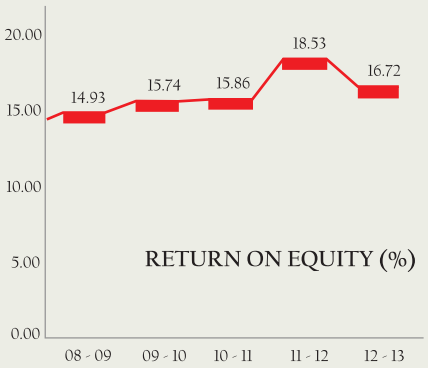
85th ANNUAL REPORT 2012 - 2013

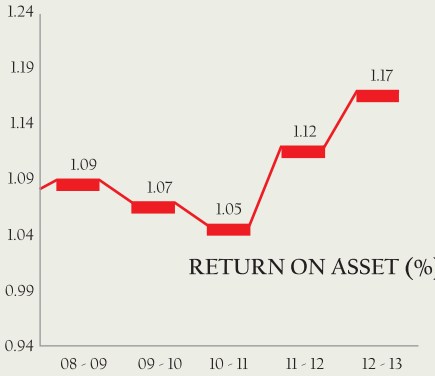
SOUTH INDIAN Bank

Experience Next Generation Banking

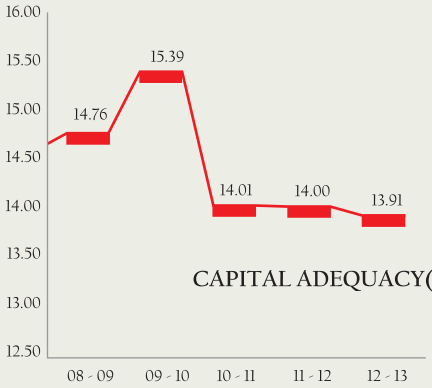
GROWTH INDICATORS



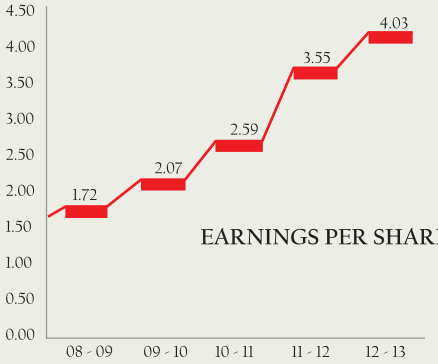
RETURN ON EQUITY (%)



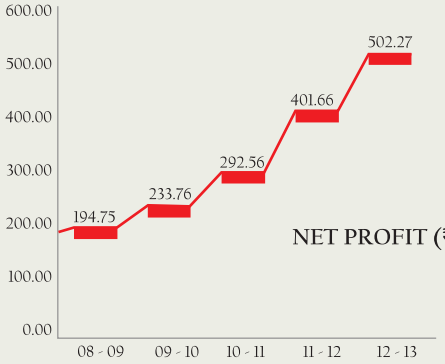
RETURN ON ASSET (%)



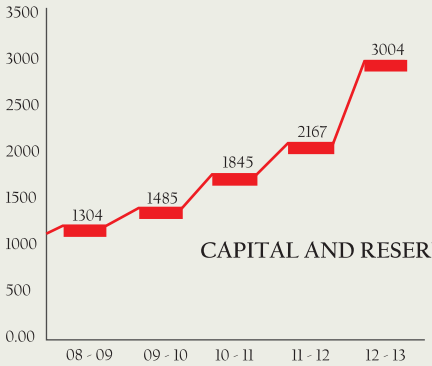
CAPITAL ADEQUACY(%)



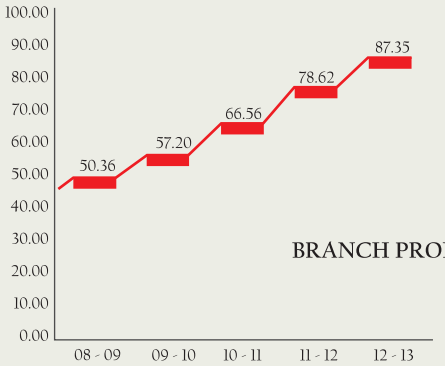
EARNINGS PER SHARE (in ₹)



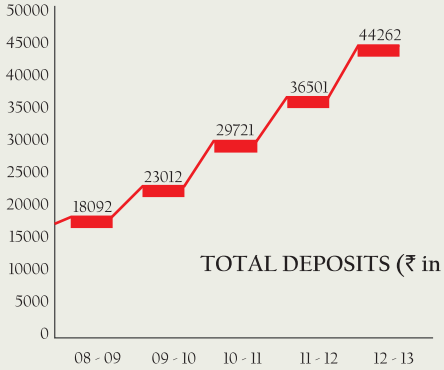
NET PROFIT (₹ in Cr)



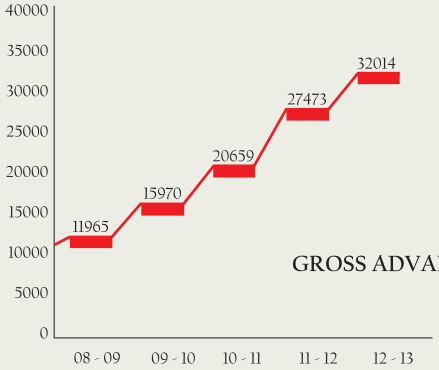
CAPITAL AND RESERVES (₹ in Cr)



BRANCH PRODUCTIVITY (₹ in Cr)



TOTAL DEPOSITS (₹ in Cr)



GROSS ADVANCES (₹ in Cr)

SOUTH INDIAN Bank

Experience Next Generation Banking

2 0 1 3

BOARD OF DIRECTORS

Front row left to right
Dr. V. A. Joseph, Managing Director & CEO
Mr. Amitabha Guha, Chairman

Back row left to right
Mr. Mathew L. Chakola, Independent Director
Mr. K. Thomas Jacob, Independent Director
Mr. Jose Alapatt, Independent Director
Mr. Mohan E. Alapatt, Independent Director
Dr. N.J. Kurian, Independent Director
Mr. Paul Chalissery, Independent Director
Dr. John Joseph Alapatt, Independent Director
Mr. H. Suresh Prabhu, Non Executive Director

SOUTH INDIAN Bank
Experience Next Generation Banking

2 0 1 3

EXECUTIVE DIRECTORS

Mr. Abraham Thariyan

Mr. Cheryan Varkey

GENERAL MANAGERS*

Mr. Joseph George Kavalam

Mr. A. G. Varughese

Mr. Thomas Joseph K.

Mr. C.J. Jose Mohan

Mr. John Thomas

Mr. N. A. Murali

Mr. T. J. Raphael

DEPUTY GENERAL MANAGERS*

Mr. P. J. Jacob
Mr. K. C. Francis
Mr. Abraham K. George

Mr. Francis Antony P.
Mr. Benoy Varghese
Mr. Francis Chacko

Mr. Vijayakumar N.
Mr. Krishna Prasad R.
Mr. V. J. Thomas

Mr. Anto George T.
Mr. N.J. Reddy
Mr. V. L. Paul

Mr. C. P. Gireesh
Mr. E. A. Jacob
Mr. Jose P. Varghese

Mr. Bobby James
Mr. K. N. Balakrishnan
Mr. Narendran A.
Mr. S. K. Manjiyil

STATUTORY AUDITORS

M/s. S.R. Batliboi & Associates LLP
Chartered Accountants, 6th & 7th Floor-"A" Block, Tidel Park,
(Module 601, 701 & 702) No. 4, Rajiv Gandhi Salai,
Taramani, Chennai-600 113

REGISTERED OFFICE

The South Indian Bank Ltd., SIB House, T. B. Road, Mission Quarters,
Thrissur-680 001, Kerala, India. Tel: +91 487 2420020.
www.southindianbank.com | Email: head@sib.co.in

REGISTRAR & SHARE TRANSFER AGENT

M/s BTS Consultancy Services Pvt. Ltd.
MS Complex, 1st Floor, No. 8, Sastri Nagar,
Near 200 Feet Road/ RTO Kolathur, Kolathur,
Chennai-600 099. Tel: 044 - 25565121, Fax: 044-25565131
Email: ramesh@btsindia.co.in | helpdesk@btsindia.co.in

COMPANY SECRETARY

Mr. Jimmy Mathew, A.C.S.

*As on 31. 03. 2013

SOUTH INDIAN Bank

Experience Next Generation Banking

CONTENTS

Directors' Report to the Shareholders 5

Statutory Disclosures Regarding Employees' Stock Option Scheme 17

Management Discussion and Analysis Report 19

Corporate Governance Report 22

Auditors' Certificate on Corporate Governance 35

Auditor's Report 36

Audited Balance Sheet 38

Audited Profit and Loss Account 39

Schedules Forming Part of the Balance Sheet 40

46 Schedules Forming Part of the Profit and Loss Account

47 Significant Accounting Policies

52 Notes to Accounts

77 Cash Flow Statement

79 Additional Disclosures in terms of Compliance of Basel II requirements as on 31st March, 2013

93 Notice of the Annual General Meeting

99 Attendance Slip and Proxy Form

101 ECS Mandate Form

103 Share Nomination Form

105 Format for Registering e-mail ids

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors are pleased to place before you, the 85th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2013 and the Profit and Loss Account for the year ended March 31, 2013.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2013 are as follows:

Key Parameters		₹ in Crore
	2012-13	2011-12
Deposits	**44262.00**	36501.00
Gross Advances	**32014.00**	27473.00
Total Gross Business	**76276.00**	63974.00
Net Profit	**502.27**	401.66
Capital & Reserves	**3003.61**	2167.48
Capital Adequacy (%) - Basel-I	**11.46**	11.64
Basel-II	**13.91**	14.00
Earnings Per Share (EPS) :		
(a) Basic EPS (in ₹) [face value ₹ 1/-]	**4.03**	3.55
(b) Diluted EPS (in ₹) [face value ₹ 1/-]	**3.99**	3.50
Book Value per Share (in ₹) [face value ₹ 1/-]	**22.44**	19.12
Gross NPA as % of Gross Advances	**1.36**	0.97
Net NPA as % of Net Advances	**0.78**	0.28
Return on Average Assets (%)	**1.17**	1.12

FINANCIAL PERFORMANCE

Profit

The Bank had achieved a record net profit of ₹ 502.27 crore during the year registering a growth of 25.05% over the previous year. The Bank could achieve this healthy growth in net profit essentially on account of higher scale of operations, better management of assets and liabilities and focus on enhancement of non-interest revenue of the Bank.

The Operating Profit for the year under review was ₹888.48 crore before depreciation, taxes and provisions. Net profit was ₹502.27 crore and the profit available for appropriation was ₹525.45 crore as per details given below:

		(₹ in crore)
Profit before depreciation, taxes & provisions		888.48
Less : Depreciation	39.89	
Provision for NPA/NPIs	131.90	
Provision for depreciation on investments	11.24	
Provision for Income Tax/Wealth Tax	153.59	
Provision for standard advances	32.49	
Provision for restructured advances	18.63	
Provision for Impaired Assets	-1.53	386.21
Net Profit		502.27
Brought forward from last year		23.18
Profit available for appropriate on		525.45

Appropriations

	(₹ in crore)
Transfer to Statutory Reserve	125.57
Transfer to Capital Reserve	6.21
Transfer to Revenue & Other Reserves	240.00
Transfer to Special Reserve u/s 36(1) (viii) of The Income Tax Act, 1961	13.00
Transfer to/(from) Investment Reserve	(5.69)
Transfer to/(from) present value provision for ADWDRS	0.00
Proposed Dividend	93.82
Dividend Tax on Proposed Dividend	15.58
Carried over to Balance Sheet	36.96
Total	**525.45**

Dividend

The Board of Directors recommended a dividend of 70% (tax-free in the hands of shareholders), i.e., @ ₹0.70 per Equity Share of face value of ₹1/- per share vis-à-vis 60%, i.e.₹0.60 per share declared last year.

EXPANSION PROGRAMME / POLICY OF THE BANK

During the year, the Bank opened 50 new branches and 137 ATMs across the country. The Bank has been successful in widening its coverage across the country with 750 branches transforming it into a pan India institution. The branch network now covers 29 states/union territories and has a network of 800 ATMs.

The Bank plans to open more new branches and ATMs in the current financial year so as to reach the corporate goal of 800 Branches and 1000 ATMs by March 31, 2014.

CAPITAL & RESERVES

The Bank's issued and paid up capital stood at ₹ 133.85 crore as on March 31, 2013. In September, 2012, the Bank successfully completed issue of 20 crore Equity Shares of face value of ₹1/- each @ ₹22.13 per share inclusive of premium ₹21.13 per share to Qualified Institutional Investors under the guidelines issued by Securities and Exchange Board of India. Further, during the year, 47,88,959 stock options granted under Employee Stock Option Scheme were exercised by eligible employees.

The capital plus reserves of the Bank has therefore gone up from ₹ 2,167.48 crore to a healthy level of ₹3,003.61 crore owing to fresh capital infusion with premium and plough back of profits during the year.

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2013 in terms of Basel I guideline was 11.46% as against the statutory requirement of 9%. Tier I constituted 9.94% while the share of Tier II was 1.52%.

DIRECTORS' REPORT

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2013 in terms of Basel II guideline stood at 13.91%, as against the statutory requirement of 9%. Tier I CRAR constituted 12.05% while Tier II CRAR worked out to 1.86%.

Pursuant to Reserve Bank of India guidelines, the Bank migrated to new Capital Adequacy framework w.e.f. March 31, 2009.The Bank has adopted Standardized 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.

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on The Cochin Stock Exchange Ltd., BSE Ltd., and The National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2013-14.

BUSINESS ACHIEVEMENTS

The Bank achieved a total gross business of ₹76,276 crore, consisting of total deposit of ₹44,262 crore and gross advances of ₹32,014 crore as on March 31, 2013 registering a growth of 19.23% over the previous year.

In CASA segment, the Bank has achieved a year on year growth of 14.67%. During the year, 2012-13, 7.01 lacs new SB A/cs were opened. The Bank accorded priority to meaningful financial inclusion exercise during the period under reporting.

Deposits

The Bank could increase its total deposits to ₹44,262 crore from ₹36,501 crore as on March 31, 2012, registering a growth of 21.26%.

The break up of the deposits as on March 31, 2013 is as under:-

	Amount (₹ in crore)	% to total Deposits
Current Deposits	1,547.35	3.50
Savings Deposits	6,685.47	15.10
Term Deposits	36,029.47	81.40
Total	44,262.29	100.00

Advances

Gross advances of the Bank registered an increase of 16.53%, to touch a gross figure of ₹32,014 crore. Total Priority sector exposure as at the end of the financial year stood at ₹8,591.76 crore, constituting 31.24% of the Adjusted Net Bank Credit (ANBC). Exposure to agricultural sector amounted to ₹2,259.37 crore, forming 8.21% of ANBC as at the end of the financial year. Break-up of exposure under Priority sector is furnished below:

	Amount (₹ in crore)
Agriculture & Allied activities	2,259.37
Small Enterprises	4,551.48
Other Priority Sector	1,780.91
Total Priority Sector	**8,591.76**

INVESTMENTS

Gross Domestic Product (GDP) for April- December 2012, declined to 5% from 6.60% a year ago. Inflation, as per latest WPI data, was about 5.96% during March, 2013. Even as headline inflation eased, there were upside pressures on food inflation throughout the year essentially because of unusual spike in vegetable and cereal prices. With falling Global commodity prices, normal monsoon forecast and domestic demand supply balance, WPI inflation is expected to be moderated and to be range bound around 5.50 % during 2013 -14. Latest data on Industrial production (IIP) reflects signs of revival with latest IIP index showing 2.5% growth over last year. Current Account Deficit (CAD) surged to 6.7% of GDP, rising sharply from the 5.3% of GDP in the previous quarter. This was largely attributable to a sharp increase in the trade deficit from US$48.3 billion (11.5% of GDP) in 3rd Quarter to $59.6 billion (12.3% of GDP) in 4th Quarter. As per the growth estimates of Reserve Bank of India, moderation in inflation, further gradual monetary easing and continued policy measures from the government etc. are expected to boost GDP growth to 5.7% during the FY 2013-14.

Bank's gross investment portfolio increased from ₹9,399.87 crore (March 31, 2012) to ₹12,523.47 crore (March 31, 2013), registering a growth of 33.23%. Investment deposit ratio increased from 25.75% as on March 31, 2012 to 28.29% as on March 31, 2013. Yield on Investments improved from 6.92% as on March 31, 2012 to 7.22 % as on March 31,2013. Profit on sale of investments attained as on March 31, 2013 stood at ₹57.72 Crore as against ₹40.78 Crore as on March 31,2012, which shows a growth of 41.54%.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2012-13, as a result of the focused approach by the Bank through early recovery of NPAs, by initiating prompt and effective measures under the SARFAESI Act, follow up of recovery cases pending before DRTs and civil courts, one time compromise settlements of accounts, conduct of recovery camps, etc., Bank could recover NPAs to the extent of ₹270.73 crore, (recovery including up-gradation) as against the target of ₹203.00 crore, which was up from ₹176.86 crore as on March 31, 2012. Recovery figure reported above, includes the amount of ₹25.50 Crore realized through sale of 19 NPA accounts with a Net Book Value (NBV) of ₹7.74 Crore to ARCIL (Asset Reconstruction Company India Ltd).

Despite recovery made during the year, the Gross NPA of the Bank increased from ₹267.16 crore as on March 31,2012 to

₹433.87 crore as on March 31,2013 and consequently net NPA increased from ₹76.51 Crore as on March 31,2012 to ₹249.53 Crore as on March 31,2013. In terms of percentage, GNPA increased from 0.97 % as on March 31, 2012 to 1.36 % as on March 31, 2013 and net NPA increased from 0.28 % as on March 31, 2012 to 0.78 % as on March 31, 2013. Despite the hike in GNPA and NNPA compared to previous years figures, the level in percentage terms was better than the industry average. Above increase in NPA was mainly due to the slippage of 3 large value accounts in the Corporate sector with an aggregate outstanding of ₹248.77 crore.

INFORMATION TECHNOLOGY (IT) AND IT ENABLED SERVICES

Information Technology and its potential to offer innovative solutions have paramount importance for growth and sustenance of the Banks. The turnaround time for rolling out a technology product in banks has been visibly diminishing, which essentially calls for a robust, adaptable system in place to execute projects right from conception to completion.

The Bank, an early adopter of technology with a view to providing safe and convenient banking facilities to its customers, has introduced host of services and facilities for enhancing the customer satisfaction. The Bank has been successfully functional with Finacle Core Banking Solution (CBS) from Infosys for several years. CBS has been the key component in introducing the following technology services by the Bank for the benefit of its customers.

- Real time on line ATMs having affinity with NFS (National Financial Switch), Master and VISA payment and settlement agencies.
- Global Debit Card operations with VISA and MAESTRO.
- Straight Through Processing (STP) for RTGS and NEFT payment systems
- Internet Banking & E –Commerce including NEFT support for other bank remittances
- Mobile Banking & M-Commerce (with support for other bank money transfer through IMPS)
- ASBA (Application Supported by Blocked Amount)
- Foreign Inward Instantaneous remittance with own Payment Hub system
- Demat & On-line Trading Facility
- Point of Sales (POS)
- Bullion Sales
- Portfolio Investment Scheme for NRI community

IT initiatives/Solutions embarked during the year

The following list showcases a few of the IT enabled services / solutions that the Bank launched during the year to serve its customers in a better and efficient way.

- Implementation of APBS (Aadhar Payment Bridge System) in the bank for direct credit of government subsidies to customer's accounts based on the Aadhar number.
- Pilot launch of 2nd Factor Authentication for Net banking Customers which will provide additional security over and above User ID & Password with One Time Password facility
- National Pension Scheme for Corporate customers
- Bulk Note Acceptor Machine provided to select branches to accept currency notes from customers with direct credit to beneficiary's account number
- Enabling debit cards for 'Card Not Present Transactions' category on Internet (e-commerce transactions)

Information Security and Risk Management

As banks adopt technology as part of their ongoing strategic agenda to face challenges in the emerging realities of banking, they are increasingly exposed to technology risks. It is therefore imperative for each bank to work out appropriate IT risk management strategies to secure its most vital information asset and ensure that related risk management systems and processes are strengthened on continual basis to secure both present and future banking activities. SIB's IS audit policies and systems has already taken these aspects into consideration and it includes the new supervisory initiatives in the form of Risk Based Supervision (RBS) and Risk Based Internal Audit (RBIA) under Basel II.

Bank has been providing awareness on e-threats to its customers and staff on a continued basis so that both proactive and reactive measures can be initiated , as deemed appropriate to mitigate potential risks associated with e-threats.

Bank is in the process of implementing the stipulations and guidelines articulated and issued by RBI based on the working group recommendations on Electronic Banking, Technology Risk, Information Security and Cyber Frauds as part of the IT governance programme.

Upcoming Initiatives

The Bank proposes to introduce the following initiatives to augment the customer satisfaction during the year.

- ✓ Major Upgrade of Core Banking Software to version 10 with a host of value additions
- ✓ Automation of Customer Relationship Management
- ✓ Workflow and Document Management Solutions for movement towards paperless office
- ✓ State of Art Call Center
- ✓ Major Upgrade of Internet banking Software with enhanced facilities

IT Training

During the year, many training programmes were attended by the Bank's officers in premier institutions such as IDRBT and in international universities/institutions in various countries to keep themselves abreast with the advancements in IT, Information Security, CRM etc.

DIRECTORS' REPORT

Awards and Accolades

During the year, the Bank bagged the Technology Excellence award, instituted by IDRBT for Managing IT Risk and we are receiving this prestigious award from IDRBT for the third time.

Gopalakrishna Committee Recommendations Management Philosophy & Measures

Gopalakrishna Committee Recommendations on Information Security, Electronic Banking, Technology Risk and Cyber Frauds as applicable to the Bank has been taken up for enforcement and implementation. Effective measures have been taken to address the identified gaps in each area such as IT Governance, Information Security, IT Service out sourcing, IS Audit, IT Operations, Cyber Frauds, Business Continuity Plan (BCP), Customer Education and Legal issues. The IT Organization set up has been redrawn to suit the functions/roles specified in the recommendations with segregation of duties. Technology, Development, IT Operations and IT Assurance functions have been clearly divided and now independently headed. IT Strategy Committee of Board, IT Steering Committee, Information Security Committee and Chief Information Officer (CISO) reporting independently to Head Risk Management is in place. Existing Information Security Policy has been subject to a massive review to incorporate the necessary changes as required and covered by the Gopalakrishna Committee recommendations and other associated policies such as customer education policy, IT service out sourcing policy, IT strategy policy etc, are also drawn up which prescribes defined process and procedure for implementation of various aspects in the specified areas. BCP policy and plan have been reviewed to effectuate the necessary changes as per the recommendations. All other remaining areas are also focused to negate the gaps identified.

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 function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level, as appropriate, through quantitative examinations of embedded risks. The risk management strategy of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The policies and procedures established for this purpose are continuously bench marked with the best practices followed in the Industry.

The Bank's risk management structure is overseen by a Committee of the Board. Appropriate policies to manage various types of risks are approved by Risk Management Committee (RMC), which provides strategic guidance while reviewing portfolio behaviour. 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

In compliance 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), 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

The total forex business turnover for the year ended March 31, 2013 was ₹92,765.37 crore (comprising Merchant Turnover ₹16,565.48 crore and Interbank Turnover ₹ 76,199.89 cr) recording an increase of 76.15% as compared to the previous financial year. The Bank earned an exchange profit of ₹27.42 crore showing a year on year increase of 7.07%.

At present the Bank is having rupee inward remittance arrangement with 5 Banks and 32 Exchange Houses (EHs) and turnover for the year ended March 31, 2013 was ₹4,729.47 crore registering an increase of 18.59% as compared to the previous financial year. During the FY 2012-13, Bank concluded two new Rupee remittance tie ups, viz. Arab National Bank, KSA and Asia Express Exchange, Oman. The Bank continued providing managerial support to M/s. Hadi Express Exchange, UAE. The Bank has presently deputed 14 officers to manage the operations of Hadi Express Exchange.

Considering the scope in improving Bank's remittance business through arrangements with EHs, Bank has decided to depute its officers to various Middle East countries. Presently the Bank has deputed three officers to UAE with UAE Exchange Centre and Al Ansari Exchange.

DIRECTORS' REPORT

NRI PORTFOLIO

The NRI Division of the Bank aims at personalized and dedicated services to NRI customers. It also extends support to branches and closely monitors the growth of NRI business. NRI business of the Bank constitutes 14.75% of the total Bank deposits. NRE/ NRO savings bank deposits constitute 20% of the total CASA deposits of the Bank.

In FY 2012-13, the NRI Division has successfully implemented Welcome kits to NRE privilege accounts featuring instant activation. Such accounts are now available at all branches of Hadi Express Exchange and marketing officers at UAE. The product is widely accepted in the market and it added momentum in opening of NRE SB accounts , improving the share of low cost deposits of the Bank. To increase the momentum of NRI business growth and valued customer retention, NRI Division arranged NRI meets in Switzerland and Germany and also in every Kerala region. The Bank had opened and managed a stall in the Indian Pavilion during the Dubai Shopping Festival, at UAE to promote NRI services. All those efforts resulted in achieving a record growth of 37.87% in the total NRI deposit business of the Bank as against 21.06% in FY 2011-12.

TRAINING

The Bank accords utmost importance to human resources development. Training programmes are conducted at SIB Staff Training College (SIBSTC), Thrissur and at 7 Regional Training Centers (RTCs) at ROs for enhancement of professional skills of the staff. The training programmes are designed to develop competency of operating personnel while imbibing the SIB spirit and culture through an effective learning process. The success of these programmes reflect on the enhanced organizational productivity. SIBSTC and the RTCs identify gaps in skill of the personnel and provide learning to them for qualitative improvement. During the year 2012-13, the Bank imparted training to 2,252 officers, 1,497 clerks and 158 sub staff in various aspects of banking operations. Thus, the Bank could provide training to a total of 3,907 of its personnel, which is about 61% of total staff strength of 6,383 as on March 31, 2013. 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

Marketing Department has within its fold, technology products and third party products, bancassurance and value added services that cater to the varied requirements of the customers. The department educates and promotes various products through campaigns launched from time to time. This has ensured better customer retention on the one hand and induction of large number of fresh customers on the other hand. The activities of Marketing Department are articulated in tandem with the efforts of the branches, regional offices and with the regional marketing officers to help to identify business opportunities and achieve corporate goals.

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 banks in India, who are the members of this payment system. Customers can also send/receive funds to/from abroad through various online real-time remittance services provided by the Bank. The products such as CD Smart and SIB-Mahila, Youth Plus, etc. cater to specific segments of the customer base. The products have been well received by the customers. Constant innovations are being done on the existing product lines to make it more attractive.

SIB PURE GOLD

The Bank launched bullion banking on September 6, 2011 for sale of gold coins/ingots of denomination 1, 3, 4, 8, 20, 50 & 100gm, with 999.9 purity branded as "SIB Pure Gold", through all the Branches of the Bank. SIB Pure Gold is packaged in a tamper-proof cover and is sourced from world's renowned refinery PAMP, Switzerland with purity being ASSAY certified. In the FY 2012-13, the Bank could sell 361.75kg of SIB Pure Gold through various campaigns and also through Grand Kerala Shopping Festival (GKSF).

TECHNOLOGY PRODUCTS

Internet Banking

SIBerNet – Internet banking service of the Bank offers Self, Third Party and External Fund Transfer (RTGS/NEFT), which enables Bank's customers to do transaction on a round the clock basis. To facilitate online transaction for Internet Banking customers, Bank has arrangements with 7 leading online payment aggregators like Billdesk, Tech Process, CC Avenues, Times of Money Ltd (TOML), IBIBO, Paymate and Atom Technology Ltd. To enable online offering facility to SIBerNet customers, the Bank has established arrangements with famous temples like Attukal Bhagavathy Temple and Sri Padmanabha Swamy Temple, Trivandrum and Sri Krishna Temple, Guruvayur. In order to cater to the needs of Bank's customers in an instantaneous way the Bank introduced instant Pin Mailers for SIBerNet which enables the customer to receive User Id and Password over the counter instantly when they are applying for internet banking facility. In addition to these the Bank is introducing Direct and Indirect Tax Payment facility for its Retail and Corporate Customers.

The Bank was successful in enrolling 70,081 SIBerNet registrations in the FY 2012-13 with 53% growth compared to 50% in FY 2011-12. The growth can be attributed to various campaigns launched round the year to increase the number of registrations.

Mobile Banking

Customers of the Bank enjoy the benefit of mobile banking service wherein, the transaction alerts are sent to the customers (including the mobile nos. registered outside India) on a real time basis, using SMS technology. Last year the Bank has launched SIB M-Pay, the enhanced mobile banking services for the benefit of domestic customers which offers 24X7 instant inter/intra bank fund transfers even on bank holidays. The fund transfer facility is facilitated using the IMPS (Immediate Payment Service) platform of NPCI. The facility also enables the registered user to enjoy value added services like mobile recharge, DTH recharge, flight ticket booking, movie ticket booking etc. using their mobile phones. The Bank had planned exclusive marketing strategies for this product, which resulted in large number of registrations.

The SMS registration of the Bank were 2,81,245 in the FY 2012-13 with a growth percentage of 119% compared 60% in FY 2011-12 and the number of M-Pay registration of the Bank were 1,34,535 in the FY 2012-13 with a growth percentage of 379%. The Bank has been floating different campaigns to motivate the staff members to create customer awareness about mobile banking.

Debit Cards

The Bank is offering both Visa and Maestro debit cards to its customers. Using SIB debit cards Bank's customers can withdraw cash through ATMs of any bank in India and also across the globe wherever Visa/Master logo is displayed. Visa cards have three variants namely Classic, Gold and Platinum which offers a wide variety of features such as enhanced cash withdrawal limits, online transaction limits, POS transaction limits etc. Bank has enabled its Visa cards and Maestro cards for online transactions. Co-branded Foreign Currency Travel Card was launched on 29th January 2013 in association with Axis Bank. The cards are available in 7 foreign currencies: USD, GBP, AUD, EUR, CHF, CAD and JPY.

The Bank has issued 4,78,589 debit cards during the FY 2012-13. The Bank was successful in increasing card base and card usage on account of innovative marketing campaigns such as Smart Shopper Contest. Bank proposes to launch Chip based cards, RuPay Cards and MasterCard during the FY 2013-14.

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 in demat account with Central Depository Services (India) Ltd. (CDSL). Bank has now attained the Permanent registration from SEBI for the demat operations.

For e-trading, the Bank offers SIBerTrade – the online trading facility to buy /sell stocks for its domestic customers from stock exchanges in India through a tie-up with M/s. Geojit BNP Paribas Financial Services Ltd. SEBI has also registered the Bank as Self Certified Syndicate Bank (SCSB) for accepting application under Application Supported by Blocked Amount (ASBA) through all the branches of the Bank. ASBA enables the Bank's customers to apply for IPO/FPO, rights issues etc. by marking a lien on the account instead of actual debit at the time of applying, which is more beneficial for the customers. Bank is also offering Portfolio Investment Scheme (PIS) – an extensive share trading facility for its NRI customers through a tie-up with M/s. Geojit. Under PIS, NRI customers can directly invest in the Indian securities market through recognized stock exchanges under repatriable/ non-repatriable basis.

During the the last financial year, Demat services of the Bank have registered 1,568 new registrations with a total customer base of 10,832.

Insurance (Life/General)

Since June, 2009 the Bank has been acting as a corporate agent of Life Insurance Corporation of India for selling the life insurance products. This year, the Bank has been focusing more on non-single premium products, considering the fact that this is more beneficial for the Bank in terms of revenue on the one hand, while being complementary to Bank's core business growth strategy, on the other.

Various campaigns had been launched during the year by the Bank & LIC to focus on increasing the Regular Premium Business.

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

General insurance business of the Bank has recorded growth of 18% over the year with around ₹13 crore Gross Premium collected during the year. The success can be attributed to the marketing activities of the Bank to generate more business.

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). The Bank has been appointed as an Aggregator for NPS Lite and is the only major bank in this segment. All the branches are designated for collecting NPS Lite applications and contributions. In the last financial year, the Bank has acquired around 5,000 new customers for NPS Lite.

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). On an average the Bank is processing 15,000 applications per year.

SIB E-Pay

In association with BSNL, the Bank is facilitating the payments of BSNL Landline bills of its customers through their accounts maintained with the branches. The customers can avail this facility by submitting a duly filled mandate form at the branches where they maintain their account. Once registered, the BSNL landline bills of the customer will be automatically debited from the customer's account, the very next month onwards. This facility is limited to Kerala branches only. The key feature of this facility is that it is totally hassle free and is offered free of cost to the customers. The Bank is earning revenue from BSNL for facilitating this service.

Cash Management Services

The Bank is offering Cash Management Services to the customers in association with Tata AIG, ING Vysya and ICICI Prudential Life Insurance Co. Ltd. Under this arrangement, Bank's customers as well as the walk-in customers can remit life insurance premium through the branch counters. The remittance will be accepted only in cash and up to an amount of ₹49,999/-. This facility is offered free of cost to the customers. The Bank is earning revenue from the insurance companies for facilitating this service.

Mutual Funds

Mutual Funds are one of the preferred investment options for all those who wish to avoid direct investments in stock markets, yet earn more than what traditional savings avenues offer. A retail customer always prefers to invest in Mutual Funds wherein his investment will be completely diversified into various sectors by a professional fund manager. The Bank is already having tie up with 13 leading Mutual Fund companies to offer variety of mutual fund products to the Bank's customers. The Bank has revamped the services in mutual fund business and will be targeting Systematic Investment Plan (SIP) type products aggressively, in the coming year. In the last financial year, the Bank has canvassed 3,200 fresh SIP's.

Bonds

During the FY 2012-13, the Bank has been enrolled as a Channel Partner for the distribution of the bonds issued by different companies, through Bank's tie up with IFIN- a subsidiary of IFCI (Industrial Financial Corporation of India) Financial services Limited. Through this tie up the Bank has been enrolled as a channel partner of IFCI for the distribution of:

1. Capital Gain Bonds.
2. Tax free Bonds.

Within a short span of time, Bank has canvassed 11 Capital Gain Bond applications constituting to a total amount of ₹1.10 crore from the customers. Customers can download the application forms and product features of these bonds directly from Bank's website or through any of its branches.

Centralized Direct Debit Service

The Bank is now tied up with the leading aggregator M/s. Billdesk Services for the Centralized Direct Debit arrangement. Through this tie up Bank's customers will be able to make regular payments like monthly/quarterly/half yearly payments of Mutual Fund SIP investments/Loan EMIs (Vehicle/ Equipment Loans)/Insurance premium etc. by directly debiting their account and thereby making the payments to various billers/institutions. This facility will be made available to all the customers irrespective of their branches being located in ECS/ non-ECS locations.

VISIBILITY ENHANCEMENT INITIATIVES

The Bank has undertaken many brand promotion initiatives in various media like Newspaper, Television, Radio, outdoor and online media. The advertisements were concentrated in major metros like Bangalore, Delhi, Mumbai, Kolkata, Chennai and Hyderabad and enhanced the visibility of the Bank at these centres. The Bank was the Title Sponsor and official Bankers to the prestigious Grand Kerala Shopping Festival Season -6.

The Bank marked its presence on social media on 16th November, 2012. The Bank has its own official fan pages in Facebook, Twitter and YouTube. Bank's official Facebook page contains various information about the Bank such as mission and history of the Bank. The page also gives an opportunity to the customers to provide their valuable suggestions/feedbacks and also to make clarifications regarding the products & services by making queries. Bank's page provides information about the interest rates of Deposits (Domestic/NRI) and in identifying the nearest branch and ATM. Bank's official Facebook page also provides general banking and the Bank's product information through various photos daily (Everyday a new photo is added to the photo album). The Bank's official Twitter page is integrated with Facebook and the contents shared in the Facebook page are posted as "tweets".

TOLL FREE

Toll Free centered at HO-Marketing Department was operational since August 7, 2008 with the toll free telephone facility subscribed from Idea Cellular Ltd (Toll Free number- 1800 843 1800 & 1800 833 1800 and BSNL (Toll Free Number- 1800 425 1809). Further to this, we are having one land-line connection mainly intended for international customers. Functioning hours of Toll Free Centre is from 8:30 am to 8:30 pm during week days and from 8:30 am to 4:30 pm on Saturdays.

PERSONNEL

Keeping pace with the Bank's healthy and sustained growth,

the Bank continued its initiatives of major talent acquisition and retention policies in the FY 2012-13. The Bank has embarked upon recruitment drive to acquire manpower of required skills. The total number of employees at the year end was 6,383. Of the total 6,383 employees, there are 877 Post graduates, 950 Management Graduates, 605 Engineers, 79 Law Graduates, 71 Chartered Accountants, 25 Cost Accountants and 2 PhDs.

The major talent acquisition initiatives of the Bank include general recruitments and campus recruitments of clerks & officers from Colleges/Business Schools all over India. During the year the Bank has recruited 258 officers and 727 clerks. Of the officers joined, 180 are MBA graduates, 67 Engineers and 10 Law graduates.

Staff position

As on March 31, 2013, the Bank had 6,383 personnel on its rolls. Cadre wise break up is as under:

Cadre	Men	Women	Total
Officers	2088	893	2981
Clerk	1339	1228	2567
Peon	515	24	539
Part-time employees	103	193	296
Total	**4045**	**2338**	**6383**

The average age of employees of the Bank was 36 years as on March 31, 2013. Out of the total number of staff members, 51% are below the age of 30 years.

Maintenance of staff records were streamlined under "HRMSS" (Human Resources Management Software Solution). The personnel data can be accessed by all controlling offices and various reports based on the data can be generated for the quick disposal of staff related matters. To make HRMSS more comprehensive, more modules like HRA, Special Medical Aid, Disciplinary action, Loan maintenance, NPS, ADF reports have been included.

Staff Motivation

a) Promotions : The Bank is offering excellent career progression opportunities and 270 clerical staff were promoted to Scale I, 235 officers to Scale II and 128 Officers to various Senior cadres.

b) Ad-hoc payment: In anticipation of structured wage revision under the Xth Bipartite Settlement mechanism, the Bank has already started disbursing an ad-hoc payment of 10% of Basic Pay plus DA along with the salary from the month of January 2013 onwards.

c) Staff Welfare Scheme (SWS) 2012 was introduced in the FY 2012-2013 offering job opportunities to the children of staff members in officers/clerical/subordinate cadres. 6 Probationary Officers, 25 Probationary Clerks and 10 Probationary Peons were selected under this scheme.

d) Introduction of Staff Welfare Fund: Bank's Board has also introduced a Staff Welfare Fund to take care of the various welfare related matters of the staff members.

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.

Till March 2013, 1,82,91,200 stock options were vested, out of which 84,73,489 stock options were exercised by eligible employees. The money realized due to exercise of the said options was ₹10,96,21,860.27 and consequently 84,73,489 shares of ₹1/- each have been allotted to the concerned employees/legal heirs.

The total options granted under five phases of SIB ESOS 2008 works out to 2.49% of the paid up share capital of the Bank as at March 31, 2013. The scheme has generated intended motivation amongst the staff. With a view to establishing 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.

SIBLINK

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

SIB- Executive Brief

"SIB Executive Brief" - a daily news update on Banking, Finance, Economy, Industry, Market Rates etc. is being provided by SIB Staff Training College. It is E-mailed on a daily basis to Board members, to the executives and it is also made available at SIB-Insight for access to all the staff members.

E-Learning Tests

The Bank has completed 12 online tests through E-learning Application during the year 2012-13. There were various topics covered during these tests such as Banking procedures, Bank's Operations Manual etc. Prizes were awarded for the toppers in these tests. It is encouraging to know that the learning process is taken up with great enthusiasm and competitive spirit, the fruit of which is visible in the increasing number of branches/ offices emerging as toppers. The E-learning platform will be utilized increasingly for improving the knowledge level of the staff members. The Bank has also conducted 20 Mock Tests for JAIIB & CAIIB examinations of IIBF during the months of September, October, November 2012 and March 2013.

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.

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

The operations of the Bank are not energy intensive. However, the Bank has taken all possible measures to control and reduce consumption of energy. The Bank continues to undertake 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

Information as required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended vide GSR 289 (E) dated March 31, 2011 [Companies (Particulars of Employees) Amendments Rules, 2011], is given under:

Name, Qualification and Age (in years)	Desig-nation	Remuneration		Experience (in years)	Date of commence-ment of Employment	Last Employment
		Gross (₹)	Net (₹)#			
V.A.Joseph, M.Com., LLB, CAIIB, PhD (HRD), MPM, 62 Years.	MD & CEO	70,39,800	50,75,652	41	December, 2003	General Manager of Syndicate Bank at Mumbai

Net of Taxes paid

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank's CSR policy strictly conforms to the guidelines of RBI and Ministry of Corporate 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 associated itself with leading FM Channel 'Club FM' in Kerala and conducted 'Paadam Onnu Oru Kai Sahayam' a program that has provided poor students with Bag, Books, Pencil, Box and Umbrella in four districts. The Bank has also associated itself with various organizations like Thrissur Round Table in national projects like 'Freedom through Education'.

Health Care

The Bank believes that providing quality care for older people and for people with learning and physical disabilities involves more than merely meeting physical needs. Health Care activities are given prime importance and Bank's efforts included helping poor patients with long term illness with medical treatment. The Bank has also associated with Y's Men International to support Kidney affected patients . The Bank has supported Kidney Federation of India by donating a Dialysis Unit for the treatment of poor people and also supported 16 challenged children of Adarsh Charitable Trust for a period of 1 year for their medical needs.

Social Causes

The Bank has associated with Rotary Club of Cochin and Corporation of Cochin to convert the Electric Crematorium to LPG based automated one to ensure safety and efficiency. The Bank has associated with "Chethanalaya" a registered NGO working for the development of weaker section of the society for celebrating 'Ability Utsav'. The purpose of the event was to empower the disabled and to draw public attention towards their rights. The Bank has also supported inmates of institutions like "Karunalayam","Snehalayam" and "Prerana Samjik Seva Kendra".

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, Audited Financial Statements, Directors' Report, Auditors' Report etc. for the year ended March 31, 2013, 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.

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.

Grand Kerala Shopping Festival (Season-6)

The Bank was the title sponsor of the prestigious Grand Kerala Shopping Festival- (GKSF Season-6)an initiative of the Kerala Government involving Tourism Department in co-ordination with the Industries & Commerce Department, Finance Department and Local Self Government Departments. This is the second year the Bank is associating with Kerala Government with an intention to transform the state into a hub for international shopping experience and thereby "Launch Shopping Tourism" in the state. Association with this festival helped the Bank to get maximum visibility and publicity. The Bank has actively participated in the GKSF Global Village and all the District events conducted by Dept of Tourism & GKSF.

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, 258 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 3,130 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 2012-13 include - KAIZEN, Union Budget 2012-13 part 1 and part 2, Credit Guarantee Fund Trust for Micro & Small Enterprises, Priority Sector Lending: Targets & Classifications, The Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), Cloud Computing, Revised Guidelines on CDR Mechanism, White Label ATMs, G20 Summit, International Financial Reporting Standards, India's Credit Rating Outlook. 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.

FINANCIAL INCLUSION

FI Initiatives

The Central Government, Regulatory authorities and financial institutions are striving hard to make our nation 100% financially included. Since the Financial Inclusion enable us to reach the poor masses of population in the country, RBI has specifically instructed all the financial institutions to extend their support to the poor and make services of the Bank more meaningful and broad based . The Bank has been exploring the opportunities to widen the area of operation to deliver financial services to meet the basic financial requirements of and hitherto uncovered population.

As part of the Financial Inclusion initiatives, Bank engages Business Correspondents (BCs), who in turn extend basic banking services to the people in the said locations. The Bank has formulated an exclusive smartcard based Savings Bank A/c with built in OD facility "South Indian Bank Financial Inclusion Smart Card (SIB FINS Card) A/c". This product is tailor- made to suit the special requirements of this segment of customers and can hold up to 10 accounts / banking services of the customer. The different types of accounts that can be held in the SIB FINS Card are recurring deposit, term deposits, loan accounts, etc. The Bank's Financial Inclusion initiatives as on date stand as follows:

FI Initiatives Actuals

S. No.	Particulars	Position as on 31.03.2013
	No. of villages covered	100
	No. of BCs appointed in Villages	71
	No. of urban Centres covered	10
	No. of Customers serviced	10758
	Total Balance outstanding (amount in lakhs)	₹29.87

Out of 100 villages covered by the Bank, 97 villages are serviced through Business Correspondents (BCs) and three villages are being serviced by branches. The Bank has opened 11,932 Smart Card based No-frill accounts through BCs. The Bank is providing onsite training to the branch officials as well as to the BC to facilitate customer enrollment and transactions through custom made Master Terminals. The BC Model of Banking is popularized through promotional materials, brochures, posters etc. with "SWABHIMAAN" logo in states of Tamil Nadu, Kerala and Andhra Pradesh.

Financial Inclusion is not just a social responsibility but the Bank considers it as a business opportunity as well. Bringing more number of people into the banking fold ensure the widening of customer base of the Bank. It is envisaged that pension payments, labour welfare payments, kerosene and LPG subsidy as well as public distribution system subsidy will be routed through bank accounts. Total subsidy outlay for the financial year is estimated to be over ₹3,20,000 Crores. If the enitre amount is transferred through the banks, the impact it will make in the banking system will be immense. Direct Benefit Transfer (DBT) is already started and the Bank is also offering the Aadhaar Based Payment System (ABPS).

Financial Literacy Centre

The Bank has initiated awareness programmes through Financial Literacy Centres (FLCs). FLCs aim at facilitating 100% Financial Inclusion and sustained rural empowerment and financial education. The goal of FLCs is to impart financial literacy in the form of simple messages like Why Save, Why Save early in your Life, Why Save with banks, Why borrow from Banks, Why borrow as far as possible for income generating activities, Why repay in time, Why insure yourself, Why Save for your retirement etc. and will mainly focus on the large rural population who are unaware of planning their basic financial needs and the role of the banks in addressing their financial requirements. Specific instructions and guidelines have been issued by RBI to provide training to the people who are designated at allotted FLCs in the state.

DIRECTORS' REPORT

As a first step to the ongoing process of implementation of Financial Literacy Centres in the Bank, State Level Banker's Committee (SLBC) of Kerala has allotted 12 Blocks of Villages in Kerala for establishment of FLCs to the Bank. In co-ordination with M/s Akshaya Centres, an e- governance initiative of Govt. of Kerala, the Bank has successfully covered these 12 blocks. Branch which is attached to the FLC is designated as base branch which co-ordinates the functioning of that FLC. Adequate training is given on a continuing basis to FLC coordinators who will provide basic financial knowledge of importance in savings and borrowings to people who are financially illiterate. The Bank strives to achieve 100% Financial Inclusion through proper education and awareness to rural masses by way of Financial Literacy Centres.

ANTI - MONEY LAUNDERING (AML)

The transactions processed in the Core Banking Solution (CBS) are monitored for suspicious transactions through the AML application, TCS Bancs Compliance, supplied by M/s Tata Consultancy Services (TCS). The alert processing set up for processing the alerts generated by the AML application is decentralized and the first level monitoring of the alerts is done by the branches themselves and the second level processing is done by the Officers at the AML Central Cell.

During the current financial year, the Bank has set up an Off Site Monitoring Team (OMT) at all the Regional Offices of the Bank as a preventive vigilance initiative and to strengthen the level of KYC/AML/CFT compliance by the branches.

The Bank has attached great importance to compliance of KYC/AML norms by the customers as per the Reserve Bank of India directive, in the interest of the nation.

DIRECTORS

Sri Paul Chalissery and Dr. N. J. Kurian who retired at the 84th Annual General Meeting held on June 28, 2012 were re-appointed as Directors of the Bank. Sri Jose Alapatt retired from the Board w.e.f. May 11, 2013 on completing 8 years of Directorship as stipulated under the Banking Regulation Act, 1949. The Board places on record its appreciation for the invaluable services rendered by him during his tenure as Director.

Dr. John Joseph Alapatt was appointed as Additional Director by the Board of Directors at its meeting held on September 24, 2012. Pursuant to the provisions of Section 260 of the Companies Act, 1956 Dr. John Joseph Alapatt vacates his office at the ensuing Annual General Meeting. A member has expressed his intention to propose Dr. John Joseph Alapatt as candidate to the office of a director of the Bank, and have given notice 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 Mohan E. Alapatt and Sri K. Thomas Jacob are the directors who retire by rotation at the ensuing Annual General Meeting and being eligible for re-appointment, the Board recommends their re-appointment as the Directors of the Bank.

AUDITORS

The shareholders at its 84th Annual General Meeting held on June 28, 2012, appointed M/s. S R Batliboi & Associates LLP (formerly known as M/s. S R Batliboi & Associates), Chartered Accountants, Chennai, as the Central Auditors for the audit of Bank's accounts for the year 2012-13.

M/s. S R Batliboi & Associates LLP, Chartered Accountants, Chennai, vacate office at the end of the Annual General Meeting to be held this year but are eligible for re-appointment for the Financial Year 2013-14.

AUDIT AND INSPECTION

Regular Inspection of the Bank's branches is conducted at periodical intervals on the basis of Risk Based Internal Audit approach. Concurrent audit at branches by qualified Chartered Accountants/retired officers covering 60.32% of business of the Bank and concurrent audit of International Banking Division and Treasury Department are also conducted. In addition to the above, the Bank conducts Stock Audit, Credit Audit, KYC/AML Audit, Information System Audit, Revenue Audit to check income leakages, Surprise Inspection, Forensic Audit by external agencies in cases where it is found necessary and exclusive Gold Loan asset verification, etc. at branches. Information System Audit of CBS and major applications for the current financial year 2012-13 was done by an external approved agency. Besides, all the branches are subjected to statutory audit on yearly basis. In addition to the above, RBI also conducts Annual Financial Inspection of the Bank. In this financial year, Bank has started Offsite Monitoring mechanism in all Regional Offices to oversee compliance of KYC/AML guidelines in the operative accounts opened by branches, to analyze branch operations daily through a software to detect irregular transactions and to monitor the sudden large fluctuations in branch business figures.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Statutory Central Auditors have qualified their Audit Report as follows:

"Basis of Qualified Opinion

Attention is invited to note A-26 of the Schedule 18 of the financial statements regarding a non performing advance of ₹150 crores and in respect of which a provision of ₹ 90 crores has been made by the management of the Bank based on special dispensation obtained from the Reserve Bank of India (RBI) vide RBI letter dated DBS (T) No.674/02.05.06/2012-13

dated December 31, 2012 from complying with the "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" issued by the RBI. As the ultimate recoverability of the net carrying amount is uncertain, pending final determination thereof we are unable to comment on the recoverability of the carrying amount and consequential effects of these matters on the financial statements."

"Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matter discussed in the basis for qualified opinion discussed above*, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:

i. in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2013;

ii. in the case of the Profit and Loss Account of the profit for the year ended on that date; and

iii. in the case of the Cash Flow Statement, of cash flows for the year ended on that date."

Management Explanation for Auditor's comments

In view of the ongoing negotiations with the borrower the Bank is hopeful of recovering the dues, thereby warranting a lower provision. However, the Bank has made provision as suggested by the regulatory communication vide RBI letter dated DBS (T) No.674/02.05.06/2012-13 dated December 31, 2012.

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 S. R. Batliboi & Associates LLP, Chartered Accountants, 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, 2013, 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 2012-13 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, 2013, 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 meaningful 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 S R Batliboi & Associates LLP, 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 its personnel for their sense of ownership and loyalty towards the Bank. The Board also expresses its sincere appreciation for the dedicated service rendered by officers and employees of the Bank at all levels.

By Order of the Board

Place : Ernakulam
Date : May 20, 2013

(AMITABHA GUHA)
CHAIRMAN

DIRECTORS' REPORT

Annexure to Directors' Report for the year ended March 31, 2013

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		Tranche 3		Tranche 4		Tranche 5	
	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)
Options outstanding at the beginning of the year	2,63,19,670	12.93	4,76,500	24.98	9,33,000	24.12	-	-	-	-
Options granted during the year	-	-	-	-	-	-	21,000	12.93	10,66,500	21.65
Options exercised during the year	47,75,009	12.93	4,950	24.98	-	-	-	-	-	-
Options vested during the year	89,77,200	12.93	1,35,450	24.98	-	-	-	-	-	-
Forfeited/lapsed during the year	29,95,676	12.93	31,000	24.98	40,000	24.12	-	-	3,000	21.65
Options outstanding at the end of the year	1,85,48,985	12.93	4,40,550	24.98	8,93,000	24.12	21,000	12.93	10,63,500	21.65
Total Number of Options in force as on March 31,2013	2,09,67,035									

Other details are as under:

Money realized by exercise of options	₹6,18,64,517.37
Pricing Formula: a) for Tranche 1, Tranche 2, Tranche 3 & Tranche 5 b) Tranche 4	a) At a discount of 10% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the dates of grant. b) At a discount of 45% on closing market price on Stock Exchange with the highest trading volume on the immediately preceding trading day of the date of grant.
Details of options granted to Senior managerial personnel.	Name — Options Granted Mr. H. Suresh Prabhu — 50000.00* Mr. Abraham Thariyan — 50000.00 Mr. Cheryan Varkey — 42000.00 Mr. Joseph George Kavalam — 36000.00 Mr. A. G. Varughese — 36000.00 Mr. Thomas Joseph K. — 36000.00 Mr. C. J. Jose Mohan — 36000.00 Mr. John Thomas — 36000.00 Mr. N. A. Murali — 30000.00 Mr. T. J. Raphael — 30000.00 *Granted while he was an employee of the Bank
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'	₹3.99
Weighted-average exercise prices of Options whose: • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price	Nil Nil The price of the stock options granted are: Tranche 1 – ₹12.93, Tranche 2 – ₹24.98, Tranche 3 – ₹24.12 Tranche 4 – ₹12.93 and Tranche 5 – ₹21.65
Weighted-average fair value of Options whose: • exercise price either equals market price • exercise price greater than market price • exercise price less than the market price	Nil Nil The price of the fair value options granted are: Tranche 1 – ₹8.57, Tranche 2 – ₹17.03, Tranche 3 – ₹22.57, Tranche 4 – ₹23.10 and Tranche 5 – ₹24.26

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

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

• Net profit as reported	₹502.27 Crore
• Proforma Net profit based on fair value approach	₹502.22 Crore
• Basic EPS as reported	₹4.03
• Basic EPS (Proforma)	₹4.03
• Diluted EPS as reported	₹3.99
• Diluted EPS (Proforma)	₹3.98

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	Year ended 31.03.2013					Year ended 31.03.2012		
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 1	Tranche 2	Tranche 3
Exercise Price per share (₹)	12.93	24.98	24.12	12.93	21.65	12.93	24.98	24.12
Weighted Average Share Price per share (₹)	8.57	17.03	22.57	23.10	24.26	8.57	17.03	22.57
Expected Volatility	28.26%	28.26%	28.26%	28.26%	28.26%	30.00%	30.00%	30.00%
Historical Volatility	43.50%	31.33%	29.23%	31.32%	28.94%	43.50%	31.33%	29.23%
Life of the options granted (Vesting and Exercise period in years)	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.19 to 4.20	2.28 to 4.28	2.20 to 4.21
Average Risk Free Interest rate	7.98%	7.88% to 7.98%	7.89% to 7.94%	7.88% to 7.95%	7.89% to 8.09%	8.20% to 8.32%	8.20% to 8.47%	8.20% to 8.47%
Expected Dividend Yield	8.17%	4.11%	3.10%	3.03%	3.10%	7.00%	3.52%	2.66%
The Price of underlying share in market at the time of grant of option (₹)	14.37	27.75	26.80	23.50	24.05	14.37	27.75	26.80

DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

Growth of the Indian Economy slowed much more than anticipated, with both manufacturing and services activity constrained by supply bottlenecks and sluggish external demand. Growth rate of 9.2 percent in the fourth quarter of 2010-11 has come down continuously to 4.5 percent by the end of the third quarter of 2012-13, which is the lowest in 15 quarters. The deceleration in the services sector growth, which has been the mainstay of high growth in the recent period, had dragged down overall economic activity and employment creation. The agriculture output was dented by deficient rainfall that impacted kharif crop. Domestic policy uncertainties, governance concerns, the impact of earlier monetary tightening and the slacking of external demand continue to adversely impact growth.

For Global economies 2012-13 was a better year when compared with year previous to that. Near-term risks in the advanced economies have receded during the past financial year. However, the improvement is yet to fully transmit to economic activity which remains sluggish. A slow recovering is taking place in the US driven by improvement in the housing sector and employment conditions.

Inflation which continued to be a major concern for the Indian Economy has moderated due to the tight monetary policy of the Central Bank. Headline inflation, as measured by the Wholesale Price Index (WPI) has come down to an average of 7.3 percent in 2012-13 from 8.9 percent in 2011-12. The easing was particularly significant in last quarter of 2012-13, with the year-end inflation recording at 6 percent. Even as headline inflation eased, there were upside pressures on food inflation through the year 2012-13 owing to an unusual spike in vegetable prices in April 2012 followed by rise in cereal prices due to delayed monsoon and the sharp increase in the minimum support price for paddy. This is quite evident from the fact that retail inflation, as measured by the new consumer price index, averaged 10.2 percent during 2012-13.

Indian Primary equity market remained subdued in 2012-13. Its recovery depends on improvement in macroeconomic fundamentals, continued fiscal consolidation and revival of global growth. However, strong FII inflows, especially in the second half of 2012-13 augured well for the Indian equity market and the rupee, although the market movements were also conditioned by domestic slowdown and governance concerns. Key stock market indicators show that price to earnings (PE) and price to book value (PB) ratios declined in 2012-13 in comparison with the past two years. The Indian financial market, in February 2013, had a new entrant *viz.*, the MCX Stock Exchange Limited.

Banking Scenario

The Banking sector registered a subdued deposit growth of 13.5 percent during 2012-13. The time deposit growth was hit mainly by the near-zero real interest rate due to high inflation. Now with the ebb in inflation and the consequent increase in the real interest rate, the deposit growth is expected to pick up in the current financial year.

Slow down in the economy adversely affected the credit growth of Banking Sector. Besides sluggish demand, a major factor that led to the low credit growth of the banking sector over the past year is the deterioration in its asset quality. The deterioration in credit quality, on the other hand, impeded the supply of domestic credit. Notwithstanding the large injection of liquidity by the Reserve Bank, adverse sentiments emanating from global and domestic developments somewhat dampened credit expansion.

The year-on-year bank credit growth to industry at 15.7 per cent in March 2013 moderated considerably, from 20.3 per cent in March 2012. Deceleration in credit growth to industry was observed in all the major sub-sectors, barring leather, chemicals, cement, wood products, food processing, textiles, glass and vehicles. Non-food credit growth decelerated from 18.2 per cent at the beginning of 2012-13 and remained close to 16.0 per cent for the major part of the year. Early results of corporate performance in the last quarter of 2012-13 indicate continuing moderation in sales though profit margins increased slightly.

Money supply (M3) growth was around 14.0 per cent during Q1 of 2012-13 but decelerated thereafter to 11.2 per cent by end-December as time deposit growth slowed down. There was some pick up in deposit mobilization in Q4, taking deposit growth to 14.3 per cent by end-March. Consequently, M3 growth reached 13.3 per cent by end-March 2013, slightly above the revised indicative trajectory of 13.0 per cent.

Pursuant to the enactment of The Banking Laws (Amendment) Act, 2012, Section 26A has been inserted in the Banking Regulation Act, 1949 which, *inter alia*, empowers the Reserve Bank to establish a Depositor Education and Awareness Fund. The Fund will be credited with the amount to the credit of any account in India with a banking company which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years within a period of three months from the expiry of ten years. The Fund shall be utilised for promotion of depositors' interest and for such other purposes considered necessary for the promotion of depositors' interests as specified by the Reserve Bank from time to time. However, the act does not prevent a depositor from claiming his/her deposit or operating his/her account or deposit after the expiry of the period of ten years.

Economic and Banking Outlook

According to the monetary policy published by RBI, economic activity during the current year is expected to show only a modest improvement over last year, with a pick-up likely only in the second half of the year. Agricultural growth could return to trend levels if the monsoon is normal as recently forecast. Growth in services and exports may remain sluggish too, given that global growth is unlikely to improve significantly from 2012. Accordingly, the Reserve Bank's baseline projection of GDP growth for 2013-14 is 5.7 per cent.

The global inflation outlook for the current year appears more benign compared to last year on expectations of some softening of crude oil and food prices. Accordingly, imported inflation is likely to be lower provided the exchange rate remains broadly stable. In the domestic economy, food inflation is likely to

be a source of upside pressure because of persisting supply imbalances. Also, the timing and magnitude of administered price revisions, particularly of electricity and coal, will impact the rate of inflation in 2013-14. Considering the domestic demand-supply balance, the outlook for global commodity prices and the forecast of a normal monsoon, RBI expects the WPI inflation to be range-bound around 5.5 per cent during 2013-14.

RBI has projected M3 growth for 2013-14 at 13.0 per cent for policy purposes. Consequently, aggregate deposits of Commercial Banks are projected to grow by 14.0 per cent. Keeping in view the resource requirements of the private sector, the growth in non-food credit of Commercial Banks is projected at 15.0 per cent.

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

- continue to address the accentuated risks to growth;
- guard against the risks of inflation pressures re-emerging and adversely impacting inflation expectations, even as corrections in administered prices release suppressed inflation; and
- appropriately manage liquidity to ensure adequate credit flow to the productive sectors of the economy.

Opportunities and Threats

The biggest risk to the economy stems from the Current Account Deficit (CAD) and its financing. The current account deficit during 2012-13 was historically the highest, and was well above the sustainable level of 2.5 per cent of GDP as estimated by the Reserve Bank. A large CAD, appreciably above the sustainable level year after year, will put pressure on servicing of external liabilities.

The Reserve Bank has slashed the policy rate in its annual monetary policy. However, the Reserve Bank feels it is critical to consolidate and build on the recent gains in containing inflation. Further adjustments in policy rates by RBI in the FY 2013-14 will depend on how growth – inflation dynamics evolve. If the stance of RBI is going to continue, the liquidity position of Banks in the country will be better and it will translate into better credit growth in the coming financial year.

The recovery in 2013-14 is likely to be slow-paced. The indicative projections of growth and inflation for 2013-14 are subject to a number of variables. Recovery at the current juncture will critically depend on supply-side action to remove a host of micro-constraints and structural bottlenecks that impede production and investment, especially in growth-driving sectors such as road and power. The government has initiated action in this direction, but progress has been slow, making it imperative for decisive action to be taken quickly on the outstanding issues. Failure to do so could lead to multiple problems and cause further deterioration in the asset quality of bank finance, choke off flow of debt as well as equity finance to stressed firms and stall recovery in its tracks. In addition, a significant dose of public investment stimulus could crowd-in private investment, but such a stimulus needs to be financed within the budgetary constraints by downsizing its current spending.

The implementation of Basel – III will further strengthen financial stability of Indian Banks. However, significantly higher requirement of capital to do the same amount of business will put pressure on return on equity of Banks.

Re-Classification of Priority Sector Guidelines- loan limit for micro and small enterprises (MSEs) in the services sector, increased from ₹20 million to ₹50 million per borrower; increase of loan limit from ₹10 million to ₹50 million per borrower for bank loans to dealers/sellers of fertilisers etc. and other inputs which are classified as indirect finance to agriculture and raise the limit on pledge loans (including against warehouse receipts) from the current limit of ₹2.5 million to ₹5 million for classification as direct agriculture loans in the case of individual farmers and as indirect agriculture loans in the case of corporate, partnership firms and institutions engaged in agriculture and allied activities.

Introduction of Financial Inclusion Plan 2013-16 shall lead to the establishment of banking outlets in more than 2 lakh villages. To provide the next stage of universal coverage and facilitating Electronic Benefit Transfer (EBT), banks have been advised to draw up the next FIP for the period 2013-16 and the submitted FIP shall be discussed with Reserve Bank of India.

Reserve Bank had issued guidelines on classification of certain exposures as Commercial Real Estate (CRE) exposures in September 2009. The CRE exposures generally attract higher risk weights and higher provisioning requirements, considering the inherent price volatility nature of CRE exposure. However, it has been generally observed that the residential housing complex sector under the CRE poses lower risk than the other components of CRE sector. Accordingly Reserve Bank of India has proposed to carve out a sub-sector of 'CRE-Residential Housing' within the CRE sector with appropriate prudential regulatory norms on risk weights and provisioning.

The Central Government has decided to issue new banking licenses. This move of the Central Government will improve the competitiveness and customer service of banks in general. Recruitments spree in Banking industry is bound to continue considering the arrival of new Banks in addition to the vacancy caused by retirement and expansion of the existing players.

Financial Performance Vs Operational Performance

For the first time in the history of the Bank, the Net Profit reached the level of ₹502.27 Crore as against ₹401.66 Crore last year. The total gross business of the Bank grew from ₹63,974 Crore to ₹76,276 Crore. While the deposits grew from ₹36,501 Crore to ₹44,262 Crore, gross advances grew from ₹27,473 Crore to ₹32,014 Crore. Food credit increased to ₹554.85 Crore from ₹407.38 Crore and non-food credit stood at ₹31,459.18 Crore vis-à-vis ₹27,065.62 Crore in the last year, posting an increase of ₹4,393.56 Crore. The Board has recommended a dividend of 70% i. e. @ ₹0.70 per equity share of ₹1/- each, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 1.36% and the Net NPA to Net Advances at 0.78% as on March 31, 2013. The Capital Adequacy Ratio of the Bank was 11.46% under Basel I and 13.91% under Basel II norms as on March 31, 2013 as against the RBI mandated level of 9%. Book value per share rose from ₹19.12 to ₹22.44 during the year 2012-13.

DIRECTORS' REPORT

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.

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.

Risk Management Practices

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 pro-actively 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 totally revamped to suit the present scenario covering all critical processes of the Bank. The Bank has also set up an 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.

Skill sets of mid-offices of the Bank were 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.

The Bank has also taken steps to move into the advanced approaches under the Basel II framework as stipulated by the Reserve Bank of India.

The Bank has taken necessary steps to comply with the 'Guidelines on implementation of Basel- III capital regulations in India' in a phased manner as directed by the RBI.

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 2,252 of its Officers, 1,497 clerical staff and 158 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 in 2009-10, Tranche 2 of the scheme in 2010-11, Tranche 3 of the scheme in 2011-12 and Tranche 4 & Tranche 5 during the current financial year subject to the regulatory guidelines in this regard. Further, during the year, 47,88,959 stock options granted under Employee Stock Option Scheme were exercised by eligible 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 : Ernakulam
Date : May 20, 2013

(AMITABHA GUHA)
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

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

Corporate Governance ensures high standards of transparency, accountability, ethical operating practices, professional management thereby enhancing shareholders' value and protecting the interest of the stakeholders such as depositors, creditors, customers, suppliers and employees. The Bank is committed to the 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 and category of the Directors along with their attendance at Board Meetings and shareholdings in the Bank as on March 31, 2013 are given below:

Sl. No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of last AGM on 28/06/2012	No. of Shares held	% of holding
			Held during the tenure	Attended			
1.	Sri Amitabha Guha, Chairman	INE	11	11	Present	7,000	0.001%
2.	Dr. V. A. Joseph, M.D. & CEO	Whole Time Director	11	11	Present	128,550	0.010%
3.	Sri Jose Alapatt, Director	INE	11	4	Absent	76,250	0.006%
4.	Sri Paul Chalissery, Director	INE	11	11	Present	124,390	0.009%
5.	Sri Mathew L. Chakola, Director	INE	11	10	Present	157,000	0.012%
6.	Dr. N. J. Kurian, Director	INE	11	10	Present	28,750	0.002%
7.	Sri Mohan E. Alapatt, Director	INE	11	6	Absent	62,000	0.005%
8.	Sri K. Thomas Jacob, Director	INE	11	11	Present	54,000	0.004%
9.	Sri H. Suresh Prabhu, Director	NE	11	11	Present	15,000	0.001%
10.	Dr. John Joseph Alapatt*	INE	6	6	NA	216,720	0.016%

INE – Independent Non-Executive Director
NE – Non-Executive Director
* Dr. John Joseph Alapatt was appointed as Additional Director w.e.f. September 24, 2012.

Board Meetings

A total of 11 Board Meetings were held during the year and their dates are:

07/05/2012, 22/05/2012, 28/06/2012, 16/07/2012, 08/09/2012, 24/09/2012, 19/10/2012, 28/11/2012, 15/01/2013, 05/03/2013 and 30/03/2013.

ANNEXURE TO THE DIRECTORS' REPORT

Committee position of Directors in the Bank as on March 31, 2013

The name of each Committee with the name of its respective Chairman as on 31.03.2013 is 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 Chalissery
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 Strategy 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

Sri Amitabha Guha, Part-time Chairman, is a Director on the Board of Vijaysri Organics Limited, Hyderabad; Gangavaram Port Ltd., Hyderabad, Xpro India Ltd., New Delhi, BSCPL Infrastructure Ltd., Hyderabad and Member, Board of Governors, Asian Institute of Business Management, Bhubaneswar.

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

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, 2013 are Sri Amitabha Guha – Chairman, Dr. V. A. Joseph, Sri Paul Chalissery, Sri K. Thomas Jacob and Sri H. Suresh Prabhu.

A total of 22 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 Dr. John Joseph Alapatt, Sri Paul Chalissery, and Sri Mathew L. Chakola as on March 31, 2013. 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.

ANNEXURE TO THE DIRECTORS' REPORT

b) Recommending to the Board, the appointment, re-appointment or, if required, the replacement of the statutory auditor together with the fixation of audit fees and approval of payment for any other services rendered by the statutory auditors.

c) Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.

d) Reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements.

e) Review, as far as the situation necessitates all other reports including Risk Based Internal Audit Reports, which are presently being put up before the committee.

f) Review of all reports as per the calendar of reviews stipulated by the RBI; and

g) Any other terms of reference as may be included from time to time in Clause 49 of the listing agreement.

The Committee met 9 times during the year.

(C) NOMINATION COMMITTEE

This Committee was constituted by the Board for the specific purpose of scrutinizing the declarations received from persons to be appointed as directors as well as from the existing directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India, vide their directive dated June 25, 2004 on 'Fit & Proper Criteria' of Directors of Banks. The members of the Committee as on March 31, 2013 are Dr. V. A. Joseph – Chairman, Sri Amitabha Guha, Sri Paul Chalissery and Sri Mohan E. Alapatt.

The Committee met once, during the year.

(D) N P A 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, 2013 are Sri H. Suresh Prabhu – Chairman, Dr. V. A. Joseph, Dr. N. J. Kurian and Sri Jose Alapatt.

The Committee met 4 times during the year.

(E) COMPENSATION AND REMUNERATION COMMITTEE

Reserve Bank of India vide its Circular No. DBOD. No.BC.72/29.67.001/2011-12 dtd. 13.01.2012, directed all Private Sector and Foreign Banks to formulate and adopt a Comprehensive Compensation Policy covering all their employees by March 2013 for implementation from the financial year 2013-14 and to conduct annual review thereof. Taking into account of these guidelines, the Bank has formulated a Comprehensive Compensation Policy which was approved by the Board of Directors of the Bank at its meeting held on February 16, 2012. The terms of reference of the existing Compensation and Remuneration Committee was accordingly modified to that extent. The Members of the Committee as on March 31, 2013 are Sri Amitabha Guha – Chairman, Sri Mohan E. Alapatt, Dr. John Joseph Alapatt and Sri Paul Chalissery.

The Terms of reference of the Committee are harmonized with the provisions of Companies Act, 1956/AS-15, Listing Agreement/Banking Regulation Act and other RBI Guidelines, which inter-alia, includes the following:

a) To oversee the framing, review and implementation of Bank's overall compensation structure and related policies on remuneration packages payable to the WTDs/ MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attract, motivate and retain employees and review compensation levels vis-a-vis other Banks and the industry in general.

b) The Committee shall work in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

c) With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:

   i) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;

   ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;

   iii) Coordinate the progress of growth of business vis -a- vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as are considered necessary;

   iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.

ANNEXURE TO THE DIRECTORS' REPORT

d) The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.

e) To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.

f) To oversee the administration of Employee benefits, such as, provident fund, Pension Fund, Gratuity, Compensation for absence on Privilege/Sick/Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.

g) The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board;

h) Any other matters regarding remuneration to WTDs/MD & CEO and other staff of the Bank as and when permitted by the Board.

i) To conduct the annual review of the Compensation Policy

j) To fulfill such other powers and duties as may be delegated to it by the Board.

The committee met 4 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, 2013 are Dr. N. J. Kurian – Chairman, Sri Amitabha Guha, Dr. V. A. Joseph and Dr. John Joseph Alapatt.

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 Practicing 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.

The Committee met 4 times during the year.

ANNEXURE TO THE DIRECTORS' REPORT

Status of Shareholder Complaints as on March 31, 2013

Sl. No.	Items	No. of Complaints		
		Pending/ Received	Redressed	Pending
1	Non-receipt of Refund Order/ Allotment credit	1	1	0
2	Non-receipt of Dividend Warrants	50	50	0
3	Request for issue of duplicate share certificates	107	107	0
4	Complaints received from BSE/ NSE/SEBI/ROC	26	26	0
5	Other miscellaneous complaints	26	26	0
6	Non-receipt of share certificate after transfer	1	1	0
Total		211	211	0

(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, 2013 are Dr. V. A. Joseph – Chairman, Sri Amitabha Guha, Sri H. Suresh Prabhu and Sri K. Thomas Jacob.
The Committee met 2 times during the year.

(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, 2013 are Sri Mathew L. Chakola – Chairman, Dr. V. A. Joseph, Sri Paul Chalissery and Sri K. Thomas Jacob.

The Committee met 2 times during the year.

(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 (RMC) has been constituted. The members of the committee as on March 31, 2013 are Sri H. Suresh Prabhu – Chairman, Sri Amitabha Guha, Dr. V. A. Joseph and Dr. John Joseph Alapatt. The committee meets at least once in a quarter.

The committee inter-alia looks into the following aspects:

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

The Committee met 4 times during the year.

(K) INFORMATION TECHNOLOGY STRATEGY COMMITTEE

This committee has been constituted w.e.f. March 2, 2010 to suggest improvement and monitor the implementation of modern technology in the Bank. In compliance with Gopalakrishna Committee report contained in RBI Circular RBI/2010-11/494 DBS:CO:ITC:BC.No.6/31.02.008/2010-11 dated 29.04.2011 the name of the Information Technology Committee has been changed as "Information Technology Strategy Committee" and the scope, terms of reference of the Committee has been amended w.e.f. 28.11.2012. The members of the Committee as on March 31, 2013 are Sri Mohan E. Alapatt – Chairman, Sri Amitabha Guha, Dr. V. A. Joseph and Sri K. Thomas Jacob.
The Committee met 6 times during the year.

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

- Suggest improvement and monitor the implementation of modern technology in the Bank;

ANNEXURE TO THE DIRECTORS' REPORT

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

(L) CAPITAL PLANNING & INFUSION COMMITTEE

The Committee was constituted by the Board on May 21, 2011 to take all decisions with regard to issue of capital through the QIP route and to take all necessary steps to raise tier-I capital upto the limit stipulated by the Board. The members of the Committee were Sri Amitabha Guha – Chairman, Dr. V. A. Joseph, Sri Paul Chalissery, Sri Mohan E. Alapatt, Sri K. Thomas Jacob and Sri H. Suresh Prabhu.

On successful closure of the QIP, the Capital Planning & Infusion Committee of the Board has been dissolved w.e.f. September 24, 2012.
The Committee met 5 times during the year.

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	22	21
Dr. V. A. Joseph	22	22
Sri Paul Chalissery	22	21
Sri K. Thomas Jacob	22	22
Sri H. Suresh Prabhu	22	22

AUDIT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri K. Thomas Jacob	9	9
Sri Mohan E. Alapatt*	6	4
Sri H. Suresh Prabhu*	6	6
Dr. John Joseph Alapatt#	5	4
Sri Paul Chalissery##	3	3
Sri Mathew L. Chakola##	3	3

* Ceased to be a member w.e.f. 28.11.2012
\# Inducted into the Committee w.e.f. 24.09.2012
\## Inducted into the Committee w.e.f. 28.11.2012

NOMINATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. V. A. Joseph	1	1
Sri Amitabha Guha	1	1
Sri Mohan E. Alapatt	1	1
Sri Paul Chalissery	1	1

NPA REVIEW COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri H. Suresh Prabhu	4	4
Dr. V. A. Joseph	4	4
Dr. N. J. Kurian	4	4
Sri Jose Alappat*	2	0

* Inducted into the Committee w.e.f. 24.09.2012

ANNEXURE TO THE DIRECTORS' REPORT

COMPENSATION AND REMUNERATION COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Amitabha Guha	4	4
Sri Paul Chalissery#	3	3
Mohan E. Alappat	4	2
Dr. John Joseph Alapatt*	2	2

* Inducted into the Committee w.e.f. 24.09.2012
\# Ceased to be member w.e.f. 24.09.2012 and inducted into the Committee w.e.f. 16.01.2013

CUSTOMER SERVICE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Dr. N. J. Kurian	4	4
Sri Amitabha Guha	4	4
Dr. V. A. Joseph	4	4
Sri K. Thomas Jacob*	3	3
Dr. John Joseph Alapatt#	2	2

\# Inducted into the Committee w.e.f. 24.09.2012
* Ceased to be a member w.e.f. 16.01.2013

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Paul Chalissery	4	4
Sri Mathew L. Chakola	4	2
Dr. N. J. Kurian	4	4
Sri Jose Alappat	4	0

COMMITTEE TO PREVENT AND REVIEW FRAUDS IN THE BANK

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

PREMISES COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Mathew L. Chakola	2	2
Dr. V. A. Joseph	2	2
Sri Paul Chalissery	2	2
Sri K. Thomas Jacob	2	2

RISK MANAGEMENT COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri H. Suresh Prabhu	4	4
Sri Amitabha Guha	4	4
Dr. V. A. Joseph	4	4
Dr. John Joseph Alapatt*	2	2

* Inducted into the Committee w.e.f. 24.09.2012

INFORMATION TECHNOLOGY STRATEGY COMMITTEE

Name	No. of meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	6	6
Sri Amitabha Guha	6	6
Dr. V. A. Joseph	6	6
Sri Paul Chalissery*	5	5
Sri K. Thomas Jacob**	2	2

* Ceased to be member w.e.f. 16.01.2013
** Inducted into the Committee w.e.f. 16.01.2013

CAPITAL PLANNING & INFUSION COMMITTEE*

Name	No. of meetings	
	Held during the tenure	Attended
Sri Amitabha Guha	5	4
Dr. V. A. Joseph	5	5
Sri H. Suresh Prabhu	5	5
Sri Mohan E. Alapatt	5	2
Sri K. Thomas Jacob	5	5
Sri Paul Chalissery	5	5

* The Committee is dissolved w.e.f. 24.09.2012

ANNEXURE TO THE DIRECTORS' REPORT

REMUNERATION PAID TO DIRECTORS DURING THE YEAR ENDED ON 31st MARCH , 2013

A) The Bank paid a total remuneration of ₹70,39,800/- during the year to Dr. V. A. Joseph, the Managing Director and Chief Executive Officer of the Bank.

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

The Bank paid a honorarium of ₹11,29,667/- during the year to Sri Amitabha Guha, Part-time Non-executive Chairman of the Bank.

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

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

Sri Jose Alapatt – ₹ 64,000/-, Sri Paul Chalissery – ₹ 9,20,000/-, Sri Mathew L. Chakola – ₹ 2,77,000/-, Dr. N. J. Kurian – ₹ 3,60,000/-, Sri Mohan E. Alapatt – ₹ 3,63,000/-, Sri K. Thomas Jacob – ₹ 8,45,000/-, Sri H. Suresh Prabhu – ₹ 8,15,000/- and Sri John Joseph Alapatt – ₹ 2,88,000/-.

Total amount paid ₹ 39,32,000/-.

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

Resume of Directors retiring by rotation at the 85th Annual General Meeting is given below:

a) Name : Sri Mohan E. Alapatt
Age : 49 years
Qualifications : B.E. (Mech.)
Experience : Qualified Engineer with considerable experience in varied industries over 20 years and is presently a Corporate Executive. He was Director of the Bank earlier for a period of 8 years from 30/04/1999 to 23/04/2007.
Present position : Non-executive Director
Sector : Minority

Sri Mohan E. Alapatt was appointed as an Additional Director of the Board on 1st March, 2010 and was elected as a Director at the 82nd Annual General Meeting held on 14th July, 2010. He is an Engineer by profession and is presently working as a Senior Corporate Executive. He is not a Director in any other Public Limited Company. He holds 62,000 shares in demat form. He is the Chairman of Information Technology Strategy Committee and member of Nomination Committee and Compensation and Remuneration Committee of the Board.

b) Name : Sri K. Thomas Jacob
Age : 59 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 30 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 elected as a Director at the 83rd Annual General Meeting held on 15th July, 2011. He is a practicing Chartered Accountant and not a Director in any other Public Limited Company. He holds 54,000 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, IT Strategy Committee and Premises Committee.

Resume of the Director seeking appointment/re-appointment at 85th Annual General Meeting is given below:

a) Name : Dr. John Joseph Alapatt
Age : 59 years
Qualifications : MBBS, DLO
Experience : He is an industrialist, having around 25 years experience in managing a SSI unit along with his brother. He was a Director of the Bank for two terms of eight years each, during the periods from 1986 to 1994 and 2002 to 2010 representing majority sector – SSI.
Present position : Non-Executive Director
Sector : Majority - SSI

Dr. John Joseph Alapatt was appointed as an Additional Director of the Board on September 24, 2012 and will hold office till the date of the 85th Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. He is not a Director in any other Public Limited Company. He holds 2,16,720 shares of the Bank. He is the member of Audit Committee, Compensation and Remuneration Committee, Risk Management Committee and Customer Service Committee.

ANNEXURE TO THE DIRECTORS' REPORT

A member of the Bank has expressed his intention to propose Dr. John Joseph Alapatt 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) The present term of Sri Amitabha Guha, Part-time Non-Executive Chairman of the Board gets completed on 1st November, 2013. The Board of Directors of the Bank at its meeting held on May 20, 2013 decided to re-appoint him as Chairman of the Board for a further period 3 years on expiry of the present term and to revise the remuneration payable to him subject to the approval of Reserve Bank of India. 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 64, 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; Gangavaram Port Ltd., Hyderabad, Xpro India Ltd., New Delhi, BSCPL Infrastructure Ltd., Hyderabad and Member, Board of Governors, Asian Institute of Business Management, Bhubaneswar. He holds 7,000 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 Strategy Committee.

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

Name of Meeting	Day, Date and Time	Venue	Whether any Special Resolution(s) Passed
82nd Annual General Meeting	Wednesday, 14th July, 2010, at 3.00 p.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	No
83rd Annual General Meeting	Friday, 15th July, 2011, at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for issue of shares through Qualified Institutional Placement (QIP)
84th Annual General Meeting	Thursday, 28th June, 2012, at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for issue of shares.

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

5. DISCLOSURES

We have extended a home loan of ₹ 30 Lacs to Dr. John Joseph Alapatt on July 1, 2010 before joining the Board and the balance outstanding as on March 31, 2013 was ₹22.97 Lacs.

Information supplied to the Board

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

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

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

1. 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 of the Board.
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 received by the Bank.

6. MEANS OF COMMUNICATION

The unaudited/audited quarterly/annual financial results of the Bank are forwarded to the Cochin Stock Exchange Ltd., BSE Ltd. and National Stock Exchange of India Ltd. immediately after the Board meeting and are published in 2 newspapers, one a local Malayalam daily and the other a National newspaper. 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

ANNEXURE TO THE DIRECTORS' REPORT

7. GENERAL SHAREHOLDER INFORMATION

85th Annual General Meeting	Date	28th June, 2013
	Day	Friday
	Time	10.00 a.m.
	Venue	Casino Cultural Auditorium Ltd., T. B. Road, Thrissur
Financial year		2012-13
Book Closure Date		22.06.2013 (Saturday) to 28.06.2013 (Friday) (both days inclusive).
Dividend Payment Date		5th July, 2013
Name & designation of Compliance Officer		JIMMY MATHEW Company Secretary
Share Transfer Agents		M/s. BTS Consultancy Services Pvt. Ltd. M S Complex, 1st Floor, No. 8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur, Kolathur, CHENNAI – 600 099 Tell.: 044-25565121 Fax : 044-25565131 E-mail : ramesh@btsindia.co.in helpdesk@btsindia.co.in Contact Person – Sri S. Rameshbabu, Director
Bank's Address for Correspondence		The South Indian Bank Ltd. "SIB House", Secretarial Department, P.B. No. 28, T.B. Road, Mission Quarters Thrissur – 680 001, Kerala Phone: 0487-2429333 Fax : 0487-2424760
E-mail address		ho2006@sib.co.in
Bank's Website		http://www.southindianbank.com

LISTING OF THE BANK'S EQUITY SHARES

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

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

The listing fees payable to the Stock Exchanges for the financial year 2013-14 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 BSE Ltd. (BSE), Mumbai during the financial year are as under:

MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	25.65	23.05	25.90	23.40
May	24.80	20.70	27.00	20.75
June	24.50	22.70	25.15	22.10
July	26.25	22.50	25.90	22.50
August	23.80	20.10	24.75	20.05
September	23.80	21.25	23.70	21.15
October	24.20	21.75	24.20	21.80
November	25.15	22.50	25.15	22.40
December	28.15	24.90	28.20	24.90
January	30.65	26.40	30.60	26.40
February	27.90	24.00	27.95	24.00
March	25.25	22.30	25.25	22.00

Distribution of Shareholding as on March 31, 2013

CATEGORY (NO. OF SHARES)	PHYSICAL		DEMAT	
	NO. OF HOLDERS	SHARES	NO. OF HOLDERS	SHARES
UP TO – 100	3760	51150	63045	3902979
101 – 200	2861	348791	28305	5058151
201 – 500	3125	1115070	42577	16565205
501 – 1000	3173	2166197	26129	22382518
1001 – 5000	27642	50972695	38522	87560919
5001 – 10000	1558	11587990	5479	40473331
10001 – 50000	1087	20472200	4331	87214741
50001 & ABOVE	121	16404910	725	972261542
TOTAL	**43327**	**103119003**	**209113**	**1235419386**
% to total Shares	**-**	**7.70**	**-**	**92.30**

Total number of shareholders both physical and electronic put together is 2,52,440.

ANNEXURE TO THE DIRECTORS' REPORT

MEMBERS' PROFILE AS ON MARCH 31, 2013 IS AS UNDER

S. NO.	CATEGORY	SHARES		TOTAL	% OF SHARE HOLDING
		PHYSICAL	DEMAT	SHARES	
1	RESIDENT INDIVIDUALS	84424253	337499919	421924172	31.52
2	INDIAN FINANCIAL INSTITUTIONS	0	120496227	120496227	9.00
3	FOREIGN INSTITUTIONAL INVESTORS	0	588563045	588563045	43.97
4	NON-RESIDENT INDIANS	14297390	15794773	30092163	2.25
5	BODIES CORPORATES	3582670	97187205	100769875	7.53
6	DIRECTORS & RELATIVES	814690	3155778	3970468	0.30
7	MUTUAL FUNDS	0	16500583	16500583	1.23
8	TRUSTS	0	20357878	20357878	1.52
9	BANKS	0	27302678	27302678	2.04
10	CLEARING MEMBERS	0	1294572	1294572	0.10
11	HUF	0	7266728	7266728	0.54
	GRAND TOTAL	**103119003**	**1235419386**	**1338538389**	**100.00**

SHARE TRANSFER SYSTEM

The Bank has appointed M/s. B T S Consultancy Services Private Limited, Chennai as its Share Transfer Agent 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 (Admin.), 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 are 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 2013, 1235419386 of the Bank's shares have been converted into dematerialized form.

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

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 refund order amount of Follow-on Public Issue held in the year 2006 have been transferred to the Fund.

The unpaid dividend for the financial 2005-06 will become due for transfer to the fund on August 13, 2013.

Recently, on May 10, 2012, the Ministry of Corporate Affairs has notified Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, whereby companies are required to identify and upload information regarding unclaimed amounts due to be transferred to IEPF on the Ministry's website and also on Bank's website.

Accordingly, the details of such unpaid / unclaimed amounts alongwith their respective due dates for transfer to IEPF are provided for the benefit of investors. The Shareholders may please

ANNEXURE TO THE DIRECTORS' REPORT

claim their unclaimed / unpaid amount due to them by making a request to the Company giving their particulars before the same are transferred to the IEPF.

EQUITY SHARES IN SUSPENSE ACCOUNT

As per Clause 5A (I) of the Listing Agreement, the company reports the following details in respect of Equity Shares lying in the suspense account which were issued pursuant to the Follow on Public Issue and the Bonus Shares thereon.

	No. of cases	No. of Equity Shares*		Total
		FPO2006	Bonus 2008	
Opening Balance as on April 1, 2012	44	133710	33310	167020
Request received during the year	3	3000	750	3750
Shares credited during the year	3	3000	750	3750
Closing Balance as on March 31, 2013	41	130710	32560	163270

* Number of Equity shares are re-stated into shares of face value of ₹1/- each

The voting rights on the shares outstanding in the suspense account as on March 31, 2013 shall remain frozen till the rightful owner of such shares claims the shares.

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. S. R. Batliboi & Associates LLP, 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 : Ernakulam
Date : May 20, 2013

Dr. V. A. JOSEPH
MD & CEO

ANNEXURE TO THE DIRECTORS' REPORT

S. R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

6th & 7th Floor, "A" Block
Tidel Park, (Module 601,701 & 702)
No. 4, Rajiv Gandhi Salai, Taramani,
Chennai – 600 113, India.
Tel +91 44 6654 8100
Fax +91 44 2254 0120

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members
The South Indian Bank Limited

We have examined the compliance of conditions of Corporate Governance by **The South Indian Bank Limited,** for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company 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 Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company 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 Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W

per Subramanian Suresh
Partner
Membership Number: 083673

Place : Bangalore
Date : May 6, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of The South Indian Bank Limited

Report on the Financial Statements

1. We have audited the attached financial statements of **The South Indian Bank Limited** (the 'bank'), which comprise the Balance Sheet as at 31st March, 2013 and the Profit and Loss Account 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 17 branches/ offices audited by us and, 747 branches/offices audited by branch auditors.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with guidelines issued by the Reserve Bank of India insofar as they are applicable to the Bank and in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949 as applicable. 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 misstatement 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.

Basis for qualified opinion

6. *Attention is invited to Note 18.A.26 to the financial statements regarding a non-performing advance of ₹ 150 crores and in respect of which a provision of ₹ 90 crores has been made by the management of the Bank based on special dispensation obtained from the Reserve Bank of India (RBI) vide RBI letter dated DBS (T) No. 674/02.05.06/2012-13 dated December 31, 2012 from complying with the "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" issued by the RBI. As the ultimate recoverability of the net carrying amount is uncertain, pending final determination thereof we are unable to comment on the recoverability of the carrying amount and consequential effects of these matters on the financial statements.*

Qualified Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matter discussed in the basis for qualified opinion paragraph discussed above*, the said accounts together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
   - (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2013;
   - (ii) in the case of the Profit and Loss Account of the Profit for the year ended on that date; and
   - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

Emphasis of Matter

8. We draw attention to Note 18.B.7 to the financial statements which describes the deferment of pension

INDEPENDENT AUDITOR'S REPORT

and gratuity liability relating to existing employees of the Bank to the extent of ₹ 156.53 crores and the unamortized liability of ₹ 50.72 crores as at March 31, 2013 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. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Matters

9. 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.

10. We report that

    a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.

    b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

    c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

10. We further report that:

    a. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches.

    b. 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.

    c. 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.

    d. 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, 2013 from being appointed as a director In terms of Clause (g) of Subsection (1) of Section 274 of the Companies Act, 1956.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W

per **Subramanian Suresh**
Partner
Membership Number: 083673

Place of Signature : Bangalore
Date of Report : May 6, 2013

BALANCE SHEET AS AT 31ST MARCH, 2013

	Schedule No.	As at 31.03.2013 ₹ ('000)	As at 31.03.2012 ₹ ('000)
CAPITAL AND LIABILITIES			
Capital	1	**1,338,538**	1,133,749
Share Application Money Received pending Allotment		**-**	129
Employees' Stock Options (Grants) Outstanding		**26,071**	29,015
Reserves and Surplus	2	**28,697,559**	20,541,082
Deposits	3	**442,623,023**	365,005,348
Borrowings	4	**12,845,545**	5,881,921
Other Liabilities and Provisions	5	**12,419,580**	11,109,342
TOTAL		**497,950,316**	403,700,586
ASSETS			
Cash and Balances with Reserve Bank of India	6	**16,967,013**	15,718,416
Balances with banks and money at call & short notice	7	**26,392,010**	10,686,977
Investments	8	**125,234,669**	93,998,742
Advances	9	**318,155,355**	272,807,364
Fixed Assets	10	**3,961,190**	3,775,049
Other Assets	11	**7,240,079**	6,714,038
TOTAL		**497,950,316**	403,700,586
Contingent Liabilities	12	**105,833,631**	54,580,532
Bills for collection		**4,791,449**	4,258,942
Significant Accounting Policies	17		
Notes forming part of Accounts	18		

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

As per our report of even date

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 101049W

per **Subramanian Suresh**
Partner
Membership No. 083673

Bangalore
May 6, 2013

For and on behalf of Board of Directors

Abraham Thariyan
Executive Director

Amitabha Guha
Chairman

Dr. V. A. Joseph
MD & CEO

Cheryan Varkey
Executive Director

Paul Chalissery
Director

Mathew L. Chakola
Director

C. P. Gireesh
Chief Financial Officer

Dr. N. J. Kurian
Director

Mohan E. Alapatt
Director

Vijith S.
Asst. General Manager

H. Suresh Prabhu
Director

Dr. John Joseph Alapatt
Director

Bangalore
May 6, 2013

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

	Schedule No.	Year ended 31.03.2013 ₹ ('000)	Year ended 31.03.2012 ₹ ('000)
I. INCOME			
Interest Earned	13	44,342,905	35,834,253
Other Income	14	3,349,283	2,470,700
TOTAL		47,692,188	38,304,953
II. EXPENDITURE			
Interest Expended	15	31,534,644	25,616,857
Operating Expenses	16	7,671,686	6,172,921
Provisions & Contingencies	18.A.26	3,463,134	2,498,615
TOTAL		42,669,464	34,288,393
III. PROFIT/LOSS			
Net Profit for the year		5,022,724	4,016,560
Profit brought forward from previous year		231,830	184,717
Profit available for Appropriation:		5,254,554	4,201,277
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		1,255,700	1,004,200
Transfer to Capital Reserves		62,088	5,112
Transfer to Revenue and Other Reserves		2,400,000	2,115,171
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act		130,000	140,000
Transfer to/(from) Investment Reserve		(56,926)	(71,307)
Transfer to/(from) present value provision for ADWDRS		-	(15,171)
Proposed Dividend		938,228	680,971
Tax on Proposed Dividend		155,828	110,471
Balance carried over to Balance Sheet		369,636	231,830
TOTAL		5,254,554	4,201,277
Significant Accounting Policies	17		
Notes forming part of Accounts	18		
Earning per share (Basic) (in ₹)	18.B.2	4.03	3.55
Earning per share (Diluted) (in ₹)	18.B.2	3.99	3.50
Face Value per share (in ₹)		1.00	1.00

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 101049W

per **Subramanian Suresh**
Partner
Membership No. 083673

Bangalore
May 6, 2013

For and on behalf of Board of Directors

Abraham Thariyan
Executive Director

Amitabha Guha
Chairman

Dr. V. A. Joseph
MD & CEO

Cheryan Varkey
Executive Director

Paul Chalissery
Director

Mathew L. Chakola
Director

C. P. Gireesh
Chief Financial Officer

Dr. N. J. Kurian
Director

Mohan E. Alapatt
Director

Vijith S.
Asst. General Manager

H. Suresh Prabhu
Director

Dr. John Joseph Alapatt
Director

Bangalore
May 6, 2013

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2013

	As at 31.03.2013 ₹ ('000)	As at 31.03.2012 ₹ ('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital	**1,600,000**	1,600,000
160,00,00,000 Equity shares of ₹ 1/- each (Previous year 160,00,00,000 equity shares of ₹ 1/-each)		
Issued Capital	**1,338,538**	1,133,749
133,85,38,389 Equity shares of ₹ 1/- each (Previous year 113,37,49,430 equity shares of ₹ 1/-each)		
Subscribed Capital		
133,85,38,389 Equity shares of ₹1/- each (Previous year 113,37,49,430 equity shares of ₹ 1/-each)	**1,338,538**	1,133,749
Called up & Paid up Capital	**1,338,538**	1,133,749
133,85,38,389 Equity shares of ₹1/- each (Previous year 113,37,49,430 equity shares of ₹1/- each)		
Notes: 22,60,12,980 Equity shares of ₹ 1/- each (Previous year 22,60,12,980 Equity shares of ₹ 1/- each) were issued as fully paid up bonus shares by capitalisation of corresponding value from Share Premium Account.		
TOTAL	**1,338,538**	1,133,749
Employees' Stock Options (Grants) Outstanding		
Employees' Stock Options Outstanding	**33,103**	41,725
Less: Deferred Employee Compensation Expense (unamortised)	**7,032**	12,710
TOTAL	**26,071**	29,015

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2013

		As at 31.03.2013 ₹ ('000)	As at 31.03.2012 ₹ ('000)
SCHEDULE 2 - RESERVES AND SURPLUS			
I. Statutory Reserve			
Opening Balance		4,588,339	3,584,139
Additions during the year		1,255,700	1,004,200
	Sub total	5,844,039	4,588,339
II. Capital Reserve			
Opening Balance		370,373	365,261
Additions during the year		62,088	5,112
	Sub total	432,461	370,373
III. Asset Revaluation Reserve			
Opening Balance		1,446,221	1,516,215
Additions during the year		-	-
		1,446,221	1,516,215
Deductions during the year:			
Depreciation on Revaluation of Premises		66,495	69,994
	Sub total	1,379,726	1,446,221
IV. Share Premium*			
Opening Balance		5,162,164	5,112,902
Additions during the year		4,290,095	49,262
** Refer B 14 in Schedule 18*	Sub total	9,452,259	5,162,164
V. Revenue and Other Reserves			
Opening Balance		8,354,934	6,239,763
Additions during the year by way of lapse of vested options		4,209	-
Additions during the year		2,400,000	2,115,171
	Sub total	10,759,143	8,354,934
VI. Investment Reserve			
Opening Balance		84,421	155,728
Additions during the year		-	-
	Sub total	84,421	155,728
Transfer to Profit & Loss Appropriation A/c		56,926	71,307
	Sub total	27,495	84,421
VII. Special Reserve u/s 36(1)(viii) of Income Tax Act			
Opening Balance		302,800	162,800
Additions during the year		130,000	140,000
	Sub total	432,800	302,800
VIII. Balance in Profit and Loss Account		369,636	231,830
	TOTAL	28,697,559	20,541,082

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2013

	As at 31.03.2013 ₹ ('000)	As at 31.03.2012 ₹ ('000)
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	75,629	4,140
(ii) From Others	15,397,905	12,614,063
II. Savings Bank Deposits	66,854,744	59,174,865
III. Term Deposits		
(i) From Banks	31,780,556	32,103,190
(ii) From Others	328,514,189	261,109,090
TOTAL	442,623,023	365,005,348
B. (i) Deposits of branches in India	442,623,023	365,005,348
(ii) Deposits of branches outside India	Nil	Nil
TOTAL	442,623,023	365,005,348
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	-	-
(iii) Other Institutions and Agencies (refer note B.9 of Schedule 18)	6,403,135	4,485,567
II. Borrowings outside India - from other banks	6,442,410	1,396,354
TOTAL	12,845,545	5,881,921
Secured borrowings included in above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	1,202,213	1,174,048
II. Inter-Office adjustments (Net)	-	186,389
III. Interest Accrued	1,995,126	2,046,516
IV. Others (including provisions)*	9,222,241	7,702,389
TOTAL	12,419,580	11,109,342

*Includes :-

a) Provision for Standard Assets ₹151.97 Crore (previous year ₹119.48 Crore)
b) Proposed dividend amounting to ₹93.82 Crore (previous year ₹68.10 Crore)
c) Corporate Dividend Tax payable amounting to ₹15.58 Crore (previous year ₹11.05 Crore)

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2013

	As at 31.03.2013 ₹ ('000)	As at 31.03.2012 ₹ ('000)
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand	2,379,668	1,919,419
(Including foreign currency notes)		
II. Balances with Reserve Bank of India		
In Current Account	14,587,345	13,798,997
TOTAL	16,967,013	15,718,416
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
(a) In Current Accounts	398,343	220,078
(b) In Other Deposit Accounts	18,267,405	9,589,813
ii) Money at call & short notice		
With Banks	4,500,000	-
Sub total	23,165,748	9,809,891
II. Outside India		
(a) In Current Accounts	1,934,279	783,985
(b) In Other Deposit Accounts	-	-
(c) Money at call & short notice - with banks	1,291,983	93,101
Sub total	3,226,262	877,086
TOTAL	26,392,010	10,686,977
SCHEDULE 8 - INVESTMENTS (net of provisions)		
I. Investments in India in:		
(i) Government Securities	99,822,603	82,131,853
(ii) Other Approved Securities	-	-
(iii) Shares	1,691,697	1,678,437
(iv) Debentures and Bonds	1,560,077	1,649,906
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others (Certificate of deposits, RIDF etc.)	22,160,292	8,538,546
TOTAL	125,234,669	93,998,742
Gross Investments	125,640,976	94,292,695
Less : Depreciation	356,016	243,662
Provision for NPI	50,291	50,291
Net Investments	125,234,669	93,998,742
II. Investments outside India	Nil	Nil
TOTAL	125,234,669	93,998,742

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2013

		As at 31.03.2013 ₹ ('000)		As at 31.03.2012 ₹ ('000)
SCHEDULE 9 - ADVANCES (net of provisions)				
A. (i) Bills Purchased and Discounted		28,901,109		30,572,660
(ii) Cash Credits, Overdrafts and Loans repayable on demand		157,610,596		139,885,143
(iii) Term Loans		131,643,650		102,349,561
TOTAL		318,155,355		272,807,364
B. (i) Secured by tangible assets (including advances against book debts)		280,376,201		243,274,186
(ii) Covered by Bank/Government Guarantees		14,915,787		10,862,147
(iii) Unsecured		22,863,367		18,671,031
TOTAL		318,155,355		272,807,364
C. I. Advances in India				
(i) Priority Sectors		83,148,912		51,182,655
(ii) Public Sector		24,479,181		14,456,346
(iii) Banks		-		-
(iv) Others		210,527,262		207,168,363
TOTAL		318,155,355		272,807,364
II. Advances outside India		Nil		Nil
TOTAL		318,155,355		272,807,364
SCHEDULE 10 - FIXED ASSETS				
I. Premises (including Land)				
At cost as on 31st March of the preceding year		2,917,689		2,782,993
Additions during the year				
Due to revaluation of Premises	-		-	
Purchases/Constructions	46,719	46,719	204,690	204,690
		2,964,408		2,987,683
Deductions during the year being depreciation on Revaluation of Premises adjusted from Asset Revaluation Reserve	66,495		69,994	
Sales/write off during the year	-	66,495	-	69,994
		2,897,913		2,917,689
Depreciation to date		254,789		200,826
Sub total		2,643,124		2,716,863
II. Assets under construction				
At cost as on 31st March of the preceding year		15,400		251,743
Additions during the year		175,130		130,788
		190,530		382,531
Capitalisations during the year		103,091		367,131
		87,439		15,400
Depreciation to date		-		-
Sub total		87,439		15,400
III. Other Fixed Assets				
At cost as on 31st March of the preceding year		2,324,794		1,979,112
Additions during the year		541,770		625,553
		2,866,564		2,604,665
Deductions/adjustments during the year		41,042		279,871
		2,825,522		2,324,794
Depreciation/adjustments to date		1,594,895		1,282,008
Sub total		1,230,627		1,042,786
TOTAL		3,961,190		3,775,049

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2013

	As at 31.03.2013 ₹ ('000)	As at 31.03.2012 ₹ ('000)
SCHEDULE 11 - OTHER ASSETS*		
I. Inter-Office adjustments (Net)	79,660	-
II. Interest Accrued	3,180,471	3,514,652
III. Tax Paid in Advance/Tax Deducted at Source (Net)	921,181	894,897
IV. Deferred Tax Asset (net)	837,041	543,241
V. Deferred Employee Benefits (refer note B.7 of Schedule 18)	507,200	843,100
VI. Stationery and Stamps	15,038	13,832
VII. Non-Banking Assets acquired in satisfaction of claims	9,626	18,064
VIII. Others	1,689,862	886,252
TOTAL	7,240,079	6,714,038

** Refer B 14 in Schedule 18*

SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts:		
(i) Service Tax disputes	21,600	21,600
(ii) Others	65,830	60,289
II. Liability on account of outstanding Forward Exchange Contracts[1]	72,584,035	33,050,905
III. Guarantees given on behalf of constituents in India	25,339,493	15,516,260
IV. Acceptances, endorsements and other obligations	7,538,973	5,920,861
V. Other items for which the bank is contingently liable:		
Capital Commitments	283,700	10,617
TOTAL	105,833,631	54,580,532

1. Represents notional amount

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013

		Year ended 31.03.2013 ₹ ('000)		Year ended 31.03.2012 ₹ ('000)
SCHEDULE 13 – INTEREST EARNED				
I. Interest/Discount on Advances/Bills		35,759,403		28,680,781
II. Income on Investments		7,463,893		6,211,058
III. Interest on balances with Reserve Bank of India and Other Inter-Bank funds		1,119,609		942,414
TOTAL		44,342,905		35,834,253
SCHEDULE 14 - OTHER INCOME				
I. Commission, Exchange and Brokerage		422,170		384,152
II. Profit on sale of Investments	647,111		457,663	
Loss on sale of Investments	(69,947)	577,164	(49,855)	407,808
III. Profit on sale of land, buildings and other assets	7,289		10,503	
Loss on sale of land, buildings and other assets	(2,474)	4,815	(2,246)	8,257
IV. Profit/(Loss) on Exchange transactions (net)		274,202		256,111
V. Miscellaneous Income		2,070,932		1,414,372
TOTAL		3,349,283		2,470,700
SCHEDULE 15 - INTEREST EXPENDED				
I. Interest on Deposits		30,789,172		25,188,321
II. Interest on Reserve Bank of India/Inter-Bank Borrowings		384,205		177,041
III. Others		361,267		251,495
TOTAL		31,534,644		25,616,857
SCHEDULE 16 - OPERATING EXPENSES				
I. Payments to and Provisions for Employees		4,725,061		3,741,107
II. Rent, Taxes and Lighting		679,297		500,580
III. Printing and Stationery		120,625		168,025
IV. Advertisement and Publicity		156,060		129,391
V. Depreciation	465,432		382,017	
Less : Depreciation on revaluation of premises transferred from Asset Revaluation Reserve	66,495	398,937	69,994	312,023
VI. Directors fees, allowances and expenses		3,932		2,311
VII. Auditors' fees and expenses (incl. branch auditors)		29,598		24,138
VIII. Law charges		15,429		19,935
IX. Postage, telegrams, telephones, etc.		146,249		105,544
X. Repairs and Maintenance		138,337		113,962
XI. Insurance		367,884		314,152
XII. Other Expenditure		890,277		741,753
TOTAL		7,671,686		6,172,921

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2013)

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 network of 750 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.

Basis of Preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of SIB used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies (Accounting Standards) Rules, 2006 as amended to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the accrual method of accounting, and the historical cost convention, except where otherwise stated.

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.

Significant Accounting Policies

1. Revenue Recognition

   a) Interest / discount 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, except in respect of income relating to advances/investments, classified as non-performing advances/investments where in accordance with RBI guidelines the income is 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) Commission income on issuance of bank guarantee / letter of credit is recognised over the period of the guarantee/letter of credit.

   d) Processing fee/upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/facility is recognized when it is due.

   e) All other amounts collected from customers as non interest income, locker rent or recovery of expenses towards provision of various services / facilities are accounted / recognised as and when these are due to the extent that there is no uncertainty over their ultimate collection.

   f) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

   g) The Bank imports gold coins on a consignment basis for selling to its customers. Other income includes the profit / loss on sale of gold coin is arrived at after reducing all direct and indirect costs.

2. Investments

   A) Classification

      a) In accordance with the RBI guidelines, investments are categorized into "Held for Trading", "Available for Sale" and "Held to Maturity" and further classified under five groups, viz. Government Securities, Other Approved Securities, Shares, Debentures & Bonds and other investments for the purposes of disclosure in the Balance Sheet.

      b) Investments which are held for sale within 90 days from the date of purchase are classified as "Held for Trading".

      c) Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

      d) Investments which are not classified in either of the above two categories are classified as "Available for Sale".

   B) Valuation

      The cost of investments is determined on the

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2013)

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 performed 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 on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c. Repurchase and reverse repurchase transactions – These are accounted as collateralized borrowing and lending transactions respectively. The difference between the consideration amount of the first leg and the second leg of the repo / reverse repo is recognized as interest expense / interest income over the period of the transaction.

   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.

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 in accordance with RBI guidelines.

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.

3. 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. In addition, the bank adopts an approach to provisioning that is based on past experience, evaluation of security and other related factors.

b) Provision for non-performing advances comprising Sub-standard, Doubtful and Loss assets is made at a minimum in accordance with the Reserve Bank of India guidelines.

c) Bank considers an account as restructured in accordance with RBI Guidelines. Provision on assets restructured/rescheduled is made in accordance with the applicable RBI guidelines on restructuring of advances by Banks. In respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due,

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2013)

subject to satisfactory performance of the account during the period.

d) In accordance with the Reserve Bank of India guidelines, the bank creates a minimum 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%
Restructured advances	0.25% - 2.75%
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.

b) Provision made against standard assets in accordance with RBI guidelines above is disclosed separately under Other Liabilities and is not netted off against Advances.

4. 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.

e) Items costing upto ₹ 5,000 are depreciated fully in the year of acquisition.

5. Transactions Involving Foreign Exchange

a) Foreign Exchange contracts outstanding at the Balance Sheet date are revalued at rates notified by FEDAI and resulting profits or losses are included in the Profit and Loss Account.

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.

d) Contingent liabilities as at the reporting date on account of outstanding foreign exchange contracts are restated at year end rates notified by FEDAI.

6. Employee Benefits

The liability on employee benefits are recognized 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. The fund is a defined contribution fund and the Bank has no further liability beyond the contribution made to the fund.

b) Pension Fund:
The contribution towards The South Indian Bank Ltd. Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2013)

Sheet date and is recognised in the profit and loss account. 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.

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 and the Bank has no further liability beyond the contribution to the fund on this 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 profit and loss account.

e) Employees Stock Option Scheme (ESOS):

The Bank has formulated Employee Stock Option Scheme (ESOS) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and are to be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee compensation plans. In accordance with the SEBI 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.

7. 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 / Whole sale Banking

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

c) Retail banking

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

d) Other Banking Operations

This segment includes income from para banking

SCHEDULE - 17 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(Forming Part of Balance Sheet and Profit & Loss Account For The Year Ended March 31, 2013)

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

Geographic segment
The Bank operates only in India.

8. 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.

9. 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.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

10. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

11. 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 cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent assets, if any, are not recognized or disclosed in the financial statements.

12. Lease

Rental payments for premises taken on operating lease agreements are recognized as an expense in the profit and loss account over the lease term as the lease are cancellable.

13. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

A. DISCLOSURES IN TERMS OF THE RESERVE BANK OF INDIA GUIDELINES

1. Capital Adequacy

Particulars	Basel II *		Basel I	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
i) Capital to Risk weighted Asset Ratio (CRAR %)	13.91	14.00	11.46	11.64
ii) CRAR - Tier I Capital (%)	12.05	11.54	9.94	9.60
iii) CRAR - Tier II Capital (%)	1.86	2.46	1.52	2.04
iv) Percentage of the shareholding of the Government of India in nationalized 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	31.03.2013	31.03.2012
(i) Interest Income as a percentage to Working Funds*	10.36%	9.99%
(ii) Non-interest income as a percentage to Working Funds*	0.78%	0.69%
(iii) Operating Profit as a percentage to Working Funds*	1.98%	1.82%
(iv) Return on Assets**	1.17%	1.12%
(v) Business (Customer Deposits plus Advances) per employee*** (₹ in Crore)	12.01	10.79
(vi) Profit per employee*** (₹ in Crore)	0.08	0.07

* For the purpose of computing the ratio, Working Fund represents the average of total assets as reported in Form X to RBI under Section 27 of the Banking Regulation Act, 1949.

** For the purpose of computing the ratio assets represents average total assets as reported in Form X to RBI under Section 27 of the Banking Regulation Act, 1949.

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

3. Movement in provisions for depreciation on investments

[₹ in Crore]

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	12564.10	9429.27
(b) Outside India	–	–
(ii) Provisions for Depreciation		
(a) In India	35.60	24.37
(b) Outside India	–	–
(iii) Provisions for NPI		
(a) In India	5.03	5.03
(b) Outside India	–	–
(iv) Net Value of Investments		
(a) In India	12523.47	9399.87
(b) Outside India	–	–
b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	24.37	10.29
(ii) Provisions made during the year	11.23	15.79
(iii) Less: Write-off/ (write back) of excess provisions during the year	–	(1.71)
(iv) Closing Balance	35.60	24.37
c. Movement of provisions held towards Non-Performing Investments		
(i) Opening Balance	5.03	7.00
(ii) Provisions made during the year	–	–
(iii) Less: Write-off/(write back) of excess provisions during the year	–	(1.97)
(iv) Closing Balance	5.03	5.03

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

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 31st March 2013				As at 31st March 2012			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities	-	814.55	9167.71	9982.26	14.63	585.35	7613.21	8213.19
Other Approved	-	-	-	-	-	-	-	-
Shares	19.64	149.53	-	169.17	9.83	158.01	-	167.84
Debentures & Bonds	-	156.01	-	156.01	-	164.99	-	164.99
Others*	860.32	311.34	1044.37	2216.03	238.18	-	615.68	853.85
Total	**879.96**	**1431.43**	**10212.08**	**12523.47**	**262.64**	**908.35**	**8228.89**	**9399.87**

*Includes Certificate of Deposits, RIDF etc.

5. Disclosure in respect of Non-SLR investments

(i) Issuer composition of Non-SLR investments as at 31st March, 2013: [₹ 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	18.10	-	-	12.14	0.05
(ii)	FIs#	1219.06	45.32	-	27.79	25.32
(iii)	Banks	1177.30	41.00	-	53.38	-
(iv)	Private Corporate	162.35	124.10	-	79.86	54.11
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	35.60				
	Total	**2541.21**	**210.42**	**-**	**174.17**	**79.48**

* Does not include Certificate of Deposits Face Value ₹ 1120.00 Crore.
** Column values in 4, 5, 6 & 7 are net of depreciation and NPI.
\# Includes RIDF to the extent of ₹ 1044.37 Crore, column 4, 5, 6 & 7 does not include RIDF deposit.

(ii) Issuer composition of Non-SLR investments as at 31st March, 2012: [₹ 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	18.47	-	-	14.16	0.04
(ii)	FIs#	665.79	-	-	3.36	20.28
(iii)	Banks	350.84	42.00	-	57.85	-
(iv)	Private Corporate	175.44	122.73	-	87.48	52.74
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others	-	-	-	-	-
(vii)	Provision held towards depreciation	23.86				
	Total	**1186.68**	**164.73**	**-**	**162.85**	**73.06**

* Does not include Certificate of Deposits Face Value ₹ 250.00 Crore.
** Column values in 4, 5, 6 & 7 are net of depreciation and NPI.
\# Includes RIDF to the extent of ₹ 615.68 Crore, column 4, 5, 6 & 7 does not include RIDF deposit.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

[₹ in Crore]

	Particulars	31.03.2013	31.03.2012
a	Shares	169.17	167.84
b	Debentures & Bonds	156.01	164.99
c	Subsidiaries/joint ventures	-	-
d	Others (includes RIDF)	2216.03	853.85

(iii) Non-performing Non-SLR investments: [₹ in Crore]

Particulars	31.03.2013	31.03.2012
Opening Balance	5.03	7.00
Additions during the year	-	-
Reductions during the year	-	1.97
Closing balance	5.03	5.03
Total provisions held	5.03	5.03

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

a) Done during the year ended March 31, 2013: [₹ in Crore]

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2013
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, 2012: [₹ in Crore]

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2012
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 FOR THE YEAR ENDED MARCH 31, 2013

7. Lending to sensitive sectors

A. Real Estate Sector [₹ in Crore]

Category	31.03.2013	31.03.2012
a) Direct Exposure		
(i) Residential Mortgages -	1140.31	1147.02
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)	841.02	872.41
(ii) Commercial Real Estate -	130.36	90.81
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		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	NIL	NIL
b. Commercial Real Estate	NIL	NIL
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	471.24	421.78
Total Exposure to Real Estate Sector	**1741.91**	**1659.61**

B. Exposure to capital market sectors [₹ in Crore]

Particulars	31.03.2013	31.03.2012
(i) Direct Investments in equity shares	143.99	157.19
(ii) Investments in convertible bonds/convertible debentures	5.00	NIL
(iii) Investments in units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	NIL	NIL
(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 FOR THE YEAR ENDED MARCH 31, 2013

Particulars	31.03.2013	31.03.2012
(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:	46.69	3.74
(viii) Loans sanctioned to corporates against the security of shares/bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	NIL	NIL
(ix) Bridge loans to companies against expected equity flows/issues	NIL	NIL
(x) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(xi) Financing to stockbrokers for margin trading	NIL	NIL
(xii) All exposures to Venture Capital Funds (both registered and unregistered)	NIL	NIL
Total Exposure to Capital Market	**190.68**	**160.93**

C. Risk category wise country exposure

Country Risk exposure has been classified on the following basis: [₹ in Crore]

Risk Category	Exposure (net) as at 31.03.2013	Provision held as at 31.03.2013	Exposure (net) as at 31.03.2012	Provision held as at 31.03.2012
Insignificant	250.30	-	119.10	-
Low	69.72	-	67.27	-
Moderate	14.37	-	11.57	-
High	3.10	-	-	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off Credit	-	-	-	-
TOTAL	**337.49**	-	**197.94**	-

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 FOR THE YEAR ENDED MARCH 31, 2013

8. Movements in non-performing advances (funded)

[₹ in Crore]

Particulars	31.03.2013	31.03.2012
[i] Net NPAs to Net Advances [%]	0.78	0.28
[ii] Movement of NPAs (Gross)		
a) Opening Balance	267.16	230.34
b) Additions during the year	530.06	171.51
c) Reductions during the year	363.35	134.69
d) Closing Balance	433.87	267.16
[iii] Movement of NPAs (Net)		
a) Opening Balance	76.51	60.02
b) Additions during the year	339.22	116.28
c) Reductions during the year	166.20	99.79
d) Closing Balance	249.53	76.51
[iv] Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	176.81	158.41
b) Provisions made during the year	206.91	84.30
c) Write off / write back of Excess provisions	219.50	65.90
d) Closing Balance	164.22	176.81

[₹ in Crore]

Particulars	31.03.2013	31.03.2012
Non-performing financial assets purchased/sold (from/to banks)	NIL	NIL

Provisions on Standard Assets: [₹ in Crore]

Particulars	31.03.2013	31.03.2012
Provisions towards Standard Assets	151.97	119.48

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

[₹ in Crore]

Particulars	31.03.2013	31.03.2012
(i) No. of Accounts	19	NIL
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	7.74	NIL
(iii) Aggregate Consideration	25.50	NIL
(iv) Additional consideration realized in respect of accounts transferred in earlier years	NIL	NIL
(v) Aggregate gain/ (loss) over net book value	17.76	NIL

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

10. Particulars of Accounts Restructured

[₹. in Crore]

Sl. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubt ful	Loss	Total	Standard	Sub Standard	Doubt ful	Loss	Total	Standard	Sub Standard	Doubt ful	Loss	Total	Standard	Sub Standard	Doubt ful	Loss	Total
	Details																					
1	Restructured Accounts as on April 1 of the FY (Opening figures)	No. of borrowers	5	-	1	-	**6**	9	2	1	2	**14**	69	6	4	8	**87**	83	8	6	10	**107**
		Amount outstanding	66.34	-	2.01	-	**68.35**	4.48	0.13	0.26	0.01	**4.88**	561.62	4.22	0.23	18.84	**584.91**	632.44	4.35	2.50	18.85	**658.14**
		Provision thereon	5.88	-	0.67	-	**6.55**	0.10	-	-	-	**0.10**	8.05	0.02	0.00	0.92	**8.99**	14.03	0.02	0.67	0.92	**15.64**
2	Fresh restructuring during the year	No. of borrowers	2	-	-	-	**2**	-	-	-	-	-	7			1	**8**	9	-	-	1	**10**
		Amount outstanding	61.73	-	-	-	**61.73**	-	-	-	-	-	323.94	-	-	160.66	**484.60**	385.66	-	-	160.66	**546.32**
		Provision thereon	20.34	-	-	-	**20.34**	-	-	-	-	-	-	-	-	-	-	20.34	-	-	-	**20.34**
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-				-	(6)				**(6)**	(16)				**(16)**	(22)				**(22)**
		Amount outstanding	-				-	(11.57)				**(11.57)**	(45.86)				**(45.86)**	(57.43)				**(57.43)**
		Provision thereon	-				-	(0.07)				**(0.07)**	(0.11)				**(0.11)**	(0.18)				**(0.18)**

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

Sl. No.	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubt ful	Loss	Total	Standard	Sub Standard	Doubt ful	Loss	Total	Standard	Sub Standard	Doubt ful	Loss	Total	Standard	Sub Standard	Doubt ful	Loss	Total
	Details																					
5	Down gradations of restructured accounts during the FY	No. of borrowers	(1)	1	(1)	1	-	-	(2)	2	-	-	(7)	4	1	2	-	(8)	3	2	3	-
		Amount outstanding	(7.33)	7.33	(2.41)	2.41	-	-	(0.13)	0.13	-	-	(22.71)	17.87	4.72	0.12	-	(30.04)	25.07	2.44	2.53	-
		Provision thereon	(0.80)	0.80	(0.67)	-	**(0.67)**	-	-	-	-	-	(1.24)	1.22	0.02	-	-	(2.04)	2.02	(0.65)	-	**(0.67)**
6	Write offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	(4)	**(4)**	-	-	-	(4)	**(4)**
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	(3.17)	(14.68)	**(17.85)**	-	-	(3.17)	(14.68)	**(17.85)**
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.92)	**(0.92)**	-	-	-	(0.92)	**(0.92)**
7	Restructured Accounts as on March 31 of the FY (closing figures)	No. of borrowers	6	1	-	1	**8**	5	-	2	2	**9**	54	7	4	7	**72**	65	8	6	10	**89**
		Amount outstanding	117.50	7.33	-	2.41	**127.24**	6.99	-	0.13	-	**7.12**	1151.34	22.71	1.79	160.68	**1336.52**	1275.83	30.04	1.92	163.09	**1470.88**
		Provision thereon	25.42	0.80	-	-	**26.22**	0.09	-	-	-	**0.09**	6.70	1.24	0.02	-	**7.96**	32.21	2.04	0.02	-	**34.28**

Note : As account identified as restructured NPA during RBI AFI 2012 and not disclosed during the previous year is included as fresh restructuring during the current year amounting to ₹ 160.65 Crore

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

11. Asset quality

Particulars	31.03.2013	31.03.2012
Percentage of net NPAs to net advances	0.78%	0.28%
Provision Coverage Ratio	53.20%	71.36%

Provision for Non-Performing Advances and unrealized interest thereon are deducted from various categories of advances 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	31.03.2013	31.03.2012
Total Deposits of twenty largest depositors	5981.63	5829.14
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	13.51%	15.97%

Concentration of Advances [₹. in Crore]

Particulars	31.03.2013	31.03.2012
Total Advances to twenty largest borrowers	5264.37	4405.97
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	16.44%	16.04%

Concentration of Exposures [₹. in Crore]

Particulars	31.03.2013	31.03.2012
Total Exposure to twenty largest borrowers/customers	5285.57	4410.09
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/ customers	11.86%	11.96%

Concentration of NPAs [₹. in Crore]

Particulars	31.03.2013	31.03.2012
Total Exposure to top four NPA accounts	277.65	89.81

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

13. Sector-wise NPAs

Gross NPA

Sl. No.	Particulars	31.03.2013	31.03.2012
	Sector	Percentage of Gross NPAs to Total Advances in that sector	Percentage of Gross NPAs to Total Advances in that sector
1	Agriculture & allied activities[1]	7.33	0.83
2	Industry (Micro & small, Medium and Large)	1.49	1.79
3	Services	0.42	5.20
4	Personal Loans[2]	0.62	0.21

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

Net NPA

Sl. No	Particulars	31.03.2013	31.03.2012
	Sector	Percentage of Net NPAs to Total Advances in that sector	Percentage of Net NPAs to Total Advances in that sector
1	Agriculture & allied activities[1]	3.20	0.20
2	Industry (Micro & small, Medium and Large)	1.19	0.69
3	Services	0.25	0.87
4	Personal Loans[2]	0.18	0.02

1. Represents loan towards agriculture and allied activities that qualify for priority sector lending.
2. Excludes retail loans towards agriculture and relied activities that qualify for priority sector lending.

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

14. Movement of NPAs

[₹. in Crore]

Particulars	31.03.2013	31.03.2012
Gross NPAs as on the beginning of the Financial Year	267.16	230.34
Additions (Fresh NPAs) during the year	530.06	171.51
Sub-total (A)	797.22	401.85
Less:-		
(i) Upgradation	146.15	44.96
(ii) Recoveries (excluding recoveries made from upgraded accounts)	72.71	87.08
(iii) Write Offs	144.49	2.65
Sub Total (B)	363.35	134.69
Gross NPAs as on the end of the Financial Year	433.87	267.16

15. Overseas Assets, NPAs and Revenue

[₹. in Crore]

Particulars	31.03.2013	31.03.2012
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	31.03.2013	31.03.2012
Total Advances for which intangibles securities such as charge over the rights, licenses, authority etc has been taken as collateral	NIL	NIL
Estimated value of such intangible collateral	NIL	NIL

18. Letter of Comfort (LoCs) issued by banks

[₹. in Crore]

Particulars	31.03.2013	31.03.2012
Letter of Comfort issued during the year	3153.96	1746.80
Assessed financial impact	176.17	180.90
Assessed cumulative financial obligations	1773.68	976.11

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

19. Bancassurance Business

[₹ in Crore]

Particulars	2012-13	2011-12
Fees/ remuneration received from bancassurance business	3.57	4.32

20. Maturity Pattern of key assets and liabilities

As at 31st March, 2013: [₹ in Crore]

Particulars	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	289.92	1114.09	1312.75	1281.37	8923.65	4620.22	9166.44	16104.02	752.88	696.96	44262.30
Loans & Advances	1009.88	240.66	389.47	785.76	4114.14	4449.64	9301.82	4580.83	3198.00	3745.33	31815.53
Investments	101.93	312.61	163.14	100.84	900.01	613.33	674.39	1894.05	2310.72	5452.45	12523.47
Borrowings	220.83	-	-	65.06	81.49	296.40	128.03	164.67	128.07	200.00	1284.55
Foreign Currency-Assets	309.90	-	14.57	21.40	-	138.01	23.35	-	-	-	507.23
Foreign Currency-Liabilities	257.30	1.78	3.12	6.33	111.48	321.88	186.54	86.15	48.59	-	1023.17

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

As at 31st March, 2012: [₹ in Crore]

	Day 1	2-7 days	8-14 days	15-28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	198.34	1064.59	1370.76	1359.04	7805.70	4512.43	8237.65	10828.64	715.36	408.02	36500.53
Loans & Advances	671.20	226.28	304.76	582.37	4538.62	4068.04	7373.45	3484.30	2555.51	3476.21	27280.74
Investments	1.37	271.59	158.06	64.67	378.47	113.00	315.11	993.32	1805.81	5298.47	9399.87
Borrowings	88.79	-	-	-	50.93	18.36	18.42	138.45	73.24	200.00	588.19
Foreign Currency-Assets	251.21	-	48.06	17.08	118.93	93.02	20.48	108.00	-	-	656.78
Foreign Currency-Liabilities	176.96	8.79	6.33	11.29	109.81	91.16	132.38	64.92	45.33	-	646.97

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. Bank does not have any Forward Rate Agreement or Interest Rate Swaps.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

[₹ in Crore]

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging	Nil	Nil
	b) For trading	Nil	Nil
(ii)	Marked to Market Positions [1]		
	a) Asset (+)	Nil	Nil
	b) Liability (-)	Nil	Nil
(iii)	Credit Exposure [2]		
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	Nil	Nil
	b) on trading derivatives	Nil	Nil
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	Nil	Nil
	b) on trading	Nil	Nil

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

During the current and previous year the bank had not sanctioned credit limits which were in excess of prudential exposure limits.

23. Provision for taxes during the year

[₹ in Crore]

Particulars	31.03.2013	31.03.2012
Current Tax	182.95	197.26
Deferred Tax (net)*	(29.38)	(26.59)
Wealth Tax	0.02	0.02
Total	**153.59**	**170.69**

*Deferred tax (net) includes ₹ (9.82) Crores in respect of earlier years (previous year ₹ 14.49 Crores)

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, 2013 and March 31, 2012.

25. Status of Complaints

a. Shareholder complaints:

	Particulars	31.03.2013	31.03.2012
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	211	221
(c)	No. of complaints redressed during the year	211	221
(d)	No. of complaints pending at the end of the year	-	-

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

b. Customer complaints:

	Particulars	31.03.2013	31.03.2012
(a)	No. of complaints pending at the beginning of the year	4	15
(b)	No. of complaints received during the year	419	394
(c)	No. of complaints redressed during the year	419	405
(d)	No. of complaints pending at the end of the year	4	4

c. Status of Awards passed by the Banking Ombudsman:

	Particulars	31.03.2013	31.03.2012
(a)	No. of unimplemented Awards at the beginning of the year	-	-
(b)	No. of awards passed by the Banking Ombudsman during the year	-	-
(c)	No. of Awards implemented during the year	-	-
(d)	No. of unimplemented Awards at the end of the year	-	-

The above details are as furnished by the Management and relied upon by the auditors.

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	31.03.2013	31.03.2012
Provision for NPA/ NPIs [1]	131.90	20.35
Provision for taxes (Net) [2]	182.97	197.28
Deferred Tax (net) [3]	(29.38)	(26.59)
Provision for Standard Assets	32.49	39.75
Provision for Restructured Advances	18.63	4.01
Provision for depreciation in the value of investments	11.23	14.07
Others	(1.53)	0.99
TOTAL	**346.31**	**249.86**

1. The provision has been made in accordance with prudential norms on Income recognition, asset classification and provisioning pertaining to advances, in respect of non-performing advances and investments and a special dispensation issued by Reserve Bank of India (RBI) vide their letter No. DBS (T) No.674/02.05.06/2012-13 dated December 31, 2012, for an advance of ₹ 150.00 Crore. Accordingly, the bank has recognized a provision of ₹ 90.00 Crore up to March 31, 2013 in respect of the above advance and the remaining provision is proposed to be made as permitted by RBI taking in to account the outcome of ongoing negotiations for settlement with the borrower.
2. Includes Wealth Tax ₹ **0.02** Crore (₹. 0.02 Crore)
3. The bank has adopted a board resolution that it has no intention to make withdrawal from the special reserve created and maintained under Section 36(1)(viii) of the Income Tax Act , the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. Accordingly the bank does not create any deferred tax liability on the said reserve and has reversed the deferred tax liability amounting to ₹ 9.82 Crore created during earlier years.

27. Draw Down from Reserves

In accordance with Reserve Bank of India guidelines, an amount net of taxes and net of transfer to statutory reserves of ₹ 5.69 Crore (Previous Year ₹ 7.13 Crore), has been drawn from Investment Reserve Account and credited to Profit and Loss account to the extent of provisions made during the year towards depreciation in investments in AFS and HFT categories.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

28. Floating Provisions

(₹ in Crore)

	Particulars	Current Year	Previous Year
(a)	Opening balance in the floating provisions account	NIL	NIL
(b)	The quantum of floating provisions made in the accounting year	NIL	NIL
(c)	Amount of draw down made during the accounting year	NIL	NIL
(d)	Closing balance in the floating provisions account	NIL	NIL

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 by professionally qualified independent valuers empanelled by the Bank using the indices based on current market price. The written down value of the premises has been increased from ₹ 192.31 Crore to ₹ 326.18 Crore and the resultant appreciation in the value amounting to ₹ 133.87 Crore has been credited to revaluation reserve during 2010-11.

2. Earnings Per Share

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

Particulars	31.03.2013	31.03.2012
Weighted average number of equity shares used in computation of basic earnings per share	124,64,93,418	113,05,36,733
Potential equity shares arising out of the Employees Stock Option Scheme [ESOS 2008]	96,42,907	1,23,21,917
Weighted average number of equity shares used in computation of diluted earnings per share	125,61,36,325	114,28,58,650
Earnings used in the computation of basic earnings per share (₹. in Crore)	502.27	401.66
Earnings used in the computation of diluted earnings per share (₹. in Crore)	501.57	400.45
Nominal Value of share (in ₹)	1.00	1.00
Basic earnings per share (in ₹)	4.03	3.55
Effect of potential equity shares for ESOS	0.04	0.05
Diluted earnings per share (in ₹)	3.99	3.50

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

3. Accounting for Employee Share Based Payments

The company has provided various share based payment schemes to its employees. As on March 31, 2013, the following schemes were in operation;

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Date of grant	21.11.2009	21.10.2010	16.02.2012	28.06.2012	05.03.2013
Date of Board approval	21.11.2009	21.10.2010	16.02.2012	28.06.2012	05.03.2013
Date of Share holders approval	18.08.2008	18.08.2008	18.08.2008	18.08.2008	18.08.2008
Number of options granted	307,25,000	5,10,500	9,42,000	21,000	10,66,500
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting period	21.11.2011 to 21.11.2013	21.10.2012 to 21.10.2014	16.02.2014 to 16.02.2016	28.06.2014 to 28.06.2016	05.03.2015 to 05.03.2017
Exercise period	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.
Manner of Vesting	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.

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

Activity in the options outstanding under the ESOS

Particulars	31.03.2013		31.03.2012	
	Options	Weighted average exercise price (₹.)	Options	Weighted average exercise price (₹.)
Options outstanding at the beginning of the year	2,77,29,170	13.51	3,07,77000	13.13
Options granted during the year	10,87,500	21.48	9,42,000	24.12
Options exercised during the year	47,79,959	12.94	36,93,530	12.93
Forfeited / lapsed during the year	30,69,676	13.21	2,96,300	14.37
Options outstanding at the end of the year	2,09,67,035	14.10	2,77,29,170	13.51
Options Exercisable	67,96,485	13.16	53,85,120	12.93

The weighted average share price at the date of exercise of the options was ₹ 25.95 (Previous year ₹ 27.48)

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

Details of exercise price for stock options outstanding as at 31.03.2013

Particulars	Exercise price per share (₹)	Number of options outstanding	Remaining contractual life of options
Tranche 1	12.93	1,85,48,985	1.29
Tranche 2	24.98	4,40,550	1.67
Tranche 3	24.12	8,93,000	2.98
Tranche 4	12.93	21,000	3.34
Tranche 5	21.65	10,63,500	4.03

Details of exercise price for stock options outstanding as at 31.03.2012

Particulars	Exercise price per share (₹)	Number of options outstanding	Remaining contractual life of options
Tranche 1	12.93	2,63,19,670	1.89
Tranche 2	24.98	4,76,500	2.66
Tranche 3	24.12	9,33,000	3.98

The weighted average fair value of stock options granted during the year was ₹ 6.82 (previous year – ₹ 8.28)

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 31-03-2013					Year ended 31-03-2012		
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 1	Tranche 2	Tranche 3
Exercise Price per share (₹)	12.93	24.98	24.12	12.93	21.65	12.93	24.98	24.12
Weighted Average Share Price per share (₹)	8.57	17.03	22.57	23.10	24.26	8.57	17.03	22.57
Expected Volatility	28.26%	28.26%	28.26%	28.26%	28.26%	30.00%	30.00%	30.00%
Historical Volatility	43.50%	31.33%	29.23%	31.32%	28.94%	43.50%	31.33%	29.23%
Life of the options granted (Vesting and Exercise period in years)	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.19 to 4.20	2.28 to 4.28	2.20 to 4.21
Average Risk Free Interest rate	7.98%	7.88% to 7.98%	7.89% to 7.94%	7.88% to 7.95%	7.89% to 8.09%	8.20% to 8.32%	8.20% to 8.47%	8.20% to 8.47%
Expected Dividend Yield	8.17%	4.11%	3.10%	3.03%	3.10%	7.00%	3.52%	2.66%

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

Effect of the ESOS on the profit and loss account and on its financial position: (₹ in Crore)

Particulars	31-03-2013	31-03-2012
Opening of ESOS Liability	4.17	4.50
Liability on account of ESOS issued	0.28	0.25
Reversal on account of Exercise	(0.69)	(0.53)
Reversal on account of lapsed/forfeiture	(0.45)	(0.05)
Total Employee compensation cost pertaining to ESOS	3.31	4.17
Opening Deferred Compensation Cost	1.27	2.38
Deferred compensation cost on ESOS issued	0.28	0.25
Compensation Cost pertaining to ESOS amortised during the year	(0.83)	(1.31)
Reversal on account of lapse/forfeiture	(0.02)	(0.05)
Deferred compensation cost	0.70	1.27

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

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

Particulars	31-03-2013	31-03-2012
Net Profit as reported (₹. in Crore)	502.27	401.66
Proforma Net profit based on fair value approach (₹. in Crore)	502.22	398.23
Basic EPS as reported (₹.)	4.03	3.55
Basic EPS (Proforma) (₹.)	4.03	3.52
Diluted EPS as reported (₹.)	3.99	3.50
Diluted EPS (Proforma) (₹.)	3.98	3.48

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

4. Segment Reporting

In accordance with RBI guidelines in regard to business segments of banks, the bank has determined the business segments and the required disclosures are as follows:

[₹ in Crore]

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	939.01	784.38	1887.99	1338.03	1852.56	1660.22	89.66	47.87	4769.22	3830.50
Result	(98.54)	(11.87)	156.39	77.25	522.77	467.81	75.24	39.15	655.86	572.34
Unallocated Expenses									0.00	0.00
Operating profit									665.86	572.34
Income Taxes									153.59	170.69
Extraordinary Profit/ Loss	-	-			-	-	-	-	-	-
Net Profit									502.27	401.65

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

Other Information:										
Segment Assets	13748.13	10076.55	20275.73	15515.19	14651.04	13729.41	-	-	48674.90	39321.15
Unallocated Assets									1120.13	1048.91
Total Assets									49795.03	40370.06
Segment Liabilities	12864.62	9504.46	19176.77	14799.82	13856.94	13096.38	-	-	45954.94	37400.66
Unallocated Liabilities									893.09	801.90
Total Liabilities									46791.42	38202.56

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

In computing the segment information certain estimates and assumptions have been made by the management which has been relied upon by the Auditors.

5. Deferred Tax Assets (net)

a) Deferred Tax Assets [₹ in Crore]

Timing Difference	31.03.2013	31.03.2012
Fixed Assets : Impact of difference between tax depreciation and Depreciation charged for the financial reporting	3.46	2.76
Provisions for Loans/Investments/ others	80.24	61.38
Total	**83.70**	**64.14**

b) Deferred Tax Liabilities [₹ in Crore]

Timing Difference	31.03.2013	31.03.2012
Fixed Assets : Impact of difference between tax depreciation and Depreciation charged for the financial reporting	-	-
Special Reserve created U/S 36(i)(viii) of I T Act	-	9.82
Total	**-**	**9.82**

6. Related Party Disclosure

a. Key Management Personnel

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

b. Gross Remuneration paid ₹ 70.40 Lakhs (Previous year Gross ₹ 56.79 Lakhs).

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits as they are determined on an actuarial basis for the bank as a whole.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

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	31.03.2013	31.03.2012
Pension Fund	144.93	82.93
Gratuity Fund	26.15	32.72
Compensation for absence on privilege/sick/casual leave	10.97	(2.55)

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 ended 31.03.2011, 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 ended 31.03.2011, 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 for the year ended 31.03.2011. 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 amortize the amount of ₹156.53 Crore over a period of five years. During the current year 2012-13, bank has amortized an amount of ₹ 33.59 Crore (₹. 28.74 Crore towards pension and ₹ 4.85 Crore towards gratuity) and balance unamortized amount to be carried forward as on 31.03.2013 is ₹ 50.72 Crore. Had the above circular been not issued by the RBI, Net profit of the Bank for the year would have been higher by ₹ 22.69 Crore pursuant to the application of AS 15 and the reserve would have been lower by ₹ 50.72 Crore.

b) Changes in the defined benefit obligations

[₹ in Crore]

Particulars	Gratuity Plan 31.03.13	Gratuity Plan 31.03.12	Pension Plan 31.03.13	Pension Plan 31.03.12
Projected defined benefit obligation, beginning of the year	136.88	122.12	323.64	330.72
Current Service Cost	6.36	5.39	15.10	13.12
Interest Cost	11.64	10.17	27.51	26.20
Actuarial gain/ (loss)	14.50	17.44	90.64	32.32
Benefits paid	(22.43)	(18.25)	(87.09)	(78.72)
Projected defined benefit obligation, end of the year	146.95	136.88	369.80	323.64
Liability (net) of fair value of plan asset at the end of the year	31.74	43.16	190.06	156.80

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

c) Changes in the fair value of plan assets

[₹ in Crore]

Particulars	Gratuity Plan 31.03.13	Gratuity Plan 31.03.12	Pension Plan 31.03.13	Pension Plan 31.03.12
Fair value of plan assets, beginning of the year	93.72	93.29	166.84	170.46
Expected return on plan assets	7.50	7.23	13.35	13.95
Employer's contributions	32.72	11.71	82.93	52.17
Actuarial gain/(loss)	3.71	(0.27)	3.72	8.99
Benefits paid	(22.43)	(18.25)	(87.09)	(78.72)
Fair value of plan assets, end of the year	115.22	93.72	179.75	166.84

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

[₹ in Crore]

Particulars	Gratuity Plan 31.03.13	Gratuity Plan 31.03.12	Pension Plan 31.03.13	Pension Plan 31.03.12
Current Service Cost	6.36	5.39	15.10	13.12
Interest defined benefit obligation	11.63	10.17	27.51	26.20
Expected return on plan assets	(7.50)	(7.23)	(13.34)	(13.95)
Net actuarial gain/(loss) recognized in the year	10.79	17.71	86.92	23.33
Past service cost	-	-	-	-
Employee cost	21.28	26.04	116.19	48.70
Amortization cost	4.85	6.68	28.74	34.23
Total	26.13	32.72	144.93	82.93
Actual return on plan assets	11.21	6.96	17.07	22.95

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

Particulars	Gratuity Plan 31.03.13	Gratuity Plan 31.03.12	Pension Plan 31.03.13	Pension Plan 31.03.12
Government of India Securities	38%	35%	35%	53%
State Government Securities	18%	11%	11%	
High quality Corporate Bonds	39%	46%	46%	3%
Equity Shares of Listed Companies	0 %	0 %	0 %	0%
Funds Managed by Insurer *	0 %	0 %	0 %	0%
Others (With Fund and Bank)	5%	8%	8%	44%
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

[₹ in Crore]

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Defined Benefit Obligations	146.95	136.88	122.12	98.57	84.29
Plan Assets	115.21	93.72	93.29	86.41	72.49
(Surplus)/Deficit	31.74	43.16	28.83	12.16	11.80
Unamortized	5.59	10.44	17.12	-	-
Net Benefit expense	26.15	32.72	11.71	12.16	11.80
Experience adjustments on Plan Liabilities	14.50	17.44	22.13	*	*
Experience Adjustments on Plan Assets	(4.25)	(0.27)	(0.64)	*	*

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

(ii) Pension [₹ in Crore]

Particulars	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09
Defined Benefit Obligations	369.80	323.64	330.72	74.59	77.16
Plan Assets	179.74	166.84	170.46	54.97	63.43
Surplus/Deficit	190.06	156.80	160.26	19.62	13.73
Unamortized	45.13	73.87	108.10	-	-
Net Benefit expense	144.93	82.93	52.16	19.62	13.73
Experience adjustments on Plan Liabilities	90.64	32.32	65.79	*	*
Experience Adjustments on Plan Assets	3.72	8.99	9.40	*	*

*Not available

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

Particulars	Gratuity Plan 31.03.13	Gratuity Plan 31.03.12	Pension Plan 31.03.13	Pension Plan 31.03.12	Compensation for absence 31.03.13	Compensation for absence 31.03.12
Discount rate	8.50%	9.00%	8.50%	9.00%	8.50%	9.00%
Expected rate of return on plan assets	8.00%	8.00%	8.00%	8.00%	*	*
Increase in compensation cost	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

*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 charge of ₹ 10.97 Crore (Previous year write-back of ₹ 2.55 Crore) has been 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.

9. Tier II Bonds

Lower Tier II Bonds outstanding as at March 31, 2013 is ₹ 265.00 Crore (Previous Year ₹ 265.00 Crore).

Amount reckoned for Tier II Capital as per RBI guidelines is ₹ 200.00 Crore (Previous Year ₹ 213.00 Crore).

10. Disclosures on Remuneration

(a) Information relating to the composition and mandate of the Remuneration Committee.

The Board of Directors of Bank through the Compensation and Remuneration Committee (CRC) of the Board

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

oversee the framing, review and implementation of compensation policy. The CRC comprise 4 independent directors including the non executive chairman.

CRC of the Bank as on March 31, 2013 is having the following independent directors:

- Mr. Amitabha Guha, Chairman
- Mr. Paul Chalissery
- Mr. Mohan E. Alapatt
- Dr. John Joseph Alapatt

The roles and responsibilities of the CRC are as follows:

- To oversee the framing, review and implementation of Bank's overall compensation structure and related polices on remuneration packages payable to all employees and the WTDs/MD & CEO including performance linked incentives, perquisites, stock option scheme etc. with a view to attract, motivate and retain employees and review compensation levels vis-a-vis other Banks and the industry in general.
- The CRC works in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The CRC also ensures that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- With respect to the performance linked incentive schemes, the CRC is empowered to:
  a. Draw up terms and conditions and approve the changes, if any, to the performance linked incentive schemes;
  b. Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
  c. Coordinate the progress of growth of business vis -a- vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as are considered necessary;
  d. On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- The CRC also functions as the Compensation Committee as prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and is empowered to formulate detailed terms and conditions of the scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
- To obtain necessary clearances and approvals from regulatory authorities, appoint merchant bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.
- To oversee the administration of employee benefits, such as, provident fund, pension fund, gratuity, compensation for absence on privilege/sick/casual leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.
- The CRC may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board;
- Any other matters regarding remuneration to WTDs/MD&CEO and other staffs of the Bank as and when permitted by the Board.
- To conduct the annual review of the Compensation Policy
- To fulfill such other powers and duties as may be delegated to it by the Board.

(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its circular no. DBOD.No.BC.72/29.67.001/2011-12 dtd. 13/01/2012.

The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers up to the rank of General Manager (Scale VII) is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board/Committee.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

Further, the compensation structure for the Whole Time Directors (WTDs)/ Managing Director & Chief Executive Officers (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to Clause 95 of Articles of Association of the Bank read with the Section 309 (1) of the Companies Act, 1956.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

The Board of Directors through the CRC shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration and a discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

The factors taken in to account for the annual review and revision in the variable pay and performance bonus are:

- The performance of the Bank
- The performance of the business unit
- Individual performance of the employee,
- Other risk perceptions and economic considerations

Further, the Bank has not identified any employee as "risk taker" for the purpose of variable pay under this compensation policy.

(e) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

- Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:
  i. Performance Linked Incentives to those employees who are eligible for incentives.
  ii. Ex-gratia for other employees who are not eligible for Performance linked Incentives.
  iii. Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965
  iv. Any other incentives, by whatever name called having the features similar to the above.
- Where the variable pay constitutes a substantial portion of the fixed pay, i.e. 50% or more, an appropriate portion of the variable pay, i.e. 40% will be deferred for over a period of 3 years.
- In case of deferral arrangements of variable pay, the deferral period shall not be less than three years. Compensation payable under deferral arrangements shall vest no faster than on a pro rata basis.
- The Board may adopt principles similar to that enunciated for WTDs/CEOs, as appropriate, for variable pay-timing, malus/clawback, guaranteed bonus and hedging.
- Employee Stock Option Scheme/Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable, will be excluded from the components of variable pay.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

(f) Quantitative disclosures on remuneration

			Current Year	Previous Year
Quantitative disclosures	(a)	• Number of meetings held by the Remuneration Committee during the financial year. • Remuneration paid to its members (In ₹).	4 1,00,000	2 40,000
	(b)	(i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus (iv) Details of severance pay, in addition to accrued benefits, if any.	1 - - -	1 - - -
	(c)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.	- -	- -
	(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred. (₹ in Lakhs) • Fixed • Variable • Deferred • Non-Deferred	 58.79 11.61 - -	 46.44 10.35 - -
	(e)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments (ii) Total amount of reductions during the financial year due to ex- post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	- - -	- - -

11. Disclosures relating to Securitization

Sl. No.	Particulars	No. / Amount in ₹ Crore
1	No of SPVs sponsored by the bank for securitization transactions	NIL
2	Total amount of securitized assets as per books of the SPVs sponsored by the bank	
3	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet a) Off-balance sheet exposures First loss Others b) On-balance sheet exposures First loss Others	
4	Amount of exposures to securitization transactions other than MRR a) Off-balance sheet exposures (i) Exposure to own securitizations First loss Others (ii) Exposure to third party securitizations First loss Others b) On-balance sheet exposures (iii) Exposure to own securitizations First loss Others (iv) Exposure to third party securitizations First loss Others	

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

12. Credit Default Swaps : NIL

13. Description of Contingent Liabilities

Sl. No	Contingent liability*	Brief Description
1	Claims not acknowledged as debts	This includes liability on account of Service tax, and other legal cases filed against the bank. The bank is a party to various legal proceedings in the ordinary course of business and these are contested by the Bank and are therefore subjudice. The bank does not expect the outcome of these proceedings to have a material adverse impact on the bank's financial position.
2	Liability on account of outstanding forward contracts	The bank enters into foreign exchange contracts with interbank participants on its own account and for its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contract rate.
3	Guarantees on behalf of constituents in India	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

14. Other Assets includes ₹ 5.12 Crore representing expenses incurred in relation to the Qualified Institutional Placement (QIP) issue of equity shares in excess of the amount permissible under Section 13 of the Banking Regulation Act, 1949. The bank has applied to the Central Government for necessary approval and pending receipt of the same has held such amount in Escrow account, not debited/charged such expense to the share premium account.

15. Figures of the previous year have been regrouped to confirm to the current year presentation wherever necessary.

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Subramanian Suresh
Partner
Membership No. 083673

Bangalore
May 6, 2013

For and on behalf of Board of Directors

Abraham Thariyan
Executive Director

Amitabha Guha
Chairman

Dr. V. A. Joseph
MD & CEO

Cheryan Varkey
Executive Director

Paul Chalissery
Director

Mathew L. Chakola
Director

C. P. Gireesh
Chief Financial Officer

Dr. N. J. Kurian
Director

Mohan E. Alapatt
Director

Vijith S.
Asst. General Manager

H. Suresh Prabhu
Director

Dr. John Joseph Alapatt
Director

Bangalore
May 6, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

		Year Ended March 31st 2013 ₹ ('000)	Year Ended March 31st 2012 ₹ ('000)
Cash flow from operating activities			
Net Profit As Per Profit and Loss Account		**5,022,724**	4,016,560
Adjustments for:			
Provision for taxes (Net)		**1,535,850**	1,706,850
Depreciation		**398,937**	312,023
Deferred Employee Cost Amortized		**335,900**	409,100
Net Loss on Revaluation of Investments		**143,270**	156,919
Provision for Depreciation / Non-Performing Investments		**112,354**	133,790
General Provisions against Standard Assets		**324,900**	397,500
Provision for Non-Performing Assets		**1,319,022**	210,452
Other Provisions		**171,010**	50,024
ESOS Employee Compensation expense amortised		**8,154**	13,106
Interest on Subordinated bonds		**250,867**	251,211
(Profit)/Loss on sale of land, buildings and other assets		**(4,816)**	(8,257)
Operating profit before working capital changes	(A)	**9,618,172**	7,649,278
Changes in working capital:			
Increase / (Decrease) in Deposits		**77,617,674**	67,794,596
Increase / (Decrease) in Borrowings		**6,963,624**	2,978,453
Increase / (Decrease) in Other liabilities		**699,141**	559,343
(Increase) / Decrease in Investments		**(18,657,553)**	10,272,491
(Increase) / Decrease in Advances		**(46,853,991)**	(68,172,425)
(Increase) / Decrease in Other Assets		**(541,854)**	(266,926)
	(B)	**19,227,041**	13,165,532
Cash flow from operating activities before taxes	(A+B)	**28,845,213**	20,814,810
Direct Taxes Paid		**(1,855,935)**	(2,306,520)
Net cash flow from operating activities	(C)	**26,989,278**	18,508,290
Cash flow from investing activities:			
Purchase of Fixed Assets/CWIP		**(660,528)**	(592,919)
Sale of Fixed Assets		**13,771**	12,554
(Purchase)/Sale of Investments (Held To Maturity)		**(12,833,998)**	(15,324,220)
Net cash flow from investing activities	(D)	**(13,480,755)**	(15,904,585)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

		Year Ended March 31st 2013 ₹ ('000)	Year Ended March 31st 2012 ₹ ('000)
Cash flow from financing activities:			
Proceeds from issue of share capital		**4,487,864**	47,757
Dividend paid including Corporate Dividend Tax		**(791,442)**	(656,695)
Interest on Subordinated bonds		**(251,315)**	(250,635)
Net cash flow from financing activities	**(E)**	**3,445,107**	(859,573)
Net increase in cash and cash equivalents	**(C+D+E)**	**16,953,630**	1,744,132
Cash and cash equivalents as at beginning of the year		**26,405,393**	24,661,261
(Refer note below)			
Cash and cash equivalents as at the end of the year		**43,359,023**	26,405,393
(Refer note below)			
Note:			
Balance with banks in India in Fixed Deposit (As per Schedule 7 I (i) (b))		**18,267,405**	9,589,813
Balance with banks in India in current account (As per Schedule 7 I (i) (a))		**398,343**	220,078
Money at call and short notice in India (As per Schedule 7 I (ii))		**4,500,000**	-
Cash in hand (As per Schedule 6 I)		**2,379,668**	1,919,419
Balance with RBI in current account (As per Schedule 6 II)		**14,587,345**	13,798,997
Balance with banks Outside India:			
(i) In current account (As per Schedule 7 II (a))		**1,934,279**	783,985
(ii) Money at call & short notice – with banks (As per Schedule 7 II (c))		**1,291,983**	93,101
Cash and cash equivalents as at the end of the year		**43,359,023**	**26,405,393**

As per our report of even date

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No. 101049W

per **Subramanian Suresh**
Partner
Membership No. 083673

Bangalore
May 6, 2013

For and on behalf of Board of Directors

Abraham Thariyan
Executive Director

Amitabha Guha
Chairman

Dr. V. A. Joseph
MD & CEO

Cheryan Varkey
Executive Director

Paul Chalissery
Director

Mathew L. Chakola
Director

C. P. Gireesh
Chief Financial Officer

Dr. N. J. Kurian
Director

Mohan E. Alapatt
Director

Vijith S.
Asst. General Manager

H. Suresh Prabhu
Director

Dr. John Joseph Alapatt
Director

Bangalore
May 6, 2013

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON MARCH 31, 2013

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
Tier – I	Tier I Capital includes Equity Share Capital and Reserves and surplus comprising of Statutory Reserve, Capital Reserve, Share Premium, Special Reserve, and Balance in Profit & Loss A/c.
Tier – II	Tier II Capital includes Revaluation Reserve, Tier II Bonds – Subordinated Debt and General Provisions

QUANTITATIVE DISCLOSURES [₹ in Crore]

(b) Tier - I Capital		2,774.13
• Paid up Capital	133.85	
• Reserves	2,729.03	
• Innovative Instruments	0.00	
• Other Capital Instruments	0.00	
• Amount deducted from Tier - I Capital	(88.75)	
(c) Total Eligible Tier - II Capital (Net of Deductions)		428.52
(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	200.00	
(f) Other deductions from Capital, if any	0.00	
(g) Total Eligible Capital		3,202.65

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON MARCH 31, 2013

TABLE DF – 3
CAPITAL ADEQUACY

Qualitative Disclosures

(a) Summary

- ICAAP Policy has been put in place.
- Capital requirement for current business levels and framework for assessing capital requirement for estimated future business levels are assessed on a periodic basis.
- Capital Adequacy Ratio has been worked out based on Basel I and Basel II Guidelines and Capital Adequacy Ratio is above the regulatory minimum level of 9%.

Quantitative Disclosures	₹ in Crore
(b) Capital requirements for Credit Risk:	
• Portfolios subject to Standardised Approach	1,855.14
• Securitisation Exposure	0.00
(c) Capital requirements for Market Risk	
• Standardised Duration Approach	63.75
(d) Capital requirements for Operational Risk	
• Basic indicator approach	154.01
Total capital requirement under regulatory minimum of 9%	2,072.91
(e) Total, Tier-I & Tier-II Capital Adequacy Ratio	
CRAR -Total	13.91%
CRAR Tier-I	12.05%
CRAR Tier-II	1.86%

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 MARCH 31, 2013

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	32,014.03	
	Others (Fixed Assets, Other Assets etc.)	5,456.03	37,470.06
Non-Fund Based	LC/BG etc.	3,287.85	
	Forward Contracts	7,302.41	
	Others	532.19	11,122.45
Investments (Banking Book only)		9,912.33	9,912.33
Grand total of Credit Risk Exposure			**58,504.84**

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

Domestic	58,504.84
Overseas	Nil

d) Industry-type distribution of funded exposures (₹ in Crore)

	Industry Name	Gross Advance	Gross NPA
1	Mining and Quarrying	22.91	0.09
2	Food Processing	529.09	3.93
3	Beverages (Excluding Tea & Coffee) and Tobacco	40.80	0.91
4	Textiles	976.74	30.02
5	Leather and Leather products	66.77	-
6	Wood and Wood Products	95.79	1.00
7	Paper and Paper Products	241.14	2.32
8	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	402.08	14.99
9	Chemicals and Chemical Products (Dyes, Paints, etc.)	382.82	8.83
10	Rubber, Plastic and their Products	578.09	0.26
11	Glass and Glassware	3.15	-
12	Cement and Cement Products	315.16	0.08
13	Basic Metal and Metal products	1,613.91	50.83
14	All Engineering	154.91	2.17
15	Vehicles, Vehicle Parts and Transport Equipments	450.70	0.14
16	Gems and Jewellery	297.23	0.03
17	Construction	522.78	0.85
18	Infrastructure	5,363.88	64.36
19	Other Industries	601.51	7.67
20	Residuary Other Advances (totally with gross advances)	19,354.58	245.40
	Total	**32,014.04**	**433.87**

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON MARCH 31, 2013

e) Maturity Pattern of Key Assets (₹ in Crore)

Particulars	Loans and Advances	Foreign Currency Assets	Investments
1 day	1,009.88	309.90	101.93
2 to 7 days	240.66	-	312.61
8 to 14 days	389.47	14.57	163.14
15 to 28 days	785.76	21.40	100.84
29 days to 3 months	4,114.14	-	900.01
Over 3 months to 6 months	4,449.64	138.01	613.33
Over 6 months to 1 year	9,301.82	23.35	674.39
Over 1 year to 3 years	4,580.83	-	1,894.05
Over 3 years to 5 years	3,198.00	-	2,310.72
Over 5 years	3,745.35	-	5,452.45
TOTAL	**31,815.53**	**507.23**	**12,523.47**

(₹ in Crore)

f) Amount of Gross NPAs **433.87**

• *Substandard*	231.92
• *Doubtful-I*	157.69
• *Doubtful-2*	6.93
• *Doubtful-3*	-0.17
• *Loss*	37.5

g) Net NPA **249.53**

h) NPA Ratios

• *Gross NPA to Gross Advance:*	1.36%
• *Net NPA to Net Advance:*	0.78%

i) Movement of NPA (Gross)

• *Opening Gross NPA*	267.16
• *Additions to Gross NPA*	530.06
• *Reductions to Gross NPA*	363.35
• *Closing Balance of Gross NPA*	433.87

j) Movement of NPA Provisions

• *Opening balance of NPA Provisions held*	176.81
• *Provisions made during the period*	206.91
• *Deductions during the period*	219.50
• *Closing Balance of NPA Provisions*	164.22

k) Amount of Non-Performing Investments (Gross) **5.03**

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON MARCH 31, 2013

(₹ in Crore)

l) Amount of Provisions held in Non-Performing Investments **5.03**

m) Movement of Provisions for Depreciation on Investments

• *Opening Balance of Provisions for Depreciation*	24.37
• *Provisions made during the period*	11.23
• *Write-offs / Write-back of excess provisions during the period*	-
• *Closing Balance of Provisions for Depreciation*	35.60

TABLE DF – 5

CREDIT RISK : DISCLOSURE FOR PORTFOLIOS SUBJECT TO STANDARDISED APPROACH

Qualitative Disclosures

State whether External Credit Rating Agencies (ECRA) 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 India Ratings (erstwhile FITCH)
4 ICRA Limited
5 Brickwork

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 India Ratings (erstwhile FITCH)
  4 ICRA Limited
  5 Brickwork
- 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 DF4), 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	31,611.38
Risk Weight at 100%	15,118.50
More than 100% Risk Weight	919.16
Amount deducted if any	Nil

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON MARCH 31, 2013

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	Corporate-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	6,898.71	86.66
2	Cash & Bank Deposits	1,058.56	13.30
3	KVP/IVP/NSC/LIC	3.15	0.04
	Total	**7,960.42**	**100.00**

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

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON MARCH 31, 2013

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)	7,960.42
ii)	Other eligible Collateral (after Haircuts)	Nil

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/overnight), 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) 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

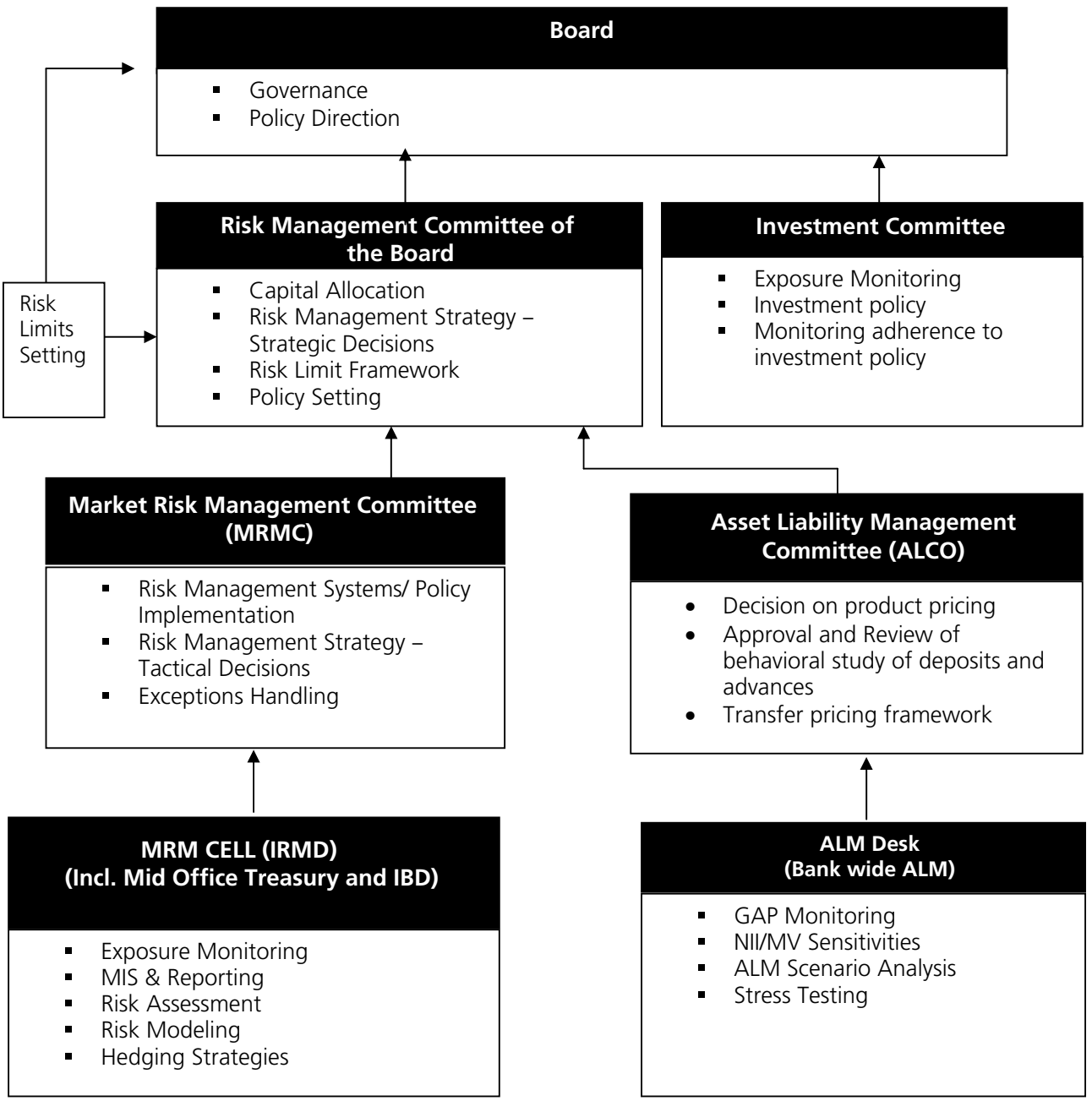
1) Values at Risk (VaR) numbers are arrived for Trading book Central Government securities, T Bills and Currencies.
2) The positions are marked to market at stipulated intervals. The Duration/Modified Duration are computed and its adherence to the prescribed duration limits are ensured.
3) The Bank is 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 analyses are done by applying rate shocks for parallel shift in the yield curve under current economic and political scenario.

Quantitative Disclosures

Sl. No.	Capital Requirements	Capital Charge (₹ in Crore)
1	Interest Rate Risk	39.92
2	Equity Position Risk	22.93
3	Forex Risk	0.90

ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS ON MARCH 31, 2013

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 MARCH 31, 2013

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 : ₹ 154.01 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 MARCH 31, 2013

Quantitative Disclosures

Particulars	As on 31.03.13
Change in NII Probable impact on Net Interest income for 100 Bps upward movement in interest rate	₹ 95.15 Crore
Change in MVE Probable impact on Market Value of equity (MVE) for a 200 Bps downward movement in interest rates.	0.51 % of Net-worth

Annexure to TABLE DF – 4 **ANNEXURE I**

CREDIT RISK: GENERAL DISCLOSURES

Qualitative Disclosures		Remarks
(I) 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 MARCH 31, 2013

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

Annexure to 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, India Ratings (erstwhile FITCH) and Brickwork. 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 Agencies rating are used for various types of exposures as follows: (i) For exposure with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short-Term Rating given by DCRA will be applicable. (ii) For Domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and/or Term Loan exposures of over one year, Long Term Rating will be applicable. (iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by 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 MARCH 31, 2013

(IV)	Description of the process used to map publicly available issue rating on to comparable assets in the banking book.	(i) If an issuer has a long-term exposure with an external long-term rating that warrants a risk weight of 150 percent, all unrated claims on the same counter-party, whether short-term or long-term, should also receive a 150 percent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims. (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.

Annexure to 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 MARCH 31, 2013

(iii) Eligible financial collaterals	(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: 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: 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 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 MARCH 31, 2013

(b) Qualitative Disclosures	Remarks
(i) On-balance sheet netting	Where the Bank (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) (a) sovereigns, sovereign entities (including BIS, IMF, European Central Bank and European Community as well as the eligible MBDs, ECGC and CGTSI), banks and primary dealers with a lower risk weight than the counter-party; (b) other entities rated AA(-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.

NOTICE

NOTICE is hereby given that the 85th 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 28th day of June, 2013 at 10.00 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, 2013 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 2013-14 and to authorize the Board to fix their remuneration. The present Statutory Central Auditors, M/s. S. R. Batliboi & Associates LLP, Chartered Accountants, Chennai, vacate office at this Annual General Meeting. They are eligible for re-appointment subject to RBI approval and they have given their consent for the same.
4. To appoint a Director in the place of Sri Mohan E. Alappat (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 K. Thomas Jacob (Director in the Majority Sector), who retires by rotation under Section 256 of the Companies Act, 1956, and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

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

   "RESOLVED THAT Sri John Joseph Alapatt, "D-406, Devaprayag, Tristar Apartments, Avinashi Road, Coimbatore – 641 037" be and is hereby appointed a director in the Majority Sector (SSI), whose period of office is liable for determination by retirement of directors by rotation."
7. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT in terms of Sec. 228 of the Companies Act 1956, the Board of Directors be and is hereby authorised to appoint from time to time in consultation with the Bank's Statutory Central Auditors, one or more persons qualified for appointment as branch auditors to audit the accounts for the financial year 2013-14, of such of the branch offices of the Bank as are not proposed to be audited by the Bank's Statutory Central Auditors on such remuneration and subject to such terms and conditions as may be fixed by the Board of Directors."
8. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolutions:

   "RESOLVED THAT pursuant 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 and subject to the approval of Reserve Bank of India (RBI), consent of the members 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, for a further period of three years w.e.f. November 2, 2013 as recommended by the Board of Directors of the Bank vide Resolution No. SEC/S-58 dated May 20, 2013.

   "FURTHER RESOLVED THAT Sri Amitabha Guha shall not be subject to retirement by rotation during his tenure as Non- Executive Part time Chairman."
9. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
   "RESOLVED THAT pursuant to Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Bank be and is hereby authorised to borrow monies as and when required in excess of the paid-up capital and free reserves of the Bank such that the aggregate borrowings of the Bank shall not at any time exceed ₹ 5,000 crore (Rupees Five Thousand crore only) ".
10. To consider and if thought fit, to pass, with or without modification, the following resolution as Special Resolutions:
    "RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and further subject to the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ("the Guidelines") and other applicable Rules, Regulations, Guidelines, provisions of Memorandum and Articles of Association of the Bank and further subject to necessary approval of the stock exchanges and other appropriate authorities, consent of the Bank be and is hereby accorded to create, grant and issue additional options under South Indian Bank Employees Stock Option Scheme – 2008 (SIB ESOS-2008) in addition to the options already created by an approval earlier granted by the shareholders at their meeting held on 18th August, 2008, such that the options to be granted to the Eligible Employees, present and future, including Directors of the Bank under SIB ESOS -2008 shall not exceed 5% of the total number of fully paid-up Equity Shares of the Bank at any point of time and further subject to the amended terms and conditions of SIB ESOS-2008 as set out hereunder.

NOTICE

"RESOLVED FURTHER that the approval of the shareholders of the Bank be and is hereby accorded to amend and vary the following clauses of SIB ESOS-2008, in terms of Clause 7 of the Guidelines as provided hereunder:

A. The following Clauses of the SIB ESOS-2008 shall be substituted in the place of the corresponding existing Clauses as detailed hereunder:

Clause No.	Clause Head	Substituted Clause
4.	INTERPRETATION	(q) "Market Price" means either of the following as the Board / Compensation and Remuneration Committee, as the case may be, may decide: (i) the latest available closing price, prior to the date of the CRC meeting recommending grant of options, on the Stock Exchange on which the Shares of the Company are listed; or (ii) 52 weeks average closing price of Bank's shares prior to the date of the CRC meeting recommending grant of options; or (iii) the lowest closing price of Bank's shares during the 52 weeks prior to the date of the CRC meeting recommending grant of options. If the Shares are listed on more than one Stock Exchange, then the Stock Exchange, where there is highest volume on the said date shall be considered for the aforesaid purpose.
5.	OFFER UNDER THE SCHEME	The maximum number of Options granted to Eligible Employees of the Bank under this Scheme shall not exceed 5 % [five percent] of the total number of fully paid up Equity Shares of the Bank, from time to time, as on the date(s) of Grant of Options under this Scheme. Thus the Bank may from time to time increase the number of Options available for being granted under the Scheme in a dynamic manner concomitant with the number of fully paid up shares in the capital of the Bank from time to time. The scheme is established w.e.f. 18th August 2008 and shall continue to be in force until : i. Its termination by the Board; or ii. The date on which all the options available for issuance under the scheme have been issued and Exercised herewith

B. The following Clause of the SIB ESOS-2008 shall be altered or amended as detailed hereunder:

Clause 9.4 : ENTITLEMENT OF SHARES

The following sentence shall be inserted in the end of the contents of the Clause:

"However, in respect of options granted on or after the 28th June, 2013, there shall be no lock in period for Shares allotted upon Exercise of such options."

C. In the SIB ESOS-2008, the explanation or description falling with the meaning of the term "Market Price" or referring to the "Market Price" shall be substituted by that term accordingly.

D. In the SIB ESOS 2008, the term "Compensation Committee of the Board (CCB)" defined in Clause 4(d) and used elsewhere in the SIB ESOS 2008 shall be renamed as "Compensation and Remuneration Committee of the Board (CRC) and substituted accordingly".

"RESOLVED FURTHER THAT subject to the aforesaid variation of the terms the existing SIB ESOS-2008 shall remain in force and Board / Compensation and Remuneration Committee of the Board, as the case may be, shall implement the same in accordance and in compliance of the terms of the SIB ESOS-2008."

"RESOLVED FURTHER THAT the new Equity shares to be issued and allotted by the Bank under the aforesaid revised SIB ESOS-2008 shall rank pari passu in all respects with the existing fully paid Equity shares of the Bank."

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

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

By Order of the Board of Directors

Place : Ernakulam
Date : May 20, 2013

(JIMMY MATHEW)
COMPANY SECRETARY

NOTICE

NOTES :

1. A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. A PROXY NEED NOT BE A MEMBER OF THE BANK.
2. PROXY FORM SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE BANK ATLEAST 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING. A FORM OF PROXY IS APPENDED FOR THE CONVENIENCE OF MEMBERS.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed in respect of Item Nos. 6 to 10.
4. The Register of Members and Share Transfer Books of the Bank will remain closed from Saturday the 22nd day of June, 2013, to Friday the 28th day of June, 2013, (both days inclusive). Dividend, if declared, will be paid to those members whose names appear in the Register of Members on Friday the 28th day of June, 2013 and to beneficial owners whose names appear in the Register of Beneficial Owners on Friday the 21st day of June, 2013. 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 2003-2004 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. 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.
8. 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.
9. Shares of the Bank are traded in dematerialized form. Members may opt for availing the benefits of electronic holding/ transfer of shares held by them.
10. 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.
11. 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.
12. Members described as "Minors" in the address but who have attained majority of age, may get their status in Register of Members corrected by producing proof of age.
13. Members should produce the attendance slip at the venue of the meeting.
14. Members holding (physical) shares in identical order of names in more than one folio are requested to write to the Share Transfer Agents to facilitate consolidation of their holdings in one folio.
15. A brief profile of the Directors, who are retiring by rotation and eligible for re-appointment, is furnished in the report under "Corporate Governance".
16. All communications/correspondence with regard to Equity Shares and dividend may be forwarded to the Share Transfer Agents at the address given below:

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

NOTICE

17. The Bank is concerned about the environment and utilization of natural resources in a sustainable way. The Ministry of Corporate Affairs (MCA), Government of India, has by its Circular Nos.17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively, permitted Companies to send official documents to their shareholders electronically as part of its green initiatives in Corporate Governance. Recognizing the spirit of the circular issued by the MCA, we are sending documents like the Notice convening the General Meetings, Financial Statements, Directors' Report, Auditors' Report etc. to the email address provided by the Shareholders with their Depositories.

    We request you to update your email address with the depository participants/share transfer agents as the case may be to ensure that the annual report and other documents reach you on your preferred email account.

By Order of the Board of Directors

Place : Ernakulam
Date : May 20, 2013

(JIMMY MATHEW)
COMPANY SECRETARY

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

ITEM No. 6

The Board of Directors appointed Dr. John Joseph Alapatt as an Additional Director on September 24, 2012 under Section 260 of the Companies Act, 1956. In terms of the provisions of the said Section, Dr. John Joseph Alapatt vacates office at this meeting. Dr. John Joseph Alapatt is a doctor by profession, has over 25 years of experience in Managing an SSI Unit. He was a Director of the Bank for two terms of eight years during the period from 1986 to 1994 and 2002 to 2010 representing Majority Sector (SSI).

A member of the Bank has expressed his intention to propose Dr. John Joseph Alapatt 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 Dr. John Joseph Alapatt is interested or concerned in the passing of this resolution.

ITEM No. 7

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

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

ITEM No. 8

Sri Amitabha Guha was appointed as Part time Non-Executive Chairman of the Bank w.e.f. November 2, 2010 for a period of 3 years with the approval of RBI. Before the expiry of his tenure, having regard to his contribution and wide experience, the Board of Directors of the Bank vide resolution No. SEC/S-58 dated May 20, 2013 resolved to re-appoint Sri Amitabha Guha as Part time Non-Executive Chairman. The terms of appointment, if approved by the Shareholders will be for a period of 3 years from November 2, 2013 and will be subject to the approval of RBI.

Sri Amitabha Guha, aged 64, 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 Independent Director of Vijaysri Organics Limited, Hyderabad, Xpro India Ltd., New Delhi, Gangavaram Port Limited and BSCPL infrastructure Limited and is also a member of the 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 re-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, 2013.
2. He will be paid a honorarium of ₹1,30,000/- (Rupees One lakh thirty thousand only) per month i.e. 15,60,000/- (Rupees Fifteen lakh sixty thousand only) per annum.
3. He will not be eligible for any sitting fees for attending Board and Committee meetings during his tenure as Part-time Chairman.
4. He will be paid a telephone expenses upto ₹5000/- p.m.
5. He will be eligible for reimbursement of actual entertainment expenses incurred by him upto ₹50,000/- per year on production of bill.
6. 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.

NOTICE

7. He will be covered under personal accident on official tour by appropriate insurance policy for a sum of ₹35.00 lakh during his tenure.
8. 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.

Members are requested to pass the resolution under Item No. 8 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. 9

The Directors' power to borrow is covered by Section 293(1)(d) of the Companies Act, 1956 read with Regulation 60 of the Bank's Articles of Association. Vide a resolution passed at its 80th Annual General Meeting held on 18th August, 2008, the borrowing powers were enhanced from ₹750 crore to ₹2,000 crore. The Bank is eligible for drawing refinance from Reserve Bank of India and/or other institutions against certain types of advances. Moreover to maintain statutory reserves, the Bank may have to borrow monies from Reserve Bank of India and/or other banks in substantial sums. In addition to this, the Bank has issued unsecured subordinated bonds during earlier years in different tranches to augment its Tier II Capital and the Bank has further headroom for raising such Tier II Capital. Hence the present limit of ₹2,000 crore has become inadequate. Anticipating the requirements for future growth, a limit of ₹5,000 crore is recommended to be fixed.

As per Section 293(1)(d) of the Companies Act, 1956 to exercise borrowing powers beyond the paid-up capital and free reserves of the Bank, the Board of Directors should obtain the sanction of the shareholders of the Bank by means of an ordinary resolution duly passed in a general meeting. Hence the resolution under the above item.

None of the Directors is interested in this ordinary resolution.

ITEM No.10

A glance through the Annual Reports of the Bank for the last 5 years reveals the tremendous leap the Bank has made in the areas of Deposits, Advances, Net Profit, Earning Per Share, etc. This was made possible, only with the hard work of the employees. The Board of Directors felt that grant of stock options to the employees would go a long way in rewarding the existing employees who have put in long years of service and to offer incentive to the new staff members.

Stock options have been recognised as an effective tool to attract, reward, retain and motivate the employees. They create a proprietary interest among the employees, provide them an opportunity to share in the growth of the Bank and create long term wealth in their hands. Accordingly, an Employees Stock Option Scheme (SIB ESOS 2008) was created in the year 2008 after obtaining the approval of shareholders at the 80th Annual General Meeting held on August 18, 2008 which would result in issue of maximum of 5% of the Issued Share Capital of the Bank as on March 31, 2008 but not exceeding 4,50,00,000 Equity Shares to eligible present and future employees including Directors of the Bank.

The Bank has upto March 31, 2013 granted an aggregate 3,32,65,000 options under 5 tranches in terms of SIB ESOS 2008 to Eligible Employees aggregating 2.49% of the issued and paid-up Capital of the Bank as at March 31, 2013. The Board of directors at their meeting dated May 20, 2013 deliberated on the need to continue with this rewarding system by creating additional options to the existing scheme and approved creation of additional options such that the aggregate options to be granted under the scheme shall not exceed 5% of the total number of fully paid-up Equity Shares of the Bank at any point of time. This would enable the grant of more options as and when paid-up share capital of the Bank is increased without any further amendment to the SIB ESOS 2008.

Further, the Board at its meeting held on May 20, 2013 proposed certain amendments with the effect to vary the terms of the existing SIB ESOS 2008, details of which are provided in the resolution. The variation of the terms in the existing SIB ESOS 2008 can be summarized as under:

a. The maximum number of Options to be granted under the SIB ESOS 2008 has been made as a percentage (5%) of the total number of fully paid-up Equity Shares of the Bank at the time of grant of Options, instead of specifying absolute number of Options.
b. The term Market Price has been amended so as to include the latest available closing price, prior to the date of the CRC meeting recommending grant of Options or average closing price of Bank's shares over a 52 weeks period prior to the CRC meeting recommending grant of Options or lowest closing price of Bank's Shares over a 52 weeks period prior to the CRC meeting recommending grant of options so that the Exercise Price becomes more reasonable.
c. Lock-in Period has been removed in respect of Options granted on or after 28th June, 2013.

The rationale for the aforesaid variation to the existing SIB ESOS 2008 is as under:

A) OFFER UNDER THE SCHEME

SIB ESOS 2008 was created in the year 2008 to enable issue of maximum of 5% of the Issued Share Capital of the Bank as on March 31, 2008 but not exceeding 4,50,00,000 Equity Shares to eligible present and future employees including Directors of the Bank.

NOTICE

The Bank has upto March 31, 2013 granted an aggregate 3,32,65,000 options under 5 tranches in terms of SIB ESOS 2008 to Eligible Employees aggregating 2.49% of the issued and paid-up Capital of the Bank as at March 31, 2013. The Board of directors at their meeting dated May 20, 2013 deliberated on the need to continue with this rewarding system by creating additional options to the existing scheme and approved creation of additional options such that the aggregate options to be granted under the scheme shall not exceed 5 % of the total number of fully paid-up Equity Shares of the Bank at any point of time. This would enable the grant of more options as and when paid-up share capital of the Bank is increased without any further amendment to the SIB ESOS 2008.

B) MARKET PRICE MADE MORE REASONABLE

As per the existing scheme the Compensation and Remuneration Committee (CRC) shall fix the exercise price for the options granted under the scheme, based on closing market price prior to the date of Compensation and Remuneration Committee meeting recommending the grant of options. The Board of directors at its meeting held on May 20, 2013 approved to change the criteria for fixing exercise price to the latest available closing price, prior to the date of the CRC meeting recommending grant of Options or average closing price of Bank's shares over a 52 weeks period prior to the CRC meeting recommending grant of Options or lowest closing price of Bank's Shares over a 52 weeks period prior to the CRC meeting recommending grant of options. The existing methodology of considering the latest available closing price, prior to the date of the CRC meeting recommending grant of Options is also retained. Thus the Board / CRC has the flexibility to consider a more reasonable exercise price in the interest of the Option Grantees. The amendment is also proposed to overcome the effect of sudden fluctuations in the market price of Bank's share, prior to grant of options, while fixing the exercise price of options granted. Hence as per the amendments proposed, the Market Price shall be either of the latest available closing price, prior to the date of the CRC meeting recommending grant of Options or average of 52 weeks closing market price of bank's shares or the lowest closing price of Bank's Shares during the 52 weeks prior to the CRC meeting.

C) REMOVAL OF LOCK-IN

The shares allotted under existing SIB ESOS-2008 have a lock-in period of one year from the date of allotment. The Board of Directors at its meeting dated May 20, 2013 approved to remove the lock-in period in respect of options to be granted on or after June 28, 2013 so as to make the scheme more attractive to employees and also to enable the employees to make use of market opportunities.

Further, the Compensation Committee of the Board (CCB) and Remuneration Committee of the Board was merged together on January 12, 2009 to form a new Committee named Compensation & Remuneration Committee of the Board (CRC).

The SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines) stipulates the following conditions:

- That the proposed variation to the scheme should not be detrimental to the interests of the employees (para 7.1 of the SEBI Guidelines)
- That the company may by special resolution in a General Meeting vary the terms of ESOP offered pursuant to an earlier resolution of a general body but not yet exercised by the employee provided such variation is not prejudicial to the interests of the option holders (para 7.3 of the SEBI Guidelines)
- That the Company should give full particulars of the employees who are beneficiaries of such variation (para 7.4 of the SEBI Guidelines)

The proposed variation is of general nature and it applies to all present and future employees. It is not detrimental to the interests of employees. No options were granted to the members of the Board till today, whether Whole-time or Non-Executive. A copy of the scheme 'as amended' is available for inspection by members during working hours at the registered office of the Bank until the date of the Annual General Meeting.

Accordingly the resolution set as Item No.10 is being placed for the approval of shareholders pursuant to the provisions of sections 81(1A) of the Companies Act, 1956 and clause 6 of the ESOS guidelines and all other applicable provisions of law for the time being in force.

The Board of Directors recommends the Resolution as set out in Item No.10 for the approval of the members.

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

Memorandum of Interest

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

By Order of the Board of Directors

Place : Ernakulam
Date : May 20, 2013

(JIMMY MATHEW)
COMPANY SECRETARY

SOUTH INDIAN Bank

Experience Next Generation Banking

ATTENDANCE

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

I hereby record my presence at the 85th Annual General Meeting held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur, on Friday, the 28th day of June 2013 at 10.00 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 : SIB House, T. B. Road, Mission Quarters, Thrissur - 680 001

Client ID/
Folio No :

No. of Shares :

PROXY

I/We.....

of .....in the district of .....

being a Member/Members of The South Indian Bank Ltd., hereby appoint .....…… of

..... in the district of .....…… or

failing him/her ..... of .....…… in

the district of..... as my/our proxy to vote for me/us on my/our behalf at the 85th Annual General Meeting of the Company to be held on Friday, the 28th day of June 2013 at 10.00 a.m. and at any adjournment thereof.

Signed this..... day of ..... 2013.

Affix
15 Paise
Revenue
Stamp

Signature

SOUTH INDIAN Bank

Experience Next Generation Banking

ECS MANDATE FORM

To

M/s BTS Consultancy Services Pvt. Ltd.
Unit: South Indian Bank Ltd.
MS Complex, 1st Floor, No. 8, Sastri Nagar,
Near 200 Feet Road/RTO Kolathur
Kolathur, CHENNAI – 600 099.
Tel: 044-2556 5121
Fax: 044-2556 5131
email: helpdesk@btsindia.co.in

FOR SHARES HELD IN PHYSICAL MODE

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

SHAREHOLDERS HOLDING SHARES IN DEMAT MODE

Should inform their DPs directly

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

1) Folio No. : _____

2) Name of the 1st Registered Holder : _____

3) Bank Details :

- Name of the Bank : _____
- Full Address of the Branch : _____
  _____
- Complete Account Number : _____
- Account Type : (Please tick the relevant box for Savings Bank A/c, Current A/c or Cash Credit A/c)

☐ 10-Savings	☐ 11-Current	☐ 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).

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:__/___/ 2013

Address: _____

Note:

1. This form should be submitted to our Share Transfer Agents at the address given above to reach them on or before June 21, 2013 for receipt of dividend declared, if any, for the financial year 2012-13.
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.

SOUTH INDIAN Bank

Experience Next Generation Banking

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, M S Complex, 1st Floor, No.8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur, Kolathur, Chennai – 600 099, Tamilnadu,** who will return one copy thereof to the Shareholders.
12. Upon receipt of a duly executed nomination form, the Company / Share Transfer Agent of the Company will register the form and allot a registration number. The registration number and Folio no. should be quoted by the nominee in all future correspondence.
13. The nomination can be varied or cancelled by 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 :

FORMAT FOR REGISTERING EMAIL ID

To

M/s. BTS Consultancy Services Pvt. Ltd.
Unit: South Indian Bank Ltd.
MS Complex, 1st Floor, No. 8, Sastri Nagar,
Near 200 Feet Road/RTO Kolathur
Kolathur , CHENNAI – 600 099.
Tel : 044- 25565121
Fax: 044- 2556 5131
Email : helpdesk@btsindia.co.in

FOR SHARES HELD IN PHYSICAL MODE
Please complete this form and send it to
M/s. BTS Consultancy Services Pvt. Ltd., Chennai

SHAREHOLDERS HOLDING SHARES IN DEMAT MODE
Should inform their DPs directly

Sub: Registering of email address for service of documents through email

I hereby request the Bank to register my email address given below and give consent for service of documents including the notice of shareholders' meeting and postal ballot, Balance sheet, Profit & Loss Account, Auditors' Report, Directors' Report etc. through email;

1. Folio No. :
2. Name of the 1st Registered Holder :
3. Email address :

Signature of the 1st registered holder as per
the specimen signature with the company

Name :

Place :

Date : ___/___/___

LAUNCH OF SIB CARE

Exclusive annuity deposit scheme "SIB CARE" launched by Sri. Oommen Chandy, Hon. Chief Minister, Govt. of Kerala in the presence of Dr.V.A.Joseph, MD & CEO, Mr. Abraham Thariyan, Executive Director of the Bank and cine artist Ms. Mitra Kurian.

LAUNCH OF SIB TRAVEL CARD

Brand ambassador of South Indian Bank Ltd., Dr. Padmasree Bharat Mammootty inaugurating "SIB Travel Card" on the 84th Founders' Day in the presence of Dr.V.A. Joseph, MD & CEO, Mr.Abraham Thariyan and Mr.Cheryan Varkey, Executive Directors of the Bank.

INAUGURATION OF BHUJ BRANCH

Shri Swami Dharmanandan Dasji inaugurates Bhuj branch of the Bank in the presence of Dr.V.A.Joseph, MD & CEO of the Bank and Mr. Rajesh Butt, President, Chamber of Commerce, Kutch.

REDEDICATION OF THRISSUR REGIONAL OFFICE

Mr. M.K. Abdulla, Chairman, EMKE Group, inaugurates renovated premises of Thrissur Regional Office in the presence of Mr.Amitabha Guha, Chairman, Dr.V.A.Joseph, MD & CEO, Mr.Paul Chalissery, Mr.K.Thomas Jacob, Directors of the Bank, Rev. Msgr. Raphael Vadakkan, Director, Jubilee Mission Medical College & Research Institute, Thrissur, Rev. Fr. Walter Thelappilly CMI, Director, Amala Institute of Medical Sciences, Thrissur and Rev. Fr. Paul A. Ambooken, Director, St. James Hospital, Chalakudy.

BANKING TECHNOLOGY EXCELLENCE AWARD

Dr. D. Subbarao, RBI Governor, presents the "Banking Technology Exellence Award" to Dr.V.A. Joseph, MD & CEO, in the presence of Sri B. Sambamurthy, Director, IDRBT. SIB is receiving the prestigious award from IDRBT, Technical arm of RBI, for the third time.

BOOK POST

SOUTH INDIAN Bank

Experience Next Generation Banking

The South Indian Bank Ltd.,
Regd. Office, SIB House
T.B. Road, Mission Quarters, Thrissur-680 001, Kerala, India.
Telephone Nos: +91-487-2420020, 2420058, 2420113
Email: ho2006@sib.co.in, Website: www.southindianbank.com

SOUTH INDIAN Bank

FORM B

Covering letter of the annual audit report to be filed with the stock exchange

1	Name of the Company	The South Indian Bank Ltd
2	Annual Financial Statements for the year ended	31st March 2013
3	Type of Audit qualification	Qualified Opinion. "Attention is invited to note 18.A.26 to the financial statements regarding a non performing advance of Rs 150 crores and in respect of which a provision of Rs. 90 crores has been made by the management of the Bank based on special dispensation obtained from the Reserve Bank of India (RBI) vide RBI letter dated DBS (T) No.674/02.05.06/2012-13 dated December 31, 2012 from complying with the "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" issued by the RBI. As the ultimate recoverability of the net carrying amount is uncertain, pending final determination thereof we are unable to comment on the recoverability of the carrying amount and consequential effects of these matters on the financial statements."
4	Frequency of qualification	Appeared for first time
5	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	Please refer to Note No.A.26 of schedule 18 to financial statements. **Management Explanation for Auditor's comments** In view of the ongoing negotiations with the borrower the Bank is hopeful of recovering the dues, thereby warranting a lower provision. However, the Bank has made provision as suggested by the regulatory communication vide RBI letter dated DBS (T) No.674/02.05.06/2012-13 dated December 31, 2012.
6	Additional comments from the board/audit committee chair:	Remaining provision of Rs 60 crore will be made on or before 31.03.2014 in accordance with the special dispensation of RBI referred in the Audit Report..

Dr V. A. Joseph
CEO/Managing Director

K Thomas Jacob
Audit Committee
Chairman

Subramanian Suresh
Auditor of the company

S.R. Batliboi & Associates LLP Chennai Chartered Accountants

C P Gireesh
CFO

Date: May 6, 2013
Place Bangalore

Date: May 6, 2013
Place Bangalore