



**83rd Annual Report
2010 - 2011**



BOARD OF DIRECTORS



Front row: **Dr. N. J. Kurian** Independent Director **Dr. V. A. Joseph** Managing Director & CEO **Sri. Amitabha Guha** Chairman **Sri. Mathew L. Chakola** Independent Director **Sri. H. Suresh Prabhu** Non- Executive Director

Back row: **Sri. K. Thomas Jacob** Independent Director **Sri. Paul Chaliserry** Independent Director **Sri. Jose Alapatt** Independent Director **Sri. Mohan E. Alapatt** Independent Director

THE SOUTH INDIAN BANK LTD.

BOARD OF DIRECTORS*

Sri Amitabha Guha, Chairman
Dr. V. A. Joseph, Managing Director &
Chief Executive Officer

Sri Jose Alapatt
Sri Paul Chalissery
Sri Mathew L. Chakola
Dr. N. J. Kurian
Sri Mohan E. Alapatt
Sri K. Thomas Jacob
Sri H. Suresh Prabhu

TOP MANAGEMENT*

Executive Directors

Sri Abraham Thariyan
Sri Cheryan Varkey

General Managers

Sri M. S. Mani
Sri N. V. Ignatius
Sri Joseph George Kavalam
Sri K. S. Krishnan
Sri K. S. George
Sri A. G. Varughese

Deputy General Managers

Sri P. J. Jacob
Sri K. C. Francis
Sri Roy Alex Vilangupara
Sri C.J. Jose Mohan
Sri Thomas Joseph K.
Sri K. L. Baby
Sri John Thomas
Sri P. K. Kochanthony
Sri Abraham K. George
Sri C. T. Devis
Sri T. J. Raphael
Sri T. D. Devasia

* as on 31.03.2011

STATUTORY AUDITORS

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Chartered Accountants,
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CFO & COMPANY SECRETARY

Sri K. S. Krishnan, A.C.A., A.C.S.

REGISTRAR & SHARE TRANSFER AGENT

M/s BTS Consultancy Services Pvt. Ltd.

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REGISTERED OFFICE

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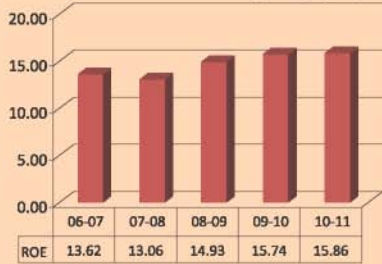
email: head@sib.co.in



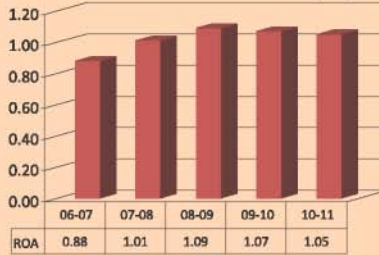
Cover Design: New Administrative Building at Kakkanad, Kochi.

GROWTH INDICATORS

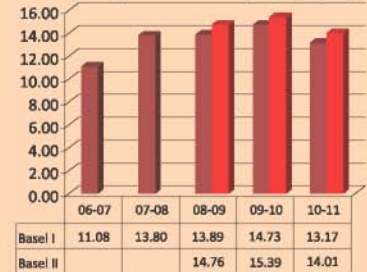
Return on Equity (%)



Return on Assets (%)



Capital Adequacy (%)



Earnings Per Share (in ₹)



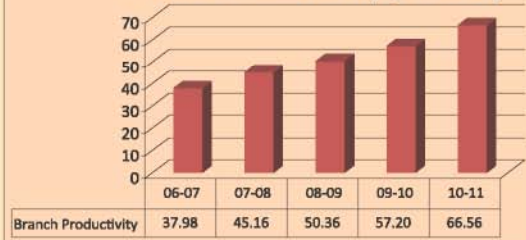
Net Profit (₹ in Cr)



Capital & Reserves (₹ in Cr)



Branch Productivity (₹ in Cr)



Deposits (₹ in Cr)



Advances - Gross (₹ in Cr)



Experience Next Generation Banking

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DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to place before you, the 83rd Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended March 31, 2011.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2011 are as follows:

Key Parameters	₹ in Crore	
	2010-11	2009-10
Deposits	29721.00	23012.00
Gross Advances	20659.00	15970.00
Total Gross Business	50380.00	38982.00
Net Profit	292.56	233.76
Capital & Reserves	1845.16	1484.71
Capital Adequacy (%) –Basel-I	13.17	14.73
Basel-II	14.01	15.39
Earning Per Share (EPS) :		
(a) Basic EPS (in ₹) [face value ₹1/-]	2.59	2.07
(b) Diluted EPS (in ₹) [face value ₹1/-]	2.58	2.06
Book Value per Share (in ₹) [face value ₹1/-]	16.33	13.14
Gross NPA as % of Gross Advances	1.11	1.32
Net NPA as % of Net Advances	0.29	0.39
Return on Average Assets (%)	1.05	1.07

FINANCIAL PERFORMANCE

Profit

The Bank has achieved a record net profit of ₹292.56 Crore during the year registering a growth of 25.15% over the previous year. The Bank could achieve this quantitative enhancement in net profit essentially on account of higher scale of operations and better management of assets and liabilities of the Bank.

The Profit and Loss Account shows an Operating Profit of ₹ 548.08 Crore before depreciation, tax and provision as per details given below:

	(₹ in Crore)
Profit before depreciation, taxes & provisions	548.08
Less: Depreciation	: 22.82
Provision for NPA/NPLs	: 28.84
Provision for depreciation on investments	: 9.37
Provision for contingencies	: 20.00
Provision for Income Tax/ Wealth Tax	: 152.94
Provision for standard advances	: 21.60
Provision for restructured advances	: (0.05) <u>255.52</u>
Net Profit	: 292.56
Transfer from Investment Reserve	: 4.70
Brought forward from last year	: 17.03
Profit available for appropriation	: <u>314.29</u>

Appropriations

Transfer to Statutory Reserve	73.15
Transfer to Revenue & Other Reserves	150.00
Transfer to Special Reserve u/s 36(i) (viii) of Income Tax Act, 1961	7.00
Proposed Dividend	56.50
Dividend Tax on Proposed Dividend	9.17
Carried over to Balance Sheet	18.47
Total	<u><u>314.29</u></u>

Dividend

The Board of Directors has recommended a dividend of 50% (tax-free in the hands of shareholders), i.e., @ ₹0.50/- per Equity share of face value of ₹1/- per share as against 40%, i.e. ₹0.40/- per share declared last year.

EXPANSION PROGRAMME / POLICY OF THE BANK

During the year, the Bank opened 61 new branches and 116 ATMs across the country. The Bank has been successful in widening its coverage across the country with 641 branches and 3 extension counters transforming it to a pan Indian Institution. The branch network now covers 26 states/union territories and has a network of 489 ATMs.

The Bank plans to open more new branches and ATMs in the current financial year so as to reach the corporate goal of 700 Branches and 600 ATMs by March 31, 2012.

CAPITAL & RESERVES

The Bank was having an issued and paid up capital of ₹113.01 Crore as on March 31, 2011. Capital & Reserves of the Bank has improved from ₹1484.71 Crore to a healthy level of ₹1845.16 Crore due to plough back of profits and revaluation of premises.

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2011 according to Basel I guideline is 13.17% as against the statutory requirement of 9%. Tier I CRAR constituted 10.60% while Tier II CRAR represented 2.57%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2011 according to Basel II guideline is 14.01%, as against the statutory requirement of 9%. Tier I CRAR constituted 11.27% while Tier II CRAR worked out to 2.74%.

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

DIRECTORS' REPORT

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on The Cochin Stock Exchange Ltd., The Bombay Stock Exchange Ltd., and The National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2011-12.

BUSINESS ACHIEVEMENTS

The Bank could achieve a total gross business of ₹50380 Crore, consisting of total deposit of ₹29721 Crore and gross advances of ₹20659 Crore as on March 31, 2011 registering a growth of 29.24% over the previous year.

In CASA segment, the Bank has achieved a year to year growth of 20%.

During the year 2010-11, 7.51 Lakh new SB A/cs were opened, of which, 2.82 Lakh accounts belong to students. This was specifically aimed at inculcating banking and savings habit among the younger generation.

Deposits

The Bank increased its total deposits to ₹ 29721 Crore from ₹23012 Crore last year, registering a growth of 29.15%.

The break up of the deposits as on March 31, 2011 is as under:-

	Amount (₹ in Crore)	% to total Deposits
Current Deposits	1201.00	4.04
Savings Deposits	5203.00	17.51
Term Deposits	23317.00	78.45
Total	<u>29721.00</u>	<u>100.00</u>

Advances

Total advances of the Bank registered a growth of 29.07%, to touch a gross level of ₹20,659 Crore. Total Priority sector advances have improved to ₹6,291.76 Crore, constituting 39.40 % of the Adjusted Net Bank Credit (ANBC) as at the end of the financial year. Exposure to agricultural sector amounted to ₹3,686.70 Crore, forming 23.09 % of ANBC as at the end of the financial year.

Details of exposure under various sub-heads of the priority sector is furnished below :

	Amount (₹ in Crore)
Agriculture & Allied activities	3686.70
Small Enterprises	1265.75
Other Priority Sector	1339.31
Total Priority Sector	<u>6291.76</u>

INVESTMENTS

Indian economy has continued its broad based growth during the financial year 2010-11 registering an impressive GDP growth rate. But the inflationary pressures persisted both from domestic demand and higher global commodity prices on account of gradual global recovery from financial crisis witnessed in the past years. RBI has moved, in a calibrated manner, in the direction of normalizing the policy prescriptions. Repo and Reverse Repo rates were hiked 175 and 225 basis points respectively. SLR was reduced to 24% from 25% and CRR has been increased from 5.75% to 6.00%. The monetary policy initiatives were intended to moderate inflation by controlling demand pressures and inflationary expectations, creation of a macro environment conducive to sustainable growth, to generate liquidity environment consistent with more effective transmission of policy actions and to reduce the volatility of short-term rates in a narrower corridor. Liquidity in the system got tightened sporadically during the year under review, especially after the 3G / Broad band auctions held in June, 2010. The borrowing under Repo has occasionally crossed 1% of NDTL which was within the comfort level of RBI. The interest rates have risen due to the liquidity tightness and peaked in March 2011. This resulted in pushing up the cost of deposits.

During the first half of the financial year Indian equity market witnessed a consolidation mode. In the second half of the financial year equity market has shown some volatility. The Bank's gross investment portfolio has increased by 24.80% to ₹8941.06 Crore as against a deposit growth of 29.15% resulting in a more healthy investment deposit ratio of 30.08% against 31.13% on March 31, 2010.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2010-11, the Bank had taken focused steps for recovery of Non-performing Assets through recovery camps, issue of notice under Securities and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), One-time settlements, etc.

As a result of the various initiatives taken, the Bank could recover NPAs to the tune of ₹167.24 Crore during the year against the target of ₹180 Crore. The Gross and Net NPAs of the Bank as on March 31, 2011 were ₹230.34 Crore and ₹60.02 Crore against ₹211.00 Crore and ₹61.57 Crore respectively as on March 31, 2010.

The Percentage of Gross NPA to Gross Advance came down from 1.32% as on March 31, 2010 to 1.11% as on March 31, 2011. Another encouraging achievement in NPA management was that the Bank could reduce the percentage of net NPA to net Advances from 0.39% to 0.29% as on March 31, 2011, a level comparable with the best in the industry.

DIRECTORS' REPORT**INFORMATION TECHNOLOGY (IT) AND IT ENABLED SERVICES**

The Bank has been progressively introducing a host of products and services deploying the best technology available. Rapid advancement in Information Technology (IT) made a paradigm shift in the way business at large has been conducted and banking sector was also not an exception. The fierce competition being experienced in the banking horizon especially from foreign banks as well as new generation private sector banks drove the managements of old generation private sector banks and Public Sector Banks to adopt IT in the most effective and rewarding manner. 'SIBertech' [Deployment of Core Banking Solution (CBS) through networking of branches] was one of the early adopted measures in this direction, by the Bank.

The Bank has been ahead vis-à-vis other players to accomplish 100% CBS status as on March 31, 2007.

Leveraging on the CBS platform, the Bank could introduce a host of IT enabled services such as Anywhere Banking, on line ATMs (VISA, MASTER and NFS), Net Banking, Mobile banking, E commerce, M Commerce, ASBA etc.

Major IT initiatives during the year

The nucleus of CBS (Core Banking Solution) which is the centralized repository of data/information commonly known as 'Data Center' (DC) has been relocated to a new spacious location with most modern facilities and state-of-the-art technologies. The new set up will be able to take care of the Bank's business requirements in terms of IT for the next 10 years, at least. The new DC is green-complied as well.

ASBA (Application Supported by Blocked Accounts) has been introduced to enable application for primary market issues, by marking of lien on accounts, enabling the customer to manage their resources better with tangible gain of interest. VISA (Both global debit cum ATM card) operation was launched last year. This is in addition to the tie-ups with Mastercard & NFS ATM networks. Remittance Automation Facility for instantaneous fund transfer from abroad was introduced to enable online real time remittances from middle-east. A major architectural change in network connectivity was also undertaken to ensure more uptime and network resiliency. Straight Through Processing (STP) for fund transfer using RTGS/NEFT and net banking has been introduced which ensures end to end automation of fund transfer from/to other banks without any manual intervention.

Information System Security Awareness

As a part of awareness programmes against the threats emanating from Phishing, Spoofing, and other kinds of E-threats details have been published in the Bank's web site as well as net banking home page. Further, for educating customers and branches on the impact of 'E-Threats' circulars/

E Mails/customers' meets/structured training sessions have been issued/organized. Such initiatives form part of continuing awareness programme of the Bank.

The Bank's web site contains guidance column for customers with regard to the safety measures to be undertaken to guard against the possible E-Threats. Mobile alerts are also being sent periodically to make customers vigilant about such eventualities. The Bank has also subscribed to services of an industry expert agency in monitoring the web site and preventing it from being hacked.

IT Training

During the year, several IT Training programmes (both advanced and basic) in relevant areas were organized to keep the operating and other staff informed of the advancement and rapid changes in IT.

RISK MANAGEMENT

Risk is an integral part of the banking business and the Bank aims at delivering superior value to shareholders by achieving an appropriate trade-off between risk and return. Sound risk management and balancing risk-return trade-off are critical to a Bank's success. Business and revenue growth have therefore to be weighed in the context of the risks embedded in the Bank's business strategy. Of the various types of risks the Bank is exposed to, the most important are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The identification, measurement, monitoring and mitigation of risks, continued to be a key focus area for the Bank. 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 benchmarked with the best practices followed in the Industry.

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

Compliance with Basel II framework

The Bank has migrated to Basel II norms during Financial Year

DIRECTORS' REPORT

2008-09. In tune with regulatory guidelines on Pillar I of Basel II norms, Bank has computed capital charge for credit risk as per the Standardized Approach, for market risk as per the Standardized Duration Method and for operational risk as per the Basic Indicator Approach. To address the issues of Pillar II, the Bank has implemented ICAAP (Internal Capital Adequacy Assessment Process) during the year integrating 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 etc. Bank has adopted a common framework for additional disclosures under Pillar III for adhering to market discipline of Basel II guidelines. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner.

INTERNATIONAL BANKING

In its quest for providing quality and hassle free service to the NRI clientele, the Bank has introduced two new products. The Bank has successfully implemented online remittance facility with M/s. UAE Exchange Centre, Abu Dhabi on Real time basis. This will ensure immediate credit to Bank's customers, with a unique feature of informing the beneficiaries and remitter through SMS within 60 seconds of remittance, branded as SIB Flash.

Another product branded "SIB eazyRemit" was launched, to provide online cross border remittance in USD that facilitates a remitter in US to transfer funds to India online, using the internet platform, at a nominal cost, in association with M/s. Bank of New York Mellon. This facility has been extended to other bank customers as well.

The Bank has entered into MTSS sub-agency arrangement with M/s. Weizmann Forex Limited towards payment of inward remittances under Western Union Money transfer scheme.

With an objective to provide remittance facilities to NRIs in the gulf, the Bank had entered into Speed Remittance arrangement (SIB Express) with 4 more Exchange Houses in the current fiscal viz. M/s Delma Exchange, Abu Dhabi, M/s Muthoot Exchange, Dubai, M/s Alamoudi Exchange, Saudi Arabia and M/s Al Dar For Exchange Works, Doha, Qatar. At present the Bank is having inward remittance arrangement with 4 banks and 31 Exchange Houses.

The Bank continued providing managerial support to Hadi Express Exchange, UAE, with four branches. The Bank had also set up a stall in Global Village Dubai, in connection with Dubai Shopping Festival 2011.

RBI has authorized the Bank as a nominated agency for import of gold. The Bank is on the verge of launching the product "SIB

Pure Gold". The product offers different denominations of pure gold coins, with a fineness of '999.9'.

To improve forex business turnover of the Bank, the Bank has received necessary approvals for upgrading 7 more branches to "B" category, bringing the total number of "B" category branches to 32.

NRI PORTFOLIO

The Bank has the unique distinction of opening the first exclusive NRI branch in Kerala and still occupies the prime position with 8 exclusive NRI branches in the state. The total NRI deposit of the Bank as on March 31, 2011 constitutes 19.50 % of the Bank's total retail deposit.

The NRI Division of the Bank has since been strengthened to provide dedicated service to the Bank's NRI Customers. The Division is also offering WELCOME KIT-Centralized NRI Account Opening facility through Hadi Express Exchange to increase the customer base in UAE. The Division also extends support to the branches in their NRI related matters and closely monitor the growth of NRI business. NRI Newsletter, a quarterly publication from NRI Division continues to provide useful information to the Bank's NRI Customers.

TRAINING

The Bank accords utmost importance to human resources development. Training programmes are conducted in SIB Staff Training College (SIBSTC), Thrissur and at 7 Regional Training Centers (RTCs) at ROs for enhancement of professional capabilities of the staff. The training programmes are designed to impart knowledge as well as catalyzing a positive attitudinal change in the participants. The improvements made in human resources has reflected in enhancement of organizational productivity. SIBSTC and the RTCs identify gaps in skill of the personnel and provide learning to them for qualitative improvement. During the year 2010-11, the Bank imparted training to 1272 officers, 990 clerks and 285 sub staff in various aspects of banking operations. Thus, the Bank could provide training to a total of 2547 of its personnel, which is about 45 percent of total staff strength of 5619 as on March, 31 2011. This is in consonance with the Bank's vision towards 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.

MARKETING

The Bank has embedded its marketing strategies to ensure all round business growth and to counter the competitiveness in the market. An array of products and services were introduced keeping in view customer's preferences and as a result, the Bank was able to live up to their expectations. This exercise has helped the Bank to design each customer contact point as easy

DIRECTORS' REPORT

and result oriented as possible. The Bank has leveraged on the Core Banking platform to offer varied financial products and services in a seamless and effective manner.

Any Branch Banking

The Bank offers a wide range of SB & CD products with Any Branch Banking facility to suit the needs of various customer segments. Through Real Time Gross Settlement / National Electronic Fund Transfer (RTGS / NEFT), customers can transfer/ receive funds to/from accounts with any other bank in India, who are the members of this payment system. Customers can also send /receive funds to /from abroad through various online realtime remittance facilities provided by the Bank. The new products launched by the Bank such as SIB-Mahila, Youth Plus etc. caters to specific segments of the customer base. The products have been well received by the customers.

Internet Banking

'SIBerNet' - the internet banking service of the Bank, facilitates online and any-time banking transactions. During the year, the Bank had launched the facility of RTGS/NEFT for the Bank's internet banking customers to transfer the funds to any other bank accounts in India. In addition to the existing arrangements with the three leading online payment aggregators viz., BillDesk, TechProcess and CCAvenues, the Bank has now made arrangements with M/s. Times Of Money Ltd. (TOML) and M/s. ATOM Technologies Ltd. to facilitate online transaction for the internet banking customers. During the year, Bank had also made arrangements with the temples like Attukal Bhagavathi temple, Trivandrum and Sree Padmanabha Swamy temple, Trivandrum, to facilitate online offerings/donations for the internet banking customers. This is in addition to the existing arrangement with Guruvayur Sree Krishna temple in Kerala.

Mobile Banking

Customers of the Bank enjoy the benefit of Mobile Banking Service wherein, transaction alerts are sent to the customers (including NRIs) on a real time basis, using SMS technology. Last year, the Bank had launched M-Commerce facility as a value added service in association with M/s. Paymate. M-commerce is an entirely new breed of secured payment channel, which ensures online and real time payments by debit to the customer's bank account which is authenticated through the registered mobile phone number of the customer. Facilities like account based fund transfer, utility bill payments, online recharge etc. are also made available using this facility. The Bank is in the final stage of implementing Interbank Mobile Payment Service (IMPS). IMPS offer an instant, 24X7, interbank electronic fund transfer service through mobile phones.

THIRD PARTY PRODUCTS

Depository Services

The Bank offers Depository services for the benefit of its customers. Through this facility, customers can hold their securities in electronic form with Central Depository Services (India) Ltd. (CDSL). For e-trading, the Bank has launched 'SIBer Trade' - the online trading facility to buy stocks and shares from Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) through a tie-up arrangement with Geojit BNP Paribas Financial Services Ltd. During the year, SEBI has registered the Bank as Self Certified Syndicate Bank [SCSB] for accepting application under Application Supported by Blocked Amount (ASBA). ASBA enables the Bank's customers to apply for IPO/FPO and rights issues by allowing a lien on the account instead of actual payment while applying. The Bank also plans to implement PIS (Portfolio Invest Scheme) service which will enable its NRI customers to directly invest in the secondary market.

New Pension System

The Bank was appointed as a Point of Presence to provide services to subscribers of New Pension System introduced by Pension Fund Regulatory and Development Authority (PFRDA). Currently this service can be availed through 551 designated branches, which will be extended to all branches soon.

PAN Application Servicing

Based on the representations received from the customers, the Bank had made a direct arrangement with M/s. UTI Technology Services Ltd.(UTITSL) for servicing the PAN card applications. This is in addition to the already launched KYC Certification services for the Mutual Fund Investors, in association with M/s. CDSL Ventures Ltd. (CVL).

Mutual Funds

Mutual Funds are one of the preferred investment options for all those who wish to avoid direct investment in stock markets, yet earn more than what traditional saving avenues offer. The bank is already having tie up with 14 leading mutual fund companies to offer variety of mutual fund products to the Bank's customers.

Insurance (Life/General/Health)

Since June, 2009 the Bank has acted as a corporate agent of Life Insurance Corporation (LIC) of India for selling the life insurance products. The Bank is No. 1 among the bank channel partners of LIC in terms of growth of number of policies canvassed (67%) during the year as compared to the previous year.

DIRECTORS' REPORT

'General Insurance' products such as health policy packages and policies to protect the assets and goods against various perils are also made available to the customers. The Bank acts as a corporate agent for the distribution of insurance products of M/s. Bajaj Allianz General Insurance Company.

The Bank has entered into an arrangement with M/s. Cholamandalam MS General Insurance Company to offer Health Insurance coverage to the customers at competitive rates of premium and a very efficient after sales service. A discount of 5% was provided to the Bank's shareholders availing the policy, and around 5% of such total policies canvassed by the Bank during last year, was from the shareholders.

The Bank had also made arrangements with M/s. Kotak Mahindra Life Insurance Co. Ltd. to provide life insurance coverage for the Bank's home loan borrowers under group insurance.

Debit Cards

The Bank has launched VISA International shopping cum debit card during the year. With this, the Bank's customers can withdraw cash through ATMs of any bank in India and also across the globe wherever VISA/Master logo is displayed. In addition to the existing Maestro cards, the Bank had introduced three varieties of debit cards under VISA viz. Classic, Gold and Platinum which offers a wide variety of services like enhanced cash withdrawal limits, online transaction limits, POS transaction limits and so on.

The Bank is in the final stages of deploying its own Point Of Sales (POS) terminals at various merchant locations who are maintaining their accounts with the Bank. The Bank is also launching travel cards in association with M/s. Travelex, which will be made available soon.

VISIBILITY ENHANCEMENT PROGRAMMES

The Bank has undertaken many promotional initiatives through print, audio and visual media during the year 2010-11. The advertisements concentrated in major cities like Bangalore, Delhi, Mumbai, Kolkata, Chennai and Hyderabad and has enhanced the visibility of the Bank at these centres.

This year witnessed more outdoor campaigns like outdoor hoardings, exterior train branding, trolley advertisements etc.

PERSONNEL

The Bank is envisaging to have staff complement of 7500 employees on its rolls by March 31, 2013. To achieve this target, Bank has embarked upon recruitment drive to acquire manpower of required skills. The total number of employees as at the year end was 5619. This growth in personnel has been dovetailed with the business growth target of the Bank.

Staff position

As on March 31, 2011, the Bank had 5619 personnel on its rolls as against 5132 as on March 31, 2010. Cadre wise break up is as under:

Designation	Male	Female	Total
Officers	1813	675	2488
Clerks	1160	1092	2252
Sub-staff	596	21	617
	<u>3569</u>	<u>1788</u>	<u>5357</u>
Part-time employees	98	164	262
TOTAL STAFF	3667	1952	5619

Maintenance of staff records was streamlined under "HRMSS" (Human Resources Management System Software). The personnel data can be accessed by all controlling offices and various reports based on the data can be generated.

Implementation of terms and conditions of National level bipartite settlement on Wage Revision and Pension

The salary scales of employees and officers were revised in terms of the settlement with arrears w.e.f. November 1, 2007. The Bank had made full provision for arrears of salary and hence there was no impact on account of its payment during the year.

Another option for Pension

Existing employees who were in the service of the Bank prior to September 29, 1995 and had opted for PF earlier were given another opportunity to join the Pension scheme subject to complying with certain terms and conditions. Majority of the employees exercised the option of the pension. Employees who had already retired were also given another option for pension.

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 Banks' shareholders approved the plan on August 18, 2008 for the issuance of stock options to the employees. Compensation and Remuneration Committee of the Board on November 21, 2009 has recommended to the Board to grant options at a discount of 10% on the closing price of the shares quoted on NSE on November 20, 2009. Under SIB ESOS 2008 (1st Tranche) the Bank granted 3,07,25,000 options to eligible employees. Further, Compensation and Remuneration Committee of the Board on October 21, 2010 has recommended to the Board to grant options at a discount of 10% on the

DIRECTORS' REPORT

closing price of the shares quoted on NSE on October 20, 2010. Under SIB ESOS 2008 (2nd Tranche), the Bank granted 5,10,500 options to eligible employees. The total options granted under two phases of SIB ESOS 2008 works out to 2.76% of the paid up share capital of the Bank as at March 31, 2011. The scheme has generated intended motivation amongst the staff.

With a view to maintaining highest standards of personal ethics, all the Directors of the Bank including the Chairman and Managing Director & CEO have voluntarily decided not to accept any stock options, though the shareholders of the Bank were gracious enough to permit grant of stock options to all the Directors of the Bank during the 80th Annual General Meeting.

Exercise period of the Options

The exercise period under SIB ESOS-2008 commences from the completion of 2 years from the date of grant of options and expires on completion of 1 year from the dates of vesting of options. Further details pertaining to Employee Stock Options has been incorporated in an annexure to this report.

SIBLINK

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

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

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

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

PARTICULARS OF EMPLOYEES

During the year there were no employees in receipt of remuneration covered by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended vide GSR 289 (E) dated March 31, 2011 [Companies (Particulars of Employees) Amendments Rules, 2011].

DISCLOSURE IN RESPECT OF EXPENDITURE INCURRED ON PENSION FUND AND GRATUITY FUND LIABILITY

During the year, the Bank had re-opened the pension option for those employees who had joined the Bank prior to 29th September, 1995 and had not earlier opted for the pension scheme. Consequently, 2217 employees had exercised their

option for the pension scheme and the Bank had incurred an additional liability of ₹135.13 Crore. Further, during the year the limit of gratuity payable to the employees of the bank was also enhanced from ₹3.50 Lakh to ₹10.00 Lakh, pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result, the gratuity liability of the Bank increased by ₹21.40 Crore. The additional cost of pension and gratuity to employees works out to ₹156.53 Crore.

In compliance of provisions of the Accounting Standard (AS) 15, the entire amount of ₹156.53 Crore is required to be charged to the Profit and Loss account of the current year. However, in accordance with the guidelines issued by Reserve Bank of India vide reference number DBOD.BP.BC.80/21.04.018/2010-11 dated February 9, 2011, and made applicable to the Bank vide DBOD No.BP.BC.15896/21.04.018/2010-11 dated April 8, 2011, the Bank decided to amortise the amount of ₹156.53 Crore over a period of five years. Accordingly, ₹31.31 Crore (representing one-fifth of ₹156.53 Crore) has been charged to the profit and loss account of the current year. The residual amount of ₹125.22 Crore had been carried forward for accounting in next four years. The liability arising on account of retired employees who exercised option for pension amounting to ₹3.88 Crore had been charged in full to the Profit and Loss Account of the current year.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank's CSR policy epitomizes active participation in the social and economic development of the society. The policy on Corporate Social Responsibility strictly conforms to the guidelines of RBI and Ministry of company affairs on CSR.

The Bank necessarily focuses on major areas like Education, Health Care, Sustainable Livelihood, Infrastructure Development and Social Causes and a specific budget is allocated for such activities.

Education

The Bank has supported many low income family students with financial assistance and provided them with free uniform and books. The Bank also conducts various motivational camps as an effort to spark the desire in these students to learn and acquire knowledge.

Healthcare

With the objective of supporting marginalized people through helping them to meet their diverse needs in health care, the Bank has collaborated with various charitable and health care institutions. The Bank's efforts included free eye test camps, free food distribution to the poor patients of Govt. health care centres and preventive health through awareness programmes. The Bank has also associated with Lions-Diyakarunya Heart

DIRECTORS' REPORT

Project, named as 'Hridayathalam' which offered free open heart surgeries for 70 or more deserving patients including children suffering from serious heart ailments.

Sustainable Development

Sustainable development addresses the needs of the present without compromising the resources of future generations to meet their own needs. For this, it requires the balancing of environmental, social and economic demands. As a part of the Bank's social obligation, it has partnered with 'Chethanalaya', a Delhi based NGO and ran a campaign in Delhi to bring awareness among the public about the need of environmental protection by avoiding the usage of plastic bags. The campaign has been much acclaimed by various national agencies as it focused on "Go Green". The Bank is promoting energy saving concepts and projects generating electricity through wind mill plants etc.

The Bank's new corporate building has got 3 star rating from 'Bureau of Energy Efficiency' (BEE) and a 5 star rating is expected on completion of the entire renovation processes. The Bank has been encouraging, financing and setting up of non-conventional energy generation units. The Bank has also concentrated on Infrastructure development and extends assistance for construction of toilet block and community hall. Rain water harvesting tanks of the Bank's Head Office building of 80,000 litres capacity is yet another example of eco-friendly processes adopted by the Bank.

Social Causes

The Bank has been supporting various charitable institutions in its efforts to bring awareness about AIDS, early detection of cancer and other chronic diseases. Campaigns against usage of drugs, alcohol and smoking are also given priority.

Inclusive growth of all sections of the people is a pre-requisite for the country to achieve the status of a developed country by the year 2020. Financial Inclusion (FI) is one of the major means to achieve all round growth. FI, inter-alia, aims at ensuring the availability of formal and basic banking services to all the households, including those residing in the un-banked/under banked areas. The Bank has been an early bird in adopting Financial Inclusion initiatives and it is now expanding its wings to uncovered areas. With eight decades of rich experience in personalized banking services the Bank has designed a simple, secure and smart banking product-'FINS Card A/C'(Financial Inclusion Smart Card Account) to achieve the goals of financial inclusion.

Green Initiatives in Corporate Governance

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, the Bank will effect electronic delivery of documents including the notice and explanatory statement of Annual General Meeting (AGM), Audited Financial Statements, Directors' Report, Auditors' Report etc. for the year ended March 31, 2011, to the email address which the Shareholders have previously registered with their Depository Participant (DP) as their valid email address. Investors desirous of refreshing / updating their email addresses are requested to do so immediately in their respective DP accounts. The email addresses indicated in respective DP accounts which will be periodically downloaded from NSDL / CDSL will be deemed to be their registered email address for serving notices / documents including those covered under Section 219 of the Companies Act, 1956.

Emails are being sent to available email addresses to enable investors to indicate their choice in case they desire to receive printed copies of documents/notices/annual reports. Shareholders holding shares in physical form desirous of availing electronic form of delivery of documents are requested to update their email addresses with our Registrar and Transfer Agents by a written request if they wish to avail this facility. A request format for registering e-mail ids with the Registrar is enclosed. Shareholders holding shares in demat segment are requested to inform their e-mail ids to their respective DPs.

SIB STUDENTS' ECONOMIC FORUM (SIBSEF)

Students' Economic Forum is a monthly publication from the SIB Staff Training College and it provides an analysis of contemporary themes relating to developments in economy, Banking and Finance. So far, 232 themes have been published since the first publication which was launched in December 1991. In response to the requests from readers and well wishers, the first 201 themes of this publication were compiled in 4 volumes and published. The objective of this venture is to kindle interest in economic affairs among the younger generation and also to empower the student community. The hard copies of the publication numbering 3000 are being sent to all the branches/offices, reputed schools / colleges / academic institutions, RBI offices, other banks, government organizations and corporate offices. It has wide acceptance among students, bankers and academic community. The subjects discussed during the year 2010-11 include - RBI Annual Policy Statement 2010-11, Sovereign Debt Crisis, Business of Financial Inclusion Part I & II, Base Rate – Basis for Lending Rates Part – I & II, Infrastructure Financing – Part I & II, Currency War / Competitive Devaluation, New Capital Framework for banks – Basel III – Part I & II, and Union Budget 2011-12 – Growth with Fiscal Correction. The soft copy of this publication is being sent to all the "Youth Plus" account holders by e-mail and it is made available in the Bank's website.

DIRECTORS' REPORT**FINANCIAL INCLUSION INITIATIVES**

As per the Financial Inclusion Plan of the Bank, 100 villages are to be covered under the project through BC model by the year ending March 2013. As per the FIP implementation plan projections, the Bank had to cover 5 villages by March 31, 2011. As on March 31, 2011, the Bank implemented the project in 7 villages. Meanwhile, various State Level Bankers' Committees have allotted 39 villages to the Bank, having population above 2000 for Financial Inclusion to be covered by March 2012. These villages are attached to 23 branches and spread across 4 States in the country – Kerala, Andhra Pradesh, Tamil Nadu and Chattisgarh. As on March 2011, the Bank has covered all the 3 villages allotted to the Bank in the States of Kerala and Andhra Pradesh. As a part of the implementation process, the Bank has provided onsite training to the branch officials as well as to the Business Correspondents appointed in the above 7 locations. On behalf of the 46 participating member banks in FIP, IBA had launched a National Level Awareness Campaign on Financial Inclusion titled "SWABHIMAAN" on February 10, 2011. The Bank has already contributed its share to meet the expenditure involved.

During the year ended March 31, 2011, the Bank opened 71,000 'No frills A/cs' through the branches, where there is no penalty for not maintaining the stipulated minimum balance of ₹10/-. In addition to this 2.72 Lakh of Students' A/cs were also opened, where there is no penalty for non maintenance of the stipulated minimum balance of ₹150/-. During the year 2010-2011, Bank could roll out the SmartCard based FI project on pilot basis in 7 villages. In addition to the 100 villages to be covered under FIP through BC model, the Bank has committed to cover 10 urban locations through the BC model. Of this, 5 locations will be covered by the year ending March 31, 2012.

ANTI-MONEY LAUNDERING (AML)

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

In line with the RBI Guidelines, the Bank has developed a culture of compliances of "Know Your Customer" norms.

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.

DIRECTORS

Sri Paul Chalissery and Dr. N. J. Kurian who retired at the 82nd Annual General Meeting held on July 14, 2010 were re-appointed as Directors of the Bank. At the said meeting Sri Mohan E. Alapatt was appointed as Director of the Bank, liable to retire by rotation.

Sri A. S. Narayanamoorthy, Dr. C. J. Jose and Sri Davy K. Manavalan retired from the Board w.e.f. July 18, 2010, August 30, 2010 and March 27, 2011 respectively. The Board places on record its appreciation for the valuable services rendered by them during their tenure as Directors.

Sri K. Thomas Jacob was appointed as Additional Director by the Board of Directors at its meeting held on August 31, 2010.

Sri H. Suresh Prabhu was appointed as Additional Director by the Board of Directors at its meeting held on December 1, 2010.

Sri G. A. Shenai demitted his office as Part-time Non-executive Chairman and Director of the Bank after the closure of business hours on October 22, 2010 on completion of his term. The Board places on record its appreciation for the valuable services rendered by Sri G. A. Shenai during his term of office as Part-time Non-executive Chairman and Director of the Bank.

Sri Amitabha Guha, former Dy. Managing Director of State Bank of India, was appointed as Additional Director of the Bank on August 31, 2010. With the Approval of Reserve Bank of India, he took charge as Part-time Non-executive Chairman of the Bank for a period of 3 years w.e.f. November 2, 2010.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Sri K. Thomas Jacob and Sri H. Suresh Prabhu vacates their office at the ensuing Annual General Meeting. Two members have expressed their intentions to propose Sri K. Thomas Jacob and Sri H. Suresh Prabhu as candidates to the office of a director of the Bank, and have given notices in writing along with the deposit amount of ₹500/- each, in terms of Section 257 of the Companies Act, 1956.

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

AUDITORS

The Statutory Central Auditors M/s Deloitte Haskins & Sells, Chartered Accountants, Chennai will retire at the ensuing Annual General Meeting. Having completed a term of four years of continuous audit, the said firm is not eligible for

DIRECTORS' REPORT

re-appointment. Therefore, the shareholders will have to appoint a new firm as Statutory Central Auditors for the audit of the Bank's accounts for the year 2011-12. RBI has approved the appointment of M/s S R Batliboi & Associates, Chartered Accountants, Chennai. A resolution will be placed before you at the ensuing Annual General Meeting seeking approval for appointing M/s S R Batliboi & Associates as the Statutory Auditors of the Bank. The Board recommends the appointment of the said firm as the Auditors of the Bank for the Financial Year 2011-12.

AUDIT AND INSPECTION

Regular Inspection of the Bank's branches is conducted at periodical intervals on the basis of the rating awarded to the branches. Concurrent audit at branches by qualified Chartered Accountants covering 56% of business of the Bank and concurrent audit of International Banking Division and Treasury Department by external auditors are also conducted. In addition to the above the Bank also conduct Stock Audit, Credit Audit, Information System Audit, Risk based Internal Audit, Revenue Audit to check income leakages, Surprise Inspection and exclusive Gold loan asset verification etc. at branches. Besides, all the branches are subjected to statutory audit on yearly basis. In addition, RBI also conducts an Annual Financial inspection of the Bank. The Bank has also implemented online transaction analysis software to oversee the daily activities at branches.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors' Report for the year 2010-11 does not have any qualifications. Hence, no explanation is offered in this regard.

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of annual accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed and proper explanation has

been furnished to the extent of departures from those standards.

2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of the profit of the company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and Banking Regulation Act, 1949 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts for the financial year ended on March 31, 2011, on a going concern basis.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, Government of Kerala and all other state Governments where 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 Board further places on record its appreciation for the valuable services rendered by M/s Deloitte Haskins & Sells, Statutory Auditors, during their tenure. The single most important pillar of any Institution is its personnel, more so in the case of a service entity like a bank. The Bank gladly acknowledges this fact and thank all of them for their diligence and loyalty towards the Bank. The Board expresses its sincere appreciation for the dedicated service rendered by employees of the Bank at all levels.

By Order of the Board

Place: Thrissur
Date : May 21, 2011

(AMITABHA GUHA)
CHAIRMAN

DIRECTORS' REPORT

Annexure to Directors' Report for the year ended March 31, 2011

STATUTORY DISCLOSURES REGARDING ESOS

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

Particulars	Tranche 1		Tranche 2	
	Options	Exercise price (₹)	Options	Exercise price (₹)
Options outstanding at the beginning of the year	3,04,40,000	12.93	–	–
Options granted during the year	–	–	5,10,500	24.98
Options exercised during the year	–	–	–	–
Options vested during the year	1,22,500	12.93	–	–
Forfeited/lapsed during the year	1,66,500	12.93	7,000	24.98
Options outstanding at the end of the year	3,02,73,500	12.93	5,03,500	24.98
Total Number of Options in force as on March 31,2011	3,07,77,000			

Other details are as under:

Money realized by exercise of options	Nil																			
Pricing Formula for tranche 1 and tranche 2	At a discount of 10% to closing market price on Stock Exchange where there is highest trading volume on the immediately preceding working day of the dates of grant.																			
Details of options granted to Directors & Senior managerial personnel.	<table border="1"> <thead> <tr> <th>Name</th> <th>Options Granted</th> </tr> </thead> <tbody> <tr> <td>Mr. H. Suresh Prabhu</td> <td>50000.00</td> </tr> <tr> <td>Mr. Abraham Thariyan</td> <td>50000.00</td> </tr> <tr> <td>Mr. Cheryan Varkey</td> <td>42000.00</td> </tr> <tr> <td>Mr. M. S. Mani</td> <td>35000.00</td> </tr> <tr> <td>Mr. N. V. Ignatius</td> <td>42000.00</td> </tr> <tr> <td>Mr. K. S. Krishnan</td> <td>36000.00</td> </tr> <tr> <td>Mr. Joseph George Kavalam</td> <td>36000.00</td> </tr> <tr> <td>Mr. A. G. Varughese</td> <td>36000.00</td> </tr> </tbody> </table>	Name	Options Granted	Mr. H. Suresh Prabhu	50000.00	Mr. Abraham Thariyan	50000.00	Mr. Cheryan Varkey	42000.00	Mr. M. S. Mani	35000.00	Mr. N. V. Ignatius	42000.00	Mr. K. S. Krishnan	36000.00	Mr. Joseph George Kavalam	36000.00	Mr. A. G. Varughese	36000.00	
Name	Options Granted																			
Mr. H. Suresh Prabhu	50000.00																			
Mr. Abraham Thariyan	50000.00																			
Mr. Cheryan Varkey	42000.00																			
Mr. M. S. Mani	35000.00																			
Mr. N. V. Ignatius	42000.00																			
Mr. K. S. Krishnan	36000.00																			
Mr. Joseph George Kavalam	36000.00																			
Mr. A. G. Varughese	36000.00																			
Other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None																			
Identified employees who were granted option during the year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None																			
Variation of terms of Options	Nil																			
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) - 20 'Earnings Per Share'	₹2.58																			
Weighted-average exercise prices of Options whose: <ul style="list-style-type: none"> exercise price either equals market price exercise price is greater than market price exercise price is less than market price 	Nil Nil The price of the stock options granted is: Tranche 1 - ₹12.93 & Tranche 2 - ₹24.98																			

DIRECTORS' REPORT
Weighted-average fair value of Options whose:

- exercise price either equals market price
- exercise price is greater than market price
- exercise price is less than market price

Nil

Nil

 The price of the fair value options granted is :
 Tranche 1- ₹8.57 & Tranche 2 - ₹17.03

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

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

• Net profit as reported	₹292.56 Crore
• Proforma Net profit based on fair value approach	₹289.62 Crore
• Basic EPS as reported	₹2.59
• Basic EPS (Proforma)	₹2.56
• Diluted EPS as reported	₹2.58
• Diluted EPS (Proforma)	₹2.54

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

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

Particulars	Tranche 1	Tranche 2
• Exercise Price Per Share	12.93	24.98
• Fair value of options granted	8.57	17.03
• Expected Volatility	43.50%	31.33%
• Historical Volatility	43.50%	31.33%
• Life of the options granted (Vesting & Exercise period)	2.19 to 4.20 years	2.28 to 4.28 years
• Average Risk Free Interest Rate	6.30% to 6.89%	7.30% to 7.66%
• Expected Dividend Rate	4.67%	2.35%
• The Price of underlying share in market at the time of option grant	14.37	27.75

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

The growth story of the Indian Economy has been maintained and it is estimated to have grown by 8.6 percent during the financial year 2010-11. A good monsoon has led to a healthy contribution by agricultural sector. The food grain production in 2010-11 is estimated to be the highest ever, surpassing the previous peak achieved in 2008-09. Admst the calibrated initiatives of the Central Bank to contain inflation, the index of industrial production (IIP) has recorded an overall growth of 7.8 % for the financial year. The services sector has continued its growth momentum. There has been a surge in credit flow to this sector from 12.5 % in the previous year to 24% in the current year. Other indicators like tax collections, corporate sales and earnings growth and export performance reflect strong economic activities during the year.

Like in many other emerging market economies, inflation was the primary macroeconomic concern of the Indian economy throughout the financial year. From an inflation driven primarily by food items at the beginning of the financial year, it has become more generic in nature by 2nd and 3rd quarter. Monetary policy of the Central Bank throughout the year directed its efforts to contain inflation without affecting the growth momentum. The policy decisions of the Reserve Bank of India did moderate the inflation in the first three quarters of the financial year. However, the last quarter witnessed the rate of inflation rising due to surge in international commodity prices. In response to the same, RBI in its Annual Monetary Policy for 2011-12 abandoned the "calibrated step by step approach" and hiked the key rates by 50 bps as it feels, over the long run, high inflation is inimical to sustained growth and it has to be contained even if it meant subdued growth in the short run.

Reflecting several macroeconomic uncertainties, Indian Equity markets underachieved and remained volatile during the 4th quarter of 2010-11 in specific. The activity in the primary segment of the domestic capital market remained buoyant during the first three quarters of 2010-11, moderated during the 4th quarter.

Banking Scenario

Admst Central Bank's effort to contain inflation by moderating the liquidity level, the data on sectoral deployment of bank credit show significant increases in credit flow to industry and services. Credit flows improved in respect of metals, textiles, engineering, food processing, and gems and jewellery, among others. Non-food credit growth, which had been trending upwards from the beginning of the year, reached an intra-year high of 24.2 per cent (year on year) in December 2010. It slowed down subsequently to 21.2 per cent by March 2011, which was marginally higher than the Reserve Bank's projection of 20 per cent.

Broad money supply (M3) growth at 15.9 per cent (year on year) during 2010-11 was lower than the Reserve Bank's indicative level of 17 per cent. This is attributable to slow deposit growth and acceleration in currency growth.

Interest rates firmed up responding to monetary policy signals. Banks progressively passed on the increased costs in the form of higher lending rates. Deposit growth which lagged behind the credit expansion, picked up in the 4th quarter of 2010-11, responding to the rise in interest rates. Base rate system replaced the Benchmark Prime Lending Rate (BPLR) mechanism w.e.f. 1st July, 2010. This is a significant development to usher in transparency in pricing loan products. Data from select Banks indicate that the weighted average yield on advances, which is a proxy measure for effective lending rates, is projected to increase from 9.7 per cent in 2010-11 to 10.3 per cent in 2011-12.

Economic and Banking Outlook

The growth momentum witnessed in 2010-11 may get moderated in 2011-12 due to the anti-inflationary monetary stance of Reserve Bank of India. The Meteorological Department has indicated a normal monsoon for the year 2011. Expected significant increases in the outputs of key agricultural products should help to neutralize high prices of essential commodities. Agro-based industries could benefit from higher agricultural growth. The Central Bank has placed the baseline projection of real GDP Growth for 2011-12 in range of 7.4 per cent and 8.5 per cent with 90 per cent probability.

Against the backdrop of the domestic demand-supply balance and the global trends in commodity prices and the likely demand scenario, the baseline projection for Wholesale Price Index (WPI) inflation for March 2012 is placed at 6 per cent with an upward bias. Inflation is expected to remain at an elevated level in the first half of the year due to expected pass-through of increase in international petroleum product prices to domestic prices and continued pass-through of high input prices into manufactured products.

With the overall economy expected to grow at around 8.6% for FY 11, services and industry expected to grow at a faster pace of around 10.3% and 9.5% respectively, bank credit is expected to grow at a healthy pace.

Aggregate deposits and non-food credit of scheduled commercial banks are projected to grow by 17 and 19 per cent respectively for the year 2011-12.

The broad stance of the monetary policy of the Reserve Bank is intended to :

- Maintain an interest rate environment that moderates inflation and anchors inflation expectations
- Foster an environment of price stability that is conducive to sustaining growth in the medium-term coupled with financial stability

DIRECTORS' REPORT

- Manage liquidity to ensure that it remains broadly in balance, with neither a large surplus diluting monetary transmission nor a large deficit choking off flow of funds to productive sectors.

Opportunities and Threats

Global recovery is expected to continue in 2011, although growth will slow down marginally from its pace posted in 2010. Although Reserve Bank of India is going to persevere with its anti-inflationary stance, a growth forecast of 8 per cent for 2011-12 is reassuring. The scheduled commercial banks have a major role to play in the year ahead. The conventional objective of rate hike is not to deny productive credit but to deter unproductive demand. The sub target given to banks under financial inclusion to cover Tier 5 and Tier 6 centers will lead to development of untapped business from these areas. Implementation of Basel II norms and increase in provisioning norms of banks' asset portfolio will further strengthen the financial stability of the banks in the country.

Technology has been playing a key role in the Indian banking sector. Almost all banks in India have either already completed or are in the process of completing implementation of core banking platform. The next leg of growth is expected to be driven by value added services like mobile banking technology. This would also facilitate to pursue expectations of RBI on financial inclusion. Mobile technology is expected to widen the reach of the banking network on one side and providing ease of transactions on the other. Leveraged by technology, the business correspondent model and UID, banking services will be further effective to reach very small habitations.

The indicative projections of growth and inflation for 2011-12 are subject to several variables. Any slowdown of global growth will impact Indian economy through trade, finance and confidence channel. If oil and commodity prices remain high, the current account deficit will be significant. Financing of current account deficit will be a challenge as advanced countries begin exiting from their accommodative monetary policy stance. Such policy initiatives could slow capital inflows to Emerging Market Economies, including India, as investors rebalance their portfolios.

Hikes in the key rates will further tighten the liquidity positions and interest margins of banks in India. This calls for gainful deployment of funds for maintaining profitability of Banks. Although increase of savings bank interest by 50 bps would attract more funds to SB portfolio of banks, higher interest payout on the same would possibly cause an increase in cost of deposits of the banks.

Banks in India, public sector banks and old generation private sector banks, are witnessing an exodus of experienced hands in the form of retirement. Grooming suitable replacements for these experienced personnel will be a major challenge for these banks at large.

The migration to Basel II has resulted in an increase in the capital adequacy ratio of the banking system. Further, higher rates of provision for loan assets as stipulated by Reserve Bank of India will leave the banks with lesser profitability. The stock markets will witness more banks raising capital in the coming financial year.

Financial Performance Vs Operational Performance

During the financial year under reporting, Net Profit reached the level of ₹292.56 Crore as against ₹233.76 Crore last year. The total gross business of the Bank grew from ₹38982 Crore to ₹50380 Crore. While the deposits grew from ₹23012 Crore to ₹29721 Crore, gross advances grew from ₹15970 Crore to ₹20659 Crore. Food credit increased to ₹362.02 Crore from ₹285.89 Crore and non-food credit stood at ₹20296.77 Crore vis-à-vis ₹15684.16 Crore in the last year, posting an increase of ₹4689 Crore. The Board has recommended a dividend of 50% i. e. @ ₹0.50 per equity share of ₹1/- each, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 1.11% and the Net NPA to Net Advances at 0.29% respectively as on March 31, 2011. The Capital Adequacy Ratio of the Bank was 13.17% under Basel I and 14.01% under Basel II norms as on March 31, 2011 as against the RBI mandated level of 9%. Book value per share rose from ₹13.14 to ₹16.33 during the year 2010-11.

Internal Control Systems and their adequacy**Insider Trading Code**

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

Code of Conduct

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

Whistle Blower Policy

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

DIRECTORS' REPORT**Other Internal Controls**

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

Risks and Concerns

It is imperative to have good risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets as a whole. The Bank has put in place a risk management architecture and practices that is overseen by a Committee of Directors. The Bank has in place a robust risk management structure which proactively identifies the risk faced by the Bank and helps in mitigating it, while maintaining proper tradeoff between risk and return thereby maximizing the shareholder value.

Business Continuity Plan has been formulated for all critical processes of the Bank. The Bank has also set up and operationalised Disaster Recovery Centre for its Core Banking Operations and also made use of the same during the year.

In furtherance of the goals of effective risk management, the Bank has strengthened its risk management processes by fine tuning its internal rating models, internal rating migration study and also through introduction of comprehensive upgraded policies for credit and operational risk. Credit monitoring system was further streamlined for focused attention on improvement in asset quality. The Bank has also introduced risk management processes like Risk Control and Self Assessment (RCSA) framework, Stress Testing framework and risk based pricing model linked to rating during the year. The market situations, Bank's liquidity positions and the peer group performances are closely monitored for revising the various interest rates.

Mid-office of the Bank was strengthened and its functions were made broadbased further for effective monitoring of market risk.

Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure with Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management

Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid office at Treasury Department/International Banking Division at operational level.

The Bank continued with the system of comprehensive risk profiling of the Bank in line with regulatory guidelines that will facilitate integrated risk management.

Human Resource Development / Industrial Relations

Human Resources policies and practices of the Bank focus on attracting, motivating and retaining qualified and skilled manpower. Concurrent with these objectives, steps are taken to improve manpower efficiency. Given the market challenges, there has been considerable focus on optimizing the existing resources - through internal job postings, transfers and skill development initiatives. Training and development has assumed significant importance. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and train them for qualitative improvement. During the financial year, Bank could provide training to 1272 of its Officers, 990 clerks and 285 sub staff in different facets of Bank's operations.

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 has introduced Tranche 1 of the scheme during the financial year 2009-10 and Tranche 2 of the scheme during the current financial year subject to the regulatory guidelines in this regard. This will facilitate to reinforce the bond of relationship between the Bank and its employees.

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

By Order of the Board

Place: Thrissur
Date : May 21, 2011(DR. V. A. JOSEPH)
MD & CEO

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

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

The required details on Corporate Governance are given hereunder:

1. BOARD OF DIRECTORS
Composition of Board

The composition of the Board of Directors is governed by the provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where the securities issued by the Bank are listed. The Board consists of eminent persons with considerable professional expertise and experience in the domain of Banking, Accounting, Finance, Economics, Business Management and other fields as specified in the said Acts. In terms of the Reserve Bank of India directive dated June 25, 2004 on 'Fit and Proper Criteria' for Directors of Banks, the Bank has already undertaken the due diligence process of all its Directors including the Chairman and has obtained the Deed of Covenant executed by all of them, as on March 31, 2011.

The composition and category of the Directors along with their attendance at Board meetings and shareholdings in the Bank as on March 31, 2011 are detailed as under:

Sl. No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of last AGM held on 14/07/2010	No. of shares held	% of holding
			Held during the tenure	Attended			
1.	Sri Amitabha Guha, Chairman #	INE	6	6	NA	2000	0.00%
2.	Dr. V.A. Joseph, M.D. & CEO	Whole Time Director	9	9	Present	128550	0.01%
3.	Sri G.A. Shenai, Part-time Chairman*	INE	5	5	Present	NA	NA
4.	Sri A.S. Narayanamoorthy, Director**	INE	3	3	Present	NA	NA
5.	Dr. C.J. Jose, Director***	INE	3	3	Present	NA	NA
6.	Sri Davy K. Manavalan****	INE	8	8	Present	NA	NA
7.	Sri Jose Alapatt, Director	INE	9	3	Absent	76250	0.007%
8.	Sri Paul Chalissery, Director	INE	9	9	Present	124390	0.01%
9.	Sri Mathew L. Chakola, Director	INE	9	5	Present	1674830	0.15%
10.	Dr. N.J. Kurian, Director	INE	9	8	Absent	28750	0.003%
11.	Sri Mohan E. Alapatt, Director	INE	9	8	Present	62000	0.005%
12.	Sri K. Thomas Jacob, Director##	INE	6	6	NA	14000	0.001%
13.	Sri H. Suresh Prabhu, Director ###	NE	4	4	NA	-	-

INE – Independent Non-Executive Director

NE – Non-Executive Director

* Sri G.A. Shenai retired from the Board w.e.f. 23/10/2010

** Sri A.S. Narayanamoorthy retired from the Board w.e.f. 18/07/2010.

*** Dr. C.J. Jose retired from the Board w.e.f. 30/08/2010.

**** Sri Davy K. Manavalan retired from the Board w.e.f. 27/03/2011.

Sri Amitabha Guha, Chairman was appointed as Additional Director w.e.f. 31/08/2010 and as Non-Executive Part-time Chairman w.e.f. 02/11/2010

Sri K. Thomas Jacob was appointed as Additional Director w.e.f. 31/08/2010.

Sri H. Suresh Prabhu was appointed as Additional Director w.e.f. 01/12/2010.

ANNEXURE TO THE DIRECTORS' REPORT

Board Meetings

A total of 9 Board Meetings were held during the year and their dates are:

30/04/10, 25/05/10, 14/07/10, 31/08/10, 21/10/10, 01/12/10, 20/01/11, 05/03/11 and 30/03/11.

Committee Position of Directors in the Bank as on March 31, 2011

The Board has nominated each Director as chairman of one of the overseeing Committees, thereby ensuring wider participation of all the Directors in the Bank's functioning. The names of committees with the names of respective chairman as on 31/03/2011 are furnished below:

1. Management Committee	–	Chairman - Sri Amitabha Guha
2. Audit Committee	–	Chairman - Sri K. Thomas Jacob
3. Nomination Committee	–	Chairman - Dr. V. A. Joseph
4. N P A Review Committee	–	Chairman - Sri H. Suresh Prabhu
5. Compensation & Remuneration Committee	–	Chairman - Sri Amitabha Guha
6. Customer Service Committee	–	Chairman - Dr. N. J. Kurian
7. Shareholders / Investors Grievance Committee	–	Chairman - Sri Paul Chaliserry
8. Committee to Prevent and Review Frauds in the Bank	–	Chairman - Dr. V. A. Joseph
9. Premises Committee	–	Chairman - Sri Mathew L. Chakola
10. Risk Management Committee	–	Chairman - Sri H. Suresh Prabhu
11. Information Technology Committee	–	Chairman - Sri Mohan E. Alapatt

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

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

1. Sri Amitabha Guha, Part-time Chairman, is a Director on the Board of Vijaysri Organics Limited, Hyderabad; Andhra Pradesh State Finance Corporation, Xpro India Ltd., New Delhi and Member, Board of Governors, Asian Institute of Business Management, Bhubaneswar.

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

ANNEXURE TO THE DIRECTORS' REPORT

2. COMMITTEES OF BOARD

(A) MANAGEMENT COMMITTEE

Management Committee of Board has been constituted based on RBI guidelines vide its Circular No. DBOD. No. BP. BC. 96/21.03.038/2004-05 dated 10th June, 2005 mainly to sanction credit proposals beyond the powers of MD & CEO and all other matters permitted by the Board from time to time. The members of the Committee as on March 31, 2011 are Sri Amitabha Guha, Chairman, Dr. V. A. Joseph, Sri H. Suresh Prabhu, Sri K. Thomas Jacob and Sri Paul Chalissery.

A total of 16 meetings were held during the year.

(B) AUDIT COMMITTEE

The Audit Committee of the Board is chaired by Sri K. Thomas Jacob, who is a Chartered Accountant. The other members of the committee are Sri Mohan E. Alapatt and Sri H. Suresh Prabhu as on March 31, 2011. The terms of reference of Audit Committee are harmonised with the requirements of Clause 49 of the Listing Agreement and responsibilities enjoined upon it by the RBI, which inter alia includes the following:

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

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

The Committee met 8 times during the year.

(C) NOMINATION COMMITTEE

This Committee was constituted by the Board for the specific purpose of scrutinising the declarations received from persons to be appointed as directors as well as from the existing directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India, vide their directive dated June 25, 2004 on 'Fit & Proper Criteria' of Directors of banks. The members of the Committee as on March 31, 2011 are Dr. V. A. Joseph, Chairman, Sri Amitabha Guha, Sri Paul Chalissery and Sri Mohan E. Alapatt.

During the year 2 meetings were held.

(D) NPA REVIEW COMMITTEE

This Committee has been constituted to review all NPA Accounts above ₹50.00 Lakh. The Committee meets once in a quarter. The members of the Committee as on March 31, 2011 are Sri H. Suresh Prabhu, Chairman, Dr. V. A. Joseph and Dr. N. J. Kurian.

During the year 4 meetings were held.

(E) COMPENSATION AND REMUNERATION COMMITTEE

The Members of the Committee as on March 31, 2011 are Sri Amitabha Guha, Chairman, Dr. V. A. Joseph, Sri Paul Chalissery and Sri Mohan E. Alapatt. The terms of reference of the Committee are as under:

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

ANNEXURE TO THE DIRECTORS' REPORT

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

The committee met 3 times during the year.

(F) CUSTOMER SERVICE COMMITTEE

The Committee is entrusted with the responsibility of monitoring the quality of services rendered to the customers and also ensuring implementation of directives received from RBI in this regard. The terms of reference of the Committee 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 members of the Committee as on March 31, 2011 are Dr. N. J. Kurian, Chairman, Dr. V. A. Joseph, Sri Amitabha Guha and Sri K. Thomas Jacob.

Besides, in accordance with RBI guidelines, the Bank has been inviting two persons to the Committee as special invitees, one representing the customers of the Bank and the other an expert in customer services, with a view to strengthening 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.

The committee met 4 times during the year.

(G) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee looks into redressal of 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. The members of the Committee are Sri Paul Chalissery, Chairman, Sri Jose Alapatt, Sri Mathew L. Chakola and Dr. N. J. Kurian.

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

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

During the year 4 meetings were held.

Status of Shareholder Complaints as on March 31, 2011

Sl. No.	Items	No. of Complaints		
		Pending/Received	Redressed	Pending
1	Non-receipt of Refund Order/ Allotment credit	12	12	Nil
2	Non-receipt of Dividend Warrants	22	22	Nil
3	Request for issue of duplicate share certificates	104	104	Nil
4	Complaints received from BSE/NSE/SEBI/ ROC	6	6	Nil
5	Other miscellaneous complaints	9	9	Nil
6	Non-receipt of share certificate after transfer	4	4	Nil
TOTAL		157	157	Nil

ANNEXURE TO THE DIRECTORS' REPORT
**(H) COMMITTEE TO PREVENT AND REVIEW FRAUDS
IN THE BANK**

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank with a view to provide focused attention on preventing and monitoring of frauds involving amounts of Rupees One Crore and above. The members of the Committee as on March 31, 2011 are Dr. V. A. Joseph, Chairman, Sri Amitabha Guha, Sri H. Suresh Prabhu and Sri K. Thomas Jacob.

During the year 3 meetings were held.

(I) PREMISES COMMITTEE

A Premises Committee was constituted by the Board of Directors at its meeting held on December 28, 2007 to oversee and monitor the improvements to the Head Office building and a new Data Centre building at Rajagiri Valley, Kakkanad, Kochi. Its terms of reference include calling tenders from reputed architects and contractors, scrutinizing, shortlisting and negotiating their site plans, estimates, finalizing their appointment, fees and other terms and conditions and monitoring the progress of the project. The members of the Committee as on March 31, 2011 are Sri Mathew L. Chakola, Chairman, Dr. V. A. Joseph, Sri Paul Chalissery and Sri K. Thomas Jacob.

During the year 4 meetings were held.

(J) RISK MANAGEMENT COMMITTEE

In terms of the guidelines of Reserve Bank of India on the Asset Liability Management/Risk Management Systems, a Risk Management Committee of Board has been constituted. The members of the committee as on March 31, 2011 are Sri H. Suresh Prabhu, Chairman, Sri Amitabha Guha and Dr. V. A. Joseph. The Committee meets at least once in a quarter.

The committee inter-alia looks into the following aspects:

- a) Review and approve on a regular basis the risk management policies recommended by RMCs, ALCO,

including policies concerning credit risk, market risk, and operational risk.

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

During the year 4 meetings were held.

(K) INFORMATION TECHNOLOGY COMMITTEE

This committee has been constituted w.e.f. March 2, 2010 to suggest improvement and monitor implementation of technology in the Bank. The members of the Committee as on March 31, 2011 are Sri Mohan E. Alapatt, Chairman, Sri Amitabha Guha, Dr. V. A. Joseph and Sri Paul Chalissery.

During the year 5 meetings were held.

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

Name	No. of meetings	
	Held during the tenure	Attended
Sri Amitabha Guha#	11	11
Sri G. A. Shenai*	8	8
Dr. V. A. Joseph	16	16
Sri A. S. Narayanamoorthy**	4	4
Sri Paul Chalisery	16	16
Sri K. Thomas Jacob##	11	11
Sri H. Suresh Prabhu###	6	6

* Ceased to be member w.e.f. 23/10/10

** Ceased to be member w.e.f. 18/07/10

Inducted into the committee w.e.f. 31/08/10

Inducted into the committee w.e.f. 31/08/10

Inducted into the committee w.e.f. 01/12/10

NPA REVIEW COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri H. Suresh Prabhu #	1	1
Dr. V. A. Joseph	4	4
Sri Davy K. Manavalan*	4	4
Dr. N. J. Kurian	4	3
Sri A. S. Narayanamoorthy**	2	2

* Ceased to be member w.e.f. 27/03/11

** Ceased to be member w.e.f. 18/07/10

Inducted into the committee w.e.f. 01/12/10

COMPENSATION AND REMUNERATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri G. A. Shenai*	3	3
Dr. V. A. Joseph	3	3
Sri A. S. Narayanamoorthy**	1	1
Sri Paul Chalisery#	3	3
Sri Mohan E. Alapatt ##	2	2

* Ceased to be member w.e.f. 23/10/10

** Ceased to be member w.e.f. 18/07/10

Inducted into the committee w.e.f. 31/08/10

Inducted into the committee w.e.f. 31/08/10

Sri Amitabha Guha was inducted on 23/10/10 and thereafter no meetings were held.

AUDIT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri K. Thomas Jacob #	5	5
Sri A. S. Narayanamoorthy*	3	3
Sri Paul Chalisery **	6	6
Sri Davy K. Manavalan***	7	7
Dr. C. J. Jose ****	3	3
Sri Mohan E. Alapatt ##	3	3
Sri H. Suresh Prabhu ###	3	3

* Ceased to be member w.e.f. 18/07/10

** Ceased to be member w.e.f. 01/12/10

*** Ceased to be member w.e.f. 27/03/11

**** Ceased to be member w.e.f. 30/08/10

Inducted into the committee w.e.f. 31/08/10

Inducted into the committee w.e.f. 01/12/10

Inducted into the committee w.e.f. 01/12/10

CUSTOMER SERVICE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. N. J. Kurian#	2	2
Dr. C. J. Jose*	1	1
Sri G. A. Shenai**	2	2
Sri Amitabha Guha ##	3	3
Dr. V. A. Joseph	4	4
Sri A. S. Narayanamoorthy***	1	1
Sri K. Thomas Jacob ###	3	3

* Ceased to be member w.e.f. 30/08/10

** Ceased to be member w.e.f. 23/10/10

*** Ceased to be member w.e.f. 18/07/10

Inducted into the committee w.e.f. 23/10/10

Inducted into the committee w.e.f. 31/08/10

Inducted into the committee w.e.f. 31/08/10

NOMINATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. V. A. Joseph	2	2
Sri G. A. Shenai*	1	1
Sri Amitabha Guha #	1	1
Sri Davy K. Manavalan**	2	2
Sri Mohan E. Alapatt	2	2

* Ceased to be member w.e.f. 23/10/10

** Ceased to member w.e.f. 27/03/11

Inducted into the committee w.e.f. 23/10/10

ANNEXURE TO THE DIRECTORS' REPORT
SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Paul Chalissery \$	3	3
Dr. C. J. Jose*	1	1
Sri Jose Alapatt	4	3
Sri Mathew L. Chakola	4	3
Dr. N. J. Kurian#	3	3

\$ Ceased to be member w.e.f. 31.08.10 and inducted again into the committee w.e.f. 23.10.10

* Ceased to be member w.e.f. 30.08.10

Inducted into the committee w.e.f. 31.08.10

COMMITTEE TO PREVENT AND REVIEW FRAUDS IN THE BANK

Name	No. of meetings	
	Held during the tenure	Attended
Dr. V. A. Joseph	3	3
Sri G. A. Shenai*	1	1
Sri Amitabha Guha #	3	3
Sri H. Suresh Prabhu##	2	2
Sri K. Thomas Jacob ###	3	3

* Ceased to be member w.e.f. 23/10/10

Inducted into the committee w.e.f. 31/08/10

Inducted into the committee w.e.f. 01/12/10

Inducted into the committee w.e.f. 31/08/10

Sri A. S. Narayanamoorthy and Dr. N.J. Kurian ceased to be members w.e.f. 18/07/10 and 31/08/10 respectively and no meetings were held during their tenure.

PREMISES COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Mathew L. Chakola	4	3
Dr. V. A. Joseph	4	4
Sri Jose Alapatt *	1	–
Sri Paul Chalissery#	3	3
Sri K. Thomas Jacob##	3	3

* Ceased to be member w.e.f. 31/08/10

Inducted into the committee w.e.f. 31/08/10

Inducted into the committee w.e.f. 01/12/10

Sri A. S. Narayanamoorthy ceased to be member w.e.f. 18/07/10 and no meetings were held during his tenure.

RISK MANAGEMENT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri H. Suresh Prabhu#	2	2
Dr N. J. Kurian*	2	2
Dr V. A. Joseph	4	4
Sri Davy K. Manavalan**	3	3
Sri Mohan E. Alapatt ***	1	1
Sri Amitabha Guha##	3	3

* Ceased to be member w.e.f. 23/10/10

** Ceased to be member w.e.f. 27/03/11

*** Ceased to be member w.e.f. 31/08/10

Inducted into the committee w.e.f. 01/12/10

Inducted into the committee w.e.f. 31/08/10

INFORMATION TECHNOLOGY COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	5	5
Sri G. A. Shenai*	3	3
Sri Amitabha Guha#	2	2
Dr. V. A. Joseph	5	5
Sri Paul Chalissery	5	5

* Ceased to be member w.e.f. 23/10/10

Inducted into the committee w.e.f. 23/10/10

REMUNERATION PAID TO DIRECTORS DURING THE YEAR ENDED 31ST MARCH, 2011

A) The Bank paid a total remuneration of ₹ 54.15 Lakh during the year to Dr. V. A. Joseph, the Managing Director and Chief Executive Officer of the Bank.

B) Details of Remuneration paid to non-executive Directors: - (Paid in the form of sitting fee for Board/Committee Meetings attended by them)

Sri G. A. Shenai* - ₹1,40,000/-, Sri A. S. Narayanamoorthy- ₹85,000/-, Sri Davy K. Manavalan- ₹1,75,000/-, Dr. C. J.

Jose- ₹55,000/-, Sri Jose Alapatt- ₹50,000/-, Sri Paul Chalissery- ₹3,70,000/-, Sri Mathew L. Chakola- ₹1,05,000/-, Dr. N. J. Kurian- ₹1,50,000/-, Sri Mohan E. Alapatt ₹1,70,000/-, Sri Amitabha Guha** - ₹50,000/-, Sri K. Thomas Jacob- ₹2,55,000/- and Sri H. Suresh Prabhu – ₹1,70,000/-
Total amount paid ₹17,75,000/-.

* Sri G. A. Shenai, Director, who assumed charge as Part-time Non-Executive Chairman of the Bank w.e.f. October 23, 2008 has demitted his office after the closure of business hours on October 22, 2010 on completion of his term and the Bank paid

ANNEXURE TO THE DIRECTORS' REPORT

him a remuneration of ₹3.35 Lakh, during the financial year 2010-11 in addition to the sitting fees mentioned above.

** Sri Amitabha Guha, former Dy. Managing Director of State Bank of India, was appointed as additional director of the Bank w.e.f. August 31, 2010 and assumed charge as Part-time Non-executive Chairman of the Bank w.e.f. November 2, 2010. The Bank paid him an honorarium of ₹3.97 Lakh, for the period November 2, 2010 to March 31, 2011, in addition to the sitting fees as mentioned above, prior to his appointment as Part-time Chairman.

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

Resume of Directors retiring by rotation at the 83rd Annual General Meeting is given below:

- a) Name : Sri Jose Alapatt
 Age : 62 years
 Qualifications : B.Sc.
 Experience : An established business leader and exporter
 Present position : Non-executive Director
 Sector : Minority

Sri Jose Alapatt was appointed as an Additional Director on the Board on May 11, 2005 and was elected as a Director at the 76th Annual General Meeting held on September 23, 2005. He is not a Director in any other Public Limited Company. He holds 76250 shares in demat form. He is a member of Shareholders/Investors Grievance Committee.

- b) Name : Sri Mathew L. Chakola
 Age : 47 years
 Qualifications : Graduate
 Experience : He is a real estate promoter in Ernakulam
 Present position : Non-executive Director
 Sector : Minority

Sri Mathew L. Chakola was co-opted as a Director on September 30, 2006, in the casual vacancy caused by the death of Sri John P. Chakola on August 22, 2006 and was elected as a director at the 79th Annual General Meeting held on June 29, 2007. He is a real estate promoter in Ernakulam. He holds 1674830 shares in demat form. He is the Chairman of Premises Committee and member of Shareholders/Investors Grievance Committee.

Resume of Directors seeking appointment at 83rd Annual General Meeting is given below:

- a) Name : Sri K. Thomas Jacob
 Age : 57 years
 Qualifications : B.Sc., FCA, DISA (ICAI)

Experience : He is a Senior Partner of M/s Thomas Jacob & Company, Chartered Accountants, Trivandrum for the last 28 years. Before this, he worked with prestigious organizations like RGN Price & Company, Chartered Accountants, Bangalore and Tata Engineering and Locomotive Company Limited. He has vast experience in Bank Audits, Audit of World Bank aided projects, Government Company/Corporation Statutory Audits, Insurance Company Audit, Internal Audit, Consultancy Service and Information System Audit besides other statutory audits.

Present position : Non-executive Director
 Sector : Majority (Accountancy)

Sri K. Thomas Jacob was appointed as an Additional Director of the Board on August 31, 2010 and will hold office till the date of the 83rd Annual General Meeting pursuant to Section 260 of the Companies Act, 1956.

He is a practising Chartered Accountant and not a Director in any other Public Limited Company. He holds 14000 shares in demat form. He is the Chairman of Audit Committee of the Board and member of Management Committee, Committee to prevent and review frauds in the Bank, Customer service Committee and Premises Committee.

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

- b) Name : Sri H. Suresh Prabhu
 Age : 61 years
 Qualifications : M.B.A. (Finance), M.A., C.A.I.I.B, P.G. Diploma in International Banking, Bank Management, Treasury Investment & Risk Management

Experience : He has over 40 years of experience in the banking Industry. After being associated with Syndicate Bank for 38 years he retired as the General Manager (Credit) and joined as the Executive Director of the Bank in June 2008 and retired on June 30, 2010. During his tenure as the Executive Director, he made immense contribution to the growth of the Bank.

Present position : Non-executive Director

Sector : Majority (Agriculture and rural economy)

ANNEXURE TO THE DIRECTORS' REPORT

Sri H. Suresh Prabhu was appointed as an Additional Director of the Board on December 1, 2010 and will hold office till the date of the 83rd Annual General Meeting pursuant to Section 260 of the Companies Act, 1956.

He is a retired employee of the Bank and has vast experience in Credit, general banking with a special emphasis to rural economy and not a Director in any other Public Limited Company. He does not hold any shares of the Bank. He is the Chairman of NPA Review Committee and Risk Management Committee of the Board and member of Management Committee, Audit Committee and Committee to prevent and review frauds in the Bank.

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

c) Sri G. A. Shenai, Chairman of the Bank demitted office on completion of his term after the closure of business hours of 22nd October, 2010. Sri Amitabha Guha, Independent Non-Executive Director of the Bank was appointed as additional director of the Bank w.e.f. August 31, 2010 and took charge as Chairman of the Bank w.e.f. November 2, 2010 for a period of 3 years. His appointment and terms and conditions governing the appointment were approved by Reserve Bank of India under Section 35B of the Banking Regulation Act, 1949, vide its approval letter DBOD. No.6830/08.51.001/2010-11 dated 26/10/2010. For approval of the terms and conditions of his appointment, an ordinary resolution is to be placed before the shareholders at the ensuing Annual General Meeting under the applicable provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and the provisions of Articles of Association of the Bank.

Sri Amitabha Guha, aged 62, is a Post-Graduate from Calcutta University. He is a visionary having substantial exposure in the banking Industry and has served in various verticals of the State Bank Group. He retired as the Dy. Managing Director of State Bank of India in November, 2008. Earlier he was Managing Director of State Bank of Hyderabad and State Bank of Travancore. He is a Director of Vijaysri Organics Limited, Hyderabad, Andhra Pradesh State Finance Corporation, Xpro India Ltd., New Delhi and Member, Board of Governors, Asian Institute of Business Management, Bhubaneswar. He holds 2000 shares in demat form. He is the Chairman of Management Committee and Compensation & Remuneration Committee of the Board and Member of Nomination Committee, Risk Management Committee, Committee to Prevent and Review frauds in the Bank, Customer Service Committee and Information Technology Committee.

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

Name of Meeting	Day Date and time	Venue	Whether any Special Resolution passed
80th Annual General Meeting	Monday 18th August, 2008 10.00 a.m.	Towers Auditorium, Trichur Towers Hotel Pvt. Ltd., T.B.Road, Thrissur	Yes- 2 Special Resolutions passed 1. For altering Articles of Association of the Bank. 2. For approval of creation, grant and issue of Equity Stock Options
81st Annual General Meeting	Friday 21st August, 2009 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B.Road, Thrissur	No
82nd Annual General Meeting	Wednesday, 14th July, 2010, 3.00 p.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	No

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

5. DISCLOSURES

Information supplied to the Board

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

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

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

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

ANNEXURE TO THE DIRECTORS' REPORT
6. MEANS OF COMMUNICATION

The unaudited/audited quarterly/annual financial results of the Bank are forwarded to the Cochin Stock Exchange Ltd., Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd. immediately after the Board meetings and are published in 2 newspapers, one a local Malayalam daily and the other a National newspaper. The result, Annual Report including Notice and Explanatory Statement and presentation made to investors and analyst during the year are also displayed on the Bank's Website at www.southindianbank.com.

7. GENERAL SHAREHOLDER INFORMATION

83 rd Annual General Meeting	Date	15th July, 2011
	Day	Friday
	Time	10 a.m.
	Venue	Casino Cultural Auditorium Ltd. T. B. Road, Thrissur.
Financial Year		2010-11
Book Closure Date		09.07.2011 (Saturday) to 15.07.2011(Friday) (both days inclusive).
Dividend Payment Date		22nd July, 2011
Name & designation of Compliance Officer		K.S. Krishnan, CFO & Company Secretary.
Registrar and Share Transfer Agents		BTS Consultancy Services Pvt. Ltd. No.4, Ramakrishna Nagar, Near Kumaran Matriculation School, Villivakkam, CHENNAI – 600 049. Phone- 044-26503337 Fax No. 044-26503338 E-mail: ramesh@btsindia.co.in helpdesk@btsindia.co.in Contact Person- Mr. S. Rameshbabu, Director.
Bank's address for Correspondence		The South Indian Bank Ltd., "SIB House", Secretarial Department, P.B.No.28, T.B.Road, Thrissur – 680 001, Kerala Phone: 0487-2429333, Fax: 0487-2424760
E-mail address		ho2006@sib.co.in
Bank's website		www.southindianbank.com

LISTING OF THE BANK'S EQUITY SHARES

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

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

The listing fees payable to the Stock Exchanges for the financial year 2011-12 have already been remitted.

ANNEXURE TO THE DIRECTORS' REPORT
THE MARKET PRICE DATA OF BANK'S SHARES

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

MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	184.00	168.10	183.70	167.50
May	172.50	140.00	172.00	141.00
June	173.80	157.10	174.00	157.00
July	199.00	137.45	195.95	165.95
August	213.40	189.05	213.00	189.00
September*	227.50	21.10	227.50	21.20
October	29.20	24.00	29.45	24.05
November	29.70	24.50	29.50	24.05
December	28.00	22.50	27.95	22.55
January	25.00	19.05	25.00	19.10
February	22.60	17.45	22.60	17.50
March	23.15	19.70	23.15	19.50

* The face value of the shares of the Bank has been sub-divided into 10 Equity Shares of ₹1/- each w.e.f. 25/09/2010.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

CATEGORY	PHYSICAL		DEMAT	
	NO. OF HOLDERS	SHARES	NO. OF HOLDERS	SHARES
UP TO – 100	3839	52130	56229	3830843
101 – 200	2923	356390	30800	5541113
201 – 500	3234	1154140	47457	18557424
501 – 1000	3307	2264800	30161	25964278
1001 – 5000	29580	54797240	43166	97410942
5001 – 10000	1731	12900950	5624	41670775
10001 – 50000	1216	22944650	4414	88132480
50001 & ABOVE	137	19050350	752	735436395
TOTAL	45967	113520650	218603	1016544250
% to total Shares	–	10.05	–	89.95

Total number of shareholders both physical and electronic put together is 264570

MEMBERS' PROFILE AS ON MARCH 31, 2011 IS AS UNDER

SL. NO.	CATEGORY	SHARES		TOTAL SHARES	% OF SHARE HOLDING
		PHYSICAL	DEMAT		
1	Resident Individuals	92150630	333025155	425175785	37.62
2	Indian Financial Institutions	–	42888560	42888560	3.80
3	Foreign Institutional Investors	–	409106518	409106518	36.20
4	Non-Resident Indians	15884710	22114184	37998894	3.36
5	Bodies Corporates	4830540	104178426	109008966	9.65
6	Directors & Relatives	654770	4866383	5521153	0.49
7	Mutual Funds	–	36091133	36091133	3.19
8	Trusts	–	15433464	15433464	1.37
9	Banks	–	39203250	39203250	3.47
10	Clearing Members	–	2803591	2803591	0.25
11	HUFs	–	6833586	6833586	0.60
	GRAND TOTAL	113520650	1016544250	1130064900	100.00

ANNEXURE TO THE DIRECTORS' REPORT**SHARE TRANSFER SYSTEM**

The Bank has appointed M/s. B.T.S. Consultancy Services Private Limited, Chennai as its Share Transfer Agents and the share transfer/transmission, dividend payments and all other investor related matters are attended to and processed at the office of Share Transfer Agents of the Bank. The Share Transfer Agents, after processing the requests of investors, put up the same to the Bank's General Manager, wherever necessary, for his approval and thereafter all such cases are put up to the Shareholders/Investors Grievance Committee of the Board of the Bank for its information.

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

DEMATERIALISATION OF SHARES

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 683A01023. As at the end of March 2011, 89.95% of the Bank's shares have been converted into dematerialised form.

The Shareholders of the Bank who have not dematerialised their shares so far may approach any of the Depository Participants of National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for dematerialising their shareholding.

UNPAID DIVIDEND

All dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Any claim in respect of transferred amounts shall be made to the Registrar of Companies, Kerala, Company Law Bhavan, Bharath Matha College, P.O., Kochi - 682 021.

In terms of Section 205A of the Companies Act, 1956, the amount which has remained unclaimed/unpaid for a period of 7 years from the date of transfer to the Unpaid/Unclaimed Dividend Account has to be transferred to the "Investors' Education and Protection Fund" (The Fund) and thereafter, no claim can be made by any shareholder against the Bank or the Fund for the dividend amount of that year. In terms of this section, the unclaimed dividend upto and including financial year 2002-03 and interim dividend of financial year 2003-04 have been transferred to the Fund. The unclaimed refund order amount of Right Issue held in the year 2004 will become due for transfer to the Fund on September 12, 2011.

The unpaid final dividend for the financial year 2003-2004 will become due for transfer to the Fund on October 15, 2011.

8. COMPLIANCE STATUS OF CLAUSE 49 OF THE LISTING AGREEMENT

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

9. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

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

By Order of the Board

Place: Thrissur

Date: May 21, 2011

Dr. V. A. JOSEPH

MD & CEO

ANNEXURE TO THE DIRECTORS' REPORT

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

THE MEMBERS OF
THE SOUTH INDIAN BANK LIMITED
THRISSUR

We have examined the compliance of conditions of Corporate Governance by **The South Indian Bank Ltd.** (hereinafter referred to as 'the Bank') for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Bank with Stock Exchange(s).

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

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

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

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

Place : Kochi
Date : 21st May, 2011

M. Ramachandran
Partner
Membership No. 16399

AUDITORS' REPORT

The Shareholders of The South Indian Bank Limited

Report on the Financial Statements

1. We have audited the accompanying Financial Statements of **The South Indian Bank Limited**, which comprise the Balance Sheet as at 31st March, 2011, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of Significant Accounting Policies and other explanatory information. Incorporated in these Financial Statements are the returns of 4 branches / offices audited by us and 634 branches audited by branch auditors.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these Financial Statements in accordance with the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time, the Companies Act, 1956, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and other applicable laws in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. Without qualifying our opinion we draw attention to:
- Note No. A. 23 (b), Schedule 18, of the Financial Statements regarding disputed Income Tax liability of ₹116.05 Crores relating to earlier assessment years consequent to a decision of the Kerala High Court, now pending before the Supreme Court of India, and its treatment as Contingent Liability by the Bank.
 - Note No. B. 7, Schedule 18, to the financial statements which describes deferment of pension and gratuity liability of the bank to the extent of ₹125.22 Crores

pursuant to the exemption granted by the Reserve Bank of India and made applicable to the Bank vide Letter No. DBOD No.BP.BC. 15896/21.04.018/2010-11 dated April 8, 2011, from the application of the provision of the Accounting Standard (AS) 15, Employee Benefits.

7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
- in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2011;
 - in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Report on other Legal and Regulatory Matters

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.
9. We report that:
- 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.
 - the transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
 - the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
10. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956.
11. We further report that:
- the Balance Sheet and Profit and Loss Account dealt with by this report, are in agreement with the books of account and the returns.
 - in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
 - the reports on the accounts of the branches audited by Branch Auditors have been dealt with in preparing our report in the manner considered necessary by us.
 - as per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956.
 - on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

M. Ramachandran
Partner
Membership No.16399

Place: Kochi
Date : May 2, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule No.	As at 31.03.2011 ₹ ('000)	As at 31.03.2010 ₹ ('000)
CAPITAL AND LIABILITIES			
Capital	1	1,130,065	1,130,065
Employees' Stock Options (Grants) Outstanding		21,228	5,745
Reserves and Surplus	2	17,321,525	13,717,089
Deposits	3	297,210,752	230,115,241
Borrowings	4	2,903,468	3,309,637
Other liabilities and Provisions	5	9,615,167	7,062,669
TOTAL		328,202,205	255,340,446
ASSETS			
Cash and Balances with Reserve Bank of India	6	18,281,911	13,909,488
Balances with banks and money at call & short notice	7	6,379,350	5,967,239
Investments	8	89,237,722	71,556,127
Advances	9	204,887,333	158,229,174
Fixed Assets	10	3,568,444	1,525,377
Other Assets	11	5,847,445	4,153,041
TOTAL		328,202,205	255,340,446
Contingent Liabilities	12	24,319,781	27,297,348
Bills for collection		2,681,342	2,574,632

 Kochi
May 2, 2011

 C. P. Gireesh
Asst. General Manager

 K. S. Krishnan
CFO & Company Secretary

 Cheryan Varkey
Executive Director

 Abraham Thariyan
Executive Director

 Dr. V. A. Joseph
MD & CEO

 Amitabha Guha
Chairman

DIRECTORS

 1. Paul Chalissery
5. H. Suresh Prabhu

2. Dr. N. J. Kurian

3. Mohan E. Alapatt

4. K. Thomas Jacob

In terms of our Report attached

AUDITORS

 For Deloitte Haskins & Sells
Chartered Accountants

 M. Ramachandran
Partner

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule No.	Year ended 31.03.2011 ₹ ('000)	Year ended 31.03.2010 ₹ ('000)
I. INCOME			
Interest Earned	13	24,460,166	19,357,210
Other Income	14	1,966,940	2,084,602
TOTAL		<u>26,427,106</u>	<u>21,441,812</u>
II. EXPENDITURE			
Interest Expended	15	16,549,152	13,674,284
Operating Expenses	16	4,625,323	3,661,814
Provisions & Contingencies		2,326,990	1,768,109
TOTAL		<u>23,501,465</u>	<u>19,104,207</u>
III. PROFIT/LOSS			
Net Profit for the year		2,925,641	2,337,605
Transfer from Investment Reserve		46,938	–
Profit brought forward from previous year		170,334	146,670
Profit available for Appropriation:		<u>3,142,913</u>	<u>2,484,275</u>
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		731,500	584,500
Transfer to Capital Reserves		–	6,873
Transfer to Revenue and Other Reserves		1,500,000	900,000
Transfer to Investment Reserve		–	202,666
Transfer to Special Reserve u/s 36(i)(viii) of Income Tax Act		70,000	92,800
Proposed Dividend		565,033	452,026
Tax on Proposed Dividend		91,663	75,076
Balance carried over to Balance Sheet		184,717	170,334
TOTAL		<u>3,142,913</u>	<u>2,484,275</u>
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (Basic) (in ₹)		2.59	2.07
Earning per share (Diluted) (in ₹)		2.58	2.06

 Kochi
May 2, 2011

 C. P. Gireesh
Asst. General Manager

 K. S. Krishnan
CFO & Company Secretary

 Cheryan Varkey
Executive Director

 Abraham Thariyan
Executive Director

 Dr. V. A. Joseph
MD & CEO

 Amitabha Guha
Chairman

DIRECTORS

 1. Paul Chalissery
5. H. Suresh Prabhu

2. Dr. N. J. Kurian

3. Mohan E. Alapatt

4. K. Thomas Jacob

In terms of our Report attached

AUDITORS

 For Deloitte Haskins & Sells
Chartered Accountants

 M. Ramachandran
Partner

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31.03.2011 ₹ ('000)	As at 31.03.2010 ₹ ('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital	<u>1,250,000</u>	<u>1,250,000</u>
125,00,00,000 Equity shares of ₹ 1/- each (Previous year 12,50,00,000 equity shares of ₹ 10/-each)		
Issued Capital	<u>1,130,065</u>	<u>1,130,065</u>
113,00,64,900 Equity shares of ₹ 1/- each (Previous year 11,30,06,490 equity shares of ₹ 10/-each)		
Subscribed Capital		
113,00,64,900 Equity shares of ₹ 1/- each (Previous year 11,30,06,490 equity shares of ₹ 10/- each)	<u>1,130,065</u>	<u>1,130,065</u>
Called up & Paid up Capital	<u>1,130,065</u>	<u>1,130,065</u>
113,00,64,900 Equity shares of ₹ 1/- each (Previous year 11,30,06,490 equity shares of ₹ 10/-each)		
Notes:		
1) 22,60,12,980 Equity shares of ₹ 1/- each (Previous year 2,26,01,298 Equity shares of ₹ 10/- each) were issued as fully paid up bonus shares during the year 2008-09 by capitalisation of correspond- ing value from Share Premium Account.		
2) The Face Value of the Equity Shares was subdivided from ₹ 10/- each into 10 (ten) Equity Shares of ₹ 1/- each w.e.f. September 25, 2010.		
TOTAL	<u>1,130,065</u>	<u>1,130,065</u>
Employees' Stock Options (Grants) Outstanding		
Employees' Stock Options Outstanding	<u>44,994</u>	<u>43,742</u>
Less: Deferred Employee Compensation Expense (unamortised)	<u>23,766</u>	<u>37,997</u>
TOTAL	<u>21,228</u>	<u>5,745</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31.03.2011 ₹ ('000)	As at 31.03.2010 ₹ ('000)
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	2,852,639	2,268,139
Additions during the year	731,500	584,500
Sub total	<u>3,584,139</u>	<u>2,852,639</u>
II. Capital Reserve		
Opening Balance	365,261	358,388
Additions during the year	–	6,873
Sub total	<u>365,261</u>	<u>365,261</u>
III. Asset Revaluation Reserve		
Opening Balance	180,724	184,113
Additions during the year	1,338,711	–
	<u>1,519,435</u>	<u>184,113</u>
Deductions during the year:		
Depreciation on Revaluation of Premises	3,220	3,389
Sub total	<u>1,516,215</u>	<u>180,724</u>
IV. Share Premium		
Opening Balance	5,112,902	5,112,902
Additions during the year	–	–
Sub total	<u>5,112,902</u>	<u>5,112,902</u>
V. Revenue and Other Reserves		
Opening Balance	4,739,763	3,839,763
Additions during the year	1,500,000	900,000
Sub total	<u>6,239,763</u>	<u>4,739,763</u>
VI. Investment Reserve		
Opening Balance	202,666	–
Additions during the year	–	202,666
Sub total	<u>202,666</u>	<u>202,666</u>
Transfer to Profit & Loss Appropriation A/c	46,938	–
Sub total	<u>155,728</u>	<u>202,666</u>
VII. Special Reserve u/s 36(i)(viii) of Income Tax Act		
Opening Balance	92,800	–
Additions during the year	70,000	92,800
Sub total	<u>162,800</u>	<u>92,800</u>
VIII. Balance in Profit and Loss Account	184,717	170,334
TOTAL	<u>17,321,525</u>	<u>13,717,089</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31.03.2011 ₹ ('000)	As at 31.03.2010 ₹ ('000)
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	18,381	41,185
(ii) From Others	11,996,510	10,477,597
II. Savings Bank Deposits	52,026,126	42,714,667
III. Term Deposits		
(i) From Banks	14,233,349	12,458,700
(ii) From Others	218,936,386	164,423,092
TOTAL	<u>297,210,752</u>	<u>230,115,241</u>
B. (i) Deposits of branches in India	297,210,752	230,115,241
(ii) Deposits of branches outside India	Nil	Nil
TOTAL	<u>297,210,752</u>	<u>230,115,241</u>

SCHEDULE 4 - BORROWINGS

I. Borrowings in India		
(i) Other Banks	-	-
(ii) Other Agencies	7,192	9,637
(iii) Bonds-Subordinated debts*	2,650,000	3,300,000
II. Borrowings outside India	246,276	-
TOTAL	<u>2,903,468</u>	<u>3,309,637</u>
Secured borrowings included in above	Nil	Nil
* Amount reckoned for Tier II capital out of subordinated debt	2,260,000	2,390,000

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills Payable	1,197,731	1,390,264
II. Interest Accrued	1,357,667	1,042,327
III. Others (including provisions)*	7,059,769	4,630,078
TOTAL	<u>9,615,167</u>	<u>7,062,669</u>

*Includes Provision for standard assets. Refer Note No. A 8 of Schedule 18.

**SCHEDULE 6 - CASH AND BALANCES WITH
RESERVE BANK OF INDIA**

I. Cash in hand (Including foreign currency notes)	1,723,254	1,275,742
II. Balances with Reserve Bank of India In Current Account	16,558,657	12,633,746
TOTAL	<u>18,281,911</u>	<u>13,909,488</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31.03.2011 ₹ ('000)	As at 31.03.2010 ₹ ('000)
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
(a) In Current Accounts	291,710	286,514
(b) In Other Deposit Accounts	5,957,784	4,730,380
ii) Money at call & short notice With Banks	—	500,000
Sub total	<u>6,249,494</u>	<u>5,516,894</u>
II. Outside India		
(a) In Current Accounts	129,856	38,487
(b) In Other Deposit Accounts	—	90,675
(c) Money at call & short notice	—	321,183
Sub total	<u>129,856</u>	<u>450,345</u>
TOTAL	<u>6,379,350</u>	<u>5,967,239</u>
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in:		
i) Government Securities	67,900,294	56,245,960
ii) Other Approved Securities	126,808	163,665
iii) Shares	1,013,174	951,003
iv) Debentures and Bonds	660,586	1,293,821
v) Others	19,536,860	12,901,678
TOTAL	<u>89,237,722</u>	<u>71,556,127</u>
Gross Investments	89,410,686	71,642,863
Less: Depreciation	102,923	19,258
Provisions	70,041	67,478
Net Investments	<u>89,237,722</u>	<u>71,556,127</u>
II. Investments outside India	Nil	Nil
TOTAL	<u>89,237,722</u>	<u>71,556,127</u>
SCHEDULE 9 - ADVANCES		
A. (i) Bills Purchased and Discounted	34,379,401	30,587,624
(ii) Cash Credits, Overdrafts and Loans repayable on demand	100,092,729	68,048,845
(iii) Term Loans	70,415,203	59,592,705
TOTAL	<u>204,887,333</u>	<u>158,229,174</u>
B. (i) Secured by tangible assets*	174,527,583	141,855,922
(ii) Covered by Bank/Government Guarantees	9,104,331	3,409,591
(iii) Unsecured	21,255,419	12,963,661
TOTAL	<u>204,887,333</u>	<u>158,229,174</u>
C. I. Advances in India		
(i) Priority Sectors	61,978,252	49,414,364
(ii) Public Sector	14,002,278	10,173,225
(iii) Others	128,906,803	98,641,585
TOTAL	<u>204,887,333</u>	<u>158,229,174</u>
II. Advances outside India	Nil	Nil
TOTAL	<u>204,887,333</u>	<u>158,229,174</u>

*Including advances against book debts

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011

	As at 31.03.2011 ₹ ('000)	As at 31.03.2010 ₹ ('000)
SCHEDULE 10 - FIXED ASSETS		
I. Premises and Electrical Installations		
At cost as on 31st March of the preceding year	2,078,807	1,837,664
Additions during the year		
Due to revaluation of Premises	1,338,711	-
Purchases*/Constructions	<u>976,029</u>	<u>250,655</u>
	2,314,740	250,655
	<u>4,393,547</u>	<u>2,088,319</u>
Deductions during the year being depreciation on Revaluation of Premises adjusted from Asset Revaluation Reserve	3,220	3,389
Sales/write off during the year	<u>144,953</u>	<u>6,123</u>
	148,173	9,512
	<u>4,245,374</u>	<u>2,078,807</u>
Depreciation to date	<u>983,501</u>	<u>809,096</u>
Sub total	<u>3,261,873</u>	<u>1,269,711</u>
II. Other Fixed Assets(including Furniture and Fixtures)		
At cost as on 31st March of the preceding year	663,820	575,161
Additions during the year	<u>123,336</u>	<u>93,301</u>
	787,156	668,462
Deductions during the year	<u>18,682</u>	<u>4,642</u>
	768,474	663,820
Depreciation to date	<u>461,903</u>	<u>408,154</u>
Sub total	<u>306,571</u>	<u>255,666</u>
TOTAL	<u>3,568,444</u>	<u>1,525,377</u>

* Includes ₹ 40.15 Crore towards office building at Mumbai, constructed on a land having balance lease period of 75 years.

SCHEDULE 11 - OTHER ASSETS

I. Inter -Office adjustments (Net)	122,172	763,253
II. Interest Accrued	3,160,523	2,544,065
III. Tax Paid in Advance/Tax Deducted at Source (Net)	561,127	138,765
IV. Deferred tax asset	277,341	341,741
V. Deferred Employee Benefits	1,252,200	-
VI. Stationery and Stamps	12,097	17,647
VII. Non-Banking Assets acquired in satisfaction of claims	2,916	3,064
VIII. Others	<u>459,069</u>	<u>344,506</u>
TOTAL	<u>5,847,445</u>	<u>4,153,041</u>

SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts:		
(i) Income Tax disputes*	1,160,500	-
(ii) Service Tax disputes	22,370	21,600
(iii) FERA disputes	-	200,000
(iv) Others	37,756	18,756
II. Liability on account of outstanding Forward Exchange Contracts	8,784,798	15,020,848
III. Guarantees given on behalf of constituents in India	8,475,424	6,924,833
IV. Acceptances, endorsements and other obligations	5,734,949	4,984,415
V. Other items for which the bank is contingently liable:		
Unexpired Capital Commitments	<u>103,984</u>	<u>126,896</u>
TOTAL	<u>24,319,781</u>	<u>27,297,348</u>

* Refer Note 23 (b) of Schedule 18

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Year ended 31.03.2011 ₹ ('000)	Year ended 31.03.2010 ₹ ('000)
SCHEDULE 13 - INTEREST EARNED		
I. Interest/Discount on Advances/Bills	19,300,200	15,186,247
II. Income on Investments	4,815,132	3,780,662
III. Interest on balances with Reserve Bank of India and Other Inter - Bank funds	344,834	390,301
TOTAL	<u>24,460,166</u>	<u>19,357,210</u>
SCHEDULE 14 - OTHER INCOME		
I. Commission, Exchange and Brokerage	354,051	300,899
II. Profit on sale of Investments	421,262	840,905
Loss on sale of Investments	<u>(27,546)</u>	<u>(60,725)</u>
III. Profit on sale of land, buildings and other assets	1,363	914
Loss on sale of land, buildings and other assets	<u>(10,997)</u>	<u>(1,371)</u>
IV. Net Profit/(Loss) on Exchange transactions	190,703	204,132
V. Miscellaneous Income	1,038,104	799,848
TOTAL	<u>1,966,940</u>	<u>2,084,602</u>
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on Deposits	16,213,561	13,393,832
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	83,183	30,227
III. Others	252,408	250,225
TOTAL	<u>16,549,152</u>	<u>13,674,284</u>
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and Provisions for Employees	2,898,151	2,263,241
II. Rent, Taxes and Lighting	381,380	308,569
III. Printing and Stationery (incl. Software)	61,850	70,688
IV. Advertisement and Publicity	86,406	76,510
V. Depreciation	231,374	171,001
Less : Depreciation on revaluation of premises transferred from Asset Revaluation Reserve	<u>3,220</u>	<u>3,389</u>
VI. Directors fees, allowances and expenses	2,858	2,413
VII. Auditors' fees and expenses (incl. branch auditors)	15,101	13,287
VIII. Law charges	14,887	11,450
IX. Postage, telegrams, telephones, etc.	93,205	75,013
X. Repairs and Maintenance	97,615	102,374
XI. Insurance	230,277	191,548
XII. Other Expenditure	515,439	379,109
TOTAL	<u>4,625,323</u>	<u>3,661,814</u>

 Kochi
May 2, 2011

 C. P. Gireesh
Asst. General Manager

 K. S. Krishnan
CFO & Company Secretary

 Cheryan Varkey
Executive Director

 Abraham Thariyan
Executive Director

 Dr. V. A. Joseph
MD & CEO

 Amitabha Guha
Chairman

DIRECTORS

 1. Paul Chalissery
5. H. Suresh Prabhu

2. Dr. N. J. Kurian

3. Mohan E. Alapatt

4. K. Thomas Jacob

In terms of our Report attached

AUDITORS

 For Deloitte Haskins & Sells
Chartered Accountants

 M. Ramachandran
Partner

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

The South Indian Bank Limited (SIB) was incorporated on January 29, 1929 at Trichur as a private Limited Company and was later converted into a Public Limited Company on August 11, 1939. SIB has a net work of 637 branches in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution, in addition to Treasury and Foreign Exchange Business. SIB is governed by Banking Regulation Act, 1949 and other applicable Acts / Regulations. Its shares are listed in leading stock exchanges in India.

1. Basis of Preparation

Financial Transactions are recorded, prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and comply with generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and notified by the Companies Accounting Standard Rules, 2006 to the extent applicable and current practices prevailing within the banking industry in India.

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

2. Revenue Recognition

a) Interest income from loans, advances and investments (including deposits placed with banks and other institutions) are recognised over the period of the loans, advances and investments on accrual basis. However interest accrued and other dues in the nature of non interest income (example: inspection/valuation charges)

relating to Advances/ Investments, classified as Non performing Advances/Investments under RBI guidelines, are recognised only on realization.

- b) Dividend on investments in shares and units of mutual funds are accounted on accrual basis when the Bank's right to receive the dividend is established.
- c) Insurance claims and locker rent are accounted on receipt basis, due to the uncertainty of collection.
- d) Commission income on issuance of Bank Guarantee / Letter of Credit is recognised over the period of the underlying liability.
- e) Processing fee/ upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/ facility is recognised in the year of receipt without spreading it over the period of loan/ facility.
- f) All other amounts collected from customers as Non interest income or recovery of expenses towards provision of various services / facilities are accounted / recognised on receipt basis.

3. 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".

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES (Forming Part of Balance Sheet and Profit & Loss Account)
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B) Valuation

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

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

- a. Held for Trading/Available for Sale – Each security in this category is valued at the market price or fair value and the net depreciation of each group is recognised in the Profit and Loss account. Net appreciation, if any, is ignored.

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

- b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortized over the remaining maturity of the security. Any diminution, other than temporary, in the value of such securities is provided for.
- c. Repurchase and reverse repurchase transactions – These are accounted as outright sale and outright purchase respectively. The difference between the clean price of the first leg and the clean price of the second leg is recognised as interest income / interest expense over the period of the transaction. However, depreciation in their value, if any, compared to their original cost, is provided for.
- d. In respect of securities included in any of the three categories of investments where interest / principal is in arrears, for more than 90 days, income is not reckoned and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing investments. Debentures/Bonds in the nature of advances are subjected

to usual prudential norms applicable to advances.

C) Transfer Between Categories

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

D) Profit or Loss on sale/Redemption of Investments

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

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

E) Repo and Reverse Repo Transactions

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

4. Advances
A) Valuation / Measurement

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

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

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

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

Category of Advance	General Provision
All Direct Advances to Agricultural and SME Sector	0.25%
All Advances to Commercial Real Estate Sector	1.00 %
Teaser Rate Loans (SIB Shelter)	2.00%
All other Standard Advances	0.40%

- B) Recording / presentation
- a) Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created is netted against gross amount of advance without adjusting the same at individual account level. Provision held against an individual account is adjusted against individual account's balance only at the time of write off / settlement of the account.

5. Fixed Assets

- a) The Fixed Assets (other than those, which are revalued) are stated at historical cost less depreciation.
- b) The revalued assets are stated at the revalued amount less depreciation. The appreciation in value consequent to revaluation is credited to Asset Revaluation Reserve. Depreciation on assets revalued is charged on written down values including the additions made on revaluation, and an equivalent amount towards the additional depreciation provided on revaluation, is transferred from the Asset Revaluation Reserve to profit and loss account.
- c) Depreciation on fixed assets other than computers is provided on written down value method, at the rates specified in Schedule XIV of the Companies Act, 1956. Computers are depreciated at 33.33% on straight-line method as per RBI Guidelines.

- d) Amount expended towards acquisition of Softwares are fully written off in the year of acquisition itself. Annual Licence fee/ Maintenance Charges, if any, are accounted on accrual basis.

6. Transactions involving foreign exchange

- a) Monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated to Indian Rupee equivalent at the exchange rates notified by FEDAI as on the Balance Sheet date.
- b) Forward Exchange contracts are translated to Indian Rupee equivalent at the exchange rate prevailing on the date of commitments. Gain/ Losses on outstanding forward exchange contracts are taken to revenue as per the FEDAI guidelines.
- c) Income and Expenditure in foreign currency are accounted for at the exchange rate prevailing on the date of transaction.

7. Employee benefits

The liability on employee benefits are recognised in accordance with Accounting Standard 15 (revised) specified in Companies (Accounting Standards) Rules, 2006.

- 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 & Loss account.
- b) **Pension Fund:**
The contribution towards The South Indian Bank Ltd Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts. However, the liability arising on account of re-opening of pension option to existing employees who had joined prior to 29th September 1995 and not exercised the option earlier, is amortised over a period of five years as permitted by the Reserve Bank of India.

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

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under defined contributory pension scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to Profit & Loss account.

c) Gratuity:

The Bank makes annual contribution to The South Indian Bank Ltd Employees' Gratuity Trust Fund administered and managed by the trustees. The net present value of the Bank's obligation towards the same is actuarially determined based on the projected unit credit method as at the balance sheet date. However, the liability arising on account of enhancement in gratuity limit pursuant to the amendment to the Payment of Gratuity Act, 1972, w.e.f. 24th May 2010 is amortised over a period of five years as permitted by the Reserve Bank of India.

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

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

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 that to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the

excess of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

8. Segment Reporting

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

a) Treasury

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

b) Corporate / Wholesale Banking

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

c) Retail Banking

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

d) Other Banking Operations

This segment includes income from para banking

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

activities such as debit cards, third party product distribution and associated costs.

Geographic Segment

The Bank operates only in India.

9. Earnings Per Share (EPS)

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

10. Taxes on Income

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

11. Impairment of Assets

The Bank assesses at each Balance Sheet date

whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated realizable amount.

12. Accounting for Provisions, Contingent Liabilities and Contingent Assets

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

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

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

13. Net Profit

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

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

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

A. DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES
1. Capital Adequacy

Particulars	Basel II *		Basel I	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
i) Capital to Risk weighted Asset Ratio (CRAR %)	14.01	15.39	13.17	14.73
ii) CRAR – Tier I Capital (%)	11.27	12.42	10.60	11.89
iii) CRAR – Tier II Capital (%)	2.74	2.97	2.57	2.84
iv) Percentage of the shareholding of the Government of India in nationalised banks			N A	N A
v) Amount of Innovative Perpetual Debt Instruments raised during the year as Tier II Capital [₹ in Crore]			N A	N A
vi) Amount of subordinated debt raised during the year as upper Tier II Capital [₹ in Crore]			Nil	Nil

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

2. Business ratios / Information

Particulars	31.03.2011	31.03.2010
(i) Interest Income as a percentage to working funds	8.76 %	8.82 %
(ii) Non-interest income as a percentage to working funds	0.70 %	0.95 %
(iii) Operating Profit as a percentage to Working Funds	1.88 %	1.87 %
(iv) Return on Average Assets	1.05 %	1.07 %
(v) Business (Deposits plus Advances) per employee (₹ in Crore)	9.18	7.71
(vi) Profit per employee (₹ in Crore)	0.05	0.05

3. Movement in provisions for depreciation on investments

[₹ in Crore]

Particulars	Year ended 31.03. 2011	Year ended 31.03. 2010
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	8941.07	7164.29
(b) Outside India	–	–
(ii) Provisions for Depreciation		
(a) In India	10.29	1.93
(b) Outside India	–	–
(iii) Provisions for NPI		
(a) In India	7.00	6.75
(b) Outside India	–	–
(iv) Net Value of Investments		
(a) In India	8923.77	7155.61
(b) Outside India	–	–
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	1.93	43.85
(ii) Provisions made during the year	10.29	1.93
(iii) Less: Write-off/ write back of excess provisions during the year	1.93	43.85
(iv) Closing Balance	10.29	1.93
c. Movement of provisions held towards Non Performing Investments		
(i) Opening Balance	6.75	5.61
(ii) Provisions made during the year	0.25	2.14
(iii) Less: Write-off/ write back of excess provisions during the year	–	1.00
(iv) Closing Balance	7.00	6.75

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

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

[₹ in Crore]

Particulars	As at 31 st March 2011				As at 31 st March 2010			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	34.51	687.41	6068.11	6790.03	–	969.51	4655.08	5624.59
Other Approved	12.68	–	–	12.68	–	0.70	15.67	16.37
Shares	4.14	97.17	–	101.31	1.39	93.47	0.24	95.10
Debentures & Bonds	–	66.06	–	66.06	–	129.38	–	129.38
Others	476.92	891.32	585.45	1953.69	12.00	687.90	590.27	1290.17
Total	528.25	1741.96	6653.56	8923.77	13.39	1880.96	5261.26	7155.61

5. Disclosure in respect of Non-SLR investments:

(i) Issuer composition of Non-SLR investments as at 31st March 2011 :

[₹ in Crore]

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of Unrated Securities	Extent of Unlisted Securities
[1]	[2]	[3]	[4]	[5]	[6]	[7]
(i)	PSUs	52.61	9.92	–	15.22	9.93
(ii)	FIs	172.12	18.18	–	20.29	18.21
(iii)	Banks	1272.79	16.87	–	22.36	–
(iv)	Private Corporate	47.96	–	–	38.45	0.01
(v)	Subsidiaries/ Joint Ventures	–	–	–	–	–
(vi)	Others	585.45	585.45	–	585.45	585.45
(vii)	Provision held towards depreciation	(9.87)				
	Total *	2121.06	630.42	–	681.77	613.60

(ii) Issuer composition of Non-SLR investments as at 31st March 2010:

[₹ in Crore]

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

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

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

[₹ in Crore]

	31.03.2011	31.03.2010
a) Shares	101.32	95.10
b) Debentures & Bonds	66.06	129.38
c) Subsidiaries/ joint ventures	-	-
d) Others (includes RIDF)	1953.69	1290.17

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

(iii) Non performing Non-SLR investments

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
Opening Balance	6.75	5.61
Additions during the year	0.25	2.14
Reductions during the year	-	1.00
Closing balance	7.00	6.75
Total provisions held	7.00	6.75

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

a) Done during the year ended March 31, 2011:

[₹ in Crore]

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2011
Securities sold under repos	NIL	NIL	NIL	NIL
Securities purchased under reverse repos	NIL	NIL	NIL	NIL

b) Done during the previous year ended March 31, 2010:

[₹ in Crore]

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

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

7. Lending to sensitive sectors:
A. Real Estate Sector

[₹ in Crore]

Category	31.03.2011	31.03.2010
a) Direct Exposure		
(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans eligible for inclusion in priority sector advances may be shown separately)	1132.19	1002.74
(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits	894.43	801.38
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	128.41	191.42
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)	NIL	NIL
	355.55	373.48
Total Exposure to Real Estate Sector	1616.15	1567.64

B. Exposure to Capital Market Sectors

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
(i) Direct Investments in equity shares	106.13	92.14
(ii) Investments in convertible bonds/ convertible debentures	NIL	NIL
(iii) Investments in units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	NIL	4.02
(iv) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), bonds and debentures, units of equity oriented mutual funds	NIL	NIL
(v) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	NIL	NIL

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

(vi) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	NIL	NIL
(vii) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	0.25	0.25
(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;	NIL	NIL
(ix) Bridge loans to companies against expected equity flows/issues	NIL	NIL
(x) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(xi) Financing to stockbrokers for margin trading	NIL	NIL
(xii) All exposures to Venture Capital Funds (both registered and unregistered)	NIL	NIL
Total Exposure to Capital Market	106.38	96.41

C. Risk category wise country exposure:

Country Risk exposure has been classified on the following basis:

[₹. in Crore]

Risk Category	Exposure (net) as at 31.03.2011	Provision held as at 31.03.2011	Exposure (net) as at 31.03.2010	Provision held as at 31.03.2010
Insignificant	118.39	-	130.93	-
Low	73.68	-	72.50	-
Moderate	13.14	-	10.31	-
High	-	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off Credit	-	-	-	-
TOTAL	205.21	-	213.74	-

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

**SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**
8. Movements in non-performing advances (funded)

[₹. in Crore]

Particulars	31.03.2011	31.03.2010
[i] Net NPAs to Net Advances [%]	0.29	0.39
[ii] Movement of NPAs (Gross)		
(a) Opening Balance	211.00	260.56
(b) Additions during the year	106.51	174.25
(c) Reductions during the year	87.17	223.81
(d) Closing Balance	230.34	211.00
[iii] Movement of NPAs (Net)		
(a) Opening Balance	61.57	134.31
(b) Additions during the year	50.19	99.58
(c) Reductions during the year	51.74	172.32
(d) Closing Balance	60.02	61.57
[iv] Movement of provisions for NPAs (excluding provisions on Standard Assets)		
(a) Opening Balance	135.43	113.13
(b) Provisions made during the year	56.32	74.67
(c) Write off / write back of Excess provisions	33.34	52.37
(d) Closing Balance	158.41	135.43

[₹ in Crore]

	31.03.2011	31.03.2010
Details of non performing financial assets purchased / sold	NIL	NIL

Provisions on Standard Assets:

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
Provisions towards Standard Assets	79.73	58.13

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

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
(i) No. of Accounts	NIL	1
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	NIL	NIL
(iii) Aggregate Consideration	NIL	4.33
(iv) Additional consideration realised in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate gain/(loss) over net book value	NIL	4.33

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

10. Details of Loan Assets subjected to restructuring during the year 2010-11:

Particulars of Accounts Restructured

[₹ in Crore]

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers	NIL	2	21
	Amount outstanding	NIL	0.42	28.06
	Sacrifice (diminution in the fair value)	NIL	NIL	0.05
Sub Standard advances restructured	No. of Borrowers	NIL	NIL	NIL
	Amount outstanding	NIL	NIL	NIL
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
Doubtful advances restructured	No. of Borrowers	NIL	NIL	NIL
	Amount outstanding	NIL	NIL	NIL
	Sacrifice (diminution in the fair value)	NIL	NIL	NIL
TOTAL	No. of Borrowers	NIL	2	21
	Amount outstanding	NIL	0.42	28.06
	Sacrifice (diminution in the fair value)	NIL	NIL	0.05

Particulars of Accounts Restructured during 2009-10

[₹ in Crore]

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

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

11. Asset quality

Percentage of net NPAs to net advances works out to 0.29% (0.39% as on 31.03.2010). Provision coverage ratio as on 31.03.2011 is 73.64%.

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

12. Concentration of Deposits, Advances, Exposures and NPAs
Concentration of Deposits

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
Total Deposits of twenty largest depositors	5324.53	3009.10
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	17.91%	13.08%

Concentration of Advances

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
Total Advances to twenty largest borrowers	4085.06	3335.49
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	19.64%	20.70%

Concentration of Exposures

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
Total Exposure to twenty largest borrowers/customers	4089.03	3342.72
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/customers	12.58%	8.54%

Concentration of NPAs

[₹ in Crore]

Particulars	31.03.2011	31.03.2010
Total Exposure to top four NPA accounts	61.04	43.49

13. Sector-wise NPAs

2010-11

Sl. No.	Particulars	31.03.2011	31.03.2011
	Sector	Percentage of Gross NPAs to Total Advances in that Sector	Percentage of Net NPAs to Total Advances in that Sector
1	Agriculture & Allied Activities	0.31	0.12
2	Industry (Micro & Small, Medium and Large)	3.60	0.88
3	Services	10.07	1.42
4	Personal Loans	1.17	0.21

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

2009-10

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

14. Movement of NPAs [₹ in Crore]

Particulars	31.03.2011	31.03.2010
Gross NPAs as on the beginning of the Financial Year	211.00	260.56
Additions (Fresh NPAs) during the year	106.51	174.25
Sub-total (A)	317.51	434.81
Less:		
(i) Upgradation	41.44	147.79
(ii) Recoveries (excluding recoveries made from upgraded accounts)	40.97	63.34
(iii) Write Offs	4.76	12.68
Sub-Total (B)	45.73	223.81
Gross NPAs as on the end of the Financial Year	230.34	211.00

15. Overseas Assets, NPAs and Revenue [₹ in Crore]

Particulars	31.03.2011	31.03.2010
Total Assets	–	–
Total NPAs	–	–
Total Revenue	–	–

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

Name of the SPV sponsored	
Domestic	Overseas
NIL	NIL

17. Unsecured Advances [₹ in Crore]

Particulars	31.03.2011	31.03.2010
Total Advances for which intangibles securities such as charge over the rights, licenses, authority etc. has been taken as collateral	NIL	24.24
Estimated value of such intangible collateral	NIL	480.00

18. Letter of Comfort (LoCs) issued by banks [₹ in Crore]

Particulars	31.03.2011	31.03.2010
Letter of Comfort issued during the year	1672.32	235.64
Assessed financial impact	52.99	50.98
Assessed cumulative financial obligations	323.53	131.35

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

[₹ in Crore]

Particulars	2010-11	2009-10
Fees/remuneration received from bancassurance business	4.55	2.79

20. Maturity Pattern of key assets and liabilities

 As at 31st March, 2011:

[₹ in Crore]

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	152.32	1171.88	963.10	433.84	3639.23	2865.94	6584.86	11214.99	557.06	2137.86	29721.08
Loans & Advances	403.28	209.31	316.08	508.91	3029.17	2839.51	6636.55	3149	1347.16	2049.76	20488.73
Investments	7.59	455.83	284.31	100.64	1140.51	161.68	124.20	625.14	1377.11	4646.76	8923.77
Borrowings	24.67	-	-	-	0.06	0.06	0.11	65.45	-	200.00	290.35
Foreign Currency-Assets	12.99	-	37.54	0.48	17.14	91.04	56.78	216.00	-	-	431.97
Foreign Currency-Liabilities	44.65	-	-	0.36	0.04	2.17	1.74	-	-	-	48.96

As at 31st March, 2010:

[₹ in Crore]

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

21. Derivatives

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

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

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

As on 31.03.2011

Sl. No.	Name of Borrower	[₹ in Crore]		
		Total Exposure Limit	Maximum Exposure during the year	Percentage of Capital Funds
	NIL			

As on 31.03.2010

Sl. No.	Name of Borrower	[₹ in Crore]		
		Total Exposure Limit	Maximum Exposure during the year	Percentage of Capital Funds
	NIL			

23. (a) Provision for taxes during the year

[₹ in Crore]

	31.03.2011	31.03.2010
Current Tax	146.49	142.92
Deferred Tax	6.44	(9.40)
Wealth Tax	0.01	0.03
Total	152.94	133.55

(b) Disputed Tax for earlier years

The following deductions under the Income Tax Act, 1961 are considered in computing the income chargeable to tax

- (i) Bad Debts written off u/s 36 (1) (vii) pertaining to non rural branches.
- (ii) Provision for Bad and Doubtful debts u/s 36(1)(viii) subject to limits prescribed under the Act.

The above deductions are disputed by the Income Tax Department before the Supreme Court through Special Leave Petition (SLP). Further, the earlier decision of Division Bench of Kerala High Court in favour of the Bank, have been reversed by the Full Bench of the Kerala High Court during the year and the matter is pending before the Supreme Court. The total estimated liability on account of this dispute and other disputed tax demands under section 14A of the Income Tax Act amounting to ₹116.05 Crore (excluding interest, if any), has been disclosed as contingent liability (refer Schedule 12). The management believes that the outcome of these appeals is likely to be in favour of the Bank and accordingly no provision is considered necessary at this stage.

24. Penalties Levied by the Reserve Bank of India

No penalties were levied by the Reserve Bank of India during the financial years ended March 31, 2011 and March 31, 2010.

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

25. Status of Complaints

a. Shareholder complaints:

	31.03.2011	31.03.2010
(a) No. of complaints pending at the beginning of the year	–	–
(b) No. of complaints received during the year	157	106
(c) No. of complaints redressed during the year	157	106
(d) No. of complaints pending at the end of the year	–	–

b. Customer complaints:

	31.03.2011	31.03.2010
(a) No. of complaints pending at the beginning of the year	19	15
(b) No. of complaints received during the year	339	321
(c) No. of complaints redressed during the year	343	317
(d) No. of complaints pending at the end of the year	15	19

c. Status of Awards passed by the Banking Ombudsman:

	31.03.2011	31.03.2010
(a) No. of unimplemented Awards at the beginning of the year	–	–
(b) No. of awards passed by the Banking Ombudsman during the year	–	4
(c) No. of Awards implemented during the year	–	4
(d) No. of unimplemented Awards at the end of the year	–	–

26. Provisions and Contingencies debited to Profit and Loss Account

[₹ in Crore]

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	31.03.2011	31.03.2010
Provision for NPA/ NPIs	28.00	37.12
Provision for taxes (Net) *	146.50	142.95
Deferred Tax	6.44	(9.40)
Provision for Standard Assets	21.60	6.43
Provision for Restructured Advances	(0.05)	7.58
Provision for depreciation in the value of investments	9.37	(40.94)
Provision towards FERA dispute	20.00	33.00
Others	0.84	0.07
TOTAL	232.70	176.81

* Includes Wealth Tax ₹ 0.01 Crore (₹ 0.03 Crore)

27. Reconciliation

Identification of items pending adjustment in inter branch accounts (including Extension counters), demand drafts paid and payable, sundries, inter bank and clearing have been completed upto March 31, 2011. Elimination of pending items in the above is in progress and in the opinion of the management, its consequential impact in the accounts will not be material.

B : OTHER DISCLOSURES
1. Fixed Assets

Premises of the Bank were revalued as on 31.03.2011 in accordance with the policy formulated by the Bank based on RBI guidelines in this regard. The revaluation was done by professionally qualified independent valuers

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

empanelled by the Bank. The written down value of the premises has been increased from ₹192.31 Crore to ₹326.18 Crore and the resultant appreciation in value amounting to ₹133.87 Crore has been credited to Revaluation Reserve.

2. Earnings Per Share

The bank reports basic and diluted EPS in accordance with the Accounting Standard – 20 on “Earnings per Share”

Particulars	31.03.2011	31.03.2010
Weighted average number of equity shares used in computation of basic earnings per share	1130064900	1130064900
Potential equity shares arising out of the Employees Stock Option Scheme [ESOS 2008]	3245955	6208850
Weighted average number of equity shares used in computation of diluted earnings per share	1133310855	1136273750
Earnings used in the computation of basic and diluted earnings per share (₹ in Crore)	292.56	233.76
Nominal Value of share (in ₹)	1.00	1.00
Basic earnings per share (in ₹)	2.59	2.07
Effect of potential equity shares for ESOS	0.01	0.01
Diluted earnings per share (in ₹)	2.58	2.06

3. Accounting for Employee Share Based Payments

The Shareholders of the Bank approved Employees Stock Option Scheme (ESOS) 2008 on August 18, 2008. Under the terms of the scheme, the Bank had granted Stock Options equivalent to 30,72,500 Equity Shares to the Employees of the Bank on 21-11-2009 and 510500 Equity Shares on 21-10-2010. Compensation Committee of the Board (CCB) granted the options on November 21, 2009 and October 21, 2010 at a discount of 10% on the closing price of the shares quoted on NSE on November 20, 2009 and October 20, 2010 respectively.

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

Activity in the options outstanding under the ESOS

Particulars	31.03.2011		31.03.2010	
	Options	Weighted average exercise price (₹)	Options	Weighted average exercise price (₹)
Options outstanding at the beginning of the year	3,04,40,000	12.93	–	–
Options granted during the year	5,10,500	24.98	3,07,25,000	12.93
Options exercised during the year	–	–	–	–
Forfeited / lapsed during the year	1,73,500	13.42	2,85,000	12.93
Options outstanding at the end of the year	3,07,77,000	13.09	3,04,40,000	12.93
Options Exercisable	–	–	–	–

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

Fair Value methodology

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

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Exercise Price per share (₹)	12.93	24.98	12.93	–
Weighted Average Share Price per share (₹)	8.57	17.03	17.83	–
Expected Volatility	43.50%	31.33%	41.86%	–
Historical Volatility	43.50%	31.33%	41.86%	–
Life of the options granted (Vesting and Exercise period in years)	2.19 to 4.20	2.28 to 4.28	2.00 to 4.94	–
Average Risk Free Interest rate	6.30% to 6.89%	7.30% to 7.66%	5.68% to 7.04%	–
Expected Dividend Yield	4.67%	2.35%	2.52%	–

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

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

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Total Employee compensation cost pertaining to ESOS (₹ in Crore)	4.50	4.37
Compensation Cost pertaining to ESOS amortised during the year (₹ in Crore)	1.55	0.57
Liability for ESOS outstanding as at year end (No. of Shares)	3,07,77,000	3,04,40,000
Deferred compensation cost (₹ in Crore)	2.38	3.80

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

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

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Net Profit as reported (₹ in Crore)	292.56	233.76
Proforma Net profit based on fair value approach (₹ in Crore)	289.62	231.53
Basic EPS as reported (₹)	2.59	2.07
Basic EPS (Proforma) (₹)	2.56	2.05
Diluted EPS as reported (₹)	2.58	2.06
Diluted EPS (Proforma) (₹)	2.54	2.05

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

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

4. Segment reporting

In accordance with Accounting Standard – 17 and RBI guidelines in regard to business segments of banks, the Bank has determined the business segments and the required disclosures are as follows: [₹ in Crore]

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	573.66	517.20	882.08	621.23	1147.94	980.21	39.02	25.54	2642.70	2144.18
Result	(38.48)	41.86	142.75	55.98	329.87	281.30	31.35	21.17	465.49	400.31
Unallocated Expenses										
Operating profit										
Income Taxes										
Extraordinary Profit/ Loss		–		–		–		–		–
Net Profit										
Other Information:										
Segment Assets	8923.77	7155.61	9969.87	7333.70	10518.86	8489.22	–	–	29412.50	22978.53
Unallocated Assets										
Total Assets										
Segment Liabilities	8923.77	7155.61	9969.87	7333.70	10518.86	8489.22	–	–	29412.50	22978.53
Unallocated Liabilities										
Total Liabilities										

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

5. Deferred Tax

Other assets (Schedule 11) include Deferred Tax Asset of ₹ 27.73 Crore (Previous Year ₹ 34.17 Crore). The components of the same are as follows: [₹ in Crore]

Timing Difference	31.03.2011	31.03.2010
Depreciation on Assets	0.10	0.10
Provisions for Loans/Investments/ others	27.63	34.07
Total	27.73	34.17

6. Related party disclosure

- Key Management Personnel
Dr. V. A. Joseph, Managing Director & Chief Executive Officer.
- Gross Remuneration paid ₹ 54.15 Lakh (Previous year Gross ₹ 41.58 Lakh).

7. Employee Benefits

a) Retirement Benefits

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

Particulars	31.03.2011	31.03.2010
Pension Fund	52.16	19.62
Gratuity Fund	11.71	12.16
Compensation for absence on privilege/sick/casual leave	0.69	(3.57)

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

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

During the year, the Bank had re-opened the pension option for those employees who had joined the Bank prior to 29th September, 1995 and had not opted for the pension scheme earlier. Consequently, 2217 employees had exercised their option for the pension scheme and the bank has incurred an extra liability of ₹ 135.13 Crore. Further, during the year the limit of gratuity payable to the employees of the bank was also enhanced from ₹ 3.50 Lakhs to ₹10.00 Lakhs, pursuant to the amendment to the Payment of Gratuity Act, 1972. As a result, the gratuity liability of the Bank has increased by ₹ 21.40 Crore. The extra cost of pension and gratuity to employees works out to ₹ 156.53 Crore.

In terms of the requirements of the Accounting Standard (AS) 15, Employee Benefits, the entire amount of ₹ 156.53 Crore is required to be charged to the Profit and loss account of the current year. However, in accordance with the circular issued by Reserve Bank of India vide reference number DBOD.BP.BC.80/21.04.018/2010–11 dated February 9, 2011, and made applicable to our bank vide DBOD No.BP.BC.15896/21.04.018/2010–11 dated April 8, 2011, the Bank would amortise the amount of ₹156.53 Crore over a period of five years. Accordingly, ₹31.31 Crore (representing one-fifth of ₹156.53 Crore) has been charged to the profit and loss account of the current year and the balance amount of ₹ 125.22 Crore has been carried forward for write off in next four years. The liability arising on account of retired employees who exercised option for pension amounting to ₹ 3.88 Crore has been charged to the Profit and Loss Account of the current year.

Had the above circular been not issued by the RBI, profit of the Bank would have been lower by ₹ 125.22 Crore pursuant to the application of AS 15.

b) Changes in the defined benefit obligations [₹ in Crore]

	Gratuity Plan 31.03.11	Gratuity Plan 31.03.10	Pension Plan 31.03.11	Pension Plan 31.03.10
Projected defined benefit obligation, beginning of the year	98.57	84.29	74.59	77.16
Current Service Cost	5.53	3.91	249.72	3.88
Interest Cost	8.09	6.90	3.87	6.93
Actuarial (gain)/ loss	22.13	8.14	65.78	78.75
Benefits paid	(12.20)	(4.67)	(63.24)	(92.13)
Projected defined benefit obligation, end of the year	122.12	98.57	330.72	74.59

c) Changes in the fair value of plan assets [₹ in Crore]

	Gratuity Plan 31.03.11	Gratuity Plan 31.03.10	Pension Plan 31.03.11	Pension Plan 31.03.10
Fair value of plan assets, beginning of the year	86.41	72.49	54.97	63.43
Expected return on plan assets	7.56	5.72	9.27	5.07
Employer's contributions	12.16	11.80	160.06	13.73
Actuarial gain/ (loss)	(0.64)	1.07	9.40	13.48
Benefits paid	(12.20)	(4.67)	(63.24)	(40.74)
Fair value of plan assets, end of the year	93.29	86.41	170.46	54.97
Liability (Net)	28.83	12.16	160.27	19.62

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

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

[₹ in Crore]

	Gratuity Plan 31.03.11	Gratuity Plan 31.03.10	Pension Plan 31.03.11	Pension Plan 31.03.10
Current Service Cost	5.53	3.91	109.28	3.88
Interest cost	8.09	6.90	3.87	6.93
Expected return on plan assets	(7.56)	(5.72)	(9.27)	(5.07)
Net actuarial gain/ (loss) recognized in the year	22.77	7.07	56.38	13.88
Past service cost	–	–	–	–
Net benefit expense before amortisation	28.83	12.16	160.26	19.62
Expense unamortised	17.12	–	108.10	–
Net Benefit expense	11.71	12.16	52.16	19.62
Actual return on plan assets	–	6.79	–	39.84

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

	Gratuity Plan 31.03.11	Gratuity Plan 31.03.10	Pension Plan 31.03.11	Pension Plan 31.03.10
Government of India Securities	37 %	48 %	–	–
State Government Securities	11 %	–	–	–
High quality Corporate Bonds	46 %	46 %	–	–
Equity Shares of Listed Companies	–	–	–	–
Funds Managed by Insurer *	–	–	75 %	81 %
Others (With Fund and Bank)	6 %	6 %	25 %	19 %
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.

f) Experience adjustments

(i) Gratuity

	31.03.11	31.03.10	31.03.09	31.03.08
Defined Benefit Obligations	122.12	98.57	84.29	69.98
Plan Assets	93.29	86.41	72.49	68.72
Surplus/Deficit	28.83	12.16	11.80	1.26
Experience adjustments on Plan Liabilities	22.13	*	*	*
Experience Adjustments on Plan Assets	(0.64)	*	*	*

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

(ii) Pension

	31.03.11	31.03.10	31.03.09	31.03.08
Defined Benefit Obligations	330.72	74.59	77.16	131.28
Plan Assets	170.46	54.97	63.43	69.32
Surplus/Deficit	160.26	19.62	13.73	61.96
Experience adjustments on Plan Liabilities	65.79	*	*	*
Experience Adjustments on Plan Assets	9.40	*	*	*

g) Assumptions used by the actuary in accounting for gratuity, Pension and Compensation for Absence

	Gratuity Plan 31.03.11	Gratuity Plan 31.03.10	Pension Plan 31.03.11	Pension Plan 31.03.10	Compensation for absence 31.03.11	Compensation for absence 31.03.10
Discount rate	8.00 %	8.00 %	8.00 %	8.00 %	8.00 %	8.00 %
Expected rate of return on plan assets	8.00 %	8.00 %	8.00 %	8.00 %	*	*
Increase in compensation cost	5.00 %	5.00 %	5.00 %	5.00 %	5.00 %	5.0

*Not available

Notes:

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

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

The charge on account of compensation for privilege / sick / casual leave, has been actuarially determined and a provision of ₹ 0.69 Crore (Previous year excess provision ₹ 3.57 Crore credited) has debited to Profit and Loss account.

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

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

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

9. Description of contingent liabilities

Sl. No.	Contingent liability *	Brief Description
1	Claims not acknowledged as debts	This includes liability on account of Income Tax, Service tax, 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 inter bank participants on its own account and for its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contract rate.
3	Guarantees on behalf of constituents in India	As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
4	Acceptances, endorsements and other obligations	As a part of banking activities, the Bank issues documentary credit on behalf of its customers. Documentary credits such as letters of obligations, enhancing the credit standing of the customers of the bank which generally represent irrevocable assurances that the bank will make payments in the event of customer failing to fulfill its financial obligations.
5	Other items for which the bank is contingently liable	These include amounts which may become payable in respect of capital commitments.

* Also refer schedule – 12

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

Kochi
May 2, 2011

C. P. Gireesh
Asst. General Manager

K. S. Krishnan
CFO & Company Secretary

Cheryan Varkey
Executive Director

Abraham Thariyan
Executive Director

Dr. V. A. Joseph
MD & CEO

Amitabha Guha
Chairman

DIRECTORS

1. Paul Chalissery
5. H. Suresh Prabhu

2. Dr. N. J. Kurian

3. Mohan E. Alapatt

4. K. Thomas Jacob

In terms of our Report attached

AUDITORS

For Deloitte Haskins & Sells
Chartered Accountants

M. Ramachandran
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

	Year Ended March 31st, 2011 ₹ ('000)	Year Ended March 31st, 2010 ₹ ('000)
Cash flow from operating activities		
Net profit before taxes	4,455,065	3,673,080
Adjustment for:		
Depreciation for the year	228,154	167,612
Net Loss on Revaluation of Investments	158,300	164,974
Provision for Depreciation / Non Performing Investments	96,276	(388,010)
General Provisions against Standard Assets	216,000	64,300
Provision for contingencies	200,000	330,000
Provision for Non Performing Assets	277,448	349,839
Other Provisions	7,841	76,505
ESOS Employee Compensation expense amortised	15,483	5,745
Interest on Subordinated bonds	252,409	250,225
Loss on sale of land, buildings and other assets	9,634	457
Operating profit before working capital changes	(A) 5,916,610	4,694,727
Changes in working capital:		
Increase / (Decrease) in Deposits	67,095,511	49,191,919
Increase / (Decrease) in Borrowings	243,832	(2,560,467)
Increase / (Decrease) in Other liabilities	1,998,688	962,995
(Increase) / Decrease in Investments	(17,936,171)	(10,581,059)
(Increase) / Decrease in Advances	(46,935,059)	(40,175,712)
(Increase) / Decrease in Other Assets	(1,336,444)	(1,079,155)
	(B) 3,130,357	(4,241,479)
Cash flow from operating activities before taxes	(A+B) 9,046,967	453,248
Direct Taxes Paid	(1,887,387)	(1,704,617)
Net cash flow from operating activities	(C) 7,159,580	(1,251,369)
Cash flow from investing activities:		
Purchase of Fixed Assets	(1,099,365)	(343,958)
Sale of Fixed Assets	154,003	10,310
Net cash flow from investing activities	(D) (945,362)	(333,648)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

	Year Ended March 31st, 2011 ₹ ('000)	Year Ended March 31st, 2010 ₹ ('000)
Cash flow from financing activities:		
Subordinated Debt repaid	(650,000)	(250,000)
Proceeds from issue of Subordinated Debt	–	2,000,000
Dividend paid including Corporate Dividend Tax	(527,275)	(396,636)
Interest on Subordinated bonds	(252,409)	(250,225)
Net cash flow from financing activities	(E) (1,429,684)	1,103,139
Net increase in cash and cash equivalents	(C+D+E) 4,784,534	(481,878)
Cash and cash equivalents as at beginning of the year	19,876,727	20,358,605
<i>(Refer note below)</i>		
Cash and cash equivalents as at the end of the year	24,661,261	19,876,727
<i>(Refer note below)</i>		
Note:		
Cash and Balance with Reserve Bank of India (As per Schedule 6)	18,281,911	13,909,488
Balance with Banks and Money at Call and Short Notice (As per Schedule 7)	6,379,350	5,967,239
Cash and cash equivalents as at the end of the year	24,661,261	19,876,727

 Kochi
May 2, 2011

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In terms of our Report attached

AUDITORS

 For Deloitte Haskins & Sells
Chartered Accountants

 M. Ramachandran
Partner

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

I. Registration Details

 Registration Number 1 0 1 7

 State Code 0 9

 Balance Sheet Date 3 1 0 3 2 0 1 1
Date Month Year

II. Capital Raised During the Year (Amount in ₹ '000)

 Public Issue N I L

 Rights Issue N I L

 Bonus Issue N I L

 Private Placement N I L

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

 Total Liabilities 3 2 8 2 0 2 2 0 5

 Total Assets 3 2 8 2 0 2 2 0 5

Sources of Funds

 Paid-up Capital 1 1 3 0 0 6 5

 Reserves and Surplus 1 7 3 4 2 7 5 3

 Deposits 2 9 7 2 1 0 7 5 2

 Borrowings 2 9 0 3 4 6 8

 Other Liab. & Provisions 9 6 1 5 1 6 7

Application of Funds

 Net Fixed Assets 3 5 6 8 4 4 4

 Investments 8 9 2 3 7 7 2 2

 Advances 2 0 4 8 8 7 3 3 3

 Other Assets 3 0 5 0 8 7 0 6

 Misc. Expenditure N I L

 Accumulated Losses N I L

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

 Total Income 2 6 4 2 7 1 0 6

 Total Expenditure 2 3 5 0 1 4 6 5

 Profit Before Tax 4 4 5 5 0 6 5

 Profit After Tax 2 9 2 5 6 4 1

 Earnings per share in ₹ 2 . 5 9

 Dividend % 5 0

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

 Item code No. (ITC Code) N A

 Product Description B A N K I N G C O M P A N Y

 Kochi
May 2, 2011

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**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

TABLE DF – 1
CAPITAL OF SUBSIDIARIES NOT CONSOLIDATED
Qualitative Disclosures

The Bank has no subsidiaries.

Quantitative Disclosures

The Bank has no subsidiaries.

TABLE DF – 2
CAPITAL STRUCTURE
Qualitative Disclosures

(a) Summary:

Type of Capital	Features	% of Share holding
Equity (Tier – I)	Shares issued to:	
	Foreign Institutional Investors	36.20
	Resident Individuals	37.62
	Body Corporate	9.65
	Banks	3.47
	Non Resident Individuals	3.36
	Trusts	1.37
	Indian Financial Institutions	3.80
	Mutual Funds	3.19
	Directors & Relatives	0.49
Others (Clearing members, HUF etc.)	0.85	
Tier – II Capital Instruments	Subordinated Debt Instruments: (Unsecured, redeemable, Non Convertible Bonds) Unconditional Put/Call Option embedded: Yes/ No Period ranges from 80 months to 92 months	

Quantitative Disclosures

[₹. in Crore]

(b) Tier – I Capital			1,650.23
• Paid up Capital		113.01	
• Reserves		1,564.95	
• Innovative Instruments		0.00	
• Other Capital Instruments		0.00	
• Amount deducted from Tier I Capital		(27.73)	
(c) Total Eligible Tier – II Capital (Net of Deductions)			401.24
(d) Debt Instruments eligible for inclusion in Upper Tier – II Capital			
• Total amount outstanding		0.00	
• Of which amount raised during current year		0.00	
• Amount eligible to be reckoned as capital		0.00	
(e) Subordinated Debt eligible for inclusion in Lower Tier – II Capital			
• Total amount outstanding		265.00	
• Of which amount raised during current year		0.00	
• Amount eligible to be reckoned as capital		226.00	
(f) Other deductions from Capital, if any		0.00	
(g) Total Eligible Capital			2,051.47

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2011

TABLE DF – 3
CAPITAL ADEQUACY

Qualitative Disclosures

(a) Summary

Indicate

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

Quantitative Disclosures

(₹ in Crore)

(b) Capital requirements for Credit Risk:

- | | |
|---|----------|
| • Portfolios subject to Standardised Approach | 1,161.65 |
| • Securitisation Exposure | 0.00 |

(c) Capital requirements for Market Risk

- | | |
|----------------------------------|-------|
| • Standardised Duration Approach | 54.78 |
|----------------------------------|-------|

(d) Capital requirements for Operational Risk

- | | |
|----------------------------|--------|
| • Basic indicator approach | 101.76 |
|----------------------------|--------|

Total capital requirement under the regulatory minimum of 9%

1,318.19

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

CRAR -Total	14.01%
CRAR Tier I	11.27%
CRAR Tier II	2.74%

TABLE DF – 4
CREDIT RISK : GENERAL DISCLOSURES (INCLUDING EQUITIES)

Qualitative Disclosures

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

The definitions used are given in Annexure - I

Discussion of Bank Credit Risk Management Policy

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

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

Quantitative Disclosures

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

	Exposure	Amount	Total
Fund Based	Loans & Advances	20,655.34	
	Others (Fixed Assets, Other Assets etc.)	3,886.25	24,541.59
Non Fund Based	LC/BG etc.	1,421.04	
	Forward Contracts	878.48	
	Others	456.37	2,755.89
Investments (Banking Book only)		6,666.50	6,666.50
Grand total of Credit Risk Exposure			33,963.98

- c) Geographic Distribution of Credit Risk Exposure (₹ in Crore)

Domestic	33,963.98
Overseas	NIL

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

Code	Industry	Standard Asset	NPA	Total
1	Coal	5,887.58	–	5,887.58
2	Mining	599.30	–	599.30
3	Iron and Steel	51,991.41	949.05	52,940.46
4	Other Metal and Metal Products	4,199.79	30.00	4,229.79
5	All Engineering	7,442.33	5.55	7,447.88
5.1	<i>Of which (005) Electronics</i>	1,544.63	1.58	1,546.21
6	Electricity	126,030.09	–	126,030.09
7	Cotton Textiles	56,130.00	610.18	56,740.18
8	Jute Textiles	662.00	58.83	720.83
9	Other Textiles	27,753.67	210.83	27,964.50
10	Sugar	1,935.06	–	1,935.06
11	Tea	575.73	–	575.73
12	Food Processing	24,803.28	365.95	25,169.23
13	Vegetable Oils and Vanaspati	4,762.45	18.80	4,781.25
14	Tobacco and Tobacco Products	–	1.48	1.48
15	Paper and Paper Products	2,971.70	317.62	3,289.32
16	Rubber and Rubber Products	21,422.73	9.55	21,432.28
17	Chemicals, Dyes, Paints, etc.	33,243.22	157.98	33,401.20
17.1	<i>Of which Fertilizers</i>	83.74	60.27	144.01
17.2	<i>Of which Petro- chemicals</i>	489.16	2.78	491.94
17.3	<i>Of which Drugs and Pharmaceuticals</i>	27,630.93	40.40	27,671.33
18	Cement	1,034.91	4.96	1,039.87
19	Leather and Leather Products	3,303.58	4.51	3,308.09
20	Gems and Jewellery	2,528.78	0.84	2,529.62
21	Construction	1,369.91	26.52	1,396.43

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

22	Petroleum	106.42	–	106.42
23	Automobiles including trucks	41,292.20	2.94	41,295.14
24	Computer Software	4,121.57	20.17	4,141.74
25	Infrastructure	48,591.24	292.99	48,591.24
25.1	<i>Of which Power</i>	476.02	–	476.02
25.2	<i>Of which Telecommunications</i>	15,684.90	50.34	15,735.24
25.3	<i>Of which Roads & Ports</i>	25,577.11	0.25	25,577.36
26	NBFCs	100,480.77	8.89	100,489.66
27	Trading	163,443.95	3,605.77	167,049.72
28	Other Industries	66,845.10	833.58	67,678.68
29	Residuary Other Advances	1,239,609.62	15,496.51	1,255,106.13
	Total	2,043,138.39	23,033.50	2,065,878.90

(₹ in Crore)

(e)	Amount of Gross NPAs	230.34
	• Substandard	55.46
	• Doubtful-1	13.12
	• Doubtful-2	13.41
	• Doubtful-3	20.62
	• Loss	127.73
(f)	Net NPA	60.02
(g)	NPA ratios	
	• Gross NPA to Gross Advance	1.11%
	• Net NPA to Net Advance	0.29%
(h)	Movement of NPA (Gross)	
	• Opening Gross NPA	211.00
	• Additions to Gross NPA	106.51
	• Reductions to Gross NPA	87.17
	• Closing Balance of Gross NPA	230.34
(i)	Movement of NPA Provisions	
	• Opening balance of NPA Provisions held	135.43
	• Provisions made during the period	56.32
	• Write-offs during the period	33.34
	• Write-back of excess provisions during the period	–
	• Closing Balance of NPA Provisions	158.41
(j)	Amount of Non Performing Investments (Gross)	7.00
(k)	Amount of Provisions held NP Investments	7.00
(l)	Movement of Provisions for Depreciation on Investments	
	• Opening Balance of Provisions for Depreciation	1.93
	• Provisions made during the period	10.29
	• Write-offs during the period	1.93
	• Write-back of excess provisions during the period	–
	• Closing Balance of Provisions for Depreciation	10.29

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

TABLE DF – 5
CREDIT RISK : DISCLOSURE FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH
Qualitative Disclosures

State whether External Credit Rating Agencies have been approved for the purpose and if so the names of the ECRAs:

External Credit Rating Agencies have been approved for the purpose of credit rating of borrower account for the purpose of computing risk weight under Standardized Approach.

The following are the approved ECRAs

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

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

(a) For portfolios under Standardised Approach

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

Quantitative Disclosure

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

	(₹ in Crore)
Below 100% Risk Weight	21,326.87
Risk Weight at 100%	5,135.06
More than 100% Risk Weight	2,024.43
Amount deducted if any	NIL

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2011

TABLE DF – 6
CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH
Qualitative Disclosures

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

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

- (ii) List of main type of Collateral taken by the Bank

Financial Collaterals

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

Guarantor

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

Other Non -Financial Collateral

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

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

Financial Risk Mitigants	Outstanding amount of Risk Mitigants (₹ in Crore)	Risk Concentration%
1. Gold	3534.10	82.72
2. Cash & Bank Deposits	734.49	17.19
3. KVP/IVP/NSC/LIC	4.00	0.09
Total #	4272.59	100.00

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

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

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

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

Quantitative Disclosure

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

- | | |
|--|---------|
| i) Eligible Financial Collateral (Excluding Staff Loan) | 4272.59 |
| ii) Other eligible Collateral (after Hair cuts) | NIL |

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

TABLE DF – 7
SECURITISATION: DISCLOSURE FOR STANDARDISED APPROACH

Not Applicable since bank does not undertake securitisation activity.

TABLE DF – 8
MARKET RISK IN THE TRADING BOOK
Strategies and processes

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

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

Adherence to limits are being monitored by dedicated mid office, reporting exceptions to Chief Risk Officer (CRO), independent of Treasury /IBD operational units.

Risk Measurement

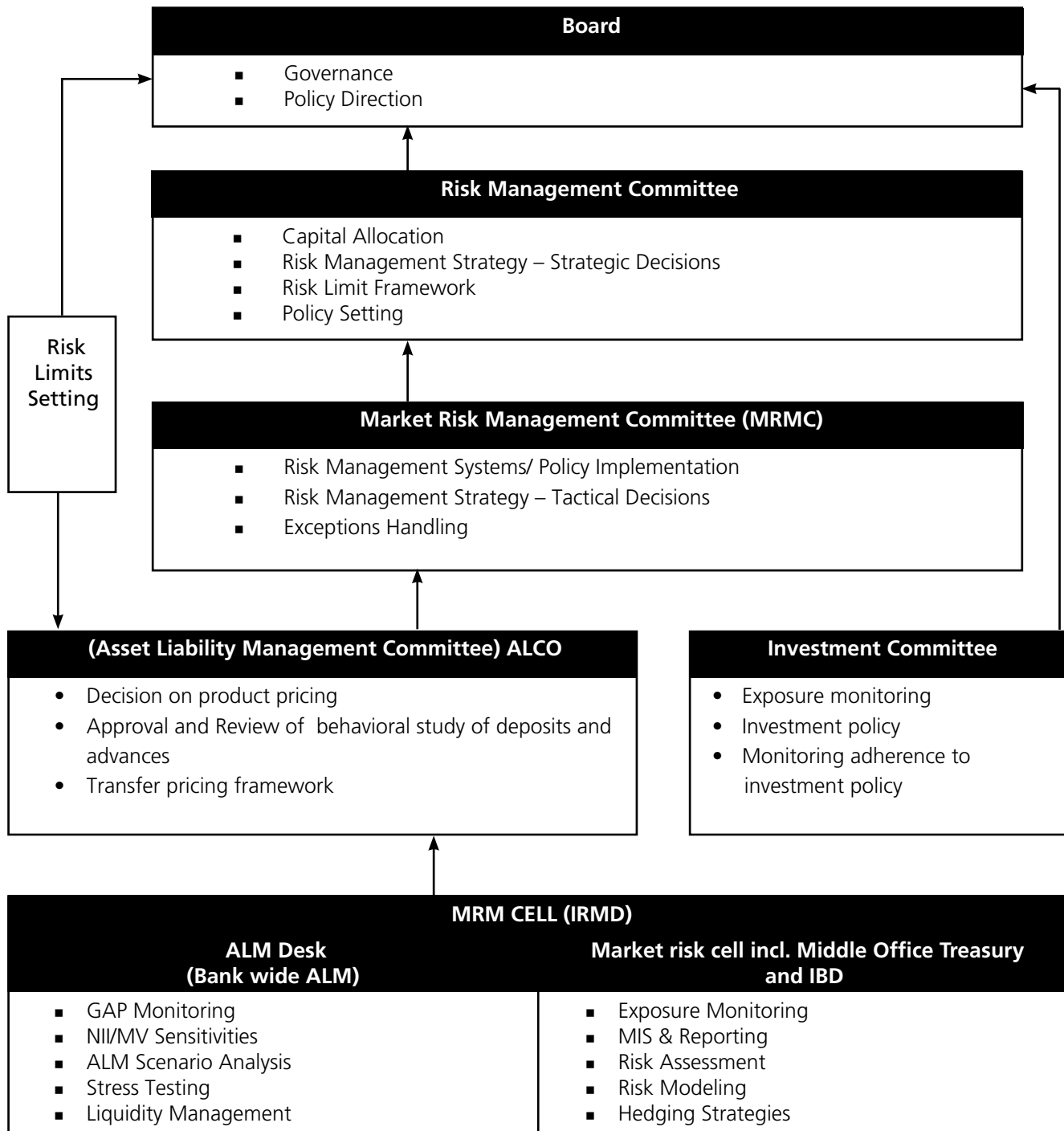
- 1) Value at Risk (VaR) numbers are arrived for Trading book Central Government securities, T Bills and Currencies.
- 2) The positions are marked to market at stipulated intervals. The Duration/Modified Duration are computed and its adherence to the prescribed duration limits are ensured.
- 3) The Bank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

Quantitative Disclosures

Sl. No.	Capital Requirements	Capital Charge (₹ in lacs)
1	Interest Rate Risk	3654.09
2	Equity Position Risk	1733.67
3	Forex Risk	90.00

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2011

**The Structure and organisation of relevant Risk Management Functions
Market Risk Management Cell Organization
(Composition, Roles & Responsibility)**



**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

TABLE DF – 9
OPERATIONAL RISK
Qualitative Disclosure

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

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

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

Quantitative Disclosure

Capital Charge on Operational Risk : ₹ 101.76 Crore

TABLE DF – 10
INTEREST RATE RISK IN THE BANKING BOOK
Strategies and processes

- 1) The Bank has put in place a comprehensive Market risk management Framework to address Market risks including that of the Banking Book. The above Framework, prescribes various methodologies like Earning at Risk and Duration Gap model to assess the impact on Market Value of Equity (MVE).
- 2) The framework for managing Interest rate risk in the Banking Book under pillar II of Basel II is also put in place by the Internal Capital Adequacy Assessment Process Policy (ICAAP).

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

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

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

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

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2011

Quantitative disclosures

Particulars	As on 31.03.11
Change in NII Probable impact on Net Interest income for 100 Bps upward movement in interest rate	₹ 20.72 Crore
Change in MVE Probable impact on Market Value of Equity (MVE) for a 200 Bps upward movement in interest rates.	16.71 % of Net-worth

TABLE DF – 4
ANNEXURE I
CREDIT RISK: GENERAL DISCLOSURES

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

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

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

TABLE DF – 5
ANNEXURE II
CREDIT RISK: DISCLOSURE FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

Qualitative Disclosures		Remarks
(I)	Names of credit rating agencies used	Domestic Credit Rating Agencies (DCRA): CRISIL Ltd., ICRA Ltd., CARE and FITCH India. International Credit Rating Agencies: Fitch, Moodys and Standard & Poor's.
(II)	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same	No Change
(III)	Types of exposure for which each agency is used	Ratings of all the above identified Rating Agency rating are used for various types of exposures as follows: <ul style="list-style-type: none"> (i) For exposure with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short - Term Rating given by DCRA will be applicable. (ii) For Domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and/ or Term Loan exposures of over one year, Long Term Rating will be applicable. (iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by International Credit Rating Agency will be applicable. (iv) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2011

- | | |
|--|---|
| <p>(IV) Description of the process used to transfer public issue rating on to comparable assets in the banking book.</p> | <ul style="list-style-type: none"> (i) If an issuer has a long-term exposure with an external long-term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether short-term or long-term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims. (ii) If an issuer has a short-term exposure with an external short-term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether long-term or short-term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims. (iii) 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 counter-party. If a short-term rated facility to counterparty attracts a 20 per cent or a 50 per cent risk weight, unrated short-term claims to the same counter-party cannot attract a risk weight lower than 30 per cent or 100 per cent respectively. (iv) In circumstances where the borrower has a specific assessment for an issued debt - but the bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to the bank's unassessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unassessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation. If not, the rating applicable to the specific debt cannot be used and the unassessed claim will receive the risk weight for unrated claims. (v) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same counterparty, which is unrated by any chosen credit rating agency, will be assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari passu or junior to the rated exposure in all respects. |
|--|---|

TABLE DF – 6
ANNEXURE III
CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH

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

**ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II
REQUIREMENTS AS ON 31.03.2011**

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

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON 31.03.2011

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

NOTICE

NOTICE is hereby given that the 83rd Annual General Meeting of the shareholders of The South Indian Bank Ltd., will be held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur, on Friday, the 15th day of July 2011 at 10 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Bank's Audited Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint Statutory Central Auditors for the year 2011-12 and to authorise the Board to fix their remuneration. The present Statutory Central Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, retire at this Annual General Meeting and are not eligible for re-appointment, as they have completed continuous 4 years of Statutory Audit. Pursuant to an application made to Reserve Bank of India (RBI) vide its letter No. DBS.ARS.No.16057/08.21:005/2010-11 dated May 18, 2011, RBI has approved the appointment of M/s. S R Batliboi & Associates, Chartered Accountants, as the Statutory Central Auditors. As appointment of the above audit firm is being made in the place of retiring auditors due to RBI's regulatory requirement applicable to banking companies, the provisions of Section 225 of the Companies Act, 1956 do not apply. The Board of Directors recommends their appointment. While placing a resolution seeking your approval for the appointment of the above audit firm, the Board seeks your mandate in terms of Section 224(8) of the Companies Act, 1956 to fix the remuneration payable to the said audit firm.
4. To appoint a Director in the place of Sri Jose Alapatt (Director in the Minority Sector), who retires by rotation under Section 256 of the Companies Act, 1956, and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Sri Mathew L. Chakola (Director in the Minority Sector), who retires by rotation under Section 256 of the Companies Act, 1956, and being eligible offers himself for re-appointment.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :
"RESOLVED THAT Sri K. Thomas Jacob, "Kalappilayil, Krishna Gardens, Golf Links Road, Kowdiar, Trivandrum – 695 003", be and is hereby appointed a director in the Majority Sector, whose period of office is liable for determination by retirement of directors by rotation."
7. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :
"RESOLVED THAT Sri H. Suresh Prabhu, " Door No. 4-5-34A, Main Road, Opp. Gayathri Digital Palace, Kinnumulky, Udupi – 576 101", be and is hereby appointed a director in the Majority Sector, whose period of office is liable for determination by retirement of directors by rotation."
8. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT in terms of Sec. 228 of the Companies Act 1956, the Board of Directors be and is hereby authorised to appoint from time to time in consultation with the Bank's Statutory Central Auditors, one or more persons qualified for appointment as branch auditors to audit the accounts for the financial year 2011-12, of such of the branch offices of the Bank as are not proposed to be audited by the Bank's Statutory Central Auditors on such remuneration and subject to such terms and conditions as may be fixed by the Board of Directors."
9. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolutions:
"RESOLVED THAT subject to the provisions of Sections 10B and 35B of The Banking Regulation Act, 1949 read with clause 95, 121 and 122 of Bank's Articles of Association, consent of the Bank be and is hereby accorded for payment of remuneration and other terms and conditions of appointment of Sri Amitabha Guha as Non Executive / Part time Chairman of the Bank, brief particulars whereof have been set out in the annexed Explanatory Statement, w.e.f. 2nd November, 2010 for a period of three years as recommended by the Board of Directors of the Bank vide Resolution No. SEC/S-109 dated 31/08/2010 and approved by RBI vide its letter DBOD No. 6830/08.51.001/2010-11 dated 26/10/2010."
"FURTHER RESOLVED THAT Sri Amitabha Guha shall not be subject to retirement by rotation during his tenure as Non Executive/Part time Chairman."

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10. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolutions:
- "RESOLVED THAT subject to the provisions of Section 35B of the The Banking Regulation Act, 1949 read with clause 95 of Bank's Articles of Association and in terms of Reserve Bank of India sanction letter DBOD No. 8932/08.51.001/2010-11 dated 07/12/2010 in respect of payment of revised remuneration, including other terms and conditions, brief particulars whereof have been set out in the annexed Explanatory Statement, consent of the Bank be and is hereby accorded for payment of the revised remuneration to Dr. V. A. Joseph, Managing Director and Chief Executive Officer of the Bank, as recommended by the Board vide its Resolution No.SEC/S-147 dated 21/10/2010 from 1st April, 2010 to 30th September, 2011."
- "FURTHER RESOLVED that subject to the approval by Reserve Bank of India and pursuant to applicable provisions of the Banking Regulation Act, 1949 and the provisions of the Articles of Association of the Bank, consent of the Bank be and is hereby accorded for reappointment of Dr. V. A. Joseph, as Managing Director and CEO of the Bank for a period of three years from 1st October, 2011 till 30th September, 2014 on the terms and conditions, brief particulars whereof have been set out in the annexed Explanatory Statement, being the remuneration recommended by the Board of Directors vide Resolution No.SEC/S-47/11-12 dated 21/05/2011 and as may be approved by the Reserve Bank of India."
- "FURTHER RESOLVED that Dr. V. A. Joseph shall not be subject to retirement by rotation during his tenure as Managing Director & CEO of the Bank."
11. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
- "RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, Banking Regulation Act, 1949, the Authorized Capital of the Bank be and is hereby increased from ₹125 Crore (Rupees One hundred and twenty five Crore only) to ₹160 Crore (Rupees One hundred and sixty Crore only) by creation of additional 35,00,00,000 (Thirty five Crore) shares of ₹ 1/- each, ranking for dividend and in all other respects pari passu with the existing equity shares of the Bank when issued and accordingly the existing clause 5 of the Memorandum of Association of the Bank be and is hereby amended by substituting the words and figures ₹160,00,00,000 divided into 160,00,00,000 shares of ₹1/- each for the words and figures, ₹125,00,00,000 divided into 125,00,00,000 shares of ₹1/- each, appearing in Clause 5 thereof."
12. To consider and if thought fit, to pass, with or without modification, the following resolutions as Special Resolutions:
- "RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof), Banking Regulation Act, 1949, Foreign Exchange Management Act, 1999, the issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, SEBI (Issue of Capital and Disclosure Requirements), 2009 (SEBI Regulations), applicable listing agreements and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Bank and subject to all necessary approvals, consents, permissions and/or sanctions of the Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), financial institutions, lenders and all other appropriate and/or relevant/concerned authorities in India and other applicable countries and subject to such conditions and modifications as may be prescribed by any of them while granting any such approvals and sanctions, the Board of Directors of the Bank (Board) or a Committee of Directors (Committee) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this resolution be and is hereby authorized, to offer, issue and allot, by way of Qualified Institutional Placement (QIP), to Qualified Institutional Buyers (QIBs), in terms of Chapter VIII of the SEBI Regulations, whether or not such investors are existing members of the Bank, through one or more placements, not exceeding 40,00,00,000 (Forty Crore) Equity shares of face value of ₹1/- each at such time or times, at such price or prices including premium on each share and on such terms and conditions, as the Board or the appointed Committee thereof may determine in accordance with the Guidelines and where necessary, in consultation with the Lead Manager and/or other Advisors.
- "FURTHER RESOLVED that the aforesaid issue of shares may be made through placement document or by whatever name the offer document may be styled ("Offer document"), from time to time, in one or more tranches, as may be deemed appropriate by the Board or Committee of Directors in such form and manner and on such terms and conditions or such modifications thereto as the Board or Committee of Directors may determine in consultation with the Merchant Banker(s) and/or other advisors, with authority to retain over subscription upto such percentage as may be permitted by the applicable regulations and by relevant authorities."
- "FURTHER RESOLVED that in respect of issue of Equity Shares by way of Qualified Institutional Placement:
- the relevant date for the purpose of pricing of the Equity Shares to be issued, if issued pursuant to Chapter VIII of the SEBI ICDR Regulations and/or other applicable regulations, shall be the date of the meeting in which the Board or Committee of Directors duly authorized by the Board decides to open the proposed issue of Equity Shares, subsequent to the receipt

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of members' approval in terms of Section 81 (1A) and other applicable laws, rules, regulations and guidelines in relation to the proposed issue of the Equity Shares;

- ii. the issue and allotment of Equity Shares shall be made only to QIBs within the meaning of SEBI Regulations, such Equity Shares shall be fully paid-up on its allotment, which shall be completed within 12 months from the date of this resolution approving the proposed issue or such other time as may be allowed by the SEBI Regulations, from time to time;
- iii. the allotment to each Qualified Institutional Buyer (QIB) in the proposed QIP Issue will not exceed 5% of the post issue paid-up capital of the Bank;
- iv. the Equity Shares shall not be eligible to be sold for a period of 1 year from the date of allotment, except on a recognized stock exchange, except as may be permitted from time to time by the SEBI Regulations;
- v. the total amount raised in such manner should not, together with the over allotment option exceed five times the net worth of the Bank as per the audited Balance Sheet of the previous financial year;
- vi. the equity shares so issued shall rank pari passu with the existing equity shares of the Bank in all respects."

"FURTHER RESOLVED that for the purpose of giving effect to the foregoing and without being required to seek any further consent or approval of the members of the Bank, the members shall be deemed to have given their approval thereto expressly by the authority of this resolution to Board or Committee of Directors and the Board or Committee of Directors be and is hereby authorized for and on behalf of the members of the Bank:

- i. to enter into and execute all such arrangements as the case may be with any lead managers, merchant bankers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, registrars, custodians, trustees, lawyers, consultants, book runners and other intermediaries ("the Agencies") in relation to the QIP issue and to remunerate any of the agencies in any manner including payment of commission, brokerage or fee for their services;
- ii. to seek and obtain the listing of the Equity Shares, as may arise out of the QIP and other approvals as may be legally required and as the Board or Committee of Directors consider necessary or expedient, in the best interest of the Bank;
- iii. to approve memorandum of private placement, offer document, circulars, notice and such other documents (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead managers, underwriters, and/or advisors in accordance with applicable laws, rules, regulations and guidelines;
- iv. to take decisions to open the issue, decide bid opening and closing date;
- v. to approve the issue price, the number of Equity Shares to be allotted and the basis of allotment of Shares;
- vi. to do all such acts, deeds, matters and things as the Board or Committee of Directors may at its discretion deem necessary or desirable for such purpose, including without limitation to the drafting, finalization, issue, entering into and execution of any arrangements or agreements;
- vii. to delegate from time to time, all or any of the powers conferred herein upon the Board or Committee of Directors or the Director/s or any other Officer/s of the Bank".

"FURTHER RESOLVED that for the purpose of giving effect to the above resolutions, the Board or a Committee be and is hereby authorized on behalf of the Bank to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for the purposes, including without limitation, the determination of the terms thereof, for entering into arrangements for managing, undertaking, marketing, listing and trading, to issue placement document(s), and to sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Bank to settle all questions, difficulties, doubts that may arise in regard to such offer(s) or issue(s) or allotment(s), as it may, in its, absolute discretion, deem fit."

By Order of the Board of Directors

(K. S. KRISHNAN)

CFO & COMPANY SECRETARY

Place: Thrissur

Date: May 21, 2011

NOTES :

1. A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. A PROXY NEED NOT BE A MEMBER OF THE BANK.
2. PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE BANK ATLEAST 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING. A FORM OF PROXY IS APPENDED FOR THE CONVENIENCE OF MEMBERS.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed in respect of Item Nos. 6 to 12.
4. The Register of Members and share transfer books of the Bank will remain closed from Saturday the 9th day of July, 2011,

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- to Friday the 15th day of July, 2011, (both days inclusive). Dividend, if declared, will be paid to those members whose names appear in the Register of Members on Friday the 15th day of July, 2011 and to beneficial owners whose names appear in the Register of Beneficial Owners on Friday the 8th day of July, 2011. Transfers received during book closure will be considered only after reopening of the Register of Members.
5. All documents referred to in the notice are open for inspection at the Registered Office of the Bank on all working days between 10.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
 6. All dividends remaining unclaimed or unpaid including the balance in Dividend Account upto and including financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Any claim in respect of transferred amounts shall be made to the Registrar of Companies, Kerala, Company Law Bhavan, Bharath Matha College P.O, Kochi – 682 021. Members may kindly note that the unclaimed/unpaid dividend amounts for the years from 1994-95 to 2002-2003 and interim dividend for the year 2003-04 have already been transferred to the Investors' Education and Protection Fund (the Fund) as required under Section 205(A)(5) of the Companies Act, 1956 and that no claim can be made against the dividend amounts of the above mentioned years.
 7. Members may please note that the balance of unclaimed refund order amount of Right Issue held in the year 2004 will be due for transfer to the Fund on September 12, 2011 and the balance of unclaimed final dividend for financial year 2003-2004 will be due for transfer to the Fund on October 15, 2011, and thereafter no claims can be made by any shareholder against the Bank or the Fund, for the refund order amount and dividend amount of those years.
 8. Polling if needed, in respect of any resolution will take place within 48 hours of the time when the demand for poll was made, details of which will be announced by the Chairman.
 9. Members may please note that there is a facility for nomination, in the prescribed form, of any person to whom shares in the Bank held by such Member shall vest in the event of his / her death.
 10. Shares of the Bank are traded in dematerialised form. Members may opt for availing the benefits of electronic holding/transfer of shares held by them.
 11. Members should notify the changes in their address immediately to the Transfer Agents/Depository Participants as the case may be, giving full details in block letters with Pin Code and Post Office along with address proof and photo identity proof.
 12. Members may please note that, a copy of the PAN card of the transferee must mandatorily be submitted along with the transfer deed for registering transfer of physical shares.
 13. Members described as "Minors" in the address but who have attained majority of age, may get their status in Register of Members corrected by producing proof of age.
 14. Members should produce the attendance slip at the venue of the meeting.
 15. Members holding (physical) shares in identical order of names in more than one folio are requested to write to the Share Transfer Agents to facilitate consolidation of their holdings in one folio.
 16. A brief profile of the Directors, who are retiring by rotation and eligible for re-appointment, is furnished in the report under "Corporate Governance".
 17. All communications/correspondence with regard to equity shares and dividend may be forwarded to the Share Transfer Agents at the address given below:
M/s BTS Consultancy Services Pvt. Ltd.
No. 4, Ramakrishna Nagar
Near Kumaran Matriculation School
Villivakkam CHENNAI – 600 049
Phone- 044-26503337
Fax No. 044-26503338
E-mail: ramesh@btsindia.co.in
helpdesk@btsindia.co.in

By Order of the Board of Directors

(K. S. KRISHNAN)
CFO & COMPANY SECRETARYPlace: Thrissur
Date: May 21, 2011**Explanatory Statement as required by Section 173(2) of the Companies Act, 1956****ITEM No. 6**

The Board of Directors appointed Sri K. Thomas Jacob as an Additional Director on 31st August, 2010 under Section 260 of the Companies Act, 1956. In terms of the provisions of the said Section, Sri K. Thomas Jacob vacates office at this meeting.

NOTICE

Sri K. Thomas Jacob, FCA, DISA (ICAI) is the senior partner of M/s Thomas Jacob & Company, Trivandrum for last 28 years. Prior to this, he worked with prestigious organizations like RGN Price & Co., Chartered Accountants, Bangalore and Tata Engineering and Locomotive Company Ltd. He has vast experience in Bank Audits, Audit of World Bank aided projects, Government Company/Corporations Statutory Audits, Consultancy Services, IS Audit besides other Statutory Audits.

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

No director other than Sri K. Thomas Jacob is interested or concerned in the passing of this resolution.

ITEM No. 7

The Board of Directors appointed Sri H. Suresh Prabhu as an Additional Director on December 1, 2010 under Section 260 of the Companies Act, 1956. In terms of the provisions of the said Section, Sri H. Suresh Prabhu vacates office at this meeting.

Sri H. Suresh Prabhu has over 40 years of experience in the banking industry. After being associated with Syndicate Bank for 38 years he retired as the General Manager (Credit) and joined as the Executive Director of the Bank in June 2008 and he retired on June 30, 2010. During his tenure as the Executive Director he made immense contribution to the growth of the Bank.

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

No director other than Sri H. Suresh Prabhu is interested or concerned in the passing of this resolution.

ITEM No. 8

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

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

ITEM No. 9

Sri Amitabha Guha was appointed as an additional director of the Bank by the Board of Directors w.e.f. August 31, 2010. Subsequently, the Board vide its resolution No.DBR/SEC/S-109 dated August 31, 2010 appointed Sri Amitabha Guha as Part time Non-Executive Chairman of the Bank subject to the approval of RBI. RBI vide its letter DBOD No.6830/08.51.001/2010-11 dated October 26, 2010 has approved the appointment of Sri Amitabha Guha as Part time Non-Executive Chairman of the Bank for a period of 3 years w.e.f. November 2, 2010 on the terms and conditions as mentioned in the approval letter subject to the approval of Shareholders.

Sri Amitabha Guha, aged 62, is a visionary having substantial experience in the Banking Industry and served in various verticals of the State Bank Group. He retired as the Dy. Managing Director of State Bank of India in November, 2008. Earlier he was Managing Director of State Bank of Hyderabad and State Bank of Travancore. He is a Post Graduate from Calcutta University. He is an eminent speaker and has attended various national and international Programs, Seminars/Conferences. Besides, he has served as a member of various professional institutes like Indian Banks' Association (IBA), Indian Institute of Banking & Finance to name a few. Presently he is a Permanent invitee to the Board for Regulation and Supervision of Payment & Settlement System (BPSS), Reserve Bank of India, Mumbai, Independent External Monitor (IEM), NMDC Ltd., Independent Director of Vijaysri Organics Limited, Hyderabad, Andhra Pradesh State Finance Corporation, Xpro India Ltd., New Delhi and Member, Board of Governors, Asian Institute of Business Management, Bhubaneswar.

His rich Banking experience will be of immense benefit to the Bank and hence the Board recommends his appointment as Non Executive / Part-time Chairman of the Bank on the terms and conditions mentioned herein below:

1. The period of appointment will be for three years from November 2, 2010.
2. He will be paid a honorarium of ₹80,000/- (Rupees eighty thousand only) per month i.e. ₹9,60,000/- (Rupees nine lakh sixty thousand only) per annum from the date of assumption of office with annual increment of ₹10,000/- per month (i.e. ₹10,000/- X 12 months = ₹1,20,000/- per annum). To be specific, he will draw a honorarium of ₹9,60,000/- p.a. during the first year, ₹10,80,000/- p.a. during the second year and ₹12,00,000/- p.a. during the third year of his office.
3. He will not be eligible for any sitting fees for attending Board and Committee meetings during his tenure as Part-time Chairman.

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4. He will be governed by the rules as applicable to the whole time Directors of the Bank with regard to the reimbursement of his travel, halting allowance and other expenses incurred for attending the meetings of the Board and other official businesses and visits.
5. He will be provided with Bank's car with a driver for official use and for any personal use, appropriate amounts will be recovered as per the rules of the Bank.
6. He will be covered under personal accident on official tour by appropriate insurance policy for a sum of ₹35.00 Lakh during his tenure.

Members are requested to pass the resolution under Item No. 9 as an Ordinary Resolution.

None of the Directors is interested or concerned in this Resolution excepting Sri Amitabha Guha, as the resolution under this items relates to his remuneration.

ITEM No. 10

Dr. V. A. Joseph was appointed as Managing Director & CEO of the Bank with effect from October 1, 2008 for a period of 3 years and approval of Reserve Bank of India under Section 35B of the Banking Regulations Act, 1949 was obtained. The terms and conditions of the said appointment was approved by the Shareholders in the Annual General Meeting held on August 18, 2008.

Considering the excellent performance recorded and giant strides taken by the Bank in all areas of business during the last three years under the leadership of Dr. V. A. Joseph, the Board vide resolution No.SEC/S-147 dated October 21, 2010 has approved the following modifications/additional benefits in respect of remuneration and perquisites to Dr. V. A. Joseph, Managing Director & CEO of the Bank with effect from April 1, 2010 till September 30, 2011 subject to the approval of Reserve Bank of India. As per the applicable provisions of the Companies Act, 1956, the Banking Regulation Act, 1949 and the provisions of the Articles of Association of the Bank any modification in remuneration/additional benefits and the terms and conditions of service have to be approved by Shareholders in general meeting. Hence this ordinary resolution is placed for approval by the shareholders. The terms and conditions approved by Reserve Bank of India vide its letter DBOD. 8932/08.51.001/2010-11 dated December 7, 2010 referred to the above are given below:

Sl. No.	Particulars	Existing	Revised
1.	House Rent Allowance	Free furnished house provided by the Bank.	In addition to free furnished house provided by the Bank, he shall be permitted to incur an expenditure of ₹10.00 Lakh towards furniture and fixtures, including air-conditioners for his official quarters. On demitting office, the Bank is allowed to offer to him and he may purchase at his option the said furniture, fixtures, fittings, appliances, motor car etc. at book value with a minimum value of 10% of the original price.
2.	Entertainment Allowance	₹15,000/- p.a. including club membership (maximum two), 50% of which reimbursable on declaration and balance against evidence of expenses incurred.	Reimbursement of actual entertainment expenses incurred by him up to ₹50,000/- per year on production of bills, reimbursement permitted without bills on declaration up to ₹25000/- per year. Membership of a club of his choice, the entire cost of which will be borne by the Bank during his tenure.
3.	Medical Benefits	Full reimbursement of the medical expenses for domiciliary treatment and for hospitalization for self and dependent members of the family.	Full reimbursement of the medical expenses for domiciliary treatment and for hospitalization for self and dependent members of the family. Upon his laying down the office after serving the Bank for three years as CEO of the Bank, the Bank will pay or reimburse full premiums payable/paid on the policy or policies issued under medical insurance plan covering medical and hospitalization expenses incurred on MD & CEO and his wife up to ₹20 Lakh each per annum for life. However, if no insurance is taken, the entire medical expenses for self and wife would be reimbursed by the Bank.
4.	Insurance	Premium will be paid by the Bank in respect of Group Accident Insurance Policy covering the Chairman with the total benefits of which to him will be ₹5 lakh.	Travel, accident and death benefits/insurance of ₹35 Lakh both on and off duty.
5.	Leave Fare concession	Highest class by whichever mode of travel within the country/actual amount incurred on himself and his dependent members of the family once in two years as per the rules of the Bank.	Highest class by whichever mode of travel within the country once in a year for him and his wife. If he travels abroad, reimbursement is limited to the first class air fare between Kochi and New Delhi and back.
6.	Variable pay	Nil	₹9,45,000/- as 25% of average annual salary for the financial year 2009-10.

NOTICE

The abstract of the revised remuneration payable to Dr. V. A. Joseph, MD & CEO was communicated to all the shareholders of the Bank vide our letter dated December 13, 2010 under Section 302 of the Companies Act, 1956.

The Board vide resolution No.SEC/S- 28/11-12 dated May 2, 2011 has approved to pay ₹10,35,000/-, as variable pay, to Dr. V. A. Joseph, MD & CEO for the F.Y. 2010-11, being 25% of annual salary of ₹41,40,000/- paid to him during the F.Y. 2010-11 subject to the approval of Reserve Bank of India. Further, the Board approved to pay 25% of six months salary payable to Dr. V. A. Joseph, MD & CEO for the period April 1, 2011 to September 30, 2011, as variable pay, subject to RBI approval.

During the tenure of Dr. V. A. Joseph, the Bank has grown on all fronts with the total gross business having reached a level of ₹50,380 Crore as on March 31, 2011. The Bank has recorded the highest ever Net Profit of ₹292.56 Crore for the year ended on March 31, 2011. The Bank has also reached a milestone of having crossed 640 branches and achieving a Capital & Reserves of ₹1,845.16 Crore as on March 31, 2011. The Gross and Net NPA have been substantially brought down to 1.11% and 0.29% respectively.

Since the tenure of Dr. V. A. Joseph would conclude on September 30, 2011, with a view to maintain the tempo of growth and having regard to the need to have continuity in management, the Board by resolution No. SEC/S-47/11-12 dated May 21, 2011, subject to the approval of RBI and shareholders, has unanimously decided to extend the tenure of Dr. V. A. Joseph as M.D. & CEO of the Bank for a further period of three years from October 1, 2011 to September 30, 2014 on the following terms:

1. Period of appointment : Three (3) years, w.e.f. October 1, 2011 to September 30, 2014.
2. Salary: Consolidated basic salary of ₹4,30,000/- (Rupees four lakh thirty thousand only) per month with an annual increment of 20% of the basic salary per month. The increment in the scale shall automatically fall due on an annual basis and shall be granted on the 1st day of the month in which it falls due.
3. The existing privilege leave and sick leave at his credit remaining unavailed at the end of his present term of office be and is hereby permitted to be carried over and accumulated during his extended tenure, thereafter up to the maximum permitted limit of 240 days in respect of privilege leave and 360 days in respect of sick leave on the existing terms and conditions.
4. Variable pay: As may be decided by the Board from time to time, subject to a maximum of 25% of the annual salary permitted during the financial year. This payment will be made in one lump sum on the signing of the annual balance sheet of the Bank in the month of April/May, every year as decided by the Board.
5. All other terms, conditions and prerequisites as existing at present shall continue for the entire tenure.

Pursuant to section 35B of the Banking Regulation Act, 1949, the Bank has sought RBI approval for his extended tenure and terms of re-appointment. The resolution approving the terms of re-appointment will be given effect only after obtaining the approval from RBI.

Members are requested to pass the resolution under Item No.10 as Ordinary Resolution.

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

Item No. 11

The Bank approached Reserve Bank of India during the year 2005 for its prior approval under Section 49 C of the Banking Regulation Act, 1949 for increasing the Authorised Capital of the Bank from ₹100 Crore to ₹200 Crore. Reserve Bank of India vide its letter DBOD No. PSBS/941/16.01.074/2004-05 dated February 25, 2005 has conveyed its 'no objection' for the above amendment to the capital clause of the Memorandum of Association of the Bank.

Considering the requirement for additional capital, the Bank in the year 2005 increased the Authorised Capital from ₹100 Crore to ₹125 Crore.

Keeping in view the increase in business volumes in future and the requirement of additional capital to prepare for Basel-II compliance, it is now proposed to increase the Authorised Capital of the Bank from the present level of ₹125 Crore to ₹160 Crore, for the time being.

The proposal also involves alteration of the capital clause of the Memorandum of Association. Hence the resolution under the above item. None of the Directors is interested in this ordinary resolution.

NOTICE**ITEM No. 12**

At present, the Authorized Share Capital of the Bank is ₹125 Crore, divided into 125 Crore Equity Shares of ₹1/- each. The present issued, subscribed and paid-up capital of the Bank is ₹113,00,64,900/- divided into 113,00,64,900 Equity shares of ₹1/- each. The capital adequacy ratio of the Bank as on March 31, 2011 was 13.17% with Tier I Capital at 10.6% and Tier II at 2.57%. The total gross business of the Bank as on March 31, 2011 was ₹50,380 Crore comprising deposits of ₹29,721 Crore and advances of ₹20,659 Crore. The business projection for the current year (2011-12) is ₹62,000 Crore.

As you may be aware, a banking Company requires adequate capital not only to meet the needs of growing business, but also to meet the regulatory requirements that apply. As business grows, capital requires to be augmented. The objective of every commercial enterprise is to grow. In the case of a banking Company as business grows, so should capital increase. With the emerging economic scenario, there are no boundaries for growth and banking sector has been benefited by the growth prospects thrown up by the buoyant economy. Added to the economic and regulatory factors, innovative technological banking methods have to be introduced and such methods have to be not only updated, but also have to be upgraded from time to time.

The Bank is continuing to grow organically and has shown steady growth during the last few years. The Bank foresees rise in demand for credit in various sectors and in Retail Banking market and success in availing a strong share in this business opportunity rests on the ability of the Bank to raise funds by way of Equity during the financial year. As a proactive move to leverage the available business opportunities and for maintaining appropriate regulatory capitalization levels, the Bank proposes to increase its authorized share capital to ₹160 Crore and subsequently increase the issued and paid up capital, by issue of further Equity Shares up to the extent of ₹40 Crore with face value of ₹1/- per share. The Board of Directors of the Bank is of the view that a Qualified Institutional Placement (QIP) of the shares of the Bank would be less time consuming and more economical.

Accordingly, the Bank proposes to make a further issue of shares by way of a QIP in terms of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), 2009 (SEBI Regulations). The number of Equity shares to be issued, shall not exceed 40 Crore (Forty Crore) Equity shares of ₹1/- each. These shares will be allotted only to Qualified Institutional Buyers (QIBs) as per the SEBI Regulations issued, and there will be no issue to retail individual investors and existing retail shareholders. The exact price, proportion and timing of the issue of Securities will be decided by the Board based on an analysis of the specific requirements after consulting all concerned.

Therefore, the proposal seeks to confer upon the Board absolute discretion to determine the structure, price and timing of the issue(s) at the appropriate times. The Board will fix the detailed terms of the final size of the offering, exact timing, pricing of the issue and other related aspects after careful analysis and in consultation with the merchant/investment bankers, book runners and/or lead manager(s) and/or underwriter(s) and/or advisor(s) and/or such other person(s), keeping in view of the prevailing market conditions and in line with the extant guidelines issued by SEBI, RBI or any other statutory and/or other regulatory authorities.

In accordance with the Guidelines and pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956, special resolution of shareholders is required for a QIP Issue. The special resolution has a validity period of 12 months before which allotments under the authority of said resolution should be completed.

The proposed offer is in the interests of the Company and the Directors recommend the passing of the resolution under this item as a special resolution.

None of the Directors of the Company is interested or concerned in any manner in the proposal contained in the resolution under this item.

By Order of the Board of Directors

Place: Thrissur
Date: May 21, 2011

(K. S. KRISHNAN)
CFO & COMPANY SECRETARY

ATTENDANCE

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

I hereby record my presence at the 83rd Annual General Meeting held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur, on Friday, the 15th day of July, 2011 at 10 a.m.

Name and Address of the Member

Folio No. / Client ID No.

Signature of the Member / Proxy

THE SOUTH INDIAN BANK LTD.

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

Client ID/
Folio No : _____

No. of Shares : _____

PROXY

I/We.....
ofin the district of
being a Member/Members of The South Indian Bank Ltd., hereby appoint of
..... in the district of or
failing him/her of in
the district of..... as my/our proxy to vote for me/us on my/our
behalf at the 83rd Annual General Meeting of the Company to be held on Friday, the 15th day of July, 2011 and at
any adjournment thereof.

Signed this..... day of 2011.

Affix
15 Paise
Revenue
Stamp

Signature

ECS MANDATE FORM

To

M/s BTS Consultancy Services Pvt. Ltd.
 Unit: South Indian Bank Ltd.
 No. 4, Ramakrishna Nagar
 Near Kumaran Matriculation School
 Villivakkam, Chennai – 600 049
 Ph: 044 - 2650 3337
 Fax: 044 - 2650 3338
 email: helpdesk@btsindia.co.in

FOR SHARES HELD IN PHYSICAL MODE

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

SHAREHOLDERS HOLDING SHARES IN DEMAT MODE

Should inform their DPs directly

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

- 1) Folio No. : _____
- 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
-------------------------------------	-------------------------------------	---
 - 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: __/__/__

Address: _____

Note:

1. This form should be submitted to our Transfer Agents at the address given above to reach them on or before 08/07/2011 for receipt of dividend declared, if any, for the financial year 2010-11.
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) directly.

**SHARE NOMINATION FORM
FORM 2B**
(See rules 4CC and 5D)

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

 I/We _____ and
 _____ and
 _____ the

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

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

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

Name and Address of Nominee

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

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

Name	:	
Address	:	

SHAREHOLDERS' INFORMATION

Holder 1	Signature	:	
	Name	:	
	Address	:	
	Date	:	

Holder 2	Signature	:	
	Name	:	
	Address	:	
	Date	:	

Holder 3	Signature	:	
	Name	:	
	Address	:	
	Date	:	

Name, Address and Signature of two Witnesses

Name and Address	Signature with Date
1.	
2.	

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

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

(For instructions see overleaf)

INSTRUCTIONS:

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

FOR OFFICE USE ONLY

Nomination Registration Number and Date :

Share Registrar/Company Seal :

VISIT OF THE RBI GOVERNOR TO BANK'S FINANCIAL LITERACY PAVILION



Dr. D. Subbarao, RBI Governor is welcomed by Sr. Abraham Thariyan, Executive Director of the Bank during the former's visit to the Bank's Financial Literacy pavilion in connection with RBI's outreach programme at Vengoor Village, Emalekulam District, Kerala.

SOUTH INDIAN BANK OPENS 30 CBS BRANCHES AND 40 ATMs IN A SINGLE DAY



Bharath Mammooty hands over the symbolic key to our MD & CEO, Dr. V.A. Joseph, in the presence of our Executive Director, Mr. Abraham Thariyan.

FINANCIAL INCLUSION THROUGH MFIs



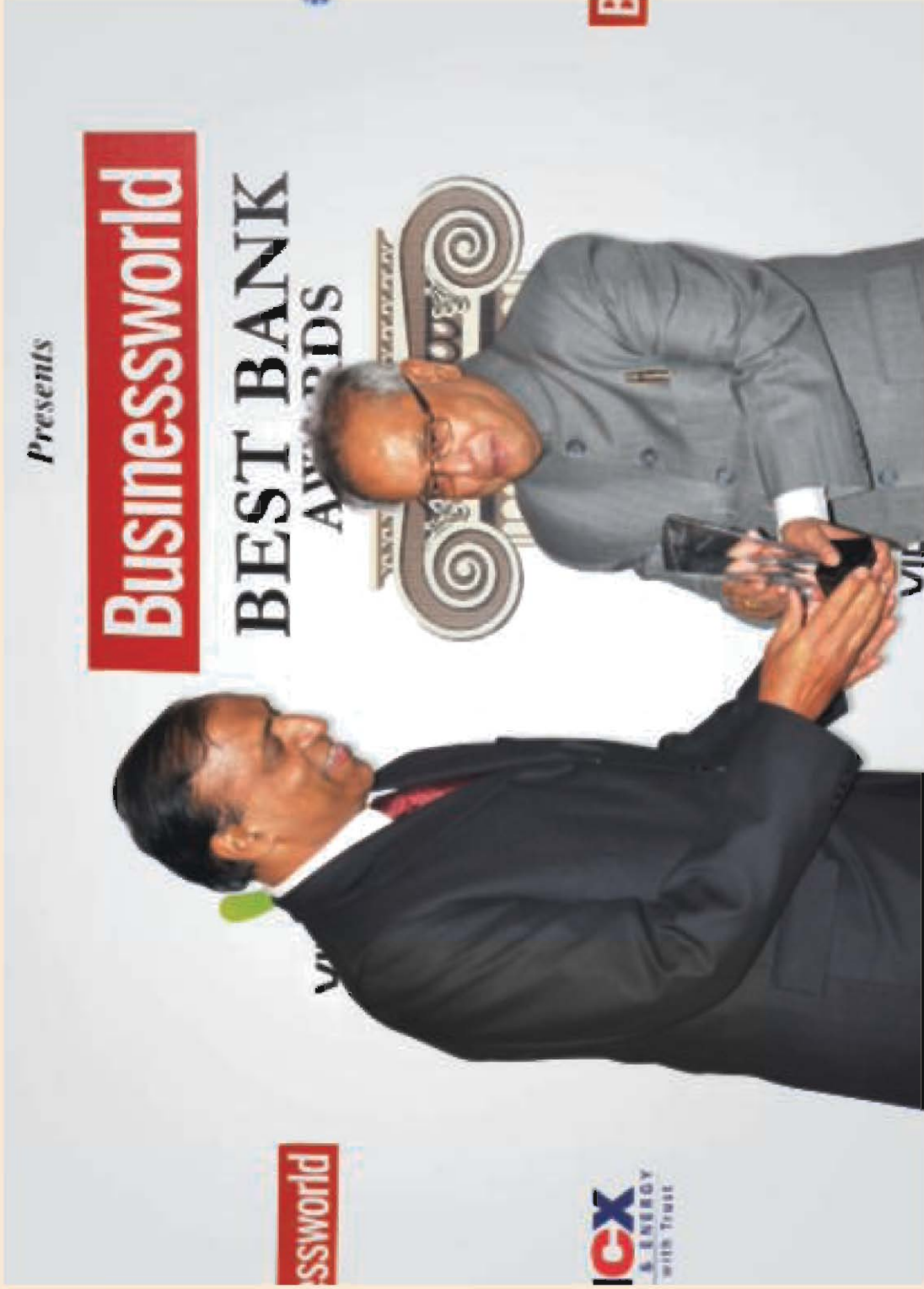
Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India inaugurates the 'Financial Inclusion and Empowering SHGs through MFIs' at North Paravoor.

LAUNCH OF SIB FLASH



Dr. V. A. Joseph, MD & CEO of the Bank and Mr. Sudheer Kumar Shetty, Chief Operating Officer, UAE Exchange Centre jointly launch 'SIB FLASH', a real-time remittance facility for NRIs, in the presence of Mr. Abraham Thariyan and Mr. Cheryan Varkey, Executive Directors of the Bank.

INDIA'S BEST BANK 2010 AWARD TO THE SOUTH INDIAN BANK LTD.



Hon: Union Finance Minister Mr. Pranab Mukherjee presents the award for "India's Best Bank 2010" selected by "Businessworld-Price Water House Coopers Best Banks Survey 2010" to our MD & CEO, Dr. V. A. Joseph.



THE SOUTH INDIAN BANK LTD.,
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Email: hs2008@sib.co.in
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