the Board of the Bank since October 1, 2014. She is not a director in any other public limited company.

Smt. Ranjana S. Salgaocar holds 83,666 shares of the Bank as on 31.03.2019.

Sri Parayil George John Tharakan, aged 58 years is a Non-Executive Independent Director of the Bank. Sri Tharakan holds a bachelor's degree in commerce from the University of Kerala and a LLB degree from Bangalore University. Sri Tharakan has experience of 30 years in the field of agriculture. He is not a director in any other public limited company

Sri Parayil George John Tharakan holds 21,874 shares of the Bank as on 31.03.2019.

Sri Achal Kumar Gupta, aged 65 years is a Non-Executive Director of the Bank. Sri Gupta holds a bachelor's and a master's degree in arts from Punjab University in the subject of English. Further, he is a certified associate of the Indian Institute of Bankers. Sri Gupta retired on November 30, 2013 as the Managing Director of the State Bank of Patiala. He has previously worked in IFCI Limited as Deputy Managing Director from December 12, 2013 to December 11, 2016. He is also a director in Canara Robecco Asset Management Company Ltd and Risk Management Committee Member (Independent Expert) of Capital India Finance Ltd.

Sri Achal Kumar Gupta holds no shares of the Bank as on 31.03.2019

Sri V J Kurian, aged 62 years is a Non –Executive Independent Director of the Bank. He retired from Indian Administrative Services (IAS) of 1983 batch in Kerala cadre as Additional chief secretary, Water Resources. During the tenure of services, Sri Kurian held positions of Managing director in various companies for a total period of 22 years. Presently, Mr Kurian is the Managing director of Cochin International Airport Ltd. He is not a director in any other public limited company.

Sri V J Kurian holds no shares of the Bank as on 31.03.2019

Sri M George Korah, aged 59 years, is a Non –Executive Independent Director (Additional) of the Bank. He is a fellow member of the Institute of Chartered Accountants of India. He is a qualified Information System Auditor and was a rank holder in the I.S. Examination conducted by the Institute of Chartered Accountants of India. He is also a partner of M/s Korah & Korah, Chartered Accountants, has been in practice for over 30 years. Sri Korah is a trustee of Greenstorm Foundation, Cochin (Not for Profit Public Registered Trust) and financial consultant to several business organisations including Information Technology Companies. He is not a director in any public limited company.

Sri M.George Korah holds no shares of the Bank as on 31.03.2019

Sri Pradeep M Godbole, aged 54 years is a Non –Executive Director (Additional) of the Bank. He is a Chartered Accountant with 30+ years of Banking, Technology, Consulting, Auditing, Accounting and Management experience. He has held senior

ANNEXURE TO THE DIRECTORS' REPORT

management positions at reputed organizations- Big 4 consulting firms like Ernst & Young; IT organizations like Oracle Financial Services Software (OFSS) & Wipro; and Banks like Deutsche Bank. Sri Godbole is currently working on capability building initiatives and is a guest faculty at The Institute of Chartered Accountants of India (ICAI). Sri Godbole is also a speaker at professional events & seminars. He is not a director in any other public limited company

Sri Pradeep M Godbole holds no shares of the Bank as on 31.03.2019.

Board Meetings

A total of 10 Board Meetings were held during the period April 1, 2018 to March 31, 2019 and the dates are as under:

10.04.2018, 14.05.2018, 06.06.2018, 11.07.2018, 21.07.2018, 30.08.2018, 15.10.2018, 07.12.2018, 19.01.2019, 26.03.2019

Committee position of Directors in the Bank as on March 31, 2019:

The name of each Committee with the name of its respective Chairman as on 31.03.2019 is furnished below:

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

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

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

- None of the Directors of the Bank is related to any Director of the Bank.

Directorship of Directors in Board/Committees of other Public Limited Companies as on March 31, 2019

Name of the Director	Name of the Company (Directorship in other Indian Public Limited Companies)	Name of Committees in other Indian Public Limited Companies*	Chairman/Member in other Indian Public Limited Companies
Sri Salim Gangadharan	NSE Clearing Ltd.	Standing Committee on Technology	Chairman
		Advisory Committee	Member
		Regulatory oversight Committee	Member
		Risk Management Committee	Chairman
		Public interest Director Committee	Member
		Audit Committee	Member
Sri Francis Alapatt	CI Guardian International Limited	CSR Committee	Member
Sri Achal Kumar Gupta	Canara Robeco Asset Management Company Ltd.	Audit Committee	Member
		CSR Committee	Chairman
	Capital India Finance Ltd.	Risk Management Committee (As an Independent expert and not as Board Member)	Chairman
Sri V J Kurian	Cochin International Airport Limited	CSR Committee	Member
		Share Transfer Committee	Member

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

2. COMMITTEES OF BOARD

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

(A) MANAGEMENT COMMITTEE

Management Committee of Board has been constituted based on RBI guidelines vide its circular No. DBOD. No. BP. BC.96/21.03.038/2004-05 dated 10th June, 2005 essentially to sanction credit proposals beyond the powers of MD & CEO and Executive Level Committee and all other operational matters permitted by the Board from time to time. The members of the Committee as on March 31, 2019 are Sri Salim Gangadharan - Chairman, Sri V. G. Mathew, Dr. John Joseph Alapatt, Sri Achal Kumar Gupta and Sri Pradeep M Godbole.

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The terms of reference of the Committee are as follows:

1. Consider all credit proposals, beyond the powers of Managing Director and Credit Committees constituted by the Board.
2. OTS proposals within the powers of the Board.
3. Ratification proposals of sanction made by Credit Committees and MD beyond its powers.
4. Review of Sanctions made by Credit Committees.
5. Review of MD's sanctions.
6. Review of Food Credit – Monthly disbursement (Monthly).
7. NPA recovery (Monthly).
8. Compromise proposals sanctioned by MD (Quarterly).
9. Review of the order of Committee for identification of Wilful Defaulters.
10. Review of the order of Committee for identification of non-cooperative borrowers of the bank.
11. Review of Top 100 NPA accounts below 5 crores (SS/Doubtful/Loss) (25 in each quarter) – Quarterly.
12. Write off/remission allowed by the Bank for the previous Quarter (Quarterly).
13. Status report on OTS sanctioned by MCB during last one year (Quarterly).
14. Review of staff Accountability - Quick mortality and fresh NPA above ₹10 lakhs.
15. Documents time barred/getting time barred (Quarterly).
16. Concessions given by MD & CEO in MC Sanctions and review of MD & CEO sanctions by MC (Quarterly).
17. Overdue Credit Proposal over 3 months, falling within the power of MC (Quarterly).
18. Review of Performance under Annual Credit Plan (ACP) (Half yearly).
19. Review of Advances granted to SC/ST under Priority Sector (Half yearly).
20. Legal action waiver allowed by MD (Quarterly).
21. Sanction to bid the property in court auction above the decretal dues.
22. Enhancement of the prudential individual exposure limit.
23. Miscellaneous items not requiring the approval of the Board.
24. Periodically review the large corporate loans and advances appearing in SMA lists.
25. Review of all reports as per the calendar of reviews stipulated by the RBI from time to time.
26. Any other items which may be permitted by the Board from time to time.
27. Payment of compensation in consumer cases (above ₹1,00,000/-).
28. Review of all reports as per the calendar of reviews stipulated by the RBI from time to time;
29. Any other items which may be permitted by the Board from time to time.
30. Acquisition of Fixed Assets (Non IT related).
31. Awarding of Contracts/Appointment of Architects and Engineers for building construction/renovation etc. where the expenditure exceeds the delegated powers.
32. For incurring any Revenue or Capital Expenditure pertaining to the dept. in excess of the delegated powers.
33. Ratification Note for exceeding of various limits fixed as per Forex Policy.
34. Bidding for Equity shares through Book building process and subscription to Equity shares in primary market.
35. Subscription, purchase and sale/offer for repurchase of units of debt oriented mutual funds as well as increasing the exposure to the debt oriented mutual funds including liquid and floating rate funds.
36. Equity Trading (Monthly).
37. Investment in Equity shares in the secondary market.
38. Statement of Structural Liquidity (Fortnightly).
39. Statement of Interest Rate Sensitivity (Monthly).
40. Prob. Impact of rise in yields on market value of Central Government Securities & Trading Book Investments (Monthly).
41. Report on Country Risk (Monthly).
42. Report of VaR of Central Government Securities in AFS & HFT category (Trading Book) & of Currencies (Monthly).
43. Exposure Monitoring (Monthly).
44. Monitoring of excess CRR (Quarterly).
45. Review of Debit/Credit/Travel Cards (Half yearly).
46. Review of performance of MasterCard debit card operations (Quarterly).
47. Fresh purchases, AMC (Annual Maintenance Contract) and other IT related expenses – beyond the delegated powers of HO Executives.
48. Opening and operation of Bank Accounts.
49. Region-wise fund Position (Fortnightly).
50. Issue of duplicate share certificates in Lieu of original Share Certificates Lost/Misplaced
51. Miscellaneous items not requiring the approval of the Board.
52. Review of all reports as per the calendar of reviews stipulated by the RBI from time to time.
53. Any other items which may be required to be placed as per the Policy of the Bank and as may be permitted by the Board/Committee from time to time.

A total of 16 meetings were held during the period. The dates of meetings were

10.04.2018,	14.05.2018,	05.06.2018,	27.06.2018,
10.07.2018,	06.08.2018,	29.08.2018,	25.09.2018,
15.10.2018,	05.11.2018,	06.12.2018,	28.12.2018,
18.01.2019,	19.02.2019,	11.03.2019,	27.03.2019.

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The details of the meetings of the Management Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	16	16
Sri V.G. Mathew	16	16
Sri K. Thomas Jacob*	7	7
Dr. John Joseph Alapatt	16	15
Sri Achal Kumar Gupta	16	14
Sri M George Korah**	9	9

* Ceased to be a member w.e.f. 31st August, 2018.

** Inducted on 31st August, 2018 and ceased to be a member w.e.f. 28th March, 2019.

Sri Pradeep M Godbole inducted into the committee w.e.f. 28.03.2019 and no meeting held during the year after his induction to the Committee.

(B) AUDIT COMMITTEE

The Audit Committee of the Board is chaired by Sri M George Korah, who is a Chartered Accountant. The other members of the committee are Sri Achal Kumar Gupta, Sri V J Kurian, Sri Francis Alapatt and Sri Pradeep M Godbole.

The terms of reference of Audit Committee, harmonized with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Companies Act, 2013, and the responsibilities enjoined upon by the RBI, inter-alia includes the following:

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, adequate and credible.
2. Recommending to the Board, the appointment, re-appointment and terms of appointment of auditors or, if required, the replacement of the statutory auditor together with the fixation of audit fees and approval of payment for any other services rendered by the statutory auditors.
3. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
4. Reviewing with management the annual financial statements and auditor's report thereon before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.
5. Valuation of undertakings or assets of the company, wherever it is necessary.
6. Review with the management, the financial statement, review and monitor the performance of statutory and internal auditors, adequacy of the internal control systems.
7. Review, with the management, the quarterly financial statements before submission to the board for approval.
8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Management letters/letters of internal control weaknesses issued by the statutory auditors.
10. Review of quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) & Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).
11. Evaluation of Internal Financial Controls and Risk Management System including reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements.
12. Review, as far as the situation necessitates all other finding in the audit reports including Risk based internal Audit Reports.
13. Monitoring the end use of funds raised through public offers and related matters.
14. Review with the management, the financial statement, review and monitor the performance of statutory and internal auditors, adequacy of the internal control systems.
15. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit and discussion with internal auditors of any significant findings and follow up there on.
16. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
17. Management discussion and analysis of financial condition and results of operations.
18. Internal audit reports relating to internal control weaknesses; and the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
19. To review the functioning of the whistle blower mechanism.
20. Approval or any subsequent modification of transactions of the company with related parties.
21. Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
22. Management discussion and analysis of financial condition and results of operations.
23. Scrutiny of inter-corporate loans and investments.
24. Appointment of Chief Financial Officer, Chief Risk Officer and Chief Internal and Vigilance Officer, after assessing the qualifications, experience and background etc. of the candidate.
25. Review of all reports as per the calendar of reviews stipulated by the RBI from time to time.

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26. Any show cause, demand and prosecution notice and penalty notices issued by any Govt./Quasi Govt./regulatory authority with its impact.
27. Any other terms of reference as may be included from time to time in SEBI (LODR) Regulations 2015, the Companies Act, 2013 and by Reserve Bank of India.
28. Any other items which may be required to be placed to the Audit Committee as per the Policy of the Bank and as may be permitted by the Board/Committee from time to time.
29. Monitoring the Concurrent Audit function and internal audit of all outsourced activities.
30. Recommending to the Board, the appointment, re-appointment and terms of appointment of secretarial auditors or, if required, the replacement of the secretarial auditor together with the fixation of audit fees and yearly review of secretarial audit report.

The Committee met 10 times during the period. The dates of meetings were

14.05.2018, 05.06.2018, 10.07.2018, 21.07.2018, 29.08.2018, 15.10.2018, 06.12.2018, 28.12.2018, 18.01.2019, 11.03.2019.

The details of the meetings of the Audit Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri K Thomas Jacob*	5	5
Sri Achal Kumar Gupta	10	10
Sri V J Kurian	10	10
Sri M George Korah#	5	5
Sri Francis Alapatt ##	1	1

* Ceased to be a member w.e.f. 31st August, 2018.

Inducted into the committee w.e.f. 31.08.2018

Inducted into the committee w.e.f. 19.01.2019

Sri Salim Gangadharan has attended the meeting as invitee.

Sri Pradeep M Godbole inducted into the committee w.e.f. 28.03.2019 and ceased to be member w.e.f. 08.04.2019 and no meeting held during his tenure in the Committee

(C) NOMINATION & REMUNERATION COMMITTEE

Vide Board Resolution SEC/S-104/15-16 on July 15, 2015 the Nomination Committee and Compensation & Remuneration Committee of the Board were merged and constituted Nomination & Remuneration Committee with comprehensive terms of reference of both the Committees to take care of the nomination of Directors, KMP, performance evaluation criteria for independent directors etc., to oversee the framing, review and implementation of compensation policy of the bank on behalf of the board and remuneration related matters of the Directors, KMPs and Employees, etc. The Committee is chaired by Sri V J Kurian. Other Members of the Committee as on March 31, 2019 are Sri Salim Gangadharan, Smt. Ranjana S Salgaocar and Sri Achal Kumar Gupta.

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

1. Scrutinizing the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and to decide whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors. and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India vide their directive dated May 23, 2011 on Fit & Proper Criteria of the Banks.
2. To devise a Succession Planning Policy for the Board and Senior Management.
3. To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors.
4. To identify persons who are qualified to become Directors/KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
5. To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
6. To devise a policy on Board diversity.
7. To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.
8. To perform such other functions as may be necessary or appropriate for the performance of its duties.
9. To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
10. The Committee shall work in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
11. With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
 - a. Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;

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- b. Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
- c. Coordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;
- d. On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
12. The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
13. To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.
14. To oversee the administration of Employee benefits, such as Provident Fund, Pension Fund, Gratuity, Compensation for absence on Privilege/Sick/Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.
- The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board.
15. The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board.
16. Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.
17. To conduct the annual review of the Compensation Policy.
18. To fulfill such other powers and duties as may be delegated to it by the Board.
19. To review HR Strategy aligning with business strategy of the Bank.
20. To review the skill gaps and talent pool creation.

The details of performance evaluation criteria adopted by the Bank is provided in the Directors Report.

The Nomination and Remuneration Committee met 8 times during the period. The dates of meetings were:

14.05.2018, 06.06.2018, 21.07.2018, 30.08.2018,
 15.10.2018, 07.12.2018, 19.01.2019, 26.03.2019.

The details of the meetings of Nomination & Remuneration

Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Dr. John Joseph Alapatt*	7	7
Sri Salim Gangadharan	8	8
Smt. Ranjana S Salgaocar	8	7
Sri V J Kurian**	4	4
Sri Achal Kumar Gupta***	1	1

* Ceased to be a member w.e.f. 20.01.2019

** Inducted into the committee w.e.f. 31.08.2018

*** Inducted into the committee w.e.f. 20.01.2019

@Leave of absence was granted to the concerned Members who had expressed their inability to attend the respective meetings

(D) N P A REVIEW COMMITTEE

This Committee has been constituted to review all NPA Accounts above ₹500 Lakhs. The Committee meets once in a quarter. The members of the Committee as on March 31, 2019 are Sri Achal Kumar Gupta - Chairman, Sri V G Mathew, Dr. John Joseph Alapatt, Sri M George Korah.

The Committee met 4 times during the period. The dates of meetings were: 27.06.2018, 30.08.2018, 06.12.2018, 19.02.2019.

This Committee has been constituted to review:

- All NPA Accounts above ₹500 Lakhs.
- Status report on recovery Position/details of structured meeting held with ARC's in NPAs sold to Asset Reconstruction Company's (ARCs), where bank had invested in Security Receipts (SRs) backed by the stressed assets sold.
- Review report on the recovery in technically written off accounts with balance outstanding of ₹500 Lakhs and above.

The details of the meetings of NPA Review Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Achal Kumar Gupta	4	4
Sri V G Mathew	4	4
Sri Francis Alapatt *	3	3
Sri Parayil George John Tharakan**	3	3
Dr. John Joseph Alapatt	4	4

* Ceased to be a member w.e.f. 19.01.2019

** Ceased to be a member w.e.f. 19.01.2019

Sri George M Korah inducted in to the Committee w.e.f. 28.03.2019 and no meeting held during the year after his induction to the Committee

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(E) CUSTOMER SERVICE COMMITTEE

The Committee is entrusted with the responsibility of monitoring the quality of services rendered to the customers and also ensuring implementation of directives received from RBI in this regard. The Committee is chaired by Dr. John Joseph Alapatt and consists of Sri Francis Alapatt, Sri V G Mathew and Sri Parayil George John Tharakan as members as on March 31, 2019.

Besides, in accordance with RBI guidelines, the Bank has been inviting special invitees, representing the customers of the Bank and/or expert in customer services, with a view to strengthen the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer services provided by the Bank.

Terms of reference of Customer Service Committee are:

- a) Approving the various policies that relate to customer services, which inter-alia includes:
 - i) to formulate comprehensive deposit policy incorporating the issues arising out of death of a depositor for operations of his account,
 - ii) Grievance handling process
 - iii) Customer Compensation Policy
 - iv) Collection of cheques
- b) Approve the product approval process and any other issues having a bearing on the quality of customer services rendered.
- c) To review performance of Branch Level Customer Service Committee (BLSCC).
- d) Reviewing the metrics and indicators that provide information on the state of customer services in the Bank;
- e) Reviewing the action taken/being taken by the Bank to standardise the delivery of customer experience across all branches.
- f) Providing inputs on the products introduced by the Bank with a view to ensure suitability and appropriateness.
- g) Monitoring the implementation of the Banking Ombudsman Scheme with particular reference to:
 - a. Reviewing all the awards against the Bank with a focus on identifying issues of systemic deficiencies and the Bank's plan to address these deficiencies.
 - b. Reviewing all awards that remain unimplemented after 3 months from the date of the award with the reasons thereof; to report to the Board such delays in implementation without valid reasons and for initiating remedial action.
- h) review, on an overall basis, the customer service aspects in the Bank on the basis of the detailed memorandum submitted in this regard and report to the Board of Directors thereafter; this is done once every six months and based on the review, the Committee will direct the Bank to initiate prompt corrective action wherever service quality/skills gaps have been noticed.
- i) Monitoring the activities of the Standing Committee on Customer Service (executive level committee) on a quarterly basis.

- j) To review the business transacted through E-commerce/ M-commerce aggregators.
- k) To review of ATM down time for the quarter.
- l) To ensure implementation of the directives issued by the RBI, from time to time, with respect to rendering services to customers of the Bank.
- m) Status/action taken report on the observations of the earlier Committee meetings.

The Committee met 4 times during the period. The dates of meetings were:

27.06.2018, 25.09.2018, 28.12.2018, 26.03.2019.

The details of the meetings of Customer Service Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri V. G. Mathew	4	4
Sri Francis Alapatt	4	4
Sri Parayil George John Tharakan	4	4
Sri Salim Gangadharan *	3	3

* Ceased to be a member w.e.f. 19.01.2019.

Dr. John Joseph Alapatt inducted into the committee w.e.f. 28.03.2019 and no meeting held during the year after his induction to the Committee.

(F) STAKEHOLDERS RELATIONSHIP COMMITTEE

The Committee looks into redress the complaints from shareholders and investors like transfer of Shares, non-receipt of Annual Reports, non-receipt of declared dividends etc. The Committee also ratifies share transfers/transmission/name deletion cases etc. from time to time. Mr. Jimmy Mathew, Company Secretary is designated as the Compliance Officer. The members of the Committee consist of Smt. Ranjana S Salgaocar as Chairperson, Sri V J Kurian, Sri Parayil George John Tharakan and Dr. John Joseph Alapatt as members as on March 31, 2019.

The Committee looks into the mechanism of redressal of grievances/complaints from shareholders, debenture holders and other security holders. The terms of reference of the Committee are:

1. Review, the complaints received from shareholders or others regarding transfer/transmission of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and the action taken by the Bank on such complaints, issue of new/duplicate share certificates, general meetings.
2. To ratify the Transfer/Transmission, Name Change/Correction, Status change, Residential status change, Rematerialisation, Issue of Duplicate Share certificates, Nominations Registered, Splitting/Consolidation of Folios etc. from time to time.
3. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting

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and consolidation of securities issued by the Bank, issue of duplicate share certificates;

4. To review the changes in Top 100 shareholders of the Bank.
5. To review the report on reconciliation of Share Capital and Compliance certificate issued under Regulation 40 of SEBI Regulations, 2015 by Practising Company Secretary.
6. Review of measures taken for effective exercise of voting rights by the shareholders.
7. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
8. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ Annual Reports/statutory notices by the shareholders of the company.
9. Any other agenda items as may be included from time to time in compliance with SEBI (LODR) Regulations 2015/ Companies Act, 2013.

The Committee met 4 times during the period on:

06.06.2018, 30.08.2018, 07.12.2018, 25.03.2019

Status of Shareholder Complaints as on March 31, 2019

Sl. No.	Items	No. of complaints			
		Pending at the beginning of the period	Received during the period	Redressed during the period	Pending at the end of the period
1	Non-receipt of Refund Order/ Allotment credit	0	1	1	0
2	Non-receipt of Dividend Warrants	0	88	88	0
3	Request for issue of duplicate share certificates	0	195	195	0
4	Complaints received from BSE/NSE/SEBI/ ROC	0	2	2	0
5	Other miscellaneous complaints (Including non-receipt of split share certificate)	0	45	44	1
6	Non-receipt of share certificate after transfer	0	1	1	0
TOTAL		0	332	331	1

The details of the meetings of Stakeholders Relationship Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Smt. Ranjana S. Salgaocar	4	4
Sri Francis Alapatt *	3	3
Sri Parayil George John Tharakan	4	3
Dr. John Joseph Alapatt	4	4
Sri V J Kurian #	1	1

Inducted in to the Committee w.e.f. 19.01.2019

* Ceased to be a member w.e.f.. 19.01.2019

@Leave of absence was granted to the concerned Members who had expressed their inability to attend the respective meetings

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

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank with a view to provide focused attention on preventing and monitoring of frauds involving amounts of Rupees One crore and above. The Committee is chaired by Sri V G Mathew and consists of Sri Salim Gangadharan, Sri M George Korah, Dr. John Joseph Alapatt and Sri Pradeep M Godbole as members of the Committee as on March 31, 2019.

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 so as to:

- i) Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same.
- ii) Identify the reasons for delay in detection, if any, reporting to the top management of the Bank and RBI.
- iii) Monitor the progress of Investigation and recovery position.
- iv) Ensure that the staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly and without loss of time.
- v) Review the efficacy of remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls and preventive measures.
- vi) Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.
- vii) Status/action take report on the observations of the earlier Committee meeting.

The Committee met 5 times during the period. The dates of meetings were:

05.06.2018, 06.08.2018, 29.08.2018, 05.11.2018, 19.02.2019.

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The details of the meetings of Committee to Prevent and Review Frauds in the Bank attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri V.G. Mathew	5	5
Sri Salim Gangadharan	5	5
Sri K. Thomas Jacob *	3	3
Sri Achal Kumar Gupta **	4	4
Mr. M George Korah #	2	2
Dr. John Joseph Alapatt ##	1	1

* Ceased to be a member w.e.f. 31.08.2018

** Ceased to be a member w.e.f. 19-01-2019

Inducted into the Committee w.e.f. 31.08.2018

Inducted into the Committee w.e.f. 19.01.2019

Sri Pradeep M Godbole inducted into the committee w.e.f. 28.03.2019 and no meeting held during the year after his induction to the Committee

(H) PREMISES COMMITTEE

A Premises Committee was constituted by the Board of Directors at its meeting held on December 28, 2007 to oversee and monitor the improvements to the Head Office building and a new Data Centre Building at Rajagiri Valley, Kakkanad, Kochi. The present terms of reference include approving Budgets for acquisition of new premises, calling tenders from reputed architects and contractors, scrutinizing, short-listing and negotiating their site plans, estimates, finalizing their appointment, fees & other terms and conditions and monitoring the progress of the project. The Committee consists of Sri Parayil George John Tharakan as Chairman, Sri Francis Alapatt, Smt. Ranjana S. Salgaocar, Sri V J Kurian and Sri V G Mathew as members as on March 31, 2019.

Terms for reference of Premises Committee are:

- Status/action take report on the observations of the earlier Premises Committee
- Oversee and monitor the improvements to the Head Office building and a new Building at Rajagiri Valley, Kakkanad, Kochi.
- Approving Budgets for acquisition/modification of new premises, calling tenders from reputed architects and contractors, scrutinizing, short-listing and negotiating their site plans, estimates, finalizing their appointment, fees & other terms and conditions and monitoring the progress of the project.
- Acquiring/Purchase of properties for the Bank.

The Committee met 4 times during the year. The dates of meetings were:

06.06.2018, 30.08.2018, 7.12.2018, 26.03.2019.

The details of the meetings of Premises Committee of Directors

attended by the Members during the year 2018-19, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Parayil George John Tharakan	4	3
Sri V.G. Mathew	4	4
Smt. Ranjana S. Salgaocar	4	4
Sri Francis Alapatt	4	4
Sri V J Kurian *	1	1

* Inducted into the committee w.e.f. 19.01.2019

@Leave of absence was granted to the concerned Members who had expressed their inability to attend the respective meetings.

(I) RISK MANAGEMENT COMMITTEE

In terms of the guidelines of Reserve Bank of India on the Asset Liability Management/Risk Management Systems, a Risk Management Committee of Board has been constituted. The members of the committee as on March 31, 2019 are Sri Achal Kumar Gupta - Chairman, Sri Salim Gangadharan, Sri V.G. Mathew, Sri M George Korah and Sri Pradeep M Godbole.

The Risk Management Committee shall approve the policy, strategy and methods for risk management, by evaluating the overall risks faced by the Bank in determining the acceptable level of risks. The committee inter-alia looks into the following:

1. Review and approve on a regular basis the risk management policies recommended by RMCs, ALCO, including policies concerning credit risk, market risk, and operational risk and also the Business Continuity policy.
2. Approve risk management governance structure of the Bank and deciding the allocation of resources.
3. Define the risk appetite of the Bank.
4. Approve the vendors for risk data warehouse and other risk management software requirements.
5. Approve revisions in existing systems and policies to address risk management requirements and good practices.
6. Consider the effectiveness of overall risk management framework in meeting sound corporate governance principles and identifying, managing and monitoring the key risks of the Bank.
7. Oversee and monitor the Bank's compliance with regulatory requirements.
8. Approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities.
9. Review risk mitigation plans on significant risks, which affects policy or procedure level changes for effective implementation.
10. To review the direction of various risks attributable to the Bank based on an analytical model articulated by RBI.
11. Oversee functions of Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC), Asset Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC).

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12. Reviewing and approving the Internal Capital Adequacy Assessment Process.
13. Reinforce the culture and awareness of risk management throughout the organization that would attach high priority on effective risk management and adherence to sound internal controls.
14. Status/action taken report on the observations of the earlier Committee meeting.
15. All other agenda items required to be placed to RMCB in compliance with the policies of the bank and as directed by the Board/RMC from time to time.
16. Risk associated with outsourced activities of the Bank.
17. Review of Cyber Risk.
18. Monitoring of Liquidity Risk Parameters.
19. Review of Stress Testing.

The Committee met 4 times during the period. The dates of meetings were:

05.06.2018, 29.08.2018, 06.12.2018, 19.02.2019.

The details of the meetings of Risk Management Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Achal Kumar Gupta	4	4
Sri Salim Gangadharan	4	4
Sri V.G. Mathew	4	4
Sri K. Thomas Jacob *	2	2
Sri M George Korah #	2	2

*Ceased to be a member w.e.f. 31.08.2018

Inducted into the Committee w.e.f. 31.08.2018

Sri Pradeep M Godbole inducted into the committee w.e.f. 28.03.2019 and no meeting held during the year after his induction to the Committee.

(J) INFORMATION TECHNOLOGY STRATEGY COMMITTEE

This committee has been constituted w.e.f. March 2, 2010 to suggest improvement and monitor the implementation of modern technology in the Bank. In compliance with Gopalakrishna Committee report contained in RBI circular RBI/2010-11/494 DBS:CO:ITC:BC.No.6/31.02.008/2010-11 dated 29.04.2011 the name of the Information Technology Committee has been changed as "Information Technology Strategy Committee" and the scope, terms of reference of the Committee has been amended w.e.f. 28.11.2012. The Committee is chaired by Sri Pradeep M Godbole and consist of, Sri Salim Gangadharan, Sri V.G. Mathew and Sri M. George Korah as members as on March 31, 2019.

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

1. Suggest improvement and monitor the implementation of modern technology in the Bank;
2. Approving IT strategy and policy documents;

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

The Committee met 4 times during the year. The dates of meetings are :

14.05.2018, 10.07.2018, 05.11.2018, 11.03.2019

The details of the meetings of Information Technology Strategy Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	4	4
Sri V J Kurian	4	3
Sri V.G. Mathew	4	4
Sri K. Thomas Jacob *	2	2
Sri M. George Korah #	2	2

*Ceased to be a member w.e.f. 31.08.2018

Inducted into the Committee w.e.f. 31.08.2018

Sri Pradeep M Godbole inducted into the committee w.e.f. 28.03.2019 and no meeting held during the year after his induction to the Committee

@Leave of absence was granted to the concerned Members who had expressed their inability to attend the respective meetings

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(K) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to Section 135 of the Companies Act, 2013 and the rules and admissible activities notified therein by Ministry of Corporate Affairs in February 2014, the Bank is required to constitute a Corporate social responsibility Committee of Board to formulate Corporate Social responsibility Policy and to oversee the implementation of CSR activities undertaken by the bank. As provided in the Act and pursuant to the same, the Board of Directors has constituted a Corporate Social Responsibility (CSR) Committee of the Board, with Sri Francis Alapatt as Chairman of the Committee, Sri V.G. Mathew, Smt. Ranjana S. Salgaocar and Sri Parayil George John Tharakan as its members as at March 31, 2019.

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

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

Schedule VII includes the following items:

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

Socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward Classes, minorities and women;

- ix. contributions or funds provided to technology incubators located within academic institutions which approved by the Central Government.
 - x. Rural Development projects.
 - xi. Slum area development.
- 2) To stipulate and recommend the amount of expenditure to be incurred on the activities referred to in Clause (1); and
 - 3) Monitor and update, as and when warranted, the Corporate Social Responsibility Policy of the company from time to time.
 - 4) To recommend to the Board any other activities/programmes/projects, which may be recommended by the regulatory authorities from time to time.

The Committee met 4 times during the year. The dates of meetings were:

06.06.2018, 30.08.2018, 07.12.2018, 26.03.2019

The details of the meetings of Corporate Social Responsibility Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Francis Alapatt	4	4
Sri V G Mathew	4	4
Smt. Ranjana S Salgaocar	4	4
Sri V J Kurian*	3	3
Sri Parayil George John Tharakan #	1	1

* Ceased to be a member w.e.f. 19.01.2019

Inducted in to the Committee w.e.f. 19.01.2019

(L) CAPITAL PLANNING AND INFUSION COMMITTEE

The Bank had constituted one special purpose committee viz. Capital Planning & Infusion Committee. The Capital Planning & Infusion Committee was formed on May 28, 2014 to analyze various options for infusion of Capital and to do all acts and things and to take all decisions pertaining to the issue and which are ancillary and incidental to such decisions including the short-listing/appointment of Merchant Bankers to the issue. The members of the Committee as on March 31, 2019 are Sri Salim Gangadharan - Chairman, Sri V G Mathew, Dr. John Joseph Alapatt and Sri V J Kurian.

The Committee met 4 times during the period. The dates of meetings were:

05.06.2018, 15.10.2018, 11.03.2019, 26.03.2019.

ANNEXURE TO THE DIRECTORS' REPORT

The details of the meetings of Capital Planning & Infusion Committee of Directors attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	4	4
Sri V G Mathew	4	4
Sri K Thomas Jacob*	1	1
Dr. John Joseph Alapatt	4	4
Sri V J Kurian	4	4

* Ceased to be a member w.e.f. 31.08.2018

(M) COMMITTEE OF INDEPENDENT DIRECTORS

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

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

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

The recommendations of Committee of Independent Directors are placed to the Nomination and Remuneration Committee for timely follow-up and necessary actions.

The Committee met once during the year on 25.03.2019 All the Independent Directors of the Bank attended the meeting.

The details of the meetings of Independent Directors Committee attended by the Members during the year 2018-19, are given below:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Dr. John Joseph Alapatt	1	1
Sri Francis Alapatt	1	1
Smt. Ranjana S. Salgaocar	1	1
Sri Parayil George John Tharakan	1	1
Sri V J Kurian	1	1
Sri M. George Korah	1	1

(N) INTERVIEW COMMITTEE

The Interview Committee met 5 times during the period for the purpose of external recruitment and internal promotions. The members of the Committee are nominated by the Board from time to time. The dates of meetings were: 31.10.2018, 14.02.2019, 15.02.2019, 12.03.2019, 13.03.2019

The details of the meetings of Interview Committee of Directors attended by the Members during the year 2018-19, are given below

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	5	5
Sri. V G Mathew	5	5
Dr. John Joseph Alapatt	1	1
Smt. Ranjana S Salgaocar	1	1
Sri. Achal Kumar Gupta	4	4
Sri.V J Kurian	2	2

COMPENSATION POLICY:

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

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

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

Related Party Transactions

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

ANNEXURE TO THE DIRECTORS' REPORT

REMUNERATION PAID TO DIRECTORS DURING THE PERIOD APRIL 1, 2018 TO MARCH 31, 2019

The Bank paid a gross remuneration of ₹1,18,09,110/- during the period to Sri V.G. Mathew, the Managing Director and Chief Executive Officer of the Bank in accordance with the terms and conditions approved by Reserve Bank of India and the Shareholders.

- a) No pecuniary relationship exists for Independent Directors/ Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings/ monthly honorarium during the year as per law. The Independent Directors of the Bank also had no pecuniary relationship with the Bank, or directors.
- b) The criteria of making payments to Independent Directors/ Non-executive Directors of the Bank are disclosed on the Bank's website, the web link to which is <https://www.southindianbank.com/content/remuneration-criteria-for-directors/877>.

A) Details of Remuneration to MD & CEO

The details of remuneration paid to Sri V. G. Mathew, MD & CEO from April 1, 2018 to March 31, 2019 are as follows:

Particulars	Amount (₹)
Basic Pay	1,03,68,000
Other Perquisites (House Rent/ESOS)	404310
PF Bank Contribution	10,36,800
Gross Income up to (March 2019)	1,18,09,110
No. of Employee Stock options granted during the year (2018-19)	Nil

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

The Bank has paid ₹6,00,000/- to Sri Salim Gangadharan, Part-time Chairman, as honorarium from April 01, 2018 to March 31, 2019 and ₹28,95,000/- as sitting fees during the period 01.04.2018 to 31.03.2019.

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

As provided under Article 95A of the Articles of Association of the Bank, the sitting fees payable to a non-executive Director for attending a Meeting of the Board or Committee thereof are decided by the Board of Directors from time to time subject to the ceilings if any, prescribed under the Companies Act, 2013 and the rules there under. The Board of Directors have approved the payment of ₹60,000 as sitting fee for each Meeting of the Board and ₹40,000 as sitting fee for each Meeting of the Committee attended. Accordingly the Bank paid sittings fees during the period 01.04.2018 to 31.03.2019 as under:

Sri K. Thomas Jacob – ₹11,10,000/-, Dr. John Joseph Alapatt – ₹20,30,000/-, Sri Francis Alapatt – ₹13,20,000/-, Smt. Ranjana S Salgaocar – ₹13,60,000/-, Sri Parayil George John Tharakan – ₹11,20,000/-, Sri Achal Kumar Gupta – ₹21,50,000/- and Sri V J Kurian - ₹17,25,000/-, Sri M George Korah- ₹10,80,000/-, Sri Pradeep M Godbole – ₹60,000/-

Total amount of sitting fees paid to non-executive directors for year 2018-19 (excluding the honorarium paid to part-time non-executive Chairman) is ₹1,48,50,000/-.

3. BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT:

Resume of Directors seeking appointment/re-appointment at the 91st Annual General Meeting is given below:

1. Sri Salim Gangadharan

Name of the Director	Sri Salim Gangadharan (DIN: 06796232)
Date of Birth and age	13.10.1953 (65 Years)
Date of first appointment on Board	16 th January, 2014
Qualifications	M.A. Economics, CAIIB
Experience	Sri Salim Gangadharan is an exemplary scholar having substantial exposure in Banking Sector. He has over 36 years varied experience in Reserve Bank of India. He retired as Principal Chief General Manager and Regional Director, Reserve Bank of India, Trivandrum in October, 2013. During his career in the Reserve Bank of India, he worked in various operational departments, particularly in the areas of Bank Supervision, Currency Management, HR and Financial markets. He was the Regional Director for West Bengal, Sikkim and A&N Islands and had also headed the Foreign Exchange Department, Mumbai. He was a member of faculty in the Banker's Training College of the Reserve Bank of India, for Five years and handled several seminars and conferences on Risk Management, Payment Systems, Treasury Management, Credit Administration etc. He was on secondment to the Central Bank of Oman for five years. He is also a consultant of the IMF and UNDP. He was part of several internal working group in Reserve Bank of India/Government of India. In the past, he was representing the Reserve Bank of India and Government of India on the Boards of Catholic Syrian Bank, Syndicate Bank and Central Bank of India. He has been on the Board of the Bank since January 16, 2014.
Directorship in other Companies	NSE Clearing Limited Kerala Infrastructure Investment Fund SP Life Care Pvt. Ltd.
Membership of Committees in Public Limited Companies	NSE Clearing Limited Standing Committee on Technology - Chairman Advisory Committee - Member Regulatory oversight Committee - Member Risk Management Committee - Chairman Public interest Director Committee - Member Audit Committee - Member
Shareholding in the bank as on 31st March, 2019	20000
Relationship with other Directors of the Bank	N.A.
Present Position	Non-Executive Director
Sector	Majority (Banking)

ANNEXURE TO THE DIRECTORS' REPORT

Sri Salim Gangadharan (DIN: 06796232) was appointed as the Non Executive Director of the Bank with effective from January 16, 2014 pursuant to the provisions of Section 161 of the Companies Act, 2013 and appointed as a director liable to retire by rotation the 90th AGM held on 11 July, 2018. He is the Member of Nomination and Remuneration Committee, Risk Management Committee, Committee to Prevent & Review Frauds in the Bank, IT Strategy Committee and Chairman of Capital Planning & Infusion Committee and Management Committee of the Bank.

2. Sri M George Korah

Name of the Director	Sri M George Korah (DIN: 08207827)
Date of Birth and age	23.03.1960 (59 years)
Date of first appointment on Board	31.08.2018
Qualifications	B.Com., CA
Experience	Mr. M George Korah, is a fellow member of the Institute of Chartered Accountants of India. He is a qualified Information System Auditor and was a rank holder in the I.S.Examination conducted by the Institute of Chartered Accountants of India.He is also a partner of M/s Korah & Korah, Chartered Accountants, has been in practice for over 30 years. Mr. Korah is a trustee of Greenstorm Foundation, Cochin (Not for Profit Public Registered Trust) and financial consultant to several business organisations including Information Technology Companies.
Directorship in other Companies	Nil
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on 31st March, 2019	Nil
Relationship with other Directors of the Bank	Nil
Present Position	Independent Director
Sector	Majority (Accountancy)

Sri M George Korah (DIN: 08207827) was appointed as the Additional Independent Director of the Bank with effective from 31st August 2018 pursuant to the provisions of Section 161 of the Companies Act, 2013, holds office up to the date of this Annual General Meeting of the Bank and is eligible for appointment. He is member of NPA Review Committee, Risk Management Committee, IT Strategy Committee, Committee to Prevent and Review Frauds in the Bank and he is the Chairman of Audit Committee.

3. Sri Pradeep M Godbole

Name of the Director	Sri Pradeep M Godbole (DIN: 08259944)
Date of Birth and age	04.10.1964 (54 years)
Date of first appointment on Board	26.03.2019
Qualifications	B.Com., ACA

Experience	Mr. Pradeep M Godbole is a Chartered Accountant with 30 + years of Banking, Technology, Consulting, Auditing, Accounting and Management experience. He has held senior management positions at reputed organizations - Big 4 consulting firms like Ernst & Young; IT organizations like Oracle Financial Services Software (OFSS) & Wipro; and Banks like Deutsche Bank. Mr. Godbole is currently working on capability building initiatives and is a guest faculty at The Institute of Chartered Accountants of India (ICAI). Mr. Godbole is also a speaker at professional events & seminars.
Directorship in other Companies	RiskIntellect Solutions Private Limited
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on 31st March, 2019	Nil
Relationship with other Directors of the Bank	Nil
Present Position	Additional Director
Sector	Minority

Sri Pradeep M Godbole (DIN: 08259944) was appointed as the Additional Director of the Bank with effective from 26th March, 2019 pursuant to the provisions of Section 161 of the Companies Act, 2013, holds office up to the date of this Annual General Meeting of the Bank and is eligible for appointment. He is member of Management Committee, Committee to Prevent and Review Frauds in the Bank, Risk Management Committee and is the Chairman of IT Strategy Committee.

4. Smt. Ranjana S Salgaocar

Name of the Director	Smt. Ranjana S. Salgaocar (DIN: 00120120)
Date of Birth and age	29.07.1954 (64 years)
Date of first appointment on Board	1 st October 2014
Qualifications	M.B.A., BSW
Experience	She is a BSW gold medalist from Mumbai University and an MBA from the prestigious Jamnalai Bajaj Institute of Management. She serves on the Board of various Private Limited Companies and not a Director in any other Public Limited Company. She was Director of Syndicate Bank, Goa University and Red Cross Society of Goa. She is the author of 'The Pleasure of Your Company' which is well-researched reference book on etiquette for senior multinational corporate executives. In additions, she is a professional conducting workshops on corporate etiquette for senior executives in large firms, MNCs, Banks and business houses.

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Directorship in other Companies	Dhanishta Real Estates Pvt. Ltd. Ganadev Real Estate Pvt. Ltd. Ganapal Real Estates Pvt. Ltd. Goa Minerals Pvt. Ltd. Great Lake Finance & Leasing Pvt. Ltd. Grindwell Norton Ltd. Pyramid Finance Pvt. Ltd. Salgaocar Sports Club Shivranjani Securities Co. Pvt. Ltd. Tumkur Minerals Pvt. Ltd. V. M. Salgaocar and Brother Pvt. Ltd.
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on 31st March, 2019	83,666
Relationship with other Directors of the Bank	Nil
Present Position	Independent Director
Sector	Minority

Smt. Ranjana S. Salgaocar was appointed as an Additional Director of the Bank on October 1, 2014, pursuant to the Section, 149 of the Companies Act, 2013 and was appointed as Independent Director of the Bank for a period of 5 years. In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. She is a member of Nomination and Remuneration Committee, Premises Committee, Corporate Social Responsibility committee and Chairperson of Stakeholders Relationship Committee

5. Sri Parayil George John Tharakan

Name of the Director	Sri Parayil George John Tharakan (DIN: 07018289)
Date of Birth and age	24.12.1960 (58 years)
Date of first appointment on Board	25 th November 2014
Qualifications	B.Com., LLB
Experience	He is actively engaged in various agricultural activities for the past 30 years.
Directorship in other Companies	Nil
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on 31st March, 2019	21,874
Relationship with other Directors of the Bank	Nil
Present Position	Independent Director
Sector	Majority (Agriculture)

Sri Parayil George John Tharakan was appointed as an Additional Director of the Bank on November 25, 2014, pursuant to the Section, 161 of the Companies Act, 2013 and was appointed as Independent Director of the Bank for a period of 5 years. In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years. He is a member of Customer Service committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee and Chairman of Premises Committee

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

Name of Meeting	Day, Date and Time	Venue	Whether any Special Resolution(s) Passed
88 th Annual General Meeting	Friday, July 8, 2016 at 10.00 a.m	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution to seek approval of FIPB to increase the FDI Limit from 49% to 59% of paid-up Share Capital. 2. Special Resolution to Approve the borrowing/raising funds in Indian/foreign currency by issue of debt securities upto ₹500 Crore on private placement basis.
89 th Annual General Meeting	Tuesday, July 11, 2017 at 10.00 a.m	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. To Re-appoint Sri V. G. Mathew as Managing Director & CEO and approve the payment of remuneration and other terms and conditions of appointment for a period of 3 years w.e.f. 01.10.2017 to 30.09.2020.

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			2. To pass a special resolution for exercising the borrowing powers of the Bank pursuant to Section 180(1)(c) of the Companies Act, 2013. 3. To Augment the Paid-up Capital of the Bank by further issue of shares. 4. To Approve the borrowing/raising funds in Indian/foreign currency by issue of debt securities upto ₹500 Crore on private placement basis
90 th Annual General Meeting	Wednesday, July 11, 2018 at 10.00 a.m	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. To appoint Dr. John Joseph Alapatt (DIN: 00021735) as an Independent Director 2. To appoint Mr. Francis Alapatt (DIN: 01419486) as an Independent Director 3. To pass a special resolution for exercising the borrowing powers of the Bank pursuant to Section 180(1)(c) of the Companies Act, 2013 4. To Augment the Paid-up Capital of the Bank by further issue of shares 5. To Approve the borrowing/raising funds in Indian/foreign currency by issue of debt securities upto ₹500 crore on private placement basis

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

5. DISCLOSURES

A) MD & CEO/CFO Certification

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

B) Internal Control Systems Code of Conduct

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

Code of Conduct for Prevention of Insider Trading

The Bank has adopted a Code of Conduct for Prevention of Insider Trading in accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 2015 and Companies Act, 2013 with a view to regulate trading in securities by the Directors and designated employees of the Bank. The Code requires pre-clearance for dealing in the Bank's shares beyond threshold limits. Further, it prohibits the purchase or sale of Bank shares by the Directors and the designated employees

while in possession of unpublished price sensitive information in relation to the Bank and during the period when the Trading Window is closed. The code of conduct for prevention of insider trading are available on the website of the Bank. <https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215&LinkIdLvl3=784&linkId=784>

Whistle Blower Policy:

Bank has formulated a Whistle Blower Policy with a view to provide a mechanism for employees of the Bank to approach the Chairman of the Audit Committee of the Bank/Ethics Counsellor (Chief of Internal Vigilance) in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank and to prohibit Managerial functionaries from taking any adverse personal action against those employees. The vigil mechanism shall provide for adequate safeguards against victimisation of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee. All protected disclosures reported under this policy will be thoroughly investigated by the Ethics Counsellor/Chairman of the Audit Committee of the Bank. The investigation is to be normally completed within 45 days of receipt of the protected disclosure. The identity of the whistle blower shall be kept confidential to the extent possible and permitted under law. The functioning of the Whistle Blower Policy mechanism is reviewed half yearly by the Audit Committee and the Policy is reviewed annually by the Board and no personnel was denied access to Audit Committee. The Details of whistle Blower Policy are available on the website of the Bank. www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215&LinkIdLvl3=789&linkId=789

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C) Other Disclosures

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

Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

Risk is an integral part of the banking business and the Bank's aim is to maintain portfolio quality by making appropriate risk/reward trade-offs. Key risks that the Bank is exposed to are credit, concentration, market, country exposure, liquidity, operational and reputation risk.

The Board of Directors of the Bank has oversight of all the risk assumed by the Bank and has delegated its power to manage risk to Risk Management Committee (RMC) of the Board. The Bank does not have direct exposure on any commodities. The Bank has exposure to borrowers which are secured against various commodities.

Familiarization Programme

The Bank had conducted various sessions during the financial year to familiarize Independent Directors of the Bank, their roles, rights, responsibilities in the Bank, nature of the Banking Industry, business model, risk management system and technology architecture of the Bank. Further, the Directors are encouraged to attend the training programmes being organized by various regulators/bodies/institutions on above matters. The details of such familiarization programmes are displayed on the weblink of the Bank. (<https://www.southindianbank.com/content/directors-training-register/875>)

Information supplied to the Board

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

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

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

1. Approval of Bank's strategic and business plans and forecasts; periodical review of achievement of business targets, implementation of strategic initiatives and plans.
2. Approval of Annual operating plans and budgets including capital budgets and any updates.
3. Detailed scrutiny and approval of quarterly and annual financial results;
4. Status of NPA management and reported NPA and provisioning integrity
5. Preparation, modification, deviation and review of Policies of the Bank including policies concerning credit, operational, market, liquidity risks.
6. Assessing the independence of the risk function in the Bank. Consider the effectiveness of overall risk management framework in meeting sound corporate governance principles and identifying, managing and monitoring the key risks of the Bank
7. Periodical assessment of Capital Adequacy.
8. Appointment or Removal of Board of Directors, Key Managerial Personnel, other senior managerial personnel one level below Board of Directors and Chief Information Officer, Chief Security Officer, Chief Risk Officer, Chief Compliance Officer.
9. Approval of remuneration, perks and perquisites for Directors including Managing Director, Chairman and other Directors, employees, incentive schemes for employees, promotion policies for employees, training and skill development of employees.
10. Review of priority sector lending; support to microfinance institutions, deposit mobilization from weaker sections; Financial Inclusion initiatives of the Bank etc.
11. Review of observations from the Risk Based Supervision by RBI, and from the Long Form Audit Report;
12. Review of action taken report on Board Directions
13. Sale of investments, assets, Purchase and Sale of subsidiaries which are material nature and not in the normal course of business and other key decisions pertaining to the Subsidiaries.
14. Constitution/re-constitution of Board Committees and review of minutes of meetings of audit committee and other committees of the board .
15. Information and updates as appropriate on Bank's products; development of new products and review of status of customer complaints/grievances.
16. Recruitment/Manpower assessment/succession planning aligning with business strategy of the Bank.
17. According sanction for related party transactions which are not in the ordinary Course of business or which are not on arm's length basis.
18. Recommendation of Dividend.
19. Issue of Securities/Bonds/Debentures.
20. Review corporate and management controls and systems including procedures;
21. Items arising out of separate meeting of the Independent Directors if so decided by the Independent Directors.
22. Review/Approval of new tie-up with exchange houses/ MTSS arrangements.
23. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
24. Any material default in financial obligations to by the listed entity and non-compliance of any regulatory, statutory or listing requirements.
25. Review of Employee grievance redressal systems/disciplinary proceedings against officers/employees.
26. Show cause, demand, prosecution notices and penalty notices which are materially important. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company

ANNEXURE TO THE DIRECTORS' REPORT

- or taken an adverse view regarding another enterprise that can have negative implications on the company.
27. All agenda items required to be placed to the Board in compliance with Policies of the Bank and as directed by the Board from time to time.
 28. Any other agenda items which are not specifically delegated by the Board to any other Committees/sub-Committees.
 29. Review of all reports as per the Calendar of Reviews stipulated by the RBI from time to time.
 30. Delegation/modification of authority/power entrusted to the Board and change in organisational structure of the Bank.
 31. All relevant information for taking informed decisions in respect of matters brought before the Board.
 32. Any other items/information as may be prescribed in SEBI (LODR) Regulations 2015, the Companies Act, 2013 and by Reserve Bank of India.

6. MEANS OF COMMUNICATION

The unaudited/audited quarterly/half yearly/annual financial results of the Bank are forwarded to the BSE Ltd. and National Stock Exchange of India Ltd. immediately after the Board meeting and are published in prominent national and regional dailies such as Deepika, Business Line, Economic Times etc. The result, Annual Report including Notice and Explanatory Statement and presentation made to investors during the year are also displayed on the Bank's Website at www.southindianbank.com.

7. GENERAL SHAREHOLDER INFORMATION

91 st Annual General Meeting	Date	17th July, 2019 .
	Day	Wednesday .
	Time	10.00 a.m .
	Venue	Hotel 'Casino Cultural Auditorium Ltd.', T.B. Road, Thrissur .
Financial year		2018-19
Book closure date		Thursday the 11 th day of July, 2019, to Wednesday the 17th day of July, 2019 (both days inclusive)
Dividend Payment date		From Tuesday, 23rd July, 2019 onwards
Last Date of receipt of Proxy Forms		The instrument appointing the proxy, in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Bank not less than 48 hours before the commencement of the meeting.
Name & designation of Compliance officer		JIMMY MATHEW Company Secretary
Share Transfer Agents		BTS Consultancy Services Pvt. Ltd. M S Complex, 1st Floor, No. 8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur, Kolathur, CHENNAI – 600 099 Tel.: 044-25565121 Fax: 044-25565131 E-mail : helpdesk@btsindia.co.in Contact Person- Mr. C T Gopalakrishnan, Director & Compliance Officer

Bank's address for Correspondence		The South Indian Bank Ltd., "SIB House", Secretarial Department, P.B.No.28, T.B.Road, Mission Quarters Thrissur - 680 001, Kerala. Phone: 0487-2429333 Fax : 0487-2424760
Corporate Identity Number (CIN)		L65191KL1929PLC001017
E-mail address		ho2006@sib.co.in
Bank's Website		http://www.southindianbank.com

LISTING OF THE BANK'S EQUITY SHARES

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

1. The National Stock Exchange of India Ltd.
(Stock Code: SOUTHBANK)
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051
Tel No: (022) 26598100 - 8114, Fax No.: (022) 26598120
2. The BSE Ltd. (Stock Code: 532218)
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001
Phones : (022) 22721233/4, Fax : (022) 22721919.

The listing fees payable to the Stock Exchanges for the financial year 2019-20 have already been remitted.

LISTING OF OTHER SECURITIES

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

1. Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds issued on 20.08.2009 (Stock Code: 946254)
2. Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures issued on 30.09.2015 (Stock Code: 952810)
3. Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures issued on 28.11.2017 (Stock Code: 957189)
4. Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures issued on 26.03.2019 (Stock Code: 958670)

Debenture Trustee Details

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

The Market Price Data of Bank's Shares

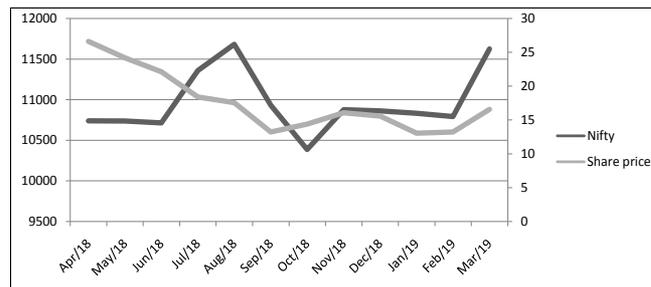
The monthly high and low prices of the Bank's shares traded on the National Stock Exchange of India Ltd. (NSE), Mumbai and

ANNEXURE TO THE DIRECTORS' REPORT

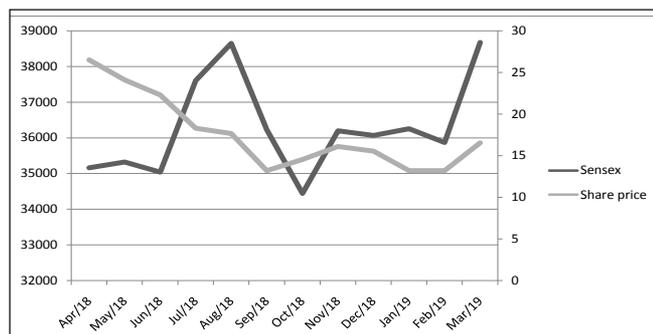
BSE Ltd. (BSE), Mumbai during the period April 2018 to March 2019 are as under:

MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	27.15	22.90	26.65	23.45
May	27.40	23.95	26.95	24.05
June	25.50	21.30	25.00	21.40
July	23.75	17.75	22.65	17.80
August	18.55	17.40	18.35	17.55
September	17.70	12.90	17.55	13.15
October	15.39	12.45	14.85	12.60
November	16.25	14.05	16.10	14.30
December	16.95	14.90	16.80	15.05
January	16.15	12.90	15.90	13.15
February	14.40	12.65	13.70	12.85
March	16.78	13.30	16.50	13.65

Performance of the South Indian Bank Equity Shares relative to NSE Nifty during FY 2018-19.



Performance of the South Indian Bank Equity Shares relative to S&P BSE SENSEX during FY 2018-19



DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2019.

CATEGORY (NO. OF SHARES)	PHYSICAL		DEMAT	
	NO. OF HOLDERS	SHARES	NO. OF HOLDERS	SHARES
UP TO – 100	3006	46429	122995	5559622
101 – 200	2059	267057	41589	7202408
201 – 500	2431	872676	65627	25319067
501 – 1000	2650	1837026	50243	42490681
1001 – 5000	21171	40089525	69769	165508065
5001 – 10000	1313	9625082	12552	93846991
10001 – 50000	820	15384316	10161	213622481
50001 & ABOVE	89	11493780	1882	1176516945
TOTAL	33539	79615891	374818	1730066260
% to total Shares	–	4.40	–	95.60

Total number of shareholders both physical and electronic put together is 408357.

MEMBERS' PROFILE AS ON MARCH 31, 2019 IS AS UNDER

Sl. No.	CATEGORY	SHARES		TOTAL SHARES	% OF SHARE-HOLDING
		PHYSICAL	DEMAT		
1	RESIDENT INDIVIDUALS	66181907	756515067	822696974	45.46
2	INDIAN FINANCIAL INSTITUTIONS	0	72275875	72275875	3.99
3	FOREIGN INSTITUTIONAL INVESTOR	0	0	0	0.00
4	NON-RESIDENT INDIANS	10089327	145922901	156012228	8.62
5	BODIES CORPORATES	2863595	100264093	103127688	5.70
6	DIRECTORS & RELATIVES	480696	1685350	2166046	0.12
7	MUTUAL FUNDS	0	160802909	160802909	8.89
8	TRUSTS	0	43192	43192	0.00
9	BANKS	0	2715884	2715884	0.15
10	CLEARING MEMBERS	0	12141095	12141095	0.67
11	HUF	366	24893376	24893742	1.38
12	FOREIGN PORTFOLIO INVESTOR (CORP)	0	436621233	436621233	24.13
13	FOREIGN PORTFOLIO INVESTOR (INDV)	0	136548	136548	0.01
14	FOREIGN NATIONALS	0	262100	262100	0.01
15	ALTERNATIVE INVEST FUND	0	9033193	9033193	0.50
16	IEPF AUTHORITY MCA	0	6753444	6753444	0.37
	GRAND TOTAL	79615891	1730066260	1809682151	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 Agent for the Bank's equity and debt issues. The Bank's equity shares which are in compulsory dematerialized (demat) list are transferable through the depository system. The Share Transfer Agents, after processing the requests of investors, put up the same to the Bank's officer in the cadre of GM or above who is in charge of Administration, wherever necessary, for his approval and thereafter all such cases are put up to the Stakeholders Relationship Committee of the Board of the Bank for its information. The share transfers are generally processed within a period of 15 (fifteen) days from the date of receipt of the transfer documents by the Share Transfer Agent. Pursuant to the SEBI Listing Regulations, with effect from April 1, 2019, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository.

Registrars and share transfer agent

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

DEMATERIALISATION OF SHARES AND LIQUIDITY

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 683A01023. As at the end of March 2019, 1730066260 (95.60%) shares of the Bank have been converted into dematerialized form and 79615891 (4.40%) shares were being held in physical form.

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

Commodity Price Risk or Foreign Exchange Risk and Hedging Activities:

To monitor Foreign Exchange risk, Bank has envisaged Forex VaR and AGL which are being monitored on daily basis by Risk department. Bank also has Investment, Forex and Derivative policy to define and regulate forex operations taken up by the Bank and different levels of limits are given in it. Treasury also monitors Foreign assets liabilities gap to hedge it in the market.

Bank hedges its foreign currency position using derivatives

including mainly SWAPs and outright Forwards. Bank is not involved in commodity trading and its hedging activities.

UNCLAIMED/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, Thrikkakara P.O., Kochi - 682 021.

In terms of the provisions of Section 124(5) of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended from time to time, the Bank is statutorily required to transfer to the Investor Education & Protection Fund ('IEPF'), established by the Central Government, all dividends remaining unpaid/unclaimed for a period of 7 (Seven) years, thereon, from the date of transfer of such Dividend to the Unpaid Dividend Account. In compliance with above, the unpaid dividend of ₹91,24,772.00 for the financial year 2010-11 has already transferred to the fund on August 22, 2018. Once such amounts are transferred to IEPF, no claim of the shareholder shall lie against the Bank. However, shareholders may claim their unclaimed amount as per the procedures/guidelines issued by the Ministry of Corporate Affairs (MCA). Dividends for and upto the financial year ended March 31, 2011 have already been transferred to the IEPF and dividend for the financial year ended March 31, 2012 shall be transferred to IEPF after the due date i.e. July 29, 2019.

The Ministry of Corporate Affairs on May 10, 2012 has notified Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, whereby companies are required to identify and upload information regarding unclaimed amounts due to be transferred to IEPF on the Ministry's website and also on Bank's website in the following link <https://www.southindianbank.com/content/list-of-shareholders-wrt-transfer-of-unclaimed-shares/2652> Accordingly, the details of such unpaid/unclaimed amounts along with their respective due dates for transfer to IEPF are provided for the benefit of investors. The Shareholders may please claim their unclaimed/unpaid amount due to them by making a request to the Company giving their particulars before the same are transferred to the IEPF.

Transfer of 'Underlying Shares' in respect of which dividend has not been claimed for seven consecutive years or more, to the IEPF

In terms of Section 124 (6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended from

ANNEXURE TO THE DIRECTORS' REPORT

time to time, members are requested to note that the shares in respect of which dividends have been unpaid or unclaimed for seven consecutive years or more shall be credited to the IEPF Demat Account maintained with depositories. Upon transfer of such shares, all benefits (e.g. bonus, spilt etc.), if any, accruing on such shares shall also be credited to the IEPF Demat Account and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. Accordingly, shares in respect of which dividend has not been paid or claimed for seven consecutive years for the financial year 2010-11 has been transferred by the Bank to the DEMAT Account of the authority on 4th September 2018. Further, all shares in respect of which dividend has not been paid or claimed for seven consecutive years from the financial year 2011-12 shall be transferred by the Bank to the DEMAT Account of the authority on 29th July 2019.

In this connection, the Bank had sent intimation letters to members in respect of the shares on which dividend had remained unpaid or unclaimed for seven consecutive years or more, requesting them to claim such dividend so as to avoid the corresponding shares being transferred to the IEPF authority. Simultaneously, an advertisement to this effect was published in leading English and vernacular newspapers.

The aforesaid Rules also prescribe the procedure to be followed by an investor to claim the Shares/Dividend amount transferred to IEPF. Shares which are transferred to the IEPF Demat Account can be claimed back by the shareholder from IEPF Authority by following the procedure prescribed under the aforesaid rules.

There are no shares in Equity shares suspense account as the shares lying in the Suspense Account had been transferred to IEPF Demat Account during the Financial Year 2017-18. The voting rights on these shares in IEPF account shall remain frozen till the rightful owner of such shares claims the shares.

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

The Bank has complied with all mandatory recommendations prescribed in Listing Agreement/SEBI (LODR) Regulations, 2015. A certificate to this effect issued by M/s SVJS & Associates, Practicing Company Secretaries is annexed.

Further, a certificate issued by M/s SVJS & Associates, Practicing Company Secretaries, Pursuant to regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") to the effect that none of the Directors, who are on the Board of the Bank as on 31st March 2019 have, been

debarred or disqualified from being appointed or continuing as Directors of the Bank is annexed.

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

The Board

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

Audit Qualifications

During the period under review, there is no audit qualification in the Bank's financial statements.

Separate posts of chairperson and chief executive officer

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

Shareholder's Rights

The Bank publishes its results on its website at www.southindianbank.com which is accessible to the public at large. The same are also available on the websites of the Stock Exchanges on which the Bank's shares are listed. The Bank's results for each quarter are published in an English newspaper having a wide circulation and in a Malayalam newspaper having a wide circulation in Kerala.

9. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

I, V. G. Mathew, MD & CEO hereby declare that the Bank's Code of Conduct has been accepted and the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management as required under SEBI (LODR) Regulations, 2015 "on Corporate Governance".

By Order of the Board

Place : Cochin
Date : May 9, 2019

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

ANNEXURE TO THE DIRECTORS' REPORT

CEO/CFO Certification

We, V G Mathew, Managing Director & CEO and Chithra H, Chief Financial Officer, of THE SOUTH INDIAN BANK LIMITED hereby certify that:

- A) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2019 and that to the best of our knowledge and belief:
- i. statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
 - ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- D) We have indicated, to the Auditors and the Audit Committee:
- i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Yours faithfully

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

CHITHRA H
Chief Financial Officer

Place : Kochi
Date : May 09, 2019

ANNEXURE TO THE DIRECTORS' REPORT

Certificate on compliance with the conditions of Corporate Governance under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To The Members

The South Indian Bank Limited

1. The accompanying Corporate Governance Report prepared by The South Indian Bank Limited (hereinafter the "Bank"), contains details as required by the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to Corporate Governance for the year ended March 31, 2019.

Managements' Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Bank including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The Management along with the Board of Directors are also responsible for ensuring that the Bank complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Our Responsibility

4. The procedures for verification that have been selected depend on judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. The key procedures performed include:
 - i. Reading and understanding of the information prepared by the Bank and included in its Corporate Governance Report;
 - ii. Obtained and verified that the composition of the Board of Directors w.r.t. executive and non-executive directors has been met throughout the reporting period;
 - iii. Obtained and read the Directors Register as on March 31, 2019 and verified that at least one woman director was on the Board during the year;
 - iv. Obtained and read the minutes of the annual general meeting held on July 11, 2018;
 - v. Obtained and read the minutes of the Board of Directors and the committees of the Board of Directors, held April 1, 2018 to March 31, 2019 viz., Audit Committee, Nomination and Remuneration Committee, Stakeholder Relationship Committee, Risk Management Committee and Corporate Social Responsibility Committee.

- vi. Obtained necessary representations and declarations from directors of the Bank including the independent directors; and
- vii. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this certificate did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Bank taken as a whole.

Opinion

5. Based on the procedures performed by us, and according to the information and explanations given to us, we are of the opinion that the Bank has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended March 31, 2019. *As per Regulation 18 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, two-thirds of the members of audit committee are required to be independent directors. For a period of eleven days the audit committee consisted of three independent directors out of the total of five members.*

Other matters and Restriction on Use

6. This certificate 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.
7. This certificate is addressed to and provided to the members of the Bank solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose.

We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.

For SVJS & Associates
Company Secretaries

Kochi
09.05.2019

Sd/-
CS. Vincent P. D.
Managing Partner
CP No.: 7940, FCS: 3067

ANNEXURE TO THE DIRECTORS' REPORT
CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34 (3) and Schedule V Para C Clause (10) (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
 The Members
The South Indian Bank Limited
 SIB House, Mission Quarters
 T B Road, Thrissur-680001
 Kerala

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **The South Indian Bank Limited** having CIN: **L65191KL1929PLC001017** and having registered office at SIB House, Mission Quarter, T B Road, Thrissur-680001, Kerala (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34 (3) read with Schedule V Para C Clause 10 (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on **31st March, 2019** have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such Statutory Authority.

Sl. No.	Name of Director	DIN	Date of appointment in Company
1	Mr. Salim Gangadharan	06796232	16/01/2014
2	Mr. V. G. Mathew	05332797	01/10/2014
3	Dr. John Joseph Alapatt	00021735	24/09/2012
4	Sri Francis Alapatt	01419486	01/11/2013
5	Smt. Ranjana S Salgaocar	00120120	01/10/2014
6	Sri Parayil George John Tharakan	07018289	25/11/2014
7	Sri Achal Kumar Gupta	02192183	11/01/2017
8	Sri V. J Kurian	01806859	23/03/2018
9	Sri M. George Korah	08207827	31/08/2018
10	Sri Pradeep M Godbole	08259944	26/03/2019

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SVJS & Associates
 Company Secretaries

Kochi
 09.05.2019

Sd/-
CS.Vincent P. D.
 Managing Partner
 CP No.: 7940, FCS: 3067

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SOUTH INDIAN BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The South Indian Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information in which are included the returns for the year ended on that date audited by the branch auditors of the Bank's branches located at across India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 ("the Act") 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, of the state of affairs of the Bank as at March 31, 2019, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements

and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Schedule 18.A.31(a)(i) to the financial statements regarding deferment of additional provision requirement on account of Debt Asset Swap transactions ("DAS") entered into by the Bank in earlier years pursuant to the Reserve Bank of India's letter dated May 2, 2019 ref. DBS(T) No./424/02.02.006/2018-19 to the bank prescribing asset classification and provisioning norms for DAS transactions and the unamortized balance of ₹33 crores as at March 31, 2019.

Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
Classification and Provisioning of Advances (Refer note Schedule 17.3 and Schedule 18.A.9 and to the financial statements)	
<p>The Reserve Bank of India ('RBI') prescribes the prudential norms for identification and classification of Non-performing assets (IRAC Norms) and prescribes the minimum provision required for such assets. However, the bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each non-performing asset ('NPA') criteria applying both quantitative as well as qualitative factors prescribed by the regulations.</p> <p>At year end the Bank reported total gross non-performing advances of ₹313,167 Lakhs (2018: ₹198,030 Lakhs) and non-performing asset provision of ₹93,782 Lakhs (2018: ₹54,106 Lakhs).</p>	<p>The audit procedures performed, among others, included:</p> <ul style="list-style-type: none"> - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRAC Norms). - We understood, evaluated and tested the design and operating effectiveness of key controls (including application controls) around identification and provisioning of impaired accounts based on the extant guidelines on IRAC laid down by the RBI.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
<p>Significant judgements and estimates around NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRAC norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; <p>Since the identification of NPAs and provisioning of advances requires significant level of estimation and given its significance to the overall audit, we have ascertained identification and provisioning of NPAs as a key audit matter.</p>	<ul style="list-style-type: none"> - We performed other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: <ul style="list-style-type: none"> - Considering testing of the exception reports generated from the application systems where the advances have been recorded. - Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress - Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors - Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product - Considering audit reports and memorandum of changes issued by branch auditors - Considering the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year - For Non- performing advances identified we based on our sample on factors including stressed sectors and account materiality tested the asset classification dates, value of available security and provisioning as per IRAC norms. We recomputed the provision of NPA based after considering the key input factors and compared our measurement outcome to that prepared by management and investigated any differences arising.
Pension valuation, retirement benefit obligations and provision for wage revisions	
<p>The Bank operates defined benefit schemes like gratuity, pension and leave benefits for its employees which in total are significant in the context of the overall balance sheet. At year end the Bank reported a pension liability of ₹70,021 Lakhs (2018: ₹65,013 Lakhs), and gratuity provision of ₹21,644 Lakhs (2018: ₹21,150 Lakhs). Further, it has also provided for provision towards wage revision in anticipation towards negotiation between Banks and its employees in the current financial year.</p> <p>The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The net defined benefit asset is sensitive to changes in the assumptions.</p>	<ul style="list-style-type: none"> • We tested the design and operating effectiveness of key controls over the completeness and accuracy of data extracted and supplied to the Bank's actuaries, which is used to calculate the defined benefit schemes' surplus or deficit. • We also tested the controls associated with the actuarial assumptions setting process and the measurement of the fair value of the schemes' assets. • We understood the judgements made in determining the assumptions used by management to value the retirement benefit liabilities and we examined whether these assumptions met the requirements of the applicable accounting standards, the specific circumstances of the schemes and their participants, and were in line with market practice.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the key audit matter
<p>Further, regarding wage revision the management has made provisions based on previous experience, progress of ongoing negotiations with trade unions and other market factors, involving significant level of judgements and estimates.</p> <p>Considering the significant level of judgements and estimates and the materiality involved, we have included this as a Key audit matter.</p>	<ul style="list-style-type: none"> • Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We have also evaluated the independence, qualifications and results of work performed by management's actuaries involved in the valuation process. • We agreed the value of plan assets to the statements provided by asset management companies managing the plan assets. • Verified the disclosures provided by the Bank in accordance with AS 15(R) Employee Benefits. • Regarding the estimate on wage revision, we discussed and understood the wage negotiation process and understood the key assumptions used for estimating the provision and compared the same for consistency and reasonability based on past experience.
Information Technology ('IT') Systems and Controls for financial reporting	
<p>Our audit procedures have a focus on those IT systems and controls which are material from a financial reporting perspective, due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.</p> <p>Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a Key audit matter.</p>	<ul style="list-style-type: none"> • We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We tested the Bank's periodic review of access rights. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.

Information other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

INDEPENDENT AUDITOR'S REPORT

with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank provision of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements

INDEPENDENT AUDITOR'S REPORT

regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. 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 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.
2. As required sub Section (3) of Section 30 of the Banking Regulation Act, 1949 and the appointment letter dated June 12, 2018, 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; and
 - c. The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit.
3. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
 - (c) The reports on the accounts of the branch offices of the Bank audited under Section 143(8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report;
 - (d) The Balance Sheet, the Profit and Loss Account, the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from the branches not visited by us;

- (e) In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- (f) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- (g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
- (h) In our opinion, the entity being a banking company, the remuneration to its directors during the year ended March 31, 2019 has been paid/provided by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949, and;
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12.I and Schedule 18.B Note 9(1) to the financial statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts – Refer Schedule 18.B Note 9(2) to the financial statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S. R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration No.: 301003E/E300005

per Shrawan Jalan
Partner
Membership No.: 102102

Place : Mumbai
Date : May 09, 2019

**ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE
FINANCIAL STATEMENTS OF THE SOUTH INDIAN BANK LIMITED
Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of
Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of The South Indian Bank Limited ("the Bank") as of March 31, 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S. R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration No.: 301003E/E300005

per Shrawan Jalan
Partner

Membership No.: 102102

Place : Mumbai
Date : May 09, 2019

BALANCE SHEET AS AT MARCH 31, 2019

		Schedule No.	As at March 31, 2019 ₹ ('000)	As at March 31, 2018 ₹ ('000)
पूँजी और देयताएं	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	1,809,682	1,808,831
कर्मचारी स्टोक विकल्प (अनुदान)	Employees' Stock Options		17,486	19,523
बकाया	Outstanding			
आरक्षित निधियाँ और अधिशेष	Reserves and Surplus	2	51,543,570	50,603,384
निक्षेप	Deposits	3	804,201,181	720,295,937
उधार	Borrowings	4	49,032,033	40,433,800
अन्य ऋण तथा प्रावधान	Other Liabilities and Provisions	5	16,188,226	13,697,274
जोड़	TOTAL		922,792,178	826,858,749
संपत्तियाँ	ASSETS			
भारतीय रिज़र्व बैंक में नकदी अधिशेष	Cash and Balances with Reserve Bank of India	6	36,618,179	32,582,378
बैंको में अधिशेष और मांग पर तथा अल्प सूचना पर प्राप्य धन	Balances with banks and money at call & short notice	7	11,609,369	9,628,120
विनिधान	Investments	8	190,813,789	183,630,780
अग्रिम	Advances	9	626,937,446	545,628,867
स्थिर आस्तियाँ	Fixed Assets	10	7,086,629	6,807,812
अन्य आस्तियाँ	Other Assets	11	49,726,766	48,580,792
जोड़	TOTAL		922,792,178	826,858,749
आकस्मिक ऋण	Contingent Liabilities	12	96,693,723	115,076,489
संग्रहण के लिए बिल	Bills for Collection		14,360,852	11,928,689
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा संबंधी टिप्पणियाँ	Notes on Accounts	18		

अनुसूचियाँ ऊपर बैलेंस शीट का एक अभिन्न अंग के रूप में
Schedules referred to above form an integral part of the Balance Sheet

In terms of our report attached

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 301003E/E300005

per Shrawan Jalan
Partner
Membership No. 102102

Mumbai
May 9, 2019

Thomas Joseph K
Executive Vice President

Sivakumar G
Executive Vice President

Reghunathan K N
Executive Vice President

Chithra H
Chief Financial Officer

Jimmy Mathew
Company Secretary

Vijith S
Dy. General Manager

Kochi
May 9, 2019

For and on behalf of Board of Directors

Salim Gangadharan
Chairman
(DIN : 06796232)

Dr. John Joseph
Director
(DIN : 00021735)

Ranjana S. Salgaocar
Director
(DIN : 00120120)

Achal Kumar Gupta
Director
(DIN : 02192183)

M George Korah
Director
(DIN : 08207827)

V G Mathew
MD & CEO
(DIN : 05332797)

Francis Alapatt
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(DIN : 01419486)

Parayil George John Tharakan
Director
(DIN : 07018289)

V J Kurian
Director
(DIN : 01806859)

Pradeep M Godbole
Director
(DIN : 08259944)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

	Schedule No.	Year ended March 31, 2019 ₹ ('000)	Year ended March 31, 2018 ₹ ('000)
I. आय	I. INCOME		
अर्जित ब्याज	Interest Earned	13 68,765,237	61,928,104
अन्य आय	Other Income	14 7,262,130	8,372,447
जोड़	TOTAL	<u>76,027,367</u>	<u>70,300,551</u>
II. व्यय	II. EXPENDITURE		
व्यय किया गया ब्याज	Interest Expended	15 48,568,176	42,272,874
परिचालन व्यय	Operating Expenses	16 15,069,322	13,219,769
उपबंध और आकस्मिक व्यय	Provisions & Contingencies	18.A.31 9,914,524	11,458,987
जोड़	TOTAL	<u>73,552,022</u>	<u>66,951,630</u>
III. लाभ / हानि	III. PROFIT/LOSS		
वर्ष के शुद्ध लाभ	Net Profit for the year	2,475,345	3,348,921
पिछले वर्ष के अग्रनीत लाभ	Profit brought forward from previous year	3,540,313	3,556,620
विनियोग केलिये उपलब्ध लाभ	Profit available for Appropriation:	<u>6,015,658</u>	<u>6,905,541</u>
IV. विनियोग	IV. APPROPRIATIONS		
कानूनी आरक्षितियों को अंतरण	Transfer to Statutory Reserve	618,900	837,300
पूँजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve	363,712	298,801
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue and Other Reserve	-	500,000
आयकर अधिनियम धारा 36(1)(viii) के अंतर्गत विशेष आरक्षितियों को अंतरण	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act	700,000	730,500
आयकर अधिनियम धारा 36(1)(viii) के अंतर्गत विशेष आरक्षितियों को अंतरण पिछले वर्षों सहित संबंधित अस्थगित कर देयताएँ (नोट नं ए 29 (बी) अनुसूची 18 को उल्लेख कीजिए)	Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act pertaining to earlier years including corresponding Deferred Tax Liability (Refer Note No. A.29 (b) of Schedule 18)	FY 14-15 - FY 15-16 323,700 FY 16-17 148,000	135,000 - -
निधे उतार-चढ़ाव आरक्षितियों को अंतरण	Transfer to Investment Fluctuation Reserve	221,454	-
प्रस्तावित लाभांश	Dividend Paid for FY 17-18	723,800	721,368
प्रस्तावित लाभांश पर कर	Tax on Dividend Paid for FY 17-18	148,779	142,259
अतिशेष जो आगे तुलन पत्र में ले जाया गया है।	Balance carried over to Balance Sheet	2,767,313	3,540,313
जोड़	TOTAL	<u>6,015,658</u>	<u>6,905,541</u>
प्रति शेयर अर्जन (₹)	Earnings per share (Face value of ₹1 per share)		
आधार ईपीएस (₹)	Basic (in ₹)	18.B.2 1.37	1.86
तनुकृत ईपीएस (₹)	Diluted (in ₹)	18.B.2 1.37	1.85
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17	
लेखा संबंधी टिप्पणियाँ	Notes on Accounts	18	

अनुसूचियाँ ऊपर लाभ और हानि खाता का एक अभिन्न अंग के रूप में
Schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached

For and on behalf of Board of Directors

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 301003E/E300005

per **Shrawan Jalan**

Partner

Membership No. 102102

Mumbai

May 9, 2019

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Pradeep M Godbole
Director
(DIN : 08259944)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

	Year Ended March 31, 2019 ₹ ('000)	Year Ended March 31, 2018 ₹ ('000)
Cash flow from operating activities		
Net Profit as per Profit and Loss Account	2,475,345	3,348,921
Adjustments for:		
Provision for taxes (Net)	1,329,700	1,650,000
Depreciation	696,404	637,301
Amortisation of Premium on HTM Investments	464,422	402,732
Provision for Depreciation/Non-Performing Investments	1,436,529	3,089,735
General Provisions against Standard Assets	273,600	73,800
Provision/write off for Non-Performing Assets	6,842,962	6,934,577
Other Provisions	31,733	(279,507)
Employee stock options expense	9,851	9,687
Interest on Subordinated bonds	972,829	660,642
(Profit)/Loss on sale of land, buildings and other assets	(168)	(6,143)
Deferred Employee Benefits	204,500	68,167
Operating profit before working capital changes	(A) 14,737,707	16,589,912
Changes in working capital:		
Increase/(Decrease) in Deposits	83,905,244	59,121,039
Increase/(Decrease) in Borrowings	6,098,233	15,956,231
Increase/(Decrease) in Other Liabilities	1,642,325	337,882
(Increase)/Decrease in Investments	2,030,056	14,183,103
(Increase)/Decrease in Advances	(88,139,386)	(87,283,207)
(Increase)/Decrease in Other Assets	(2,123,597)	(9,808,163)
	(B) 3,412,875	(7,493,115)
Cash flow from operating activities before taxes	(A+B) 18,150,582	9,096,797
Direct Taxes Paid	(1,371,335)	(1,168,243)
Net cash flow from operating activities	(C) 16,779,247	7,928,554
Cash flow from investing activities:		
Purchase of Fixed Assets/Capital Work-in-Progress	(978,262)	(889,836)
Sale of Fixed Assets	3,210	5,527
(Purchase)/Sale of Investments (Held to Maturity)	(10,770,249)	(7,353,371)
Net cash flow from investing activities	(D) (11,745,301)	(8,237,680)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

	Year Ended March 31, 2019 ₹ ('000)	Year Ended March 31, 2018 ₹ ('000)
Cash flow from financing activities:		
Proceeds from issue of share capital (including share premium)	16,183	113,180
Dividend paid including Corporate Dividend Tax	(872,579)	(868,222)
Interest on Subordinated bonds	(660,500)	(502,500)
Issue/(Repayment) of Subordinated bonds	2,500,000	4,900,000
Net cash flow from financing activities	(E) 983,104	3,642,458
Net increase in cash and cash equivalents	(C+D+E) 6,017,050	3,333,332
Cash and cash equivalents as at beginning of the year	42,210,498	38,877,166
<i>(Refer note below)</i>		
Cash and cash equivalents as at the end of the year	48,227,548	42,210,498
<i>(Refer note below)</i>		

Note:

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

In terms of our report attached

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 301003E/E300005

per **Shrawan Jalan**
Partner
Membership No. 102102

Mumbai
May 9, 2019

For and on behalf of Board of Directors

Thomas Joseph K.
Executive Vice President

Sivakumar G.
Executive Vice President

Reghunathan K. N.
Executive Vice President

Chithra H.
Chief Financial Officer

Jimmy Mathew
Company Secretary

Vijith S.
Dy. General Manager

Kochi
May 9, 2019

Salim Gangadharan
Chairman
(DIN : 06796232)

Dr. John Joseph
Director
(DIN : 00021735)

Ranjana S. Salgaocar
Director
(DIN : 00120120)

Achal Kumar Gupta
Director
(DIN : 02192183)

M. George Korah
Director
(DIN : 08207827)

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

Francis Alapatt
Director
(DIN : 01419486)

Parayil George John Tharakan
Director
(DIN : 07018289)

V. J. Kurian
Director
(DIN : 01806859)

Pradeep M. Godbole
Director
(DIN : 08259944)

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

	As at March 31, 2019 ₹ ('000)	As at March 31, 2018 ₹ ('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital	2,500,000	2,500,000
250,00,00,000 Equity shares of ₹1/- each (Previous year 250,00,00,000 equity shares of ₹1/- each)		
Issued, Subscribed and Paid up Capital	1,809,682	1,808,831
180,96,82,151 Equity shares of ₹1/- each (Previous year 180,88,31,080 equity shares of ₹1/- each) (Refer Note No. A.2 of Schedule 18)		
TOTAL	1,809,682	1,808,831
Employees' Stock Options Outstanding		
Employees' Stock Options Outstanding	35,747	69,260
Less: Deferred Employee Compensation Expense (unamortised)	(18,261)	49,737
TOTAL	17,486	19,523
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	10,532,739	9,695,439
Additions during the year	618,900	837,300
Sub Total	11,151,639	10,532,739
II. Capital Reserve		
Opening Balance	1,419,093	1,120,292
Additions during the year	363,712	298,801
Sub Total	1,782,805	1,419,093
III. Asset Revaluation Reserve		
Opening Balance	2,403,212	2,438,408
Deductions during the year:		
Deduction from revaluation reserve to the extent of depreciation on revalued amount	(17,359)	(35,196)
Sub Total	2,385,853	2,403,212
IV. Share Premium		
Opening Balance	15,533,933	15,414,174
Additions during the year	17,130	119,759
Sub Total	15,551,063	15,533,933

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

	As at March 31, 2019 ₹ ('000)	As at March 31, 2018 ₹ ('000)
V. Revenue and Other Reserves		
Opening Balance	14,919,894	13,038,223
Additions during the year :		
a) lapse of vested options	10,090	7,799
b) transfer of depreciation on revaluation	17,359	35,196
c) appropriation during the year	-	500,000
d) reversal/(debit) pertaining to shortfall in sale of assets (Refer Note No. A. 29 of Schedule 18)	-	760,465
e) reversal/(debit) pertaining to fraud accounts (Refer Note No. A. 29 of Schedule 18)	-	578,211
Deduction during the year:		
a) deferred provision for Non Banking Assets (Refer Note No. A 29 (a) of Schedule 18)	(330,000)	-
b) appropriation towards Special reserve u/s 36 i (viii) (Refer Note No. A 29 (b) of Schedule 18)	(927,800)	-
Sub Total	<u>13,689,543</u>	<u>14,919,894</u>
VI. Investment Fluctuation Reserve (Refer Note No. A. 3.1 (d) of Schedule 18)		
Opening Balance	-	-
Additions during the year	221,454	-
Sub Total	<u>221,454</u>	<u>-</u>
VII. Special Reserve u/s 36(1)(viii) of Income Tax Act		
Opening Balance	2,254,200	1,388,700
Additions during the year: (Refer Note No. A. 29 (b) of Schedule 18)		
a) appropriation during the Year	700,000	730,500
b) appropriation from revenue and other reserve	927,800	-
c) appropriation from balance in profit and loss account	111,900	135,000
Sub Total	<u>3,993,900</u>	<u>2,254,200</u>
VIII. Balance in Profit and Loss Account	2,767,313	3,540,313
TOTAL	<u>51,543,570</u>	<u>50,603,384</u>

[i+ii+iii+iv+v+vi+vii+viii]

SCHEDULE 3 - DEPOSITS

A. I. Demand Deposits		
(i) From Banks	172,465	69,392
(ii) From Others	33,146,207	30,506,935
II. Savings Bank Deposits	161,352,796	140,841,064
III. Term Deposits		
(i) From Banks	25,808,625	15,935,728
(ii) From Others	583,721,088	532,942,818
TOTAL	<u>804,201,181</u>	<u>720,295,937</u>
B. (i) Deposits of branches in India	804,201,181	720,295,937
(ii) Deposits of branches outside India	Nil	Nil
TOTAL	<u>804,201,181</u>	<u>720,295,937</u>

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

	As at March 31, 2019 ₹ ('000)	As at March 31, 2018 ₹ ('000)
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	3,920,000
(ii) Other Banks	1,955,000	1,550,000
(iii) Other Institutions and Agencies	33,945,000	30,140,187
II. Borrowings outside India - from other banks	13,132,033	4,823,613
TOTAL	49,032,033	40,433,800

Secured borrowings under Collateralised Borrowing and Lending Obligation, triparty repo, market repurchase transactions with banks and financial institutions and transactions under Liquidity Adjustment Facility and Marginal Standing Facility included above.

-	11,677,176
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SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	1,719,480	1,629,974
II. Inter-Office adjustments (Net)	-	-
III. Interest Accrued	2,868,734	1,688,053
IV. Others (including provisions)*	11,600,012	10,379,247
TOTAL	16,188,226	13,697,274

*Includes :

Provision for standard assets ₹259.72 crore (Previous year ₹231.26 crore) (Refer Note No. A. 12 of Schedule 18)

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

I. Cash in hand (Including foreign currency notes)	2,740,669	3,193,943
II. Balances with Reserve Bank of India In Current Account	33,877,510	29,388,435
TOTAL	36,618,179	32,582,378

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

	As at March 31, 2019 ₹ ('000)	As at March 31, 2018 ₹ ('000)
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
(a) In Current Accounts	122,823	98,002
(b) In Other Deposit Accounts	888,644	682,220
ii) Money at call & short notice		
With Banks	3,500,000	-
With other Institutions	-	-
Lending under Reverse Repo (RBI and Banks)	2,500,000	7,500,000
Sub Total	<u>7,011,467</u>	<u>8,280,222</u>
II. Outside India		
(a) In Current Accounts	186,504	129,125
(b) In Other Deposit Accounts	4,183,878	1,042,800
(c) Money at call & short notice - with banks	227,520	175,973
Sub Total	<u>4,597,902</u>	<u>1,347,898</u>
TOTAL	<u>11,609,369</u>	<u>9,628,120</u>
SCHEDULE 8 - INVESTMENTS (net of provisions)		
I. Investments in India in:		
(i) Government Securities*	167,619,354	161,193,494
(ii) Other Approved Securities	-	-
(iii) Shares	1,675,388	2,565,993
(iv) Debentures and Bonds	9,460,660	8,705,987
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others (Security Receipts, Mutual Funds etc.)	12,056,575	11,165,306
Sub Total	<u>190,811,977</u>	<u>183,630,780</u>
II. Investments outside India - Shares	1,812	-
TOTAL (I+II)	<u>190,813,789</u>	<u>183,630,780</u>
A. Gross Investments		
(i) In India	195,247,860	187,505,666
(ii) Outside India	1,979	-
Sub Total (A)	<u>195,249,839</u>	<u>187,505,666</u>
B. Depreciation/Provision for investments		
(i) In India	4,435,883	3,874,886
(ii) Outside India	167	-
Sub Total (B)	<u>4,436,050</u>	<u>3,874,886</u>
C. Net Investments		
(i) In India	190,811,977	183,630,780
(ii) Outside India	1,812	-
TOTAL (A – B)	<u>190,813,789</u>	<u>183,630,780</u>

* Including Non SLR State Government bonds with Book Value ₹456.39 crore (Previous Year: ₹501.85 crore).

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

	As at March 31, 2019 ₹ ('000)	As at March 31, 2018 ₹ ('000)
SCHEDULE 9 - ADVANCES (net of provisions)		
A. (i) Bills Purchased and Discounted	53,842,248	41,005,808
(ii) Cash Credits, Overdrafts and Loans repayable on demand	287,394,029	251,181,665
(iii) Term Loans	285,701,169	253,441,394
TOTAL	626,937,446	545,628,867
B. (i) Secured by tangible assets (including advances against book debts)	573,776,833	495,181,694
(ii) Covered by Bank/Government Guarantees	20,134,829	17,725,770
(iii) Unsecured	33,025,784	32,721,403
TOTAL	626,937,446	545,628,867
C. I. Advances in India		
(i) Priority Sectors	249,665,133	225,931,666
(ii) Public Sector	3,491,634	7,883,494
(iii) Banks	-	-
(iv) Others	373,780,679	311,813,707
TOTAL	626,937,446	545,628,867
II. Advances outside India	Nil	Nil
TOTAL	626,937,446	545,628,867
SCHEDULE 10 - FIXED ASSETS		
I. Premises (including Land)		
Gross Block		
At cost as on March 31, of the preceding year	5,037,892	4,716,073
Additions during the year		
Due to purchases/acquisitions	42,968	321,819
	5,080,860	5,037,892
Deductions during the year	-	-
Closing Balance	5,080,860	5,037,892
Depreciation		
As at beginning of the year	494,294	435,214
Charge of the year	39,959	59,080
Depreciation to date	534,253	494,294
Net Block	4,546,607	4,543,598
Sub Total	4,546,607	4,543,598
II. Capital Work in Progress		
At cost as on March 31, of the preceding year	385,630	379,748
Additions during the year	1,672,118	1,379,194
	2,057,748	1,758,942
Capitalisations during the year	1,739,062	1,373,312
	318,686	385,630
Depreciation to date	-	-
Sub Total	318,686	385,630

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

	As at March 31, 2019 ₹ ('000)	As at March 31, 2018 ₹ ('000)
III. Other Fixed Assets (Including furnitures and fixtures and Software)		
Gross Block		
At cost as on March 31, of the preceding year	5,474,175	4,967,959
Additions during the year	1,002,239	561,714
	<u>6,476,414</u>	<u>5,529,673</u>
Deductions/adjustments during the year	37,985	55,498
	<u>6,438,429</u>	<u>5,474,175</u>
Depreciation		
As at beginning of the year	3,595,591	3,067,560
Charge of the year	656,482	578,221
Deductions during the year	34,980	50,190
Depreciation/adjustments to date	4,217,093	3,595,591
Net Block	<u>2,221,336</u>	<u>1,878,584</u>
Sub Total	<u>2,221,336</u>	<u>1,878,584</u>
TOTAL (I+II+III)	<u>7,086,629</u>	<u>6,807,812</u>

SCHEDULE 11 - OTHER ASSETS

I. Inter-Office adjustments (Net)	225,899	255,314
II. Interest Accrued	7,030,450	6,359,858
III. Tax Paid in Advance/Tax Deducted at Source (Net)	3,628,548	3,650,713
IV. Deferred tax asset (net) (Refer Note No. B.4 of Schedule 18)	415,132	711,132
V. Deferred Employee Benefits (Refer Note No. (B)(6)(k) of Schedule 18)	-	204,500
VI. Unamortised Depreciation on Investments (Refer Note No. (A)(3.1)(a) of Schedule 18)	-	343,767
VII. Deferred provision for Non-Banking Asset (Refer Note No. A.29(a) of Schedule 18)	330,000	-
VIII. Stationery and Stamps	41,441	14,446
IX. Non-Banking Assets acquired in satisfaction of claims	666,952	1,106,952
X. Others*	37,388,344	35,934,110
TOTAL	<u>49,726,766</u>	<u>48,580,792</u>

* Includes deposits in Rural Infrastructure and Development Fund amounting to ₹3,338.76 crore (Previous year ₹3,262.85 crore)

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

I. Claims against the Bank not acknowledged as debts:		
(i) Direct Tax disputes	305,582	-
(ii) Indirect Tax disputes	260,683	158,995
(iii) Others	129,195	118,693
II. Liability on account of outstanding Forward Exchange Contracts ¹	65,276,689	83,741,724
III. Guarantees given on behalf of constituents in India	17,637,489	21,217,413
IV. Acceptances, endorsements and other obligations	11,441,186	8,861,035
V. Other items for which the bank is contingently liable:		
(i) Capital Commitments	643,714	140,320
(ii) Transfers to Depositor Education and Awareness Fund (DEAF)	999,185	838,309
TOTAL	<u>96,693,723</u>	<u>115,076,489</u>

¹ Represents notional amount

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

	Year ended March 31, 2019 ₹ ('000)	Year ended March 31, 2018 ₹ ('000)
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	53,964,423	47,691,770
II. Income on Investments	12,861,433	12,694,980
III. Interest on balances with Reserve Bank of India and Other Inter-Bank funds	355,154	190,734
IV. Others	1,584,227	1,350,620
TOTAL	68,765,237	61,928,104
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	554,282	556,570
II. Profit on sale of Investments	1,340,384	2,017,169
Loss on sale of Investments	<u>(141,245)</u>	<u>(217,562)</u>
III. Profit on sale of land, buildings and other assets	1,366	8,819
Loss on sale of land, buildings and other assets	<u>(1,198)</u>	<u>168</u>
IV. Profit/(Loss) on Exchange transactions (net)	434,443	344,224
V. Miscellaneous Income	5,074,098	5,665,903
TOTAL	7,262,130	8,372,447
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	45,499,000	40,180,041
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	387,886	610,223
III. Others	2,681,290	1,482,610
TOTAL	48,568,176	42,272,874
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	8,214,252	7,132,160
II. Rent, Taxes and Lighting	1,192,329	1,127,274
III. Printing and Stationery	168,950	169,262
IV. Advertisement and Publicity	115,719	91,359
V. Depreciation	696,404	637,301
VI. Directors fees, allowances and expenses	16,070	10,408
VII. Auditors' fees and expenses (incl. branch auditors)	43,761	35,143
VIII. Law charges	75,075	56,131
IX. Postage, telegrams, telephones, etc.	418,345	267,234
X. Repairs and Maintenance	378,723	245,435
XI. Insurance	827,287	745,895
XII. Other Expenditure*	2,922,407	2,702,167
TOTAL	15,069,322	13,219,769

* Includes expenditure towards Corporate Social Responsibility ₹12.22 crore
(Previous year : ₹7.28 crore) [Refer Note No. B.11 of Schedule 18]

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019**

Background

The South Indian Bank Limited ('SIB' or the 'Bank'), incorporated on January 29, 1929 at Thrissur, as a private limited company and was later converted into a public limited company on August 11, 1939. SIB has a network of 894 branches/offices in India and provides retail and corporate banking, para banking activities such as debit card, third party financial product distribution, in addition to Treasury and Foreign Exchange Business. SIB is governed by Banking Regulation Act, 1949, The Companies Act, 2013 and other applicable Acts/Regulations for Banks. Its shares are listed in BSE Limited and National Stock Exchange of India Limited.

Basis of Preparation

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

Use of estimates

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

Significant Accounting Policies

1. Revenue recognition

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

classified as Standard as per RBI circular dated February 7, 2018 and additional finance treated as standard asset under approved restructuring package, where in accordance with RBI guidelines the income is recognised only on realisation.

- b) Interest income on loans bought out through the direct assignment route is recognized at their effective interest rate, except in case of such loans classified as non-performing advances.
- c) The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- d) Dividend on investments in shares and units of mutual funds are accounted when the bank's right to receive the dividend is established.
- e) Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- f) Insurance claims and locker rent are accounted on receipt basis.
- g) Commission income on issuance of bank guarantee/letter of credit is recognised over the period of the guarantee/letter of credit.
- h) Processing fee/upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/facility is recognised at the inception/renewal of loan.
- i) Other fees and commission income (including commission income on third party products) are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- j) Unpaid funded interest on term loans are recognised on realisation as per the guidelines of RBI.
- k) In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e. book value less provisions held), the shortfall is charged to the Profit and Loss Account. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.
- l) Fees received on sale of Priority Sector Lending Certificates is considered as Miscellaneous Income, while fees paid for purchase is expensed as other expenses in accordance with the guidelines issued by the RBI.
- m) The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income.
- n) Interest on income tax refund is recognised under "Other Income" in the year of passing of Assessment Orders.

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019

2. Investments

A) Classification

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

B) Acquisition cost

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

C) Valuation

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

- a. Investments classified as HFT or AFS – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the Market Price of the Scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, pricelist of RBI or prices declared by Financial Benchmark India Private Limited, periodically. Net depreciation, if any, within each category of investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of government securities are amortized over the remaining maturity of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

- c. Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d. Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by Financial Benchmark India Pvt. Limited (FBIL) and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL are adopted for this purpose;
 - in case of bonds and debentures where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company;
 - Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company/Securitisation Company.
 - Non-Performing Investments are identified and valued based on RBI guidelines.
- f. The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions in securities.

D) Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

E) Short Sales

The Bank undertakes short sale transactions in Central

**SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2019**

Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and resultant mark-to-market gain/losses are accounted for as per the relevant RBI guidelines for valuation of investments.

F) Transfer of securities between Categories

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

G) Disposal of Investments

- a. Investments classified as HFT and AFS – Profit or loss on sale/redemption is included in the Profit and Loss account.
- b. Investments classified as HTM – Profit on sale of/redemption of investments is included in the Profit and Loss Account and is appropriated to capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale/redemption is charged to the Profit and Loss Account.

3. Advances

A) Valuation/M Measurement

- a) Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, sacrifice provisions on restructured advances and unrealised interest on NPAs. Interest on Non-Performing advances is not recognised in profit and loss account and transferred to an unrealised interest account until receipt. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at the minimum required level as per the guidelines and circulars of the RBI on matters relating to prudential norms.
- b) Non-performing advances are written-off in accordance with the Bank's policies. Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".
- c) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period

i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

- d) For entities with Unhedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.
- e) The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – direct advances to Sectors agricultural and SME at 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, eligible MSME borrowers retained as Standard at 5%, teaser rate housing loans at 2%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.
- f) The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the bank is participating, the aggregate amount of participation is shown as due from banks under advances.
- g) Loss on sale of assets to Asset Reconstruction Companies
 If the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account, spread over a period as specified in RBI guidelines. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

4. Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high,

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restricted and off-credit as per Export Credit Guarantee Corporation of India Limited (“ECGC”) guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

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

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

6. Impairment of Assets

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

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

7. Non-Banking Assets

Non-banking assets (NBAs) acquired in satisfaction of claims is carried at lower of net book value and net realisable value. Specific provision is made on specific Non-banking assets acquired on debt asset swap arrangements as specified by RBI (Refer to Sch 18.31 (a)(i))

8. Transactions involving foreign exchange

- a) Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities outstanding at the Balance Sheet date are revalued at rates notified by Foreign Exchange Dealers Association of India [FEDAI] and resulting profits or losses are included in the Profit and Loss Account, as per the guidelines issued by RBI.
- b) Foreign exchange spot and forward Contracts outstanding as at the Balance Sheet date (except Forward Contracts taken to hedge FCNR Deposits/ Overseas Borrowings) are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. The resulting profit or loss on valuation is recognised in the Profit and Loss Account in accordance with RBI/FEDAI Guidelines.
- c) Forward Contracts taken to hedge FCNR Deposits/ Overseas Borrowings are translated at the prevailing spot rate at the time of swap. The Premium/Discount on the

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swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognized in the Profit and Loss Account.

- d) Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

9. Employee benefits

- a) Provident Fund:

The contribution made by the Bank to "The South Indian Bank Ltd. Employees Provident Fund", administered by the trustees is charged to Profit and Loss account. The fund is a defined contribution fund and the Bank has no further liability beyond the contribution made to the fund.

- b) Pension Fund:

The contribution towards "The South Indian Bank Ltd. Employees' Pension Fund Trust", managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the profit and loss account. The actuarial gain or loss arising during the year is recognised in the Profit and Loss Account.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes specified percentage of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to Profit and Loss account and the Bank has no further liability beyond the contribution to the fund on this account.

- c) Gratuity:

The bank makes contribution to "The South Indian Bank Ltd. Employees' Gratuity Trust" administered and managed by the trustees. The present value of the bank's obligation towards the same is actuarially determined based on the projected unit credit method as at the balance sheet date. The actuarial gain or loss arising during the year is recognised in the Profit and Loss Account.

- d) Compensated absence on Privilege/Sick/Casual Leave:

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

such costs are recognised in the profit and loss account. The actuarial gain or loss arising during the year is recognised in the Profit and Loss Account.

- e) Employees Stock Option Scheme (ESOS):

The Bank has formulated Employee Stock Option Scheme (ESOS) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and are to be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. In accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight-line basis over the vesting period.

- f) Other Employee Benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognised during the period when the employee renders the service. These benefits include performance incentives.

10. Segment Reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

11. Debit Card Reward Points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

12. Earnings Per Share (EPS)

The Bank reports Basic and Diluted Earnings per Equity Share in accordance with Accounting Standard 20, prescribed under Section 133 of the Companies Act, 2013. Basic EPS has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the year.

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Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. A diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end. Potential equity shares which are anti-dilutive in nature are ignored.

13. Taxes on income

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets prescribed under Section 133 of the Companies Act, 2013, the Bank

recognises provisions when it has a present obligation as a result of a past event and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate of the amount of the obligation can be made.

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

15. Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and balances with other banks/institutions and Money at Call and Short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

17. Share issue expenses

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

18. Accounting of PSLC

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC, without transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

19. Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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A: Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in Notes forming part of the financial statements for the year ended March 31, 2019 are denominated in Rupees crore (unless specified otherwise) to conform to extant RBI guidelines.

1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per RBI guidelines. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {10.875% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.50% (7.375% including CCB) as on March 31, 2019. These guidelines on Basel III have been implemented on April 1, 2013 in a phased manner. The Capital adequacy Ratio of the Bank calculated as per Basel III Capital Regulations is set out below.

[₹ in crore]

Particulars		March 31, 2019	March 31, 2018
Common Equity Tier I Capital		5,124.52	5,005.56
Tier I Capital - A		5,124.52	5,005.56
Tier II Capital - B		1,356.50	1,098.49
Total Capital - (A+B)		6,481.02	6,104.05
Total Risk Weighted Assets		51,402.07	48,081.53
Capital Ratios			
I	Common Equity Tier I Capital Ratio (%)	9.97	10.41
II	Tier I Capital Ratio (%)	9.97	10.41
III	Tier II Capital Ratio (%)	2.64	2.28
IV	Total Capital Ratio (CRAR) (%)	12.61	12.70
V	Percentage of the shareholding of the Government of India in public sector banks (%)	NA	NA
VI	Amount of Equity Capital raised (Including share premium) through:		
	1. Rights Issue	Nil	Nil
	2. Employees Stock Options Scheme	1.80	12.58
VII	Amount of Additional Tier I capital raised; of which Perpetual Non-Cumulative Preference Shares (PNCPS) Perpetual Debt Instruments (PDI)	Nil	Nil
VIII	Amount of Tier II capital raised: of which		
	Debt Capital instrument	250	490
	Preference Share Capital Instruments	Nil	Nil

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III Capital Regulations. The Bank has made these disclosures which are available on its website at the following link :

<http://www.southindianbank.com/content/viewContentLv1.aspx?linkIdLv2=854&LinkIdLv3=880&linkId=880>

Pillar 3 disclosures have not been subjected to audit.

Tier II Bonds:

Subordinated debt (Lower Tier II capital) outstanding and included under borrowings is as follows:

[₹ in crore]

Borrowings in India	March 31, 2019	March 31, 2018
From Banks	145.50	40.00
From Others	1094.50	950.00
Total	1240.00	990.00

The Bank had raised ₹250 crore of Basel III complied Tier II Bonds during the year. Total Subordinated debt of ₹ 1,080 crore (Previous Year: ₹870 crore) is reckoned for Tier II capital as per RBI guidelines.

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2. Capital Infusion

During the year ended March 31, 2019, the Bank allotted 8,51,071 Equity Shares (Previous Year: 59,95,121 Equity Shares) aggregating to face value ₹0.09 crore (Previous Year: ₹0.60 crore) in respect of stock options exercised.

Accordingly, share capital increased by ₹0.09 crore (Previous year: ₹0.60 crore) and share premium increased by ₹1.71 crore (Previous year: ₹11.98 crore).

Details of movement in the paid-up equity share capital of the Bank are given below: (₹ in crore)

Particulars	March 31, 2019		March 31, 2018	
	No. of shares	Amount	No. of shares	Amount
Opening Balance	180,88,31,080	180.88	180,28,35,959	180.28
Additions pursuant to Stock Options exercised	8,51,071	0.09	59,95,121	0.60
Closing balance	180,96,82,151	180.97	180,88,31,080	180.88

3. Investments

(₹ in crore)

Particulars	March 31, 2019	March 31, 2018
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	19,524.79	18,750.57
(b) Outside India	0.20	-
(ii) Provisions for Depreciation		
(a) In India	395.31	342.62
(b) Outside India	0.02	-
(iii) Provisions for Non-Performing Investments (NPI)		
(a) In India	48.28	44.87
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	19,081.20	18,363.08
(b) Outside India	0.18	-
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	342.62	56.64
(ii) Provisions made during the year	104.19	356.46
(iii) Less: Write-off/ (write back) of excess provisions during the year	51.48	70.48
(iv) Closing Balance	395.33	342.62
c. Movement of provisions held towards NPIs		
(i) Opening Balance	44.87	52.01
(ii) Provisions made during the year	39.83	11.73
(iii) Less: Write-off/ (write back) of excess provisions during the year	36.42	18.87
(iv) Closing Balance	48.28	44.87

Movements in provisions held towards depreciation on investments have been reckoned on a yearly basis.

- 3.1. a) During the financial year 2018-19, the bank has debited to profit and loss account ₹ 34.38 crore of unamortized mark to market loss on investments in AFS and HFT as at March 31, 2018 as per RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018.
- b) In respect of securities held under HTM category premium of ₹46.44 crore (Previous Year ₹40.27 crore) has been amortised during the year and debited under interest received on Government securities.
- c) Profit on sale of securities from HTM category amounting to ₹74.53 crore (Previous Year: ₹60.31 crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹36.37 crore (Previous Year ₹29.88 crore), net of taxes and transfer to statutory reserve, to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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d) During the year, the Bank had appropriated ₹22.15 crore (Previous Year : ₹ nil), to Investment Fluctuation Reserve, being an amount of net profit on sale of investments (net of taxes and transfer to Statutory Reserve) to protect against future increase in yield.

4. Repo Transactions:

a) Transacted during the year ended March 31, 2019:

[₹ in crore]

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2019
A) Securities sold under RBI Repos				
i) Government Securities	50.00	392.00	21.24	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	20.00	1,725.00	135.84	250.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	9.57	930.74	127.39	
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	4.82	802.20	21.76	
ii) Corporate Debt Securities	-	-	-	-

b) Transacted during the previous year ended March 31, 2018:

[₹ in crore]

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2018
A) Securities sold under RBI Repos				
i) Government Securities	10.00	788.00	34.96	392.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	20.00	1,210.00	55.70	750.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities-	5.32	1,452.13	548.09	475.77
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	4.81	40.66	2.37	-
ii) Corporate Debt Securities	-	-	-	-

5. Disclosure in respect of Non-SLR investments

(i) Issuer composition of Non-SLR investments as at March 31, 2019:

[₹ in crore]

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
[1]	[2]	[3]	[4] ¹	[5] ^{1,2}	[6] ^{1,2}	[7] ^{1,3}
(i)	PSUs	318.97	251.13	-	-	
(ii)	FIs	575.82	343.73	69.35	-	
(iii)	Banks	32.24	10.00	10.00	-	
(iv)	Private Corporate	531.34	461.26	90.16	-	75.16
(v)	Subsidiaries/Joint Ventures	-	-	-	-	
(vi)	Others ⁴	1,761.07	1,756.28	-	-	
(vii)	Total Book Value of investments	3,219.44				
(viii)	Less: Provision for NPI	48.28				
(ix)	Less: Provision held towards depreciation	395.33				
	Total	2,775.83	2,822.40	169.51	-	75.16

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

¹ Amounts reported under Columns 4, 5, 6 and 7 above are not mutually exclusive.

² Excludes investments in equity shares, units of equity oriented mutual funds, Non-SLR State Government securities and securities acquired by way of conversion of debt in line with extant RBI guidelines.

³ Excludes investments in equity shares, units of equity oriented mutual funds, Non-SLR State Government securities, securities acquired by way of conversion of debt and security receipts in line with extant RBI guidelines.

⁴ Includes Non-SLR State Government special bonds with Book Value ₹456.39 crore.

(ii) Issuer composition of Non-SLR investments as at March 31, 2018:

[₹ in crore]

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
[1]	[2]	[3]	[4] ¹	[5] ^{1,2}	[6] ^{1,2}	[7] ^{1,3}
(i)	PSUs	352.25	276.03	-	-	-
(ii)	FIs	484.69	338.65	10.00	-	-
(iii)	Banks	30.35	-	10.00	-	-
(iv)	Private Corporate	345.06	174.27	70.17	0.01	75.17
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others ⁴	1,887.01	1,872.49	-	-	-
(vii)	Total Book Value of investments	3,099.36				
(viii)	Less: Provision for NPI	44.87				
(ix)	Less: Provision held towards depreciation	308.91				
	Total	2,745.58	2,661.44	90.17	0.01	75.17

¹ Amounts reported under Columns 4, 5, 6 and 7 above are not mutually exclusive.

² Excludes investments in equity shares, units of equity oriented mutual funds, Non-SLR State Government securities and securities acquired by way of conversion of debt in line with extant RBI guidelines.

³ Excludes investments in equity shares, units of equity oriented mutual funds, Non-SLR State Government securities, securities acquired by way of conversion of debt and security receipts in line with extant RBI guidelines.

⁴ Includes Non-SLR State Government special bonds with Book Value ₹501.85 crore.

[₹ in crore]

Particulars		March 31, 2019	March 31, 2018
A	Shares	167.72	256.60
B	Debentures & Bonds [@]	1,402.45	1,372.45
C	Subsidiaries/joint ventures	-	-
D	Others	1,205.66	1,116.53
E	Total	2,775.83	2,745.58

[@] Including Non-SLR State Government special bonds with Book Value ₹456.39 crore (Previous Year: ₹501.85 crore).

(iii) Non-Performing Non-SLR investments

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Opening Balance	45.12	96.25
Additions during the year	112.67	26.71
Reductions during the year	92.67	77.84
Closing balance	65.12	45.12
Total provisions held	48.28	44.87

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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6. Investments held under the 3 categories viz. "Held for Trading (HFT)", "Available for Sale (AFS)" and "Held to Maturity (HTM)" are as under:

[₹ in crore]

Particulars	March 31, 2019				March 31, 2018			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities#*	-	1,309.45	15,452.49	16,761.94	-	1,697.44	14,421.91	16,119.35
Other Approved	-	-	-	-	-	-	-	-
Shares	1.83	165.89	-	167.72	0.49	256.11	-	256.60
Debentures & Bonds	-	946.06	-	946.06	-	870.60	-	870.60
Others	197.61	1,008.05	-	1,205.66	-	1,116.53	-	1,116.53
Total	199.44	3,429.45	15,452.49	19,081.38	0.49	3,940.68	14,421.91	18,363.08

Includes Non-SLR State Government Special Bonds with Book Value ₹414.69 crore (Previous Year ₹460.15 crore) under HTM and Non-SLR State Government Special Bonds with Book Value ₹41.70 crore (Previous Year: ₹41.70 crore) under AFS.

*Details of Securities Pledged/Earmarked as Margin:

[₹ in crore]

Particulars	March 31, 2019 (Face Value)	March 31, 2018 (Face Value)
Margin towards RBI LAF Repo Transactions	1799.19	1712.96
Margin towards Intraday liquidity	180.00	180.00
Margin for clearing of securities	103.00	103.00
Margin for Collateralized Borrowing and Lending Obligations (CBLO)	2370.75	2355.00
Margin for Forex forward segment default fund	7.25	7.25
Margin for Forex settlement segment default fund	2.05	2.05
Margin for Securities Segment default fund	5.00	5.00
Margin for CBLO segment default fund	3.00	2.56
Margin towards currency futures	21.60	21.60
Lien against Market Repo Borrowing	-	470.00
Grand Total	4491.84	4859.42

7. Sale and transfers to/from HTM Category

During the years ended March 31, 2019 and March 31, 2018, the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investments held in HTM category at the beginning of the year. The 5% threshold referred to above does not include one-time transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per the extant RBI guidelines, sale of non SLR SL bond under Ujwal Discom Assurance Yogana (UDAY Scheme), sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.

8. Derivatives

The Bank undertakes exchange traded currency future transaction for proprietary trading only. There is functional separation between the front Office, risk and Back Office for undertaking derivative transactions. The currency future transactions are governed by the Foreign Exchange policy of the Bank. Various limits are set up and actual exposure is monitored vis-a-vis the limits allocated. Risk Limits are in place for risk parameters viz. VaR, Stop Los, Dealer Limit, Deal size limit. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

Sr. No.	Particular	Current Year		Previous Year	
		Currency Derivatives	Interest rate derivatives	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)	-	-	19.53	-
	a) For hedging	-	-	-	-
	b) For trading	-	-	19.53	-
2	Marked to Market Positions	-	-	20.25	-
	a) Asset (+)	-	-	0.72	-
	b) Liability (-)	-	-	-	-
3	Credit Exposure	120.08	-	194.91	-
4	Likely impact of one percentage change in interest rate (100*PV01)	-	-	-	-
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	-	-
5	Maximum and Minimum of 100*PV01 observed during the year	-	-	-	-
	a) on hedging	-	-	-	-
	b) on trading	-	-	-	-

The bank uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. Bank does not have any Forward Rate Agreement or Interest Rate Swaps.

The notional principal amount of foreign exchange contracts classified as trading on March 31, 2019 amounted to ₹1563.53 crore (Previous Year ₹3928.26 crore). For these trading contracts, on March 31, 2019, marked to market position was asset of ₹60.06 crore (Previous Year ₹33.01 crore) and liability of ₹78.19 crore (Previous Year ₹24.60 crore). The notional principal amount of foreign exchange contracts classified as hedging on March 31, 2019 amounted to ₹806.07 crore (Previous Year ₹2428.93 crore).

9. Movements in non-performing advances

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
(i) Net NPAs to Net Advances [%]	3.45	2.60
(ii) Movement of NPAs (Gross)		
a) Gross NPAs as at the beginning of the Year	1980.30	1149.01
b) Additions (Fresh NPAs during the Year)	1847.86	1810.34
Sub-total (A)	3828.16	2959.35
c) Less:		
i. Upgradations	273.27	249.66
ii. Recoveries (excluding recoveries made from upgraded accounts)	136.49	100.42
iii. Technical/Prudential Write-offs	216.72	304.44
iv. Write-offs other than those under (iii) above	70.02	2.43
v. Reduction by sale of Assets to ARCs	-	322.10
Sub-total (B)	696.50	979.02
d) Gross NPAs as at the end of the year*	3131.66	1980.30
(iii) Movement of NPAs (Net)**		
a) Opening Balance	1415.80	674.56
b) Additions during the year	1530.06	1386.97
c) Reductions during the year	782.24	645.73
d) Closing Balance	2163.62	1415.80
(iv) Movement of provisions for NPAs*** (excluding provisions on Standard Assets)		
a) Opening Balance	541.06	451.00
b) Provisions made during the year	709.44	642.55
c) Write off/write back of Excess provisions	312.66	552.49
d) Closing Balance	937.84	541.06

*After considering technical/ Prudential Write-Offs. Closing Gross NPAs before technical/ Prudential Write-Offs is ₹3760.51 crore (Previous Year ₹2405.93 crore)

**Net NPA is after considering ECGC/DICGC/Insurance claim amount pending for adjustment of ₹30.22 crore (Previous Year ₹23.45 crore).

***Includes sacrifice provision on accounts classified as NPA, amounting to Nil (Previous Year ₹0.51 crore.)

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

10. Particulars of Accounts Restructured as on March 31, 2019 [₹ in crore]

Sl. No.	Type of Restructuring	Under CDR Mechanism (A)			Under SME Debt Restructuring Mechanism (B)			
		Standard	Doubtful	Loss	Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2018							
	No. of borrowers	2	-	1	-	-	1	1
	Amount outstanding	41.46	-	3.52	-	-	-	-
	Provision thereon	0.59	-	-	-	-	-	-
2	Fresh restructuring during the year 2018-19¹							
	No. of borrowers	-	-	-	288	4	-	292
	Amount outstanding	0.07	-	-	139.01	0.21	-	139.22
	Provision thereon	-	-	-	0.40	-	-	0.40
3	Upgradations to restructured standard category during the year 2018-19							
	No. of borrowers	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY (2019-20)							
	No. of borrowers	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the year 2018-19							
	No. of borrowers	(1)	1	-	-	-	-	-
	Amount outstanding	(19.57)	19.57	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-
6	Write offs of restructured accounts during the year 2018-19²							
	No. of borrowers	-	-	-	-	-	-	-
	Amount outstanding	0.50	-	3.52	-	-	-	4.02
	Provision written back	0.59	-	-	-	-	0.59	-
7	Restructured Accounts as on March 31, 2019							
	No. of borrowers	1	1	1	288	4	1	293
	Amount outstanding	21.45	19.57	41.02	139.01	0.21	-	139.22
	Provision thereon	-	-	-	0.40	-	-	0.40

(Contd...)

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

[₹ in crore]

Sl. No.	Type of Restructuring Asset Classification Details	Others (C)					Total (D = A+B+C)					
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	
	Restructured Accounts as on April 1, 2018											
1	No. of borrowers	1	2	2	4	9	3	2	2	6	13	
	Amount outstanding	15.73	195.04	11.59	29.29	251.65	57.19	195.04	11.59	32.81	296.63	
	Provision thereon	0.51	-	0.47	0.02	1.00	1.10	-	0.47	0.03	1.60	
	Fresh restructuring during the year 2018-19¹											
2	No. of borrowers	1316	14	-	-	1330	1604	18	-	-	1622	
	Amount outstanding	53.31	0.07	-	-	53.38	192.39	0.28	-	-	192.67	
	Provision thereon	-	-	-	-	-	0.40	-	-	-	0.40	
	Upgradations to restructured standard category during the year 2018-19											
3	No. of borrowers	-	-	-	-	-	-	-	-	-	-	
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	
	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY (2019-20)											
4	No. of borrowers											
	Amount outstanding											
	Provision thereon											
	Downgradations of restructured accounts during the year 2018-19											
5	No. of borrowers	(1)		1			(2)		2		-	
	Amount outstanding	(15.44)		15.44			(35.02)		35.02		-	
	Provision thereon	-	-	-	-	-	-	-	-	-	-	
	Write offs of restructured accounts during the year 2018-19²											
6	No. of borrowers											
	Amount outstanding	0.28	6.58	40.62	0.26	47.74	0.78	6.58	40.62	3.78	51.76	
	Provision written back	0.51		0.46	0.02	0.99	1.10		0.46	0.02	1.58	
	Restructured Accounts as on March 31, 2019											
7	No. of borrowers	1316	16	4	3	1339	1605	20	5	5	1635	
	Amount outstanding	53.31	188.54	15.44	0.01	257.3	213.77	188.75	35.02	0.01	437.55	
	Provision thereon						0.40				0.40	

Asterisk denotes figure below ₹1,00,000/-

- Fresh Restructuring includes fresh sanction/increase in existing accounts : Bank has undertaken restructuring during the FY 2018-19 under the natural calamity restructuring scheme and One Time Restructuring Schemes of RBI and the increase of ₹192.67 crore is on account of Fresh Restructuring and increase in advances in those accounts restructured in the past.
- Write off of restructured accounts includes recoveries/closure/Sale in existing accounts : Bank has written off restructured asset of ₹51.77 crore (Provision ₹1.59 crore).
- The bank maintains a provision for diminution in fair value of assets amounting to ₹4.35 crore (PY ₹5.56 crore), of which assets holding ₹3.78 crore (PY ₹3.97 crore) of such provision, have shown satisfactory performance as per RBI guidelines are not disclosed above.

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

Particulars of Accounts Restructured as on March 31, 2018

(₹ in crore)

Sl. No.	Type of Restructuring	Under CDR Mechanism (A)			Under SME Debt Restructuring Mechanism (B)								
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total		
1	Restructured Accounts as on April 1, 2017												
	No. of borrowers	2	-	1	1	4	-	-	-	1	-	-	1
	Amount outstanding	45.66	-	219.07	3.52	268.25	-	-	-	-	-	-	-
	Provision thereon	0.59	-	4.53	-	5.12	-	-	-	-	-	-	-
2	Fresh restructuring during the year 2017-18 ¹												
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year 2017-18												
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY (2018-19)												
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the year 2017-18												
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year 2017-18 ²												
	No. of borrowers	-	-	1	-	1	-	-	-	-	-	-	-
	Amount outstanding	4.20	-	219.07	-	223.27	-	-	-	-	-	-	-
	Provision written back	-	-	4.53	-	4.53	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2018												
	No. of borrowers	2	-	-	1	3	-	-	-	1	-	-	1
	Amount outstanding	41.46	-	-	3.52	44.98	-	-	-	-	-	-	-
	Provision thereon	0.59	-	-	-	0.59	-	-	-	-	-	-	-

(Contd...)

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

Sl. No.	Type of Restructuring Asset Classification Details	Others (C)					Total (D = A+B+C)						
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total		
1	Restructured Accounts as on April 1, 2017												
	No. of borrowers	4	-	4	-	4	6	-	5	6	17		
	Amount outstanding	262.99	-	39.50	0.23	302.72	308.65	-	258.57	3.75	570.97		
	Provision thereon	0.51	-	0.47	0.02	1.00	1.10	-	5	0.03	6.13		
2	Fresh restructuring during the year 2017-18 ¹												
	No. of borrowers	-	-	-	-	-	-	-	-	-	-		
	Amount outstanding	21.27	-	1.24	0.03	22.54	21.27	-	1.24	0.03	22.54		
	Provision thereon	-	-	-	-	-	-	-	-	-	-		
3	Upgradations to restructured standard category during the year 2017-18												
	No. of borrowers	-	-	-	-	-	-	-	-	-	-		
	Amount outstanding	-	-	-	-	-	-	-	-	-	-		
	Provision thereon	-	-	-	-	-	-	-	-	-	-		
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY (2018-19)												
	No. of borrowers												
	Amount outstanding												
	Provision thereon												
5	Downgradations of restructured accounts during the year 2017-18												
	No. of borrowers	(2)	2	(1)	1	-	(2)	2	(1)	1	-		
	Amount outstanding	(195.04)	195.04	(29.03)	29.03	-	(195.04)	195.04	(29.03)	29.03	-		
	Provision thereon	-	-	-	-	-	-	-	-	-	-		
6	Write-offs of restructured accounts during the year 2017-18 ²												
	No. of borrowers	1	-	1	1	3	1	-	2	1	4		
	Amount outstanding	73.49	-	0.12	0.00	73.61	77.69	-	219.19	0.00	296.88		
	Provision written back	-	-	-	-	-	-	-	4.53	-	4.53		
7	Restructured Accounts as on March 31, 2018												
	No. of borrowers	1	2	2	4	9	3	2	2	6	13		
	Amount outstanding	15.73	195.04	11.59	29.29	251.65	57.19	195.04	11.59	32.81	296.63		
	Provision thereon	0.51	-	0.47	0.02	1.00	1.10	-	0.47	0.03	1.60		

Asterisk denotes figure below ₹1,00,000/-

- Fresh Restructuring includes fresh sanction/increase in existing accounts : Bank has not undertaken any fresh restructuring during the FY 2017-18 and the increase of ₹22.55 crore is on account of increase in advances in those accounts restructured in the past.
- Write off of restructured accounts includes recoveries/closure/Sale in existing accounts : Bank has written off restructured asset of ₹104.52 crore (Provision ₹4.53 crore). The restructured portfolio have reduced by an amount of ₹192.36 crore by way of recovery in existing accounts or on account of sale of asset.
- The bank maintains a provision for diminution in fair value of assets amounting to ₹5.56 crore (PY ₹10.25 crore), of which assets holding ₹3.97 crore (PY ₹4.12 crore) of such provision, have shown satisfactory performance as per RBI guidelines are not disclosed above.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

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

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
(i) No. of Accounts ¹	-	3
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	-	183.98
(iii) Aggregate Consideration	-	165.00
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/ (loss) over net book value	-	(18.98)

¹Represents number of customers.

B. Details of Book value of Investments in Security Receipts

[₹ in crore]

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying		Total	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Book value of investments in security receipts	1268.48	1339.22	-	-	1268.48	1339.22

Note: In addition to the above, Bank holds security receipt of ₹16.75 crore (Previous Year ₹16.75 crore) which are backed by Standard assets sold by the Bank.

C. Details of ageing of Investments held as Security Receipts:

(i) As at March 31, 2019:

[₹ in crore]

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i) Book value of SRs backed by NPAs sold by the bank as underlying	1268.48	-	-
Provision held against (i)	279.04	-	-
ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
Provision held against (ii)	-	-	-
Total (i) + (ii)	1268.48	-	-

Note: In addition to the above, Bank maintains a provision of ₹15.07 crore (Previous Year ₹8.37 crore) against Security Receipts which are backed up by standard asset sold by the Bank.

(ii) As at March 31, 2018:

[₹ in crore]

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
i) Book value of SRs backed by NPAs sold by the bank as underlying	1339.22	-	-
Provision held against (i)	252.39	-	-
ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
Provision held against (ii)	-	-	-
Total (i) + (ii)	1339.22	-	-

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

D. Details of Non-Performing financial assets purchased/sold [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Non-performing financial assets purchased/sold (from/to banks)	Nil	Nil

12. Provisions on Standard Assets [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Provisions towards Standard Assets (including provision towards stressed sector)	234.32	205.92
Provision for Unhedged Foreign Currency Exposure of Borrowers	13.06	11.96
Provision for eligible MSME borrowers classified as standard*	1.74	5.46
Provision for accounts restructured under natural calamity**	8.01	-
Provision for Specific Standard Assets on Stressed Sectors	2.59	7.92
Grand Total (Refer 5. IV - Other liabilities and provisions)	259.72	231.26

*RBI circular DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018 permitted banks to continue the exposures to MSME borrowers registered under Goods and Services Tax (GST) to be classified as standard assets where the dues between September 1, 2017 and January 31, 2018 are paid not later than 180 days from their respective original due dates. Accordingly, the bank has continued to classify exposure to eligible MSME borrowers of ₹130.10 crore (Previous year ₹109.17 crore) as standard. In accordance with the provisions of the circular the bank had not recognised interest income of ₹4.94 crore (Previous Year ₹4.63 crore) and has created a standard asset provision of ₹6.51 crore (Previous Year ₹5.46 crore) in respect of such accounts.

**The bank has restructured an amount of ₹160 crore for eligible borrowers who were affected by floods in the state of Kerala during the financial year 2018-19 based on RBI Master Direction FIDD.CO.FSD.BC No.8/05.10.001/2017-18 dated 03 July, 2017 and as per the scheme formulated by SLBC Kerala.

13. Business ratios

Particulars	March 31, 2019	March 31, 2018
(i) Interest Income as a percentage to Working Funds ¹	7.94%	7.97%
(ii) Non-interest income as a percentage to Working Funds ¹	0.84%	1.08%
(iii) Operating Profit as a percentage to Working Funds ^{1,2}	1.43%	1.91%
(iv) Return on Assets [Based on Working Fund] ¹	0.29%	0.43%
(v) Business (Customer Deposits plus Advances) per employee ^{3,4} (₹ in crore)	17.25	16.32
(vi) Profit per employee ³ (₹ in crore)	0.03	0.04

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

² For the purpose of this ratio, Operating profit is net profit for the year before provisions and contingencies.

³ For the purpose of computing the ratio number of employees (excluding Part time employees) as on Balance Sheet date is considered.

⁴ For the purpose of this ratio, business per employee has been recorded as gross advance plus deposits (excluding inter bank deposits)

14. Lending to sensitive sectors

A. Exposures to Real Estate Sector [₹ in crore]

Category	March 31, 2019	March 31, 2018
a) Direct Exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; <i>of which Individual housing loans eligible for inclusion in priority sector advances</i>	4366.09	3341.30
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estate (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure include non-fund based (NFB) limits	1730.13	1539.23
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	1231.90	1291.15
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)	1354.20	930.04
Total Exposure to Real Estate Sector	6952.19	5562.49

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

B. Exposure to Capital Market sectors

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
(i) Direct Investments in equity shares	272.52	297.43
(ii) Investments in convertible bonds/convertible debentures	5.00	5.00
(iii) Investments in units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	1.93	11.67
(iv) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds and convertible debentures and units of equity oriented mutual funds	-	-
(v) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(vi) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;	-	-
(vii) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1.40	75.35
(viii) Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(ix) Bridge loans to companies against expected equity flows/issues;	-	-
(x) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(xi) Financing to stockbrokers for margin trading;	-	-
(xii) All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	280.85	389.45

C. Risk category wise country exposure:

Country Risk exposure has been classified on the following basis:

[₹ in crore]

Risk Category	Exposure (net) as at March 31, 2019	Provision held as at March 31, 2019	Exposure (net) as at March 31, 2018	Provision held as at March 31, 2018
Insignificant	1,145.29	-	1,123.52	-
Low	729.52	-	580.02	-
Moderate	15.29	-	14.85	-
High	11.58	-	23.47	-
Very High	12.51	-	7.54	-
Restricted	-	-	-	-
Off Credit	-	-	-	-
TOTAL	1,914.19	-	1,749.40	-

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

15. Floating Provision

[₹ in crore]

Particulars	2018-19	2017-18
(a) Opening balance in the floating provisions account	Nil	Nil
(b) The quantum of floating provisions made in the accounting year	Nil	Nil
(c) Amount of draw down made during the accounting year	Nil	Nil
(d) Closing balance in the floating provisions account	Nil	Nil

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16. Maturity Pattern of key assets and liabilities

As at March 31, 2019:

[₹ in crore]

	Day 1	2-7 days	8-14 days	15-30 days	31 days and up to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 years	Over 1 year and up to 3 years	Over 3 year and up to 5 years	Over 5 years	Total
Deposits	977.09	1,113.38	904.83	2,295.57	4,541.66	4,436.64	4,737.10	7,424.79	2,753.00	5,078.85	46,157.23	80,420.14
Advances	1,545.43	1,035.13	1192.04	1,554.77	2,790.79	3,417.92	4,828.99	8,642.84	8,610.75	4,209.12	24,880.22	62,693.7
Investments	355.57	795.83	138.94	322.56	1,005.92	825.74	758.62	1,515.71	1,560.44	1,474.60	10,327.45	19,081.38
Borrowings	89.16	50.00	-	-	887.56	133.33	1,506.48	266.67	930.00	-	1,040.00	4,903.20
Foreign Currency-Assets	141.31	484.13	35.53	110.40	207.87	85.93	240.59	709.42	346.12	13.19	10.42	2,384.91
Foreign Currency-Liabilities	138.82	14.05	12.75	133.52	244.44	621.58	728.06	511.30	459.00	404.43	-	3,265.95

As at March 31, 2018:

[₹ in crore]

	Day 1	2-7 days	8-14 days	15-30 days	31 days and up to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 years	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	144.07	392.52	764.19	2,014.14	4,169.18	5,010.58	3,371.39	5,246.27	5,347.34	4,702.50	40,867.42	72,029.59
Advances	1,134.84	1,055.67	658.63	1,761.75	3,642.57	2,756.17	5,176.35	8,235.69	7,055.22	3,230.37	19,855.61	54,562.89
Investments	1,100.31	1,485.34	146.31	377.56	761.22	965.40	611.23	1,054.62	1,604.66	1,279.83	8,976.60	18,363.08
Borrowings	71.76	1,282.72	-	410.60	-	-	53.30	35.00	1,400.00	-	790.00	4,043.38
Foreign Currency-Assets	280.72	145.64	66.40	111.16	207.54	66.92	212.57	689.10	-	-	-	1,780.05
Foreign Currency-Liabilities	114.57	11.80	3.21	430.92	113.67	59.54	137.35	376.17	573.67	265.76	-	2,086.67

Classification of assets and liabilities under different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the returns submitted to the RBI, which has been relied upon by the auditors.

Disclosure format of maturity pattern has been revised by RBI vide circular DBR.BP.BC.No.86/21.04.098/2015-16 dated March 23, 2016. Previous year numbers has been reclassified/rearranged accordingly.

17. Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank

During the years ended March 31, 2019, March 31, 2018 and March 31, 2017, the bank has exceeded the credit exposure to single borrower and group borrowers limit as per prudential exposure limit prescribed by RBI w.r.t. investment of ₹1,057.15 crore in security receipt issued by M/s. Phoenix ARC. The regulator has instructed the Bank not to take any further exposure to the ARC till the exposure is brought within the prudential limit prescribed under large exposure's framework.

18. Unsecured Advances

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Total Advances for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral	336.97	350.51
Estimated value of such intangible collateral	336.97	350.51

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19. Penalties levied by the Reserve Bank of India

The penalty imposed by RBI during the year ended March 31, 2019 was ₹5,00,75,900/- (Previous year ₹2,52,450/-).

In exercise of powers vested in RBI under the provisions of Section 47A(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949, RBI vide letter dated May 15, 2018 had imposed a monetary penalty of ₹5 crore on the bank for violation of regulatory guidelines observed during statutory inspection with respect to financial position as on March 31, 2016 and March 31, 2017 as detailed in RBI's press release and the Banks intimation to the Stock Exchanges dated May 18, 2018.

20. Asset quality ratios

Particulars	March 31, 2019	March 31, 2018
Percentage of net NPAs to net advances	3.45	2.60
Provision Coverage Ratio (%)	42.46	41.15

21. Concentration of Deposits, Advances, Exposures and NPAs

(i) Concentration of Deposits

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Total Deposits of twenty largest depositors	7,979.89	6,194.33
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	9.92%	8.60%

Note: Excludes holders of certificate of deposits

(ii) Concentration of Advances*

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Total Advances to twenty largest borrowers	5957.21	5816.42
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	8.07%	8.77%

*Advance is computed as per definition of Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

(iii) Concentration of Exposures*

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Total Exposure to twenty largest borrowers/customers	7000.45	6012.07
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	9.10%	7.06%

*Exposure is computed based on credit and investment exposure as prescribed in RBI's Master Circular on Exposure Norms.

(iv) Concentration of NPAs*

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Total Exposure to top four NPA accounts	848.66	692.53

*Represents funded balance

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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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22. Sector-wise Advances

[₹ in crore]

Sl. No.	Sector*	2018-19			2017-18		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector						
1	Agriculture and allied activities	8,624.52	403.14	4.67%	7,919.24	207.34	2.62%
2	Advances to industries sector eligible as priority sector lending	5,846.59	368.22	6.30%	5,155.18	197.39	3.83%
2.a	Textile	1,446.99	94.83	6.55%	1,318.61	37.45	2.84%
2.b	Basic Metal	737.20	20.07	2.72%	565.54	15.72	2.78%
2.c	Infra	187.18	3.51	1.88%	88.73	*	*
3	Services	9,062.37	388.88	4.29%	7,919.26	225.51	2.85%
3.a	Professional	918.85	18.88	2.05%	770.49	14.16	1.84%
3.b	Trade	6,534.01	336.69	5.15%	5,749.10	193.01	3.36%
3.c	NBFC	120.91	*	0.00%	140.87	*	*
4	Personal loans	1,832.50	61.59	3.36%	1,800.64	86.46	4.80%
4.a	Housing Loan	1,630.15	35.07	2.15%	1,480.12	42.25	2.85%
4.b	Other Personal loans incl. Gold Loan	202.35	26.52	13.11%	320.52	44.21	13.79%
	Sub-total (A)	25,365.98	1,221.83	4.82%	22,794.32	716.70	3.14%
B	Non Priority Sector						
1	Agriculture and allied activities	885.17	40.94	4.63%	819.25	26.70	3.26%
2	Industry	12,166.27	1,240.54	10.20%	10,595.11	1,073.9	10.14%
2.a	Textile	1,577.64	51.87	3.29%	1,144.32	29.60	2.59%
2.b	Basic Metal	2,085.28	16.72	0.80%	1,492.67	14.56	0.98%
2.c	Infra	2,389.15	590.32	24.71%	2,780.24	489.14	17.59%
3	Services	16,325.45	529.46	3.24%	14,696.88	93.85	0.64%
3.a	Professional	2,903.56	225.77	7.78%	2,661.09	19.12	0.72%
3.b	Trade	2,313.98	78.41	3.39%	1,912.85	19.79	1.03%
3.c	NBFC	6,190.9	200.00	3.23%	4,405.58	*	*
4	Personal loans	8,893.04	98.90	1.11%	6,203.44	69.06	1.11%
4.a	Housing Loan	2,427.9	40.03	1.65%	1,666.10	27.05	1.62%
4.b	Other Personal loans incl. Gold Loan	6,465.15	58.87	0.91%	4,537.35	42.01	0.93%
	Sub-total (B)	38,269.94	1,909.84	4.99%	32,314.68	1,263.6	3.91%
	Total (A+B)	63,635.92	3,131.67	4.92%	55,109.00	1,980.3	3.59%

Asterisk denotes figure below ₹1,00,000/ Percentage below 0.01

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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23. **Disclosure on Divergence in Asset Classification and Provisioning for NPAs:** as per RBI Circular vide DBR.BP.BC. No.63/21.04.018/2016-17 dated 18th April, 2017.

In terms of RBI Circular No. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 banks are required to disclose the divergence in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts to the financial statement if such divergence exceed the threshold prescribed by the RBI. The divergences identified by RBI for the Financial Year ended March 31, 2018 are less than the prescribed thresholds for the year ended March 31, 2018.

24. **Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances:**

No. of accounts restructured	Amount [₹ in crore]
6	32.20

As permitted by RBI vide its Circular DBR.No.BP.BC.18/21.04.045/2018-19 dated January 1, 2019, the bank restructured 6 eligible MSME accounts with outstanding of ₹32.20 crore during the year, and have retained such accounts as Standard. Additional Standard asset provision of ₹1.74 crore as per RBI circular is maintained in the books towards such accounts.

25. **Movement in technical/prudential written off accounts:** [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Opening balance of Technical/Prudential written-off accounts as at April 1	425.63	352.41
Add: Technical/Prudential write-offs during the year	216.72	304.43
Sub-total (A)	642.35	656.84
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	11.61	74.18
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written-off accounts during the year	-	153.82
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	1.92	3.22
Sub-total (B)	13.53	231.22
Closing balance as at March 31 (A-B)	628.82	425.63

26. **Overseas Assets, NPAs and Revenue - Nil**

27. **Off-balance Sheet SPVs sponsored - Nil**

28. **Bancassurance Business** [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Fees/remuneration received from bancassurance business:		
- For selling life insurance policies	13.72	9.81
- For selling non-life insurance policies	4.12	2.84
Total	17.84	12.65

29. **Drawn Down from Reserves**

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2019 and March 31, 2018, except:

- ₹33.00 crore (Previous Year: Nil) from Revenue and Other Reserves being unamortized balance of additional provision on Debt Asset Swap transaction, as permitted by RBI vide letter: DBS (T).No./424/02.02.006/2018-19 dated May 02, 2019.
- As a onetime measure, an amount of ₹50.00 crores and ₹42.78 crores pertaining to profits for FY 2015-16 and FY 2016-17, respectively, has been transferred from Revenue and Other Reserves and ₹11.19 crore pertaining to profits for FY 2015-16 from Balance in Profit and Loss Account (Previous Year ₹13.50 crores pertaining to profits for FY 2014-15) to Special Reserve u/s 36 (1) (viii) of Income Tax Act, 1961, to make good the shortfall in the special reserve created for the respective years. Out of the total Deferred Tax Liability created, ₹21.18 crores and ₹14.80 crores pertaining to amounts transferred for FY 2015-16 and 2016-17, respectively, has been drawn down from the Balance in Profit and Loss Account.

Credit to Reserve

- During FY 17-18 the Bank credited back ₹76.05 crore drawn down from revenue and other reserves relating to unamortised balance of loss pertaining to advances sold to ARC as per RBI Circular: DBR.No.BP.BC.102/21.04.048/2015-16 dated June 13, 2016.

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- During FY 17-18 the Bank credited back ₹57.82 crore drawn down from revenue and other reserves relating to unamortised balance of fraud cases as per RBI Circular: DBR No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016.

30. Provision for taxes during the year: [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Current Tax	139.35	142.28
Deferred Tax (net)	(6.38)	22.72
Total	132.97	165.00

31. Provisions and Contingencies

a) Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account:

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Provision for NPAs (including write-off, excluding technical write-off)	684.30	693.46
Provision for NPLs	3.42	(7.14)
Provision for taxes (net)	139.35	142.28
Deferred Tax (net)	(6.38)	22.72
Provision for Standard Assets	27.36	7.38
Provision for Restructured Advances	(1.22)	(4.69)
Provision for depreciation in the value of investments	140.23	316.11
Provision for FITL	2.19	(6.08)
Provision for unhedged foreign currency exposures	1.10	1.03
Provision for Non-Banking Asset	11.12	(0.96)
Provision for Fraud/Other impaired assets	(10.02)	(18.22)
Total	991.45	1145.89

- i) The Bank had acquired certain land parcels under a partial Debt Asset Swap transaction ("DAS") in earlier years aggregating ₹110 crores and classified them as "Non-Banking Assets acquired in satisfaction of claims" in the Balance Sheet up to March 31, 2018. The Reserve Bank of India vide their letter dated May 2, 2019 ref DBS (T) No./424/02.02.006/2018-19 to the bank prescribed provisioning norms for DAS transactions in respect of assets acquired under DAS from a particular borrower pursuant to which the Bank has provided an amount of ₹11 crores for the year ended March 31, 2019 and the balance of ₹33 crores is debited against other reserves and will be amortized in the profit and loss account by proportionately reserving the debit to the other reserves over the three subsequent quarters.

b) Movement in provision for debit card reward points: [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Opening provision at the beginning of the year	0.84	0.75
Provision made during the year	2.19	1.17
Reductions during the year	2.13	1.08
Closing provision at the end of the year	0.90	0.84

c) Movement in provision for other contingencies: [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Opening provision at the beginning of the year	34.45	16.50
Incremental expense during the year	4.94	26.07
Redemption during the year	14.96	8.12
Closing provision at the end of the year	24.43	34.45

32. Disclosures on Remuneration

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

Composition:

The Nomination & Remuneration committee of the Board consists of three members of which one member from Risk Management committee of the Board facilitate effective governance of compensation.

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The roles and responsibilities of the Nomination & Remuneration Committee inter-alia includes the following:

- Scrutinize the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India vide their directive dated May 23, 2011 on Fit & Proper Criteria of the Banks.
 - To devise a Succession Planning Policy for the Board and Senior Management.
 - To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors.
 - To identify persons who are qualified to become Directors/KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
 - To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
 - To devise a policy on Board diversity.
 - To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.
 - To perform such other functions as may be necessary or appropriate for the performance of its duties.
 - To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
 - The Committee shall work in close co-ordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
 - With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
 - (i) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;
 - (ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - (iii) Co-ordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;
 - (iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
 - The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
 - To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.
 - To oversee the administration of Employee benefits, such as, Provident Fund, Pension Fund, Gratuity, Compensation for absence on Privilege/Sick/Casual Leave etc., which are recognised in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006 (as amended).
 - The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board;
 - Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.
 - To conduct the annual review of the Compensation Policy.
 - To review HR Strategy aligning with business strategy of the Bank.
 - To review the skill gaps and talent pool creation.
 - To fulfill such other powers and duties as may be delegated to it by the Board.
- b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

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

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

Further, the compensation structure for the Whole Time Directors (WTDs)/Managing Director & Chief Executive Officer (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to Clause 95 of Articles of Association of the Bank read with Section 197 of the Companies Act, 2013 and Section 35B (1) of Banking Regulation Act, 1949.

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- c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

The Board of Directors through the NRC shall exercise oversight and effective governance over the framing and implementation of the Compensation Policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

- d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. The factors taken in to account for the annual review and revision in the variable pay and performance bonus are:

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

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

- e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

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

- f) Description of the different forms of variable remuneration (i.e., cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

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

			2018-19	2017-18
Quantitative disclosures	(a)	• Number of meetings held by the Remuneration Committee during the financial year • Remuneration paid to its members (₹ in Lakhs)	8 10.50	6 5.75
	(b)	(i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus (iv) Details of severance pay, in addition to accrued benefits, if any.	-	1
	(c)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.		
	(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred. (₹ in Lakhs) • Fixed • Variable • Deferred • Non-Deferred	103.68	95.04 19.80
	(e)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.		- - -

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33. Securitisation Transactions

The Bank has not undertaken any securitisation transactions during the year ended March 31, 2019 and March 31, 2018.

34. Credit Default Swaps

The bank has not undertaken any transactions in credit default swaps during the year ended March 31, 2019 and March 31, 2018.

35. Status of Complaints
A. Shareholder complaints:

		March 31, 2019	March 31, 2018
(a)	No. of complaints pending at the beginning of the year	-	1
(b)	No. of complaints received during the year	332	67
(c)	No. of complaints redressed during the year	331	68
(d)	No. of complaints pending at the end of the year	1	-

B. Customer complaints:

		March 31, 2019	March 31, 2018
(a)	No. of complaints pending at the beginning of the year	358	310
(b)	No. of complaints received during the year	63680	27108
(c)	No. of complaints redressed during the year	62196	27060
(d)	No. of complaints pending at the end of the year	1842	358

Complaints on ATM transactions (Included in B above):

Complaints against banks own ATM's

		March 31, 2019	March 31, 2018
(a)	No. of complaints pending at the beginning of the year	125	125
(b)	No. of complaints received during the year	8567	8896
(c)	No. of complaints redressed during the year	8586	8896
(d)	No. of complaints pending at the end of the year	106	125

Complaints against other bank ATM's

		March 31, 2019	March 31, 2018
(a)	No. of complaints pending at the beginning of the year	222	171
(b)	No. of complaints received during the year	22379	17246
(c)	No. of complaints redressed during the year	22169	17195
(d)	No. of complaints pending at the end of the year	432	222

C. Status of Awards passed by the Banking Ombudsman:

		March 31, 2019	March 31, 2018
(a)	No. of unimplemented Awards at the beginning of the year	-	-
(b)	No. of awards passed by the Banking Ombudsman during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards at the end of the year	-	-

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

36. Letter of Comfort (LoCs) issued by Banks

The Bank has not issued any reportable Letter of Comfort on behalf of subsidiaries during the year ended March 31, 2019 and March 31, 2018 respectively.

37. Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency product portfolio and encouraging them to hedge the unhedged portion. In line with the policy, assessment of unhedged foreign currency exposure is a part of assessment of borrowers and is undertaken while proposing limits or at the review stage.

Further, the Bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank also maintains incremental provision towards the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained provision of ₹13.06 crore (Previous Year ₹11.96 crore) and additional capital of ₹12.90 crore (Previous Year ₹10.04 crore) on account of Unhedged Foreign Currency Exposure of its borrowers as at March 31, 2019.

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38. Liquidity Coverage Ratio (LCR)

[₹ in crore]

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018		Quarter ended March 31, 2018	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets										
1 Total High Quality Liquid Assets (HQLA)		13,171.31		12,686.65		10,921.09		9,652.19		8,639.67
Cash Outflows										
2 Retail deposits and deposits from small business customers, of which:	52,757.53	5,126.90	51,424.33	4,995.72	50,282.88	4,884.31	49,130.99	4,770.06	52,757.53	4,567.06
(i) Stable deposits	2,976.9	148.84	2,934.19	146.71	2,879.72	143.99	2,860.75	143.04	2,976.9	142.69
(ii) Less stable deposits	49,780.63	4,978.06	48,490.14	4,849.01	47,403.16	4,740.32	46,270.24	4,627.02	49,780.63	4,424.37
3 Unsecured wholesale funding, of which:	5,047.46	3,766.5	4,786.00	3,099.45	4,364.91	3,106.42	4,736.86	3,176.75	5,047.46	3,367.62
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	3,214.92	3,033.49	2,201.63	2,065.7	2,594.17	2,398.12	2,354.90	2,223.97	3,214.92	2,727.30
(iii) Unsecured debt	1,832.54	733.01	2,584.37	1,033.75	1,770.74	708.3	2,381.96	952.78	1,832.54	640.32
4 Secured wholesale funding		-		-		-		-		-
5 Additional requirements, of which	-	-	0.05	0.05	2.44	2.44	0.48	0.48	-	0.38
(i) Outflows related to derivative exposures and other collateral requirements	-	-	0.05	0.05	2.44	2.44	0.48	0.48	-	0.38
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	251.52	251.52	275.85	275.85	174.09	174.09	249.61	249.61	251.52	311.88
7 Other contingent funding obligations	2,353.5	446.59	2,218.79	407.02	2,536.81	626.69	2,638.82	634.21	2,353.5	1,077.53
8 TOTAL CASH OUTFLOWS		9,591.51		8,778.09		8,793.93		8,831.12		9,324.48
Cash Inflows										
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	4,975.27	2,487.63	6,560.28	3,280.14	5,350.55	2,675.27	5,452.59	2,726.29	4,327.33	2,163.66
11 Other cash inflows	1,542.81	1,477.49	1,203.25	1,146.45	1,172.38	1,099.81	1,205.00	1,122.86	1,125.63	1,057.87
12 TOTAL CASH INFLOWS	6,518.08	3,965.12	7,763.53	4,426.59	6,522.93	3,775.08	6,657.59	3,849.15	5,452.96	3,221.53
13 TOTAL HQLA		13,171.31		12,686.65		10,921.09		9,652.19		8,639.67
14 TOTAL NET CASH OUTFLOWS		5,626.39		4,351.5		5,018.85		4,981.97		6,102.95
15 LIQUIDITY COVERAGE RATIO (%)		234.10%		291.55%		217.60%		193.74%		141.57%

Note: The LCR for quarter ended 31st March 2019 is calculated taking daily average whereas the same is calculated for the previous quarter is based on monthly average.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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39. Qualitative Disclosure around LCR

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". The LCR guidelines aim to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken. Banks are required to maintain High Quality Liquid Assets of a minimum of 100% of its Net Cash Outflows from 1st January, 2019. The daily average LCR of the bank for the quarter ended March 2019 is 234.10%.

The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement, regulatory dispensation allowed up to 2% of NDTL in the form of borrowing limit available through Marginal Standing Facility (MSF) and 5% of NDTL as Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). From February 2016 onwards, RBI has allowed Banks to reckon an additional 3% of NDTL as FALLCR. This has been further increased by 2% from July 2016, 2% from June 2018 and another 2% from October 2018, onwards. As on 31st March 2019, Banks are allowed to consider 13% of NDTL as FALLCR. Further, towards harmonisation of the effective liquidity requirements of banks with the LCR, RBI has permitted banks to reckon an additional 2% of Government securities within the mandatory SLR requirement as FALLCR in a phased manner from 4th April, 2019.

The principal components of the estimated cash out flows which could arise in next 30 days are retail deposits (53.45%) and unsecured wholesale funding (39.27%) which are maturing in the period. The Bank intends to fund the short term cash outflows from extremely liquid Government securities and funding for estimated cash outflows considered in LCR computation substantially flows from this source. The Bank is managing its liquidity from the centralized fund management cell attached to Treasury Department, Mumbai.

40. Transfers to Depositor Education and Awareness Fund (DEAF):

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposits or any amount remaining unclaimed for more than ten years to DEAF.

Details of amounts transferred to DEAF are set out below:

[₹ in crore]

Particulars	March 31,2019	March 31,2018
Opening balance of amounts transferred to DEAF	83.83	70.90
Add : Amounts transferred to DEAF during the year	17.57	14.36
Less : Amounts reimbursed by DEAF towards claims	1.48	1.43
Closing balance of amounts transferred to DEAF	99.92	83.83

41. Intra-Group Exposure - Nil.

42. Inter-bank participation with risk sharing

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2019 was ₹508.33 crore (Previous Year: ₹1200 crore).

43. Priority sector lending certificates

The amount of PSLCs (category wise) sold/purchased:

[₹ in crore]

Sl. No.	Type of PSLCs	March 31, 2019		March 31, 2018	
		Purchase	Sale	Purchase	Sale
1	PSLC – Agriculture	-	550.00	-	1300.00
2	PSLC – SF/MF	-	-	-	-
3	PSLC – Micro Enterprises	-	-	1,000.00	-
4	PSLC – General	-	5119.50	-	4,000.00
Total		-	5669.50	1,000.00	5,300.00

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44. Disclosures on Flexible Structuring of Existing Loans

[₹ in crore]

Period	No. of borrowers taken up for flexible structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
During the FY 2017-18	1	21.00	Nil	7 Years 2 Months	15 Years 07 months
During the FY 2018-19	Nil	Nil	Nil	Nil	Nil

45. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)^{1,2}

There are no accounts under SDR Scheme and which are currently under stand-still period (Previous Year: ₹Nil).

46. Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

There are no accounts where the bank has decided to affect the change of ownership outside SDR Scheme and which are currently under stand-still period (Previous Year: ₹Nil).

47. Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period)

There are no accounts where the bank has decided to effect the change of ownership of projects under implementation (Previous Year: Nil).

48. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on 31 March, 2019

There were no accounts during the year where S4A has been applied.

B. Other Disclosures

1. Fixed Assets

- a) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Gross Block		
At the beginning of the year	79.62	58.86
Additions during the year	30.64	20.87
Deductions during the year	-	0.11
Closing Balance	110.26	79.62
Depreciation/Amortisation		
At the beginning of the year	33.73	17.36
Charge for the year	21.99	16.43
Deductions during the year	-	0.06
Depreciation to date	55.71	33.73
Net Block	54.56	45.89

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2. Earnings Per Share

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

Particulars	March 31, 2019	March 31, 2018
Weighted average number of equity shares used in computation of basic earnings per share	180,95,58,085	180,50,23,599
Potential equity shares arising out of the Employees Stock Option Scheme	-	19,83,079
Weighted average number of equity shares used in computation of diluted earnings per share	180,95,58,085	180,70,06,677
Earnings used in the computation of basic earnings per share (₹ in crore)	247.53	334.89
Earnings used in the computation of diluted earnings per share (₹ in crore)	247.53	334.89
Nominal Value of share (in ₹)	1.00	1.00
Basic earnings per share (in ₹)	1.37	1.86
Effect of potential equity shares for ESOS	-	0.01
Diluted earnings per share (in ₹)	1.37	1.85

3. Accounting for Employee Share Based Payments

The company has provided various share based payment schemes to its employees. As on March 31, 2019, the following schemes were in operation;

	Tranche 6	Tranche 7	Tranche 8
Date of grant	03.12.2013	27.03.2015	06.12.2017
Date of Board approval	03.12.2013	27.03.2015	06.12.2017
Date of Shareholders approval	18.08.2008	18.08.2008	18.08.2008
Number of options granted	213,52,100	22,26,500	43,04,710
Method of settlement	Equity	Equity	Equity
Vesting period	03.12.2015 to 03.12.2017	27.03.2017 to 27.03.2019	06.12.2019 to 06.12.2021
Exercise period (for all Tranches)	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.		
Manner of Vesting (for all Tranches)	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.		

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

Activity in the options outstanding under the ESOS

Particulars	March 31, 2019		March 31, 2018	
	Options	Weighted average exercise price (₹)	Options	Weighted average exercise price (₹)
Options outstanding at the beginning of the year	1,08,47,193	19.22	16,180,833	19.15
Options granted during the year	-	-	4,454,710	19.05
Options exercised during the year	8,51,071	19.01	5,995,121	18.88
Forfeited/lapsed during the year	66,00,286	19.18	3,793,229	19.25
Options outstanding at the end of the year	33,95,836	19.36	10,847,193	19.22
Options Exercisable	7,51,703	21.63	5,629,027	19.03

The weighted average share price at the date of exercise of the options was ₹24.51 (Previous year ₹30.22)

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Details of exercise price for stock options outstanding as at March 31, 2019

Particulars	Exercise price per share	Number of options outstanding	Remaining contractual life of options
Tranche 6	18.72	3,840	0.45
Tranche 7	21.65	7,46,000	0.99
Tranche 8	18.72	26,45,996	2.79

Details of exercise price for stock options outstanding as at March 31, 2018

Particulars	Exercise price per share	Number of options outstanding	Remaining contractual life of options
Tranche 6	18.72	5,039,777	0.68
Tranche 7	21.65	1,369,150	1.56
Tranche 8	18.72	4,288,266	3.79
Tranche 9	28.40	150,000	3.79

Tranche 8 and 9 were granted during the year.

Fair Value methodology

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

Tranches	Year ended March 31, 2019				Year ended March 31, 2018			
	6	7	8	9	6	7	8	9
Exercise Price per share (₹)	18.72	21.65	18.72	28.40	18.72	21.65	18.72	28.40
Weighted Average Share Price per share (₹)	23.49	27.56	25.91	25.91	23.49	27.56	25.91	25.91
Expected Volatility (%)	29.95	34.59	33.09	33.09	29.95	34.59	33.09	33.09
Historical Volatility (%)	32.19	34.83	33.09	34.49	32.19	34.83	33.09	34.49
Life of the options granted (Vesting and Exercise period in years)	2.16 to 4.16	3.10 to 5.10	3.00 to 5.00	3.00 to 5.00	2.16 to 4.16	3.10 to 5.10	3.00 to 5.00	3.00 to 5.00
Average Risk Free Interest rate (%)	8.61 to 8.88	8.15 to 8.19	7.10 to 7.44	7.10 to 7.44	8.61 to 8.88	8.15 to 8.19	7.10 to 7.44	7.10 to 7.44
Expected Dividend Yield (%)	3.41	2.90	1.54	1.54	3.41	2.90	1.54	1.54

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

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Opening of ESOS Liability	6.93	3.45
Liability on account of ESOS issued	0.00	5.57
Reversal on account of Exercise	(0.18)	(1.26)
Reversal on account of lapsed/forfeiture	(3.17)	(0.84)
Total Employee compensation cost pertaining to ESOS	3.57	6.93
Opening Deferred Compensation Cost	4.97	0.43
Deferred compensation cost on ESOS issued	0.00	5.57
Compensation Cost pertaining to ESOS amortized during the year	(1.76)	(1.00)
Reversal on account of lapse/forfeiture	(1.39)	(0.02)
Deferred compensation cost	1.83	4.97

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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Impact of fair value method on net profit and on EPS:

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

Particulars	March 31, 2019	March 31, 2018
Net Profit as reported (₹ in crore)	247.53	334.89
Proforma Net profit based on fair value approach (₹ in crore)	247.33	334.26
Basic EPS as reported (₹)	1.37	1.86
Basic EPS (Proforma) (₹)	1.37	1.85
Diluted EPS as reported (₹)	1.37	1.85
Diluted EPS (Proforma) (₹)	1.37	1.85

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

4. Deferred Tax Assets (net) [₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Deferred Tax Asset (A)		
Provisions for Loans/Investments/others	180.79	150.44
Fixed Assets: on differences between book balances and tax balance of fixed asset	0.28	-
Total (A)	181.07	150.44
Deferred Tax Liabilities (B)		
Fixed Assets: on differences between book balances and tax balance of fixed asset	-	1.32
Special Reserve created u/s 36(1)(viii) of Income Tax Act	139.56	78.01
Total (B)	139.56	79.33
Deferred Tax Asset (net) (A-B)	41.51	71.11

5. Related party disclosure:

- a. Key Management Personnel
Sri V G Mathew, Managing Director & Chief Executive Officer.
- b. Gross Remuneration paid

[₹ in crore]

Name	Designation	2018-19	2017-18
Sri V G Mathew	Managing Director & CEO	1.18	1.29

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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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1,50,000 employee stock option granted to Sri V G Mathew MD & CEO in FY 17-18, subject to RBI approval was not considered by the regulator and accordingly was lapsed/forfeited in FY 18-19.

[₹ in crore]

Items/Related Party	Key Management Personnel		Relatives of Key Management Personnel		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Deposits:						
Balance outstanding	1.10	0.87	0.60	0.56	1.70	1.43
Peak Balance	1.14	1.01	0.61	0.57	1.75	1.58
Interest paid	0.07	0.04	0.04	0.03	0.11	0.07

6. Employee Benefits

a) Provident Fund:

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the South Indian Bank Employees' Provident Fund. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹0.21 crore (Previous Year: ₹0.21 crore) for provident fund contribution in the Profit and Loss Account.

b) New Pension Scheme:

As per the industry level settlement dated April 27, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after April 1, 2010.

The Bank recognized ₹21.49 crore (Previous Year: ₹17.59 crore) for DCPS contribution in the Profit and Loss Account.

c) Retirement Benefits:

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

[₹ in crore]

Particulars	March 31, 2019	March 31, 2018
Pension Fund	140.74	113.92
Gratuity Fund	39.97	20.71
Compensation for absence on privilege/sick/casual leave	20.69	27.41

The employee benefits on account of pension, gratuity and Leave have been ascertained on actuarial valuation in accordance with Accounting Standard - 15 prescribed under Section 133 of the Companies Act, 2013.

The following table as furnished by Actuary sets out the funded status of gratuity/pension plan and the amount recognised in the Bank's financial statements as at March 31, 2019.

d) Changes in the defined benefit obligations

[₹ in crore]

	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Projected defined benefit obligation, beginning of the year	211.50	177.33	650.13	620.99
Current Service Cost	15.04	18.23	148.69	147.22
Past Service Cost	-	27.26	-	-
Interest Cost	15.17	12.46	45.01	42.89
Actuarial (gain)/loss	5.25	(2.76)	(1.98)	(28.78)
Benefits paid	(30.52)	(21.02)	(141.63)	(132.19)
Projected defined benefit obligation, end of the year	216.44	211.50	700.22	650.13
Liability (net) of fair value of plan asset at the end of the year	6.14	31.97	25.66	29.14

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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e) Changes in the fair value of plan assets [₹ in crore]

	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Fair value of plan assets, beginning of the year	179.53	172.30	620.98	574.78
Expected return on plan assets	14.45	12.11	49.78	45.93
Employer's contributions	45.35	14.20	144.22	130.98
Actuarial gain/(loss)	1.49	1.94	1.21	1.48
Benefits paid	(30.52)	(21.02)	(141.63)	(132.19)
Fair value of plan assets, end of the year	210.30	179.53	674.56	620.98

The Company expects to contribute ₹6.13 crore (Previous Year ₹31.97 crore) towards gratuity and ₹25.66 crore (Previous Year ₹29.14 crore) towards pension in the next year.

f) Net Employee benefit expense (recognised in payments to and provisions for employees) [₹ in crore]

	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Current Service Cost	15.04	18.23	148.69	147.22
Past Service Cost	-	27.26	-	-
Interest Cost	15.17	12.46	45.01	42.89
Expected return on plan assets	(14.45)	(12.11)	(49.78)	(45.93)
Net actuarial (gain)/loss recognised in the year	3.76	(4.69)	(3.18)	(30.26)
Employee cost	19.52	41.15	140.74	113.92
Unamortized cost	-	20.45	-	-
Total	19.51	20.70	140.74	113.92
Actual return on plan assets	15.94	14.05	50.98	47.40

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

	Gratuity Plan		Pension Plan	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Government Securities (Central & State)			55%	50%
High quality Corporate Bonds				30%
Equity Shares of Listed Companies				
Funds Managed by Insurer *	100%	100%	4%	18%
Others (PSU & Special Deposits)			41%	2%
Total	100%	100%	100%	100%

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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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h) Experience adjustments

(i) Gratuity

[₹ in crore]

	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined Benefit Obligations	216.44	211.50	177.33	165.08	157.33
Plan Assets	210.30	179.53	172.30	150.49	145.56
(Surplus)/Deficit	6.14	31.97	5.02	14.59	11.77
Unamortized	-	20.45	-	-	-
Net benefit expenses	6.14	11.52	5.03	14.59	11.77
Experience adjustments on Plan Liabilities	5.25	(2.75)	3.88	7.02	3.71
Experience Adjustments on Plan Assets	(1.49)	(1.94)	(2.39)	(1.72)	(2.65)

(ii) Pension

[₹ in crore]

	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined Benefit Obligations	700.22	650.13	620.99	570.16	480.72
Plan Assets	674.56	620.98	574.78	409.61	302.29
(Surplus)/Deficit	25.66	29.14	46.21	160.55	178.43
Experience adjustments on Plan Liabilities	(1.98)	(28.78)	(10.99)	83.38	38.93
Experience Adjustments on Plan Assets	(1.20)	(1.48)	(6.97)	(60.00)	(7.68)

i) Assumptions used by the actuary in accounting for Gratuity/Pension/Compensation for absence

	Gratuity Plan		Pension Plan		Compensation for absence	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Discount rate	7.77%	7.73%	7.77%	7.73%	7.77%	7.73%
Expected rate of return on plan assets	7.73%	7.50%	8.00%	8.00%	*	*
Increase in compensation cost	6.00%	6.00%	5.00%	5.00%	6.00%	6.00%

*Not applicable

Notes:

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

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

The charge on account of compensation for privilege/sick/casual leave has been actuarially determined and an amount of ₹20.69 crore (Previous year ₹27.41 crore) has been debited to Profit and Loss account.

The above information is as certified by actuary and relied upon by the auditor.

- During the Financial Year 2018-19, the Bank has debited to Profit and Loss Account Amount ₹20.45 crore (Previous Year: Nil) of unamortised gratuity expenditure as at March 31, 2018 as per RBI Circular DBR. BP.9730/21.04.018/2017-18 dated April 27, 2018.

7. Micro Small and Medium Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

8. Segment reporting

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

a) Treasury:

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

b) Corporate/Whole sale Banking:

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

c) Retail banking:

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

d) Other Banking Operations:

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

Geographic segment

The Bank operations are predominantly confined within one geographical segment (India) and accordingly this is considered as the only secondary segment.

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

[₹ in crore]

Business Segments	Treasury		Corporate/Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Particulars	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Revenue	1,484.82	1,483.89	3,302.29	3,018.42	2,564.70	2,288.81	250.98	238.94	7,602.73	7,030.06
Result	(41.97)	(117.71)	(126.64)	(40.83)	347.92	463.57	201.19	194.86	380.49	499.89
Unallocated Expenses/(Income)									-	-
Operating profit									380.49	499.89
Income Taxes									132.97	165.00
Net Profit									247.52	334.89
Other Information:										
Segment Assets	20,162.58	19,380.43	40,327.12	36,246.95	29,446.95	24,782.48	13.96	13.14	89,950.61	80,423.00
Unallocated Assets									2,328.61	2,262.87
Total Assets									92,279.22	82,685.87
Segment Liabilities	19,128.33	18,335.15	38,576.88	34,530.80	28,168.93	23,609.13	-	-	85,874.14	76,475.08
Unallocated Liabilities									1,069.75	969.57
Total Liabilities									86,943.89	77,444.65

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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

9. Description of contingent liabilities*

Sl. No	Contingent liability	Brief Description
1	Claims not acknowledged as debts	This includes liability on account of , and other legal cases filed against the bank. The bank is a party to various legal proceedings in the ordinary course of business and these are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.
2	Liability on account of outstanding forward contracts	The Bank enters into foreign exchange contracts with interbank participants on its own account and for its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contract rate.
3	Guarantees on behalf of constituents in India, Acceptances, endorsements and other obligations	As a part of banking activities, the Bank issues Letter of Guarantees and documentary credit on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers' obligations, either directly or in case the customer fails to fulfill their financial or performance obligations.
4	Other items for which the bank is contingently liable	Includes capital commitments and amount transferred to RBI under the Depositor Education and Awareness Fund (DEAF).

* Also refer schedule – 12

The Bank's pending litigations comprise of claims against the Bank by the clients and proceedings pending with Income Tax authorities/Service Tax Authorities. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities wherever applicable, in its financial statements. The Management believes that the possibility of outflow of resources embodying economic benefits in these cases is possible but not probable and hence no provision is required in these cases. However, a contingent liability has been disclosed with respect to these cases.

10. Provision for long term contracts

The Bank has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/Accounting Standards for material foreseeable losses on such long-term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

11. Corporate social responsibility

Operating expenses include ₹12.22 crore (Previous Year ₹7.28 crore) for the year ended March 31, 2019 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The Bank has spent 1.84% of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2019. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact

Details of amount spent during the year towards CSR are as under:

For the year ended March 31, 2019

[₹ in crore]

	Paid	Yet to be paid	Total
i) Construction/Acquisition of any assets	4.31	-	4.31
ii) For purposes other than (i) above	7.91	-	7.91

For the year ended March 31, 2018

	Paid	Yet to be paid	Total
i) Construction/Acquisition of any assets	4.19	-	4.19
ii) For purposes other than (i) above	3.09	-	3.09

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

12. Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

13. Provisioning pertaining to fraud accounts

The Bank has reported 120 cases as fraud during the Financial Year ended March 31, 2019 amounting to ₹34.41 crore and has provided for the same in full.

14. Proposed Dividend:

The Board of Directors has proposed a dividend of ₹0.25 per Equity share (25%) [(Previous year ₹0.40 per Equity Share) (40%)] for the year ended March 31, 2019, subject to the approval of the shareholders at the ensuing Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016, proposed dividend including dividend distribution tax of ₹54.54 crore is not recognized as liability as on March 31, 2019. Accordingly, the liability has not been reckoned in capital funds for computing capital adequacy ratio as at March 31, 2019. Capital adequacy ratio after considering the impact of proposed dividend is 12.50% as at March 31, 2019.

15. Figures of the previous year have been regrouped to conform to the current year presentation wherever necessary.

In terms of our report attached

For and on behalf of Board of Directors

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 301003E/E300005

per **Shrawan Jalan**

Partner

Membership No. 102102

Thomas Joseph K.
Executive Vice President

Sivakumar G.
Executive Vice President

Reghunathan K. N.
Executive Vice President

Chithra H.
Chief Financial Officer

Jimmy Mathew
Company Secretary

Vijith S.
Dy. General Manager

Salim Gangadharan
Chairman
(DIN : 06796232)

Dr. John Joseph
Director
(DIN : 00021735)

Ranjana S. Salgaocar
Director
(DIN : 00120120)

Achal Kumar Gupta
Director
(DIN : 02192183)

M. George Korah
Director
(DIN : 08207827)

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

Francis Alapatt
Director
(DIN : 01419486)

Parayil George John Tharakan
Director
(DIN : 07018289)

V. J. Kurian
Director
(DIN : 01806859)

Pradeep M. Godbole
Director
(DIN : 08259944)

Mumbai
May 9, 2019

Kochi
May 9, 2019

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2019

1. Scope of Application

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

2. Capital Adequacy

I. Qualitative Disclosure

RBI Guidelines on capital adequacy

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March 2020. These guidelines on Basel III have been implemented on 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the year ended 31st March 2019 is 10.875% with minimum Common Equity Tier 1 (CET1) of 7.375% (including CCB of 1.875%).

The bank's approach in assessment of capital adequacy

The bank is following standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively. Besides, computation of CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on quarterly basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar- II of Basel guidelines. The adequacy of banks capital funds to meet the future business growth is also assessed in the ICAAP document.

Quantitative Disclosure

	Particulars	Amount in ₹ Million
(a)	Capital requirements for Credit Risk	48,129.23
	Portfolios subject to standardized approach	0.00
	Securitization exposures	0.00
(b)	Capital requirements for Market Risk (Standardised duration approach)	3,032.03
	Interest Rate Risk	2,530.05
	Foreign Exchange Risk (including gold)	48.94
	Equity Risk	453.04
(c)	Capital requirements for Operational Risk (Basic Indicator Approach)	4,738.49
	Total Capital Requirement at 10.875%{ (a)+ (b)+(c) }	55,899.75
	Total Capital Fund	64,810.24
	Common Equity Tier- I CRAR %	9.97%
	Tier- I CRAR %	9.97%
	Total CRAR %	12.61%

Risk Management: Objectives and Organisation Structure

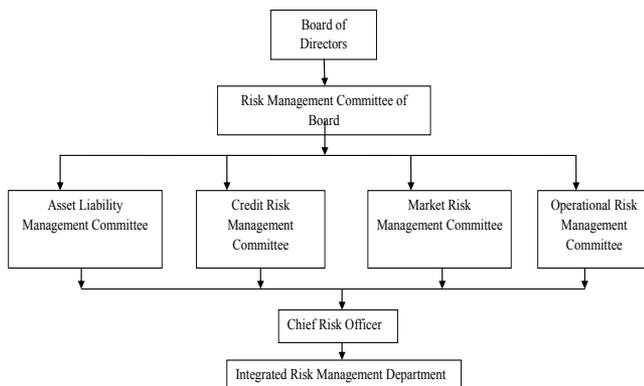
Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an appropriate trade off between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

market participants a better idea on the risk profile and risk management practices of the bank.

The bank has a comprehensive risk management system set up to address various risks and has set up an Integrated Risk Management Department (IRMD), which is independent of operational departments. Bank has a Risk Management Committee functioning at apex level for formulating, implementing and reviewing bank's risk management measures pertaining to credit, market and operational risk. Apart from

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2019

the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Asset Liability Management Committee, Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, risk officers in all Regional Offices/branches and dedicated mid office at Treasury Department at operational level. The structure and organization of Risk Management functions of the bank is as follows:



3. Credit Risk: General Disclosures

I. Qualitative Disclosure

Definition of Non Performing Assets

The bank follows extant guidelines of the RBI on income recognition, asset classification and provisioning.

- a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.
- b) A non-performing asset (NPA) is a loan or an advance where;
 - i. Interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
 - ii. the account remains 'out of order', in respect of an Overdraft/Cash Credit (OD/CC), (out of order - An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as "out of order").
 - iii. the bill remains overdue for a period of more than 90 days in the case of bills Purchased and

- discounted, (overdue - Any amount due to the bank under any credit facility is "overdue" if it is not paid on the due date fixed by the bank).
- iv. The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops, (overdue - Any amount due to the bank under any credit facility is "overdue" if it is not paid on the due date fixed by the bank).
- v. The instalment of principal or interest thereon remains overdue for one crop season for long duration crops, (overdue - Any amount due to the bank under any credit facility is 'Overdue' if it is not paid on the due date fixed by the bank).
- vi. Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.
- vii. In respect of derivative transactions, the overdue receivables representing positive Mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

A loan for an infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from the original Date of Commencement of Commercial Operations ('DCCO'), even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

A loan for a non-infrastructure project (other than commercial real estate exposures) will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for a non-infrastructure project (other than commercial real estate exposures) will be classified as NPA if it fails to commence commercial operations within one year from the original DCCO, even if is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

A loan for commercial real estate project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), or if the project fails to commence commercial operations within one year from the original DCCO or if the loan is restructured.

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2019

Special Mention Accounts

As prescribed by RBI, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below:

1. SMA-0- Principal or interest payment or any other amount wholly or partly overdue between 1-30 days.
2. SMA-1- Principal or interest overdue between 31-60 days.
3. SMA-2- Principal or interest overdue between 61-90 days.

Credit Risk Management Practices of our Bank

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

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

- The credit/country risk associated with exposures, like inter-bank deposits and export bill discounting, to different countries are consolidated regularly and monitored by the Board.

- Bank uses a robust risk rating framework for evaluating credit risk of the borrowers. The bank uses segment-specific rating models that are aligned to target segment of the borrowers.
- Risks on various counter-parties such as corporates, banks, are monitored through counter-party exposure limits, also governed by country risk exposure limits in case of international transactions.
- The bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.

II. Quantitative Disclosure

a) Gross Credit Risk Exposures as on 31st March 2019

[Amount in ₹ Million]

Category	Exposure
Fund Based ¹	7,97,857.13
Non Fund Based ²	42,121.18
Total	8,39,978.31

Note :

1. Fund based credit exposure excludes Cash in hand, Balance with RBI, SLR investments, shares, deposits placed NABARD, SIDBI & NHB, Fixed and Other assets.
2. Non-fund based exposure includes Letter of Credit, Acceptances, Bank Guarantee exposures and Forward Contracts. The value of forward contracts is arrived based on Current Exposure Method (CEM).

b) Geographic Distribution of Credit Risk Exposure as on 31st March 2019

Particulars	Amount in Million
Domestic	8,39,978.31
Overseas	0.00
Total	8,39,978.31

c) Industry wise Distribution of gross advances and NPAs as on 31st March 2019

[Amount in ₹ Million]

Industry Name	Gross Advance	GNPA	Standard Advance
A. Mining and Quarrying	1,221.92	22.01	1,199.91
A.1 Coal	41.33	19.11	22.22
A.2 Others	1,180.59	2.90	1,177.69
B. Food Processing	861.47	30.14	831.33
B.1 Sugar	11.26	10.25	1.01
B.2 Edible Oils and Vanaspati	43.25	-	43.25
B.3 Tea	21.44	-	21.44
B.4 Coffee	-	-	-
B.5 Others	785.53	19.88	765.64
C. Beverages (excluding Tea & Coffee) and Tobacco	3,798.58	6.02	3,792.56
C.1 Tobacco and tobacco products	555.14	-	555.14
C.2 Others	3,243.44	6.02	3,237.42

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2019

D. Textiles	30,246.42	1,467.12	28,779.30
D.1 Cotton	15,450.30	852.30	14,598.00
D.2 Jute	443.71	-	443.71
D.3 Man-made	257.69	2.08	255.61
D.4 Others	14,094.72	612.74	13,481.98
Out of D (i.e., Total Textiles) to Spinning Mills	19,643.71	1,334.56	18,309.15
E. Leather and Leather products	1,655.90	107.50	1,548.40
F. Wood and Wood Products	1,363.84	59.57	1,304.27
G. Paper and Paper Products	4,879.58	208.13	4,671.45
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	4,993.68	-	4,993.68
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	10,214.39	46.17	10,168.22
I.1 Fertilizers	108.70	-	108.70
I.2 Drugs and Pharmaceuticals	5,287.26	14.00	5,273.26
I.3 Petro-chemicals (excluding under Infrastructure)	-	-	-
I.4 Others	4,818.44	32.17	4,786.27
J. Rubber, Plastic and their Products	12,896.72	172.06	12,724.66
K. Glass & Glassware	1,170.08	0.16	1,169.92
L. Cement and Cement Products	11,169.44	2,329.53	8,839.91
M. Basic Metal and Metal Products	28,224.92	367.99	27,856.93
M.1 Iron and Steel	16,115.52	155.76	15,959.76
M.2 Other Metal and Metal Products	12,109.40	212.23	11,897.17
N. All Engineering	14,111.67	109.65	14,002.02
N.1 Electronics	199.30	1.03	198.27
N.2 Others	13,912.37	108.62	13,803.75
O. Vehicles, Vehicle Parts and Transport Equipments	4,308.23	2,348.43	1,959.80
P. Gems and Jewellery	6,030.37	1,443.74	4,586.63
Q. Construction	9,773.22	1,163.42	8,609.80
R. Infrastructure	25,763.37	5,938.41	19,824.96
R.a Transport (a.1 to a.6)	15,123.60	5,492.78	9,630.82
R.a.1 Roads and Bridges	15,123.60	5,492.78	9,630.82
R.a.2 Ports	-	-	-
R.a.3 Inland Waterways	-	-	-
R.a.4 Airport	-	-	-
R.a.5 Railway Track, tunnels, viaducts, bridges	-	-	-
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	-	-	-
R.b. Energy (b.1 to b.6)	6,496.71	-	6,496.71
R.b.1 Electricity Generation	5,152.12	-	5,152.12
R.b.1.1 Central Govt PSUs	-	-	-
R.b.1.2 State Govt PSUs (incl. SEBs)	703.57	-	703.57
R.b.1.3 Private Sector	4,448.55	-	4,448.55
R.b.2 Electricity Transmission	1,301.15	-	1,301.15
R.b.2.1 Central Govt PSUs	-	-	-
R.b.2.2 State Govt PSUs (incl. SEBs)	590.59	-	590.59
R.b.2.3 Private Sector	710.56	-	710.56
R.b.3 Electricity Distribution	43.44	-	43.44
R.b.3.1 Central Govt PSUs	-	-	-
R.b.3.2 State Govt PSUs (incl. SEBs)	-	-	-
R.b.3.3 Private Sector	43.44	-	43.44

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2019

R.b.4 Oil Pipelines	-	-	-
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	-	-	-
R.b.6 Gas pipelines	-	-	-
R.c. Water and Sanitation (c.1 to c.7)	-	-	-
R.c.1 Solid Waste Management	-	-	-
R.c.2 Water supply pipelines	-	-	-
R.c.3 Water treatment plants	-	-	-
R.c.4 Sewage collection, treatment and disposal system	-	-	-
R.c.5 Irrigation (dams, channels, embankments etc.)	-	-	-
R.c.6 Storm Water Drainage System	-	-	-
R.c.7 Slurry Pipelines	-	-	-
R.d. Communication (d.1 to d.3)	2.76	-	2.76
R.d.1 Telecommunication (Fixed network)	-	-	-
R.d.2 Telecommunication towers	-	-	-
R.d.3 Telecommunication and Telecom Services	2.76	-	2.76
R.e. Social and Commercial Infrastructure (e.1 to e.9)	-	-	-
R.e.1 Education Institutions (capital stock)	-	-	-
R.e.2 Hospitals (capital stock)	-	-	-
R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	-	-	-
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	-	-	-
R.e.5 Fertilizer (Capital investment)	-	-	-
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	-	-	-
R.e.7 Terminal markets	-	-	-
R.e.8 Soil-testing laboratories	-	-	-
R.e.9 Cold Chain	-	-	-
R.f. Others, if any, please specify	4,140.29	445.63	3,694.66
Social Infrastructure	4,140.29	445.63	3,694.66
S. Other Industries	7,444.90	267.68	7,177.22
All Industries (A to S)	1,80,128.70	16,087.71	1,64,041.00

d) Residual Contractual Maturity breakdown of Assets as on 31st March 2019

(₹ in Million)

Time band	Cash and Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Asset	Other Assets
Next Day	5,004.65	556.45	3,555.65	15,442.18	-	115.85
2 - 7 Day	-	10,240.74	7,958.25	10,220.88	-	442.40
8 - 14 Day	-	18.35	1,389.44	11,920.39	-	558.25
15 - 30 Day	1,249.89	129.75	3,225.64	15,547.73	-	957.41
31 - 2 Months	1,848.45	354.55	10,059.22	27,907.91	-	1,855.04
29 - 3 Months	1,812.59	306.03	8,257.37	34,179.18	-	1,858.37
3 - 6 Months	2,749.23	-	7,586.21	48,289.88	-	4,628.66
6 - 12 Months	2,989.43	-	15,157.10	86,428.40	-	8,827.24
1 - 3 year	1,557.36	-	15,604.43	86,107.49	-	19,084.13
3 - 5 year	1,872.97	-	14,745.95	42,091.22	-	773.35
Over 5 Year	17,533.62	-	1,03,274.51	2,48,802.18	7,086.63	10,629.56
Total	36,618.19	11,605.87	1,90,813.77	6,26,937.44	7,086.63	49,730.26

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e) The composition of Gross NPAs and NPLs, Net NPAs, NPA ratios and provision for GNPA and GNPLs as on 31st March 2019 and movement of gross NPAs and provisions during the year ended 31st March 2019 are given in following table:

(₹ in Million)

1.	Amount of Gross NPAs	31,316.73
	• Substandard	14,455.07
	• Doubtful-1	9,782.88
	• Doubtful-2	6,189.96
	• Doubtful-3	464.92
	• Loss	423.90
2.	Net NPA	21,636.24
3.	NPA Ratios	
	• Gross NPA to Gross Advance (%)	4.92
	• Net NPA to Net Advance (%)	3.45
4.	Movement of NPA (Gross)	
	• Opening Gross NPA (balance as on 01.04.2018)	19,803.05
	• Additions to Gross NPA	18,478.62
	• Reductions to Gross NPA	6,964.94
	• <i>Up gradations</i>	2,732.68
	• <i>Recoveries (excluding recoveries made from upgraded accounts)</i>	2,065.02
	• <i>Technical/prudential write offs</i>	2,167.24
	• <i>Reduction by sale of assets to ARCs</i>	0.00
	• Closing Balance of Gross NPA (balance as on 31.03.2019)	31,316.73

Movement of Specific & General Provision – Position as on 31st March 2019

(₹ in million)

Movement of Provision	Specific Provision	General Provision
• Opening Balance as on 01.04.2018	5,410.53	0.00
• Provision made in 2018-19	7,094.37	0.00
• Write off/Write back of excess provision	3,126.65	0.00
• Closing Balance as on 31.03.2019	9,378.25	0.00

NPLs and Movement of Provision for Depreciation on Investments – Position as on 31st March 2019

(₹ in million)

1	Amount of Non Performing Investments (Gross)	654.14
2	Amount of Provisions held Non Performing Investments	482.84
3	Movement of Provisions for Depreciation on Investments	
	• Opening Balance (as on 01.04.2018)	3,426.22
	• Provision made in 2018-19	1,041.78
	• Write-offs/Write-back of excess provisions during the period	514.80
	• Closing Balance (as on 31.03.2019)	3,953.20

Geographical Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	31,316.73	9,378.25	0.00
Overseas	0.00	0.00	0.00
Total	31,316.73	9,378.25	0.00

Details of write-offs and recoveries that have been booked directly to the income statement- for the year ending 31st March 2019

Write-offs that have been booked directly to the income statement	702.88
Recoveries that have been booked directly to the income statement	117.73

4. Credit Risk: Disclosure for Portfolios under Standardized Approach

I. Qualitative Disclosure

a. Names of credit rating agencies used

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

1. Credit Rating Information Services of India Limited (CRISIL)
2. Credit Analysis and Research Limited (CARE)
3. India Ratings and Research Private Limited
4. ICRA Limited (ICRA)
5. Brickwork Ratings India Pvt. Ltd.
6. Acuite Ratings and Research Ltd.
7. Infomerics Valuation and Rating Pvt. Limited

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

- The external rating assigned by an agency is considered if it fully takes into account the credit exposure of the bank.
- If an issuer has a long term exposure with an external long term rating that warrants a risk weight of 150 percent, all unrated claims on the same counter-party, whether short term or long term, should also receive a 150 percent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- If an issuer has a short term exposure with an external short term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether long term or short term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- The unrated short term claim of counter-party will attract a

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risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counterparty. If a short-term rated facility to counterparty attracts a 20 per cent or a 50 per cent risk weight, unrated short term claims to the same counterparty cannot attract a risk weight lower than 30 per cent or 100 per cent respectively.

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

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

II. Quantitative Disclosures

Amount of exposure (after risk mitigation) outstanding as on 31st March 2019 under major three risk buckets

Description of risk bucket	₹ in Million
Below 100% Risk Weight	5,64,489.96
Risk Weight at 100%	1,74,087.56
More than 100% Risk Weight	70,427.40
Deducted if any	0.00

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

5. Credit Risk Mitigation: Disclosures for Standardised Approaches

I. Qualitative Disclosure

Policies and processes for collateral valuation and management

Bank has put in place a comprehensive policy on Credit Risk Mitigants and Collaterals for recognizing the eligible collaterals and guarantors for netting the exposures and reducing the credit risk of obligors. Basic procedures and descriptions of controls

as well as types of standard/acceptable collaterals, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, applicable "haircuts" to collateral, frequency of revaluation and release of collateral are stipulated in the bank's credit policy, policy on collateral management and credit risk mitigant policy. The bank uses net exposure for capital calculations after taking cognizance of eligible financial collaterals. All collaterals and guarantees are recorded and the details are linked to individual accounts.

Collateral valuation

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

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

Types of collateral taken by the Bank

The Bank determines the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

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

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

The Bank extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The decision on the type and quantum of collateral for each transaction is taken by the credit approving committees as per the credit approval authorisation approved by the Board of Directors. For facilities provided as per approved product policies, collateral is taken in line with the policy.

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Credit Risk Mitigation techniques

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

A. Eligible Financial Collaterals

- Cash and fixed deposit receipts, issued by our bank.
 - Gold: Gold would include both bullion and jewellery. However, the value of the collateralized jewellery should be arrived at after notionally converting these to 99.99% purity.
 - Kisan Vikas Patra, Indira Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period.
 - Life Insurance policies with a declared surrender value of an insurance Company which is regulated by an insurance sector regulator.
 - Securities issued by Central and State Governments.
 - Debt securities rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are either:
 - a. Attracting 100 per cent or lesser risk weight i.e., rated at least BBB(-) when issued by public sector entities and other entities (including banks and Primary Dealers); or
 - b. Attracting 100 per cent or lesser risk weight i.e., rated at least CARE A3/CRISIL A3/India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/Acuite A3 for short-term debt instruments.
 - Debt Securities not rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are:
 - a. issued by a bank; and
 - b. listed on a recognised exchange; and
 - c. classified as senior debt; and
 - d. all rated issues of the same seniority by the issuing bank are rated at least BBB(-) or CARE A3/CRISIL A3/India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/Acuite A3 by a chosen Credit Rating Agency; and
 - e. The bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or CARE A3/CRISIL A3/India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/Acuite A3 (as applicable) and;
 - f. Banks should be sufficiently confident about the market liquidity of the security.
 - Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the banks operation mutual funds where:
 - a. A price for the units is publicly quoted daily i.e., where the daily NAV is available in public domain; and
 - b. Mutual fund is limited to investing in the instruments listed in this paragraph.
- B. On-balance sheet netting**, which is confined to loans/advances and deposits, where banks have legally

enforceable netting arrangements, involving specific lien with proof of documentation.

C. Guarantees

where these are direct, explicit, irrevocable and unconditional. Further, the eligible guarantors would comprise:

- a. Sovereigns, sovereign entities (including Bank for International Settlements, the International Monetary Fund, European Central Bank and European Community as well as those Multilateral Development Banks, Export Credit Guarantee Corporation of India and Credit Guarantee Fund Trust for Small Industries, Credit Risk Guarantee Fund Trust for Low Income Housing), banks and primary dealers with a lower risk weight than the counterparty;
- b. Other entities that are externally rated except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

II. Quantitative Disclosure

- a. Details of exposure covered by eligible financial collateral and information about (credit or market) concentration within the mitigation taken as on 31st March 2019 is given in table below

[Amount in ₹ Million]

Sl. No.	Nature of Exposure	Exposure	Amount of Risk Mitigants	Risk Weighted Assets
1	Exposure covered by Gold	61,892.12	84,276.66	9.30
2	Exposure covered by deposits	20542.42	22824.91	0.00
3	Loan against KVP/IVP/NSC/LIC	79.85	105.36	0.00

6. Securitisation Exposures: Disclosure for Standardised Approach

Not applicable since the bank does not undertake securitisation activity.

7. Market Risk in Trading Book

I. Qualitative Disclosures

Market Risk Management Policy

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

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Structure and organisation of the market risk management function

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

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

Strategies and processes

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

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

Adherence to limits are being monitored by dedicated mid office, reporting exceptions to chief risk officer (CRO), independent of Treasury operational units.

Risk Measurement

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

II. Quantitative disclosures

Capital requirements for different categories of Market Risks at [Amount in ₹ Million]

Sl. No.	Particulars	Capital Requirement
1	Interest rate risk	2,530.05
2	Foreign Exchange Risk	48.94
3	Equity Position Risk	453.04

8. Operational Risk

Operational risk management framework

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

Objectives

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

- Define Bank level operational risk appetite;
- Establish clear ownership and accountability for management and mitigation of operational risk;
- Help business and operations to improve internal controls, reduce likelihood of occurrence of operational risk incidents and minimise potential impact of losses;
- Minimise losses and customer dissatisfaction due to failure in processes;
- Develop comprehensive operational risk loss database for effective mitigation;
- Meet regulatory requirements as set out in the guidance note on management of operational risk issued by the RBI; and
- Compute capital charge for operational risk as per the guidelines issued by the RBI.

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

I. Qualitative disclosures

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

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

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

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

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

II. Quantitative Disclosures Amount in ₹ Million

Particulars	As on 31 st March 2019
Change in NII	
Probable impact on Net Interest income for 100 Bps downward movement in interest rate	127.01
Change in MVE	
Probable impact on Market Value of equity (MVE) for a 200 Bps movement in interest rates.	3,234.65

10. General Disclosure for Exposures Related to Counterparty Credit Risk
I. Qualitative disclosures

Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating considering a number of financial parameters like net worth, capital adequacy ratio, rating etc of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach.

II. Quantitative Disclosures

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method (CEM). The balance outstanding for forward contract as on 31st March 2019 is as follows:

Particulars	₹ in Million
Forward Contracts valued based on CEM	2,245.44
Total	2,245.44

Table DF 11. Composition of capital as on 31st March 2019

₹ in Million

Basel III common disclosure template			Ref. No.
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	17,360.74	
2	Retained earnings	31,602.40	
3	Accumulated other comprehensive income (and other reserves)	2,856.43	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital before regulatory adjustments	51,819.58	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	0.00	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	545.56	
10	Deferred tax assets	0.00	
11	Cash-flow hedge reserve	0.00	
12	Shortfall of provisions to expected losses	0.00	
13	Securitization gain on sale	0.00	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00	
15	Defined-benefit pension fund net assets	0.00	
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)	0.00	

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₹ in Million

Basel III common disclosure template			Ref. No.
17	Reciprocal cross-holdings in common equity	28.78	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00	
20	Mortgage servicing rights (amount above 10% threshold)	0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	
22	Amount exceeding the 15% threshold	0.00	
23	<i>of which: significant investments in the common stock of financial entities</i>	0.00	
24	<i>of which: mortgage servicing rights</i>	0.00	
25	<i>of which: deferred tax assets arising from temporary differences</i>	0.00	
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00	
26a	<i>of which: Investments in the equity capital of the unconsolidated insurance subsidiaries</i>	0.00	
26b	<i>of which: Investments in the equity capital of unconsolidated non-financial subsidiaries</i>	0.00	
26c	<i>of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank</i>	0.00	
26d	<i>of which: Unamortized pension funds expenditures</i>	0.00	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00	
28	Total regulatory adjustments to Common equity Tier 1	574.33	
29	Common Equity Tier 1 capital (CET1)	51,245.24	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	0.00	
31	<i>of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)</i>	0.00	
32	<i>of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)</i>	0.00	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	0.00	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	0.00	
36	Additional Tier 1 capital before regulatory adjustments	0.00	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	

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Basel III common disclosure template			Ref. No.
41	National specific regulatory adjustments (41a+41b)	0.00	
41a	<i>of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries</i>	0.00	
41b	<i>of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank</i>	0.00	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00	
43	Total regulatory adjustments to Additional Tier 1 capital	0.00	
44	Additional Tier 1 capital (AT 1)	0.00	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44)	51,245.24	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	10,800	
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	0.00	
50	Provisions	2,792.75	
51	Tier 2 capital before regulatory adjustments	11,012.62	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments	27.75	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0.00	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
56	National specific regulatory adjustments (56a+56b)	0.00	
56a	<i>of which: Investments in the Tier 2 capital of unconsolidated subsidiaries</i>	0.00	
56b	<i>of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank</i>	0.00	
57	Total regulatory adjustments to Tier 2 capital	27.75	
58	Tier 2 capital (T2)	13,565.00	
59	Total capital (TC = T1 + T2) (45 + 58)	64,810.24	
60	Total risk weighted assets (60a + 60b + 60c)	5,14,020.73	
60a	<i>of which: total credit risk weighted assets</i>	4,42,567.67	
60b	<i>of which: total market risk weighted assets</i>	27,880.73	
60c	<i>of which: total operational risk weighted assets</i>	43,572.33	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.97%	
62	Tier 1 (as a percentage of risk weighted assets)	9.97%	
63	Total capital (as a percentage of risk weighted assets)	12.61%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirement plus G-SIB buffer requirement , expressed as a percentage of risk weighted assets)	0.00	
65	<i>of which: capital conservation buffer requirement</i>	1.875%	
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.00	

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Basel III common disclosure template			Ref. No.
67	<i>of which: G-SIB buffer requirement</i>	0.00	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	2.60%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	0.00	
73	Significant investments in the common stock of financial entities	0.00	
74	Mortgage servicing rights (net of related tax liability)	0.00	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	2,571.30	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	5,532.10	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0.00	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0.00	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	0.00	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	0.00	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	0.00	
83	<i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	0.00	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	0.00	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	0.00	

Notes to the Template

Row No. of the Template	Particular	(₹ in Million)
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net off deferred tax liability	415.13
	Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	0.00
	of which: Increase in Common Equity Tier 1 capital	0.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
50	Eligible Provisions included in Tier 2 capital	2,571.30
	Eligible Investment Fluctuation Reserve included in Tier 2 capital	221.45
	Total of row 50	2,792.75

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Table DF-12: Composition of Capital-Reconciliation Requirements
Step I

As on the reporting date there is consolidation and hence the bank is not required to disclose the reported balance sheet under the regulatory scope of consolidation.

Step II

₹ in Million

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref. No.
		As on reporting date	As on reporting date	
A	Capital & Liabilities			
i	Paid-up Capital	1,809.68		(a)
	<i>of which</i> : Amount eligible for CET1	1,809.68		(a) (i)
	<i>of which</i> : Amount eligible for AT1	0.00		
	Reserves & Surplus	51,819.58		(b)
	<i>of which</i> : Amount eligible for CET1	51,245.24		
	<i>Statutory Reserve</i>	11,151.63		(b)(i)
	<i>Share Premium</i>	15,551.06		(b)(ii)
	<i>General Reserve</i>	13,689.54		(b) (iii)
	<i>Capital Reserve</i>	1,782.80		(b)(iv)
	Special reserve under Section 36(i) (viii) of Income Tax Act	3,993.9		(b)(v)
	<i>Balance in P/L a/c. at the end of the previous financial year</i>	2,667.93		(b)(vi)
	<i>Current Financial Year carry forward Profit</i>	99.58		(b)(vii)
	<i>Investment Fluctuation Reserve Account (part of Tier 2 Capital)</i>	221.45		(b)(viii)
	<i>Revaluation Reserve (part of Tier 2/Tier 1 Capital, at a discount of 55 per cent)</i>	1,073.63		(b)(ix)
	Minority Interest	0.00		
	Total Capital	64,810.24		(a)+(b)
ii	Deposits	8,04,201.18		(c)
	<i>of which</i> : Deposits from banks	25,981.09		(c)(i)
	<i>of which</i> : Customer deposits	7,19,625.84		(c)(ii)
	<i>of which</i> : Other deposits (pl. specify) CD	58,594.26		
iii	Borrowings	49,032.03		(d)
	<i>of which</i> : From RBI	0.00		(d)(i)
	<i>of which</i> : From banks	1,955.00		(d)(ii)
	<i>of which</i> : From other institutions & agencies	33,945.00		(d)(iii)
	<i>of which</i> : Others (pl. specify) Borrowings from outside India	13,132.00		(d)(iv)
	<i>of which</i> : Capital instruments	0.00		(d)(v)
iv	<i>Other liabilities & provisions & ESOP</i>	16,205.71		(e)
	<i>of which</i> : Standard Asset provision included under Tier 2 Capital	2,466.62		(e)(i)
	<i>of which</i> : DTLs related to goodwill	0.00		(e)(ii)

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	<i>of which : Details related to intangible assets</i>	0.00		
	Total	9,22,792.18		(a)+(b)+(c)+(d)+ (e)
B	Assets			
i	<i>Cash and balances with Reserve Bank of India</i>	36,618.18		(f)
	<i>Balance with banks and money at call and short notice</i>	11,609.37		(g)
ii	<i>Investments:</i>	1,90,813.79		(h)
	<i>of which: Government securities</i>	1,67,619.35		(h)(i)
	<i>of which: Other approved securities</i>	0.00		(h)(ii)
	<i>of which: Shares</i>	1,675.39		(h)(iii)
	<i>of which: Debentures & Bonds</i>	9,460.66		(h)(iv)
	<i>of which: Subsidiaries/Joint Ventures/Associates</i>	0.00		
	<i>of which: Others (Commercial Papers, Mutual Funds etc.)</i>	12,056.58		(h)(v)
iii	<i>Loans and advances</i>	6,26,937.45		(i)
	<i>of which: Loans and advances to banks</i>	0.00		
	<i>of which: Loans and advances to customers</i>	6,26,937.45		(i)(i)
iv	<i>Fixed assets</i>	7,086.63		(j)
v	<i>Other assets</i>	49,726.77		(k)
	<i>of which: Goodwill and intangible assets</i>	960.65		
	<i>Out of which :</i>			
	<i>Goodwill</i>	0.00		(k)(i)
	<i>Other Intangibles (excluding MSRs)</i>	545.52		(k)(ii)
	<i>Deferred tax assets</i>	415.13		(k)(iii)
vi	<i>Good will on consolidation</i>	0.00		(l)
vii	<i>Debit balance in Profit & Loss account</i>	0.00		(m)
	Total Assets	9,22,792.18		(f)+(g)+(h)+(i)+(j)+(k)+(l)+(m)

Table DF 13: Main Features of Regulatory Capital Instruments
Series I

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A09091
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
8	Amount recognised in regulatory capital (₹in million, as of most recent reporting date)	₹400 Million
9	Par value of instrument	₹1 Million
10	Accounting classification	Liability
11	Original date of issuance	20.08.2009
12	Perpetual or dated	Dated
13	Original maturity date	20.04.2020
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA

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16	Subsequent call dates, if applicable	NA
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.75% p.a.
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Series II

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08028
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Unsecured Redeemable Non-Convertible Sub-ordinated Tier II Lower Bonds
8	Amount recognised in regulatory capital (₹in million, as of most recent reporting date)	₹3000 Million
9	Par value of instrument	₹10,00,000
10	Accounting classification	Liability
11	Original date of issuance	30-09-2015
12	Perpetual or dated	Dated
13	Original maturity date	31-10-2025
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	10.25%

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19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Non-Cumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	PONV
32	If write-down, full or partial	Full
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Series III

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08036
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Non-convertible, Redeemable, Fully Paid-up, Unsecured, Basel III compliant Tier 2 Bonds in the nature of debentures for augmenting Tier 2 capital of the Issuer with face value of ₹1,00,000 each
8	Amount recognised in regulatory capital (₹in million, as of most recent reporting date)	₹4,900 Million
9	Par value of instrument	₹1,00,000
10	Accounting classification	Liability
11	Original date of issuance	28-11-2018
12	Perpetual or dated	Dated
13	Original maturity date	28-05-2028
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	On the fifth anniversary from the Date of Allotment i.e. November 28, 2022
16	Subsequent call dates, if applicable	On every anniversary of Coupon Payment Date after First Call Option Due Date
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.50% p.a.
19	Existence of a dividend stopper	NA

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20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	PONV
32	If write-down, full or partial	Full
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Series IV

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08044
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Non-convertible, Redeemable, Fully Paid-up, Unsecured, Basel III compliant Tier 2 Bonds with face value of ₹1,00,000 each
8	Amount recognised in regulatory capital (₹in million, as of most recent reporting date)	₹2500 million
9	Par value of instrument	₹1,00,000
10	Accounting classification	Liability
11	Original date of issuance	26-03-2019
12	Perpetual or dated	dated
13	Original maturity date	26-06-2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Only after a minimum period of 5 years and 3 months post allotment of the Bonds with the approval of RBI. i.e. June 26, 2024
16	Subsequent call dates, if applicable	On every anniversary of Coupon Payment Date after First Call Option Due Date
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	11.75% p.a.
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA

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21	Existence of step up or other incentive to redeem	NA
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	PONV
32	If write-down, full or partial	Full
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	all depositors and general creditors of the Bank
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Table DF 14: Full Terms and Conditions of Regulatory Capital Instruments
Series I

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

Series II

Nature of Instrument	10.25% Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures
Amount Subscribed	₹3,000 Million
Face Value	₹10,00,000/-
Date of allotment	30-09-2015
Date of Redemption	31-10-2025
Coupon Rate	10.25% p.a.
Put and call option	Nil
Issuance, Trading & Listing	Listed in BSE

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2019
Series III

Nature of Instrument	Non-convertible, Redeemable, Fully Paid-up, Unsecured, Basel III compliant Tier 2 Bonds in the nature of debentures for augmenting Tier 2 capital of the Issuer with face value of ₹1,00,000 each
Amount Subscribed	₹4900 Million
Face Value	₹1,00,000
Date of allotment	28-11-2017
Date of Redemption	28-05-2028
Coupon Rate	9.50% p.a.
Put and call option	Put option: NA Call option: Applicable
Issuance, Trading & Listing	Listed in BSE

Series IV

Nature of Instrument	Non-convertible, Redeemable, Fully Paid-up, Unsecured, Basel III compliant Tier 2 Bonds in the nature of debentures for augmenting Tier 2 capital of the Issuer with face value of ₹1,00,000 each
Amount Subscribed	₹2500 million
Face Value	₹1,00,000/-
Date of allotment	26-03-2019
Date of Redemption	26-06-2029
Coupon Rate	11.75% p.a.
Put and call option	Put option : NA Call option: Applicable
Issuance, Trading & Listing	Listed in BSE

Table DF 15: Disclosures on Remuneration

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

➤ **Composition**

The Nomination & Remuneration committee of the Board consists of four members of which two members from Risk Management Committee of the Board facilitate effective governance of compensation.

The roles and responsibilities of the Nomination & Remuneration Committee inter-alia include the following:

- i. Scrutinizing the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India directives on Fit & Proper Criteria of the Banks.
- ii. To devise a Succession Planning Policy for the Board and Senior Management.
- iii. To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors.
- iv. To identify persons who are qualified to become Directors/KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to

recommend to the Board their appointment and/or removal.

- v. To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
- vi. To devise a policy on Board diversity.
- vii. To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.
- viii. To perform such other functions as may be necessary or appropriate for the performance of its duties.
- ix. To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
- x. The Committee shall work in close co-ordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

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- xi. With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
- i) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;
 - ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - iii) Coordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;
 - iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- xii. The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
- xiii. To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.
- xiv. To oversee the administration of Employee benefits, such as, provident fund, Pension Fund, Gratuity, Compensation for absence on Privilege/Sick/Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.
- xv. The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board.
- xvi. Any other matters regarding remuneration to WTDs/ MD & CEO and other staffs of the Bank as and when permitted by the Board.
- xvii. To conduct the annual review of the Compensation Policy.
- xviii. To fulfill such other powers and duties as may be delegated to it by the Board.
- xix. To review HR Strategy aligning with business strategy of the Bank.
- xx. To review the skill gaps and talent pool creation.
- b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
- The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its Circular No. DBOD.No.BC.72/29.67.001/2011-12 dt. January 13, 2012.
- The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers up to the rank of General Manager (Scale VII) is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board/Committee.
- Further, the compensation structure for the Whole Time Directors (WTDs)/Managing Director & Chief Executive Officers (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to clause 95 of Articles of Association of the Bank read with Section 197 of the Companies Act, 2013.
- c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
- The Board of Directors through the NRC shall exercise oversight and effective governance over the framing and implementation of the Compensation Policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.
- d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.
- The factors taken in to account for the annual review and revision in the variable pay and performance bonus are:
- The performance of the Bank
 - The performance of the business unit
 - Individual performance of the employee
 - Other risk perceptions and economic considerations.
- Further, the Bank has not identified any employee as "risk taker" for the purpose of variable pay under this compensation policy.
- e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.
- Where the variable pay constitutes a substantial portion of the fixed pay, i.e., 50% or more, an appropriate portion of the variable pay, i.e., 40% will be deferred for over a period of 3 years.
 - In case of deferral arrangements of variable pay, the deferral period shall not be less than three years. Compensation payable under deferral arrangements shall vest no faster than on a pro rata basis.
 - The Board may adopt principles similar to that enunciated for WTDs/CEOs, as appropriate, for variable

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pay-timing, m'alus/clawback, guaranteed bonus and hedging.

- Employee Stock Option Scheme/Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

f) Description of the different forms of variable remuneration (i.e., cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

- Variable pay means the compensation as fixed by the

Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

- I. Performance Linked Incentives to those employees who are eligible for incentives.
- II. Exgratia for other employees who are not eligible for Performance linked Incentives.
- III. Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965
- IV. Any other incentives, by whatever name called having the features similar to the above.

V. Quantitative Disclosures

Number of meetings held by the Remuneration Committee during the year ended 31.03.2019 (from 01.04.18 – 31.03.19)	8
Remuneration paid to its members. (from 01.04.18 – 31.03.19)	10.50 Lakhs
Number of employees having received a variable remuneration award during the financial year	0
Number of sign-on awards made during the financial year	0
Total amount of sign-on awards made during the financial year	0
Details of guaranteed bonus, if any, paid as joining/sign on bonus	0
Details of severance pay, in addition to accrued benefits, if any	0
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	0
Total amount of deferred remuneration paid out in the financial year	0
Breakdown of amount of remuneration awards for the year ended 31.03.2019 (from 01.04.18 – 31.03.19)	
- Fixed	103.68 Lakhs
- Variable	Nil

Summary comparison of accounting assets vs. leverage ratio exposure measure
Leverage Ratio:

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

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Summary comparison of accounting assets vs. leverage ratio exposure measure

Sl. No.	Item	(₹ in Million)
1	Total consolidated assets as per published financial statements	9,22,792.17
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(57.43)
4	Adjustments for derivative financial instruments	2,245.45
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	32,764.83
7	Other adjustments	0.00
8	Leverage ratio exposure	9,57,228.12

Leverage ratio common disclosure template

Sl. No.	Item	Leverage ratio framework (₹ in million)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	9,22,792.17
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(574.33)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	9,22,217.84
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	879.07
5	Add-on amounts for PFE associated with all derivatives transactions	1,366.37
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	Total derivative exposures (sum of lines 4 to 10)	2,245.44
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 15)	0.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	1,90,576.63
18	(Adjustments for conversion to credit equivalent amounts)	(1,57,811.80)
19	Off-balance sheet items (sum of lines 17 and 18)	32,764.83
Capital and total exposures		
20	Tier 1 capital	51,245.24
21	Total exposures (sum of lines 3, 11, 16 and 19)	9,57,228.12
Leverage ratio		
22	Basel III leverage ratio	5.35 %

Form No. SH-13 Nomination Form

[Pursuant to Section 72 of the Companies Act, 2013 and rule 19(1) of the Companies (Share Capital and Debentures) Rules 2014]
(To be filed in duplicate)

To,
The South Indian Bank Limited
 Regd. Office, SIB House
 PB No. 28, T. B. Road, Thrissur, Kerala – 680 001

I/We the holder(s) of the securities of
The South Indian Bank Ltd. Thrissur – 680 001 Kerala, particulars of which are given hereunder wish to make nomination and do hereby nominate the following persons in whom shall vest, all the rights in respect of such securities in the event of my/our death.

(1) PARTICULARS OF THE SECURITIES (in respect of which nomination is being made):

Nature of Securities	Folio No.	No. of Securities	Certificate No.	Distinctive Nos.

(2) PARTICULARS OF NOMINEE:

Name:	
Date of Birth:	
Father's/Mother's/Spouse's name:	
Occupation:	
Nationality:	
Address:	
E-mail id:	
Relationship with the Security Holder:	

(3) IN CASE NOMINEE IS A MINOR:

Date of Birth:	
Date of Attaining Majority:	
Name of Guardian:	
Address of Guardian:	

(4) SHAREHOLDERS INFORMATION

HOLDER 1	Signature	
	Name	
	Address	
	Date	
HOLDER 2	Signature	
	Name	
	Address	
	Date	

(5) NAME, ADDRESS AND SIGNATURE OF TWO WITNESSES

	Name and Address	Signature with Date
1.		
2.		

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

Driving Licence	Electoral Voter ID	PAN Card	Passport	Bank Pass book (With photo)	Bank/Govt. employee ID card	Others (specify)

(For instructions, please see overleaf)

INSTRUCTIONS:

1. Please read the instructions given below very carefully and follow the same. If the form is not filed as per instructions, the same will be rejected.
2. The Nomination can be made by Individuals holding shares on their own behalf singly or jointly. Non-individuals including Society, Trust, Body Corporate, Partnership Firm, Karta or Hindu Undivided Family, Holders of Power of Attorney cannot nominate. If the shares are held jointly, all joint holders shall sign (as per the specimen registered with the Company) the nomination form.
3. A Minor can be nominated by a holder of shares and in that event, the name and address of the Guardian should be provided.
4. The Nominee shall not be a Trust, Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family or a Power of Attorney Holder; A Non-Resident Indian can be a nominee on re-patriable basis.
5. Nomination stands rescinded upon transfer of shares.
6. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heir.
7. Only one person can be nominated to a given folio.
8. Details of all holders in a folio need to be filled. Else the request will be rejected.
9. The nomination will be registered only when it is complete in all respects including the signature of all registered holders (as per the specimen lodged with the Company).
10. Whenever the shares in the given folio are entirely transferred, transpositioned or dematerialized with some other folio, then this nomination shall stand rescinded.
11. The Nomination form shall be **filed in duplicate** with the Share Transfer Agents **M/s BTS Consultancy Services Pvt. Ltd., MS Complex, 1st Floor, No. 8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur, Kolathur, Chennai – 600 099, Tamilnadu**, who will return one copy thereof to the Shareholders.
12. Upon receipt of a duly executed nomination form, the Company/Share Transfer Agent of the Company will register the form and allot a registration number. The registration number and Folio No. should be quoted by the nominee in all future correspondence.
13. The nomination can be varied or cancelled by giving a notice to the Company in Form No. SH-14. The cancellation/variation shall take effect from the date on which the notice of such variation or cancellation is received by the Company.
14. This form is meant for shareholders holding shares in physical mode.
15. Shareholders holding shares in dematerialized mode, nomination is required to be filled with the Depository Participants (DPs) in their prescribed form.

FOR OFFICE USE ONLY

Nomination Registration Number and Date

Share Registrar/Company Seal

ECS MANDATE FORM

To

M/s BTS Consultancy Services Pvt. Ltd.
Unit: South Indian Bank Ltd.
MS Complex, 1st Floor, No. 8, Sastri Nagar
Near 200 Feet Road/RTO Kolathur
Kolathur, CHENNAI – 600 099
Tel: 044-2556 5121
Fax: 044-2556 5131
email: helpdesk@btsindia.co.in

FOR SHARES HELD IN PHYSICAL MODE

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

SHAREHOLDERS HOLDING SHARES IN DEMAT MODE

Should inform their DPs directly

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

1) Folio No. : _____

2) Name of the 1st Registered Holder : _____

3) Bank Details :

▪ Name of the Bank : _____

▪ Full Address of the Branch : _____

▪ Complete Account Number : _____

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

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

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

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

Name : _____

Date: __/__/2019

Address: _____

Note:

1. This form should be submitted to our Share Transfer Agents at the address given above to reach them on or before July 17, 2019 for receipt of dividend declared, if any, for the financial year 2018-19.
2. This form is meant for shareholders holding shares in physical mode.
3. Shareholders holding shares in Demat mode should register their ECS particulars with their Depository Participants (DPs).

Contribution to Chief Minister's Distress Relief Fund in connection with Kerala floods



Mr. V G Mathew, MD & CEO hands over a cheque for Rs.3.39 crores towards the Chief Minister's Disaster Relief Fund to Sri Pinarayi Vijayan, Chief Minister of Kerala in the presence of Mr. Thomas Joseph K, EVP (Operations).

SIB Scholar - 3rd Edition - Bank's Scholarship Scheme



Mr. V G Mathew, MD & CEO, Mr. Thomas Joseph K, EVP (Operations), Mr. Sivakumar G, EVP (Credit), Mr. Raphael T J, CGM & CIO and Dr. Christy Fernandez, IAS (Retd.) with students who won the third edition of South Indian Bank's merit scholarship scheme 'SIB Scholar' – a CSR initiative to promote the deserving and meritorious students.

National Payments Excellence Award



Mr. Reghunathan K N, EVP (Treasury), receiving 'National Payments Excellence Award for RuPay' instituted by NPCI from Mr. B. P. Kanungo, Deputy Governor, RBI, in the presence of Mr. Biswamohan Mahapatra, Chairman, NPCI, Mr. V G Kannan, Chief Executive, IBA and Dr. A.S. Ramasastri, Director, IDRBT.

MSME Banking Excellence Award



Mr. John Thomas, Country Head (Business Development) and Mr. Satheesh Kumar K S, JGM receiving 'Best MSME Bank'-Runner up award from Mr. Giriraj Singh, Minister of State in charge, Micro, Small & Medium Enterprises in the presence of Mr. Mukesh Mohan Gupta, President, Chamber of Indian Micro, Small & Medium Enterprises (CIMSME).

IBA Banking Technology Awards



Mr. Raphael T J, CGM & CIO and Mr. Sony A, JGM receiving the 'Banking Technology 2019' awards instituted by IBA from Prof. N Balakrishnan, Director, Super Computer Education & Research Centre, Indian Institute of Science, Mr. Sunil Mehta, Chairman, Indian Banks' Association (IBA), Mr. R Sridharan, MD, CCIL-Clearing Corporation of India in the presence of Mr. V G Kannan, Chief Executive, IBA.

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HUDCO Award



Mr. Sanchay Kumar Sinha, Country Head (Retail Banking) receiving award for 'Best Performing PLI of HUDCO' under CLSS from Mr. Hardeep S Puri, Union Minister of State (Independent Charge) in the presence of Mr. Rakesh Kumar Arora, Director (Finance) HUDCO, Mr. Durga Shanker Mishra, Union Housing & Urban Affairs Secretary, Dr. M Ravi Kanth, Chairman and Managing Director HUDCO and Mr. N L Manjoka, Director (Corporate Planning) HUDCO.



The South Indian Bank Ltd., Regd. Office, SIB House

T.B. Road, Mission Quarters, Thrissur-680 001, Kerala, India, Telephone Nos: +91-487-2420020, 2420058, 2420113

Email: ho2006@sib.co.in, Website: www.southindianbank.com | CIN: L65191KL1929PLC001017

South Indian Bank is a member of BCSBI and is committed to treating customers in a fair, transparent and non-discriminatory manner.