

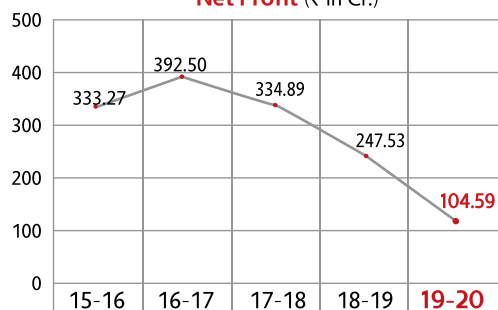


ANNUAL REPORT

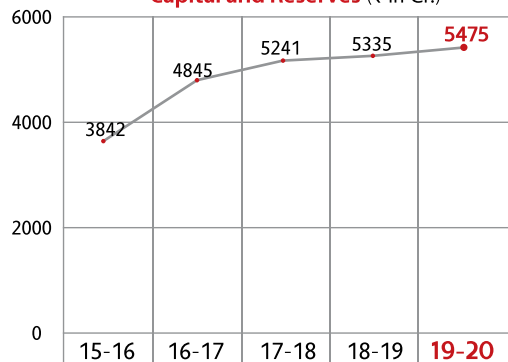
2019 - 2020

GROWTH INDICATORS

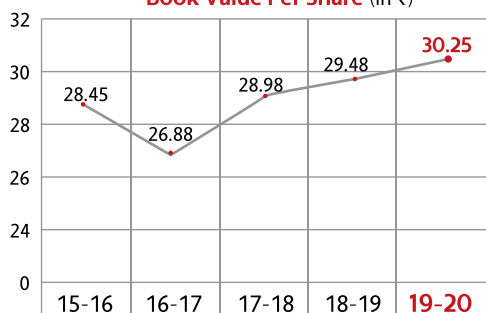
Net Profit (₹ in Cr.)



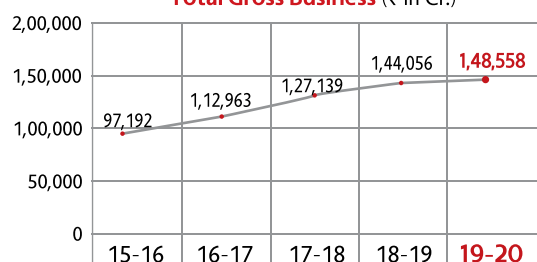
Capital and Reserves (₹ in Cr.)



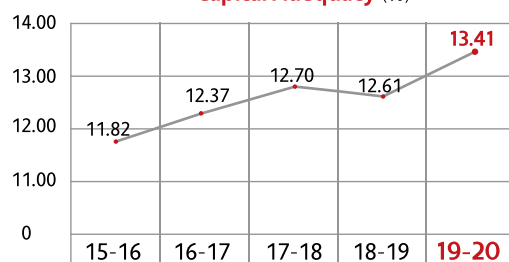
Book Value Per Share (in ₹)



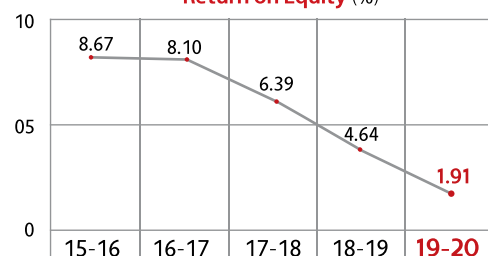
Total Gross Business (₹ in Cr.)



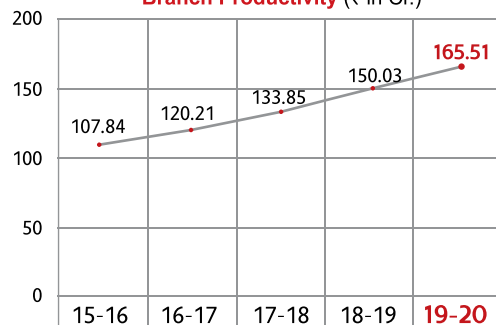
Capital Adequacy (%)



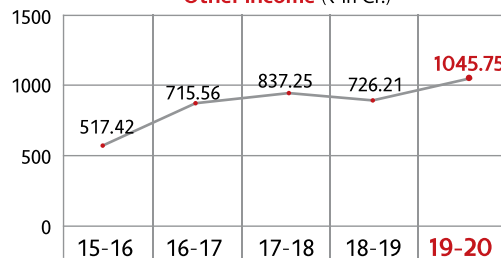
Return on Equity (%)



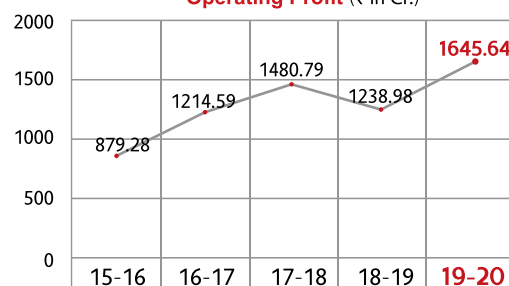
Branch Productivity (₹ in Cr.)



Other Income (₹ in Cr.)



Operating Profit (₹ in Cr.)



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ECS Mondate Form

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.



Experience Next Generation Banking



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 have great pleasure in placing before you the highlights of our Bank's performance during the financial year 2019-20. The economic and business landscape in India has undergone structural transformations during the financial year, especially in Q4 of FY2019-20, due to outbreak of the Covid-19 pandemic and consequential output and job losses. The pandemic intensified rapidly across the globe, without acknowledging geographical borders. It has impacted all sectors and all aspects of human lives, with devastating economic and financial losses and significant uncertainties.

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary mitigation measures have severely impacted economic activity and continues to be fragile. As a result of the pandemic, the global economy is projected to contract sharply by 4.9% in 2020, much worse than the 2008-09 financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.4% in 2021, as economic activity normalizes, supported by policy support. It appears that the recovery is projected to be gradual and a slower recovery in 2021, due to the “scarring” effects of bankruptcies and prolonged unemployment. During the year, the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago. The adverse impact on low-income households is specifically acute, imperilling the progress made in reducing extreme poverty in the world since the 1990s.

The last year of the decade is ending with dramatic transformations in the banking sector. From the amalgamation of banks to the liquidity crisis, and low credit demand to the big-ticket defaults. Bankers went through many changes and challenges. In 2019-20, the Indian economy grew by 4.2%, against 6.1% in 2018-19. Economic growth slowed to an 11-year low in 2019-20, according to data released by the National Statistical Office.

In the last quarter of the FY 2019-20, the growth of Gross Domestic Product (GDP) declined to 3.1%, reflecting the impact of the first week of the COVID-19 lockdown, which began on March 25, 2020. Agriculture and mining sectors picked up steam in the fourth quarter, growing at rates of 5.9% and 5.2%, respectively, even while the manufacturing sector contracted further, recording a negative growth of 1.4%. Public administration, defence and other services grew at 10.1%.

With private expenditure growth dwindling due to social distancing and lockdown as well as precautionary savings and reverse labour migration; investment demand contracting due to weak consumer demand and stretched corporate balance sheets. Government expenditure will again be the growth engine in 2020-21. Although weak commodity prices and import demand will also provide some support to growth, the economy will contract this year for the first time since 1980.

The key trends that will drive the banking industry in the coming years will be focus on risk management, frauds and cybersecurity, better use of data and analytics, closer collaboration with Fintechs, seamless and low cost banking, better collections, blockchain and distributed ledger technology, transmission of policy rate cuts and consolidation and recapitalization of banking.

Looking forward, the key drivers of the banking industry in the coming years are:

- Retail banking will grow rapidly in 2020. Mortgages to grow faster and will cross ₹40.00 trillion by 2020, according to a BCG report. But currently, the credit demand is low on both in corporate and retail sides. What gives hope in 2020 is that the Government's affordable housing scheme, reduction in corporate tax, GST tax revision, RBI's 135 bps rate reduction and Finance Ministry's push to empower bankers and better corporate governance. This will certainly help to boost credit growth.
- Banks will carry the baggage of bad loans in 2020 as well. IBC has made debtor responsible and bankers are feeling strong like never before. Despite being a special law and deadline to close the cases, an early resolution is not that easy. We hope that IBC and NCLT will help banks to have a better recovery.
- Private banks, too, went through challenging times. Every private sector bank has a different story. In 2020, it is crucial to see how they deal with the expanding NPAs, raising capital and generate credit demand. The major challenge for the new management in the banks is to make a sustainable and profitable business.
- For banks, asset story is painful, and hence they are focusing more on deposits. In 2020, banks will have to find innovative ways to attract customers and more importantly improve their customer service. In 2020, retail banking will be driven by customer reach out and services.

During the year, the Bank recorded a total gross business of ₹1,48,557.91 crore comprising deposit of ₹83,033.89 crore and advances of ₹65,524.02 crore as on March 31, 2020, whereas the net profit of the Bank decreased to ₹104.59 crore as compared to ₹247.53 crore in the preceding year, with higher credit risk costs and MTM losses. The Bank has been successful in widening its network across India with 935 banking outlets (875 Branches, 54 Extension Counters, 3 Satellite Branches and 3 Ultra small Branches) 1424 ATMs/CRMs. The Bank has opened 7 new outlets (5 Branches and 2 Extension Counters) 37 ATMs/CRMs across the country during the financial year 2019-20. The branch network now covers 27 States and 3 Union Territories.

Today, technological innovations and initiatives play a predominant role in reducing costs, improving efficiency and canvassing business by providing excellent customer service. The Bank has introduced new products to bring improvements in the area of advances, CASA, Govt Business, NRI business, other Specialized areas like ATM, Card, POS, etc. The Bank has also put in new process by implementation of LOS, System based recognition of NPAs, Centralised Processing Centres, Committee approach for credit sanctions, Location and Documentation hubs, etc. so as to improve the system to increase quality assets and service quality of the Bank.

As rightly said by Sir Adrian Cadbury, UK, in his Commission Report on corporate governance "Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society." South Indian Bank has always believed that sound Corporate Governance forms the bedrock of Business Excellence in an organization. I would like to thank the Board members for their contribution over the years that helped the Bank to strengthen its leadership. The extensive support by the Board has provided an opportunity to mentor and groom the Bank's leadership and in ensuring long term sustenance of business strategy. The Board is confident that, with the initiatives taken during the past years, the Bank would continue to march on its vision of becoming the most preferred Bank in the areas of customer service, stakeholder value and corporate governance.

During the last six years, the Bank was ably lead by Mr. V.G. Mathew, an accomplished professional. The period saw significant expansion in retail book, with effective control on corporate credit. The total business expanded from ₹83,000 crore to ₹148,000 crore; with CASA improving to 27% and NRI deposits growing to 30% of the total deposits. Retail advances have grown to 72% of the loan book with corporate advances being brought down to 28%. The Bank also saw complete centralization of processes both on the liability and asset sides, with strong focus on cutting edge technology.

I take this opportunity to place on record the Board's appreciation of Mr. Mathew's contributions to the Bank and wish him well on his demitting the office on September 30, 2020.

I thank all our shareholders for their continued faith in our strength and capabilities, members of Board, and Reserve Bank of India for their valuable support and guidance, customers for their continued support and trust and employees for their tireless efforts and hard work towards realizing our goals.

Looking back on blissful moments gives us comfort and looking forward to a new season brings us growth. Every success anecdote is a tale of strong rudiments, continuous effort of adaption and response to change. Our human and pecuniary capital base, robust growth aspects, wider network, new business strategy and leadership in technology, position us to leverage the growth opportunities across the economy. I look forward to your continued support in this journey. With the continued support and patronage of all, I am confident that our Bank will reach greater heights during the coming years.

Best Wishes,
Salim Gangadharan

MD and CEO's Message

Dear Shareholders,



V. G. Mathew
Managing Director & CEO

It is my privilege to present the Bank's Annual Report for the Financial Year 2019-20. The year, as all of us know, was eventful to say the least and ended with the looming threat of a pandemic with unheard of consequences.

Over the last year, the economic and business landscape has undergone substantial changes, some of which are still gradually unfolding. The rampant spread of COVID-19 pandemic, across borders and geographies, has severely impacted almost the whole world and triggered significant downside risks to the overall global economic outlook. For most businesses, the slowdown could be in the form of supply chain disruptions, fall in consumption demand and inadequate support from a stressed financial system.

The COVID-19 pandemic and the subsequent lockdown have jeopardised the economies of many countries. The complete shutdown of businesses has led to a drastic reduction in cash flows and this poses considerable threat to banking operations. Our country is no exception, with dismal projections of GDP expansion for Financial Year 2020-21. In India, to mitigate this risk, the Reserve Bank of India (RBI) and the government have taken several pro-active measures, such as significant reduction in policy rates, sizable infusion of liquidity, regulatory forbearance on NPL treatment and direct financial support to the weakest sectors of the society. Banks however, are likely to face many challenges at the micro and macro-levels in the post-Covid period.

COVID-19 has once again brought to sharp focus the dictum that Risk is an integral part of banking business. Managing risk is fundamental to banking and is the key to sustained profitability and stability. Management of risk aims at achieving best trade-off between risk and return and to ensure optimum Risk Adjusted Return on Capital (RAROC). 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 policies and procedures established in this regard 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.

Digitization and innovative technologies are creating unprecedented disruption in the banking sector and the rate of change is accelerating. Digitization has been driven primarily by the burgeoning use of smartphones and emerging technologies like Artificial Intelligence (AI) and Machine Learning (ML). The Bank offers the best in class technology services to cater to the diverse requirements of its clientele. The technology stack includes well designed customer touch points and robust back end systems.

The Bank is enriching digital channels with several innovative and value added services for better customer experience.

In a service industry like banking, employees are the most valuable asset of the organization. We remain totally committed to ensuring their safety and well-being. Thus, our initial response to the pandemic was to protect our employees and our customers. High safety and hygiene standards were implemented in our offices and branches and social distancing norms were enforced. We formulated policies and promoted safety and social distancing at all our outlets to the maximum extent to ensure uninterrupted service in this difficult time. The Bank has a team of highly motivated, skilled, committed, loyal and empathetic employees who strive to meet customer aspirations and organizational goals. A strategic approach towards effective development and management of human resources is of paramount importance. In order to augment the workforce in line with the Bank's sustained growth and expanding network, major initiatives towards talent acquisition and retention have been continued in the Financial Year 2019-20 also.

The focus of the Bank in the past few years has been to prune the corporate portfolio, especially the large corporate loans and simultaneously build a robust retail business. The corporate business has come down well below the target the Bank had set. Meanwhile the Retail portfolio has steadily expanded and the loans under Agri, Retail and MSME together currently constitute about 72% of the Bank's loan book. Within this, Gold Loan has grown to about 12% of the loan book. The granularisation of the loan book has significantly improved its risk profile.

The Liability franchise of the Bank has remained very strong, with the NRI portfolio having grown to about 30% of the total deposits. The strong growth in the Retail deposits has allowed the Bank to reduce significantly the dependence on CDs and bulk deposits.

The Bank registered highest ever Operating Profit of ₹1645.64 crore in the year which allowed the Bank to improve provision coverage ratio (PCR) to 54.22% from previous year level of 42.46%, although it resulted in a reduced Net Profit of ₹104.59 crore for this year.

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

- Despite the challenges in the operating environment, the Bank has achieved a total Business of ₹148,557.91 crore, consisting of deposits of ₹83,033.89 crore and gross advances of ₹65,524.02 crore as on March 31, 2020.
- With focus laid on low-cost deposits, CASA ratio has improved from 24.21% as on March 31, 2019 to 25% as on March 31, 2020.
- During the year 2019-20, the gross advances of the Bank registered a growth of 2.97%, to touch ₹65,524.02 crore.
- During FY 2019-20 the Net NPA has come down to 3.34% as against 3.45% for the previous Financial Year.
- The capital adequacy ratio also improved to 13.41% as compared to 12.61% in the previous year.
- The book value per share has increased from ₹29.48 to ₹30.25 as on March 31, 2020.

- The Bank has been successful in widening its network across India with 875 Branches; 54 Extension Counters; 1325 ATMs; and 99 CRMs.

During the year Bank was honoured with significant Institutional recognitions, awards and accolades for various initiatives undertaken.

- IBA Banking Technology Awards, 2020 for the following categories among small banks:
 1. The Best Technology Bank of the Year - Winner
 2. The Best use of Data & Analytics for business outcome - Winner
 3. The Best IT Risk Management and Cyber security initiatives - Joint Winner.
 4. The Best Payments Initiatives -Joint Runner Up
 5. The Most Customer-centric Bank using Technology - Winner
 6. Best CIO - Runner Up (Across all Banks)
- Infosys Finacle Client Innovation Awards for the categories: Customer Journey Reimagination & Ecosystem-led Innovations.
- Best MSME Bank (Private Sector) Award instituted by ASSOCHAM 7th MSME National Excellence Awards-2019.

There is no greater motivation for us than the confidence you continue to repose in us. I would like to reiterate that in an increasingly uncertain global economic environment, we never lose sight of the reason we are here: to serve our customers, to offer best in class products, help communities around us and of course, to continuously earn the trust that you, our shareholders, place in us.

I have thoroughly enjoyed my six-year long association with this great Institution. I have given it my best and have been rewarded with the support and association of all our internal and external partners. The future of South Indian Bank remains extremely bright and I wish it and all its stakeholders the very best.

Let me take this opportunity to express my sincere thanks to our Board members, Govt. of India, RBI, SEBI, other regulatory authorities, various financial institutions, banks and correspondents in India and abroad for their unstinted support. I thank all our esteemed shareholders for the abundant and unreserved confidence shown in the Bank. I also thank our beloved customers for their support and patronage. I would also like to appreciate all our staff members for their tireless effort and hard work towards achieving our goals.

There are positive indications that herd immunity against COVID-19 is building up in our country and also that effective vaccines for it could be available by the end of the Financial Year. With the pandemic behind us and consumption getting normalized by that time, one could visualise brighter days from then on, with new hopes and possibilities.

The Bank looks forward to your continued co-operation as it steps into a new horizon, full of new potential and possibilities.

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. Satheesh Kumar K.S.
Mr. Nandakumar G.
Mr. Sivaraman K.
Mr. Sony A.
Ms. Chithra H.
Mr. Vinod Francis Tharail
Mr. Saravanan M.
Mr. Sreekumar Chengath
Mr. Mohan T.M.
Ms. Minu Moonjely

Deputy General Managers

Mr. George Paul

Mr. Shibu.K.Thomas

Mr. Ajit Chacko Jacob

Mr. Paul Thaliath

Mr. Shashidhar Y.

Mr. Joly Sebastian

Mr. Joby M.C.

Mr. Sibi P.M.

Mr. Peter A.D.

Mr. Madhu M.

Mr. John C.A.

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

Mr. Vinayak Jayawant Sawant

Mr. Peter C.A.

Mr. Jose Sebastian E.

Mr. Ananthasubramanian N.

Mr. Jeevandas N.B.

Mr. Francis P.J.

Mr. Bala Naga Anjaneyulu G.

Mr. Krishna Kumar P.

Mr. Jacob Joseph

Mr. Ritesh Tulsidas Bhusari

STATUTORY AUDITORS

M/s Varma & Varma

Chartered Accountants

Sreeraghavam

Kerala Varma Tower Bldg. No.53/2600 B, C, D & E

Off. Kunjanbava Road

Vytilla P.O, Kochi - 682019

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 31.03.2020

REGISTRAR & SHARE TRANSFER AGENT M/s BTS Consultancy Services Pvt. Ltd.

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

Near 200 Feet Road / RTO Kolathur, Kolathur

CHENNAI - 600 099. Tel : 044-2556 5121, Fax : 044-2556 5131

Email: ramesh@btsindia.co.in, helpdesk@btsindia.co.in

CHIEF FINANCIAL OFFICER

Ms. Chithra H., FCA

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 92nd Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2020, the Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2020.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2020 are as follows:

(₹ in crore)		
Key Parameters	2019-20	2018-19
Deposits	83,033.89	80,420.12
Gross Advances	65,524.02	63,635.92
Total Gross Business	148,557.91	144,056.04
Operating Profit	1,645.64	1,238.98
Net Profit	104.59	247.53
Capital & Reserves	5,474.80	5,335.33
Capital Adequacy (%) - Basel-III	13.41	12.61
Earnings Per Share (EPS) :		
(a) Basic EPS (in ₹) [face value ₹ 1/-]	0.58	1.37
(b) Diluted EPS (in ₹) [face value ₹ 1/-]	0.58	1.37
Book Value per Share (in ₹) [face value ₹ 1/-]	30.25	29.48
Gross NPA as % of Gross Advances	4.98	4.92
Net NPA as % of Net Advances	3.34	3.45
Return on Average Assets (%)	0.11	0.29

BUSINESS ACHIEVEMENTS

The Bank has achieved a Total Business of ₹1,48,557.91 crore, consisting of Deposits of ₹83,033.89 crore and Gross Advances of ₹65,524.02 crore as on March 31, 2020.

Deposits

The Total Deposits of the Bank increased from ₹80,420.12 crore to ₹83,033.89 crore as on March 31, 2020, registering a growth of 3.25%.

The break-up of the deposits as on March 31, 2020 is as under:

	Amount (₹ in crore)	% to total Deposits
Current Deposits	3,207.93	3.86
Savings Deposits	17,551.68	21.14
Term Deposits	62,274.28	75.00
Total	83,033.89	100.00

The Bank during the year focused on Retail advances and CASA.

CASA has grown from ₹19,467.15 crore as on March 31, 2019 to ₹20,759.61 crore as on March 31, 2020, with a growth of 6.64%. The Savings bank deposits grew by 8.78% on a year on year basis.

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

Advances

During the year, the gross advance of the Bank registered a growth of 2.97%, to touch ₹65,524.02 crore. The subdued growth was on account of a conscious decision to reduce the corporate loan book and to concentrate on agriculture, SME and retail banking. The same is well evident from the y-o-y growth of 15% registered in these segments.

The increased thrust on the retail lending segment has resulted in good off take of various products like MSME loans, Housing Loans, Vehicle Loans, Gold Loans etc. which renders a wider spectrum of deserving customers.

During the year, which can largely be seen as a year of consolidation, the Bank enforced higher standards for credit underwriting and has put in place enhanced administration standards. The balanced growth has resulted in achievement of the regulatory prescriptions with respect to major priority sector categorization and agricultural lending.

	% of Target	% of Achievement
Overall PSL	40.00%	41.86%
Agriculture	18.00%	18.49%
Small & Marginal Farmers	8.00%	9.47%
Non-Corporate Farmers	12.1%	12.31%
Micro Enterprises	7.50%	7.62%
Weaker Sections	10.00%	12.01%

Break-up of exposure under Priority Sector as on March 31, 2020 is furnished below:

	Amount (₹ in crore)
Agriculture & Allied activities (Net of PSLC)	11412.20
MSME	18742.69
Other Priority Sector	2420.04
Total Priority Sector	32574.93
PSLC (General PS)	6737.50
TOTAL PS (Net PSLC)	25837.43

The excess lending presented an opportunity in generating additional source of revenue of ₹45.43 crore during the year, by selling off the excess priority sector advances.

DIRECTORS' REPORT

FINANCIAL PERFORMANCE

Profit

The Net Operating Income (Net Interest Income and other income) of the Bank increased by ₹617.34 crore (22.48%) from ₹2,745.91 crore to ₹3,363.25 crore. The increase in Non-Interest Income was ₹319.54 crore (44.00%) during the year. The increase was on account of improved performance from Treasury operations.

The Operating Profit for the year under review was ₹1,645.64 crore (before taxes and provisions) as against ₹1,238.98 crore for the year 2018-19. The Net Profit for the year was ₹104.59 crore as compared to a net profit of ₹247.53 crore during the previous year and the profit available for appropriation is ₹381.32 crore as per details given below:

	(₹ in crore)
Profit before depreciation, taxes and provisions	1,645.64
Less: Provision for NPI	34.91
Provisions for Non-Performing Assets	995.97
Provision for FITL	36.95
Provision for Depreciation on Investments	283.19
Provision for Income Tax	44.96
Provision for Standard Assets	114.36
Provision for Restructured Assets	0.02
Provision for Other Impaired Assets	(1.32)
Provision for Unhedged Forex Exposure	(0.11)
Provision for Non-Banking Assets	32.12
Net profit	104.59
Brought forward from previous year	276.73
Profit available for appropriation	381.32
Appropriations:	
Transfer to Statutory Reserves	26.15
Transfer to Capital Reserves	174.68
Transfer to Investment Fluctuation Reserve	-
Transfer to Special Reserve	-
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act pertaining to earlier years including corresponding DTL	-
Dividend Paid for FY 18-19	45.24
Tax on Dividend Paid for FY 18-19	9.30
Balance carried over to Balance Sheet	125.95
Total Appropriation	381.32

Dividend

The Reserve Bank of India, vide its circular dated April 17, 2020, has directed that banks shall not make any further dividend

payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, this is with a view that the banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic. Accordingly, the Board of Directors of the Bank have not recommended any dividend for the year 2019-20 (Previous Year, the Bank had declared dividend @ 25% i.e. ₹0.25/- per Equity Share).

CAPITAL & RESERVES

The Bank's issued and paid-up capital stood at ₹180.97 crore as on March 31, 2020.

During the Financial Year 2019-20, 40,000 employee stock options were exercised under the Employee Stock Option Scheme.

The Bank has successfully issued Non-convertible, Fully Paid-Up, Unsecured, Perpetual, Basel III compliant Tier 1 Bonds worth ₹500.00 crore during Q4 of FY 2019-20. At the time of issue, India Ratings & Research had assigned a rating of 'IND A' (Outlook: Negative).

The capital plus reserves of the Bank has moved up from ₹5,335.33 crore to ₹5,474.80 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 according to Basel III guidelines is 13.41 as on March 31, 2020 as against the statutory requirement of 10.875 (including Capital Conservation Buffer). Tier I CRAR constitutes 10.79 while Tier II CRAR works out to 2.62.

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 2020-21.

EXPANSION PROGRAMME

The Bank has been successful in widening its network across India with 935 banking outlets (875 Branches, 54 Extension Counters, 3 satellite branches and 3 Ultra small branches) and 1,424 ATMs/CRMs. The Bank opened 7 new outlets (5 Branches and 2 Extension counters) and 37 ATMs/CRMs across the country during the financial year 2019-20. The branch network now covers 27 States and 3 Union Territories.

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The Bank plans to open 10 more banking outlets and 25 ATMs/ CRMs during the financial year 2020-21.

The Bank has also initiated steps to open currency chests at Ernakulam, Kannur and Kolkata.

PRODUCTS

During the FY 2019-20, the Bank introduced a bouquet of new loan products to provide focused thrust on MSME and Agricultural Sectors. Funding against Electronic Negotiable Warehouse Receipt (e-NWR), SIB Store Plus etc. are classic examples.

In addition to the above, the Bank has initiated the process of digitisation of MSME loans and has introduced a platform for online verification of documents submitted by the loan applicants. The Bank has also initiated COVID-19 relief packages to the existing borrowers.

INVESTMENT

The Bank continued to be a significant participant in the domestic exchanges and interest rate markets. It also capitalised on the movement of bond yields to book profits and is now looking at tapping opportunities arising out of relaxation in the foreign exchange market, advanced interest rate products and treasury solutions for customers.

The Bank's gross investment portfolio stood at ₹21,386.98 crore as on March 31, 2020 compared to ₹19,524.98 crore as on March 31, 2019, showing an increase of 9.54%. Investment Deposit ratio moved from 24.28 as on March 31, 2019 to 25.80 as on March 31, 2020.

Profit on sale of investment for FY 2019-20 stood at ₹390.15 crore. Total interest income from investment for the year was ₹1,391.06 crore. Yield on Investment (Profit + interest earned to average investments) during FY 19-20 was 8.50%.

The financial markets were highly volatile during the FY 2019-20, with USD/INR and crude oil prices being stable initially and falling in Q4 due to the outbreak of COVID-19 pandemic. COVID-19 spread across the globe post its outbreak, stalling major economies. The impact of COVID-19 outbreak on the economy and financial markets has been dramatic and severe. Commodities' prices deflated sharply with oil dropping over 70%. Equity markets also corrected sharply across emerging market economies, along with India. The G sec yields and money market rates experienced wide fluctuations due to stressed economic scenarios, mounting fiscal stress, sudden drop in crude prices, prevailing liquidity conditions and depreciating exchange rate.

Slowing global economy has prompted all central banks to be ready to support their economies at all costs with the US Federal Reserve reducing interest rates to nearly zero. The Reserve Bank of India has also held surprise MPC meetings and cut policy rates to support the economy and financial markets.

Going ahead, Indian financial markets would take cues from COVID-19 impact, vaccine discovery, Governments measures to support the economy, economic recovery in India and across the globe and the RBI's monetary and prudential policies.

NON-PERFORMING ASSETS (NPA)

During the FY 2019-20, as a result of focused and sustained efforts, 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., the Bank could recover ₹529.66 crore (Including ARC sale of ₹74.71 crore) in NPA accounts. 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 financial year, the Gross NPA of the Bank has increased from ₹3,131.67 crore to ₹3,261.77 crore as on March 31, 2020 and Net NPA decreased from ₹2,163.62 crore as on March 31, 2019 to ₹2,150.78 crore as on March 31, 2020. In terms of percentages, the GNPA increased from 4.92% as on March 31, 2019 to 4.98% as on March 31, 2020 and Net NPA decreased from 3.45% as on March 31, 2019 to 3.34% as on March 31, 2020. In spite of prompt and effective credit risk management and recovery measures, the fresh slippages of accounts from the corporate sector, resulted in the increase of gross NPAs. As a result of Bank's strong focus on recovery as well as the initiatives taken in underwriting credit and tracking early warning signals, the NPA level is expected to be moderate.

DIGITAL AND INFORMATION TECHNOLOGY ENABLED SERVICES

Digital and Technological innovations in the banking sector have changed the way business needs to be conducted. It has introduced new business paradigms and is increasingly playing a significant role in improving the services in the banking industry. With the use of technology there is an increased penetration, productivity and efficiency. Digitalization and innovative technologies are creating unprecedented disruption in the banking sector, and the rate of change is accelerating. The digitization has been driven primarily by the growing use of smart phones and emerging technologies like Artificial Intelligence (AI) and Machine Learning (ML). Moreover, the increased comfort of accessing services online in other areas has paved the way for banking solutions to offer digital-only propositions not burdened by traditional methods of providing financial services. The role of banking is redefined from a mere intermediary to service provider of various financial services under one roof acting like a financial supermarket.

The Bank has grown with the effective use of the technology by realigning technology and business to ensure better growth in present competitive environment. A great deal of emphasis is being placed by the Bank on digitizing core business processes,

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reassessing organizational structures and harnessing internal talent for digital journey.

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 customer facing/business oriented projects on the digital platforms viz., ATM, Net Banking, Mobile Banking and other emerging technologies such as Block chain, AI etc. IT Operations Department ensures highest level of service & integrity of internal applications and infrastructural support for a seamless growth of business operations. There is significant growth in the share of digital transaction undertaken by customers to 84.35% during FY 2019-20. Adoption of new technologies and embracing innovations has been one of the forefront policies of the Bank and its technology teams. Today, the Bank has a robust technology framework which caters to all customer requirements and provides a quick turnaround time.

The Bank is enriching its digital channels with lot of innovative and value-added services for better customer experience.

Retail Customers:

The Bank offers the best in class technology services to cater the diverse requirements of retail clientele. The technology stack includes well designed customer touch points, and robust back end systems.

- ❖ Full-Fledged enterprise level systems
 - Internet Banking – Sibernet
 - Mobile Banking – Mirror +
 - All variants of VISA, Mastercard and Rupay Debit Cards.
 - ATM, Cash Recyclers (CRM) and other Value-added services
 - Self-service Kiosk for Cheque deposit and passbook printing.
 - Call Centre Solution catering to customers 24/7
 - CRM solution providing 360-degree view of customers
 - Business Process Management (BPM) to enable centralization
 - Technology backed Branch Infrastructure
 - Latest version of Core Banking Solution (CBS) from Infosys, viz. Finacle 10
 - Enterprise Risk Management Solution
- ❖ ATM network that spread across the country, which supports MasterCard, VISA and Rupaycards, allowing customers quick access to money. All ATMs are interoperable.
- ❖ Mobile Banking (with support for other bank money transfer through IMPS, P2A, P2M (issuer), USSD, UPI and Bharat QR.)
- ❖ Missed call services for retrieving balance through SMS, etc.
- ❖ Online investment in primary and secondary markets through ASBA, e-trade and e-mutual fund modes.

- ❖ Portfolio Investment Scheme for NRIs, allowing them to invest in Indian equity market.
- ❖ IMPS Facility to Exchange Houses for Foreign Remittance - For our international client exchange houses/banks, the Bank has introduced IMPS based fund transfer on a 24*7 basis in addition to NEFT.
- ❖ Fraud Risk Management (FRM) Solution for channel transactions.
- ❖ Fraud Risk Management (FRM) Solution for Branch transactions.
- ❖ Kiosk based Financial Inclusion Solution to enable the Bank reach nook and corner of the country, even in remote villages using technology enabled tools.
- ❖ Payment options such as Automated Clearing House (NACH) Payment Service, Cheque Truncation System (CTS), RTGS/NEFT, etc.
- ❖ Account Opening for NRI/MSME directly through Bank's website.
- ❖ Instant QR code payments at merchant locations using Bharat QR, where Customers can use debit card (VISA/Mastercard/Rupay) as virtual card inside Mirror +.
- ❖ Introduction of Interoperable Cash Deposit (ICD) Machines to facilitate remittance through the recyclers to other bank accounts and vice versa.
- ❖ Enhancement in Security Operation Centre Operations.
- ❖ Data Centre and DR Enhancement/initiatives [DR Management, Disk based Backup solution at DC, Net backup Migration at DC and DR, Solaris OS Migration at DC & DR and Data Center certification].
- ❖ Automation of procurement and payments.
- ❖ Robotic Process Automation.
- ❖ Application Program Interface (API) banking.
- ❖ Artificial Intelligence based banking services, such as chatbots.
- ❖ Central Plan Scheme Monitoring System (CPSMS), which links to the DBT (direct beneficiary transfer) for instant receipt of Govt. subsidies to the beneficiaries of various Govt. schemes.
- ❖ Tab based Aadhaar e-KYC instant account opening for individual Savings Accounts.
- ❖ Quick account opening facility at branch level through e-KYC acceptance with reduced paper involvement, processing time and interdepartmental dependency.
- ❖ Self on-boarding by opening SIB-Insta account through mobile devices using Aadhaar and PAN card.

Corporate Customers:

- ❖ The Bank has Internet Banking facility from Infosys, which provides all the workflow capabilities required for each corporate. Moreover, it offers the security of Digital certificate integration thereby balancing convenience with security.
- ❖ The Bank also offers Host to Host Integration facility ("Hi-Hi banking") which handles fund transfer in a seamless fashion

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by real time interface with ERP solutions of corporate. This facility is available for 365*24*7 and the clients can securely access the system from anywhere.

- ❖ Supply Chain Management Solution caters to the dealer/vendor financing requirement of corporate.
- ❖ The Bank has started offering business debit cards to the business customers.
- ❖ On the business acquiring capabilities, the Bank has full suite of payment acquiring including POS terminals, Bharat QR, UPI QR etc. which gives the merchants a whole host of options for accepting payments instantly from their customers.
- ❖ Integration through APIs for full-fledged automation done with several corporate and Govt. agencies.

Digital/Technology initiatives/solutions embarked during the year

Services/solutions that the Bank has launched during the year,

- ❖ Enhanced to UPI 2.0 with ASBA facility, UPI mandate, linking of UPI with OD and others.
- ❖ Facilitated FD/RD opening and closure through digital channels.
- ❖ Vendor migration to ensure that all payment related customer data is stored within India.
- ❖ Facility to link Fast Tags issued by ICHML with South Indian Bank account and to set standing instruction to recharge the same.
- ❖ Upgrade of ATMs to accept only EMV chip-based cards to ensure enhanced security of transactions. Chip-based cards prevent card skimming or cloning and are effective in mitigating fraudulent POS transactions.
- ❖ Launched remittance-only cards for enhanced deposit limits, especially for CD/OD account holders.
- ❖ Launched Rupay PMJDY debit cards for saral account as part of financial inclusion.
- ❖ Upgraded ATM switch to the latest version with major enhancements to suit latest trends in Electronic Fund Transfer industry, covering both new business functionality and technical scalability
- ❖ SiBerNet integration with multiple payment aggregators to facilitate online payment using Internet banking at many more e-commerce portals.
- ❖ Redesigned the Internet banking page to offer better customer experience
- ❖ Facilitated creation and reset of debit card PIN using Mobile Banking or Internet banking channel as well.
- ❖ Enabled KSFE Pravasi Chit enrolment of NRI customers through Internet banking.
- ❖ Implemented the facility to enable or disable international transaction facility of debit cards using Mobile Banking or Internet Banking channel.
- ❖ Launched Aadhaar e-KYC paperless instant account facility with reduced processing time.

- ❖ Enhanced the unique feature in Mobile Banking application, e-Lock, to facilitate customers to set a threshold limit for cumulative debit transaction in a day through all channels. E-Lock enables customers to block/unblock debit transactions through all channels in a single click.
- ❖ Enhanced the digital channels to provide various service requests like cheque book issuance, debit card issuance and others.
- ❖ Enabled KSFE KIIFB Pravasi Chit enrolment of NRI customers through Mobile Banking.
- ❖ Ensured real time activation of Instant Cards using Robotic Process Automation.
- ❖ Implemented Robotic Process Automation in various back office processes in centralized centres of Bank.
- ❖ Jio recharge facility has been added in Mobile banking.
- ❖ DIYA has been launched by which customers can open accounts from branches without the intervention of CPC cell using Aadhaar based authentication.
- ❖ The Bank has implemented Terminal Security Solution to boost ATM security.
- ❖ Dynamic Currency conversion facility at POS machines.
- ❖ Enhanced the limit of cash deposits in CRM.
- ❖ Alert has been enabled for decline transactions in ATMs.
- ❖ Process flow has been changed to maximise the debit card issuance and mobile banking registration in order to promote the digital channels.
- ❖ Implementation of Work from Home facility for HO staff on the outbreak of COVID-19.
- ❖ Implementation of Early Warning System to detect the slippage of Accounts into NPA well in time.
- ❖ Litigation Management System implemented to track the full cycle of suit filed accounts.
- ❖ Implementation of the new IFRS accounting system (Ind AS) is progressing in a full-fledged manner so that the Bank is well prepared to meet the regulatory timelines.
- ❖ EMM (Enterprise Mobility Management) implemented which is a complete package of services which offers complete data security on Corporate Owned Devices (COD) and Bring Your Own Devices (BYOD) devices for enterprises.
- ❖ IT service management software which can track the IT assets and IT services implementation is in progress.
- ❖ Virtual Machine stack including Servers and Storage upgraded to accommodate new applications.
- ❖ Implementation of Aadhaar Vault for secure storage of Aadhaar Numbers.
- ❖ Pre-approved personal loans through digital modes launched for Small ticket loans by applying analytics.
- ❖ Spot Credit through digital modes for Current A/c customers based on transactions in their accounts.
- ❖ Implementation of NEFT 24x7 facility through digital channels.

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- ❖ Integration of School/College ERP systems for Fee collection.
- ❖ Software module for internal customer satisfaction survey from the departments.
- ❖ Various Tax related regulatory changes are implemented.
- ❖ Email/SMS alerts launched for various transactions/financial events.
- ❖ Deposit Interest certificates to the customers through registered e-mail.
- ❖ Facility to provide instant credit to Loan Accounts launched.

Awards and Certifications received on Technology front

The Bank has won various awards and accolades in the Financial Year 2019-20 also. These awards are a testimony of Bank's strategy, commitment and execution of various digital initiatives and has brought in an acclaim from both Customers and stakeholders.

- IBA Banking Technology Awards, 2020 for the below categories:
 1. The Best Technology Bank of the Year - Winner
 2. The Best use of Data & Analytics for business outcome - Winner
 3. The Best IT Risk Management and Cyber security initiatives - Joint Winner.
 4. The Best Payments Initiatives - Joint Runner Up
 5. The Most Customer-centric Bank using Technology - Winner
 6. Best CIO - Runner Up (Across all Banks)
- Infosys Finacle Client Innovation Awards for Customer Journey Reimagination & Ecosystem led Innovations.

IT Training

During the year, many training programmes had been attended by the Bank's officers in premier institutions such as IDRB, 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 a full-fledged BCP location and DR site at Bangalore. Planned BCP drills are conducted on regular basis to ensure connectivity and functionality test of critical applications. BCP location is manned with adequate staff members who can handle the IT operations during disasters, with the support of the primary IT team. A testimony of Bank's robust BCP program and preparation is that all the critical systems were switched to DR within no time during the flood that happened in Kerala during 2019. Systems of the Bank worked at full potential capability without any disturbance to the customers during the period. Learnings from the Kerala Floods happened in 2018 are incorporated to the BCP policy.

Information Security and IT Risk Management

As banks adopt sophisticated technology to roll-out the most effective 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, DR Site and BCP site are ISO 27001 certified for the implementation of Information Security Management System (ISMS). As a part of ISMS implementation, the 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.
- ❖ The IT organization structure is revamped with setting up of a separate full time CISO Office for surveillance of 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/updated.
- ❖ The Bank has also ensured that Security Operation Centre (SOC) does 24*7 surveillance and keeps itself regularly updated on the latest nature of cyber threats. The Bank is using Security Information and Event Management (SIEM) monitoring tool, for identifying, monitoring, recording and analysing security events or incidents within the 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, other solution/services etc. to handle a variety of threats and 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 has been redrawn to suit the functions/roles specified in the recommendations with segregation of duties. Information Security policy is

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revamped incorporating various guidelines and stipulations mentioned in regulatory framework/guidelines/other best practices. 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]

Transaction Banking Department, which manages various centralized back office operations has been functional since August 2015. The department undertakes the following functional operations in a centralized environment with a view to bring standardization of processes and procedures, scalability in line with business expansion, compliance with regulatory and statutory requirements, enforcement of internal controls, besides expeditious service to the customers, releasing branches from the hassles of back office operations.

Functional Division	Functional Operations Covered
CPC – Centralized CASA Opening	SB – Individual and Legal Entity CD – Individual and Legal Entity NRI – NRO (SB, CD) NRI – NRE (SB, CD) PIS (Portfolio Investment Service) Accounts Customer Modifications Account Modifications Periodic KYC Updation Central KYC (C-KYC)
CDMC - Centralized Loan Opening	Loan Accounts (Fund Based) Renewals and Enhancements TOD/ADHOC Modifications NPA Upgrading Capturing Risk Rate/Score Ensuring Collateral entries (SGMS) Income Leakage Identification & Recovery
PSD - Payment & Settlement Operations	RTGS/NEFT PFMS - Aadhar Mapping PFMS - DBT PFMS - WPS (Wage Protection System) CTS Operations NACH Operations
Digital Service Operations	Debit Card – Individual and Business Internet Banking – Retail and Corporate Internet Banking – Limit Enhancement (Corporate) Mobile Banking (IMPS) Post Open Welcome Kit (POWK)

Digital Channel Support Operations	Reconciliation – Debit Card (ATM/POS) Reconciliation – Internet Banking & E Commerce Reconciliation – Mobile Banking (IMPS) Reconciliation – UPI Reconciliation – BBPS Reconciliation – NETC Reconciliation – Prepaid Card Reconciliation – ICD Customer Dispute Management Function Harmonization of TAT (Failed Transaction) Managing Unauthorized Electronic Transactions Internal Ombudsman Compliance function
Other Support Operations	Managed Service – ATM Cash Aadhar Enrolment Operations Remote Cheque Printing (RCP) Operations Tax Cell Operations

The above centralized operations are driven through approved SOP (Standard Operating Procedure), governed by allotted Job Card/task/functions through respective KRA (Key Responsibility Area) function, 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 have been consolidated at Chennai as the primary and Bangalore and Kochi as BCP centres. New initiatives such as digital instant account opening, customer driven limit enhancement for debit cards/net banking, robotic automation of certain processes have helped to improve the efficacy of this centralized operations department.

Compliance Department

The Bank has institutionalized a strong compliance culture and mechanism across the organization, in pursuit of 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 compliance, across all businesses and operations. The key functions of the department include tracking of regulatory updates affecting 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, providing guidance on compliance-related matters, imparting training to employees on compliance aspects, among others. The Bank has 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

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the compliance function at various levels. Any new product/process introduced in the Bank are reviewed by the Compliance function to ensure adherence to regulatory guidelines.

Business Development Department

Business Development Department is acting as a connect between Regional Offices/Branches and Head Office for business development activities and handholding with Regional offices for overall business growth. Business Development Department compiles Business Strategy Plan of the Bank, conducts conferences and meetings to promote business growth, provides potential customer leads to the Branches/Regional Offices, mentors Green channel branches for advances growth and Purple branches for CASA and Deposit growth, follows up with potential branches for gold loan growth and guides loss making branches with strategies for speedy turnaround. The Department also reviews daily & weekly business positions of Regions and submits review reports to the top management and senior executives for review.

In the light of COVID-19 pandemic, the Bank has constituted various Committees of executives for ensuring normal operations, growth and effective operational expense management. Based on the suggestions of the Committees, various action points are formulated and reviewed periodically.

Salient strategies of the Bank:

- Focus on CASA and Retail Term Deposits. Within CASA, the focus will be more on improving the current account balances and low cost Savings Bank account balances.
- Thrust on fee-based income from Third party, Digital & Para banking products.
- Priority to Food processing, Agri., FMCG, Pharma and health sectors, as these sectors have better scope for growth in the COVID period.
- Increased focus on gold loans. Introduction of door-step gold loan product through Fintech companies.
- Thrust on Retail, Agri. and MSME advances will continue.
- Extending loans to all the eligible borrowers under ECLGS (Emergency Credit Line Guarantee scheme).
- Focus on digital operations and services. Thrust on digital on-boarding of new customers. On-boarding of customers through V-CIP (Video based Customer Identification Process) and Digital KYC.

BUSINESS INTELLIGENCE AND ANALYTICS

The Bank has a full-fledged Business Intelligence and Analytics department, with the primary objective of accelerating and improving decision making, optimizing internal business processes, enhancing operational efficiencies, driving new revenues and gaining competitive advantage over business rivals and thereby achieving the pre-determined corporate goals in an engineered manner. Analytical models for identifying the right customers to extend various asset products like Digital Pre-approved Personal loan, Digital EMI loan against debit card

purchase are already live. Similarly, several decision-making reports, dashboards and models are implemented for enabling targeted marketing, Customer identification, Cash optimization, Credit Monitoring, etc., to make 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 react to it. 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 mitigated. The essential functions of risk management are to 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. Of the various types of risks the Bank is exposed to, the most important are credit risk, market 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 qualitative and quantitative examinations of the 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.

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 mitigation techniques and capital base. Risk Appetite forms a key input to the business and capital planning process by linking business strategy to risk appetite. Risk appetite of the Bank is defined by the Board of Directors through the Risk Appetite 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

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the risk appetite framework and are monitored on a quarterly basis. The framework ensures that aggregate risk exposure of the Bank is always within the desired risk bearing capacity.

Risk Management Policy Framework

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

COVID-19 Pandemic – Business Impact Report

COVID-19 pandemic has created significant disruptions to the economy, businesses and the banking industry. While various measures are taken by regulators and government agencies in dealing with this emergency, we as a Bank stand committed to the customers and the larger community in this hour of need without compromising the health and well-being of the Staff. The Bank has formed a Quick Response Team (QRT) to take proactive steps to protect the health of the employees and provide uninterrupted services to valued customers and the society. More than 98% of the branches were functional with reduced working hours and 96% of ATMs were fully operational amidst the pandemic disruptions.

Business continuity plan was invoked as a measure to ensure uninterrupted service without any compromise to the safety of the staff. The Bank has put in place all requisite preventive measures, such as providing sanitizers and masks, disinfecting and fumigating all the locations periodically. The Bank has set up a special employee communication team to ensure that all relevant information reaches employees through a credible source and in a timely manner. Employees were provided with work from home facility as a safety measure, with adequate IT infrastructure and enhanced cyber security measures which enabled safe and uninterrupted availability of service to customers. Alternate locations for major Departments were made live to ensure continuity of operations. As the lockdown was eased, new work norms were circulated to ensure that the employees were aware of the safety rules such as social distancing, regular temperature checks among others. All the Committee/Board meetings were held through video conferencing.

Employees were allowed special allowance to reward their extra efforts. Annual general transfers were limited to the bare minimum on absolute need basis. Special Leave has been allowed to staff members who have tested COVID-19 positive and to those staff members who had to go into quarantine either on account of them coming into contact with COVID-19 positive person during the course of discharging their official duty or on account of them required to undertake journey for official purpose.

Due to the sudden announcement of lockdown, whole country was in panic for various reasons like personal safety, safety

of family, salary, job security etc. Bank initiated customer communication through all modes – mails, SMS and social media handles - about continuity of services in the face of an unprecedented situation. Customers were educated/ encouraged to utilize digital modes like Internet banking and Mobile banking thus reducing branch visits by availing seamlessly the banking services from their homes.

Considering what the existing and prospective customers expect from us during this unusual period, Bank's technical team came up with a slew of ideas to provide uninterrupted banking services and methods to onboard new customers without having them visiting the branches. The major steps are:

- SIB INSTA - An online e-KYC account which virtually on-boards New to Bank customers. SIB INSTA offers customers all digital platforms for banking operation. Account opening procedure is instant and paperless: customer need not wait in long queues or fill any forms.
- TAB Account - TAB based solution. The Bank official can carry the device to the customer's location and complete the account opening procedure instantaneously.
- Quick Account- Walk-in branch customer can instantaneously open and activate account within 20 minutes and take home an active card, passbook, and Mirror+ facility.
- Loan repayment through channels.
- Enhancement of fund transfer limits of retail customers based on their requirement through Internet Banking.
- ATM card/cheque book request through Mirror+/Internet Banking.
- FD/RD opening/closure through digital channels.
- Enabling/disabling international transactions through channels.
- Debit card PIN set/reset through Mirror+/Internet Banking.

During the lockdown, the whole business community was under stress on business side and financial condition. Being a bank which stood with customers during their need without diluting compliance, the Bank is a front runner in implementing the schemes announced by Govt. of India and various State Governments. The Bank is among the first few banks to reschedule the repayment of term loans and to modify the working capital limits in accordance with the moratorium announced by the RBI. The Bank has also implemented various schemes for different sectors - Emergency Credit Line Guarantee Scheme to support MSME and other business community, SIB Helping Hand for Self Help Groups (SHGs), SVANidhi to help street vendors and PMMY Shishu scheme.

Loan on-boarding norms have been re-looked, and steps are taken to ensure credit quality. Scenario-based stress testing of the portfolio is undertaken and mitigation measures are put in place to improve the resilience of the portfolio.

Due to postponement of repayment of principal and interest from 1st March, 2020 to 31st August, 2020, our recoveries may get affected in a few cases. Due to this, revenue and provisioning of the Bank may get affected for later quarters. Further, as a matter of prudence, the bank is carrying an additional provision (over and above the 10% mandated by

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RBI) amounting to ₹2,908 lakhs as at the quarter ended June 30, 2020 (₹5,570 lakhs as at the quarter ended March 31, 2020) to meet any future impact of the pandemic. However, with the measures being taken by Government of India and various state Governments, position is expected to improve. In the light of COVID-19 outbreak, based on the discussions in various forums including Strategic Planning Committee (SPC), various committees of executives were constituted to ensure smooth running of business, asset quality and cost control. Based on the suggestions from the committees, various action points were formulated and conveyed to departments of the Bank for necessary implementation. As part of cost reduction necessitated by changed economic scenario due to COVID-19 pandemic, all the Board members suo-moto decided to reduce the sitting fees for attending Board / committee meetings by 20%, until further review. The Chairman of the Bank has given up 100% of his sitting fees, since lock down from March, 2020 to July 2020 and 100% of honorarium from August 2020.

In accordance with the RBI Circulars on prudential guidelines on capital adequacy and liquidity standards, Banks are required to make Pillar III disclosures including leverage ratio and liquidity coverage ratio under Basel III framework. As on 30th June, 2020 the capital adequacy ratio of the Bank is 13.49% as calculated under BASEL III norms, which is above the level fixed by RBI. Hence Bank does not foresee any capital and liquidity constraints on account of impact of COVID-19.

During the Financial Year 2020-21 profitability may get impacted due to the measures aimed at preventing the spread of Covid 19 pandemic. Despite the economic scenario and additional provisional requirement Net profit of the Bank has increased by ₹8.40 Crore (11.46%) from ₹73.26 Crore during Q1 of 2019-20 to ₹81.65 Crore during Q1 of 2020-21. Bank has a fully functional Treasury Dept to handle liquidity/fund management of the Bank, which is overseen from a risk angle by Integrated Risk Management Dept. of the Bank as per RBI guidelines. With the present financial position and liquidity, Bank is not foreseeing any liquidity crisis. Profitability is expected to improve in coming quarters of the current financial year subject to restoration of normal economic activity and recovery from COVID-19 Pandemic.

Prudent measures and timely implementation of various schemes and digital initiatives during this pandemic has taken us one step closer to the vision of being the most preferred bank.

Compliance with Basel III and Basel II Framework

In compliance with regulatory guidelines on Pillar I of Basel II/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 risks under 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 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.

INTERNATIONAL BANKING

The total forex business turnover for the year ended March 31, 2020 was ₹3,48,550.75 crore (comprising Merchant Turnover ₹16,708.80 crore and Interbank Turnover ₹3,31,841.95 crore). The Bank earned an exchange profit of ₹41.99 crore for the FY 2019-20, recording an increase of 3.35% as compared to the previous financial year.

At present the Bank is having rupee inward remittance arrangement with 3 banks and 35 Exchange Houses and the turnover for the year ended March 31, 2020 was ₹9,615.77 crore. The Bank has concluded speed remittance arrangement during the FY 2019-20 with the following Exchange Houses:

- Kuwait Asian International Exchange Co., Kuwait
- Muthoot Exchange, Dubai

The Bank has continued providing managerial support to M/s Hadi Express Exchange, UAE. The Bank has presently deputed 11 officers of the Bank to manage the operations of Hadi Express Exchange. Considering the scope in improving the remittance business through arrangements with exchange houses, the Bank has deputed nine 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 Qatar with City Exchange, Doha, Qatar, Al Dar for Exchange Works and M/s AlFardan Exchange LLC, Doha Qatar.

The Bank has entered into MTSS arrangement with M/s Ahalia Exchange Financial Services Pvt. Ltd., Thrissur for facilitating Fast EnCash Money Transfer during the FY 2019-20.

The Bank has entered into tie-up with 3 more FFCs during FY 2019-20 for purchase and sale of foreign currency notes.

The Bank has rolled out the CCIL FX Retail platform for its customers enabling them to access the market directly and book the Forex Deals thereof.

NRI PORTFOLIO

NRI segment plays a pivotal role in the total business of the Bank. NRI deposits of the Bank constitute 29% of the total deposits. In the current competitive banking scenario, it is particularly important to give individual attention towards the banking and investment needs of NRI customers by considering their geographical limitations.

The Bank is offering a host of banking products and services for its NRI clientele. The Bank offers exclusive Priority Banking Services with benefits and offerings- Prime Platinum and Prime - to our Priority Banking customers who make their relationship, mutually rewarding. In addition to Savings Accounts, under NRE, NRO category, the Bank also offers high return deposit schemes, in Indian Rupees (NRE/NRO) and Foreign Currency (FCNR/RFC).

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Bank's Representative office in Dubai is operational since April 25, 2018 which is serving as a single point of contact for customers based at UAE. There are 13 NR Relationship Managers deputed in three different countries supporting our NRI clientele in UAE, Qatar and Kuwait.

The Bank also provides Portfolio Investment Scheme for its NRI customers. The Bank is authorized by the RBI to administer the Portfolio Investment Scheme for NRIs for which the Bank has an exclusive PIS Cell under Retail Banking Department. The Bank has tie-up with M/s Geojit BNP Paribas Financial Services Ltd. for enabling NRIs to invest in shares and bonds of companies listed on the stock exchanges.

The Bank provides a wide array of Third-party products like Mutual Fund, Life insurance, Health Insurance, National Pension Scheme and Demat facility to the NRI Clientele. Customers can avail the 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.

Technology enabled hand held devices are the future of banking. In this age of digital banking, the Bank has a great focus in pushing technology products such as mobile banking application 'SIB Mirror +' to the NRI customers. This Mobile App offers the most convenient and secure options for banking and non-banking needs. The e-lock facility keeps the account locked from fraudulent online transactions. This Mobile app brings banking to the finger tips and allows to transfer funds, invest, make bill payments, do online payments and apply for additional services like opening of Fixed Deposit and Recurring Deposit through online. Loans against Fixed Deposit can be availed online through this platform.

The Bank has 12 Dedicated Relationship Managers at different Regional Offices under the role RMs - NR and Priority Banking. These officers render support and assistance to NRI and Priority customers at the branch as well as at the regional levels. The Branch level NRI Desk is managed by specific NR Relationship Officers who give special care and attention to NRI clientele in major NRI Business Branches.

The Bank provides exclusive transit stay facility to its HNI NRI Customers, in major cities. NRI Meets are being conducted by the Bank at various centres in Kerala and selected Overseas Centres. The NRI Meets provides a great opportunity for the top executives to interact with the 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 7 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 2019-20, the Bank has imparted training to 3,725 officers, 2,060 clerks and 162 sub staff in various aspects of banking operations. A total of 5,947 staff members were trained during the FY 19-20, which is about 70% of total staff strength of 8,570 as on March 31, 2020. 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 14 Financial Literacy Centres/ Business Correspondents for better rural banking services and as a measure of expanding financial inclusion initiatives of the Bank.

RETAIL BANKING DEPARTMENT

The Retail Banking Department focuses primarily on increasing retail business for the Bank through customer acquisition and retention. The Retail Banking Department has two verticals - Retail Liabilities and 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 continuous product development and promotion by creating awareness on products through customer-centric campaigns.

Technology Products of the Bank

With more customers on boarding to digital channels every day, Digital technology is revolutionizing traditional banking. Introduction of UPI has boosted the payment ecosystem by simplifying contact less and real time payments. The Bank is a frontrunner in adapting the changes in technology, by strengthening 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 suit the diversified needs of customers. Technology services like Contactless Debit cards, Internet banking, Mobile banking with UPI, QR based payment acceptance and API Banking have transformed the customers' digital banking experience from branch banking to anytime, anywhere banking. The Bank has a separate Digital Marketing Division under Retail Banking Department to enhance the Digital outreach and a separate Digital Banking Department that facilitates Technological Innovations and Product Development.

- **SIB ATM cum Debit Cards:** The Bank offers Visa, Mastercard and RuPay debit cards of different variants to cater to the varying needs of its different segments of customers.

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Contactless Cards (NFC Cards) are also offered which enables Tap & Pay feature. The Bank also offers **Business Debit Cards** exclusively for SME customers with tailor-made offers for the business segment. Rupay's flagship NCMC (One Nation One Card) is also lined up for issuance which gives the facility of having prepaid and debit in a single card.

- The Bank has **prepaid cards** on 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 gratification.
- 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 **Travel Card** launched in association with Thomas Cook is specifically designed for customers who travel abroad. This Travel Card is available in two variants – (1) Borderless prepaid card that can be loaded in 9 currencies (USD, EUR, GBP, SGD, AUD, CAD, JPY, CHF, AED) and (2) One currency card that can be loaded in USD, that enables dynamic conversion without cross conversion fee 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. User Interface of SIBerNet was revamped during last financial year for retail and corporate customer giving a better user experience. Features were added for service requests like Cheque books, Debit cards, International ON-OFF for debit cards, Pin set/reset for debit cards online etc. Instant Net banking activation enables the customers to activate SIBerNet instantaneously with a User ID of customer's choice. In addition to NEFT/RTGS and within bank fund transfer facility, IMPS (Immediate Payment Service) facility is implemented which offers 24 x 7 fund transfer facility to all customers including NRI customers. The Bank has also facilitated various online investment options such as opening and closure of Recurring Deposits (RD), Fixed Deposits (FD) & facility to avail Online Loan against Deposits (FSLD), Loan credit, online OD facility for salary accounts. More investment options such as online Mutual Fund, ASBA and KSFE Pravasi Chit enrolment for NRI Customers is also incorporated which provides added benefits to the customers. Bill Pay & Recharge service is also available to help the customers to make payment towards their various bill payments/recharges from a single platform. SIBerNet is 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:** An array of self-service 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, fund transfer within bank, NEFT, IMPS & UPI 24X7 fund transfer, e-lock, Mobile/DTH Recharge, Scan & Pay option using BHARAT QR and UPI, Cheque book request, Debit card management option in which debit cards can be applied online, International ON-OFF switch, debit card Pinset/reset etc. Mobile Banking app is also further enhanced with Virtual account transfer, Online deposit opening, Bill payments and recharge, KSFE Pravasi chit enrolment for NRI customers, submission of 15G/H form & Pre approved personal loan feature rolled out for eligible customers.
- **E-Lock:** Mobile Banking has the most innovative feature, e-Lock, which secures the customer account from any kind of fraudulent or unauthorized transactions. We are the first bank in the country to introduce such a product and many in the industry have been bringing out similar products since then. E-lock feature is enhanced by giving the customer an option to set a limit to digital channel transactions.
- **Unified Payment Interface (UPI), "Future of payments"** is transforming the digital payment space. The Bank has introduced UPI features in the mobile banking application SIB Mirror+ (BHIM UPI Pay). We are the first Bank to upload UPI app in Google Play store. The UPI module has features such as send money to virtual address, collect money, Aadhaar fund transfer, scan and pay etc. The Bank has also launched a Mobile application for merchants, UPI-POS for accepting payments through UPI channel. UPI has gained wide acceptance among Bank's customers. The Bank is updated with the latest UPI 2.0 version.
- **Point of Sale (POS):** The Bank is offering POS terminals - PSTN (wired terminal) and GPRS (wireless) 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 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 the 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.

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- **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 with the website of the merchant and the customer/client can directly pay the amount using Debit Card, Credit Card, Internet Banking, E-Wallets, UPI etc.
- **Feebook:** FeeBook is an event-based fee management/ collection portal, which can be customized by the organization/merchant themselves. FeeBook comes with a tagline -'YOU DECIDE, YOU COLLECT'. In FeeBook, the organization has the flexibility of deciding & customizing the entire collection cycle. This can be integrated with 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 Bank's intervention. This can be integrated with the customers ERP system.
- **Remote Cheque Printing:** This facility enables the corporates to process the bulk issuance of cheques/dividend warrants etc. through a system driven model, affixing the facsimile signature of the authorised signatory.
- **API Banking:** Apart from the above innovative digital services, the bank has API banking facility which enables customer application to directly get integrated with the Bank's core systems.
- **Social Media & Digital Marketing:** The Bank has made its presence felt in all major social media platforms like Facebook, Twitter, Instagram, Linked In, YouTube etc. The Bank has been instrumental in utilizing these channels in creating better engagement and awareness among the customers about the Bank's innovative products and services. The latest digital marketing models are being adopted to reach out to the customers across the globe in the most cost effective and sought after means.

Third Party Products

Insurance: The Bank has tied-up with the following partners for soliciting insurance under the corporate agency model.

Life Insurance

- LIC of India
- SBI Life Insurance Co. Ltd.
- Kotak Mahindra Life Insurance Co. Ltd.

Health Insurance

- Max Bupa Health Insurance Co. Ltd.
- Manipal Cigna Health Insurance Co. Ltd.

General Insurance

- Bajaj Allianz General Insurance Co. Ltd.
- New India Assurance Co. Ltd.
- Bharti AXA General Insurance Co. Ltd.

The Bank has generated an income of ₹20.68 crore through insurance business during FY 19-20 vs ₹17.62 crore in the previous FY, which translates to a year on year growth of 17.36%. The total premium sourced has also grown by 17.19% (₹96.45 crore vs ₹86.70 crore).

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 17 leading Mutual Fund companies, thereby offering a variety of mutual fund products to the customers. Asset Under Management (AUM) of the Bank is ₹105 crore as on March 31, 2020. 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 and sale of mutual funds. The Customers approaching branches can create investment account and perform purchase/sales of mutual funds through this platform. After the successful launch of 'SIB e-Invest' in branches, the Bank has extended the facility for all single/individually operated retail SiberNet users also.

Bonds: The Bank has enrolled as a Channel Partner for the distribution of bonds issued by different companies, through the Bank's tie-up with IFIN - a subsidiary of IFCI (Industrial Financial Corporation of India) 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 the customers. Through this facility, the 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. and M/s Religare Securities Ltd. The Customers also have the option of trading through mobile application from the comfort of their home/offices, 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 76 issues (including IPO/FPO/NCD/Rights Issue) in FY 2019-2020.

(PIS) – An extensive share trading facility for the 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.

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The 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 is appointed as a Point of Presence (POP) since then and all the 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 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 I.T act 80 CCD (1B) and it is over and above ₹1.50 lakh of 80C investments.

Cumulative Achievement as on March 31, 2020

(in numbers)

NPS – All Citizen Model	9264
NPS Corporate (Including Staff)	7133
APY	16187
Total	32584

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 is 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 offers Cash Management Service (Premium Collection) to the customers in association with Exide Life Insurance Co. Ltd. (formerly known as ING Vysya) and ICICI Prudential Life Insurance Co. Ltd. Under this arrangement, the 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: Centralized direct debit facility is a service offered by the Bank to the customers, through which monthly/quarterly/half yearly payments of Mutual Fund SIP investments/Loan EMIs (Vehicle/Equipment Loans)/insurance premium can be made directly by debiting their account and thereby making payments to various billers/institutions. At present the Bank has tie up with 5 vendors for the Centralized Direct Debit facility which includes M/s India Ideas.com Ltd., M/s TVS Credit Services Ltd., M/s Sundaram Finance Ltd., M/s Shriram City Union Finance Ltd. and M/s Bajaj Finance Ltd.

Customer Experience Group (CEG)

Financial year 2019-20 witnessed a significant growth in the

count of leads for business requirement 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 and followed up by CEG team till the end of lead life cycle. Mirror+ activation conversion of new accounts and debit card usage activation and lead generation are the major activities undertaken by the CEG team.

Customer Experience Group handles inbound and outbound call centre. Further during FY 19-20 a new section was created to CEG as DQST (Digital Quick Support Team) working on customer mails and Branch support on digital products.

CEG inbound team is the touch point for customers for all banking needs via call. Inbound call centre provides 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 CEG is to solve the problem to customer's satisfaction. CEG inbound team is required to follow procedures to facilitate moving problems to more advanced and experienced back office teams when initial help levels cannot resolve them. DQST team is the touch point for customers via mail, Chat and Social Media. There is dedicated resource to handle Ibanking and Mirror Plus service and complaints. DQST 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.

Further, outbound teams major responsibility is to onboard the customers with first point of service and sales of the Bank's products and TPP products after the branch. 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 the channel as a cost neutral unit in the coming years.

Highlights

- Mirror+ activation conversion of new accounts is at 53% for FY 19-20.
- Debit card usage activation of new accounts 67% for FY 19-20.
- 21,290 Leads generated through CEG in FY 19-20 and converted 62.39 crore, Retail loans and ₹40.07 lacs Insurance business.

Liability

CASA Initiatives

- The Bank has launched SIB Insta Paperless digital account opening platform for savings account customers. The account is opened using PAN and Aadhaar and the account

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number is delivered to the customers within five minutes. On remittance of ₹1,000/-, debit cards are issued without issuance fee.

- To cater to the business segment, the Bank has Trader Smart and CA Premium Smart current accounts with a 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 of traders in general and the performance is encouraging with respect to the average balances in the account.
- SIB FIZA, an exclusive current account variant for resident individuals, has been introduced to cater to the needs of customer segment who do not want interest to be accrued in the account.

• Government Business Division

Government Business Division (GBD) was institutionalized in the FY 2018-19, headed by a DGM, to cater to the banking requirements of Central Government/State Governments/PSUs/Boards/other Govt. affiliates, with a focus on canvassing and liaising with various Government institutions pan India. GBD aims at driving the Government Business portfolio of the Bank, with special emphasis to boost CASA. Branches, ROs, RSMs and BDOs are the major acquisition channels to augment Government Business segment.

- **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.

As a Priority Banking client, the customer has 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.

Achievements and milestones:

1. Insurance business achieved a YoY growth of 17% in income.
2. Tied-up with Mirae Asset Mutual Fund and Motilal Oswal Mutual Funds, thereby giving more options for the customers to invest.
3. Launched new GPRS POS Terminals (e-charge slip based Paytivo 6210).
4. Introduced digitalized Term Deposit Advices in lieu of Term Deposit Receipts as part of extending digital services with the 'Go Green' concept in mind.

5. Launched a new Retail Term Deposit product called "FD VANTAGE". FD Vantage is a Term Deposit product in three variants like FD Vantage – Alpha, Beta & Gamma clubbed with free insurance coverage.
6. Launched SIB CRITIC CARE PLUS, a product attached to loan portfolio of retail borrowers, in association with health insurance partner M/s Max Bupa Health Insurance Co. Ltd. All New Retail Loan Customers (Home Loan, Vehicle Loan, Mortgage Loan, Education Loan, Personal Loan, SME (Individual Only)) are eligible for this facility. The coverage shall be for the loan period (Maximum 5 years) and the premium to be remitted as Single Premium (Upfront up to 5 Years Maximum).
7. "SIB SWARNA SURAKSHA" – An insurance plan from M/s Bajaj Allianz General Insurance Co. Ltd. for gold loan customers. SIB-SWARNA SURAKSHA an insurance solution that can be offered to all the Gold loan borrowers (Individual) with accidental death coverage of ₹5.00 lac Sum Assured at a premium of ₹101/- (Inclusive of GST).
8. Launched SIB UPP (Universal Protection Plan), a loan attachment product to retail loan borrowers of the Bank, in association with the general insurance partner M/s Bharti AXA General Insurance Co. Ltd. Universal Protection Plan provides coverage against
 - a) Critical Illness - covers up to 25 critical illness
 - b) Personal Accident
 - c) Home Insurance
 - d) Involuntary Loss of Job
9. Launched Pre-qualified Credit Card program in tie-up with SBI Card & Payments Services Ltd.
 - Pre-qualified Credit card program in tie-up with SBI Card is an opportunity to issue Credit cards to the privileged customers of the Bank who are Pre-qualified to avail a Credit card as per the SBI Card policies.
 - Program ensures highest approval rates for the sourced applications as they are already validated against various parameters specified by SBI Cards.
 - The card is issued to the customer once the application is sourced and submitted to SBI card.
 - The limit assigned to the applicant in his Credit card is decided by SBI Card once the card is final approved after successful validations and verifications.

Visibility Enhancement Initiatives during FY 2019-20

The Bank had undertaken many brand promotion initiatives in various medias 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 held major press conferences, in connection with quarterly results and also during the launch of SIB SCHOLAR Edition-IV, a prestigious CSR initiative by the Bank. Regular press releases were

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made in connection with the various CSR initiatives, product launch and social associations.

- The Bank had undertaken outdoor advertisement campaign at One Day International Cricket series (ODI) between India Vs Australia at Mumbai, Rajkot, Bengaluru which was also aired in TV channels.
- In television channels across the country, the Bank had promoted the brand name through corporate advertisements, as well as products like SIB Mirror+.
- As part of Radio promotions, the Bank had aired advertisements on Gold Loan and Deposit products like FD Vantage in the main business centers across the country.
- Promotions of brand and products like Gold Loan, FD vantage, Digital Banking, NRI Service and SIB Mirror+ were done in print media and online portals during this period.
- The Bank had also associated with major social/economic events organized by Federation of Indian Export Organisations (FIEO), The Indus Entrepreneurs (TIE) Kerala - TIECON Kerala, Thrissur Management Association (TMA), Indian Medical Association (IMA), District Police Office Commemoration and Rashtra Deepika. The Bank's association with the Thrissur Round Table for the 'Run Thrissur Run' half marathon was a success in Thrissur delivering the social message of 'Stay Fit'. The Bank had also associated with Dhanam Magazine's 'Dhanam Banking, Finance, Insurance and Investment Summit and Award Nite' that had attracted a lot of entrepreneurs.
- With a view to make the Bank's presence felt in foreign countries, the Bank had associated with numerous expatriate associations like Union of German Malayalee Associations (UGMA-Web portal), Keli Switzerland (Onam 2019), Khaleej Times (Tabloid Advertisement on Independence day), UAE Exchange (Summer Fiesta), Thrissur Association of Kuwait (TRASSK Maholsavam), Manorama Mega Expo (Banking partner at Sharjah) and Gulf Madhayamam (Come on Kerala International Expo at Sharjah).

HUMAN RESOURCE

In a dynamic world where an individual defines the organization, Human Resource (HR) is the most valuable asset. Achievement of an organization'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 organization. The Bank has team of highly motivated, skilled, committed, loyal and empathetic staff members, who strive to meet customer aspirations and organizational 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 2019-20 also.

MANPOWER

As on March 31, 2020, the Bank had 8,570 personnel on its rolls. Cadre-wise break-up is as under:

Cadre	Men	Women	Total
Officers	3162	1685	4847
Clerk	1414	1737	3151
Peon	324	22	346
Part-time employees	56	170	226
Total	4956	3614	8570

With the infusion of young personnel, the Bank was able to maintain the average age of employees as 32 years as on March 31, 2020.

Staff Members having professional Qualification as on March 31, 2020 are as under:

EDUCATIONAL STREAM	NUMBER OF STAFF
MANAGEMENT	1409
POST GRADUATION	1293
CA	52
CS	4
ENGINEERING	1899
PHD	2
LEGAL	61
ICWA/CMA	36
TOTAL	4756
TOTAL STAFF AS ON March 31, 2020	8570

MAINTENANCE OF PERSONNEL DATA

Maintenance of staff records was streamlined under "HRMS" (Human Resources Management 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 HRMS more comprehensive and contemporary, the User Interface of HRMS was revamped and more modules such as Deputation, Staff Compliance, Staff Welfare, etc. were added and facility for availing Transfer Discomfort loan, pension application collection, new HR Assistant "MITHRA", FAQ section etc. were introduced. In addition, the revamping of the Performance Appraisal System, SIB Recruitment portal was also completed. These enhancements were in addition to the modules already available in the system such as Transfers, Promotion Maintenance, HRA, Leave & LFC, Training, Service Record, Pension Maintenance, Marketing Excellence, Staff Medical Insurance, TA, Staff Allowances, Provident Fund, Staff Attendance, Audit Compliance, Staff Advances, Increment Maintenance, NPS, etc.

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 offers ample opportunities to its employees for their growth and progression. During this

DIRECTORS' REPORT

financial year, 225 clerical staff were promoted to Scale I, 266 Scale I officers to Scale II and 168 Scale II & above Officers to various senior cadres.

- b) The Staff Welfare Study Support Scheme which was introduced in the FY 2016-17 for children of staff members, have been successfully continued with enhancement in quantum of amount 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.
- c) This year 109 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. The scheme ensures the Bank's employee friendly approach towards its employees and the concern for their family members.
- d) PLIS – Performance Linked Incentive Scheme is continued 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.
- e) Introduction of Buddy Program: As an initiative to help newly recruited Probationary Officers & Clerks to integrate into the SIB work culture and make them feel welcome.
- f) New Onboarding Experience: In order to create a better employer Brand and sense of belongings to the newly recruited Officers & Clerks, customized SIB merchandise was handed over during the onboarding program.

Industrial Relations

Industrial relations in the Bank has 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, Bank has achieved considerable growth over the years.

A jovial and employee friendly approach by the Bank is the only reason to have a very minimal attrition rate of 3.00% as compared to the industry attrition rate of 13.1% [data taken from KPMG's report on Average Voluntary Attrition (2018-19)].

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 2020, 5,52,06,237 stock options were vested, out of which 2,89,49,199 stock options were exercised by eligible employees. The money realized due to exercise of the said options was ₹42,74,54,572.64 and consequently 2,89,49,199

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 3.39% of the paid-up share capital of the Bank as at March 31, 2020. The scheme has generated intended motivation amongst the staff.

There is no material change in the scheme during the FY 2019-20 and the scheme is in compliance with the applicable regulations.

Statutory disclosures regarding details of the stock options granted, vested, exercised and forfeited and expired during the year under review is hosted on the website of the Bank and can be viewed at <https://www.southindianbank.com/content/annual-report-financial-year-2019-to-2020/3793>.

SIB-Executive Brief

"SIB-Executive Brief" - a daily news update on Banking, Finance, Economy, Industry, Sports, Market Rates etc. is compiled by SIBSTC. It is mailed on a daily basis to members of the Board, Executives and is also made available at SIB-Insight for access by the staff members. The Bank has recently included more information like yields on 10 year G-Sec., AAA Corporate bond of 5 years, 3 months CD & CP, 3 months forward premium, US 10 year yield and Forex reserves.

Daily Quiz

SIBSTC continuously endeavors to ensure that the learning and development curve of the staff members continues to grow all the time. So during the COVID lockdown period, to inculcate a habit in staff members to refresh/learn/enhance awareness on current/banking topics, the Bank has initiated a Daily Quiz through HRMS. The Quiz consists of 5 questions on content from Executive Brief and general topics like credit, forex, NRI business etc. To encourage participation, 3 Lucky winners are selected at random from the top scorers of the week. It was encouraging to note an average daily participation of 2,200 staff members during the lockdown period.

E-Learning Tests

The Bank has completed 46 e-learning tests through GIEOM platform during the FY 2019-20. The Bank has conducted 12 tests each for Clerks, Scale I and Scale II Officers, 4 tests each for the Scale III and Scale IV Officers and 2 online tests for the Scale V Officers during the last FY. There is active participation from the branches and offices for the tests. Names of the monthly toppers and Photographs of consistent toppers (3 e-learning tests) are published in Insight. The marks scored in these e-learning tests are considered for the annual promotion process and for the calculation of incentives.

DIRECTORS' REPORT

Continuous Assessment Test for Prob. Officers

To facilitate updation and continuous learning by the probationary officers, SIBSTC conducts E learning tests on 20 modules for each batch of POs, BDOs and PGDBF. SIBSTC also shoulders the responsibility to ensure that all the POs take efforts to clear the test on time and get confirmed without any delay.

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.

STUDENTS' ECONOMIC FORUM (SEF)

This is a monthly publication which discusses, and analyses relevant themes related to the recent economic, financial and banking topics. As on March 31, 2020, 340 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 themes discussed during FY 2019-20 (Apr 2019 – March 2020) include RBI's Forex Swap Auction, Supply Chain Finance, Trade War, RBI's Prudential Framework for Resolution of Stressed Assets, FDI vs FPI, The NBFC Crisis, Corporate tax cut - Igniting Economic Growth, RCEP, EBLR, Co-operative Banks - Structure, Functions Importance and the Recent Amendments, Union Budget 2020, DICGC. The publication is dispatched to offices of RBI, Banks, other Corporates and various educational institutions and is also made available in the Bank's Website under the link - Student's Corner. It is a well-accepted & appreciated publication among the students, professionals and the academic community. The expense of the Publication is now accounted under CSR activity of the Bank.

Awards & Accolades

The Bank has received the following awards during the Financial Year 2019-20:

- Best MSME Bank (Private Sector) Award by ASSOCHAM in connection with 7th MSME National Excellence Awards-2019.
- Corporate Social Responsibility (CSR) Excellence Award, 2019 instituted by Rotary District 3201 for carrying out CSR project in the area of Education for Underprivileged.
- IBA Awards in 6 categories
 - 1) Best Technology Bank of the Year (Winner – Small Banks)
 - 2) Best Use of Data & Analytics for Business Outcome (Winner – Small Banks)
 - 3) Best IT Risk Management & Cyber Security Initiatives (Joint Winner – Small Banks)
 - 4) Best Payment Initiative (Joint Runner Up – Private Sector Banks)
 - 5) Most Customer Centric Bank using Technology (Small Banks)
 - 6) Best CIO – Runner Up

ISO 270001:2013 certification

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

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 is 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 Complaints 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 – One *

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

*The complaint has been resolved through the conciliation proceedings, as per the provision of the Act.

DIRECTORS' REPORT

Particulars of Employees

The Bank had 8,570 employees as on March 31, 2020. 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) 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 A).

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 B).

THE ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

South Indian Bank's CSR Policy

South Indian Bank is grateful to the society 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, the Bank undertook various activities during FY 2019-20, 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.
- Rural development projects.
- Contribution to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PMCARES Fund).
- 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, sanitation, education and sports that would benefit the society as a whole were identified and the Bank wholeheartedly supported such initiatives. In the Financial Year 2019-20, the Bank spent 12.01 crore (96.08% of the budget) towards CSR activities against 12.22 crore in the Year 2018-19.

The amount to be spent by the Bank towards CSR for FY 2019-20 as per Section 135 of the Companies Act, 2013, comes to 12.50 crore. Amount spent by the Bank this year towards CSR was 12.01 crore. The unspent CSR amount of 0.49 crore was transferred to 'Unspent CSR Account' on April 30, 2020, in compliance with Companies (Amendment) Act, 2019. The Bank had also embarked on some major projects last year in the field of education, healthcare etc. By choosing long term sustainable projects, the Bank has taken an approach which brings steady and long lasting impact on the society. The details of the CSR activities of FY 2019-20 are mentioned in Annexure C 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 unbanked 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,

DIRECTORS' REPORT

Aadhaar to Aadhaar Fund Transfer, Mini Statement, and Best Finger Detection. The Bank has implemented Kiosk Banking Model in the state of Kerala through 8 Individual Business Correspondents and in Tamil Nadu through 60 Individual Business Correspondents.

Financial Literacy Centres

Financial Literacy is the ability to understand how the money works in the day to day life and how someone manages it, how he/she invests it and how a person offers it to others. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions relating to their financial resources. The Bank has engaged 13 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 7 FLCs in seven different districts in Tamil Nadu to emphasize the objectives of Financial Literacy. The 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 2019-20, FLCs have conducted 1,581 camps covering 90,156 participants.

Government of India Scheme - PMJDY

Pradhan Mantri Jan Dhan Yojana (PMJDY), is conceived as a national mission on financial inclusion initiated by Honorable 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 1,98,856 PMJDY accounts as on March 31, 2020 with an outstanding balance of ₹56.17 crore. 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 on March 31, 2020, 86 Aadhaar Enrolment Stations across various states are functional.

GREEN INITIATIVES IN CORPORATE GOVERNANCE

Dispatch 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. Due to the outbreak of COVID-19 and in compliance with MCA guidelines, the notice of 92nd Annual general Meeting and the Annual Report 2019-20 will be sent via email to all the shareholders and no physical copies will be sent via post.

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 92nd Annual General Meeting, Annual Report of the Bank for the financial year 2019-20 including Audited Financial Statements, Directors' Report, Auditors' Report etc., for the year ended March 31, 2020, 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 e-mail 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 e-mail 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 e-mail address, Members 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 RTA/Company.

Please note that the said documents will also be 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 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).

DIRECTORS' REPORT

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.

The Bank has 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.

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 ten 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 2019-20 are disclosed in Corporate Governance Report. Vide Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 an online data bank for the independent directors ("Data Bank") has been rolled out by the Indian Institute of Corporate Affairs, all the independent directors of the Bank had registered themselves in the Data Bank in compliance with the same.

During the 91st Annual General Meeting held on July 17, 2019 as recommended by the Bank the shareholders accorded their approval for :

- Appointment of Sri M George Korah (DIN: 08207827) as an Independent Director.
- Appointment of Sri Pradeep M Godbole (DIN: 08259944), as a Director, liable to retire by rotation.
- Reappointment of Ms. Ranjana S Salgaocar (DIN: 00120120) as an Independent Director.
- Reappointment of Mr. Parayil George John Tharakan (DIN: 07018289) as an Independent Director.

- Reappointment of Sri Salim Gangadharan (DIN: 06796232) as a director liable to retire by rotation who retires by rotation under Section 152 of Companies Act, 2013.

Sri Achal Kumar Gupta (DIN:02192183), reappointed as Director liable to retire by rotation in the 90th Annual General Meeting held on 11th July 2018, did not offer himself for re-appointment hence not proposed to reappoint as a Director of the Bank.

The Board of Directors has recommended to members for appointment of Mr. Paul Antony (DIN 02239492) as Director of the Bank, liable to retire by rotation at the 92nd AGM, in place of Mr. Achal Kumar Gupta (DIN: 02192183) who retires by rotation at the 92nd AGM and does not offer himself for re-appointment.

The Board of Directors of the Bank at their meeting held on 16th January 2014 had appointed Sri Salim Gangadharan (DIN: 06796232), residing at C-26, RNP Lane, Sasthamangalam P.O., Vellayambalam, Trivandrum – 695 010 as a director of the Bank w.e.f. 16.01.2014. Further, he was appointed as Non-Executive – Part time Chairman for a period of three years w.e.f. 02nd November, 2016. The same was approved by RBI vide Letter No DBR. Appt. No. 4811/08.51.001./2016-17 dt. 27th October, 2016. Based on the scrutiny and recommendation of the Nomination & Remuneration Committee and considering the outstanding performance and contribution to the Bank, the Board of Directors at their meeting held on 17th July, 2019 vide resolution No. DBR/SEC/S-100/2019-20 resolved to re-appoint Sri Salim Gangadharan as Non-Executive/Part-time Chairman of the Bank w.e.f. 2nd November, 2019 for a further period of 3 years subject to the approval of Reserve Bank of India. RBI has approved the same vide Letter No. DBR. Appt. No. 2880/08.51.001./2019-20 dt. 09th October, 2019.

Accordingly, Directors recommend the passing of the Ordinary Resolution for the Ratification and recording the reappointment of Sri Salim Gangadharan (DIN: 06796232) as Non-Executive – Part-time Chairman, for a period of three (3) years from November 2, 2019."

Pursuant to the applicable provision of the Companies Act, 2013, Banking Regulation Act, 1949, the provisions of the Articles of Association of the Bank and approval of Reserve Bank of India vide its letter DOR Appt. No. 401/08.51.001/2020-21 dtd. 02-09-2020 Mr. Murali Ramakrishnan (DIN: 01028298), has been appointed as Managing Director and Chief Executive Officer and he shall also be a Whole-time Key Managerial Person of the Bank for a period of three years from 1st October, 2020 till 30th September, 2023.

CHANGE IN KEY MANAGERIAL PERSONNEL

There was no change in Key Managerial Personnel during the financial year ended March 31, 2020.

DIRECTORS' REPORT

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), Sri Francis Alapatt (Non-Executive Independent Director) and Dr. John Joseph 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 under 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, law, small-scale industry, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management, Business Management or any other matter 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 with 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.

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

DIRECTORS' REPORT

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 takes 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 Bank's website. (https://www.southindianbank.com/UserFiles/file/Rupay/DISCLOSURE/Policy_on_Board_diversity.pdf).

Board Level Performance Evaluation

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

DIRECTORS' REPORT

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 evaluates/ reviews 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 last conducted in May 2019 as per the aforesaid process and the report on the evaluation was presented at the meeting of the Nomination and Remuneration Committee and the Board of Directors. The Directors expressed their satisfaction with the evaluation process.

Due to the outbreak of pandemic, COVID-19, MCA vide General Circular No. 11/2020 dt. 24.03.2020 has clarified that for the financial year 2019-20, if the Independent Directors of a Company have not been able to hold such a meeting, the same shall not be viewed as a violation. The Independent Directors, however, may share their views amongst themselves through telephone or e-mail or any other mode of communication, if they deem it to be necessary. Though the Bank had scheduled a meeting of Independent Directors in the month of March, 2020, due to the outbreak of COVID-19, the Bank could not conduct the formal meeting under provisions of Para VII (1) of Schedule IV to the Companies Act, 2013, as scheduled. However, it is confirmed that the Independent Directors of Bank has shared their views amongst themselves in this regard.

AUDITORS:

a) Statutory Auditors:

The shareholders at its 91st Annual General Meeting held on July 17, 2019, appointed M/s Varma & Varma, Chartered Accountants, Kochi (Firm Registration Number 004532S), as Statutory Central Auditors of the Bank to hold office for a period of 2 years until conclusion of 93rd Annual General Meeting.

For the year ended March 31, 2020, fees paid/payable to the Statutory Auditor M/s Varma & Varma, Chartered Accountants, is as follows:

Fee paid#	Amount (in lakhs)
Statutory audit/Limited review	35.00
Certification and other attestation charges	10.00
Non-Audit services	0.00
Total	45.00

Excluding the branch audit fee and out of pocket expenses

RBI vide its letter DOS.ARG.No. PS-29/08.21.005/2020-21 dated August 26, 2020 had granted approval for appointment of M/s Varma & Varma, Chartered Accountants as Statutory Central Auditors of the Bank for FY 2020-21 for their second year. There is no qualification or adverse remark in Auditors' Report. There is no incident of fraud requiring reporting by the Auditors under Section 143(12) of the Act.

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,

DIRECTORS' REPORT

Practicing Company Secretaries, Kochi as its Secretarial Auditors to conduct the secretarial audit of the Bank for the FY 2019-20. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY 2019-20 is annexed to this report as Annexure D. There are no reservations, adverse remark or disclaimer in the Secretarial Audit Report. No offence of fraud was reported by the Secretarial Auditor of the Bank.

Pursuant to circular no. CIR/CFD/CMD1/27/2019 dated February 09, 2019, issued by SEBI, the Bank has obtained Secretarial Compliance Report, from Practicing Company Secretaries on compliance of all applicable SEBI Regulations and circulars/guidelines issued thereunder and the copy of the same was submitted with the Stock Exchanges.

INTERNAL CONTROL AND AUDIT/INSPECTION

Internal Control and their Adequacy

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 the 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.

As per the requirement of Companies Act, 2013, the Bank has formulated Internal Financial Controls framework. Risk and Controls associated with each process in the Bank are documented under the Internal Financial Controls Framework. Inspection and Vigilance Department plays a significant role in testing the control effectiveness for each process under the framework.

The Internal Audit function provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management protect the Bank and its reputation.

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 based on the RBI direction in relation to conducting risk based internal audit, and concurrent audit of branches and identified critical processes of the branches.

Reporting structure of Head of Vigilance is directly reporting 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 periodic intervals based on the risk perception. All the audits are conducted based on check points and all the operational area are covered under this audit. Credit audit is also conducted as part of Risk Based Internal Audit where aggregate credit exposure of a borrower is ₹5 crore and above.

In addition to RBIA of branches, the Bank has concurrent audit system, which covers select Branches, conducted by qualified Chartered Accountants/retired officers. The selection of branches for concurrent audit is done in such a way that it covers branches having substantial advance, entire specialized Branches such as 'B' Category Branches, Corporate Branches etc., and almost all isolated / remote branches irrespective of its business volume.

The Bank has introduced a conservative selection of branches which has resulted in a higher frequency of audit.

The Bank has also introduced special audit from April 2019 (a limited Concurrent Audit), where audit is conducted by qualified Chartered Accountants/retired officers, in branches where concurrent audit does not exist, covering critical areas of Branch business.

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

Separate monitoring team - Inspection Monitoring Group (IMG) closely monitors various inspections/audits at the Branches. There are four IMGs who are reporting to Head of IMG. These Monitoring groups are assigned the task of ensuring the compliance and closure of the inspection report of the branches. During the course of inspections, serious issues if any concerning regulatory guidelines, legal requirements and operational processes are found, these are escalated to the Management for timely action.

DIRECTORS' REPORT

All the branch related audits are presently automated through system where reporting, risk rating, compliance and closure of the reports are done through software application which provides the Bank with an overall control on various audits conducts in the branches. Continuous improvements are made to the application to automate several activities at HO and digitize the records in single application.

Audit of Departments and critical process

Management Audit of Regional Offices (RO) and Departments are conducted at periodical intervals based on the risk perception.

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, etc., are subjected to concurrent audit by independent Chartered Accountant firms. All these reports are reviewed by Audit committee of Executives and corrective steps are taken to rectify the lapses/irregularities if any pointed out in such inspections.

Information System Audit of CBS and major applications are conducted by internal audit and external audit firm.

New product/process whenever introduced in the Bank is reviewed by Inspection Department and recommendations are made for necessary controls/improvements for deficiencies / gaps in existing internal controls.

Inspection Division also carries out independent evaluation of Bank's internal financial controls in terms of Companies Act, 2013 and 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 2019-20 does not contain any qualification.

CORPORATE GOVERNANCE

A separate report profiling Corporate Governance as required under applicable regulations of the SEBI (LODR) Regulations 2015 and a certificate from M/s SVJS & Associates Company Secretaries, Secretarial Auditors of the Bank, are annexed to this Report.

Annual Return/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 11 and 12 of the Companies (Management and Administration) Rules, 2014, copy of Annual Return as at March 31, 2020 in Form No. MGT-7 and the extracts of the Annual Return as at March 31, 2020 in form no. MGT-9 is hosted on the website of the Bank and can be viewed <https://www.southindianbank.com/content/annualreport-financial-year-2019-to-2020/3793>.

Business Responsibility Report

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

Dividend Distribution Policy

In accordance with the Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has formulated a Dividend Distribution Policy and the Policy is hosted on the website of the Bank and can be viewed. (<https://www.southindianbank.com/content/viewContentLv11.aspx?linkIdLv2=215&LinkIdLv13=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/viewContentLv11.aspx?linkIdLv2=215&LinkIdLv13=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/viewContentLv11.aspx?linkIdLv2=215&LinkIdLv13=782&linkId=782>). Since the related party transactions are in the ordinary course of business and on an arm's length basis and not material hence AOC2 is not applicable.

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, 2020 and the date of the Directors' report i.e. 4th September, 2020.

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.

DIRECTORS' REPORT

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, 2020, 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 2019-20 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, 2020, 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 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 : Thrissur
 Date : September 4, 2020

DIRECTORS' REPORT

Annexure A

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. CAIIB (66 years)	MD & CEO	1,54,72,260.00	94,89,434	41	02.01.2014	Whole-Time	Chief General Manager, SBI
Reghunathan K. N., B.Com., CAIIB (62 years)	Executive Vice President (Treasury)	57,84,794	37,00,174	41	14.12.2015	Contractual	GM, Union Bank of India
Sanchay Kumar Sinha PG Diploma in Management (52 years)	Country Head - Retail Banking -SGM	50,69,916	38,25,651	27	02.09.2017	Contractual	SVP- Head Liabilities and Client Engagement for Consumer Banking - IndusInd Bank
Chandrasekhar Mukherjee B.Com., PG Diploma in Personnel Mgt & Industrial Relation (56 years)	Chief General Manager	47,39,446	35,79,681	35	10.04.2019	Contractual	Chief People's Officer, SREI Infrastructure Finance Ltd.
Abhishek Nalwaya CA, BA Strategy & Finance (36 years)	Asst. General Manager	45,64,393	33,92,339	14	07.05.2019	Contractual	Head- Investor Relations, Reliance Capital
Sivakumar G, MBA (Finance), M.Sc., CAIIB, G (64 years)	Executive Vice President (Credit)	42,24,949	31,71,295	40	14.12.2015	Contractual	GM, State Bank of India
Thomas Joseph K, B.Sc., (Mechanical Engg.), Diploma in Management, CAIIB (61 years)	Executive Vice President (Operations)	40,03,681@	26,84,815	36	01.06.2019	Contractual	EVP, SIB (Retired on 31.05.2019)
Vinayak Jayawant Sawant (Master of Human Resources Development Management) (55 Years)	Deputy General Manager	37,82,746	30,24,508	31	06.08.2018	Contractual	Deputy Vice President, Axis Bank
Vinod Francis Tharail (Master of Financial Management) (46 years)	Joint General Manager	32,96,694	24,79,990	24	01.08.2018	Contractual	VP-IndusInd Bank
Ravi C R (MA Economics) (50 Years)	Asst. General Manager	31,53,680	25,53,211	27	25.07.2018	Contractual	SVP-Sales-Cogencis Information Services Ltd.

#Gross salary means total salary as per the Form 16 issued for the FY 2019-20.

##Net salary means Gross Salary less TDS.

@ Superannuation benefits are excluded

- 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 : Thrissur

Date : September 4, 2020

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

DIRECTORS' REPORT

Annexure - B

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

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 1.91x MD & CEO Mr. V G Mathew 7.85x 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 0% MD & CEO Mr. V G Mathew* 31.02% Mr. Chithra H (CFO) 17.56% Mr. Jimmy Mathew (Company Secretary) 15.12%
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 8570 employees as on March 31, 2020
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 21.89% Increase in the median remuneration of managerial personnel is 11.33%
VI	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed

Notes:

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

1. The median salary of the staff members is arrived by taking 12 months' actual salary paid during the FY 2019-20.

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

* The increase in salary was due to approval of yearly increment and variable pay by the RBI during the FY 2019-20.

(SALIM GANGADHARAN)

CHAIRMAN

DIN : 06796232

Place : Thrissur

Date : September 4, 2020

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

DIRECTORS' REPORT

Annexure C

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. The CSR policy of the Bank can be viewed at https://www.southindianbank.com/UserFiles/file/CSR_Policy.pdf

Members of the Committee are

1. Sri Parayil George John Tharakan (Chairman of the Committee)
2. Sri V G Mathew (MD & CEO)
3. Sri V J Kurian (Member)
4. Dr. John Joseph Alapatt (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: ₹624.95 crore. Prescribed CSR expenditure (two percent of the amount as above): ₹12.50 crore.

Details of CSR spent during the Financial Year

- a) Total amount to be spent for the Financial Year 2019-20: ₹12,50,00,000.00
- b) Amount not spent, if any: ₹49,00,000.00
- c) Manner in which the amount spent during the financial year is detailed below:

Sector-wise utilization of CSR funds for FY 2019-20 (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 to hospitals, conducting medical camps, providing water purifiers to various institutions, sanitary facilities to individual households/institutions, Flood Relief Activities, COVID-19 relief measures	Promoting healthcare including preventive healthcare and sanitation, making available safe drinking water, eradicating hunger, poverty and malnutrition	Andhra Pradesh, Assam, Chhattisgarh, Kerala, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Tamil Nadu, Telangana,	89,817,947.00	76,065,073.13	76,065,073.13	Direct
2	Bank's scholarship project-SIB Scholar, enhancing the learning experience through smart class rooms and other facilities in educational institutions, livelihood enhancement projects for women	Promoting Education, including special education and employment enhancing vocation skills and livelihood enhancement projects.	Goa, Kerala, Karnataka, Maharashtra, New Delhi, Tamil Nadu, Telangana,	129,368,076.00	33,385,008.43	33,385,008.43	Direct
3	Setting up hostel for women and orphans, empowering women	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.	Kerala	2,950,000.00	700,000.00	700,000.00	Direct

DIRECTORS' REPORT

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
4	Installation of solar plants, waste management measures , procurement and supply of eco-friendly cloth bags	Ensuring environmental sustainability, maintaining quality of soil, air and water.	Goa, Kerala, Karnataka, Tamil Nadu,	6,428,335.00	3,898,675.00	3,898,675.00	Direct
5	Art and Culture	Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art.	Kerala	409,723.20	409,723.20	409,723.20	Direct
6	Activities to promote nationally recognized sports	Training to promote nationally recognized sports	Kerala	31,810,000.00	5,617,720.24	5,617,720.24	Direct
7	Expenses pertaining to CSR Trust	CSR Trust	Kerala	23,800.00	23,800.00	23,800.00	Direct
Total				260,807,881.20	120,100,000.00	120,100,000.00	

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 whole-heartedly supports such initiatives. In the Financial Year 2019-20, the Bank spent ₹12.01 crore (96.08% of the budget) towards CSR activities against ₹12.22 crore in the Year 2018-19. Apart from the above, an outlay of ₹9.41 crore has been sanctioned in various projects, pending disbursements as on 31.03.2020. The unspent CSR amount of 0.49 crore

was transferred to 'Unspent CSR Account' on 30.04.2020, in compliance with Companies (Amendment) Act, 2019, which will be positively spent within the FY 2020-21.

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/-
Parayil George John Tharakan
 Chairman-CSR Committee
 DIN: 07018289

Place : Thrissur,
 Date : September 4, 2020

DIRECTORS' REPORT

Annexure D

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2020

[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, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31.03.2020 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 31.03.2020 according to the provisions of:

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

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- (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, 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
 10. The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and
 11. Credit Information Companies (Regulation) Act, 2005.

DIRECTORS' REPORT

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.

As informed, the Company has responded appropriately to notices received from various statutory/regulatory authorities including initiating actions for corrective measures, payment of penalties etc., wherever necessary.

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

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that

took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

We further report that during the audit period there were no instances of public issue/right issue/issue of sweat equity, redemption or buy back of securities, Merger/amalgamation/reconstruction or foreign technical collaborations.

During the period, the following issues have taken place:

Sl. No.	Method of Issue	Mode of Approval	Date of Approval	Number of shares issued/Amount
1.	Private Placement	Shareholders' approval by way of special resolution in the Annual General Meeting	17.07.2019	<p>Pursuant to Sections 42, 71, 179 and other applicable provisions, if any, of the Companies Act, 2013 and other relevant statutory provisions, Shareholders' approval obtained for borrowing/raising of funds by issue of debt securities including but not limited to non-convertible debentures, bonds, on a private placement basis for an amount not exceeding ₹500 crore, within the overall borrowing limits;</p> <p>Non-Convertible, unsecured, Basel III Compliant Tier I bonds aggregating to ₹500 crores were allotted on 24.01.2020.</p>

The Bank has taken Shareholders' approval at the Annual General Meeting held on 17.07.2019 for the following:

- Pursuant to Sections 23, 41, 42, 62 (1) (c) and other applicable provisions of the Companies Act, 2013, and other relevant statutory provisions, to augment the Paid-up Capital of the Bank by further issue of securities for an amount not exceeding ₹30 crores.
- Pursuant to Section 13 and other applicable provisions of the Companies Act, 2013, to amend the Object Clause of the Memorandum of Association of the Bank.

Further, the Bank has allotted 40000 Equity Shares of ₹1/- each at a premium of ₹23.05/- per share under SIB ESOS-2008 (Tranche VII) on 05.08.2019.

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

Kochi
03.09.2020

CS Vincent P.D.
Managing Partner
CP No.: 7940, FCS: 3067
UDIN : F003067B000656896

DIRECTORS' REPORT

Annexure A

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 2020 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SVJS & Associates
Company Secretaries

Sd/-
CS Vincent P D
Managing Partner
CP No.: 7940, FCS: 3067
UDIN : F003067B000656896

Kochi
03.09.2020

DIRECTORS' REPORT

Annexure - E

BUSINESS RESPONSIBILITY REPORT

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:	2019-2020
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, 2020, the bank has one representative office in Dubai
	Number of National Locations:	As on March 31st 2020, The Bank had a network of 935 banking outlets (875 Branches, 54 Extension Counters, 3 satellite branches & 3 Ultra small branches), 1424 ATM/CRM (1325 ATMs and 99 CRMs) 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):	₹8,809.55 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):	₹104.59 crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1.92%
5.	List of activities in which expenditure in 4 above has been incurred:	<ul style="list-style-type: none"> • 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. • Rural development projects. • Promoting Financial Literacy.

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%]	NO

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 marginalized
- 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 adheres 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. 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. 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 wellbeing 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/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=789&linkId=789>

P4 Sr. No. 3 - As per the extant directions of Reserve Bank of India on Financial Inclusion, lending to weaker section and priority sector lending etc. the Bank is identifying disadvantaged, vulnerable and marginalised stakeholders. The Bank's CSR Cell initiates number of programmes aiming at the improved living condition of the under-privileged and marginalized sections of the society. Sr. No. 6 - Bank has charted out elaborate action plans for the effective economic development of disadvantaged, vulnerable and marginalized 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/viewContentLvl1.aspx?linkIdLvl2=215&Link&linkId=422>.

P6 The aspects outlined under this principle are not substantially relevant to the Bank given the nature of its 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 charted out elaborate action plans for the effective economic development of disadvantaged, vulnerable and marginalised stakeholders, through its CSR activities and Financial Inclusion activities. Sr. No. 6 - Bank's CSR Policy is available in the website of the Bank at https://www.southindianbank.com/UserFiles/file/CSR_Policy.pdf

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, the Bank has 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 <http://www.southindianbank.com>investorsdesk>annualreport>

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 FY2019-20 was 261 and all complaints have been resolved. One case is pending since FY 2018-19.

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 a 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. The Bank also promotes conservation of environment by reducing usage of paper by promoting green pin for debit cards and digitalizing 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 8,570 employees as on March 31, 2020.

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

The Bank had 3,121 employees as on March 31, 2020 on fixed term contract.

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

The Bank had 3,614 women employees as on March 31, 2020, which constitutes 42% 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 12 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 – 90%
South Indian Bank Officers Association for Officers – 93%

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 2019-20. The Bank does not engage in any form of child labour/forced labour/involuntary labour and does not adopt any discriminatory employment practices. The Bank has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The said policy is in line with relevant Act passed by the Parliament in 2013. During the FY 2019-20, 1 (one) complaint has been received for the consideration of the Committee and same has been resolved through conciliation proceedings, as per the provisions of the Act. The Bank, through the policy ensures that all such complaints are resolved within defined timelines.

DIRECTORS' REPORT

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
- 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 sensitize employees and casual/temporary/contractual laborers about fire safety norms and regulations.

During the financial year 2019-20, the Bank has imparted training to 3,725 officers, 2,060 clerks and 162 sub staff in various aspects of banking operations. A total of 5,947 staff members were trained during the FY 19-20, which is about 70% of total staff strength of 8,570 as on March 31, 2020.

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 & marginalized 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 marginalized stakeholders.

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

The Bank's CSR Cell initiates number of programmes with the intention to improve the living conditions of the under-privileged and marginalized 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 13 Blocks in Kerala and 7 centres in Tamil Nadu. The Bank has charted out elaborate action plans for the effective economic development of disadvantaged, vulnerable and marginalized 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 2019-20 was 1,842.

In addition to this, 56,773 net complaints were received during

the financial year and 57,687 net complaints have been resolved. 98.41% 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 awareness among 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. 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. *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.

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

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

5. *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 the year 2019-20, the Bank installed a solar power plant at its administrative building at Kakkanad, which is capable of producing 100 KW capacity. Further, the Bank has provided assistance for Installation/purchase of solar plants, waste management measures, procurement and supply of eco-friendly cloth bags to various beneficiaries as a part of Bank's CSR initiatives.

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

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

7. *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

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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 is involved in promoting education, conservation of natural resources, training to promote sports, setting up oldage homes, protection of art and culture, preventing healthcare 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.***

Bank's Financial Inclusion activities and plan are detailed in the Financial Literacy Centre (Individual Counselor) Policy and Business Correspondents Policy (Financial Inclusion), which 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 ₹12.01 crore on Corporate Social Responsibility

activities during the FY 2019-20. The above expenditure has been undertaken primarily on promoting healthcare including preventive healthcare, sanitation and making available safe drinking water, promoting education, training to promote nationally recognized sports, ensuring environmental sustainability.

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 1.58% of customer care complaints are pending as on the end of the FY 2019-20.

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. The Bank also conducts Branch Level Customer Service Committee meetings 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 : Thrissur,

Date : September 4, 2020

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

Global

The COVID-19 pandemic has spread with an alarming speed, infecting millions and bringing the economic activity to a near-standstill as countries imposed tight restrictions on physical movement to halt the spread of the virus. As the health concerns and human toll grows, the economic damage is already evident and represents the largest economic shock the world has experienced in decades.

Against the backdrop of a raging and devastating pandemic, the world economic activity remained fragile and is projected to shrink by 3.2 per cent in 2020. The projected cumulative output losses during 2020 and 2021 of nearly \$8.5 trillion will wipe out nearly all output gains of the past four years. The pandemic has unleashed a health and economic crisis unprecedented in scope and magnitude. Lockdowns and the closing of national borders enforced by the Governments have paralyzed economic activities across the board, laying off millions of workers worldwide. The Governments across the world are rolling out fiscal stimulus measures equivalent to roughly 10 per cent of the world GDP, besides liberal monetary and prudential measures by the central banks to fight the pandemic and minimize the impact of a catastrophic economic downturn.

According to the World Bank, the June 2020 the Global Economic Prospects describes both the immediate and near-term outlook for the impact of the pandemic and the long term damage it has dealt to prospects for growth. The baseline forecast envisions a 5.2 per cent contraction in global GDP in 2020, using market exchange rate weights and forecasts the deepest global recession in decades, despite the extraordinary efforts of the governments to counter the downturn with fiscal and monetary and prudential policies support. Over the longer horizon, the deep recessions triggered by the pandemic are expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling and fragmentation of global trade and supply linkages.

The pandemic is expected to plunge most countries into recession in 2020, with per capita income contracting in the largest fraction of countries globally since 1870. Advanced economies are projected to shrink by 7 per cent. That weakness will spill over to the outlook for emerging market and developing economies, which are forecast to contract by 2.5 per cent as they cope with their own domestic outbreaks of the virus. This would represent the weakest showing by this group of economies in at least sixty years.

In many Emerging Markets and Developing Economies (EMDEs), the central banks have also eased monetary and prudential policies. The fiscal policy support that has been announced already far exceeds that enacted during the 2008-09 global financial crisis. Due to the negative spillovers from weakness in major economies, alongside the disruptions associated with their own domestic outbreaks. EMDEs with large domestic COVID-19 outbreaks and limited healthcare capacity; that

are deeply integrated in global value chains; that are heavily dependent on foreign financing; and that rely extensively on international trade, commodity exports, and tourism will suffer disproportionately. Commodity-exporting EMDEs will be hard hit by adverse spillovers from sharply weaker growth in China, and by the collapse in global commodity demand, especially for oil. With more than 90 per cent of EMDEs expected to experience contractions in per capita incomes this year, many millions are likely to fall back into poverty.

Global economic activity has remained fragile and in retrenchment in the first half of 2020. A renewed surge in COVID-19 infections in major economies in July has subdued some early signs of revival that had appeared in May and June, 2020. Global financial markets, however, have been buoyant, with the return of risk-off sentiment inserting a disconnect from the underlying state of the real economy. It is valid to note that the portfolio flows to emerging markets have resumed and their currencies have appreciated.

India

Prior to the outbreak of COVID-19, the outlook for growth for 2020-21 was looking up. First, the bumper rabi harvest and higher food prices during 2019-20 provided conducive conditions for the strengthening of rural demand. Second, the transmission of past reductions in the policy rate to bank lending rates was improving, with favourable implications for both consumption and investment demand. Third, reductions in the goods and services tax (GST) rates, corporate tax rate cuts in September 2019 and measures to boost rural and infrastructure spending were directed at boosting domestic demand more generally.

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships. India's gross domestic product (GDP) (at constant 2011-12 prices) was estimated to be ₹145.65 lakh crore (US\$ 2.06 trillion) for 2019-20, growing at 4.2 per cent over the previous year.

India retained its position as the third largest start-up base in the world with over 8,900-9,300 start-ups as 1,300 new start-ups got incorporated in 2019 according to a report by NASSCOM. India also witnessed the addition of 7 unicorns in 2019 (till August 2019), taking the total tally to 24. India's labour force is expected to touch 160-170 million by 2020 based on the rate of population growth, increased labour force participation and higher education enrolment among other factors according to a study by ASSOCHAM and Thought Arbitrage Research Institute. India's foreign exchange reserves reached ₹37.31 lakh crore (US\$ 493.48 billion) in the week up to May 29, 2020 according to the data from RBI.

The deterioration in aggregate demand conditions in 2019-20, was exacerbated by contraction in investment, and moderation in Government expenditure in the second half of the financial year 2019-20. On the supply side, agriculture and allied activities accelerated, buoyed by the late surge in south-west monsoon

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rainfall and bountiful north-east monsoon precipitation. However, industrial growth decelerated, led by a slowdown in manufacturing activity. Services sector activity moderated, pulled down by a slowdown in construction, trade, hotels, transport and communication, and public administration, defence and other services.

Consumer price inflation surged between October 2019 and January 2020 propelled by a vegetable price spike, particularly of onions and breached the upper tolerance threshold in December before moderating in February. Fuel prices emerged out of deflation in December. After touching a historic low in October, inflation in CPI excluding food and fuel edged up due to idiosyncratic cost-push factors. Costs of farm inputs, industrial raw materials, agricultural and non-agricultural labourers' nominal wages and organised sector staff costs remained muted.

The COVID-19 pandemic has drastically altered the economic outlook of the nation. The global economy is expected to slump into recession in 2020, as post-COVID projections indicate. The sharp reduction in international crude oil prices, if sustained, could improve the country's balance of trade, but the gain from this channel is not expected to offset the drag from the shutdown in economic activity and loss of external demand.

Indian Banking Industry

The last year of the decade is ending with dramatic changes in the banking sector - from the amalgamation of banks to the liquidity crisis, and low credit demand to the gigantic defaults. It has been a year of many changes and challenges.

During FY16-FY20, credit off-take grew at a CAGR of 13.93 per cent. As of FY20, total credit extended surged to US\$ 1,936.29 billion. During FY16-FY20, deposits grew at a CAGR of 6.81 per cent and reached US\$ 1.90 trillion by FY20. Credit to non-food industries increased 3.3 per cent y-o-y, reaching ₹89.1 billion (US\$ 1.26 trillion) on February 28, 2020 and ₹100.80 lakh crore (US\$ 1.42 trillion) on March 13, 2020.

The NPAs (Non-Performing Assets) of commercial banks has recorded a recovery of ₹400,000 crore (US\$ 57.23 billion) in FY19, which is highest in the last four years. Decline in credit growth is mainly imputed to the risk aversion of banks by virtue of continued build-up of NPAs. The IBC mechanism has contributed to reduction in NPA from 11.2 per cent in March 2018 to 9.3 per cent in March 2019, but NPA ratio continued to remain at an elevated level of 9.3% in H1 of FY20.

As per Union Budget 2019-20, investment-driven growth requires access to low cost capital, and this would require investment of ₹20 lakh crore (US\$ 286.16 billion) every year. This offers an opportunity for credit growth.

MEASURES ADOPTED BY RESERVE BANK OF INDIA

The "Prudential Framework on Resolution of Stressed Assets" dated June 7, 2019 provides a principle-based resolution framework for addressing borrower defaults. Any resolution plan implemented under the Prudential Framework, which involves granting of any concessions on account of financial difficulty of the borrower, entails an asset classification downgrade

except when accompanied by a change in ownership, subject to prescribed conditions.

With COVID-19 infections rising unabated under fragile macroeconomic and financial conditions, RBI has proposed to undertake additional developmental and regulatory policy measures to (i) enhance liquidity support for financial markets and other stakeholders; (ii) further ease financial stress caused by COVID-19 disruptions while strengthening credit discipline; (iii) improve the flow of credit; (iv) deepen digital payment systems; (v) augment customer safety in cheque payments; and (vi) facilitate innovations across the financial sector by leveraging on technology.

According to RBI, the disruptions caused by COVID-19 have led to heightened financial stress for borrowers across the board. A large number of firms that otherwise maintain a good track record under existing promoters face the challenge of their debt burden becoming disproportionate, relative to their cash flows. This can potentially impact their long term viability and pose significant financial stability risks if it becomes wide-spread. The Reserve Bank has constituted an Expert Committee (Chairman: Shri K V Kamath) which shall make recommendations to the RBI on the required financial parameters, along with the sector specific benchmark ranges for such parameters, to be factored into resolution plans. The Expert Committee shall also undertake a process validation of resolution plans for borrowal accounts above a specified threshold.

A restructuring framework for MSMEs that were in default but 'standard' as on January 1, 2020 is already in place. The scheme has provided relief to a large number of MSMEs. With COVID-19 continuing to disrupt normal functioning and cash flows, the stress in the MSME sector has got accentuated, warranting further support. Accordingly, it has been decided that stressed MSME borrowers will be made eligible for restructuring their debt under the existing framework, provided their accounts with the lender concerned were classified as standard as on March 1, 2020. This restructuring will have to be implemented by March 31, 2021.

As per extant guidelines, loans sanctioned by banks against pledge of gold ornaments and jewellery for non-agricultural purposes should not exceed 75 per cent of the value of gold ornaments and jewellery. With a view to mitigating the impact of COVID-19 on households, it has been decided to increase the permissible loan to value ratio (LTV) for such loans to 90 per cent. This relaxation shall be available till March 31, 2021.

As per RBI's extant Basel III guidelines, if a bank holds a debt instrument directly, it would have to allocate lower capital, as compared to holding the same debt instrument through a Mutual Fund (MF)/Exchange Traded Fund (ETF). RBI has decided to harmonise the differential treatment existing currently. This will result in substantial capital savings for banks and is expected to give a boost to the corporate bond market.

With a view to align the guidelines with emerging national priorities and bring sharper focus on inclusive development, the Priority Sector Lending (PSL) guidelines have been reviewed. An incentive framework is now being put in place for banks

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to address the regional disparities in the flow of priority sector credit.

Other measures that are being announced includes:

- a) Introduction of an automated mechanism in e-Kuber system to provide banks more flexibility/discretion in managing their liquidity and maintenance of cash reserve requirements.
- b) In order to further promote and facilitate an environment that can accelerate innovation across the financial sector, Reserve Bank will set up an Innovation Hub in India. Further details about the Innovation Hub would be announced in due course.
- c) To enhance safety of cheque payments, it has been decided to introduce a mechanism of Positive Pay for all cheques of value ₹50,000 and above. This will cover approximately 20 per cent and 80 per cent of total cheques by volume and value, respectively. Operational guidelines in this regard will be issued separately.
- d) A scheme of retail payments in offline mode using cards and mobile devices, and a system of online dispute resolution (ODR) mechanism for digital payments will also be introduced.

Economic and Banking Outlook

The growth in bank credit decelerated in FY20 across all major segments including Industry, Non-Food Credit, Agricultural and Allied Activities, Services Sector, Textiles and bigger Corporate players as well. Micro & Small Enterprises and Personal Loans were the exceptional segments, which continued to grow at a steady pace compared to FY19.

The Indian Banks' Association (IBA) has taken various steps including announcement to undertake only essential services like cash deposit and withdrawal, cheque clearances, remittances and government transactions during the COVID-induced lockdown period. The new arrangement is put in place in the wake of COVID-19 outbreak. Reserve Bank of India also requested customers to use digital banking to minimise impact of COVID-19. And urged public to use digital payment modes such as NEFT, IMPS, UPI, etc., from home and avoid cash transactions for minimising gathering at banks or ATMs.

At this juncture, the war against COVID-19 is most intense, and the world is bracing up for a second wave as it is cautiously opens up. The pandemic poses a challenge of epic proportions, but the collective efforts, intrepid choices, innovations and true grit will eventually take to victory. The challenges of today will only strengthen the resilience and self-belief. The country shall remain alert and watchful and collectively do whatever is necessary to revive the economy and preserve financial stability. Courage and conviction will conquer COVID-19.

Opportunities and threats

During the Financial Year 2020-21 economic activity and normal movement of fund in all sectors may get impacted due to lockdown of economic activities on account of COVID 19 pandemic, which can give rise to stresses in the asset portfolio of banks. Banking has witnessed a significant change in recent times. Owing to the increasing consumer expectations, regulatory & economic changes, constant

competition within banking industry and from fintechs, modern banking has embraced technology. Digital platforms, mobile, internet banking, and payments bank have revolutionized the sector in a substantial way. 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 become round the clock. This, indeed, is a revolution in Indian banking industry. However, sophistication in technology also poses significant threats especially information security & cyber risk. 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.

Some of the key challenges that the banks have to face in the coming years to maintain the momentum of growth are as follows:

- COVID-19: Banks certainly have their hands full in the light of novel coronavirus outbreak (COVID-19). Due to Government restrictions on physical movement, borrowers and businesses have faced job losses, slower sales, and declining profits. As the signs of recovery is getting delayed, the situation is expected to accentuate further. The credit off-take will be lower and Banks will be faced with higher NPAs going forward. This will have significant pressure on the bottom line. Banks will have to carefully evaluate their credit portfolio, strengthen credit monitoring, improve collection & recovery effort and most importantly, manage the balance sheet and capital efficiently. Going forward, the prime focus of banks will be on risk adjusted credit expansion and on recovery.
- As per RBI Annual report for FY 2019-20, banking frauds have increased more than twofold during the year ended 30th June 2020 to ₹1.85 lakh crore. Frauds are taking place more in the advance portfolio, both in terms of number and value. Attempts to defraud banks are likely to increase in the near future as credit flow is squeezed prompting borrowers to resort to fraudulent practices. The Bank are having a standard system of Internal Control System properly reviewed and monitored by a pro-active Inspection and Vigilance team, a high skilled credit processing team and a strong IT Dept. for equipping Bank to prevent the challenges and vulnerabilities, which could occur from internal or external frauds (both IT and others).
- Recovery from Bad Loans: IBC & NCLT – Bankers will carry the baggage of bad loans in 2020 as well. IBC has made debtor responsible and bankers are feeling strong like never before. Despite being a special law and deadline to close the cases, resolution is not that easy. Currently, as per NCLT data, more than 10 thousand cases under IBC are pending before NCLT. Moreover, fresh insolvency proceedings pertaining to defaults arising on or after March 25, 2020 has been suspended for a period of at least 6 months.
- PSB: Merger execution and stake reduction – Amalgamation of PSBs was one of the bold decisions that the Government took in 2019. The government has recapitalised banks but

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the change in management, infrastructural issues, transfer of senior officers, governance reforms etc. are still in process.

- Private banks: Private banks, too, went through challenging times especially on NPA front. In 2020, it is crucial to see how they deal with the NPAs, raise equity funds and generate credit demand. The major challenge for the new management in the banks is to make a sustainable and profitable business.
- Improving Customer Service – For banks, asset story is painful, hence banks are focusing more on deposits. In 2020, bankers will have to find innovative ways to attract customers and more importantly improve their customer service.
- Innovations in 2020 – Banking and the financial sector is the flag bearer of tech innovation. From payment transfer to obtaining loans is quite easy on mobile apps today. In 2020, tech innovation in banking will significantly focus on voice and video banking.
- Collaborations and partnerships – FinTechs made a big difference in banking and finance space. Initially, there was a fear that FinTechs will compete with banks. But gradually FinTechs have begun partnering with banks. Almost all the banks have partnered with FinTechs. FinTechs are bringing in the innovation that banks couldn't. In 2020, banks will collaborate and partner with market forces starting from FinTechs to E-commerce players for different segments of their businesses.
- Regulations – RBI has already issued guidelines for regulatory Sandbox and 'on tap license' and payments. In 2020, new companies will enter payment, small finance bank, and FinTech space. Regulators' agenda is last-mile connectivity and financial inclusion.
- Cybersecurity – One of the major worries for any bank is cybersecurity especially since the cyber attacks can be carried out remotely and the damage inflicted could be devastating. So the banks will have to fortify their IT systems from such attacks.

Technology Improvements

Some of the major trends affecting the banking industry that drive the future of banking are detailed below:

- Payment banks (PBs) to pave the way: The importance of payment banks is growing in the ecosystem. In India's cash-based economy, digital payment instruments will drive growth in non-cash payments.
- Artificial Intelligence (AI): Artificial intelligence will be an integral part of smart banking. Banks can expand their consumer base by learning what clicks with their users. Cognitive technology with AI can offer features like cognitive engagement, cognitive automation, cognitive perceptions, and cognitive strategy formation. Through AI, a support system can be developed that targets the user's personal preferences, reduces human intervention, catches data patterns and devises strategies based on market suitability.
- Blockchain and Distributed Ledger Technology: The concept of the banking system with Distributed Ledgers supported by Blockchain will no longer be far-fetched. This step can

initiate an uninterrupted and fairly tamper-proof information exchange between the involved parties in real-time. Through a distributed network of computers, a common pool of information is maintained. However, transactions are unassailable and inviolable due to cryptographic algorithms.

- Cyber Security: Proliferation of internet and mobile banking is posing new security challenges to financial services firms across the globe. Security measures are present in the form of KYC, 2 step authentication and EMV chip cards. However, the game needs to be upped with looming threats like phishing fraud, app misuse, cyber intrusion, magnetic strip duplicating of cards and so on.
- Increasing use-cases of RPA: Robotic Process Automation will see more use cases in 2020 due to its benefits as compared to the traditional automation technologies. There are a number of use cases that are already prevalent in the financial services sector, including global investment banks and insurance firms. The challenges in adoption are primarily around change in mind-sets, and building the right business use case and operating model for RPA.

Financial Performance Vs Operational Performance

During the FY 2019-20, the total gross business of the Bank grew from ₹1,44,056.04 crores to ₹1,48,557.91 crore. While the deposits grew from ₹80,420.12 crore to ₹83,033.89 crore, gross advances grew from ₹63,635.92 crore to ₹65,524.02 crore. Food credit decreased from ₹139.89 crores to ₹135.35 crore. Operating profit of the Bank had increased by ₹406.66 crore during the year, i.e. increased from ₹1,238.98 crore to ₹1,645.64 crore. However, the Net Profit decreased to ₹104.59 crore as against ₹247.53 crore reported in last year due to higher NPA provisioning. The Provision Coverage Ratio (PCR) has significantly improved to 54.22% from previous level of 42.46%.

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic. Accordingly, the Board of Directors of the Bank has not recommended any dividend for the year 2019-20 (Previous Year 25% i.e. ₹0.25/- per Equity Share).

The percentage of Gross NPA to Gross Advances stood at 4.98 and the Net NPA to Net Advances at 3.34 as on March 31, 2020. The Capital Adequacy Ratio of the Bank was 13.41 under Basel III norms as on March 31, 2020 as against the RBI mandated level of 10.875. Book value per share increased from ₹29.48 to ₹30.25 during the year 2019-20.

The gross revenue from Treasury Operations segment increased from ₹1484.82 crore to ₹1846.00 crore, Corporate/Wholesale Banking segment increased from ₹3302.28 crore to ₹3380.69 crore, Retail Banking segment increased from ₹2564.70 crore to ₹3273.14 crore and Other Banking Operations segment increased from ₹250.93 crore to ₹309.72 crore.

Segment results net of allocated/apportioned cost and provisions from Treasury segment decreased from (₹41.97) crore

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to (₹81.66) crore, Corporate/wholesale Banking segment decreased from (₹126.64) crore to (₹427.51) crore whereas Other Banking Operations increased from ₹201.19 crore to ₹249.33 crore and Retail Banking segment increased from ₹347.92 crore to ₹409.39 crore.

KEY BUSINESS RATIOS

The operating profit as a per centage to the Working Funds for the FY 2019-20 was increased by 19.58% from 1.43% to 1.71% mainly on account of the higher contribution from the Non-Interest Income especially due to higher Trading Profit from Treasury activities and opportunity to earn income from sale of Priority Sector Lending Certificates. The Employee cost for the FY 2019-20 was higher compared to the previous year considering the higher superannuation provisions and the provisions for DA increase. The return on Assets (based on working fund) for the FY 2019-20 was down from 0.29% to 0.11% and Return on Equity for the FY 2019-20 was down from 4.64% to 1.91% due to substantially higher NPA provisions and higher staff cost. Further GNPA during the FY 2019-20 has remained largely with marginal increase from 4.92% to 4.98%.

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) 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 the implementation of Ind-AS 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 all quarters of FY 2019-20 as per extant regulatory guidelines.
- o Bank has selected a vendor for implementing the Ind-AS Solution. Currently UAT of the platform is going on.

Even though the regulator has extended the effective date of implementation, the Bank will continue its preparedness towards migration seamlessly to 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 2019-20.

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 & integrated risk management architecture and practices that is overseen by the 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 RMCB, which provides strategic guidance. The senior level executive committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC), Operational Risk Management Committee (ORMC) and Asset Liability Management Committee (ALCO) develop the risk management policies and scrutinize the risk limits to ensure better control.

a) Credit Risk Management:

Credit risk management policy defines credit risk as the possibility of losses associated with the diminution in the credit worthiness of the borrower or the counterparty or the failure on the part of the borrower to meet its obligations in accordance with the agreed terms. The Bank has a comprehensive credit risk management framework, which deals with identification, assessment, measurement and mitigation of credit risk. 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.

The Credit risk of the Bank is overseen by RMCB 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 the launch/modification of new rating models/scorecards, exposure ceilings, oversees the monitoring of size, rating distribution 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 scorecards. 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/scorecards. The Bank has deployed system level validations/checks to ensure timely review of borrower ratings and capture of scoring information of all retail loans at granular level. Bank has eight non-default rating grades and one default rating grade. The customers are assessed based on

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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. The Bank validates its rating models and scorecards on an annual basis.

Corporate/Retail loan applications sourced at different Business units are processed at Centralized Processing Centers. The corporate loan proposals are independently reviewed by Risk Management Department during the risk rating process. Committee system of loan approvals have been implemented in the Bank for exposures that fall beyond the powers of individual functionaries. A well-defined approval matrix is in place for approving exceptions. Two separate verticals operate within the Credit Department to oversee Collections and Credit Monitoring. Early Warning System has been put in place to enable the Bank to take proactive measures for addressing the possibility of credit quality deterioration of specific borrowers. The pricing system is suitably aligned to the cost of funds and to the perceived risk that a borrower poses.

Appropriate credit underwriting & 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. Extensive analysis has been conducted, and will to be continued out on an ongoing basis, to estimate the impact of COVID-19 pandemic and the associated lockdown on different industry sectors to which the Bank has exposure. Suitable changes that reflect the findings of the aforementioned analysis have been made to Bank's rating models. The Bank has commenced to calculate the risk components (PD, LGD and EAD) in line with the Board approved methods, which also serves as an input for prudent pricing of its advances. PD Term structure and LGD estimates are used as inputs for ECL computation under Ind-AS, for proforma reporting purpose.

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 manage & 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 and trend analysis of various risk elements.

All new products and processes are examined by Risk Management Department and thus, it is ensured that all risks involved in new products and processes are clearly documented and adequate 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. 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. Risk drivers for reputation risk is identified and monitored on a quarterly basis. Quantification of reputation risk is accomplished through Reputation risk scorecard 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.

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 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

DIRECTORS' REPORT

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). After the outbreak of COVID-19 pandemic, the Bank has also taken additional measures to ensure that sufficient liquidity is maintained even after factoring moratorium to eligible borrowers.

e) Cyber Risk Management

In order to manage cyber security risk, 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, Information Security Committee of Executives 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 policies and directions. The Committee also guides and monitors development, 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, the Bank has a comprehensive Incident Management procedure which outlines the procedures to be followed for 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.

Bank has a fully operational Security Operation Centre (SOC) and network & end point security devices to monitor any security incident and to take appropriate actions. SOC is operational on a 24 X 7 basis.

f) Business Continuity Plan

The Bank has 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, the 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. The team ensures that the business functions are back to normalcy with minimum delay. Disaster Recovery drill for the core banking system (CBS) and critical IT systems of the Bank is conducted at regular intervals to ensure the continuance of the same during emergency situations. The Bank undertakes periodical testing of recovery speed of critical applications from alternate location. With respect to the outbreak of COVID -19 pandemic, a Quick Response Team (QRT) is formed at HO to take immediate counter action and to regularly update the top management on significant developments and act as a single point of contact with regulators/outside institutions/agencies. The minutes of QRT meetings are reviewed by BCP Apex Committee periodically. The Bank has taken multiple steps including enabling alternate locations, work from home facilities etc. to ensure Business continuity.

The BCP of the Bank was tested in live situations like Kerala floods and COVID-19 pandemic situations. Bank continued its operations through its branches, ATMs and Digital products even during current scenario of COVID -19. Most of the Branches of the Bank are functioning and providing the essential services to customers. As per Govt. Guidelines with relaxation of lockdown rules by several state governments, most of the branches resumed full fledged banking operations adhering to safety norms prescribed by Government of India. In addition to above customers are using Bank's Digital products like ATM, Online transactions through SIBER net, Mirror plus Mobile App for continuity of their operations with an added advantage of safety and social distancing.

INTERNAL FINANCIAL CONTROLS 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 accuracy, reliability & transparency of the preparation, presentation and reporting 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.

The Bank has 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

DIRECTORS' REPORT

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 - Vigilance Division who reports directly to the MD & CEO of the Bank. Vigilance Division is headed by Chief of Internal Vigilance in Senior Management Cadre and has twin roles to play namely, investigation of frauds and putting in place a dynamic mechanism for detection of fraud & recommending risk mitigation measures against recurrences of incidence of frauds.

The Bank has in place a vibrant Whistle Blower Policy (WBP) and a Protected Disclosure Scheme (PDS), which are part of our Vigilance & Fraud Risk Management policy and are reviewed from time to time. Whistle Blower Policy and the Protected Disclosure Scheme of the Bank are published on the website of the Bank. The policy is communicated to every employee at the time of joining the Bank and the importance of the policy is emphasized in all training programmes to create awareness about the same among staff members and also educating them to inform any frauds, unethical or improper practices prevailing in branches/offices to the authorities concerned.

As a part of the preventive mechanism to reduce the instances of frauds, especially on cyber front, various customer awareness measures are undertaken by the Bank on a continuous basis through advertisements in the media, publications on Bank's website and through SMS messages to customers. Our Bank's exclusive digital application "SIB Mirror Plus" with e-Lock facility, is popularized among the public through branches and through periodic advertisements. Staff at branches are regularly updated through internal circulars with the modus operandi adopted by fraudsters at various banks so as to be more vigilant and cautious, while dealing with similar situations. The various mitigation steps suggested to prevent the recurrences of fraud incidents are intimated to the departments concerned for implementation.

The Bank has a separate centralized Transaction Monitoring Team to monitor transaction alerts generated from software, based on pre-set rules. Transaction monitoring software is capable of generating near real time alerts and other features which assists effective monitoring of transactions. Based on the alerts, clarifications are called for from the business units wherever necessary and the alerts are closed on a daily basis. During the year, the Bank has centralized Transaction monitoring activities at HO with adequate staff.

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. FRM cell is effectively monitoring transaction alerts 24 X 7 X 365 in a year. A dedicated call centre management solution is also in use in FRM cell for managing out bound calls.

HUMAN RESOURCE DEVELOPMENT/INDUSTRIAL RELATIONS

As on March 31, 2020, the Bank had 8,570 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 capability of the personnel and trains them for qualitative improvement. The development of employees is essential for 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 & Tranche 9 during 2017-18. An aggregate of 40,000 options were exercised by the employees during the current financial year and equal number of shares have been allotted against those exercised options. 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 is based on the score obtained by each employee in respective scorecard. We have implemented scorecard based performance evaluation system in our Bank from FY 18-19. Scorecards are used for performance appraisal, incentive, promotion etc.

By Order of the Board

(SALIM GANGADHARAN)

CHAIRMAN

DIN : 06796232

Place : Thrissur

Date : September 04, 2020

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

ANNEXURE TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

In terms of Regulation 34(3) read with Part C of Schedule V to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), a Report on Corporate Governance for the year ended March 31, 2020 is presented below:

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 the 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, the relevant rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations'), the guidelines issued by the Reserve Bank of India (RBI) in this regard, the Articles of Association of the Bank and in accordance with best practices in Corporate Governance. The Board of Directors of the Bank has an optimum combination of Executive and Non-Executive Directors with one Woman Director and more than fifty per cent of the Board of Directors comprises of Non-Executive Independent Directors. The Chairperson of the Board is a Non-Executive Director. The Board functions either as a full Board or through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals and risk appetite/limits, evaluation of performance and control functions vest with the Board. The Committees have oversight of operational issues assigned to them by the Board. The Board of Directors/Committees of Board periodically reviews compliance reports pertaining to major laws applicable to the Bank. All statutory and other matters of significance including information as mentioned in Part A of Schedule II to the Listing Regulations are informed to the Board to enable it to discharge its responsibility of strategic supervision of the Bank.

Composition of Board

The Board comprises of 10 Directors as on March 31, 2020, with rich experience and specialized knowledge in various areas. None of the Directors of the Bank are related inter-se, in terms of Section 2(77) of the Companies Act, 2013, including Rules thereunder. The Board has confirmed the veracity of declaration of Independence provided by the Independent Directors and has taken the same on record. In the opinion of the Board, all the Independent Directors fulfill the conditions as specified in the Listing Regulations and are independent of the Management. Pursuant to the notification of the Ministry of Corporate Affairs dated October 22, 2019, an online data bank for the independent directors ("Data Bank") has been rolled out by the Indian Institute of Corporate Affairs and all the Independent Directors of the Bank had registered themselves in the Data Bank.

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, 2020 are given below:

Sl. No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of Last AGM held on 17-07-2019	No. of Shares of held	% of holding
			Held during the tenure	Attended			
1	Sri Salim Gangadharan	NE (Chairman)	9	9	Present	20,000	0.001%
2	Sri V G Mathew	Managing Director (Executive)	9	9	Present	1,00,000	0.003%
3	Dr. John Joseph Alapatt	INE	9	9	Present	2,80,292	0.015%
4	Sri Francis Alapatt	INE	9	6	Absent	2,20,000	0.012%
5	Smt. Ranjana S Salgaocar	INE	9	6	Present	83,666	0.005%
6	Sri Parayil George John Tharakan	INE	9	9	Present	21,874	0.001%
7	Sri Achal Kumar Gupta	NE	9	9	Present	Nil	Nil
8	Sri V J Kurian	INE	9	9	Present	Nil	Nil
9	Sri M George Korah	INE	9	9	Present	Nil	Nil
10	Sri Pradeep M Godbole	NE	9	9	Present	Nil	Nil

NE – Non-Executive Director

INE – Independent Non-Executive Director

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

ANNEXURE TO THE DIRECTORS' REPORT

During the year under review, the Board and its committees were re-constituted three times on 08.04.2019, 26.07.2019 and 18.10.2019.

List of core Skills/Experience/Competencies identified by the Board

The Bank considers the principles relating to fit and proper norms as prescribed by the RBI and confirms that each Director is also in compliance with the norms as prescribed by the Ministry of Corporate Affairs and the Securities and Exchange Board of India (SEBI) under applicable laws, whilst determining the composition of its Board. Section 10A (2) of the Banking Regulation Act, 1949 read with RBI notification no. DBR. Appt. BC. No.38/29.39.001/2016-17 dated November 24, 2016, requires that not less than 51% of the total number of members of the Board of Directors of a banking company shall comprise of persons who shall have special knowledge or practical experience, in respect of one or more of the matters, namely: Accountancy, Agriculture and rural economy, Banking, Co-operation/Small Scale Industry, Information Technology, Infrastructure sector, Human resources, Economics, Finance, Law, Payment and settlement systems, Risk management, Business Management. The Bank is in full compliance with the above requirements as the Directors of the Bank has rich experience and specialized knowledge in the said areas of relevance to the Bank.

The Bank has identified above Skills/Expertise/Competencies as required to be possessed by its Board, in the context of its businesses and the sectors, for it to function effectively. The details of the names of the Directors possessing the required Skills/Expertise/Competencies are detailed as under:

Sl. No.	Name	Special Knowledge / Practical Experience
1	Sri Salim Gangadharan	Banking
2	Sri V G Mathew	Banking
3	Dr. John Joseph Alapatt	Small scale industry
4	Sri Francis Alapatt	Business Management
5	Smt. Ranjana S Salgaocar	Human Recourses and Business Management
6	Sri Parayil George John Tharakan	Agriculture & Rural Economy and Law
7	Sri Achal Kumar Gupta	Banking and Risk Management
8	Sri V J Kurian	Economics and Business Management
9	Sri M George Korah	Accountancy
10	Sri Pradeep M Godbole	IT and Payment & Settlement systems

PROFILE OF BOARD OF DIRECTORS

The profile of the Directors of the Bank as on March 31, 2020 is as under:

Sri Salim Gangadharan, aged 66 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, Central Bank of Oman, IMF etc. 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 March 31, 2020.

Sri V G Mathew, aged 66 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 the 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 company.

Sri V G Mathew holds 1,00,000 shares of the Bank as on March 31, 2020.

Dr. John Joseph Alapatt, aged 66 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 23 years. He is not a Director in any Public Limited Company.

Dr. John Joseph Alapatt holds 2,80,292 shares of the Bank as on March 31, 2020.

Sri Francis Alapatt, aged 68 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 businessman. He is not a Director in any other Public Limited Company.

Sri Francis Alapatt holds 2,20,000 shares of the Bank as on March 31, 2020.

Smt. Ranjana S Salgaocar aged 66 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 Jamnalal Bajaj Institute of Management. Smt. Salgaocar has been on the Board of the

ANNEXURE TO THE DIRECTORS' REPORT

Bank since October 1, 2014. She is not a Director in any Public Limited Company.

Smt. Ranjana S Salgaocar holds 83,666 shares of the Bank as on March 31, 2020.

Sri Parayil George John Tharakan, aged 59 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 LLB degree from Bangalore University. Sri Tharakan has over 30 years of experience in the field of agriculture. He is not a Director in any Public Limited Company.

Sri Parayil George John Tharakan holds 21,874 shares of the Bank as on March 31, 2020.

Sri Achal Kumar Gupta, aged 66 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 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 the Chairman of Risk Management Committee of Board (Independent Expert) of Capital India Finance Ltd. (not a board member). He is not a Director in any Public Limited Company.

Sri Achal Kumar Gupta holds no shares of the Bank as on March 31, 2020.

Sri V J Kurian, aged 63 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, Sri Kurian is the Managing Director of Cochin International Airport Ltd. and Director of CIAL Infrastructure Limited, CIAL Duty free and Retail Services Limited, Air Kerala International Services Limited, Cochin International Aviation Services Limited, Kerala Waterways Infrastructures Limited and Kerala Infrastructure Fund Management Limited. He is not a director in any other Public Limited Company.

Sri V J Kurian holds no shares of the Bank as on March 31, 2020.

Sri M George Korah, aged 60 years, is a Non-Executive Independent Director 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 a partner of M/s Korah & Korah, Chartered Accountants and has been in practice for over 30 years. Sri Korah is a trustee of Green Storm Foundation, Cochin (Not for Profit Public Registered Trust) and financial consultant to

several business organizations 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 March 31, 2020.

Sri Pradeep M Godbole, aged 55 years is a Non-Executive Director of the Bank. He is a Chartered Accountant having over 30 years of Banking, Technology, Consulting, Auditing, Accounting and Management experience. He has held Senior Consulting positions in 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 and seminars. He is not a Director in any Public Limited Company.

Sri Pradeep M Godbole holds no shares of the Bank as on March 31, 2020.

Familiarization Programme

The Bank had conducted various sessions during the financial year to familiarize the Independent Directors of the Bank, including various topics on Banking Industry, business model, risk management system and Cyber Security. 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. Video conferencing facility is provided to facilitate Directors to participate in the meetings. The members of the Board exercise due diligence in performance of their functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment.

The approval required/information provided to the Board shall include but not be limited to the following:

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 updates.
3. Detailed scrutiny and approval of quarterly and annual financial results;

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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 and liquidity risks.
6. Assessing the independence of the risk management function in the Bank. Consider the effectiveness of overall risk management framework in meeting sound corporate risk 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. Staff accountability review in NPA accounts with GNPA of ₹25.00 crores and above (Quarterly).
27. Review of report on annual compliance risk assessment.
28. Review on quarterly certificate on compliance for RBI directions.
29. 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 Bank or taken an adverse view regarding another enterprise that can have negative implications on the Bank.
30. 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.
31. Any other agenda items which are not specifically delegated by the Board to any other Committees/sub-Committees.
32. Review of all reports as per the Calendar of Reviews stipulated by the RBI from time to time.
31. Delegation/modification of authority/power entrusted to the Board and change in Organisational structure of the Bank.
32. All relevant information for taking informed decisions in respect of matters brought before the Board.
33. Any other items/information as may be prescribed SEBI (LODR) Regulations, 2015, the Companies Act, 2013 and by Reserve Bank of India.

Board Meetings

A total of 9 Board Meetings were held during the period April 1, 2019 to March 31, 2020 and the dates are as under:

24.04.2019	09.05.2019	15.06.2019
17.07.2019	25.07.2019	21.09.2019
17.10.2019	20.12.2019	16.01.2020

ANNEXURE TO THE DIRECTORS' REPORT

Committee position of Directors in the Bank as on March 31, 2020:

The name of each Committee with the name of its respective Chairman as on 31.03.2020 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 | - Smt. Ranjana S Salgaocar |
| 6. Stakeholders Relationship Committee | - Smt. Ranjana S Salgaocar |
| 7. Special Committee of Board for Monitoring and follow-up of Frauds | - Sri V G Mathew |
| 8. Premises Committee | - Dr. John Joseph Alapatt |
| 9. Risk Management Committee | - Sri Achal Kumar Gupta |
| 10. Information Technology Strategy Committee | - Sri Pradeep M Godbole |
| 11. Corporate Social Responsibility Committee | - Sri Parayil George John Tharakan |
| 12. Capital Planning & Infusion Committee | - Sri Salim Gangadharan |
| 13. Committee of Independent Directors | |

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 Director in any other Listed Companies.
- None of the Directors of the Bank is related to any Director of the Bank.
- The independent directors fulfill the conditions specified in these regulations and are independent of the management.

Directorship of Directors in other Public Limited Companies and Listed entities as on March 31, 2020

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 Corporation Ltd.	1. Risk Management Committee 2. Special Committee on Technology 3. Audit Committee 4. Regulatory Oversight Committee 5. Public Interest Directors Committee 6. Independent Directors Committee	Chairman Chairman Member Member Member Member
Sri Francis Alapatt	CII Guardian International Limited	CSR Committee	Chairman
Sri V J Kurian	Cochin International Airport Limited	CSR Committee	Member

- No other Director holds Directorship in any other Public Limited Company.
- For the purpose of considering the limit of the directorships, all Public Limited Companies, whether listed or not, are included. Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013 are excluded.

Directors and Officers Insurance:

The Bank had undertaken Directors and Officers insurance ('D and O Insurance') for all its Directors, including Independent Directors, for a quantum and risks as determined by the Board of Directors of the Bank.

2. BOARD COMMITTEES AND ITS TERMS OF REFERENCE

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. Details on the role and composition of Board Committees, including the number of meeting held during the financial year and the related attendance are provided below.

(A) MANAGEMENT COMMITTEE

Management Committee of Board has been constituted based on RBI guidelines vide its circular No. DBOD. No. BP. BC.96/21.03.038/2004-05 dated 10th June, 2005 essentially to sanction credit proposals beyond the powers of MD & CEO and all other operational matters permitted by the Board from time to time. The members of the Committee as on March 31, 2020 are Sri Salim Gangadharan - Chairman, Sri V G Mathew, Sri Achal Kumar Gupta, Sri Pradeep M Godbole, Sri Parayil George John Tharakan.

The terms of reference of the Management Committee

- Consider all credit proposals, beyond the powers of Managing Director and Credit Committees constituted by the Board.
- OTS proposals within the powers of the Board.
- Ratification proposals of sanction made by Credit Committees and MD beyond its powers.
- Review of Sanctions made by Credit Committees.
- Review of MD's sanctions.
- Review of Food Credit – Monthly disbursement (Monthly).
- NPA recovery (Monthly).
- Compromise proposals sanctioned by MD (Quarterly).
- Review of the order of Committee for identification of Wilful Defaulters.
- Review of the order of Committee for identification of non-cooperative borrowers of the Bank.
- Review of Top 100 NPA accounts below 5 crores (SS/ Doubtful/Loss) (25 in each quarter) – Quarterly.
- Write off/remission allowed by the Bank for the previous Quarter (Quarterly).

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13. Status report on OTS sanctioned by MCB during last one year (Quarterly).
14. Review of Quick Mortality account of ₹1.00 crore and above and Staff accountability review in NPA accounts with GNPA of ₹5.00 crores to less than 25.00 crores (Quarterly).
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 13 meetings were held during the period. The dates of meetings were

24.04.2019	08.05.2019	25.05.2019	27.06.2019
25.07.2019	22.08.2019	09.09.2019	16.10.2019
15.11.2019	19.12.2019	30.12.2019	15.01.2020
11.02.2020			

The details of the meetings of the Management Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	13	13
Sri V G Mathew	13	13
Dr. John Joseph Alapatt*	8	8
Sri Achal Kumar Gupta	13	13
Sri Pradeep M Godbole	13	13
Sri Parayil George John Tharakan #	5	5

* Ceased to be a member w.e.f. 18th October, 2019.

Inducted into the committee w.e.f. 18th October, 2019.

(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 as on March 31, 2020 are Sri Achal Kumar Gupta, Sri V J Kurian, Sri Francis Alapatt and Dr. John Joseph Alapatt.

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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 (along with brief details of special reports) including Risk based internal Audit Reports, Credit audit reports, management audit reports of head office departments and regional offices, concurrent audit reports, surprise inspection reports and gold asset verification 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 report on annual compliance risk assessment.
26. Review of all reports as per the calendar of reviews stipulated by the RBI from time to time.
27. Any show cause, demand and prosecution notice and penalty notices issued by any Govt./Quasi Govt./regulatory authority with its implication and action taken.
28. 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.
29. 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.
30. Monitoring the Concurrent Audit function and internal audit of all outsourced activities.
31. 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.

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The Committee met 7 times during the period. The dates of meetings were

08.05.2019	27.06.2019	25.07.2019	20.09.2019
16.10.2019	19.12.2019	15.01.2020	

The details of the meetings of the Audit Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri M George Korah	7	7
Sri Achal Kumar Gupta	7	7
Sri V J Kurian	7	7
Sri Francis Alapatt	7	5
Dr. John Joseph Alapatt*	2	2

*Inducted into the committee w.e.f. 18th October, 2019.

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

(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, 2020 are Sri Salim Gangadharan, Smt. Ranjana S Salgaocar, Sri Achal Kumar Gupta and Sri Parayil George John Tharakan.

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;
 - 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

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for absence on Privilege/Sick/Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.

15. The Committee may suggest amendments to any 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 Nomination and Remuneration Committee met 6 times during the period. The dates of meetings were:

09.05.2019	28.06.2019	21.09.2019	20.12.2019
16.01.2020	10.02.2020		

The details of the meetings of Nomination & Remuneration Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri V J Kurian	6	6
Sri Salim Gangadharan	6	6
Smt. Ranjana S Salgaocar	6	6
Sri Achal Kumar Gupta	6	6
Sri Parayil George John Tharakan*	3	3

* Inducted into the committee w.e.f. 18.10.2019.

(D) N P A REVIEW COMMITTEE

This Committee has been constituted to review all NPA Accounts above ₹500.00 lakhs. The Committee meets once in a quarter. The members of the Committee as on March 31, 2020 are Sri Achal Kumar Gupta - Chairman, Sri V G Mathew, Dr. John Joseph Alapatt and Sri M George Korah.

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

24.05.2019	22.08.2019	15.11.2019	11.02.2020
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This Committee has been constituted to review:

- All NPA Accounts above ₹500.00 lakhs. The Committee meets once in a quarter.
- 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 ₹5.00 crore and above.

The details of the meetings of NPA Review Committee of Directors attended by the Members during the year 2019-20, 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
Dr. John Joseph Alapatt	4	4
Sri M George Korah	4	4

(E) CUSTOMER SERVICE COMMITTEE

The Committee is entrusted with the responsibility of monitoring the quality of services rendered to the customers and also ensuring implementation of directives received from RBI in this regard. The terms of reference of the Committee inter-alia, are to formulate comprehensive deposit policy incorporating the issues arising out of death of a depositor for operations of his account, the product approval process and any other issues having a bearing on the quality of customer services rendered. The Committee is chaired by Smt. Ranjana S Salgaocar and consists of Sri V G Mathew, Dr. John Joseph Alapatt and Sri Pradeep M Godbole as members as on March 31, 2020.

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:

- 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 (BLSC).
- d) Reviewing the metrics and indicators that provide information on the state of customer services in the Bank;

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- 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 3 times during the period. The dates of meetings were:

27.06.2019	20.09.2019	20.12.2019
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The details of the meetings of Customer Service Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Smt. Ranjana S Salgaocar*	1	1
Sri V G Mathew	3	3
Dr. John Joseph Alapatt	3	3
Sri Pradeep M Godbole**	1	1
Sri Francis Alapatt #	2	1
Sri Parayil George John Tharakan##	2	2

* Inducted in to the Committee w.e.f. 18.10.2019.

**Inducted in to the Committee w.e.f. 18.10.2019

Ceased to be a member w.e.f. 18.10.2019

##Ceased to be a member w.e.f. 18.10.2019

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

(F) STAKEHOLDERS RELATIONSHIP COMMITTEE

The Committee looks into redressal 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, Dr. John Joseph Alapatt, Sri V J Kurian and Sri V G Mathew as members as on March 31, 2020.

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 and 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 and consolidation of securities issued by the Bank and 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. Review of measures taken for effective exercise of voting rights by the shareholders.
10. 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 3 times during the period on:

28.06.2019	21.09.2019	20.12.2019
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Status of Shareholder Complaints as on March 31, 2020

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	0	0	0
2	Non-receipt of Dividend Warrants	0	103	103	0
3	Request for issue of duplicate share certificates	0	139	139	0
4	Complaints received from BSE/NSE/SEBI/ ROC	0	1	1	0
5	Other miscellaneous complaints (Including non-receipt of split share certificate)	1	18	18	1
6	Non-receipt of share certificate after transfer	0	0	0	0
TOTAL		1	261	261	1

The details of the meetings of Stakeholders Relationship Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Smt. Ranjana S Salgaocar	3	3
Sri Parayil George John Tharakan*	2	2
Dr. John Joseph Alapatt	3	3
Sri V J Kurian	3	3
Sri V G Mathew#	1	1

Inducted in to the Committee w.e.f. 18.10.2019

* Ceased to be a member w.e.f. 18.10.2019

(G) SPECIAL COMMITTEE FOR MONITORING AND FOLLOW UP OF FRAUDS

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. In order to be in line with the RBI master directions, the Board of Directors of the Bank at their meeting held on July 17, 2019 has changed the name of the special committee of Board for monitoring frauds from 'Committee to Prevent and Review frauds in the Bank' to 'Special Committee of Board for monitoring and follow up of Frauds'.

The Committee is chaired by Sri V G Mathew and consists of Sri Salim Gangadharan, Sri M George Korah, Sri Francis Alapatt and Sri Parayil George John Tharakan as members of the Committee as on March 31, 2020.

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 taken report on the observations of the earlier Committee meeting.

The Committee met 7 times during the period. The dates of meetings were:

08.05.2019	27.06.2019	22.08.2019	20.09.2019
16.10.2019	15.11.2019	19.12.2019	

The details of the meetings of Committee to Prevent and Review Frauds in the Bank attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri V G Mathew	7	7
Sri Salim Gangadharan	7	7
Sri M George Korah	7	7
Dr. John Joseph Alapatt##	5	5
Sri Francis Alapatt*	5	4
Sri Parayil George John Tharakan**	2	2
Sri Pradeep M Godbole#	2	2

* Inducted into the Committee w.e.f. 26.07.2019

** Inducted into the Committee w.e.f. 18.10.2019

Ceased to be a member w.e.f. 26.07.2019

Ceased to be a member w.e.f. 18.10.2019

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

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(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 and thereafter the scope of the committee has been revised from time to time. The Committee consists of Dr. John Joseph Alapatt as Chairman, Sri V G Mathew, Sri V J Kurian and Sri Pradeep M Godbole as members as on March 31, 2020.

The 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:

28.06.2019	21.09.2019	19.12.2019	10.02.2020
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The details of the meetings of Premises Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Dr. John Joseph Alapatt*	2	2
Sri Francis Alapatt#	2	1
Sri V G Mathew	4	4
Smt. Ranjana S Salgaocar##	2	2
Sri Parayil George John Tharakan###	2	2
Sri V J Kurian	4	4
Sri Pradeep M Godbole**	2	2

* Inducted into the committee w.e.f. 18.10.2019

** Inducted into the committee w.e.f. 18.10.2019

Ceased to be a member w.e.f. 18.10.2019

Ceased to be a member w.e.f. 18.10.2019

Ceased to be a member w.e.f. 18.10.2019

@ Leave of absence was granted to the Member concerned who had expressed his inability to attend the respective meeting.

(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, 2020 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 aspects:

1. Review and approve on a regular basis the risk management policies recommended by RMCs, ALCO, including policies concerning credit risk, market risk, and operational risk 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).
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

ANNEXURE TO THE DIRECTORS' REPORT

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

25.05.2019	17.07.2019	20.09.2019	16.11.2019	11.02.2020
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The details of the meetings of Risk Management Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Achal Kumar Gupta	5	5
Sri Salim Gangadharan	5	5
Sri V G Mathew	5	5
Sri M George Korah	5	5
Sri Pradeep M Godbole	5	5

(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, Sri M George Korah and Sri Francis Alapatt as members as on March 31, 2020.

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

1. Suggest improvement and monitor the implementation of modern technology in the Bank;
2. Approving IT strategy and policy documents;
3. Ensuring that the management has put an effective strategic planning process in place;
4. 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 :

25.05.2019	22.08.2019	15.11.2019	10.02.2020
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The details of the meetings of Information Technology Strategy Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Pradeep M Godbole	4	4
Sri Salim Gangadharan	4	4
Sri V G Mathew	4	4
Sri M George Korah	4	4
Sri Francis Alapatt*	2	2

* Inducted in to the Committee w.e.f. 18.10.2019

(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 Parayil George John Tharakan as Chairman of the Committee, Sri V G Mathew, Sri V J Kurian and Dr. John Joseph Alapatt as its co-members as at March 31, 2020.

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

ANNEXURE TO THE DIRECTORS' REPORT

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, Paraolympics sports and Olympic sports;
 - viii. contribution to: The Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PMCARES Fund) or any other fund setup by the Central Government for socio-economic development, relief and welfare of SC/ST/ OBC, 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:

28.06.2019	21.09.2019	19.12.2019	10.02.2020
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The details of the meetings of Corporate Social Responsibility Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Parayil George John Tharakan	4	4
Sri V G Mathew	4	4
Sri V J Kurian*	3	3
Dr. John Joseph Alapatt**	2	2
Sri Francis Alapatt #	1	0
Smt. Ranjana Salgaocar##	2	2

Ceased to be a member w.e.f. 26.07.2019

Ceased to be a member w.e.f. 18.10.2019

* Inducted in to the Committee w.e.f. 26.07.2019

** Inducted in to the Committee w.e.f. 18.10.2019

@ Leave of absence was granted to the Member concerned who had expressed his inability to attend the respective meeting.

(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, 2020 are Sri Salim Gangadharan - Chairman, Sri V G Mathew, Sri Francis Alapatt, Smt. Ranjana S Salgaocar and Sri M George Korah.

The Committee met 2 times during the period. The dates of meetings were:

15.06.2019	15.01.2020
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The details of the meetings of Capital Planning & Infusion Committee of Directors attended by the Members during the year 2019-20, are given below:

Name of Director	No. of Meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	2	2
Sri V G Mathew	2	2
Dr. John Joseph Alapatt*	1	1
Sri V J Kurian**	1	1
Sri Francis Alapatt#	1	1
Smt. Ranjana S Salgaocar##	1	1
Sri M George Korah ###	1	1

*Ceased to be a member w.e.f. 18.10.2019

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** Ceased to be a member w.e.f. 18.10.2019
 # Inducted in to the Committee w.e.f. 18.10.2019
 ## Inducted in to the Committee w.e.f. 18.10.2019
 ### Inducted in to the Committee w.e.f. 18.10.2019

(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.

As per Para VII (1) of Schedule IV to the Companies Act, 2013, Independent Directors (IDs) are required to hold at least one meeting without the attendance of Non-independent directors and members of management. Due to the outbreak of pandemic, COVID-19, it was clarified vide MCA General Circular No. 11/2020 dt. 24.03.2020 that for the financial year 2019-20, if the IDs of a Company have not been able to hold such a meeting, the same shall not be viewed as a violation. The IDs, however, may share their views amongst themselves through telephone or e-mail or any other mode of communication, if they deem it to be necessary. Though the Bank had scheduled a meeting of Independent Directors in the month of March, 2020, due to the outbreak of COVID-19, the Bank could not conduct the formal meeting under provisions of Para VII (1) of Schedule IV to the Companies Act, 2013, as scheduled. However it is confirmed that the IDs of Bank has shared their views amongst themselves in this regard.

(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:

07.08.2019	19.09.2019	03.02.2020	10.02.2020	03.03.2020
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The details of the meetings of Interview Committee of Directors attended by the Members during the year 2019-20, 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
Sri Achal Kumar Gupta	5	4
Sri V J Kurian	5	5

@ Leave of absence was granted to the Member concerned who had expressed his inability to attend the respective meeting.

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/CEO, Part-time Chairman and other Non-Executive Directors of the Bank.

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 PAID TO DIRECTORS DURING THE PERIOD APRIL 1, 2019 TO MARCH 31, 2020

The Bank paid a gross remuneration of ₹1,54,72,260.00 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 or transactions exists for Independent Directors/Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/

ANNEXURE TO THE DIRECTORS' REPORT

Committee meetings/monthly honorarium during the year as per law. The Independent Directors of the Bank also had no pecuniary relationship with the Bank, or their promoters or directors.

- b) The criteria of making payments to Independent Directors/ Non-executive Directors of the Bank are disclosed on the Bank's website, the web link to which is <https://www.southindianbank.com/content/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, 2019 to March 31, 2020 are as follows:

PARTICULARS	AMOUNT (₹)
Basic Pay	1,14,04,800.00
Variable Pay	25,92,000.00
Other Perquisites (Accommodation, Hard and Soft Furnishings, Car)	3,34,980.00
PF Bank Contribution	11,40,480.00
Gross Income upto (March 2020)	1,54,72,260.00
No. of Employee Stock Options granted during the year (2019-20)	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, 2019 to March 31, 2020 and ₹22,20,000/- as sitting fees during the period 01.04.2019 to 31.03.2020.

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 sitting fees during the period 01.04.2019 to 31.03.2020 as under:

Dr. John Joseph Alapatt – ₹17,40,000/-, Sri Francis Alapatt – ₹9,20,000/-, Smt. Ranjana S Salgaocar – ₹9,60,000/-, Sri Parayil George John Tharakan – ₹13,40,000/-, Sri Achal Kumar Gupta – ₹21,00,000/-, Sri V J Kurian – ₹17,00,000/-, Sri M George Korah – ₹16,60,000/-, Sri Pradeep M Godbole – ₹17,40,000/-.

Total amount paid ₹1,43,80,000/-.

3. BRIEF RESUME OF DIRECTORS SEEKING REAPPOINTMENT/ RATIFICATION

Resume of Directors seeking Appointment at the 92nd Annual General Meeting is given below:

1. Sri Paul Antony

Name of the Director	Sri Paul Antony (DIN 02239492)
Date of Birth and age	27.06.1958 ; (62 years)
Date of first appointment on Board	NA
Qualifications	MA (Economics), Masters in Public Eco Management, IAS
Brief Resume including experience	Retired as Chief Secretary, Kerala on 30th June 2018. He was a member of the Indian Administrative Service, 1983 Batch, Kerala cadre. Empanelled as Secretary to Government of India by DoPT vide OM No.35/1/2016-EO(SM-I) dated 18/07/2016. In addition to the above he has worked as Additional Chief Secretary, Industries Dept, Government of Kerala Additional charge of Power Dept., Chairman & MD, KSEB Ltd, Chairman, Cochin Port Trust, Principal Secretary, SC/ST Development Department, Government of Kerala, Commissioner, Commercial Taxes, Government of Kerala, Secretary (Expenditure), Government of Kerala Finance Dept, Development Commissioner, Cochin, SEZ, Ministry of Commerce, MD, Kerala State Civil Supplies Corpn Ltd (SUPPLYCO), Director of Industries & Commerce, Kerala. He also worked as Managing Director in Pookode Dairy Project (Cooperative Sector), Kerala State Civil Supplies Corporation and Kerala State Power and Infrastructure Finance Corporation Limited and also as director in Kerala Financial Corporation Limited, Kerala State Industrial Corporation Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala State Industrial Corporation Limited, Kerala State Electricity Board Limited, Vizhinjam International Seaport Limited, IREL (India) Limited, Nitta Gelatin Limited. He has pushed to make services and delivery systems online in the Departments where he has worked. The eGrantz system for disbursing education aid to students of the weaker sections won a National award while the KVATIS system for e-filing VAT returns of 100% dealers in the State won a State level award. Led Kerala's attempt to simplify the ecosystem for enterprises under the EoDB initiative of Government of India by undertaking extensive BPR and making processes go online for 35 clearances of 14 Departments in the K-SWIFT platform. Has developed 2.5 lakh sq ft built up space for the IT sector using PPP in the Cochin SEZ, the first such venture in SEZs. Accomplished the turnaround of the Cochin Port Trust by stabilizing the Vallarpadam Terminal and optimizing other operations.
Nature of his expertise in specific functional area	He had exposure to diverse sectors in the State and Central Governments, such as industries promotion, export promotion, infrastructure development including in the ports and power sector, taxation, public distribution system, and development of the weaker sections. Has worked in large organisations like SUPPLYCO, Cochin Port Trust and KSEB Ltd apart from heading major Government Departments like the Industries Department and the Commercial Taxes Department. Co-ordinating all the activities of various DICs in the State of Kerala. Acted as a facilitator for industrial promotion and sustainability of MSMEs and traditional industrial sector in the State. Encouraged private investment in all sectors particularly in Agro Processing, Services and new emerging Sectors. Introduced globally accepted standards in Technology, Quality and Management to rejuvenate the Public Sector Enterprises in the State. Encouraged environment friendly practices in enterprise development.

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	As General Manager at District Industries Centre provided all the services and support facilities to the entrepreneur for setting up Micro, Small and Medium Enterprises in the District. The job included identification of suitable schemes, preparation of feasibility reports, arrangements for credit facilities, machinery and equipment, provision of raw materials and development of industrial clusters etc. Led a team for Promotion of MSMEs as also Registration and Development of Industrial Co-operatives.
Directorship in other Companies	Nil
Membership of Committees in Public Limited Companies	Nil
Shareholding in the bank as on September 4, 2020	10,470 shares
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	Nil
Details of the remuneration last drawn	NA
Number of Meetings of the Board attended during the year	NA
Chairman/member of the Committee of the Board of Directors of this Company	Nil
Terms and conditions of appointment/ reappointment including remuneration	As detailed under explanatory statement of Item No. 2 of the notice. Appointment of Mr Paul Antony (DIN: 02239492), as Non-Executive Director liable to retire by rotation.

2. Sri Murali Ramakrishnan:

Name of the Director	Sri Murali Ramakrishnan (DIN: 01028298)
Date of Birth and age	19-05-1962 58 Years
Date of first appointment on Board	NA
Qualifications	B. TECH (CHEMICAL ENGINEERING): PGDM (IIM BANGALORE) - FINANCE & MARKETING
Brief Resume including experience	Mr. Murali Ramakrishnan (DIN: 01028298), aged 58 years, is a Engineering Graduate (B.Tech - Chemical Engineering) and holds Post Graduate Diploma in Finance and Marketing from IIM - Bangalore. He is having a work experience of over 32 years. He retired from ICICI Bank as Senior General Manager at Strategic Project Group on May 30, 2020 and joined the Bank as an Advisor on July 1, 2020. During his tenure at ICICI Bank, he was heading a business transformation project of SME business. Mr. Murali Ramakrishnan, was the Chief Executive Hong Kong and Regional Head - North Asia, Srilanka, Middle East and Africa. (Mar 2012 to Aug 2016) (Senior General Manager grade). As Head of the region, he was responsible for the entire operations of the Bank in these locations, managing a large balance sheet of around US 20 Billion contributing to more than 60% of profits of International Business group of ICICI Bank. Apart from being the Chief Executive of Hong Kong branch, he was also responsible for strategizing businesses and ensuring that the deliverables are met for the region, which included branches in China, Sri Lanka, Dubai, Bahrain, Qatar and South Africa. During May 09 to Mar 12 he was Head Credit Risk (General Manager), during May 06 to

	May 09 he was Head Risk, Policy and BIU, during Apr 04 - Apr 06 he was Group Business Head and during Aug 99 - From April 02 to Mar 04 he was conceived, started Commercial Vehicle finance business, Construction Equipment (CE) Finance business for ICICI Bank Ltd., heading CE Business. Mr. Murali Ramakrishnan (DIN: 01028298) has handled the entire banking operations, managing over USD 20 Billion in a complex International geography spreading across continents - akin to heading a large sized bank in India. He has varied experience in the entire banking industry - almost all facets of banking businesses both in domestic and international markets viz. Retail, SME, Corporate, Project Finance, International Business, Risk, Policy, BIU etc apart from handling 8 regulators across various markets in Asia, MENA. He had represented the bank in the board of CIBIL, in the Risk advisory board of VISA for Asia Pacific. Before joining the ICICI Bank Ltd., he has also worked for GE Capital TFS Ltd., SRF Finance Ltd., Spartek Emerging Fund and Canbank Venture Capital Fund and Spic Ltd. He has taken part as Moderator, Speaker and Panel member in several International forums and domestic seminars and taken special sessions in Credit Risk in reputed Management Institutes. He has attended various national and international level Leadership, Management and Risk Management programme.
Nature of his expertise in specific functional area	Mr. Murali Ramakrishnan (DIN: 01028298) has handled the entire banking operations, managing over USD 20 Billion in a complex International geography spreading across continents - akin to heading a large sized bank in India. He has varied experience in the entire banking industry - almost all facets of banking businesses both in domestic and international markets viz. Retail, SME, Corporate, Project Finance, International Business, Risk, Policy, BIU etc. apart from handling 8 regulators across various markets in Asia, MENA. He had represented the bank in the board of CIBIL, in the Risk advisory board of VISA for Asia Pacific. Before joining the ICICI Bank Ltd., he has also worked for GE Capital TFS Ltd., SRF Finance Ltd., Spartek Emerging Fund and Canbank Venture Capital Fund and Spic Ltd.
Directorship in other Companies	Nil
Membership of Committees in Public Limited Companies	NA
Shareholding in the Bank as on 31 st March, 2020	Nil
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	Nil
Details of the remuneration last drawn	NA
Number of Meetings of the Board attended during the year	NA
Chairman/member of the Committee of the Board of Directors of this Company	Nil
Terms and conditions of appointment/ reappointment including remuneration	Detailed under explanatory statement of Item No. 6 Appointment of Mr. Murali Ramakrishnan (DIN : 01028298), as Managing Director and Chief Executive Officer of this notice.

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Resume of Directors seeking ratification at the 92nd 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 (66 years)
Date of first appointment on Board	16 th January, 2014
Qualifications	M.A. Economics, CAIIB
Brief Resume including 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. 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.
Nature of his expertise in specific functional area	Sri Gangadharan, has substantial exposure in the fields of Banking, Currency Management, HR, Payment System, Treasury Management and Financial Markets.

Directorship in other Companies	NSE Clearing Limited - Public Interest Director Kerala Infrastructure Investment Fund Board - Independent Director
Membership of Committees in other Companies	NSE Clearing Limited a) Standing Committee on Technology - Chairman b) Regulatory Oversight Committee - Member c) Risk Management Committee - Chairman d) Public Interest Director Committee - Member e) Audit Committee - Member f) Independent Directors' Committee - Member
Shareholding in the bank as on 31 st March, 2020	20,000 shares
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	Nil
Details of the remuneration last drawn	Honorarium - ₹6,00,000.00 Sitting fees - ₹22,20,000 for attending Board and Committee Meetings
Number of Meetings of the Board attended during the year	9
Chairman/member of the Committee of the Board of Directors of this Company	Management Committee - Chairman Capital Planning & Infusion Committee - Chairman Nomination & Remuneration Committee - Member Risk Management Committee - Member Special Committee of Board for monitoring and follow up of Frauds - Member IT Strategy Committee - Member
Terms and conditions of appointment/ reappointment including remuneration	Appointed as Non-Executive Director liable to retire by rotation. He is eligible for a honorarium of ₹50,000/- per month and sitting fees for attending the Board and its Committee Meetings as approved by the Board subject to the provisions of the applicable laws

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
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. 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

ANNEXURE TO THE DIRECTORS' REPORT

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
91 st Annual General Meeting	Wednesday, July 17, 2019 at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. To appoint Ms. Ranjana S Salgaocar (DIN: 00120120) as an Independent Director 2. To appoint Mr. Parayil George John Tharakan (DIN: 07018289) as an Independent Director 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 5. Amendments in the Object Clause of the Memorandum of Association of the Bank

During the year, all recommendations of the Board of Directors were accepted by the Shareholders of the Bank in respect of special businesses mentioned in the 91st Annual General Meeting notice.

Postal Ballot

During the year under review, no resolution was passed through postal ballot. Currently, no resolution is proposed to be passed through postal ballot. However, if required, the same shall be passed in compliance of provisions of Companies Act, 2013, Listing Regulations or any other applicable laws.

5. POLICIES, AFFIRMATION AND 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) 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>)

C) 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 and Ethics is displayed on the website of the Bank (<https://www.southindianbank.com/content/viewContentLvl1.aspx?LinkIdLvl2=215 & LinkIdLvl3=250 & linkId=250>).

D) 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's shares by the Directors and the designated employees while in possession of unpublished price sensitive information

ANNEXURE TO THE DIRECTORS' REPORT

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>

E) Internal Controls

The Bank has a system of internal control which examines both the financial effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory/regulatory compliances.

F) Whistle Blower Policy

The 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 and no personnel has been denied access to 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

G) Details of non-compliance by the Bank

The Bank has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Bank by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

H) Disclosure on compliance with Corporate Governance Requirements specified in Listing Regulations

The Bank has complied with the requirements of Part C (Corporate Governance Report) of Sub-Paras (2) to (10) of Schedule V of the Listing Regulations. 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 of the Listing Regulations and necessary disclosures thereof have

been made in this Corporate Governance report, to the extent applicable.

I) Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

To monitor Foreign Exchange risk, the Bank has envisaged Forex VaR and AGL which are being monitored on daily basis by Risk Management department. Bank also has Investment, Forex and Derivative Policies 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.

The Bank hedges its foreign currency position using derivatives including SWAPs and outright Forwards. Bank is not involved in commodity trading and its hedging activities.

J) Dividend Distribution Policy

To bring transparency in the matter of declaration of dividend and to protect the interests of investors, the Bank has in place a Dividend Policy. The Dividend Distribution Policy of the Bank is in line with Regulation 43A of the Listing Regulations and the Companies Act, 2013 which has been displayed on the Bank's website, www.southindianbank.com, and is also available in the Directors Report which forms part of the Annual Report.

K) Utilization of funds raised through Preferential Allotment or Qualified Institutions Placement

During the year under review, no funds were raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of Listing Regulations.

L) Certificate from Company Secretary in Practice regarding disqualification of Directors

In terms of Clause 10(i) of Para C of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Secretarial Auditors of the Bank, M/s SVJS & Associates, Practicing Company Secretaries have issued a certificate that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Board/Ministry of Corporate Affairs or any such statutory authority. The same is placed at the end of this report.

M) Recommendations of Committee(s) of the Board of Directors

During the year, all recommendations of Committee(s) of the Board of Directors, which are mandatorily required, were accepted by the Board.

N) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Kindly refer to relevant disclosures in the Directors' Report which forms part of the Annual Report 2019-20.

ANNEXURE TO THE DIRECTORS' REPORT

O) Credit Ratings and Change/Revisions in Credit Ratings for Debt Instruments

Rating of various debt instruments and Deposits:

Instrument Type	Amount outstanding (₹ in crores)	CARE Ratings	India Ratings & Research (A Fitch group company) Ratings/Outlook
Lower Tier II Bonds*	200	CARE A+ (Single A Plus; Outlook: Negative)	Withdrawn
Tier II Bonds (Basel III Compliant)	300	CARE A+ (Single A Plus; Outlook: Negative)	IND A / Negative
Tier II Bonds (Basel III Compliant)	490	CARE A+ (Single A Plus; Outlook: Negative)	IND A / Negative
Tier II Bonds (Basel III Compliant)	250	CARE A+ (Single A Plus; Outlook: Negative)	IND A / Negative
Tier I Bonds (Basel III Compliant)	500	-	IND A- / Negative

*Redeemed on April 20, 2020

Short Term Ratings

Instrument Type	Ratings
Certificate of Deposits	CARE A1+ (A One Plus)
Short Term Fixed Deposits	CRISIL A1+ (A One Plus)

During the financial year 2019-20, CARE Ratings Ltd. has revised the rating from CARE A+ ; Stable (Single A plus, Outlook: Stable) to CARE A+; Negative (Single A plus, Outlook: Negative) and India Ratings and Research Pvt. Ltd. revised the rating from IND A+/Stable to IND A+/Negative.

Further on August 21, 2020, India ratings and Research Pvt. Ltd. has revised the long term issuer rating of the Bank from IND A+/Negative to IND A/Negative. The rating of Basel III Tier 2 debt has been revised from IND A+/Negative to IND A/Negative and Basel III AT1 perpetual bonds from IND A / Negative to IND A- / Negative.

P. Fees paid to Statutory Auditors

The total fees incurred by the Bank on services rendered by the Statutory Auditor M/s Varma and Varma, is given below

Fee paid#	Amount (in lakhs)
Statutory audit/Limited review	35.00
Certification and other attestation charges	10.00
Non-Audit services	0.00
Total	45.00

#Excluding the branch audit fee and out of pocket expenses

6. MEANS OF COMMUNICATION

A. Financial Results

The quarterly, unaudited and annual audited financial results were published in any of the nationally circulated newspaper in English, viz. Business Line/Business Standard/Financial Express and in the regionally circulated Malayalam daily Deepika. Official press releases, presentations made to the media, analysts, institutional Investors, the financial results, etc. are displayed on the Bank's website, www.southindianbank.com.

B. Annual Report

Physical copy of the Annual Report for FY 2018-19, containing interalia, details of the Audited Financial Statements, Director's Report (including Management Discussion and Analysis and

Corporate Governance Report) was sent to all shareholders who had not registered their email ids for the purpose of receiving documents/communication from the Bank in electronic mode and is also available at the Bank's website.

C. Website

The Bank's website, www.southindianbank.com contains a separate section 'Investor Desk' for use of investors. The quarterly, half yearly and annual financial results, official news releases and presentations made to institutional Investors and to analysts are promptly and prominently displayed on the website. Annual Reports, Quarterly Corporate Governance Report, Shareholding Pattern and other Corporate Communications made to the Stock Exchanges are also available on the website. The 'Investor Desk' section provides the details of unclaimed dividends warrants for dividends declared upto the financial year ended 31.03.2019, to help shareholders to claim the same. In addition various downloadable forms required to be executed by the shareholders have also been provided on the website.

D. Communication to Shareholders on e-mail

Documents like Notices, Annual Report etc. are sent to the shareholders at their email address, as registered with their Depository Participants/ Company/ Registrar and Transfer Agents (RTA). This helps in prompt delivery of document, reduce paper consumption and avoid loss of documents in transit. Members who have not yet registered their email id (including those who wish to change their already registered email id) may get the same registered/updated either with their depositories or by writing to the Bank/RTA.

E. Reminders to Shareholders

Reminders for claiming unclaimed shares lying with the Bank which are liable to be transferred to the Investor Education and Protection Fund Authority are sent to the Shareholders as per Bank records.

F. NEAPS (NSE Electronic Application Processing System) and BSE Listing centre

NSE and BSE have developed web based applications for Corporates. All compliances like financial results, Shareholding

ANNEXURE TO THE DIRECTORS' REPORT

Pattern and Corporate Governance Report, etc. are filed electronically on NEAPS/BSE Listing centre.

G. SCORES (SEBI complaints redressal system)

SEBI processes investor complaints in a centralized web based complaints redressal system i.e., SCORES. Through this system a shareholder can lodge complaint against a Company for his grievance. The Company uploads the action taken on the complaint which can be viewed by the shareholder. The Company and shareholder can seek and provide clarifications online through SCORES.

6. GENERAL SHAREHOLDER INFORMATION

92 nd Annual General Meeting	Date	29 th September, 2020
	Day	Tuesday
	Time	11.00 a.m.
	Venue	Via VC/OAVM
Financial year		2019-20
Book closure date		Wednesday, the 23 rd day of September, 2020 to Tuesday, the 29 th day of September, 2020 (both days inclusive)
Dividend Payment		Nil Reserve Bank of India vide its circular dated April 17, 2020, has directed that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic.
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

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

- 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
- The BSE Ltd. (Stock Code: 532218)

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
Phones : (022) 22721233/4, Fax : (022) 22721919.

Bank's Stock Exchange Code

BSE Scrip Code : 532218
NSE Symbol : SOUTHBANK
ISIN Code : INE683A01023

The listing fees payable to the Stock Exchanges for the financial year 2020-21 have already been remitted.

The Bank has paid the custodial fees to the NSDL and CDSL as per the SEBI Circular CIR/MRD/DP/05 2011 dated April 27, 2011 for the year 2020-21.

LISTING OF OTHER SECURITIES

The Bank had listed the following Bonds in BSE Ltd. and their Stock Code are as under:

- Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds issued on 20.08.2009 (Stock Code: 946254) – Redeemed on 20.04.2020.
- Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures issued on 30.09.2015 (Stock Code: 952810).
- Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures issued on 28.11.2017 (Stock Code: 957189).
- Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures issued on 26.03.2019 (Stock Code: 958670).
- Non-convertible, Fully Paid-Up, Unsecured, Perpetual, Basel III compliant Tier 1 Bonds in the nature of debentures (Stock Code: 959209)

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

Equity Evolution during the year

As at March 31, 2020, the paid-up share capital of the Bank was ₹180,97,22,151/- consisting of 180,97,22,151 equity shares of ₹1/- each. During the year under review, the Bank has issued 40,000 shares pursuant to exercise of ESOS.

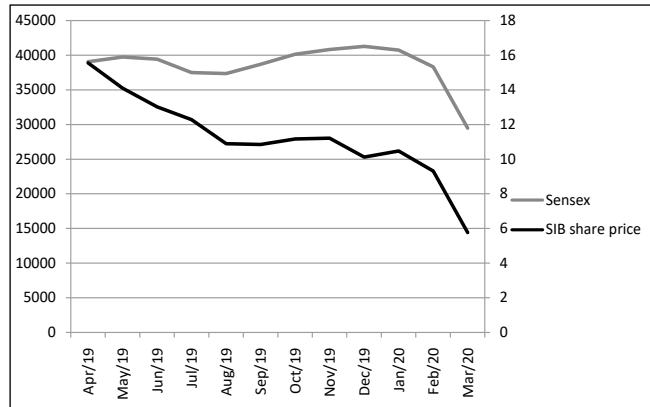
The Market Price Data of Bank's Shares

The monthly high and low prices of the Bank's shares traded on the National Stock Exchange of India Ltd. (NSE), Mumbai and BSE Ltd. (BSE), Mumbai during the period April 2019 to March 2020 are as under:

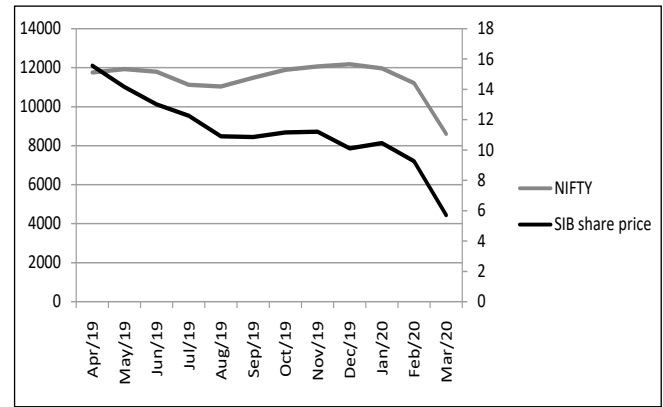
MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	17.55	15.55	17.60	15.55
May	16.15	13.20	16.15	13.20
June	14.30	12.95	14.25	12.95
July	13.31	12.28	13.30	12.25
August	12.05	10.49	12.00	10.50
September	12.13	10.61	12.15	10.60
October	11.16	9.95	11.15	9.95
November	11.65	10.65	11.65	10.65
December	11.02	10.09	11.00	10.05
January	11.19	10.16	10.15	11.20
February	10.33	9.31	10.30	9.25
March	9.00	4.97	9.00	4.95

ANNEXURE TO THE DIRECTORS' REPORT

Performance of the South Indian Bank Equity Shares relative to S&P BSE SENSEX during FY 2019-20



Performance of the South Indian Bank Equity Shares relative to NSE Nifty during FY 2019-20.



DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2020

CATEGORY (NO. OF SHARES)	PHYSICAL			DEMAT		
	NO. OF HOLDERS	SHARES	% OF SHARE- HOLDING	NO. OF HOLDERS	SHARES	% OF SHARE- HOLDING
UP TO – 100	2862	43848	0.00	130645	5704689	0.32
101 – 200	1948	252685	0.01	43038	7414755	0.41
201 – 500	2330	836172	0.05	68411	26333540	1.46
501 – 1000	2563	1777496	0.10	54501	46239673	2.56
1001 – 5000	20088	37905305	2.09	80642	193547949	10.69
5001 – 10000	1227	9000652	0.50	15749	118141047	6.53
10001 – 50000	753	14065046	0.78	13371	280651090	15.51
50001 & ABOVE	85	11230483	0.62	2433	1056577721	58.38
TOTAL	31856	75111687	4.15	408790	1734610464	95.85

Total number of shareholders both physical and electronic put together is 440646

MEMBERS' PROFILE AS ON MARCH 31, 2020 IS AS UNDER

Sl. No.	CATEGORY	SHARES		TOTAL SHARES	% OF SHARE- HOLDING
		PHYSICAL	DEMAT		
1	RESIDENT INDIVIDUALS	62564977	941538808	1004103785	55.48
2	INDIAN FINANCIAL INSTITUTIONS	0	63698890	63698890	3.52
3	FOREIGN INSTITUTIONAL INVESTOR				
4	NON-RESIDENT INDIANS	9273033	163222487	172495520	9.53
5	BODIES CORPORATES	2792515	99091438	101883953	5.63
6	DIRECTORS & RELATIVES	480696	1717654	2198350	0.12
7	MUTUAL FUNDS	0	64062568	64062568	3.54
8	TRUSTS	0	47792	47792	0.00
9	BANKS	0	3149334	3149334	0.17
10	CLEARING MEMBERS	0	9772254	9772254	0.54
11	HUF	466	29491389	29491855	1.63
12	FOREIGN PORTFOLIO INVESTOR (CORP)	0	345673973	345673973	19.10
13	FOREIGN PORTFOLIO INVESTOR (INDV)	0	136548	136548	0.01
14	FOREIGN NATIONALS	0	262100	262100	0.01
15	ALTERNATIVE INVEST FUND	0	1128700	1128700	0.06
16	IEPF AUTHORITY MCA	0	7603649	7603649	0.42
17	QIB	0	4012880	4012880	0.22
	GRAND TOTAL	75111687	1734610464	1809722151	100.00

ANNEXURE TO THE DIRECTORS' REPORT

Shareholders holding more than 1% as on March 31, 2020

SL. NO.	DP.CL.ID	NAME OF THE SHAREHOLDER/S	SHARES AS ON 31-03-2020	%
1	1203280000374484	YUSUFFALI MUSALIAM VEETIL ABDUL KADER	90059249	4.98
2	IN30005410064063	LAVENDER INVESTMENTS LIMITED	88836000	4.91
3	IN30016710081475	PEAR TREE POLARIS FOREIGN VALUE SMALL CAP FUND	65356800	3.61
4	IN30081210000012	LIFE INSURANCE CORPORATION OF INDIA	58319232	3.22
5	IN30012611220752	ICICI PRUDENTIAL BANKING AND FINANCIAL SERVICES FUND	44160076	2.44
6	IN30005410024287	ACACIA BANYAN PARTNERS	31210267	1.72
7	IN30154916191396	ASHISH DHAWAN	28000000	1.55
8	IN30005410013042	ACACIA PARTNERS~LP	24985520	1.38
9	IN30005410013034	ACACIA INSTITUTIONAL PARTNERS~LP	20700000	1.14

SHARE TRANSFER SYSTEM

The Bank has appointed M/s BTS Consultancy Services Private Limited, Chennai as its Share Transfer Agents and the share transfer/transmission; dividend payments and all other investor related matters are attended to and processed at the office of Share Transfer Agents of the Bank. The Share Transfer Agents, after processing the requests of investors, put up the same to the Bank's officers 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. Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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.

All share transfers are completed within statutory time limit from the date of receipt, provided the documents meet the stipulated requirement of statutory provisions in all respects. The Bank obtains, from a company secretary in practice, half yearly certificate of compliance with the share transfer/transmission or transposition of securities formalities as required under Regulation 40(9) of the Listing Regulations, and the Bank files a copy of the same with the Stock Exchanges.

An independent firm of practicing Company Secretaries carries out the Reconciliation of Share Capital Audit as mandated by SEBI, and reports on the reconciliation of total issued and listed Capital with that of total share capital admitted/held in dematerialized form with NSDL and CDSL and those held in physical form. This audit is carried out on quarterly basis and the report thereof is submitted to the Stock Exchanges, where the Bank's shares are listed.

REGISTRARS AND SHARE TRANSFER AGENT

SEBI vide Regulation 7 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Listing Regulations), has mandated that where the total number of security holders of

the Company exceeds one lakh, the Company shall register with SEBI as a Category II Share Transfer Agent for all work related to share registry or appoint a Registrar to an Issue and Share Transfer Agent registered with SEBI. The Bank had appointed M/s BTS Consultancy Services Private Limited as its RTA for both segments, physical and electronic, much before this was mandated by SEBI.

As required under Regulation 7(3) of the Listing Regulations, the Bank files, on half yearly basis, certificate issued by RTA and compliance officer of the company certifying that all activities in relation to both physical and electronic share transfer facility are maintained by RTA registered with SEBI i.e., M/s BTS Consultancy Services Private Limited.

Address of the Share Transfer Agent:

BTS Consultancy Services Pvt. Ltd.
M S Complex, 1st Floor,
No.8, Sastri Nagar,
Near 200 Feet Road/RTO Kolathur,
Kolathur, CHENNAI – 600 099
Tel. : 044-25565121
Fax : 044-25565131
E-mail : ramesh@btsindia.co.in
helpdesk@btsindia.co.in

DEMATERIALISATION OF SHARES AND LIQUIDITY

The Equity Shares of the Bank have been allotted International Securities Identification Number (ISIN) INE683A01023. As at the end of March 2020, 1734610464 (95.85%) shares of the Bank have been converted into dematerialized form and 75111687(4.15%) 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.

ANNEXURE TO THE DIRECTORS' REPORT

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 ₹1,19,43,809.00 for the financial year 2011-12 has already transferred to the fund on 29.07.2019 and dividend for the financial year ended March 31, 2013 was also transferred to IEPF after the due date i.e. July 28, 2020. 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, 2013 have already been transferred to the IEPF.

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/divident/Divident.aspx?id=1&linkId=672> Accordingly, the details of such unpaid/unclaimed amounts alongwith their respective due dates for transfer to IEPF are provided for the benefit of investors. The Shareholders may please claim their unclaimed/unpaid amount due to them by making a request to the Company giving their particulars before the same are transferred to the IEPF.

Dates for Transfer of Unclaimed Dividend to Investors Education and Protection Fund (IEPF)

Pursuant to Section 124 of the Companies Act, 2013, final dividend for the financial year 2011-12 amounting to ₹1,19,43,809.00 and ₹1,33,25,362.00 pertaining to the financial year 2012-13, which remained unpaid/unclaimed for a period of seven years from the date it was lying in the unpaid dividend account, has been transferred by the Bank to the

Investors Education and Protection Fund (IEPF) of the Central Government on 29.07.2019 and 29.07.2020 respectively.

The dividend for following years (see table below), which remains unclaimed for seven years from the date it is lying in the unpaid dividend account of the Bank, will be transferred to the IEPF in accordance with the schedule given below. Shareholders who have not encashed their dividend warrants relating to the dividends specified below are requested to immediately send their request for issue of duplicate warrants/for credit to their bank account with requisite documents. The details of dividends specified below are available on the website of the Bank, www.southindianbank.com. Once unclaimed dividends are transferred to IEPF, no claim shall lie in respect thereof with the Bank. However, shareholders may claim their unclaimed amount as per the procedures/guidelines issued by the Ministry of Corporate Affairs (MCA). For details, Investors can visit the website of IEPF Authority viz., www.iepf.gov.in.

Sl. No.	Financial Year	Type of Dividend	Dividend %	Date of declaration	Due date for transfer to IEPF
1	2013-14	Final	80	16.07.2014	15.08.2021
2	2014-15	Final	60	15.07.2015	15.08.2022
3	2015-16	Final	50	08.07.2016	07.08.2023
4	2016-17	Final	40	11.07.2017	10.08.2024
5	2017-18	Final	40	11.07.2018	11.08.2025
6	2018-19	Final	25	17.07.2019	15.08.2026

Mandatory Transfer of Shares to Demat Account of Investors Education and Protection Fund Authority (IEPFA) in case of unpaid/unclaimed dividend on shares for a consecutive period of seven years

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 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 2011-12 has been transferred by the Bank to the DEMAT Account of the authority on 19th August 2019. Further, all shares in respect of which dividend has not been paid or claimed for seven consecutive years from the financial year 2012-13 has been transferred by

ANNEXURE TO THE DIRECTORS' REPORT

the Bank to the DEMAT Account of the authority on 29th July 2020.

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.

Compliance with Secretarial Standards

The Bank is in compliance with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013 for FY 2019-20.

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

The Bank has complied with all applicable mandatory requirements of the Listing Regulations during the financial year 2019-20. Quarterly compliance report on Corporate Governance, in the prescribed format, duly signed by the compliance officer is submitted regularly with the Stock Exchanges where the shares of the Bank are listed. The required disclosures under SEBI (LODR) Regulations, 2015 are detailed under various portions of Directors Report and Corporate Governance Report and compliance has been ensured. 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 2020 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

A. The Board

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

B. Modified Opinion(s) in Audit Report

The auditors have expressed an unmodified opinion on the financial statements of the Bank.

C. 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.

8. 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

(V G MATHEW)

MANAGING DIRECTOR & CEO

DIN : 05332797

Place : Thrissur

Date : September 4, 2020

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, 2020 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 : Thrissur
Date : June 26, 2020

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, 2020.

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, 2020 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 17, 2019;
 - v. Obtained and read the minutes of the Board of Directors and the committees of the Board of Directors, held on April 1, 2019 to March 31, 2020 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, 2020.

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
04.09.2020

Sd/-
CS Vincent P D
Managing Partner
FCS: 3067, CP No.: 7940
UDIN : F003067B000660405

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 – 680 001
 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 Quarters, T B Road, Thrissur – 680 001, 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, 2020** 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	Sri Salim Gangadharan	06796232	16.01.2014
2	Sri 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 Georg 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
 04.09.2020

Sd/-
CS Vincent P D
 Managing Partner
 FCS: 3067, CP No.: 7940
 UDIN : F003067B000660383

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 financial statements of The South Indian Bank Limited ('the Bank'), which comprise the Balance Sheet as at March 31, 2020, 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 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 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking Companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2020, and 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) 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 Note No. A.12.1 of Schedule 18 of the accompanying Financial Results, regarding the impact of COVID-19 pandemic and the adjustments made in the accounts for the year ended March 31, 2020 on account of the same. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic which would depend on several factors including the steps taken by the Governments, Reserve Bank of India (RBI) and the bank to mitigate the same.

Our opinion is not modified 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, 2020. 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.

Description of Key Audit Matters

	Key Audit Matters	How our audit addressed the Key Audit Matters
(i)	Classification of Advances, Income Recognition, Identification and provisioning for non-performing Advances (Refer Note 3 of Schedule 17 and Note A 9 of Schedule 18 to the financial statements)	
	<p>Advances include Bills purchased and discounted, Cash Credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances.</p> <p>The Reserve Bank of India ('RBI') prescribes the prudential norms for income recognition, asset classification and provisioning of Non-performing assets (including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning) (IRACP Norms) and prescribes the minimum provision required for such assets including the additional provisions on advances considering the current uncertain economic environment arising out of COVID-19 pandemic.</p>	<p>Our audit approach/procedures towards advances with reference to the prudential norms for income recognition, asset classification and provisioning of Non-performing assets (IRACP norms) and other related circulars/directives issued by the Reserve Bank of India (RBI) and also internal policies and procedures of the Bank includes the following:</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 (IRACP Norms) including the additional provisions made on advances considering the current uncertain economic environment arising out of COVID-19 pandemic.

INDEPENDENT AUDITOR'S REPORT

	Key Audit Matters	How our audit addressed the Key Audit Matters
	<p>The identification of performing and non-performing advances involves establishment of proper mechanism and 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') 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 ₹3261.77 crores (2019: ₹3131.67 crores) and non-performing asset provision of ₹1080.18 crores (2019: ₹937.82 crores).</p> <p>Significant judgements and estimates for 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 IRACP 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 (including additional provisions considering the current situation arising out of COVID-19 pandemic) requires proper mechanism and significant level of estimation and given its significance to the overall audit, we have ascertained identification of NPAs and provisioning of advances as a key audit matter.</p>	<ul style="list-style-type: none"> – Understanding, evaluation and testing the design and operating effectiveness of key controls (including application controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI. – Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: <ul style="list-style-type: none"> (a) Considering testing of the exception reports generated from the application systems where the advances have been recorded. (b) 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. (c) Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors. (d) 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. (e) Considering audit reports and memorandum of changes issued by statutory branch auditors. (f) Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. (g) 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. (h) Examination of advances including stressed advances on a sample basis with respect to compliance with the RBI Master Circulars/Guidelines. <p>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 IRACP norms. We recomputed the provision for NPA after considering the key input factors and compared our measurement outcome to that prepared by management.</p>
(ii)	Classification and Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 2 of Schedule 17 to the financial statements)	
	<p>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. These are governed by the circulars and directives of the RBI. These directions of RBI, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments.</p>	<p>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular,</p>

INDEPENDENT AUDITOR'S REPORT

	Key Audit Matters	How our audit addressed the Key Audit Matters
	<p>Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.</p> <p>Investments classified as HTM are carried at amortised cost. Where in the opinion of management, a diminution, other than temporary, in the value of investments has taken place, appropriate provisions are made.</p> <p>Investments classified as AFS and HFT are marked-to-market on a periodic basis as per the relevant RBI guidelines.</p> <p>The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.</p> <p>Considering the complexities and extent of judgement involved in the valuation, volume of transactions, investments on hand and degree of regulatory focus, this has been determined as a Key Audit Matter. Accordingly, our audit was focused on valuation of investments, classification, identification of non-performing investments and provisioning related to investments.</p>	<p>a. We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs and provisioning/depreciation related to investments;</p> <p>b. We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments;</p> <p>c. For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security. Samples were selected after ensuring that all the categories of investments (based on nature of security) were covered in the sample;</p> <p>d. We assessed and evaluated the process of identification of NPIs and corresponding reversal of income and creation of provision;</p> <p>e. We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained in accordance with the RBI Circular for those selected sample of NPIs;</p> <p>f. We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.</p>
(iii)	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 ₹801.56 crores (2019: ₹700.22 crores), and gratuity provision of ₹232.65 crores (2019: ₹216.44 crores). Further, it has also provided for provision towards wage revision in anticipation towards negotiation between Banks and its employees in the current financial year. 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> <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>– 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.</p> <p>– We also tested the controls associated with the actuarial assumptions setting process and the measurement of the fair value of the schemes' assets.</p> <p>– 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.</p> <p>– 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.</p>

INDEPENDENT AUDITOR'S REPORT

	Key Audit Matters	How our audit addressed the Key Audit Matters
	Considering the significant level of judgements and estimates and the materiality involved, we have included this as a Key Audit Matter.	<ul style="list-style-type: none"> – We verified 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.
(iv)	Information Technology ('IT') Systems and Controls for financial reporting	
	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 ensure that IT dependent and application-based controls are operating effectively. Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a Key Audit Matter.	<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.
(v)	Provisions and Contingent Liabilities (Refer Note 14 of Schedule 17 to the financial statements)	
	<p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the financial statements).</p> <p>There is high level of judgement required in estimating the level of provisioning. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from legal and independent tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of these matters which requires application of judgment in interpretation of law. Accordingly, our audit was focused on analysing the facts of subject matter under consideration and judgments/interpretation of law involved.</p>	<p>Our audit approach/procedures involved:</p> <ul style="list-style-type: none"> – Obtaining an understanding of internal controls relevant to the audit in order to design our audit procedures that are appropriate in the circumstances; – Understanding the current status of the litigations/tax assessments; – Examining recent orders and/or communication received from various tax authorities/judicial forums and follow up action thereon; – Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal/tax advice including opinion of our internal tax experts; – Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and – Verification of disclosures related to significant litigations and taxation matters.

INDEPENDENT AUDITOR'S REPORT

	Key Audit Matters	How our audit addressed the Key Audit Matters
(vi)	Modified Audit Procedures carried out in light of COVID-19 outbreak:	
	<p>Due to COVID-19 pandemic, Nation-wide lockdown and travel restrictions imposed by Central/State Government/Local Authorities during the period of our audit and the RBI directions to Bank to facilitate carrying out audit remotely wherever physical access was not possible, audit could not be conducted by visiting the premises of certain Branches of the bank. Accordingly, our audit procedures were modified to carry out the audit remotely.</p> <p>As we could not fully gather audit evidence in person/physically/through discussions and personal interactions with the officials at the Branches, we have identified such modified audit procedures as a Key Audit Matter.</p>	<p>Due to the outbreak of COVID-19 pandemic that caused nation-wide lockdown and other travel restrictions imposed by the Central and State Governments/local administration during the period of our audit, we could not travel to certain Branches of the bank to carry out the audit processes physically at the respective offices.</p> <p>Wherever physical access was not possible, necessary records/reports/documents/certificates were made available to us by the Bank through digital medium, emails and remote access to CBS and other relevant application software. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period.</p> <p>Accordingly, we modified our audit procedures as follows:</p> <ul style="list-style-type: none"> – Conducted verification of necessary records/documents/CBS and other Application software electronically through remote access/emails in respect of some of the Branches of the Bank wherever physical access was not possible. – Carried out verification of scanned copies of the documents, deeds, certificates and the related records made available to us through emails and remote access over secure network of the Bank. – Making enquiries and gathering necessary audit evidence through Video Conferencing and discussions over phone calls/conference calls, emails and similar communication channels.

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 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 and cash flows of the Bank in accordance with the 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 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the 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

INDEPENDENT AUDITOR'S REPORT

judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management and Board of Directors are 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 Board of Directors 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 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, 2020 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.

Other Matters

- (i) We did not audit the financial statements of 855 branches included in the financial statements of the Bank whose financial statements reflect total assets of ₹84796.67 crores as at March 31, 2020 and total revenue of ₹4804.42 crores for the year ended on that date, as considered in

INDEPENDENT AUDITOR'S REPORT

the financial statements. The financial statements of these branches have been audited by the branch auditors whose reports have been furnished to us, and in our opinion in so far as it relates to the amounts and disclosures included in respect of branches, is based solely on the report of such branch auditors.

- (ii) The financial statements of the Bank for the year ended March 31, 2019 was audited by another auditor whose report dated May 9, 2019 expressed an unmodified opinion on those financial statements.

Our opinion is not modified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

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 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, 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 purposes of our audit.

Further, 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 purpose 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 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 of the Bank 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- f) On the basis of written representations received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 A" to this report;
- h) In our opinion, the entity being a banking company, the remuneration to its directors during the year ended March 31, 2020 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 Sl. No. 1 of Note 9 under Schedule 18.B 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 Note 10 under Schedule 18.B to the financial statements; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For **Varma & Varma**
Chartered Accountants
ICAI Firm Registration No.004532S

V Sathyanarayanan
Partner

Kochi
June 26, 2020

Membership No.021941
ICAI UDIN : 20021941AAAAFF9918

**ANNEXURE A 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 Over Financial Reporting with reference to financial statements
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 with reference to financial statements of The South Indian Bank Limited ('the Bank') as at March 31, 2020 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 over Financial Reporting

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 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, both 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 Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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 authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 with reference to financial statements, 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 with reference to financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, 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 **Varma & Varma**
Chartered Accountants
ICAI Firm Registration No.004532S

V Sathyanarayanan
Partner

Kochi
June 26, 2020

Membership No.021941
ICAI UDIN : 20021941AAAAFF9918

BALANCE SHEET AS AT MARCH 31, 2020

		Schedule No.	As at March 31, 2020 ₹('000)	As at March 31, 2019 ₹('000)
पूँजी और देयताएं	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	1,809,722	1,809,682
कर्मचारी स्टोक विकल्प (अनुदान)	Employees' Stock Options		25,472	17,486
बकाया	Outstanding			
आरक्षित निधियाँ और अधिशेष	Reserves and Surplus	2	52,938,283	51,543,570
निक्षेप	Deposits	3	830,338,881	804,201,181
उधार	Borrowings	4	68,932,347	49,032,033
अन्य ऋण तथा प्रावधान	Other Liabilities and Provisions	5	16,284,301	16,188,226
जोड़	TOTAL		970,329,006	922,792,178
संपत्तियाँ	ASSETS			
भारतीय रिज़र्व बैंक में नकदी अधिशेष	Cash and Balances with Reserve Bank of India	6	28,059,835	36,618,179
बैंको में अधिशेष और मांग पर तथा	Balances with banks and money at call & short notice	7	13,837,782	11,609,369
अल्प सूचना पर प्राप्त धन	Investments	8	206,252,745	190,813,789
विनिधान	Advances	9	644,394,729	626,937,446
अग्रिम	Fixed Assets	10	8,000,419	7,086,629
स्थिर आस्तियाँ	Other Assets	11	69,783,496	49,726,766
अन्य आस्तियाँ	TOTAL		970,329,006	922,792,178
जोड़	Contingent Liabilities	12	107,527,644	96,693,723
आकस्मिक ऋण	Bills for Collection		17,800,924	14,360,852
संग्रहण के लिए बिल	Significant Accounting Policies	17		
महत्वपूर्ण लेखांकन नीतियाँ	Notes on Accounts	18		
लेखा संबंधी टिप्पणियाँ				

अनुसूचियाँ ऊपर तुलन पत्र का एक अभिन्न अंग के रूप में

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

In terms of our report attached

For and on behalf of Board of Directors

For **Varma & Varma**

Chartered Accountants

ICAI Firm Registration No. 004532 S

V Sathyanarayanan

Partner

Membership No. 021941

Kochi

June 26, 2020

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

Thrissur
June 26, 2020

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)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

	Schedule No.	Year ended March 31, 2020 ₹('000)	Year ended March 31, 2019 ₹('000)
I. आय			
अर्जित व्याज	13	77,637,981	68,765,237
अन्य आय	14	10,457,503	7,262,130
जोड़		88,095,484	76,027,367
II. व्यय			
व्यय किया गया व्याज	15	54,462,991	48,568,176
परिचालन व्यय	16	17,176,138	15,069,322
उपबंध और आकस्मिक व्यय	18.A.31	15,410,459	9,914,524
जोड़		87,049,588	73,552,022
III. लाभ/हानि			
वर्ष के शुद्ध लाभ		1,045,896	2,475,345
पिछले वर्ष के अग्रणीत लाभ		2,767,313	3,540,313
विनियोग के लिये उपलब्ध लाभ		3,813,209	6,015,658
IV. विनियोग			
कानूनी आरक्षितियों को अंतरण		261,500	618,900
पूँजीगत आरक्षितियों को अंतरण		1,746,756	363,712
आयकर अधिनियम धारा 36(1)(viii) के अंतर्गत विशेष आरक्षितियों को अंतरण		-	700,000
आयकर अधिनियम धारा 36(1)(viii) के अंतर्गत विशेष आरक्षितियों को अंतरण पिछले वर्षों सहित संबंधित अस्थगित कर देयताएँ (नोट नं० 29 (सी) अनुसूची 18 को उल्लेख कीजिए)	FY 15-16	-	323,700
	FY 16-17	-	148,000
निधी उतार-चढ़ाव आरक्षितियों को अंतरण		-	221,454
प्रस्तावित लाभांश		452,421	723,800
प्रस्तावित लाभांश पर कर		92,996	148,779
अतिशेष जो आगे तुलन पत्र में ले जाया गया है।		1,259,535	2,767,313
जोड़		3,813,208	6,015,658
प्रति शेयर अर्जन (₹)			
आधार ईपीएस (₹)	18.B.2	0.58	1.37
तनुकृत ईपीएस (₹)	18.B.2	0.58	1.37
महत्वपूर्ण लेखांकन नीतियाँ	17		
लेखा संबंधी टिप्पणियाँ	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 **Varma & Varma**

Chartered Accountants

ICAI Firm Registration No. 004532 S

V Sathyanarayanan

Partner

Membership No. 021941

Kochi

June 26, 2020

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

	Year Ended March 31, 2020 ₹('000)	Year Ended March 31, 2019 ₹('000)
Cash flow from operating activities		
Net Profit as per Profit and Loss Account	1,045,896	2,475,345
Adjustments for:		
Provision for taxes (Net)	449,650	1,329,700
Depreciation	777,015	696,404
Amortisation of Premium on HTM Investments	590,381	464,422
Provision for Depreciation/Non-Performing Investments	3,181,052	1,436,529
General Provisions against Standard Assets	1,143,600	273,600
Provision/write off for Non-Performing Assets	9,959,663	6,842,962
Other Provisions	676,494	31,733
Employee stock options expense	9,783	9,851
Interest on Subordinated bonds	1,392,079	972,829
(Profit)/Loss on sale of land, buildings and other assets	(4,160)	(168)
Deferred Employee Benefits	-	204,500
Operating profit before working capital changes	(A) 19,221,453	14,737,707
Changes in working capital:		
Increase/(Decrease) in Deposits	26,137,700	83,905,244
Increase/(Decrease) in Borrowings	14,900,314	6,098,233
Increase/(Decrease) in Other Liabilities	(1,198,796)	1,642,325
(Increase)/Decrease in Investments	(4,245,300)	2,030,056
(Increase)/Decrease in Advances	(27,721,626)	(88,139,386)
(Increase)/Decrease in Other Assets	(19,248,754)	(2,123,597)
	(B) (11,376,462)	3,412,875
Cash flow from operating activities before taxes	(A+B) 7,844,991	18,150,582
Direct Taxes Paid	(1,285,039)	(1,371,335)
Net cash flow from operating activities	(C) 6,559,952	16,779,247
Cash flow from investing activities:		
Purchase of Fixed Assets/Capital Work-in-Progress	(836,126)	(978,262)
Sale of Fixed/Non-Banking Assets	26,301	3,210
(Purchase)/Sale of Investments (Held to Maturity)	(14,965,089)	(10,770,249)
Net cash flow from/(used in) investing activities	(D) (15,774,914)	(11,745,301)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

	Year Ended March 31, 2020 ₹('000)	Year Ended March 31, 2019 ₹('000)
Cash flow from financing activities:		
Proceeds from issue of share capital (including share premium)	866	16,183
Dividend paid including Corporate Dividend Tax	(545,417)	(872,579)
Interest on Subordinated bonds	(1,570,418)	(660,500)
Issue/(Repayment) of Subordinated bonds	5,000,000	2,500,000
Net cash flow from financing activities	(E) 2,885,031	983,104
Net increase/(decrease) in cash and cash equivalents	(C+D+E) (6,329,931)	6,017,050
Cash and cash equivalents as at beginning of the year	48,227,548	42,210,498
<i>(Refer note below)</i>		
Cash and cash equivalents as at the end of the year	41,897,617	48,227,548
<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 **Varma & Varma**
Chartered Accountants
ICAI Firm Registration No. 004532 S

V Sathyanarayanan
Partner
Membership No. 021941

Kochi
June 26, 2020

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Thrissur
June 26, 2020

For and on behalf of Board of Directors

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(DIN : 07018289)

V J Kurian
Director
(DIN : 01806859)

Pradeep M Godbole
Director
(DIN : 08259944)

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2020

	As at March 31, 2020 ₹('000)	As at March 31, 2019 ₹('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	1,809,722	1,809,682
180,97,22,151 Equity shares of ₹1/- each (Previous year 180,96,82,151 equity shares of ₹1/- each) (Refer Note No. A.2 of Schedule 18)		
TOTAL	1,809,722	1,809,682
Employees' Stock Options Outstanding		
Employees' Stock Options Outstanding	33,314	35,747
Less: Deferred Employee Compensation Expense (unamortised)	(7,842)	(18,261)
TOTAL	25,472	17,486
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	11,151,639	10,532,739
Additions during the year	261,500	618,900
Sub Total	11,413,139	11,151,639
II. Capital Reserve		
Opening Balance	1,782,805	1,419,093
Additions during the year*	1,746,756	363,712
Sub Total	3,529,561	1,782,805
III. Asset Revaluation Reserve		
Opening Balance	2,385,853	2,403,212
Additions - Due to Revaluation of premises	866,108	-
	3,251,961	2,403,212
Deductions during the year:		
Deduction from revaluation reserve to the extent of depreciation on revalued amount	(41,027)	(17,359)
Sub Total	3,210,934	2,385,853
IV. Share Premium		
Opening Balance	15,551,063	15,533,933
Additions during the year	922	17,130
Sub Total	15,551,985	15,551,063

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2020

	As at March 31, 2020 ₹('000)	As at March 31, 2019 ₹('000)
V. Revenue and Other Reserves		
Opening Balance	13,689,543	14,919,894
Additions during the year :		
a) lapse of vested options	1,701	10,090
b) transfer of depreciation on revaluation	41,027	17,359
c) reversal/(debit) deferred provision for Non-Banking Assets (Refer Note No. A 29 (d) of Schedule 18)	330,000	-
Deduction during the year:		
a) deferred provision for Non-Banking Assets (Refer Note No. A 29 (b) of Schedule 18)	-	(330,000)
b) appropriation towards Special reserve u/s 36 i (viii) (Refer Note No. A 29 (c) of Schedule 18)	-	(927,800)
c) deferred provision for fraud accounts (Refer Note No. A 29 (a) of Schedule 18)	(304,496)	-
Sub Total	13,757,775	13,689,543
VI. Investment Fluctuation Reserve (Refer Note No. A 3.1 (d) of Schedule 18)		
Opening Balance	221,454	-
Additions during the year	-	221,454
Sub Total	221,454	221,454
VII. Special Reserve u/s 36(1)(viii) of Income Tax Act		
Opening Balance	3,993,900	2,254,200
Additions during the year: (Refer Note No. A 29 (c) of Schedule 18)		
a) appropriation during the Year	-	700,000
b) appropriation from revenue and other reserve	-	927,800
c) appropriation from balance in profit and loss account	-	111,900
Sub Total	3,993,900	3,993,900
VIII. Balance in Profit and Loss Account	1,259,535	2,767,313
TOTAL	52,938,283	51,543,570

[i+ii+iii+iv+v+vi+vii+viii]

* Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on:

a) Gain on sale of Held to Maturity Investments ₹174.44 crore (Previous Year ₹36.36 crore)

b) Profit on sale of Fixed Assets ₹0.23 crore (Previous Year ₹0.01 crore)

SCHEDULE 3 - DEPOSITS

A. I. Demand Deposits		
(i) From Banks	98,205	172,465
(ii) From Others	31,981,053	33,146,207
II. Savings Bank Deposits	175,516,803	161,352,796
III. Term Deposits		
(i) From Banks	33,599,925	25,808,625
(ii) From Others	589,142,895	583,721,088
TOTAL	830,338,881	804,201,181
B. (i) Deposits of branches in India	830,338,881	804,201,181
(ii) Deposits of branches outside India	Nil	Nil
TOTAL	830,338,881	804,201,181

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2020

	As at March 31, 2020 ₹('000)	As at March 31, 2019 ₹('000)
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	5,520,000	-
(ii) Other Banks*	2,428,800	1,955,000
(iii) Other Institutions and Agencies#	38,533,790	33,945,000
II. Borrowings outside India - from other banks	22,449,757	13,132,033
TOTAL	68,932,347	49,032,033

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.

12,936,090

-

*Borrowings from other banks include Subordinated Debt of ₹83.36 crore (Previous year ₹145.50 crore) in the nature of Non-Convertible Debentures and Perpetual Debt of ₹159.52 crore (Previous year Nil) [Refer Note No. 18.A.1]

#Borrowings from other institutions & agencies include Subordinated Debt of ₹1,156.64 crores (Previous year ₹1,094.50 crores) in the nature of Non-Convertible Debentures and Perpetual Debt of ₹340.48 crores (Previous year Nil) [Refer Note No. 18.A.1]

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	933,046	1,719,480
II. Inter-Office adjustments (Net)	-	-
III. Interest Accrued	2,027,138	2,868,734
IV. Others (including provisions)*	13,324,117	11,600,012
TOTAL	16,284,301	16,188,226

*Includes :

Provision for standard assets ₹373.97 crore (Previous year ₹259.72 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)	4,621,363	2,740,669
II. Balances with Reserve Bank of India In Current Account	23,438,472	33,877,510
TOTAL	28,059,835	36,618,179

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2020

As at March 31, 2020 ₹('000)	As at March 31, 2019 ₹('000)
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**SCHEDULE 7 - BALANCES WITH BANKS AND
MONEY AT CALL AND SHORT NOTICE**

I. In India		
i) Balances with Banks		
(a) In Current Accounts	378,410	122,823
(b) In Other Deposit Accounts	241,967	888,644
ii) Money at call & short notice		
(a) With Banks	-	3,500,000
(b) With other Institutions	-	-
(c) Lending under Reverse Repo (RBI and Banks)	9,500,000	2,500,000
Sub Total	10,120,377	7,011,467
II. Outside India		
(a) In Current Accounts	1,532,956	186,504
(b) In Other Deposit Accounts	-	4,183,878
(c) Money at call & short notice - with banks	2,184,449	227,520
Sub Total	3,717,405	4,597,902
TOTAL	13,837,782	11,609,369

SCHEDULE 8 - INVESTMENTS (net of provisions)

I. Investments in India in:		
(i) Government Securities*	191,835,931	167,619,354
(ii) Other Approved Securities	-	-
(iii) Shares	820,429	1,675,388
(iv) Debentures and Bonds	5,934,599	9,460,660
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others#	7,659,856	12,056,575
Sub Total	206,250,815	190,811,977
II. Investments outside India - Shares	1,930	1,812
TOTAL (I+II)	206,252,745	190,813,789
A. Gross Investments		
(i) In India	213,867,869	195,247,860
(ii) Outside India	1,979	1,979
Sub Total (A)	213,869,848	195,249,839
B. Depreciation/Provision for investments		
(i) In India	7,617,054	4,435,883
(ii) Outside India	49	167
Sub Total (B)	7,617,103	4,436,050
C. Net Investments		
(i) In India	206,250,815	190,811,977
(ii) Outside India	1,930	1,812
TOTAL (A – B)	206,252,745	190,813,789

* Including Non SLR State Government bonds with Book Value
₹227.78 crore (Previous Year: ₹456.39 crore).

includes

Security Receipts	7,645,912	10,061,890
Mutual Fund	13,944	18,626
Commercial Paper	-	1,976,059
TOTAL	7,659,856	12,056,575

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2020

	As at March 31, 2020 ₹('000)	As at March 31, 2019 ₹('000)
SCHEDULE 9 - ADVANCES (net of provisions)		
A. (i) Bills Purchased and Discounted	45,874,046	53,842,248
(ii) Cash Credits, Overdrafts and Loans repayable on demand	297,828,474	287,394,029
(iii) Term Loans	300,692,209	285,701,169
TOTAL	644,394,729	626,937,446
B. (i) Secured by tangible assets (including advances against book debts)	596,888,419	573,776,833
(ii) Covered by Bank/Government Guarantees	21,666,505	20,134,829
(iii) Unsecured	25,839,805	33,025,784
TOTAL	644,394,729	626,937,446
C. I. Advances in India		
(i) Priority Sectors	272,984,839	249,665,133
(ii) Public Sector	5,860,881	3,491,634
(iii) Banks	-	-
(iv) Others	365,549,009	373,780,679
TOTAL	644,394,729	626,937,446
II. Advances outside India	Nil	Nil
TOTAL	644,394,729	626,937,446
SCHEDULE 10 - FIXED ASSETS		
I. Premises (including Land)		
Gross Block		
At cost as on March 31, of the preceding year	5,080,860	5,037,892
Additions during the year		
Due to Revaluation of premises (Net)	866,108	-
Due to purchases/acquisitions	-	42,968
	5,946,968	5,080,860
Deductions during the year	-	-
Closing Balance	5,946,968	5,080,860
Depreciation		
As at beginning of the year	534,253	494,294
Charge of the year	67,384	39,959
Depreciation to date	601,637	534,253
Net Block	5,345,331	4,546,607
Sub Total		
II. Capital Work in Progress		
At cost as on March 31, of the preceding year	318,686	385,630
Additions during the year	809,963	1,672,118
	1,128,649	2,057,748
Capitalisations during the year	886,289	1,739,062
	242,360	318,686
Depreciation to date	-	-
Sub Total	242,360	318,686

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2020

	As at March 31, 2020 ₹('000)	As at March 31, 2019 ₹('000)
III. Other Fixed Assets (Including furnitures and fixtures and Software)		
Gross Block		
At cost as on March 31, of the preceding year	6,438,429	5,474,175
Additions during the year	912,452	1,002,239
	7,350,881	6,476,414
Deductions/adjustments during the year	111,376	37,985
	7,239,505	6,438,429
Depreciation		
As at beginning of the year	4,217,093	3,595,591
Charge of the year	709,619	656,482
Deductions during the year	99,935	34,980
Depreciation/adjustments to date	4,826,777	4,217,093
Net Block	2,412,728	2,221,336
Sub Total	2,412,728	2,221,336
TOTAL (I+II+III)	8,000,419	7,086,629

SCHEDULE 11 - OTHER ASSETS

I. Inter-Office adjustments (Net)	104,186	225,899
II. Interest Accrued	9,053,703	7,030,450
III. Tax Paid in Advance/Tax Deducted at Source (Net)	4,317,815	3,628,548
IV. Deferred tax asset (net) (Refer Note No. B.4 of Schedule 18)	561,254	415,132
V. Deferred provision for fraud accounts (Refer Note No. A.29(a) of Schedule 18)	304,496	-
VI. Deferred provision for Non-Banking Asset (Refer Note No. A.29(b) of Schedule 18)	-	330,000
VII. Stationery and Stamps	38,177	41,441
VIII. Non-Banking Assets acquired in satisfaction of claims	664,171	666,952
IX. Others*	54,739,694	37,388,344
TOTAL	69,783,496	49,726,766

* Includes Priority Sector Shortfall Deposits amounting to ₹4,827.00 Crore
(Previous year ₹3,338.76 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	485,324	305,582
(ii) Indirect Tax disputes	241,740	260,683
(iii) Others	129,793	129,195
II. Liability on account of outstanding Forward Exchange Contracts ¹	76,758,016	65,276,689
III. Guarantees given on behalf of constituents in India	18,579,779	17,637,489
IV. Acceptances, endorsements and other obligations	9,848,091	11,441,186
V. Other items for which the bank is contingently liable:		
(i) Capital Commitments	243,807	643,714
(ii) Transfers to Depositor Education and Awareness Fund (DEAF)	1,241,094	999,185
TOTAL	107,527,644	96,693,723

¹ Represents notional amount

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

	Year ended March 31, 2020 ₹('000)	Year ended March 31, 2019 ₹('000)
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	61,591,660	53,964,423
II. Income on Investments	13,910,588	12,861,433
III. Interest on balances with Reserve Bank of India and Other Inter-Bank funds	399,702	355,154
IV. Others	1,736,031	1,584,227
TOTAL	77,637,981	68,765,237
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	527,291	554,282
II. Profit on sale of Investments	4,076,334	1,340,384
Loss on sale of Investments	(174,842)	(141,245)
III. Profit on sale of land, buildings and other assets	7,983	1,366
Loss on sale of land, buildings and other assets	(3,823)	(1,198)
IV. Profit/(Loss) on Exchange transactions (net)	447,488	434,443
V. Miscellaneous Income*	5,577,072	5,074,098
TOTAL	10,457,503	7,262,130
*Includes Amount written off since Recovered (₹18.48 Crore (Previous Year ₹11.79 Crore))		
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	50,524,137	45,499,000
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	947,578	387,886
III. Others	2,991,276	2,681,290
TOTAL	54,462,991	48,568,176
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	9,413,519	8,214,252
II. Rent, Taxes and Lighting	1,242,482	1,192,329
III. Printing and Stationery	133,839	168,950
IV. Advertisement and Publicity	121,089	115,719
V. Depreciation on Bank's Property	777,015	696,404
VI. Directors fees, allowances and expenses	15,674	16,070
VII. Auditors' fees and expenses (incl. branch auditors)	39,575	43,761
VIII. Law charges	123,922	75,075
IX. Postage, telegrams, telephones, etc.	408,300	418,345
X. Repairs and Maintenance	522,149	378,723
XI. Insurance	935,208	827,287
XII. Other Expenditure*	3,443,366	2,922,407
TOTAL	17,176,138	15,069,322

* Includes expenditure towards Corporate Social Responsibility ₹12.01 Crore
(Previous year : ₹12.22 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, 2020

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, 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 in the year of sale. 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 and is recognised at the time of sale to the customers.
- 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, 2020**

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 unless it is more than the face value, in which case premium on acquisition is amortised over the remaining maturity of the security on straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Treasury Bills, commercial paper 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;
 - In case of investments in security receipts on or after April 1, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.
 - 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.

**SCHEDULE – 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

D) Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

E) Short Sales

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and resultant mark-to-market gain/losses are accounted for as per the relevant RBI guidelines for valuation of investments.

F) Transfer of securities between Categories

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

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 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.
- 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

**SCHEDULE – 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
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namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country 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. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account in accordance with RBI/FEDAI Guidelines.
- c) Forward Contracts taken to hedge FCNR Deposits/ Overseas Borrowings are translated at the prevailing spot rate at the time of swap. The Premium/Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying

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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 1, 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.

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.

**SCHEDULE – 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND
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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.

20. Derivative transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are remeasured at fair value as at the Balance Sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

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, 2020 are denominated in Rupees Crore (unless specified otherwise) to conform to extant RBI guidelines.

1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per RBI guidelines. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.50% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.50% (8% including CCB) as on September 30, 2020. These guidelines on Basel III have been implemented on April 1, 2013 in a phased manner. The minimum capital required to be maintained by the bank for the year ended March 31, 2020 is 10.875% with minimum common equity Tier I (CET I) of 7.375% (including CCB of 1.875%). The Capital Adequacy Ratio of the Bank calculated as per Basel III Capital Regulations is set out below.

[₹ in Crore]

Particulars		March 31, 2020	March 31, 2019
Common Equity Tier I Capital		5,194.75	5,124.52
Tier I Capital - A		5,694.75	5,124.52
Tier II Capital - B		1,380.76	1,356.50
Total Capital - (A+B)		7,075.51	6,481.02
Total Risk Weighted Assets		52,771.05	51,402.07
Capital Ratios			
I	Common Equity Tier I Capital Ratio (%)	9.84	9.97
II	Tier I Capital Ratio (%)	10.79	9.97
III	Tier II Capital Ratio (%)	2.62	2.64
IV	Total Capital Ratio (CRAR) (%)	13.41	12.61
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 2. Employees Stock Options Scheme	Nil 0.00	Nil 1.80
VII	Amount of Additional Tier I capital raised; of which Perpetual Non-Cumulative Preference Shares (PNCPS) Perpetual Debt Instruments (PDI)	Nil 500	Nil Nil
VIII	Amount of Tier II capital raised; of which Debt Capital Instrument Preference Share Capital Instruments	Nil Nil	250 Nil

Amount reckoned for Tier II capital as per RBI guidelines is ₹1040.00 crore (Previous year ₹1080.00 crore).

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/viewContentLv11.aspx?linkIdLv12=854&LinkIdLv13=880&linkId=880>

Pillar 3 disclosures have not been subjected to audit.

Additional Tier I Bonds:

Additional Tier I Bonds outstanding and included under borrowings is as follows:

[₹ in Crore]

Borrowings in India		March 31, 2020	March 31, 2019
From Banks		159.52	0.00
From Others		340.48	0.00
Total		500.00	0.00

The Bank had raised ₹500 Crore of Basel III complied Additional Tier I Bonds during the year.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

Tier II Bonds:

Subordinated Tier II Bonds outstanding and included under borrowings is as follows:

[₹ in Crore]

Borrowings in India	March 31, 2020	March 31, 2019
From Banks	83.36	145.50
From Others	1156.64	1094.50
Total	1240.00	1240.00

Total Subordinated debt of ₹1,040 Crore (Previous Year: ₹1,080 Crore) is reckoned for Tier II capital as per RBI guidelines.

2. Capital Infusion:

During the year ended March 31, 2020, the Bank allotted 40,000 Equity Shares (Previous Year: 8,51,071 Equity Shares) aggregating to face value ₹0.40 lakhs (Previous Year: ₹8.51 lakhs) in respect of stock options exercised.

Accordingly, share capital increased by ₹0.40 lakhs (Previous Year: ₹8.51 lakhs) and share premium increased by ₹9.22 lakhs (Previous Year: ₹171.30 lakhs).

Details of movement in the paid-up equity share capital of the Bank are given below:

[₹ in Crore]

Particulars	March 31, 2020		March 31, 2019	
	No. of Shares	Amount	No. of Shares	Amount
Opening Balance	180,96,82,151	180.97	180,88,31,080	180.88
Additions pursuant to Stock Options exercised	40,000	0.00	8,51,071	0.09
Closing Balance	180,97,22,151	180.97	180,96,82,151	180.97

3. Investments

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	21,386.79	19,524.79
(b) Outside India	0.20	0.20
(ii) Provisions for Depreciation		
(a) In India	678.51	395.31
(b) Outside India	0.01	0.02
(iii) Provisions for Non-Performing Investments (NPI)		
(a) In India	83.20	48.28
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	20,625.08	19,081.20
(b) Outside India	0.19	0.18
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	395.33	342.62
(ii) Provisions made during the year	334.58	104.19
(iii) Less: Write-off/ (write back) of excess provisions during the year	51.40	51.48
(iv) Closing Balance	678.51	395.33
c. Movement of provisions held towards NPIs		
(i) Opening Balance	48.28	44.87
(ii) Provisions made during the year	51.56	39.83
(iii) Less: Write-off/ (write back) of excess provisions during the year	16.64	36.42
(iv) Closing Balance	83.20	48.28

Movements in provisions held towards depreciation on investments have been reckoned on a yearly basis.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

- 3.1. a) During the FY 2019-20, the bank has debited to profit and loss account ₹ Nil (previous year ₹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 ₹59.04 crore (Previous Year ₹46.44 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 ₹310.81 crore (Previous Year: ₹74.53 crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹174.44 crore (Previous Year ₹36.36 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.
- d) During the year, the Bank had appropriated ₹Nil (Previous Year ₹22.15 crores), 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, 2020:

[₹ in Crore]

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2020
A) Securities sold under RBI Repos				
i) Government Securities	50.00	552.00	61.04	552.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	10.00	2,450.00	345.37	950.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	10.15	1501.14	527.01	741.60
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	4.96	327.69	4.52	-
ii) Corporate Debt Securities	-	-	-	-

b) Transacted during the previous year ended March 31, 2019:

[₹ in Crore]

Particulars	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	-	-	-	-

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at March 31, 2020:

[₹ 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	234.84	201.13	-	-	-
(ii)	Fls	334.64	156.80	69.35	-	-
(iii)	Banks	21.59	4.65	4.65	-	-
(iv)	Private Corporate	282.36	234.80	89.99	20.00	74.99
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others ⁴	1,557.74	1,555.81	-	-	-
(vii)	Total Book Value of investments	2,431.17				
(viii)	Less: Provision for NPI	(83.20)				
(ix)	Less: Provision held towards depreciation	(678.51)				
	Total	1,669.45	2,153.19	163.99	20.00	74.99

¹Amounts reported under Columns 4, 5, 6 and 7 above are not mutually exclusive.

²Excludes 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.

³Excludes 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.

⁴Includes Non SLR State Government special bonds with Book Value ₹ 227.78 crore.

(ii) 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)	Fls	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

¹Amounts reported under Columns 4, 5, 6 and 7 above are not mutually exclusive.

²Excludes 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.

³Excludes 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.

⁴Includes Non-SLR State Government special bonds with Book Value ₹456.39 crore.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

[₹ in Crore]

	Particulars	March 31, 2020	March 31, 2019
A	Shares	82.24	167.72
B	Debentures & Bonds ¹	821.23	1,402.45
C	Subsidiaries/joint ventures	-	-
D	Others	765.99	1,205.66
E	Total	1,669.46	2,775.83

¹ Including Non SLR State Government special bonds with Book Value ₹227.78 crore (Previous Year: ₹456.39 crore).

(iii) Non-Performing Non SLR investments

[₹ in Crore]

	Particulars	March 31, 2020	March 31, 2019
	Opening Balance	65.41	45.41
	Additions during the year	73.30	112.67
	Reductions during the year	16.65	92.67
	Closing balance	122.06	65.41
	Total provisions held	83.20	48.28

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, 2020				March 31, 2019			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities#*	-	2,293.63	16,889.96	19,183.59	-	1,309.45	15,452.49	16,761.94
Other Approved	-	-	-	-	-	-	-	-
Shares	-	82.24	-	82.24	1.83	165.89	-	167.72
Debentures & Bonds	-	593.45	-	593.45	-	946.06	-	946.06
Others	-	765.99	-	765.99	197.61	1,008.05	-	1,205.66
Total	-	3,735.32	16,889.96	20,625.27	199.44	3,429.45	15,452.49	19,081.38

Includes Non SLR State Government Special Bonds with Book Value ₹207.48 crores (Previous Year ₹414.69 crores) under HTM and Non SLR State Government Special Bonds with Book Value ₹20.30 crores (Previous Year: ₹41.70 crores) under AFS.

*Details of Securities Pledged/Earmarked as Margin:

[₹ in Crore]

Particulars	March 31, 2020 (Face Value)	March 31, 2019 (Face Value)
Margin towards RBI LAF Repo Transactions	3875.39	1799.19
Margin towards Intraday liquidity	180.00	180.00
Margin for clearing of securities	267.00	103.00
Margin for Triparty Repo	2400.75	2370.75
Margin for Forex forward segment default fund	9.25	7.25
Margin for Forex settlement segment default fund	3.05	2.05
Margin for Securities segment default fund	5.00	5.00
Margin for Triparty segment default fund	3.00	3.00
Margin towards currency futures	21.60	21.60
Lien against Market Repo Borrowing	700.00	-
Grand Total	7465.04	4491.84

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

7. Sale and transfers to/from HTM Category

During the year ended March 31, 2020, the aggregate book value of sales and transfer of securities to/from HTM category exceeded 5% of the book value of investments held in HTM category at the beginning of the year.

The 5% threshold limit referred to above is excluding the following:

- The one time transfers of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year,
- Additional shifting of securities explicitly permitted by the Reserve Bank of India from time to time and direct sales from HTM for bringing down SLR holdings in HTM category,
- Sales to Reserve Bank of India under pre-announced open market auctions and
- Repurchase of Government Securities by Government of India from banks.

Disclosure in terms of extant RBI guidelines: -

[₹ in Crore]

Sl. No.	Particulars	Book value of securities held in HTM category	Market value of securities held in HTM category	Excess of book value over Market value of securities
1	Central Government Securities	10,670.27	10,943.74	0.00
2	State Government Securities	6,012.21	6,268.15	0.00
3	State Government – Non SLR	207.48	221.45	0.00
4	Sponsored Institutions	0.00	0.00	0.00
	Total	16,889.96	17,433.34	0.00

The market value of investments held in HTM category was ₹17,433.34 crores whereas book value is ₹ 16,889.96 crores as on March 31, 2020. The book value of investments being lower than market value, no provision is required to be made.

8. Derivatives:

Forward Rate Agreement/Interest Rate Swap

[₹ in Crore]

Particulars	Current year	Previous year
i) The notional principal of swap agreements ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements iii) Collateral required by the bank upon entering into swaps iv) Concentration of credit risk arising from the swaps v) The fair value of the swap book	Nil	Nil

Exchange Traded Interest Rate Derivatives

Sr. No.	Particulars	Current Year	Previous Year
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2020 (instrument wise)		
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument wise)		
(iv)	Mark to market value of exchange traded interest rate derivatives outstanding and not 'highly effective' (instrument wise)		

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

Disclosures on Risk Exposure in Derivatives

Qualitative Disclosure:

The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines.

These transactions expose the Bank to various risks primarily credit, market, operational, legal, and reputation. There is functional separation between the Front Office, risk and Back Office for undertaking derivative transactions. The derivative transactions are governed by the Investment, forex and derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. Risk Limits are in place for risk parameters viz. VaR, Stop Loss, Dealer Limit, Deal size limit. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis.

Bank deals in derivatives for hedging foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Transactions related to foreign exchange forwards, Currency futures etc. are marked to market (MTM) on the reporting dates and the MTM is accounted in the books. Collateral requirements for derivative transactions are determined based on usual credit appraisal process. For the purpose of credit risk mitigation, most of the deals have been contracted with Banks/ Major primary dealers and no default risk is anticipated on the deals with them.

Quantitative Disclosures:

Sl. No.	Particulars	Current Year		Previous Year	
		Currency Derivatives*	Interest rate derivatives	Currency Derivatives*	Interest rate derivatives
1	Derivatives (Notional Principal Amount)	-	-	-	-
	a) For hedging	-	-	-	-
	b) For trading	-	-	-	-
2	Marked to Market Positions	-	-	-	-
	a) Asset (+)	-	-	-	-
	b) Liability (-)	-	-	-	-
3	Credit Exposure	-	-	-	-
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	-	-	-	-

*Only Currency futures are reported in currency derivatives.

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, 2020 amounted to ₹3,077.08 crore (Previous Year ₹1,563.53 crore). For these trading contracts, on March 31, 2020, marked to market position was asset of ₹67.94 crore (Previous Year ₹60.06 crore) and liability of ₹49.01 crore (Previous Year ₹78.19 crore). The notional principal amount of foreign exchange contracts classified as hedging on March 31, 2020 amounted to ₹2,828.56 crore (Previous Year ₹806.07 crore).

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

9. Movements in non-performing advances

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
(i) Net NPAs to Net Advances [%]	3.34	3.45
(ii) Movement of NPAs (Gross)		
a) Gross NPAs as at the beginning of the year	3131.66	1980.30
b) Additions (Fresh NPAs during the Year)	1369.59	1847.86
Sub-total (A)	4501.25	3828.16
c) Less:		
i. Upgradations	159.99	273.27
ii. Recoveries (excluding recoveries made from upgraded accounts)	188.27	136.49
iii. Technical/Prudential Write-offs	838.19	216.72
iv. Write-offs other than those under (iii) above	29.32	70.02
v. Reduction by sale of Assets to ARCs	23.71	-
Sub-total (B)	1239.48	696.50
d) Gross NPAs as at the end of the year ¹	3261.77	3131.66
(iii) Movement of NPAs (Net) ²		
a) Opening Balance	2163.62	1415.80
b) Additions during the year	1115.88	1530.06
c) Reductions during the year	1128.72	782.24
d) Closing Balance	2150.78	2163.62
(iv) Movement of provisions for NPAs ³ (excluding provisions on Standard Assets)		
a) Opening Balance	937.84	541.06
b) Provisions made during the year	1091.37	709.44
c) Write-off / write back of Excess provisions	949.03	312.66
d) Closing Balance	1080.18	937.84

¹After considering technical/Prudential Write-Offs. Closing Gross NPAs before technical/Prudential Write-Offs is ₹4698.57 crore (Previous Year ₹3760.51 crore).

²Net NPA is after considering ECGC/DICGC/Insurance claim amount pending for adjustment of ₹30.80 crore (Previous Year ₹30.22 crore).

³Includes sacrifice provision on accounts classified as NPA, amounting to ₹Nil (Previous Year ₹Nil).

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

10. Particulars of Accounts Restructured as on March 31, 2020

[₹ in Crore]

Sl. No.	Type of Restructuring	Under CDR Mechanism (A)					Under SME Debt Restructuring Mechanism (B)				
	Asset Classification Details	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2019										
	No. of borrowers	1	-	1	1	3	288	4	-	1	293
	Amount outstanding	21.45	-	19.57	-	41.02	139.01	0.21	-	-	139.22
	Provision thereon	-	-	-	-	-	0.40	-	-	-	0.40
2	Fresh restructuring during the year 2019-20 ¹										
	No. of borrowers	-	-	-	-	-	98	4	-	-	102
	Amount outstanding	-	-	-	-	-	618.44	41.00	-	-	659.44
	Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year 2019-20										
	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 (2020-21)										
	No. of borrowers	1				1	23				23
	Amount outstanding	21.45				21.45	3.93				3.93
	Provision thereon	-				-	0.03				0.03
5	Downgradations of restructured accounts during the year 2019-20										
	No. of borrowers	-	-	-	-	-	(43)	36	7	-	-
	Amount outstanding	-	-	-	-	-	(15.09)	11.31	3.78	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year 2019-20 ²										
	No. of borrowers	-	-	1	1	2	-	-	-	1	1
	Amount outstanding	-	-	19.57	-	19.57	9.90	0.01	-	-	9.91
	Provision written back	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2020 ³										
	No. of borrowers	-	-	-	-	-	320	44	7	-	371
	Amount outstanding	-	-	-	-	-	728.53	52.52	3.78	-	784.82
	Provision thereon	-	-	-	-	-	0.37	-	-	-	0.37

(Contd...)

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

[₹ in crore]

Sl. No.	Type of Restructuring	Others (C)					Total (D = A+B+C)				
	Asset Classification	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details										
1	Restructured Accounts as on April 1, 2019										
	No. of borrowers	1,316	16	4	3	1,339	1,605	20	5	5	1,635
	Amount outstanding	53.31	188.54	15.44	0.01	257.30	213.77	188.75	35.01	0.01	437.54
	Provision thereon	-	-	-	-	-	0.40	-	-	-	0.40
2	Fresh restructuring during the year 2019-20 ¹										
	No. of borrowers	630	12	-	-	642	728	16	-	-	744
	Amount outstanding	72.04	0.06	-	-	72.10	690.48	41.06	-	-	731.54
	Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year 2019-20										
	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 (2020-21)										
	No. of borrowers	180				180	204				204
	Amount outstanding	2.25				2.25	27.63				27.63
	Provision thereon	-				-	0.03				0.03
	Downgradations of restructured accounts during the year 2019-20										
5	No. of borrowers	(132)	121	10	1	-	(175)	157	17	1	-
	Amount outstanding	(2.41)	(160.06)	129.01	33.47	-	(17.50)	(148.75)	132.79	33	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year 2019-20 ²										
	No. of borrowers	1	2	4	2	9	1	2	5	4	12
	Amount outstanding	1.66	26.00	15.44	0.01	43.15	11.56	26.05	35.02	0.01	72.63
	Provision written back	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2020 ³										
	No. of borrowers	1,633	147	10	2	1,792	1,953	191	17	2	2,163
	Amount outstanding	119.03	2.49	129.00	33.47	283.96	847.56	55.00	132.78	33.47	1,068.78
	Provision thereon	-	-	-	-	-	0.37	-	-	-	0.37

Asterisk denotes figure below ₹ 1,00,000/-

¹Fresh Restructuring includes fresh sanction/increase in existing accounts: Bank has undertaken restructuring during the FY 2019-20 under the natural calamity restructuring scheme and One Time Restructuring Schemes of RBI for MSMEs and the increase of ₹731.54 crore is on account of Fresh Restructuring and increase in advances in those accounts restructured in the past.

²Write off of restructured accounts includes recoveries/closure/Sale in existing accounts: Bank has written off restructured asset of ₹ 72.63 crore (Provision ₹Nil).

³The bank maintains a provision for diminution in fair value of assets amounting to ₹4.37 crore (PY ₹4.35 crore), of which assets holding ₹4.00 crore

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

(PY ₹3.95 crore) of such provision, have shown satisfactory performance as per RBI guidelines are not disclosed above.
Particulars of Accounts Restructured as on March 31, 2019

[₹ in Crore]

Sl. No.	Type of Restructuring Asset Classification Details	Under CDR Mechanism (A)			Under SME Debt Restructuring Mechanism (B)		
		Standard	Sub Standard	Doubtful	Loss	Total	Total
1	Restructured Accounts as on April 1, 2018						
	No. of borrowers	2	-	-	1	3	1
	Amount outstanding	41.46	-	-	3.52	44.98	-
	Provision thereon	0.59	-	-	-	0.59	-
2	Fresh restructuring during the year 2018-19 ¹						
	No. of borrowers	-	-	-	-	288	4
	Amount outstanding	0.07	-	-	-	139.01	0.21
	Provision thereon	-	-	-	-	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	Downgradations of restructured accounts during the year 2018-19						
	No. of borrowers	(1)	-	1	-	-	-
	Amount outstanding	(19.57)	-	19.57	-	-	-
	Provision thereon	-	-	-	-	-	-
6	Writ offs of restructured accounts during the year 2018-19 ²						
	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	3	4
	Amount outstanding	21.45	-	19.57	-	41.02	139.01
	Provision thereon	-	-	-	-	0.40	0.40

(Contd...)

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

[₹ 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	
1	Restructured Accounts as on April 1, 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
2	Fresh restructuring during the year 2018-19 ¹										
	No. of borrowers	1,316	14	-	-	1,330	1,604	18	-	-	1,622
	Amount outstanding	53.31	0.07			53.38	192.39	0.28			192.67
	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	Downgradations of restructured accounts during the year 2018-19										
	No. of borrowers	(1)		1		(2)			2		-
	Amount outstanding	(15.44)		15.44		(35.02)			35.02		-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Write offs of restructured accounts during the year 2018-19 ²										
	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
7	Restructured Accounts as on March 31, 2019 ³										
	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/-

¹Fresh restructuring includes fresh sanctions/increase in existing accounts: Bank has undertaken restructuring during the FY 2018-19 under the natural calamity restructuring scheme and onetime 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.

²Write 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).

³The Bank maintains a provision in diminution in fair value of assets amounting to ₹4.35 crore (previous year ₹5.56 crore), of which assets holding ₹3.95 crores (previous year ₹3.97 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, 2020**

11. A. Details of Financial Assets sold to Securitization / Reconstruction company for asset reconstruction

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
(i) No. of Accounts ¹	2	-
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	85.78	-
(iii) Aggregate Consideration	73.40	-
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/ (loss) over net book value	(12.38)	-

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, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Book value of investments in security receipts	1296.61	1268.48	-	-	1296.61	1268.48

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, 2020:

[₹ 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	1,238.12	58.50	-
	Provision held against (i)	518.24	14.62	-
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)		1,238.12	58.50	-

Note: In addition to the above, Bank maintains a provision of ₹15.91 crore (Previous Year ₹15.07 crore) against Security Receipts which are backed up by standard asset sold by the Bank.

(ii) 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	1,268.48	-	-
	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)		1,268.48	-	-

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

D. Details of Non-Performing financial assets purchased/sold [₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Non-performing financial assets purchased/sold (from/to banks)	Nil	Nil

12. Provisions on Standard Assets [₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Provisions towards Standard Assets (including provision towards stressed sector)	238.32	227.81
General Provision for COVID-19 ¹	76.45	0.00
Provision for Unhedged Foreign Currency Exposure of Borrowers	12.95	13.06
Standard Restructured Accounts under MSME - Restructuring Scheme ²	35.08	1.74
Provision for eligible MSME borrowers classified as standard ³	0.00	6.51
Provision for accounts restructured under natural calamity ⁴	9.89	8.01
Provision for Specific Standard Assets on Stressed Sectors	1.28	2.59
Grand Total (Refer 5. IV - Other liabilities and provisions)	373.97	259.72

¹The outbreak of COVID – 19 pandemic has affected several countries across the world, including India; and the consequent lockdown restrictions imposed by the Governments have affected the financial operations of the Bank, more particularly for periods commencing from the last week of the financial year ended 31st March 2020. In view of continuing uncertainties, the extent of impact on the Bank's operations and financial position would depend on several factors including the steps taken by the Governments, Reserve Bank of India (RBI) and the bank to mitigate the same.

In accordance with the COVID – 19 Regulatory Package announced by RBI vide Notifications dated March 27, 2020, April 17, 2020 and May 23, 2020 the bank has offered an optional moratorium on repayments falling due between March 1, 2020 and August 31, 2020 in respect of accounts classified as standard on February 29, 2020. As permitted by the RBI guidelines, the bank has considered these concessions for the purpose of asset classification, income recognition and provisioning as at March 31, 2020.

As per RBI guidelines, the bank is required to make an additional provision of 10% in respect of such accounts which would have been classified as non-performing as at March 31, 2020, but for the aforesaid concessions (other than accounts in which dues have been remitted on or before May 31, 2020 as permitted by RBI vide letter dated May 6, 2020). Although the RBI guidelines permit banks to make the additional provision over the current quarter ended March 31, 2020 and subsequent quarter ended June 30, 2020, as a prudent measure, the bank has recognised the entire additional provision at the rate of 10% as stated above, amounting to ₹20.75 crore in the accounts for the current quarter itself. As a matter of further prudence, the bank has also made an additional provision (over and above the 10% mandated by RBI as above) amounting to ₹55.70 crore as at March 31, 2020 to meet any future impact of the pandemic. The provisions as above, aggregating to ₹76.45 crore, has been carried under Other Liabilities and Provisions in the Balance Sheet.

²As permitted by RBI vide its Circular DBR.No.BP.BC.18/21.04.045/2018-19 dated January 1, 2019 and DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020, the bank restructured 131 eligible MSME accounts with outstanding of ₹ 663.48 crore during the year. Out of which accounts amounting to ₹622.89 crore have been retained as Standard. Additional Standard Asset provision of ₹35.08 crore (Previous year ₹1.74 crore) is maintained in the books towards such accounts.

³RBI 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 ₹Nil (Previous year ₹130.10 crore) as standard. In accordance with the provisions of the circular the bank had not recognised interest income of ₹Nil (Previous Year ₹4.94 Crore) and has created a standard asset provision of ₹Nil (Previous Year ₹6.51 crore) in respect of such accounts.

⁴The bank has restructured an amount of ₹197 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 July 03, 2017 and as per the scheme formulated by SLBC Kerala.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

13. Business ratios

Particulars	March 31, 2020	March 31, 2019
(i) Interest Income as a percentage to Working Funds ¹	8.05%	7.94%
(ii) Non-interest income as a percentage to Working Funds ¹	1.08%	0.84%
(iii) Operating Profit as a percentage to Working Funds ^{1, 2}	1.71%	1.43%
(iv) Return on Assets [Based on Working Fund] ¹	0.11%	0.29%
(v) Business (Customer Deposits plus Advances) per employee ^{3, 4} (₹ in Crore)	17.38	17.25
(vi) Profit per employee ³ (₹ In Crore)	0.01	0.03

¹For 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.

²For the purpose of this ratio, operating profit is net profit for the year before provisions and contingencies.

³For the purpose of computing the ratios number of employees (excluding Part time employees) as on Balance Sheet date is considered.

⁴For the purpose of this ratio, business per employee has been recorded as gross advance plus deposits (excluding interbank deposits).

14. Lending to sensitive sectors:

A. Exposures to Real Estate Sector

[₹ in Crore]

Category	March 31, 2020	March 31, 2019
a) Direct Exposure		
(i) Residential Mortgages -	4668.96	4366.09
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>	1707.21	1730.13
(ii) Commercial Real Estate -	1260.96	1231.90
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		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	946.21	1354.20
Total Exposure to Real Estate Sector	6876.13	6952.19

B. Exposure to Capital Market Sectors

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
(i) Direct Investments in equity shares*	113.84	152.75
(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	1.93

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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Particulars	March 31, 2020	March 31, 2019
(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	4.38	1.40
(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	125.15	161.08

*Shares acquired by banks as a result of Conversion of debt under CDR mechanism for ₹120.50 crores (Previous Year ₹119.77 crores) is excluded in line with extant RBI guidelines.

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, 2020	Provision held as at March 31, 2020	Exposure (net) as at March 31, 2019	Provision held as at March 31, 2019
Insignificant	790.07	-	1,145.29	-
Low	491.01	-	729.52	-
Moderate	3.15	-	15.29	-
High	5.61	-	11.58	-
Very High	0.62	-	12.51	-
Restricted	-	-	-	-
Off Credit	-	-	-	-
TOTAL	1290.46	-	1,914.19	-

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.

* The above figures include both funded as well as non-funded exposure.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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15. Floating Provision

[₹ in Crore]

	Particulars	2019-20	2018-19
(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 drawdown made during the accounting year	Nil	Nil
(d)	Closing balance in the floating provisions account	Nil	Nil

16. Maturity Pattern of key assets and liabilities:

i) As at March 31, 2020:

[₹ in Crore]

Particulars	Day 1	2-7 days	8-14 days	15-30 days	31 days and up to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	527.30	519.24	500.60	952.51	3,911.38	3,145.26	4,535.59	6,530.13	3,730.40	5,432.50	53,248.97	83,033.89
Advances*	430.12	547.00	521.54	818.40	1,515.36	2,864.84	6,437.98	9,587.05	10,164.49	4,278.04	27,274.64	64,439.47
Investments	2,430.01	170.09	110.14	195.01	627.32	491.38	964.77	998.39	789.91	1,302.08	12,546.18	20,625.27
Borrowings	277.69	742.00	6.07	200.00	6.07	706.07	18.21	2,403.71	993.42	500.00	1,040.00	6,893.23
Foreign Currency-Assets	354.76	37.94	53.74	77.10	193.50	87.63	254.68	643.77	391.32	16.09	5.81	2,116.33
Foreign Currency-Liabilities	455.24	22.21	20.69	36.12	178.37	110.51	169.06	2,677.63	588.84	345.65	-	4,604.31

* In context of COVID-19 pandemic, the Reserve Bank of India on March 27, 2020, announced measures to support the economy and the financial system by permitting the lending entities to offer a three-month moratorium on all term loans outstanding as on March 1, 2020. As a prudent measure, for the purpose of ALM, the contractual inflows on borrower accounts have been suitably adjusted for the moratorium considering the potential relief to borrowers

ii) As at March 31, 2019:

[₹ in Crore]

Particulars	Day 1	2-7 days	8-14 days	15-30 days	31 days and up to 2 months	Over 2 months and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years 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	46,157.22	80,420.12
Advances	1,544.22	1,022.09	1,192.04	1,554.77	2,790.79	3,417.92	4,828.99	8,642.84	8,610.75	4,209.12	24,880.22	62,693.74
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	242.44	621.58	728.06	511.30	459.00	404.43	-	3,265.95

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.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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17. Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank

During the years ended March 31, 2020, 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 ₹1,040.99 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, 2020	March 31, 2019
Total Advances for which intangible securities such as charge over the rights, licenses, authority etc. has been taken as collateral	117.60	336.97
Estimated value of intangible collateral securities available are sufficient to cover the outstanding balance of advances.		

19. Penalties levied by the Reserve Bank of India

The penalty imposed by RBI during the year ended March 31, 2020 was ₹10,71,250.00 (Previous year ₹5,00,75,900).

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 June 14, 2019 had imposed a monetary penalty of ₹10 lakhs on the bank for non-compliance with directions issued by RBI on 'Guarantees and Co-acceptances' as detailed in RBI's press release and the Banks intimation to the stock exchanges dated June 19, 2019.

20. Asset quality ratios

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Percentage of net NPAs to net advances	3.34	3.45
Provision Coverage Ratio (%)	54.22	42.46

21. Concentration of Deposits, Advances, Exposures and NPAs

(i) **Concentration of Deposits**

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Total Deposits of twenty largest depositors	9,435.13	7,979.89
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	11.36%	9.92%

Note: Excludes holders of certificate of deposits.

(ii) **Concentration of Advances***

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Total Advances to twenty largest borrowers	5,303.34	5,957.21
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	6.70%	8.07%

* Advance is computed as per definition of Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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(iii) **Concentration of Exposures***

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Total Exposure to twenty largest borrowers/customers	6,230.18	7,000.45
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	6.17%	9.10%

*Exposure is computed based on credit and investment exposure as prescribed in RBI's Master Circular on Exposure Norms.

The bank has compiled the data for the purpose of disclosure in note 21.(i) to note 21.(iii) from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

(iv) **Concentration of NPAs***

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Total Exposure to top four NPA accounts	794.12	848.66

*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.

22. Sector-wise Advances

[₹ in Crore]

Sl. No.	Sector*	2019-20			2018-19		
		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	9,908.67	344.33	3.48%	8,624.52	403.14	4.67%
2	Advances to industries sector eligible as priority sector lending	6,014.53	446.05	7.42%	5,846.59	368.22	6.30%
2.a	Textile	1,520.88	98.15	6.45%	1,446.99	94.83	6.55%
2.b	Basic Metal	728.79	65.02	8.92%	737.20	20.07	2.72%
2.c	Infra	63.72	1.22	1.91%	187.18	3.51	1.88%
3	Services	9,940.14	428.63	4.31%	9,062.37	388.88	4.29%
3.a	Professional	1,164.54	35.53	3.05%	918.85	18.88	2.05%
3.b	Trade	6,719.50	320.54	4.77%	6,534.01	336.69	5.15%
3.c	NBFC	98.80	-	0.00%	120.91	0.00	0.00%
4	Personal loans	1,884.75	52.49	2.78%	1,832.50	61.59	3.36%
4.a	Housing Loan	1,707.21	33.45	1.96%	1,630.15	35.07	2.15%
4.b	Other Personal loans incl. Gold Loan	177.54	19.04	10.72%	202.35	26.52	13.11%
	Sub-total (A)	27,748.09	1271.51	4.58%	25,365.98	1,221.83	4.82%
B	Non-Priority Sector						
1	Agriculture and allied activities	800.65	17.92	2.24%	885.17	40.94	4.63%
2	Industry	10,470.72	976.85	9.33%	12,166.27	1,240.54	10.20%
2.a	Textile	1,563.41	72.78	4.66%	1,577.64	51.87	3.29%

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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[₹ in Crore]

Sl. No.	Sector*	2019-20			2018-19		
		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
2.b	Basic Metal	1,847.22	19.43	1.05%	2,085.28	16.72	0.80%
2.c	Infra	1,628.53	257.98	15.84%	2,389.15	590.32	24.71%
3	Services	14,627.17	860.94	5.89%	16,325.45	529.46	3.24%
3.a	Professional	3,377.19	357.37	10.58%	2,903.56	225.77	7.78%
3.b	Trade	2,296.49	60.07	2.62%	2,313.98	78.41	3.39%
3.c	NBFC	4,214.96	365.58	8.67%	6,190.90	200.00	3.23%
4	Personal loans	11,877.39	134.54	1.13%	8,893.04	98.90	1.11%
4.a	Housing Loan	2,961.74	52.76	1.78%	2,427.90	40.03	1.65%
4.b	Other Personal loans incl. Gold Loan	8,915.64	81.78	0.92%	6,465.15	58.87	0.91%
	Sub-total (B)	37,775.93	1990.25	5.27%	38,269.94	1,909.84	4.99%
	Total (A+B)	65,524.02	3261.76	4.98%	63,635.92	3,131.67	4.92%

Asterisk denotes figure below ₹1,00,000 Percentage below 0.01.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

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 and 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, 2019 are less than the prescribed thresholds for the year ended March 31, 2019.

24. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances:

Particulars	During FY 2019-20		During FY 2018-19	
	No. of Accounts	Amount	No. of Accounts	Amount
MSME Restructured Accounts	131	663.48	6	32.20

As permitted by RBI vide its Circular DBR.No.BP.BC.18/21.04.045/2018-19 dated January 1, 2019 and DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020, the bank restructured 131 eligible MSME accounts with outstanding of ₹663.48 crore during the year. Out of which accounts amounting to ₹622.89 crore have been retained as Standard. Additional Standard Asset provision of ₹35.08 crore (Previous year ₹1.74 crore) is maintained in the books towards such accounts.

25. Movement in technical/prudential written-off accounts:

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Opening balance of Technical/Prudential written-off accounts as at April 1	628.82	425.63
Add: Technical/Prudential write-offs during the year	838.19	216.72
Sub-total (A)	1,467.01	642.35
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	17.13	11.61

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written-off accounts during the year	-	-
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	13.07	1.92
Sub-total (B)	30.20	13.53
Closing balance as at March 31 (A-B)	1,436.81	628.82

26. Overseas Assets, NPAs and Revenue - Nil

27. Off-balance Sheet SPVs sponsored - Nil

28. Bancassurance Business

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Fees/remuneration received from bancassurance business:		
- For selling life insurance policies	15.82	13.72
- For selling non-life insurance policies	4.86	4.12
Total	20.68	17.84

29. Drawn Down from Reserves

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2020 and March 31, 2019, except:

- ₹30.44 crore (Previous year ₹Nil) is drawn down from revenue and other reserves being unamortized amount of three fraud cases as permitted by the RBI in accordance with DBR No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016. (Refer note B.13 of Schedule 18).
- ₹Nil (Previous Year: ₹33.00 crore) 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 2, 2019.
- During FY 2018-19, 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 (FY 17-18 ₹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

- Bank credited back ₹33.00 crore (Previous year: ₹Nil) drawn down from revenue and other reserves relating to 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 2, 2019.

30. Provision for taxes during the year:

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Current Tax	86.14	139.35
Deferred Tax (net)	(41.18)	(6.38)
Total	44.96	132.97

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
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In accordance with the Taxation Laws (Amendment) Ordinance 2019 promulgated on September 20, 2019, the bank has opted to pay tax at the lower rate prescribed therein with effect from the current financial year. Consequently, tax expenses for the year ended March 31, 2020 comprising current and deferred tax as per Accounting Standard-22 (Accounting for Taxes on income) has been recognised using the reduced tax rates applicable.

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, 2020	March 31, 2019
Provision for NPAs (including write-off, excluding technical write off) ¹	995.97	684.30
Provision for NPLs	34.91	3.42
Provision for taxes (Net)	86.14	139.35
Deferred Tax (net)	(41.18)	(6.38)
Provision for Standard Assets	114.36	27.36
Provision for Restructured Advances	0.02	(1.22)
Provision for depreciation in the value of investments	283.19	140.23
Provision for FITL	36.95	2.19
Provision for unhedged foreign currency exposures	(0.11)	1.10
Provision for Non-Banking Asset ²	32.12	11.12
Provision for Fraud / Other impaired assets	(1.32)	(10.02)
TOTAL	1,541.05	991.45

¹The bank has exercised the option to make provision in respect of three Non-Performing Advances identified as fraud during the quarter ended December 31, 2019, over a period of four quarters as permitted by the RBI in circular DBR No. BP. BC.92/21.04.048/2015-16 dated April 18, 2016. Accordingly, the Bank has debited ₹30.46 crore to Profit and Loss Account, being 50% of the outstanding net book value of the said advances and the remaining unprovided amount of ₹30.44 crore has now been debited against other reserves and will be debited in the profit and loss account by proportionately reversing the debit to other reserves over the two subsequent quarters in equal instalments.

²The 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 ₹33.00 crores was debited against other reserves during March 31, 2019. ₹33.00 crore being the amount drawn down from Revenue and other reserves during the year ended March 31, 2019 has been credited back to the said reserve during the FY 2019-2020 by debiting Profit and Loss Account.

b) Movement in provision for debit card reward points:

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Opening provision at the beginning of the year	0.90	0.84
Provision made during the year	2.47	2.19
Reductions during the year	2.47	2.13
Closing provision at the end of the year	0.90	0.90

c) Movement in provision for other contingencies:

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Opening provision at the beginning of the year	24.43	34.45
Incremental expense during the year	7.78	4.94
Redemption during the year	9.21	14.96
Closing provision at the end of the year	23.00	24.43

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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 five 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 includes the following:

- Scrutinizing the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and 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.
- 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 coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
 - a) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive Schemes;
 - b) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - c) Coordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;
 - d) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- 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 recognized 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 fulfill such other powers and duties as may be delegated to it by the Board.
- To review HR Strategy aligning with business strategy of the Bank.
- To review the skill gaps and talent pool creation.

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- 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 35B 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.
 - The Reserve Bank of India vide Circular DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019 issued a detailed revised Guidelines on Compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function staff. Accordingly, the Compensation Policy has been modified by incorporating the revised provisions of the RBI circular.
- c) **Description of the ways in which current and future risks are taken into account in the remuneration processes. It will 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.

For MRTs:

The Bank will refer to the Basel Committee on Banking Supervision (BCBS) report entitled Range of Methodologies for Risk and Performance Alignment of Remuneration published in May 2011 for guidance wherever required. It intends to enhance the banks' and supervisors' understanding of risk-adjusted remuneration. This report, by providing some clarification on design of risk-adjusted remuneration schemes, will support and facilitate the greater adoption of sound practices in the banking sector. Some of the key stipulations of the report are as under:

1. In order for incentive-based remuneration to work, the variable part of remuneration will be truly and effectively variable and can even be reduced to zero in line with the symmetry principle defined by the FSB. A key element that supervisors expect is the ability for banks to demonstrate that the methodologies they developed to adjust variable remuneration to risk and performance are appropriate to their specific circumstances.
2. The methodologies for adjusting remuneration to risk and performance should also be consistent with the general risk management and corporate governance framework.
3. The methodologies for adjusting remuneration to risk and performance will also be consistent with the general risk management and corporate governance framework.
4. Performance measures and their relation to remuneration packages will be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentives mechanism. The usual annual determination of bonuses will be based on rules, processes and objectives known in advance, recognizing that some discretion will always be needed.
5. Bank will use a combination of financial and non-financial measures to assess employee performance and adapt the measurement to each employee's specific situation. Qualitative factors (like knowledge, skills or abilities), might play an important role when it comes to judging and rewarding some activities - particularly when these serve to reinforce the bank's risk management goals.
6. The nature and extent to which risk adjustments are needed depends first on the extent to which performance measures capture risks, but in all cases, some form of risk adjustment is needed as remuneration is often awarded before the final outcome of an activity is known. Risks taken need to be estimated (ex-ante), risk outcomes observed (ex-post) and both ex-ante estimates and ex-post outcomes will affect payoffs.

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7. Risk adjustments need to take into account the nature of the risks involved and the time horizons over which they could emerge. The impact of remuneration adjustments will be linked to actions taken by employees and/or business units, and their impact on the level of risk taken on by the bank.
8. The nature of the award process, which links the variable remuneration of each individual employee with bonus pools and the total amount of variable remuneration at a bank's level, is also an area that will be carefully considered by banks and supervisors, as it directly influences how and when performance and risk adjustment are or can be used.
9. Considering the above parameters, the Board may approve suitable methodologies for fixing of risk adjusted remuneration, as appropriate, based on the recommendations of Risk Management committee and review/approval of the Nomination and Remuneration Committee on the same.

The compensation structure for the *Whole-Time Directors/Chief Executive Officers/Material Risk Takers (MRTs)* of the bank shall be as under:

Fixed Pay and Perquisites

Based on the recommendations of the Nomination and Remuneration Committee, and subject to the approval of Reserve Bank of India (for MD & CEO and Executive Directors), Board shall fix the fixed portion of compensation payable which is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice.

Variable Pay

In order to have a proper balance between the cash and share-linked components in the variable pay, the variable pay are to be structured in the form of share-linked instrument (including Cash-linked Stock Appreciation Rights (CSARs)), or a mix of cash and share-linked instruments. Only in cases where the compensation by way of share-linked instruments is not permitted by law/regulations, the entire variable pay can be in cash to be exercised.

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

- a) 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.

The criteria for identification of MRTs are subject to the following:

The persons who satisfy the qualitative criteria and any one of the quantitative criteria as detailed below:

(I) Standard Qualitative Criteria:

- Relate to the role and decision-making power of staff members (e.g., General manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.
- and

(II) Standard Quantitative Criteria:

- Their total remuneration exceeds a certain threshold (to be recommended by MD & CEO to NRC for approval); the determination of which may be done prudently by the bank,
- or
- They are included among the 0.3% of staff with the highest remuneration in the bank,
- or
- Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

MD & CEO is considered as Material Risk Taker, whose compensation will be guided by the provisions applicable to WTD/CEO as per the policy. However the Board, on recommendation of NRC, will specify additional Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the bank from time to time.

- MD & CEO is considered as Material Risk Taker, whose compensation will be guided by the provisions applicable to

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WTD/CEO as per the policy. However the Board, on recommendation of NRC, will specify additional Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the bank from time to time.

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.

➤ **Variable Pay**

In order to have a proper balance between the cash and share-linked components in the variable pay, the variable pay are to be structured in the form of share-linked instrument (including Cash-linked Stock Appreciation Rights (CSARs)), or a mix of cash and share-linked instruments. Only in cases where the compensation by way of share-linked instruments is not permitted by law/regulations, the entire variable pay can be in cash to be exercised.

The assessment of the variable pay will be based on 'Key Performance Indicators' (KPI) achievement of respective Whole-Time Directors/Chief Executive Officers /Material Risk Takers (MRTs).

a. Limit on Variable Pay:

A. For Whole-Time Directors and Chief Executive Officers

- i. In compliance to the RBI Guidelines and other applicable rules and regulations at least 50%, should be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance. The total variable pay shall be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period).
- ii. In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.
- iii. In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her variable pay will be capped at 150% of the fixed pay, but shall not be less than 50% of the fixed pay.
- iv. The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero.

B. For Material Risk Takers (MRTs)

- i. In compliance to the RBI Guidelines and other applicable rules & regulations 50% of total pay for all MRTs is should be variable pay and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance.
- ii. 50% of the variable pay should be via non-cash instruments.
- iii. The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero.

The Board will from time to time specify the Material Risk Takers (MRTs).

b. Deferral of Variable Pay

- (i) For senior executives, including WTDs, and other employees who are MRTs, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus should also be deferred.
- (ii) However, in cases where the cash component of variable pay is under ₹25 lakh, deferral requirements is not applicable.

c. Period of Deferral Arrangement

The deferral period should for a period three years. This would be applicable to both the cash and non-cash components of the variable pay arrangements.

d. Vesting:

Deferred remuneration should be spread out over the course of the deferral period on a pro rata basis as follows:

- Not more than 33.33% of the total deferred variable pay should vest at the end of first year.
- Further, not more than 33.33% of total deferred variable pay should vest at the end of second year.

Additionally, vesting should not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex post adjustments.

e. Share-linked Instruments

Such instruments shall be included as a component of variable pay. Norms for grant of share-linked instruments should be

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framed by banks in conformity with relevant statutory provisions and should form part of the bank's compensation policy. The details of share-linked instruments granted should also be disclosed in terms of the disclosure requirements stipulated in these Guidelines. Share-linked instruments should be fair valued on the date of grant by the bank using Black-Scholes model.

Malus/Clawback

- (a) The deferred compensation should be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year.
- (b) A set of situations as detailed below are hereby identified, which require the invocation of the malus and clawback clauses that may be applicable as detailed below:
 - i) Applying of Malus / Clawback arrangement on entire variable pay on occurrence of the following Situations:
 - Identified fraud / misconduct by the executive (Whole-Time Directors, Chief Executive Officers/Material Risk Takers (MRTs)) pertaining to the corresponding period for which the clause to be applied.
 - ii) Applying of Malus / Clawback arrangement on unvested portion of deferred variable pay on occurrence of the following situation:
 - Reporting of operating loss or more than 50% fall in operating profit in any year.
 - iii) Applying of Malus clause on unvested portion of deferred variable pay on occurrence of the following situation:
 - Wherever the assessed divergence in bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public disclosure as detailed below: (As referred in RBI Circular No. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019, as amended from time to time),
 - a. the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and
 - b. the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period

Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained. In case the bank's post assessment Gross NPAs are less than 2.0%, these restrictions will apply only if criteria for public disclosure are triggered either on account of divergence in provisioning (Clause (a)) or both provisioning (Clause (a) and asset classification (Clause (b))).

As part of the criteria for the application of malus and clawback, the following period during which malus and/or clawback can be applied will be 36 months from application of the clause. Covering at least deferral and retention periods (a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed).

Members of staff engaged in financial and risk control, including internal audit, should be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management's influence on incentive compensation. Back office and risk control employees play a key role in ensuring the integrity of risk measures. If their own compensation is significantly affected by short-term measures, their independence may be compromised. If their compensation is too low, the quality of such employees may be insufficient for their tasks and their authority may be undermined. The mix of fixed and variable compensation for control function personnel should be weighted in favour of fixed compensation. Therefore, the requirement of minimum 50% of total compensation to be paid in the form of variable pay will not be applicable for this category of staff. However, a reasonable proportion of compensation has to be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

For calculating the Variable Pay of Risk Control and Compliance Staff the 'Key Performance Indicators' (KPI) will be totally different and the modalities of the same will be recommended by the Nomination and Remuneration Committee to the Board for approval.

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f) Description of the different forms of variable remuneration (i.e. cash and types of share linked instruments) that the bank utilizes and the rationale for using these different forms.

For MRTs

- a) both cash and non-cash** Performance Linked Incentive Schemes to those employees who are eligible for incentives, in this regard the Committee is empowered to:
- Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;
 - Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - 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 are considered necessary;
 - On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
 - To identify Material Risk Takers (MRTs) as per the recommendations made by MD & CEO and to fix variable pay and other terms of payment including component (Cash and non-cash), deferment and divergence clause in line with compensation policy and other RBI guidelines and other policies and guidelines of the bank.

For Others

The Board will from time to time specify the Risk Control and Compliance Staff.

- Based on the recommendations of the Committee, Board may fix the variable pay not exceeding 50% of the fixed pay in a year. Within this ceiling, at higher levels of responsibility, the proportion of variable pay will be higher. The variable pay may be in cash, or stock linked instruments or a mix of both.
- '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:
 - Performance Linked Incentives' to those employees who are eligible for incentives.
 - Ex-gratia for other employees who are not eligible for Performance Linked Incentives.
 - Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.
 - Any other incentives, by whatever name called having the features similar to the above.
- 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:

		2019-20	2018-19
Quantitative disclosures	(a) <ul style="list-style-type: none"> Number of meetings held by the Remuneration Committee during the financial year Remuneration paid to its members (₹ in Lakhs) 	6 10.80	8 10.50
	(b) <ul style="list-style-type: none"> Number of employees having received a variable remuneration award during the financial year. Number and total amount of sign-on awards made during the financial year. <ul style="list-style-type: none"> Number Total amount Details of guaranteed bonus if any Details of severance pay, in addition to accrued benefits, if any. 	1	-
	(c) <ul style="list-style-type: none"> (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) <ul style="list-style-type: none"> Fixed Variable Deferred Non Deferred 	114.05 25.92	103.68 -
	(e) <ul style="list-style-type: none"> (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. 		
	(f) Number of MRTs identified.	1	-
	(g) <ul style="list-style-type: none"> Number of cases where malus has been exercised. Number of cases where clawback has been exercised. Number of cases where both malus and clawback have been exercised. 		

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General Quantitative Disclosure	(h)	(₹ in lakhs)	2019-20	2018-19
		The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs* from the mean pay.	8.74	7.40
			145.98	110.69
		*Gross remuneration paid to MD & CEO is considered for this purpose, which excludes the provisions made for gratuity and leave benefits as they are determined on an actuarial basis for the Bank as a whole.		

33. Securitisation Transactions

The Bank has not undertaken any securitisation transactions during the year ended March 31, 2020 and March 31, 2019.

34. Credit Default Swaps

The bank has not undertaken any transactions in credit default swaps during the year ended March 31, 2020 and March 31, 2019.

35. Status of Complaints

A. Shareholder complaints:

		March 31, 2020	March 31, 2019
(a)	No. of complaints pending at the beginning of the year	1	-
(b)	No. of complaints received during the year	261	332
(c)	No. of complaints redressed during the year	261	331
(d)	No. of complaints pending at the end of the year	1	1

B. Customer complaints:

		March 31, 2020	March 31, 2019
(a)	No. of complaints pending at the beginning of the year	1842	358
(b)	No. of complaints received during the year	56773	63680
(c)	No. of complaints redressed during the year	57687	62196
(d)	No. of complaints pending at the end of the year	928	1842

Complaints on ATM transactions (Included in B above):

Complaints against banks own ATM's

		March 31, 2020	March 31, 2019
(a)	No. of complaints pending at the beginning of the year	106	125
(b)	No. of complaints received during the year	9996	8567
(c)	No. of complaints redressed during the year	10090	8586
(d)	No. of complaints pending at the end of the year	12	106

Complaints against other bank ATM's

		March 31, 2020	March 31, 2019
(a)	No. of complaints pending at the beginning of the year	432	222
(b)	No. of complaints received during the year	22544	22379
(c)	No. of complaints redressed during the year	22923	22169
(d)	No. of complaints pending at the end of the year	53	432

C. Status of Awards passed by the Banking Ombudsman:

		March 31, 2020	March 31, 2019
(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.

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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, 2020 and March 31, 2019 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 ₹12.95 crore (Previous Year ₹13.06 crore) and additional capital of ₹6.54 crore (Previous Year ₹12.90 crore) on account of Unhedged Foreign Currency Exposure of its borrowers as at March 31, 2020.

38. Liquidity Coverage Ratio (LCR)

[₹ in Crore]

Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		16,530.74		15,741.44		15,576.38		14,158.17
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:	58,523.21	5,694.29	57,833.20	5,630.02	56,532.89	5,501.56	55,061.29	5,357.11
(i) Stable deposits	3,160.53	158.03	3,065.95	153.30	3,034.66	151.73	2,980.35	149.02
(ii) Less stable deposits	55,362.68	5,536.27	54,767.25	5,476.73	53,498.23	5,349.82	52,080.94	5,208.09
3 Unsecured wholesale funding, of which:	3,876.31	2,939.30	3,866.16	3,110.87	4,143.55	3,032.25	5,266.16	3,367.39
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	2,517.61	2,377.49	2,812.06	2,685.49	2,557.68	2,360.94	2,647.83	2,317.08
(iii) Unsecured debt	1,358.70	561.81	1,054.11	425.38	1,585.87	671.30	2,618.33	1,050.30
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	0.18	0.18	1.20	1.20	5.31	5.31	1.35	1.35
(i) Outflows related to derivative exposures and other collateral requirements	0.18	0.18	1.20	1.20	5.31	5.31	1.35	1.35
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	473.75	473.75	362.45	362.45	261.59	261.59	214.09	214.09
7 Other contingent funding obligations	2,517.30	696.87	2,983.61	1,156.30	2,840.20	1,011.12	2,653.85	714.92
8 TOTAL CASH OUTFLOWS		9,804.39		10,260.83		9,811.83		9,654.86
Cash Inflows								
9 Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	4,434.06	2,217.03	4,786.56	2,393.28	4,805.67	2,402.84	5,231.14	2,615.57
11 Other cash inflows	947.23	837.04	1,107.81	1,028.41	750.38	659.86	1,382.26	1,331.75
12 TOTAL CASH INFLOWS	5,381.30	3,054.07	5,894.37	3,421.69	5,556.05	3,062.70	6,613.40	3,947.33
13 TOTAL HQLA		16,530.74		15,741.44		15,576.38		14,158.17
14 TOTAL NET CASH OUTFLOWS		6,750.32		6,839.14		6,749.13		5,707.53
15 LIQUIDITY COVERAGE RATIO (%)		244.89%		230.17%		230.79%		248.06%

Note: The LCR for each quarter is calculated taking daily average.

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[₹ in Crore]

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 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
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		13,171.31		12,686.65		10,921.09		9,652.19
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
(i) Stable deposits	2,976.9	148.84	2,934.19	146.71	2,879.72	143.99	2,860.75	143.04
(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
3 Unsecured wholesale funding, of which:	5,047.46	3,766.50	4,786.00	3,099.45	4,364.91	3,106.42	4,736.86	3,176.75
(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
(iii) Unsecured debt	1,832.54	733.01	2,584.37	1,033.75	1,770.74	708.3	2,381.96	952.78
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	-	-	0.05	0.05	2.44	2.44	0.48	0.48
(i) Outflows related to derivative exposures and other collateral requirements	-	-	0.05	0.05	2.44	2.44	0.48	0.48
(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
7 Other contingent funding obligations	2,353.50	446.59	2,218.79	407.02	2,536.81	626.69	2,638.82	634.21
8 TOTAL CASH OUTFLOWS		9,591.51		8,778.09		8,793.93		8,831.12
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
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
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
13 TOTAL HQLA		13,171.31		12,686.65		10,921.09		9,652.19
14 TOTAL NET CASH OUTFLOWS		5,626.39		4,351.5		5,018.85		4,981.97
15 LIQUIDITY COVERAGE RATIO (%)		234.10%		291.55%		217.60%		193.74%

Note: The LCR for each quarter is calculated taking daily average.

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 January 01, 2019. However due to the pandemic, banks are required to maintain an LCR of 80% till 30th September 2020 and 90% from October 01 2020 to March 31, 2021. The daily average LCR of the bank for the quarter ended March 2020 is 244.89%.

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 1% from July 2016, 2% from June 2018 and another 2% from October 2018, onwards. Further, towards harmonisation of the effective liquidity

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requirements of banks with the LCR, RBI has permitted banks to recon an additional 2% of Government securities within the mandatory SLR requirement as FALLCR in a phased manner from April 04, 2019. As on March 31, 2020, FALLCR stands at 14.50%. On account of COVID-19 pandemic, RBI has also increased MSF from 2% to 3% w.e.f. March 27, 2020 to June 30, 2020.

The principal components of the estimated cash outflows which could arise in next 30 days are retail deposits (58.08%) and unsecured wholesale funding (29.98%) 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, 2020	March 31, 2019
Opening balance of amounts transferred to DEAF	99.92	83.83
Add : Amounts transferred to DEAF during the year	26.06	17.57
Less : Amounts reimbursed by DEAF towards claims	1.87	1.48
Closing balance of amounts transferred to DEAF	124.11	99.92

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, 2020 was ₹191.36 crore (Previous Year: ₹508.33 crore).

43. Priority sector lending certificates

The amount of PSLCs (category wise) sold/purchased:

[₹ in Crore]

Sl. No.	Type of PSLCs	March 31, 2020		March 31, 2019	
		Purchase	Sale	Purchase	Sale
1	PSLC – Agriculture	-	1,350.00	-	550.00
2	PSLC – SF/MF	-	150.00	-	-
3	PSLC – Micro Enterprises	1,500.00	-	-	-
4	PSLC – General	-	6,737.50	-	5,119.50
Total		1,500.00	8,237.50	-	5,669.50

44. Disclosures on Flexible Structuring of Existing Loans

[₹ in Crore]

Period	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
During the FY 2018-19	Nil	Nil	Nil	Nil	Nil
During the FY 2019-20	Nil	Nil	Nil	Nil	Nil

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- 45. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)**
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 March 31, 2020**
There were no accounts during the year where S4A has been applied.

- 49. Disclosures with relation of COVID19 Regulatory Package - Asset Classification and Provisioning**
Respective amounts in each categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of circular number RBI/2019-20/220DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 and after considering the payments in such accounts till May 31, 2020 as per RBI letter no. VVBPS/8124/21.04.048/2019-20 dated May 6, 2020 is as below;

[₹ in Crore]

i	Respective amounts in SMA / overdue categories, where the moratorium / deferment was extended in terms of RBI circular	2,821.76
ii	Respective amount where asset classification benefits is extended	207.50
iii	Provisions made during the Q4 FY 2020	20.75
iv	Provisions adjusted during the respective accounting periods against slippages and the residual provisions	-

In accordance with the COVID-19 Regulatory Package announced by RBI vide Notifications dated March 27, 2020, April 17, 2020 and May 23, 2020 the bank has offered an optional moratorium on repayments falling due between March 1, 2020 and August 31, 2020 in respect of accounts classified as standard on February 29, 2020. As permitted by the RBI guidelines, the bank has considered these concessions for the purpose of asset classification, income recognition and provisioning as at March 31, 2020.

As per RBI guidelines, the bank is required to make an additional provision of 10% in respect of such accounts which would have been classified as non-performing as at March 31, 2020, but for the aforesaid concessions (other than accounts in which dues have been remitted on or before May 31, 2020 as permitted by RBI vide letter dated May 06, 2020). Although the RBI guidelines permit banks to make the additional provision over the current quarter ended March 31, 2020 and subsequent quarter ended June 30, 2020, as a prudent measure, the bank has recognised the entire additional provision at the rate of 10% as stated above, amounting to ₹20.75 crore in the accounts for the current quarter itself. As a matter of further prudence, the bank has also made an additional provision (over and above the 10% mandated by RBI as above) amounting to ₹55.70 crore as at March 31, 2020 to meet any future impact of the pandemic. The provisions as above, aggregating to ₹76.45 crore, has been carried under Other Liabilities and Provisions in the Balance Sheet.

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, 2020	March 31, 2019
Gross Block		
At the beginning of the year	110.26	79.62
Additions during the year	46.74	30.64

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[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Deductions during the year	-	-
Closing Balance	157.00	110.26
Depreciation / Amortisation		
At the beginning of the year	55.71	33.73
Charge for the year	24.09	21.99
Deductions during the year	-	-
Depreciation to date	79.80	55.71
Net Block	77.20	54.56

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, 2020	March 31, 2019
Weighted average number of equity shares used in computation of basic earnings per share	180,97,08,162	180,95,58,085
Potential equity shares arising out of the Employees Stock Option Scheme	-	-
Weighted average number of equity shares used in computation of diluted earnings per share	180,97,08,162	180,95,58,085
Earnings used in the computation of basic earnings per share (₹ in Crore)	104.59	247.53
Earnings used in the computation of diluted earnings per share (₹ in Crore)	104.59	247.53
Nominal Value of share (in ₹)	1.00	1.00
Basic earnings per share (in ₹)	0.58	1.37
Effect of potential equity shares for ESOS	-	-
Diluted earnings per share (in ₹)	0.58	1.37

3. Accounting for Employee Share Based Payments

The company has provided various share based payment schemes to its employees. As on March 31, 2020, the following schemes were in operation:

	Tranche 7	Tranche 8
Date of grant	27.03.2015	06.12.2017
Date of Board approval	27.03.2015	06.12.2017
Date of Shareholders approval	18.08.2008	18.08.2008
Number of options granted	22,26,500	43,04,710
Method of settlement	Equity	Equity
Vesting period	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.

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Activity in the options outstanding under the ESOS

Particulars	March 31, 2020		March 31, 2019	
	Options	Weighted average exercise price (₹)	Options	Weighted average exercise price (₹)
Options outstanding at the beginning of the year	33,95,836	19.36	1,08,47,193	19.22
Options granted during the year	-	-	-	-
Options exercised during the year	40,000	21.65	8,51,071	19.01
Forfeited/lapsed during the year	7,58,806	21.46	66,00,286	19.18
Options outstanding at the end of the year	25,97,030	18.72	33,95,836	19.36
Options Exercisable	4,86,18,160	18.72	7,51,703	21.63

The weighted average share price at the date of exercise of the options was ₹12.60 (Previous year ₹24.51)

Details of exercise price for stock options outstanding as at March 31, 2020

Particulars	Exercise price per share	Number of options outstanding	Remaining contractual life of options
Tranche 7	21.65	600	0.41
Tranche 8	18.72	25,96,430	2.49

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

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, 2020		Year ended March 31, 2019			
	7	8	6	7	8	9
Exercise Price per Share (₹)	21.65	18.72	18.72	21.65	18.72	28.40
Weighted Average Share Price per Share (₹)	27.56	25.91	23.49	27.56	25.91	25.91
Expected Volatility (%)	34.59	33.09	29.95	34.59	33.09	33.09
Historical Volatility (%)	34.83	33.09	32.19	34.83	33.09	34.49
Life of the options granted (Vesting and Exercise period in years)	3.10 to 5.10	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 (%)	8.15 to 8.19	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 (%)	2.90	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, 2020	March 31, 2019
Opening of ESOS Liability	3.57	6.93
Liability on account of ESOS issued	0.00	0.00
Reversal on account of Exercise	(0.01)	(0.19)

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[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Reversal on account of lapsed/forfeiture	(0.23)	(3.17)
Total Employee compensation cost pertaining to ESOS	3.33	3.57
Opening Deferred Compensation Cost	1.83	4.97
Deferred compensation cost on ESOS issued	0.00	0.00
Compensation Cost pertaining to ESOS amortized during the year	(1.02)	(1.76)
Reversal on account of lapse/forfeiture	(0.03)	(1.39)
Deferred compensation cost	0.78	1.83

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, 2020	March 31, 2019
Net Profit as reported (₹ in Crore)	104.59	247.53
Proforma Net profit based on fair value approach (₹ in Crore)	104.38	247.33
Basic EPS as reported (₹)	0.58	1.37
Basic EPS (Proforma) (₹)	0.58	1.37
Diluted EPS as reported (₹)	0.58	1.37
Diluted EPS (Proforma) (₹)	0.58	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.

4. Deferred Tax Assets (net)

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Deferred Tax Asset (A)		
Provisions for Loans/Investments/others	157.97	180.79
Fixed Assets: on differences between book balances and tax balance of fixed asset	(1.32)	0.28
Total (A)	156.65	181.07
Deferred Tax Liabilities (B)		
Special Reserve created u/s 36(1)(viii) of Income Tax Act	100.52	139.56
Total (B)	100.52	139.56
Deferred Tax Asset (net) (A-B)	56.13	41.51

In accordance with the Taxation Laws (Amendment) Ordinance 2019 promulgated on September 20, 2019, the bank has opted to pay tax at the lower rate prescribed therein with effect from the current financial year. Consequently, tax expenses for the year ended March 31, 2020 comprising current and deferred tax as per Accounting Standard-22 (Accounting for Taxes on income) has been recognised using the reduced tax rates applicable.

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	2019-20	2018-19
Sri V G Mathew	Managing Director & CEO	1.55	1.18

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.

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[₹ in Crore]

Items/Related Party	Key Management Personnel		Relatives of Key Management Personnel		Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Deposits:						
Balance outstanding	1.54	1.10	0.67	0.60	2.21	1.70
Peak Balance	1.54	1.14	0.67	0.61	2.21	1.75
Interest paid	0.11	0.07	0.04	0.04	0.15	0.11

6. Employee Benefits

a) Provident Fund:

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the South Indian Bank Employees' Provident Fund. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹0.19 crore (Previous Year: ₹0.21 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 April 1, 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 ₹25.52 crore (Previous Year: ₹21.38 crore) for DCPS contribution in the Profit and Loss Account.

c) Retirement Benefits

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

[₹ in Crore]

Particulars	March 31, 2020	March 31, 2019
Pension Fund	204.36	140.74
Gratuity Fund	34.40	39.97
Compensation for absence on privilege/sick/casual leave	17.26	20.69

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 recognized in the Bank's financial statements as at March 31, 2020.

d) Changes in the defined benefit obligations

[₹ in Crore]

	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Projected defined benefit obligation, beginning of the year	216.44	211.50	700.22	650.13
Current Service Cost	16.73	15.04	162.65	148.69
Past Service Cost	-	-	-	-
Interest Cost	15.48	15.17	48.50	45.01
Actuarial (gain)/ loss	18.30	5.25	42.33	(1.98)
Benefits paid	(34.30)	(30.52)	(152.13)	(141.63)
Projected defined benefit obligation, end of the year	232.65	216.44	801.56	700.22
Liability (net) of fair value of plan asset at the end of the year	4.90	6.14	54.05	25.66

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e) Changes in the fair value of plan assets [₹ in Crore]

	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Fair value of plan assets, beginning of the year	210.30	179.53	674.56	620.98
Expected return on plan assets	16.40	14.45	54.92	49.78
Employer's contributions	35.92	45.35	176.03	144.22
Actuarial gain/ (loss)	(0.58)	1.49	(5.86)	1.21
Benefits paid	(34.29)	(30.52)	(152.13)	(141.63)
Fair value of plan assets, end of the year	227.75	210.30	747.52	674.56

The Company expects to contribute ₹4.90 crore (Previous Year ₹6.13 crore) towards gratuity and ₹54.05 crore (Previous Year ₹25.66 crore) towards pension in the next year.

f) Net Employee benefit expense (recognized in payments to and provisions for employees) [₹ in Crore]

	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Current Service Cost	16.73	15.04	162.65	148.69
Past Service Cost	-	-	-	-
Interest Cost	15.48	15.17	48.50	45.01
Expected return on plan assets	(16.40)	(14.45)	(54.92)	(49.78)
Net actuarial (gain)/ loss recognised in the year	18.87	3.76	48.19	(3.18)
Employee cost	34.68	19.52	204.42	140.74
Unamortized cost	-	-	-	-
Total	34.68	19.52	204.42	140.74
Actual return on plan assets	15.83	15.94	49.06	50.98

g) Categories of plan assets as a percentage of the fair value of total plan assets

	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Government Securities (Central & State)				
High quality Corporate Bonds				
Equity Shares of Listed Companies				
Funds Managed by Insurer*	100%	100%	100%	100%
Others (PSU & Special Deposits)				
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.

h) Experience adjustments

(i) Gratuity [₹ in Crore]

	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	232.65	216.44	211.50	177.33	165.08
Plan Assets	227.75	210.30	179.53	172.30	150.49
(Surplus)/Deficit	4.90	6.14	31.97	5.02	14.59
Unamortized	-	-	20.45	-	-
Net benefit expenses	4.90	6.14	11.52	5.03	14.59
Experience adjustments on Plan Liabilities	(7.48)	5.25	(2.75)	3.88	7.02
Experience adjustments on Plan Assets	0.58	(1.49)	(1.94)	(2.39)	(1.72)

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(ii) Pension

[₹ in Crore]

	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	801.56	700.22	650.13	620.99	570.16
Plan Assets	747.52	674.56	620.98	574.78	409.61
(Surplus)/Deficit	54.05	25.66	29.14	46.21	160.55
Experience adjustments on Plan Liabilities	42.33	(1.98)	(28.78)	(10.99)	83.38
Experience adjustments on Plan Assets	5.86	(1.20)	(1.48)	(6.97)	(60.00)

i) Assumptions used by the actuary in accounting for Gratuity/Pension/Compensation for absence

	Gratuity Plan		Pension Plan		Compensation for absence	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Discount rate	6.65%	7.77%	6.67%	7.77%	6.65%	7.77%
Expected rate of return on plan assets	7.77%	7.73%	8.00%	8.00%	*	*
Increase in compensation cost	6.00%	6.00%	5.50%	5.50%	6.00%	6.00%

*Not applicable

Notes:

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

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

The charge on account of compensation for privilege/sick / casual leave has been actuarially determined and an amount of ₹17.26 crore (Previous year ₹20.69 crore) has been debited to Profit and Loss account.

The above information is as certified by actuary and relied upon by the auditor.

k) During the Financial Year 2019-20, the Bank has debited to Profit and Loss Account 'Nil' (Previous Year: ₹20.45 crore) 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, which came into force from 2-10-2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payment to micro, and small enterprises or of interest payments due to delays in such payments. The above is based on information available with the Bank which has been relied on by the auditors.

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;

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

a) Treasury:

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

b) Corporate / Wholesale Banking:

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

c) Retail banking:

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

d) Other Banking Operations:

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

Geographic segment

The Bank operations are predominantly confined within one geographical segment (India) and accordingly this is considered as the only secondary segment.

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

₹ in Crore]

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Revenue	1,846.00	1,484.82	3,380.69	3,302.28	3,273.14	2,564.70	309.72	250.93	8,809.55	7,602.73
Result	(81.66)	(41.97)	(427.51)	(126.64)	409.39	347.92	249.33	201.19	149.55	380.50
Unallocated Expenses/ (Income)									-	-
Operating profit									149.55	380.50
Income Taxes									44.96	132.97
Net Profit									104.59	247.53
Other Information:										
Segment Assets	21,586.60	20,162.58	38,262.23	40,327.12	34232.68	29,446.95	10.86	13.96	94,092.37	89,950.61
Unallocated Assets									2,940.53	2,328.61
Total Assets									97,032.90	92,279.22
Segment Liabilities	20,633.39	19,128.33	36,898.77	38,576.88	33,012.82	28,168.93	-	-	90,544.98	85,874.14
Unallocated Liabilities									1,013.12	1,069.75
Total Liabilities									91,558.10	86,943.89

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

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by auditors.

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

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 ₹12.01 crore (Previous Year ₹12.22 crore) for the year ended March 31, 2020 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The Bank has spent 1.92% of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2020. 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, 2020

[₹ in Crore]

	Paid	Yet to be paid	Total
i) Construction/Acquisition of any assets	8.76	-	8.76
ii) For purposes other than (i) above	3.25	-	3.25

For the year ended March 31, 2019

	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

**SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

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 405 cases as fraud during the Financial Year ended March 31, 2020 amounting to ₹ 344.07 crore and has provided for the same in full.

The bank has exercised the option to make provision in respect of three Non-Performing Advances identified as fraud during the quarter ended December 31, 2019, over a period of four quarters as permitted by the RBI in Circular DBR No. BP. BC.92/21.04.048/2015-16 dated April 18, 2016. Accordingly, the Bank has debited ₹30.46 crore to Profit and Loss Account, being 50% of the outstanding net book value of the said advances and the remaining unprovided amount of ₹30.44 crore has now been debited against other reserves and will be debited in the profit and loss account by proportionately reversing the debit to other reserves over the two subsequent quarters in equal instalments.

14. Proposed Dividend

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic. Accordingly, the Board of Directors of the Bank have not recommended any dividend for the year 2019-20 (Previous Year 25% i.e. ₹0.25/- per Equity Share).

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 **Varma & Varma**

Chartered Accountants

ICAI Firm Registration No. 004532 S

V Sathyanarayanan

Partner

Membership No. 021941

Kochi

June 26, 2020

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

Thrissur
June 26, 2020

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
Director
(DIN : 01419486)

Parayil George John Tharakan
Director
(DIN : 07018289)

V J Kurian
Director
(DIN : 01806859)

Pradeep M Godbole
Director
(DIN : 08259944)

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2020

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 and RBI 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 30th September 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 2020 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	49,702.88
	Portfolios subject to standardized approach	49,702.88
	Securitization exposures	0.00
(b)	Capital requirements for Market Risk (Standardised duration approach)	2,483.33
	Interest Rate Risk	2,220.84
	Foreign Exchange Risk (including gold)	48.94
	Equity Risk	213.55
(c)	Capital requirements for Operational Risk (Basic Indicator Approach)	5,202.31
	Total Capital Requirement at 10.875%{(a)+ (b)+(c)}	57,388.52
	Total Capital Fund	70,755.15
	Common Equity Tier - I CRAR %	9.84 %
	Tier - I CRAR %	10.79 %
	Total CRAR %	13.41 %

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, 2020

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 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 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, 2020

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 counterparty 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 counterparties such as corporates, banks, are monitored through counterparty 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 2020

Amount in ₹ Million

Category	Exposure
Fund Based ¹	8,25,081.35
Non-Fund Based ²	47,133.47
Total	8,72,214.82

Note :

1. Fund based credit exposure excludes Cash in hand, Balance with RBI, SLR investments, shares, deposits placed with 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 2020

Particulars	Amount in ₹ Million
Domestic	8,72,214.82
Overseas	0.00
Total	8,72,214.82

c) Industry-wise Distribution of gross advances and NPAs as on 31st March 2020

Industry Name	Total Funded Exposure	Total Non-Funded Exposure	Total Credit Exposure
A. Mining and Quarrying	1,733.38	7.37	1,740.75
A.1 Coal	57.44	-	57.44
A.2 Others	1,675.94	7.37	1,683.31
B. Food Processing	1,287.32	31.25	1,318.57
B.1 Sugar	4.97	-	4.97
B.2 Edible Oils and Vanaspati	138.60	-	138.60
B.3 Tea	20.27	1.50	21.77
B.4 Coffee	-	-	-
B.5 Others	1,123.48	29.75	1,153.23
C. Beverages (excluding Tea & Coffee) and Tobacco	3,333.06	172.35	3,505.41
C.1 Tobacco and tobacco products	527.01	-	527.01
C.2 Others	2,806.06	172.35	2,978.41
D. Textiles	30,842.94	2,635.90	33,478.84
D.1 Cotton	14,478.39	1,599.17	16,077.57

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2020

Industry Name	Total Funded Exposure	Total Non-Funded Exposure	Total Credit Exposure
D.2 Jute	427.07	5.00	432.07
D.3 Man-made	205.00	10.54	215.54
D.4 Others	15,732.49	1,021.18	16,753.67
Out of D (i.e., Total Textiles) to Spinning Mills	18,832.94	1,769.08	20,602.03
E. Leather and Leather products	1,703.94	109.13	1,813.07
F. Wood and Wood Products	1,384.50	276.52	1,661.02
G. Paper and Paper Products	4,938.25	856.26	5,794.50
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	4,469.17	12.00	4,481.17
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	7,159.48	1,311.82	8,471.30
I.1 Fertilizers	99.86	-	99.86
I.2 Drugs and Pharmaceuticals	2,077.25	105.00	2,182.25
I.3 Petro-chemicals (excluding under Infrastructure)	-	-	-
I.4 Others	4,982.37	1,206.82	6,189.19
J. Rubber, Plastic and their Products	12,848.48	2,056.35	14,904.83
K. Glass & Glassware	1,063.71	0.85	1,064.55
L. Cement and Cement Products	10,467.50	1,100.00	11,567.50
M. Basic Metal and Metal Products	25,760.05	3,734.61	29,494.66
M.1 Iron and Steel	14,068.89	2,507.60	16,576.49
M.2 Other Metal and Metal Products	11,691.16	1,227.01	12,918.17
N. All Engineering	13,347.39	3,709.72	17,057.11
N.1 Electronics	235.77	-	235.77
N.2 Others	13,111.62	3,709.72	16,821.34
O. Vehicles, Vehicle Parts and Transport Equipments	1,989.52	663.95	2,653.47
P. Gems and Jewellery	5,845.77	231.39	6,077.15
Q. Construction	12,012.50	2,723.06	14,735.56
R. Infrastructure	16,922.53	2,043.14	18,965.67
R.a Transport (a.1 to a.8)	7,154.09	9.90	7,164.00
R.a.1 Roads and Bridges	7,154.09	9.90	7,164.00
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.a.7 Shipyards	-	-	-
R.a.8 Logistics Infrastructure	-	-	-
R.b. Energy (b.1 to b.6)	5,439.93	217.70	5,657.63
R.b.1 Electricity Generation	4,463.08	215.20	4,678.28
R.b.1.1 Central Govt. PSUs	-	-	-
R.b.1.2 State Govt. PSUs (incl. SEBs)	504.64	-	504.64
R.b.1.3 Private Sector	3,958.44	215.20	4,173.64
R.b.2 Electricity Transmission	939.59	-	939.59
R.b.2.1 Central Govt. PSUs	-	-	-
R.b.2.2 State Govt. PSUs (incl. SEBs)	399.94	-	399.94
R.b.2.3 Private Sector	539.65	-	539.65
R.b.3 Electricity Distribution	37.26	2.50	39.76
R.b.3.1 Central Govt. PSUs	-	-	-
R.b.3.2 State Govt. PSUs (incl. SEBs)	-	-	-
R.b.3.3 Private Sector	37.26	2.50	39.76
R.b.4 Oil Pipelines	-	-	-
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	-	-	-
R.b.6 Gas Pipelines	-	-	-

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2020

Industry Name	Total Funded Exposure	Total Non-Funded Exposure	Total Credit Exposure
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)	-	5.00	5.00
R.d.1 Telecommunication (Fixed network)	-	-	-
R.d.2 Telecommunication towers	-	-	-
R.d.3 Telecommunication and Telecom Services	-	5.00	5.00
R.e. Social and Commercial Infrastructure (e.1 to e.12)	-	-	-
R.e.1 Education Institutions (capital stock)	-	-	-
R.e.2 Hospitals (capital stock)	-	-	-
R.e.3 Tourism - 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.e.10 Sports Infrastructure	-	-	-
R.e.11 Tourism - Ropeways and Cable Cars	-	-	-
R.e.12 Affordable Housing	-	-	-
R.f. Others, if any, please specify	4,328.51	1,810.53	6,139.04
Social Infrastructure	4,328.51	1,810.53	6,139.04
S. Other Industries, pl. specify	8,169.38	282.23	8,451.61
Other industries	8,169.38	282.23	8,451.61
All Industries (A to S)	1,65,278.85	21,957.87	1,87,236.72
Residuary other exposure (to tally with gross exposure)	4,89,961.36	14,934.85	5,04,896.21
Total	6,55,240.21	36,892.72	6,92,132.93

d) Major Industry breakup of NPA (₹ in Million)

Industry	Gross NPA	Specific Provision
Top 5 Industries	27,507.58	9,792.77

e) Residual Contractual Maturity breakdown of Assets as on 31st March 2020 (₹ in Million)

Time band	Cash and Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Asset	Other Assets
Next Day	4,621.36	4,152.31	24,300.13	4,301.23	-	143.17
2 - 7 Day	-	9,539.80	1,700.85	5,469.95	-	532.53
8 - 14 Day	-	41.70	1,101.42	5,215.37	-	675.71
15 - 30 Day	522.27	49.40	1,950.13	8,184.01	-	1,334.20
31 - 2 Months	834.78	51.00	6,273.18	15,153.61	-	2,612.50
29 - 3 Months	1,011.02	-	4,913.76	28,648.44	-	2,617.33
3 - 6 Months	1,494.24	-	9,647.73	64,379.84	-	6,625.24
6 - 12 Months	2,367.02	-	9,983.89	95,870.52	-	12,689.78
1 - 3 Year	1,262.79	-	7,899.15	1,01,644.91	-	27,213.26
3 - 5 Year	1,559.88	-	13,020.76	42,780.40	-	995.91
Over 5 Year	14,386.46	-	1,25,461.76	2,72,746.43	8,000.42	14,347.43
Total	28,059.82	13,834.21	2,06,252.76	6,44,394.71	8,000.42	69,787.06

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- f) The composition of Gross NPAs and NPLs, Net NPAs, NPA ratios and provision for GNPA and GNPLs as on 31st March 2020 and movement of gross NPAs and provisions during the year ended 31st March 2020 are given in following table.

(₹ in Million)

1	Amount of Gross NPAs	32,617.66
	• Substandard	11,136.52
	• Doubtful-I	10,962.48
	• Doubtful-2	10,006.66
	• Doubtful-3	73.52
	• Loss	438.48
2	Net NPA	21,507.80
3	NPA Ratios	
	• Gross NPA to Gross Advance (%)	4.98
	• Net NPA to Net Advance (%)	3.34
	Movement of NPA (Gross)	
	• Opening Gross NPA (balance as on 01.04.2019)	31,316.73
	• Additions to Gross NPA	13,695.90
	Reductions to Gross NPA	
	• Upgradations	1,599.86
	• Recoveries (excluding recoveries made from upgraded accounts)	1,882.97
	• Technical/prudential write offs	8,675.06
	• Reduction by sale of assets to ARCs	237.08
	• Closing Balance of Gross NPA	32,617.66

Movement of Specific & General Provision – Position as on 31st March 2020

(₹ in Million)

Movement of Provision	Specific Provision	General Provision
• Opening Balance as on 01.04.2019	9,378.25	
• Provision made in 2019-20	10,913.69	
• Write-off/Write-back of excess provision	9,490.13	
• Closing Balance as on 31.03.2020	10,801.81	

NPLs and Movement of Provision for Depreciation on Investments – Position as on 31st March 2020

(₹ in Million)

1	Amount of Non-Performing Investments (Gross)	1,220.60
2	Amount of Provisions held Non-Performing Investments	832.00
3	Movement of Provisions for Depreciation on Investments	
	• Opening Balance (as on 01.04.2019)	482.80
	• Provision made in 2019-20	515.60
	• Write-offs / Write-back of excess provisions during the period	166.40
	• Closing Balance (as on 31.03.2020)	832.00

Geographical Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	32,617.66	10,801.81	
Overseas	0.00	0.00	
Total	32,617.66	10,801.81	

Details of write-offs and recoveries that have been booked directly to the income statement for the year ending 31st March 2020

Write-offs that have been booked directly to the income statement	458.69
Recoveries that have been booked directly to the income statement	184.84

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 counterparty, 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 counterparty, whether long term or short term, should also receive a 150 percent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.

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- The unrated short term claim of counterparty will attract a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counterparty. If a short-term rated facility to counterparty attracts a 20 percent or a 50 percent risk weight, unrated short term claims to the same counter party cannot attract a risk weight lower than 30 percent or 100 percent respectively.

b. Process used to transfer public issue ratings onto comparable assets in the banking book

- (i) In circumstances where the borrower has a specific assessment for an issued debt - but the bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to the bank's unassessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unassessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation. If not, the rating applicable to the specific debt cannot be used and the unassessed claim will receive the risk weight for unrated claims.
- (ii) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same 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 2020 under major three risk buckets

Description of risk bucket	₹ in Million
Below 100% Risk Weight	5,74,965.09
Risk Weight at 100%	2,18,302.77
More than 100% Risk Weight	44,300.79
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 percent 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 percent 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/Infomerics 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 2020 is given in table below**

Sl. No.	Nature of Exposure	Exposure	Amount of Risk Mitigants	Risk Weighted Assets
1	Exposure covered by Gold	78,023.51	1,06,367.80	0.06
2	Exposure covered by deposits	17,836.95	19,818.83	0.00
3	Loan against KVP / IVP/NSC/LIC	76.42	101.89	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

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securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate changed business requirements, economic environment and changes in regulations.

Structure and organisation of the market risk management function

The Market Risk Management Committee (MRMC), which is an independent function, reports to the Risk Management Committee. MRMC exercises independent control over the process of market risk management and recommends changes in risk policies, controls, processes and methodologies for quantifying and assessing market risk. There is clear functional separation of:

- Trading i.e. front office; and
- Monitoring, control, settlements and accounting i.e. Treasury back office.

Strategies and processes

- The Bank has put in place a comprehensive Market risk management Framework to address the Market risks (bank wide) including that of the Trading Book.
- Within the above Framework, various policies of the Bank prescribes Limits like Value at Risk (VaR) for Central Government securities & Currencies, maximum holding period, duration, minimum holding level for liquid assets, defeasance period, exposure limits, Forex open position limits (day light/overnight), stop-loss limits etc .
- Risk profiles are analyzed and the effectiveness of risk mitigants is regularly monitored.
- The Bank's Board/Market Risk Management Committee (MRMC)/Investment Management Committee (IMC) approves the volume composition holding/defeasance period etc. of the trading book.

The scope and nature of risk reporting and/or measurement system risk reporting

Adherence to limits are being monitored by dedicated mid office, reporting exceptions to chief risk officer (CRO), independent of Treasury 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 [Amount in ₹ Million]

S. No.	Particulars	Capital Requirement
1	Interest rate risk	2,220.84
2	Foreign Exchange Risk	48.94
3	Equity Position Risk	213.55

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.

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Interest rate risk on banking book assumes the form of basis risk, yield curve risk, re-pricing risk or embedded options risk. For purposes of measuring the impact of these risks on net interest income under TGA approaches, the risk position is identified as the gap between rate sensitive assets and liabilities in different maturity buckets. For purposes of measuring the impact of these risks on economic value of net worth under DGA approach, the risk position is defined as the modified duration of equity which is derived from the modified duration gap, which in turn requires computation of the weighted average modified duration of assets and weighted average modified duration of liabilities.

The bank calculates the impact on the earnings by gap analysis with the assumed change in yield over one year. Bank has put in place prudential limits for probable reduction in Net Interest Income (NII) for buckets below one year due to adverse change in interest rates. Earnings at Risk (EaR) are being calculated using Traditional Gap Analysis as per ALM guidelines of RBI.

The bank calculates the impact on the Market value of equity by Duration Gap Analysis and the impact is calculated by applying a notional interest rate shock of 200 basis points as per ALM guidelines of RBI.

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

II. Quantitative Disclosures

[Amount in ₹ Million]

Particulars	As on 31 st March 2020
Change in NII	
Probable impact on Net Interest income for 100 Bps downward movement in interest rate	500.79
Change in MVE	
Probable impact on Market Value of equity (MVE) for a 200 Bps movement in interest rates.	3,554.84

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 2020 is as follows:

Particulars	₹ in Million
Forward Contracts valued based on CEM	3,831.83
Total	3,831.83

Table DF-11. Composition of capital as on 31st March 2020

			₹ 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)	17,361.70	
2	Retained earnings	32,171.10	
3	Accumulated other comprehensive income (and other reserves)	3,227.72	
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	52,760.52	
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)	799.26	
10	Deferred tax assets	0.00	
11	Cash flow hedge reserve	0.00	
12	Shortfall of provisions to expected losses	0.00	

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Basel III common disclosure template			Ref. No.
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	
17	Reciprocal cross-holdings in common equity	13.79	
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	813.05	
29	Common Equity Tier 1 capital (CET1)	51,947.48	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	50,00.00	
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>	50,00.00	
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	50,00.00	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	

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Basel III common disclosure template			Ref. No.
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41a	<i>of which: 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)	56,947.48	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	10,400	
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	3,186.21	
51	Tier 2 capital before regulatory adjustments	13,807.67	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments	0.00	
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	0.00	
58	Tier 2 capital (T2)	13,807.67	
59	Total Capital (TC = T1 + T2) (45 + 58)	70,755.15	
60	Total risk weighted assets (60a + 60b + 60c)	5,27,710.47	
60a	<i>of which: total credit risk weighted assets</i>	4,57,037.93	
60b	<i>of which: total market risk weighted assets</i>	22,835.14	
60c	<i>of which: total operational risk weighted assets</i>	47,837.40	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.84%	
62	Tier 1 (as a percentage of risk weighted assets)	10.79%	
63	Total capital (as a percentage of risk weighted assets)	13.41%	

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Basel III common disclosure template			Ref. No.
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	
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)	2.46%	
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)	3,186.21	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	5,728.24	
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	561.25
	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

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Row No. of the Template	Particular	(₹ in Million)
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	3,186.21
	Eligible Investment Fluctuation Reserve included in Tier 2 capital	221.45
	Total of row 50	3,407.67

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	1,809.72		(a)
	<i>of which</i> : Amount eligible for CET1	1,809.72		(a)(i)
	<i>of which</i> : Amount eligible for AT1			
	Reserves & Surplus	52,938.29		(b)
	<i>of which</i> : Amount eligible for CET1			
	Statutory Reserve	11,413.14		(b)(i)
	Share Premium	15,551.98		(b)(ii)
	General Reserve	13,757.77		(b)(iii)
	Capital Reserve	3,529.56		(b)(iv)
	Special reserve under Section 36(i) (viii) of Income Tax Act	3,993.90		(b)(v)
	Balance in P/L a/c at the end of the Previous Financial Year	2,221.89		(b)(vi)
	Current Financial Year carry forward Profit	-962.35		(b)(vii)
	Investment Fluctuation Reserve Account (part of Tier 2 Capital)	221.45		(b)(viii)
	Revaluation Reserve (part of Tier I Capital, at a discount of 55 per cent is ₹1444.92).	3,210.95		(b)(ix)
	Minority Interest			
	Total Capital	54,748.01		(a)+(b)
ii	Deposits	8,30,338.88		(c)
	<i>of which</i> : Deposits from banks	33,698.13		(c)(i)
	<i>of which</i> : Customer deposits	7,80,760.79		(c)(ii)
	<i>of which</i> : Other deposits (pl. specify) CD	15,879.95		

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iii	Borrowings	68,932.35		(d)
	<i>of which: From RBI</i>	5,520		(d)(i)
	<i>of which: From banks</i>	2,428.80		(d)(ii)
	<i>of which: From other institutions & agencies</i>	38,533.79		(d)(iii)
	<i>of which: Others (pl. specify) Borrowings from outside India</i>	22,449.75		(d)(iv)
	<i>of which: Capital instruments</i>			(d)(v)
iv.	<i>Other liabilities & provisions & ESOP</i>	16,309.77		(e)
	<i>of which: Standard Asset provision included under Tier 2 Capital</i>	3,610.22		(e)(i)
	<i>of which : DTLs related to goodwill</i>			(e)(ii)
	<i>of which : Details related to intangible assets</i>			
	Total	9,70,329.01		(a)+(b)+(c)+(d)+(e)
B	Assets			
i	<i>Cash and balances with Reserve Bank of India</i>	28,059.83		(f)
	<i>Balance with banks and money at call and short notice</i>	13,837.78		(g)
ii	<i>Investments:</i>	2,06,252.75		(h)
	<i>of which: Government securities</i>	1,91,835.93		(h)(i)
	<i>of which: Other approved securities</i>			(h)(ii)
	<i>of which: Shares</i>	822.43		(h)(iii)
	<i>of which: Debentures & Bonds</i>	5,934.51		(h)(iv)
	<i>of which: Subsidiaries/Joint Ventures/Associates</i>			
	<i>of which: Others (Commercial Papers, Mutual Funds etc.)</i>	7,659.86		(h)(v)
iii	<i>Loans and advances</i>	6,44,394.73		(i)
	<i>of which: Loans and advances to banks</i>			
	<i>of which: Loans and advances to customers</i>	6,44,394.73		(i)(i)
iv	<i>Fixed assets</i>	8,000.41		(j)
v	<i>Other assets</i>	69,783.50		(k)
	<i>of which: Goodwill and intangible assets</i>			
	<i>Out of which :</i>			
	<i>Goodwill</i>			(k)(i)
	<i>Other Intangibles (excluding MSRs)</i>	799.26		(k)(ii)
	<i>Deferred tax assets</i>			(k)(iii)
vi	<i>Goodwill on consolidation</i>			(l)
vii	<i>Debit balance in Profit & Loss account</i>			(m)
	Total Assets	9,70,329.01		(f)+(g)+(h)+(i)+(j)+(k)+(l)+(m)

Table DF-13: Main features of Regulatory Capital Instruments
Series 1

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A09091
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group & solo	Solo

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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)	₹ 0 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
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	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Series II

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08028
3	Governing law(s) of the instrument	Indian Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Sub-ordinated Tier 2 Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	₹ 3000 Million
9	Par value of instrument	₹ 10,00,000

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10	Accounting classification	Liability
11	Original date of issuance	30-09-2015
12	Perpetual or dated	Dated
13	Original maturity date	31-10-2025
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	10.25%
19	Existence of a dividend stopper	No
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

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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
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)	₹2,500 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

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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
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

Series V Additional Tier I Bonds

1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08051
3	Governing law(s) of the instrument	Indian law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Non-convertible, Fully Paid-Up, Unsecured, Perpetual, Basel III compliant Tier 1 Bond
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group & solo	Solo
7	Instrument type	Non-convertible, Fully Paid-Up, Unsecured, Perpetual, Basel III compliant Tier 1 Bonds in the nature of debentures for augmenting Tier 1 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)	₹5,000 million
9	Par value of instrument	₹1,00,000/- per bond
10	Accounting classification	Liability
11	Original date of issuance	24-01-2020
12	Perpetual or dated	Perpetual

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13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	Call option: On fifth anniversary from the Deemed Date of Allotment or any anniversary date thereafter with prior approval of RBI, subject to tax call/regulatory call. In case of tax call or regulatory Call, the date may be specified in the notice to Trustees.
15	Optional call date, contingent call dates and redemption amount	On fifth anniversary from the Deemed Date of Allotment or any anniversary date thereafter with prior approval of RBI, subject to tax call/regulatory call. In case of tax call or regulatory Call, the date may be specified in the notice to Trustees.
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	13.75% p.a.
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NA
22	Non-cumulative or cumulative	Non-cumulative
23	<i>Convertible or non-convertible</i>	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	<i>Write-down feature</i>	
31	If write-down, write-down trigger(s)	Trigger event is earlier of the trigger event: a. Write-off is necessary without which the firm would become non-viable as determined by RBI b. Decision to make public sector injection of capital without which firm would become non-viable.
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	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to the claims of depositors general creditors and subordinated debts of the bank
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	

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

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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

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	₹4,900 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	₹2,500 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

Series V

Nature of Instrument	Non-convertible, Fully Paid-Up, Unsecured, Perpetual, Basel III compliant Tier 1 Bonds in the nature of debentures for augmenting Tier 1 capital of the Issuer with face value of ₹ 1,00,000 each ("Bonds")
Amount Subscribed	₹5,000 million
Face Value	₹1,00,000/- per bond
Date of allotment	24-01-2020
Date of Redemption	N.A
Coupon Rate	13.75% p.a.
Put and call option	Put option : NA Call option : Applicable
Issuance, Trading & Listing	Listed in BSE

Table DF-15: Disclosures on Remuneration
Remuneration
Qualitative disclosures
(a) Information relating to the composition and mandate of the Nomination and Remuneration Committee.
Composition:

The Nomination & Remuneration committee of the Board

consists of five 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 includes the following:

- Scrutinizing the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and to decide whether

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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.

- 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 coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
 - a) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;
 - b) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
 - c) Coordinate the progress of growth of business vis-a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;
 - d) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- 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 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;
- The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board.
- Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.
- To conduct the annual review of the Compensation Policy.
- To fulfill such other powers and duties as may be delegated to it by the Board.
- To review HR Strategy aligning with business strategy of the Bank.
- 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 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 35B of the Banking Regulation Act, 1949. The payment of

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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.

The Reserve Bank of India vide Circular DOR.Appt. BC.No.23/29.67.001/2019-20 dtd. 04.11.2019 issued a detailed revised Guidelines on Compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function staff. Accordingly the Compensation Policy has been modified by incorporating the revised provisions of the RBI Circular.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It will 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.

For MRTs:

The Bank will refer to the Basel Committee on Banking Supervision (BCBS) report entitled Range of Methodologies for Risk and Performance Alignment of Remuneration published in May 2011 for guidance wherever required. It intends to enhance the banks' and supervisors' understanding of risk-adjusted remuneration. This report, by providing some clarification on design of risk-adjusted remuneration schemes, will support and facilitate the greater adoption of sound practices in the banking sector. Some of the key stipulations of the report are as under:

1. In order for incentive-based remuneration to work, the variable part of remuneration will be truly and effectively variable and can even be reduced to zero in line with the symmetry principle defined by the FSB. A key element that supervisors expect is the ability for banks to demonstrate that the methodologies they developed to adjust variable remuneration to risk and performance are appropriate to their specific circumstances.
2. The methodologies for adjusting remuneration to risk and performance should also be consistent with the general risk management and corporate governance framework.
3. The methodologies for adjusting remuneration to risk and performance will also be consistent with the general risk management and corporate governance framework.
4. Performance measures and their relation to remuneration packages will be clearly defined at

the beginning of the performance measurement period to ensure that the employees perceive the incentives mechanism. The usual annual determination of bonuses will be based on rules, processes and objectives known in advance, recognizing that some discretion will always be needed.

5. Bank will use a combination of financial and non-financial measures to assess employee performance and adapt the measurement to each employee's specific situation. Qualitative factors (like knowledge, skills or abilities), might play an important role when it comes to judging and rewarding some activities-particularly when these serve to reinforce the bank's risk management goals.
6. The nature and extent to which risk adjustments are needed depends first on the extent to which performance measures capture risks, but in all cases, some form of risk adjustment is needed as remuneration is often awarded before the final outcome of an activity is known. Risks taken need to be estimated (ex ante), risk outcomes observed (ex post) and both ex ante estimates and ex post outcomes will affect payoffs.
7. Risk adjustments need to take into account the nature of the risks involved and the time horizons over which they could emerge. The impact of remuneration adjustments will be linked to actions taken by employees and/or business units, and their impact on the level of risk taken on by the bank.
8. The nature of the award process, which links the variable remuneration of each individual employee with bonus pools and the total amount of variable remuneration at a bank's level, is also an area that will be carefully considered by banks and supervisors, as it directly influences how and when performance and risk adjustment are or can be used.
9. Considering the above parameters, the Board may approve suitable methodologies for fixing of risk adjusted remuneration, as appropriate, based on the recommendations of Risk Management committee and review/approval of the Nomination and Remuneration Committee on the same .

The compensation structure for the *whole-time directors/Chief Executive Officers / Material Risk Takers (MRTs)* of the bank shall be as under:

Fixed Pay and Perquisites

Based on the recommendations of the Nomination and Remuneration Committee, and subject to the approval of Reserve Bank of India (for MD & CEO and Executive Directors), Board shall fix the fixed portion of compensation payable which is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice.

Variable Pay

In order to have a proper balance between the cash and share-linked components in the variable pay, the variable

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2020

pay are to be structured in the form of share-linked instrument (including Cash-linked Stock Appreciation Rights (CSARs)), or a mix of cash and share-linked instruments. Only in cases where the compensation by way of share-linked instruments is not permitted by law/regulations, the entire variable pay can be in cash to be exercised.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

- a) 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.

The criteria for identification of MRTs are subject to the following:

The persons who satisfy the qualitative criteria and any one of the quantitative criteria as detailed below:

(I) Standard Qualitative criteria

- Relate to the role and decision-making power of staff members (e.g., General manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

AND

(II) Standard Quantitative Criteria:

- Their total remuneration exceeds a certain threshold (to be recommended by MD & CEO to NRC for approval); the determination of which may be done prudently by the bank,
- or
- They are included among the 0.3% of staff with the highest remuneration in the bank,
- or
- Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk takers.

MD & CEO is considered as Material Risk Taker, whose compensation will be guided by the provisions applicable to WTD/CEO as per the policy. However the Board, on recommendation of NRC, will specify additional Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the bank from time to time.

- MD & CEO is considered as Material Risk Taker, whose compensation will be guided by the provisions applicable to WTD/CEO as per the policy. However the Board, on recommendation of NRC, will specify additional Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the bank from time to time.

(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.

➤ **Variable Pay**

In order to have a proper balance between the cash and share-linked components in the variable pay, the variable pay are to be structured in the form of share-linked instrument (including Cash-linked Stock Appreciation Rights (CSARs)), or a mix of cash and share-linked instruments. Only in cases where the compensation by way of share-linked instruments is not permitted by law/regulations, the entire variable pay can be in cash to be exercised.

The assessment of the variable pay will be based on 'Key Performance Indicators' (KPI) achievement of respective whole-time directors/Chief Executive Officers/Material Risk Takers (MRTs).

a. Limit on Variable Pay:

A. For Whole-Time Directors and Chief Executive Officers

- i. In compliance to the RBI Guidelines and other applicable rules and regulations at least 50%, should be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance. The total variable pay shall be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period).
- ii. In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.
- iii. In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her variable pay will be capped at 150% of the fixed pay, but shall not be less than 50% of the fixed pay.
- iv. The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero.

B. For Material Risk Takers (MRTs)

- i. In compliance to the RBI Guidelines and other applicable rules & regulations 50% of total pay for all MRTs is should be variable pay and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance.
- ii. 50% of the variable pay should be via non-cash instruments.
- iii. The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero.

The Board will from time to time specify the Material Risk Takers (MRTs).

b. Deferral of Variable Pay

- (i) For senior executives, including WTDs, and other employees who are MRTs, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2020

variable pay, at least 50% of the cash bonus should also be deferred.

- (ii) However, in cases where the cash component of variable pay is under ₹25 lakh, deferral requirements is not applicable.

c. Period of Deferral Arrangement

The deferral period should for a period three years. This would be applicable to both the cash and non-cash components of the variable pay arrangements.

d. Vesting:

Deferred remuneration should be spread out over the course of the deferral period on a pro rata basis as follows:

- not more than 33.33% of the total deferred variable pay should vest at the end of first year.
- Further, not more than 33.33% of total deferred variable pay should vest at the end of second year.

Additionally, vesting should not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex post adjustments.

Share-linked Instruments

Such instruments shall be included as a component of variable pay. Norms for grant of share-linked instruments should be framed by banks in conformity with relevant statutory provisions and should form part of the bank's compensation policy. The details of share-linked instruments granted should also be disclosed in terms of the disclosure requirements stipulated in these Guidelines. Share-linked instruments should be fair valued on the date of grant by the bank using Black-Scholes model.

Malus / Clawback

- (a) The deferred compensation should be subject to malus/ clawback arrangements in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year.
- (b) A set of situations as detailed below are hereby identified, which require the invocation of the malus and clawback clauses that may be applicable as detailed below:
- i) Applying of Malus / Clawback arrangement on entire variable pay on occurrence of the following Situations:
 - identified fraud / misconduct by the executive (whole-time directors, Chief Executive Officers / Material Risk Takers (MRTs)) pertaining to the corresponding period for which the clause to be applied.
 - ii) Applying of Malus / Clawback arrangement on unvested portion of deferred variable pay on occurrence of the following situation:
 - Reporting of operating loss or more than 50% fall in operating profit in any year
 - iii) Applying of Malus clause on unvested portion of deferred variable pay on occurrence of the following situation:
 - Wherever the assessed divergence in bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public disclosure as detailed below: (As referred in

RBI Circular No. DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019, as amended from time to time),

- a. the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and
- b. the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period

Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained. In case the bank's post assessment Gross NPAs are less than 2.0%, these restrictions will apply only if criteria for public disclosure are triggered either on account of divergence in provisioning (Clause (a)) or both provisioning (clause (a) and asset classification (Clause (b))).

As part of the criteria for the application of malus and clawback, the following period during which malus and/or clawback can be applied will be 36 months from application of the Clause, covering at least deferral and retention periods (a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed).

Members of staff engaged in financial and risk control, including internal audit, should be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management's influence on incentive compensation. Back office and risk control employees play a key role in ensuring the integrity of risk measures. If their own compensation is significantly affected by short-term measures, their independence may be compromised. If their compensation is too low, the quality of such employees may be insufficient for their tasks and their authority may be undermined. The mix of fixed and variable compensation for control function personnel should be weighted in favour of fixed compensation. Therefore, the requirement of minimum 50% of total compensation to be paid in the form of variable pay will not be applicable for this category of staff. However, a reasonable proportion of compensation has to be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

For calculating the Variable Pay of Risk Control and Compliance Staff the 'Key Performance Indicators' (KPI) will be totally different and the modalities of the same will be recommended by the Nomination and Remuneration Committee to the Board for approval.

- (f) Description of the different forms of variable remuneration (i.e. cash and types of share linked instruments) that the bank utilizes and the rationale for using these different forms.

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2020

For MRTs

a) **both cash and non-cash** Performance Linked Incentive Schemes to those employees who are eligible for incentives, in this regard 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 are considered necessary;
- iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- v) To identify Material Risk Takers (MRTs) as per the recommendations made by MD & CEO and to fix variable pay and other terms of payment including component (Cash and non-cash), deferment and divergence clause in line with compensation policy and other RBI guidelines and other policies and guidelines of the bank.

For Others

The Board will from time to time specify the Risk Control and Compliance Staff.

a) Based on the recommendations of the Committee, Board

may fix the variable pay not exceeding 50% of the fixed pay in a year. Within this ceiling, at higher levels of responsibility, the proportion of variable pay will be higher. The variable pay may be in cash, or stock linked instruments or a mix of both.

b) '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.

c) The Board may adopt principles similar to that enunciated for WTDs/CEOs, as appropriate, for variable pay-timing, Malus/Clawback, guaranteed bonus and hedging.

d) 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.

Quantitative disclosures

		2019-20	2018-19
(g)	<ul style="list-style-type: none"> Number of meetings held by the Remuneration Committee during the financial year Remuneration paid to its members (₹ in Lakhs) 	6 10.80	8 10.50
(h)	<ul style="list-style-type: none"> Number of employees having received a variable remuneration award during the financial year. Number and total amount of sign-on awards made during the financial year <ul style="list-style-type: none"> Number Total amount Details of severance pay, in addition to accrued benefits, if any 	1	-
(i)	(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		
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Lakhs) <ul style="list-style-type: none"> Fixed Variable Deferred Non Deferred 	114.05 25.92	103.68 0
(k)	(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		
(l)	Number of MRTs identified	1	0
(m)	Number of cases where malus has been exercised <ul style="list-style-type: none"> Number of cases where clawback has been exercised Number of cases where both malus and clawback have been exercised 		

General Quantitative Disclosure

(n)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs* from the mean pay. (₹ in lakhs)	8.74 145.98	7.40 110.69
*Gross remuneration paid to MD & CEO is considered for this purpose, which excludes the provisions made for gratuity and leave benefits as they are determined on an actuarial basis for the Bank as a whole.			

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2020

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.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

Summary comparison of accounting assets vs. leverage ratio exposure measure		
Sl. No.	Item	(₹ in Million)
1	Total consolidated assets as per published financial statements	9,70,329.00
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	(813.05)
4	Adjustments for derivative financial instruments	3,831.83
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	9,500.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	33,784.55
7	Other adjustments	0.00
8	Leverage ratio exposure	10,16,632.33

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)	9,70,329.00
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(813.05)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	9,69,515.95
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2,036.61
5	Add-on amounts for PFE associated with all derivatives transactions	1,795.22
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)	3,831.83
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	9,500.00
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)	9,500.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	1,98,269.01
18	(Adjustments for conversion to credit equivalent amounts)	(1,64,484.46)
19	Off-balance sheet items (sum of lines 17 and 18)	33,784.55
Capital and total exposures		
20	Tier 1 capital	56,947.48
21	Total exposures (sum of lines 3, 11, 16 and 19)	10,16,632.33
Leverage ratio		
22	Basel III leverage ratio	5.60 %

[illegible]

[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)

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.

Nature of Securities	Folio No.	No. of Securities	Certificate No.	Distinctive Nos.

Name:	
Date of Birth:	
Father's/Mother's/Spouse's name:	
Occupation:	
Nationality:	
Address:	
E-mail id:	
Relationship with the Security Holder:	

Date of Birth:	
Date of Attaining Majority:	
Name of Guardian:	
Address of Guardian:	

HOLDER 1	Signature	
	Name	
	Address	
	Date	
HOLDER 2	Signature	
	Name	
	Address	
	Date	

	Name and Address	Signature with Date
1.		
2.		

Driving Licence	Electoral Voter ID	PAN Card	Passport	Bank Pass book (With photo)	Bank/Govt. employee ID card	Others (specify)

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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: __/__/2020

Address: _____

Note:

1. This form should be submitted to our Share Transfer Agents at the address given above to reach them on or before _____ for receipt of dividend declared, if any, for the financial year 2019-20.
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).

Foundation Stone laying ceremony of Bank's Administrative Block II



Mr. Salim Gangadharan, Chairman, Mr. V.G. Mathew, MD & CEO, Mr. Thomas Joseph K, EVP(Operations) and Mr. Raphael T J, CGM & CIO during the foundation stone laying ceremony of the Bank's Administrative Block II at Rajagiri Valley, Kakkanad, Cochin.

SIB Scholar –4th Edition - Bank's Scholarship Scheme



Mr. V.G. Mathew, MD & CEO, Mr. Thomas Joseph K, EVP(Operations) and Mr. Sivakumar G, EVP (Credit), with students who won the fourth edition of South Indian Bank's merit scholarship scheme 'SIB Scholar' – a CSR initiative to promote the deserving and meritorious students.

MSMEs National Excellence Award



Mr. Sivakumar G, EVP (Credit) receiving "Best MSME Bank (Private Sector)" award from Hon'ble Union Minister for MSME, Mr. Nitin Jairam Gadkari in the presence of Mr. Deepak Sood, Secretary General-Assocham, Mr. Anil Agarwal, Past President - Assocham and Mr. Sivaraman K, JGM & RO Head, Delhi.

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IBA Banking Technology Awards



Mr. Raphael T J, CGM & CIO receiving the 'IBA Banking Technology Awards 2020', instituted by IBA from Mr. Rajesh Gopinath, MD&CEO of Tata Consultancy Services in the presence of Mr. Rajnish Kumar, Chairman of State Bank of India (SBI) & Indian Banks' Association (IBA).

*The proposed Administrative Block II of the Bank at Rajagiri Valley,
Kakkanad, Kochi.*





Experience Next Generation Banking

The South Indian Bank Ltd., Regd. Office, SIB House

T.B. Road, Mission Quarters, Thrissur-680 001, Kerala, India, Telephone Nos: +91-487-2420020, 2420058, 2420113

Email: ho2006@sib.co.in, 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.