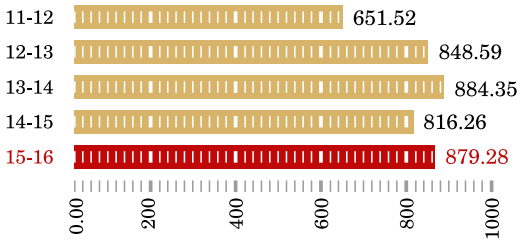
88th ANNUAL REPORT 2015-2016

SOUTH INDIAN Bank

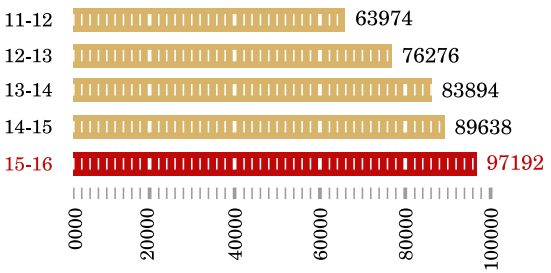
Experience Next Generation Banking

GROWTH INDICATORS

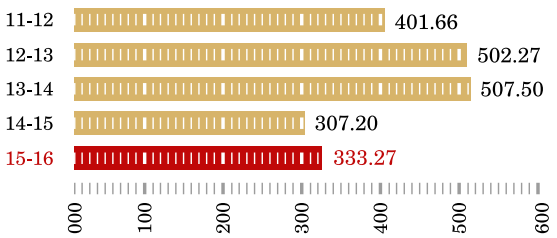
Operating Profit (₹ in Cr)



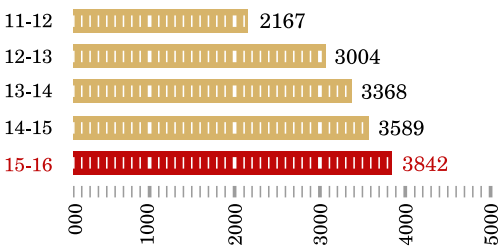
Gross Business (₹ in Cr)



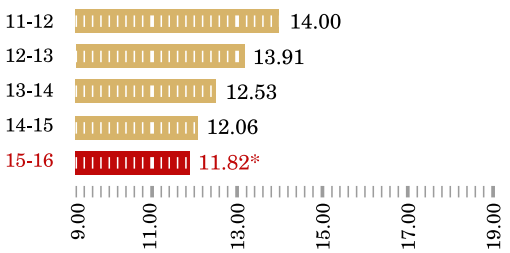
Net Profit (₹ in Cr)



Capital and Reserves (₹ in Cr)

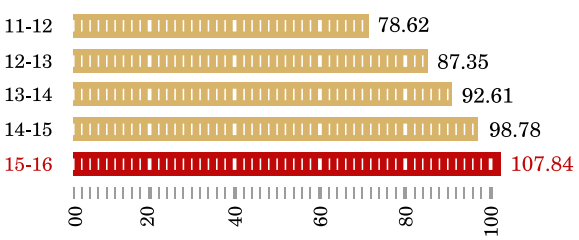


Capital Adequacy (%)

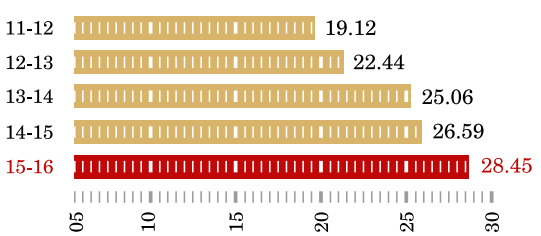


*Basel- III norms

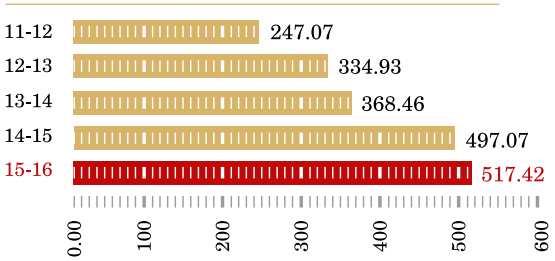
Branch Productivity (₹ in Cr)



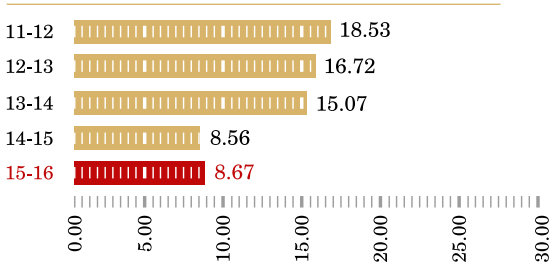
Book Value Per Share (in ₹)



Other Income (₹ in Cr)



Return on Equity (%)



Vision

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

Mission

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

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The Board of Directors

| 1. **Mr. Parayil George John Tharakan,** Independent Director | 2. **Mr. Salim Gangadharan,** Independent Director
| 3. **Dr. John Joseph Alapatt,** Independent Director | 4. **Mr. Mohan E. Alapatt,** Independent Director
| 5. **Mr. Amitabha Guha**, Chairman | 6. **Mr. V. G. Mathew,** Managing Director & CEO
| 7. **Mr. K. Thomas Jacob,** Independent Director | 8. **Mr. Francis Alapatt,** Independent Director
| 9. **Mr. Cheryan Varkey,** Non-Executive Director | 10. **Smt. Ranjana S. Salgaocar,** Independent Director

Mr. Amitabha Guha
Chairman

Message from the Chairman

Dear Shareholders,

It is indeed a privilege to place before you a brief profile of performance of your bank for the financial year 2015-16. Viewed against the backdrop of macroeconomic challenges the banking industry faced during the year under review, your Bank has turned in a strong performance. Detailed performance for the year 2015-16 and the initiatives contemplated for 2016-17 in specific and for future in general have been articulated in enclosed Annual Report for the year, 2015-16.

According to the International Monetary Fund's (IMF) World Economic Outlook Report (April 2016), the global growth is expected to be modest at 3.2 per cent in 2016, as the advance economies are in recovery mode. Moody's has revised India's sovereign ratings outlook upward. However, there is likely to be the risk of persisting financial markets volatility as global central banks embark on asymmetric monetary policies and strategies. India, now, is perhaps better equipped to address the challanges as it has been able to moderate fiscal and current account deficits.

On the monetary policy front, the RBI had reduced repo rate by a cumulative of 75 bps to 6.75% during the course of FY 2015-16. This measure followed earlier reduction of 50 bps in the fiscal 2014-15. With CPI inflation for January 2016 clocking 31 bps lower than RBI's target of 6.0% and government maintaining fiscal discipline, the central bank opted for another cut of 25 bps in the repo rate to 6.50% in

April 2016. The Government also sustained its endeavours to create growth friendly environment through multiple initiatives like Startup India, Standup India and Digital India.

Right from the inception of the South Indian Bank, we had always accorded priority to small business and retail domain of the banking and hence the fundamentals of our bank have been always stable, secured and diversified. Bank has articulated VISION 2020 INITIATIVE to transform the bank in the next four years. The vigorous centralization initiative mooted in the past few months is to be read in this context. Creation of Retail Hub up and Transaction Banking Department is a part of the whole process of creating adequate support system. With the Inauguration of CMPC (The Centralized Marketing & Processing Centre) on January 15, 2016 at Kalamassery, the bank has made perceptible progress in consolidating and creating a functionally effective and efficient platform.

Your bank has been effectively leveraging technology to serve its client's better.

The performance for the financial year 2015-16 is reported in detail in the Annual Report. During the year, the Bank had achieved a total Gross Business of ₹97,191.52 crores consisting of Total Deposit of ₹55,720.73 crore and Gross Advances of ₹41,470.79 crore as on March 31, 2016. For the entire fiscal year, the bank's net profit increased 8.5 per cent to ₹333.27 crore compared with ₹307.20 crore in the preceding fiscal year. Total Income rose to ₹6,074.62 crore for the fiscal year as against ₹5,783.30 crore in 2014-15. The gross advances increased from ₹37,725.65 crore to ₹41470.79 crore, registering a growth of 9.03% over the previous year. The Bank had been successful in widening its network across India with 834 branches and 1287 ATMs. The Bank has opened 29 new offices (12 branches and 17 extension counters) and 87 ATMs across the country during the financial year 2015-16.

Your bank has been effectively leveraging technology to serve its client's better. Emerging technologies have changed the banking industry radically through digitization and networked banking platform. The Bank is one of the 'FIRST FEW ENTITIES' to upgrade Finacle - 7 CBS to Finacle - 10 version.

The perception of risk management has already fundamentally changed the approach to business and it is further evolving with expanded scope and coverage. The bank has in place a robust risk management structure which proactively identifies the risks faced by the bank and helps in mitigating the same, while maintaining proper trade-off between risk and return thereby maximizing the shareholder value. The Bank has infused the philosophy of corporate governance into all of its activities.

Before I conclude, I would like to assure you again that your Bank has put in place appropriate plan, policies and strategies to achieve growth with quality and profitability. Your support, encouragement and faith have instilled in us the confidence required to pursue excellence in our journey forward.

I wish to take this opportunity to thank and gratefully acknowledge the contribution, of our customers, shareholders, members of the staff and their respective organizations and all other stakeholders. Their valuable support and faith in our activities have kept us motivated to move forward.

Mr. V. G. Mathew
Managing Director & CEO

Message from the Managing Director & CEO

Dear Shareholders,

On behalf of the Board of Directors and the Management Team of the South Indian Bank Limited, I am pleased to present our financial results for the year 2015-16.

Though the economic environment remained challenging during the financial year 2015-16, several encouraging developments helped to improve the investor sentiment and business confidence in India. The future of banking in India looks not only exciting but also transformative. In coming years, technology will make the engagement with banks more multi-dimensional even as other entities, markets and instruments for credit and financial services continue to develop and expand.

Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks are laying emphasis on diversifying the source of revenue stream to protect themselves from interest rate cycle and its impact on interest income. Increase in working population and growing disposable incomes will raise the demand for banking and related services. Housing and personal finance and rural banking are expected to witness growth in the future.

South Indian Bank is committed to upholding highest standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvement of internal controls and sound investor relations. To the Bank, it is more of an organizational culture going beyond just the adherence to rules and regulations.

In order to support and monitor the existing branch network and to provide continuous focus on

business development, both the deposit and advances portfolios, the Bank has formed an exclusive full-fledged Business Development Department during the financial year 2015-16.

The Bank has continued to invest in technology and in human capital to support the business growth, extend the reach and deepen existing customer relationships. We are aggressively improving the technology infrastructure to enhance customer experience and gain competitive advantage.

The marked shift in business strategies adopted by the Bank in retail lending and CASA has positively contributed to the Bank's better performance, despite significant stress in the economy.

In view of the current macroeconomic conditions and global developments, the Bank has shifted the business focus from corporate book to retail book. The marked shift in business strategies adopted by the Bank in retail lending and CASA has positively contributed to the Bank's better performance, despite significant stress in the economy.

Let me share with you an overview of last year's financials:

- The Net profit of the Bank has increased from ₹307.20 crore in the FY 2014-15 to ₹333.27 crore in FY 2015-16, registering an increase of ₹26.07 crore (8.49%).
- The operating profit has gone up from ₹816.26 crore in FY 2014-15 to ₹879.28 crore in FY 2015-16, registering a growth of 7.72%.
- The Earning per Share (annualized) and Book Value per share for the year ended March 31, 2016 has increased to ₹2.47 and ₹28.45 respectively as against ₹2.27 and ₹26.59 as on March 31, 2015.
- The Capital & Reserves have improved from ₹3,589.40 crore to ₹3,841.93 crore on account of exercise of options and plough back of profits during the year.
- The Bank has continued to expand its network across India with 834 Branches, 42 Extension counters and 1287 ATMs. The Bank has opened 29 new offices (12 branches and 17 Extension Counters) and 87 ATMs during the financial year 2015-16.

In the FY 2015-16, the Bank has received significant institutional recognitions, awards and accolades. The Bank won the prestigious Inspiring Work Places Award 2015 for best HR & Talent Practices among Private Sector Banks, instituted by Banking Frontiers. Apart from this, the Bank won the prestigious Banking Technology Excellence Award 2014-2015 for "Cyber Security Risk Management" from IDRBT, the technical arm of Reserve Bank of India. Further, the Bank won Social Banking Excellence Award (Runner-up position in Rural Banking-Small Bank) instituted by ASSOCHAM and Prize in IDRBT Banking Application contest for the innovative mobile banking app, "SIB Mirror". Our green initiative "Green PIN" won award at the Master Card Payment Strategy Workshop 2015 held in Pune. The Personnel Department of the Bank received ISO 9001:2008 certification during the year.

I take this opportunity to thank the Members of the Board for their valuable guidance, support and prudent counsel. I also place on record our appreciation of the support, wise counsel and guidance received from the Government of India, Reserve Bank of India, Securities and Exchange Board of India, other regulatory authorities, various Financial Institutions, Banks and Correspondents in India and abroad. We also place on record our appreciation and gratitude to our Shareholders and customers for their continued support, patronage and goodwill. The single most important pillar of any Institution is its personnel, more so in the case of a service entity like a Bank. We sincerely acknowledge this fact and thank all of them for their dedicated service, diligence and loyalty towards the Bank.

Mr. Thomas Joseph K.
Executive Vice President

Mr. Sivakumar G.
Executive Vice President

Mr. Reghunathan K.N.
Executive Vice President

GENERAL MANAGERS*

Mr. John Thomas

Mr. N. A. Murali

Mr. T. J. Raphael

Mr. Benoy Varghese

Mr. Paul V.L.

Mr. Anto George T.

Mr. Bobby James

DEPUTY GENERAL MANAGERS*

Mr. Reddy N.J.
Mr. Gireesh C.P.
Mr. Jacob E.A.
Mr. Jose P.Varghese
Mr. Balakrishnan K.N.
Mr. Nandakumar G.
Mr. Mohanan K.
Mr. George Paul
Mr. Shibu K.Thomas
Mr. Shelly Joseph
Mr. Sivaraman K.
Mr. Ajit Chacko Jacob
Mr. Satheesh Kumar K.S.
Mr. Rajeevu M.A.
Mr. Sony A.
Mr. Ramesh K.
Mr. Paul Thaliath
Mr. Jose Manuel
Mr. Saravanan M.
Mr. Jose Paul P.
Ms. Chithra H.
Mr. Sreekumar Chengath
Mr. Mohan T. M.
Ms. Usha L.
Mr. Krishna Das P.B.
Mr. Shashidhar Y.
Mr. Joly Sebastian
Mr. Joby M.C.
Mr. Sibi P. M.
Mr. Peter A.D.

STATUTORY AUDITORS
M/s.Deloitte Haskins & Sells
Chartered Accountants,
First Floor, Wilmont Park Business Centre,
Warriam Road, Ernakulam, Kerala- 682016

REGISTRAR & SHARE TRANSFER AGENT
M/s BTS Consultancy Services Pvt. Ltd.
M S Complex, 1st Floor, No.8, Sastri Nagar
Near 200 Feet Road / RTO Kolathur, Kolathur
CHENNAI - 600 099. Tel : 044-2556 5121, Fax : 044-2556 5131
Email: ramesh@btsindia.co.in, helpdesk@btsindia.co.in

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

CHIEF FINANCIAL OFFICER
Mr. Gireesh C.P., FCA

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

*As on 31.03.2016

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors is pleased to place before you, the 88th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2016 and the Profit and Loss Account for the year ended March 31, 2016.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2016 are as follows:

Key Parameters	₹ in crore	
	2015-16	2014-15
Deposits	**55720.73**	51912.49
Gross Advances	**41470.79**	37725.65
Total Gross Business	**97191.52**	89638.14
Operating Profit	**879.28**	816.26
Net Profit	**333.27**	307.20
Capital & Reserves	**3841.93**	3589.40
Capital Adequacy (%) - Basel-III	**11.82**	12.01
Earnings Per Share (EPS) :		
(a) Basic EPS (in ₹) [face value ₹ 1/-]	**2.47**	2.28
(b) Diluted EPS (in ₹) [face value ₹ 1/-]	**2.47**	2.27
Book Value per Share (in ₹) [face value ₹ 1/-]	**28.45**	26.59
Gross NPA as % of Gross Advances	**3.77**	1.71
Net NPA as % of Net Advances	**2.89**	0.96
Return on Average Assets (%)	**0.55**	0.56

FINANCIAL PERFORMANCE

Profit

The Net Operating Income (Net Interest Income and other income) of the Bank increased by ₹163.82 crore (8.79%) from ₹1,863.30 crore to ₹2,027.12 crore. The growth in Non Interest Income was ₹20.35 crore (4.09%) during the year. The Bank made an Operating Profit of ₹879.28 crore as against ₹816.26 crore during the previous year and had made a net profit of ₹333.27 crore during the year as compared to a net profit of ₹307.20 crore during the previous year.

The Operating Profit for the year under review was ₹879.28 crore before taxes and provisions as against ₹816.26 crore (after considering the impact of policy change in depreciation) for the year 2014-15. Net profit was ₹333.27 crore and the profit available for appropriation was ₹428.49 crore as per details given below:

(₹ in crore)

Profit before depreciation, taxes and provisions			879.28
Less:	Provision for NPI	13.40	
	Provisions for Non- Performing Assets	391.90	
	Provision for FITL	(25.40)	
	Provision for Depreciation on Investments	29.81	
	Provision for Income Tax	176.40	
	Provision for Standard Assets	(0.79)	
	Provision for Restructured Assets	(36.90)	
	Provision for Other Impaired Assets	2.64	
	Provision for Un-hedged Forex Exposure	(5.05)	546.01
Net profit			**333.27**
Brought forward from previous year			95.22
Profit available for appropriation			**428.49**

Appropriations

(₹ in crore)

Transfer to Statutory Reserves	83.32
Transfer to Capital Reserves	24.53
Transfer to General Reserves	50.00
Transfer from Investment Reserve	(10.05)
Transfer to Special Reserve	25.72
Proposed Dividend	67.52
Dividend Tax on Proposed Dividend	13.74
Balance carried over to Balance Sheet	173.71
Total Appropriation	**428.49**

Dividend

The Board of Directors recommended a dividend of 50% (tax-free in the hands of shareholders other than Individuals whose dividend income is above ₹10 lakh), i.e., @ ₹0.50 per Equity Share of face value of ₹1/- per share.

EXPANSION PROGRAMME

The Bank had been successful in widening its network across India with 834 branches, 42 extension counters and 1287 ATMs. The Bank has opened 29 new offices (12 branches and 17 extension counters) and 87 ATMs across the country during the financial year 2015-16. The branch network now covers 30 States/Union Territories.

The Bank plans to open a maximum of 50 new offices (with a mix of Branches and Extension Counters) and 150 ATMs (including 50 Cash Deposit Machines) during the financial year 2016-17.

CAPITAL & RESERVES

The Bank's issued and paid up capital stood at ₹135.03 crore as on March 31, 2016. During the year, 157005 stock options granted under Employee Stock Option Scheme had been exercised by eligible employees.

The capital plus reserves of the Bank has moved up from ₹3,589.40 crore to ₹3,841.93 crore on account of exercise of options and plough back of profits during the year.

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2016 according to Basel III guidelines is 11.82 as against the statutory requirement of 9.625 (including Capital Conservation Buffer). Tier I CRAR constitutes 9.83 while Tier II CRAR works out to 1.99.

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

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on BSE Ltd. and The National Stock Exchange of India Ltd. During the year, the Bank has executed a uniform Listing Agreement with BSE Ltd. and The National Stock Exchange of India Ltd. pursuant to SEBI (LODR) Regulations 2015. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2016-17.

BUSINESS ACHIEVEMENTS

The Bank has achieved a Gross Business of ₹97,191.52 crore, consisting of Total Deposit of ₹55,720.73 crore and Gross Advances of ₹41,470.79 crore as on March 31, 2016.

Deposits

The total deposits of the Bank increased from ₹51,912.49 crore as on March 31, 2015 to ₹55,720.73 crore registering a growth of 7.34%.

The break-up of the deposit as on March 31, 2016 is as under:-

	Amount (₹ in crore)	% to total Deposits
Current Deposits	1983.13	3.56
Savings Deposits	10475.84	18.80
Term Deposits	43261.76	77.64
Total	**55720.73**	**100.00**

The Bank during the year focused on Core Deposit, the segment witnessed a growth of 14.24%. Savings Bank Deposits grew by 18.12% on a year on year basis. During the financial year 2015-16, the Bank had opened 3.89 lakh new Savings Bank Accounts and 11,035 Current Accounts. The Bank, as a part of effective cost management of liabilities, took steps to shed Bulk Deposits and Certificate of Deposit of ₹2,055.43 crore. NRI Deposits has grown by 25.54% to ₹14,303.09 crore.

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

Advances

During the year, the gross advances of the Bank registered a subdued growth of 9.93%, to touch ₹41,470.79 crore. Low growth reflects, inter-alia, slow off take of credit and also a focused approach towards credit underwriting to ensure quality of assets. Total Priority Sector advances as at the end of the financial year stood at ₹19,144.65 crore, constituting 47.44% of the Adjusted Net Bank Credit (ANBC). Exposure to agricultural sector amounted to ₹7,902.37 crore forming 19.58% 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 (including investments in RIDF)	7902.37
MSME	8610.58
Other Priority Sector	2631.70
Total Priority Sector	**19144.65**

INVESTMENTS

Bank's gross investment portfolio stood at ₹14,618.93 crore as on March 31, 2016 compared to ₹14,086.14 crore as on March 31, 2015, registering a growth of 3.78%. Investment Deposit ratio moved from 27.13 as on March 31, 2015 to 26.24 as on March 31, 2016.

Profit on sale of investment for FY 2015-16 stood at ₹136.54 crore. Total interest income from investments for the year was ₹1,007.78 crore. Yield on Investments (Profit + interest earned to average investments) during FY 16 was 8.48%.

NON-PERFORMING ASSETS (NPA)

During the year 2015-16, as a result of focused and sustained efforts for early recovery of NPAs, through prompt and effective measures under the SARFAESI Act, follow up of recovery cases pending before DRTs and civil courts, one time compromise settlements of accounts, asset sale to ARC, etc., Bank could recover NPAs to the extent of ₹451.38 crore (recovery including up-gradation ₹134.63 crore), as against the target of ₹350.00 crore. Special thrust was given on selection and underwriting of credit, adequate due diligence and improvement in credit administration to ensure improvement in the quality of assets.

During the year, the Gross NPA of the Bank has increased from ₹643.45 crore as on March 31, 2015 to ₹1,562.36 crore as on March 31, 2016 and Net NPA increased from ₹357.05 crore as on March 31, 2015 to ₹1185.26 crore as on March 31, 2016. Despite improvement in recovery of NPAs, fresh slippage to the tune of ₹1,342.52 crore during the year led to increase in the level of gross NPA to ₹1,562.36 crore. In terms of percentages, the GNPA increased from 1.71% as on March 31, 2015 to 3.77% as on March 31, 2016 and Net NPA increased from 0.96% as on March 31, 2015 to 2.89% as on March 31, 2016.

INFORMATION TECHNOLOGY (IT) and IT ENABLED SERVICES

Ever growing dependence on technology and digitalization has changed the contour of delivery channels of financial services

in the Industry. Customers, today have the convenience of technology to Bank anywhere, anytime.

Information Technology and its huge potential to offer innovative solutions have paramount importance for growth and sustenance of the Banks. The demand and expectations of the customers have increased and the turnaround time for rolling out a technology product in banks has visibly diminished, which essentially calls for a robust, agile and adaptable system in place to execute projects right from initiation to consumption. The Bank, an early adopter of technology with a view to providing safe,secure and convenient banking facilities to its customers, has introduced host of services and facilities for enhancing customer satisfaction. The Bank has been successfully functional with Finacle Core Banking Solution (CBS) from Infosys for several years and is the third Bank in the country to have migrated the latest Finacle 10 version from the old Finacle 7 version. Being one among the first banks to do so, ensures that the Bank would have a very robust and renewed platform, which can be leveraged for great customer service.
In its constant endeavour to ensure customer delight, the Bank has introduced.

- ATM network across the country, which supports MasterCard, VISA and RuPaycards allowing customer quick access to money
- All variants of Debit Cards to customers (VISA, MAESTRO and RuPay) ensuring cashless purchases
- Mobile Banking and M-commerce (with support for other bank money transfer through IMPS, P2A, P2M (issuer), Unstructured Supplementary Service Data (USSD code *99#), Missed call services for retrieving balance through SMS etc) for next generation customers
- Investment in equity through primary and secondary market using ASBA (Application Supported by Blocked Amount), Demat Accounts and tie-up with leading broking firms through online trade, to help customers diversify their investment portfolio.
- Foreign inward Instantaneous remittance with own payment Hub system which is real-time integrated with exchange houses abroad, so as to allow Bank's diaspora to send funds to their near and dear back home.
- Point of Sale(POS)terminals to merchant customers, who would then be able to digitize their collections, without resorting only to cash receipts.
- Portfolio Investment Scheme for NRI Community, allowing them to invest in Indian equity market
- Central Plan Scheme Monitoring System (CPSMS), which links to the DBT (direct beneficiary transfer) for instant receipt of Govt. subsidies to the beneficiaries of various Govt. schemes
- Kiosk based Financial Inclusion Solution to enable the Bank reach nook and corner of the country, even in remote villages using technology enabled tools.
- Cash Deposit Machines, for customers who wish to deposit money in their accounts quickly at any time.
- Advanced version of Internet Banking Application with augmented security controls and enhanced customer friendly features, which offers 24/7/365 banking.
- Captive Security Operation Centre (CSOC) in line with GKC (Gopalakrishna Committee recommendations of RBI for monitoring and management of IT Systems) which does round the clock monitoring of security attacks.
- Fraud Risk Management Solution (FRM) for ATM / POS / CNP channel to ensure customer is alerted when unauthorized transactions happen in their accounts.
- Business Process Management solution leading to a paperless environment and reduced turnaround time for customer service (Liabilities and Assets Opening)
- Payment Options such as Automated Clearing House (ACH) Payment Service, Cheque Truncation System, RTGS/ NEFT etc.
- Account Opening for NRI/MSME directly from website

<u>IT initiatives/Solutions embarked during the year</u>

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

- Core renewal of CBS to Finacle 10, with enriched features leading to increased internal efficiency of operations, augmented control over various functions through stream lined processes.
- SIB Mirror mobile application (developed in house) with innovative features
- E-KYC solution for direct Aadhar based services
- Graphical Intelligent online manual (GIEOM) for online training of staff
- Loan Origination System to digitize and speed up turnaround time
- Launching Prime Minister Schemes
  a. Pradhan Mantri Jeevan Jyothi Bheema Yojana (PMJBY)
  b. Pradhan Mantri Suraksha Bheema Yojana (PMSBY)
  c. Atal Pension Yojana (APY)
  d. Sovereign Gold Bond Scheme (SGB)
- Green PIN Project which allows customers to create their own debit card PIN in any SIB ATM, without the need of a paper based PIN.
- Introducing OTP based 3-D secure services for online purchases using debit cards.
- Institutional Fee Payments – in multiple modes (Branch, Card based, ATM based, Web-Based, Virtual Account Number based etc.)
- Issuance of RuPay EMV Card, being one of the first banks to do so.
- Issuance of MasterCard Titanium
- Issuance of Master Card World
- Enabling e-commerce transactions in Rupay cards
- Enabling Visa Fast Fund transactions for card to card transfer
- Discover Card Acceptance in Bank's POS machines
- Issuance of Rupay Platinum EMV
- SIB Rewardz, a exciting loyalty program for customers
- NPCI-VAS:Mobile Banking Registration & Aadhaar Number seeding Transaction through ATM

- IRCTC Integration for online ticket booking
- CRAYONS -Online user creation Process for self registration of Internet Banking through website
- Email OTP using Missed Call, for customer convenience
- IMPS Foreign Inward Remittance – to receive funds 24/7 from exchange houses
- Enabled Generate OTP and Change MPIN options through National Unified USSD Platform in mobile banking
- ISO 27001 implementation for DC/DR and IT operations.
- Technology solution for Basel II advanced approach in Risk Management
- 24X7 Toll Free Customer Support Center

Information Security and Risk Management

As banks adopt sophisticated technology 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. Bank's Information Security Policy and other IT Policies – IT Operation Policy, IT Governance Policy, IT outsourcing Policy and Information Security systems have already taken these aspects into consideration. Further, the Information Security of banking IT functions has been strengthened through implementation of a captive SOC (Security Operation Centre).

The 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.

The Bank has been 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 (Gopalakrishna Committee Report).

IT Training

During the year, many training programmes had been attended by the Bank's officers in premier institutions such as IDRBT, NIBM to keep themselves abreast with the advancements in IT, Information Security, CRM etc. Further, during the financial year 2015-16, the Bank has conducted training programme on Finacle-10 and imparted training to 1,173 officers and 784 clerks.

Gopalakrishna Committee Recommendations Management Philosophy & Measures

Gopalakrishna Committee Recommendations on Information Security, Electronic Banking, Technology Risk and Cyber Frauds as applicable to the Bank have 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 outsourcing, IS Audit, IT Operations, Cyber Frauds, Business Continuity Plan (BCP), Customer Education and Legal issues. The IT Organization setup has been redrawn to suit the functions/roles specified in the recommendations with segregation of duties. Technology, Development, IT Operations and IT Assurance functions have been clearly divided and now independently headed.

IT Strategy Committee of the Board, IT Steering Committee, Information Security Committee and Chief Information Officer (CIO) are in place, and Chief Information Security Officer (CISO) reports independently to the Head of Risk Management.

Revamped Information Security policy incorporating the various guidelines and stipulations mentioned in the report has been approved by Board and is in place. Presently the policy is under the process of review to make it in alignment with ISO 27001 guidelines. In addition, other IT Policies such as IT Operation Policy, IT Governance Policy and IT Outsourcing Policy are also enforced.

The progress of implementation of GKC recommendations are reviewed by IT Strategy Committee of Board and Board of Directors on quarterly basis. The major items which are under process to achieve compliance to GKC recommendations are as follows:

1. Comprehensive Fraud Risk Management.
2. ISO 27001 Implementation

The full compliance with the GKC recommendation will be realized in a time bound manner with creation of various infrastructural support required for the same.

TRANSACTION BANKING DEPARTMENT

The Transaction Banking Department of the Bank has commenced its activities in a modest way under the name and style of CPC – Central Processing Centre in Thrissur in May 2015. The prime objective of CPC is to centralize the back office operations, which had been happening in branches and offices with a view to bring standardization, compliance and scalability. The operations were commenced with liability portfolio – Customer Creation and CASA opening covering SB, CD and NRI. In August 2015, a new Department namely Transaction Banking Department (TBD) has come in to being and CPC got attached to it as one of its divisions. Thereafter TBD has widened its functional operations and at present it has 6 divisions as given below:

Retail Liability Operations (TBD.CPC)	– Customer Creation and Opening CASA, PIS
Retail Asset Operations (TBD.CDMC)	– Opening Loan Accounts, LC and BG
Payment & Settlement Operations (TBD.PSD)	– RTGS/NEFT, Aadhaar Mapping
Service Operations (TBD.Service)	– Delivery Channels (Debit Card, Net Banking, Mobile banking, Welcome kit)

Support Operations (TBD. Support)
Audit & Compliance Reporting (TBD.A&C)

- Channel Reconciliation
- Rectification of Internal/External Audit comments

It functions from multiple locations. The main centre is located at Kalamassery, Ernakulam, Kerala and the first alternate centre has been functional in Coimbatore.

COMPLIANCE DEPARTMENT

The Bank has institutionalized a strong compliance culture and mechanism across the organization, pursuant to its strategic goals of transparency and trust, among all its stakeholders. The Bank has a dedicated Independent Compliance Department headed by a Dy. General Manager for ensuring regulatory compliance, across all its businesses and operations. The key functions of this department includes, dissemination of key regulatory updates affecting the various business verticals of the Bank, review of processes from a regulatory compliance perspective, provide guidance on compliance-related matters, impart training to employees on compliance aspects, among others.

BUSINESS DEVELOPMENT DEPARTMENT

In order to support and monitor the existing branch network and to provide continuous focus on Business Development of the Bank, the Bank has formed an exclusive full-fledged Business Development Department by segregating the "Business Monitoring Cell" from Planning & Development Department with effect from January 7, 2016.

Business Development Department is providing continuous mentoring for both the Deposit and Advance portfolio of the Bank, monitoring of Green Channel Branches, review of daily/ weekly business position of all ROs/Branches, conducting of conference & meetings to promote Business Growth etc.

RISK MANAGEMENT

Risk is an integral part of banking business. Managing risk is fundamental to banking and is the key to sustained profitability and stability. Management of risk aims at to achieve best trade-off between risk and return and to ensure optimum Risk Adjusted Return on Capital (RAROC). Sound risk management is critical to a Bank's success. Business and revenue growth have therefore to be aligned in the context of the risks embedded in the Bank's business strategy and balance sheet of the various types of risks the Bank is exposed to, the most important are credit risk, market risk and operational risk. The identification, measurement, monitoring and mitigation of risks continue to be key focus areas for the Bank. The risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level through quantitative examinations of embedded risks. The risk management strategy of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The policies and procedures established for this purpose are continuously evaluated and benchmarked against the best practices followed in the industry. Through continuous refinement/improvement of the risk measurement/management systems, the Bank aims to ensure regulatory compliance as well as better return on and utilisation of capital.

Risk Appetite

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

Risk Management Policy Framework

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

Compliance with Basel III and Basel II framework

In compliance with regulatory guidelines on Pillar I of Basel III 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, pension obligation risk etc. the Bank has adopted a common framework for additional disclosures under Pillar III for adhering to market discipline of Basel II and Basel III guidelines. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner.

The Bank has initiated steps for moving over to Advanced Approach under the Basel II framework for CRAR computation in line with the relevant guidelines issued by Reserve Bank of India. In this regard, consultants and system implementation partners have been engaged and the implementation process has started.

INTERNATIONAL BANKING

The total forex business turnover of the Bank for the year ended 31st March 2016 was ₹17,7381.86 crore (comprising Merchant Turnover ₹12,362.72 crore and Interbank Turnover ₹1,65,019.14 crore). The Bank earned an exchange profit of ₹45.18 crores recording an increase of 42.67%. The Bank has also earned a profit of ₹0.32 crores from bullion business and has sold 6.037 kg of gold during the FY 2015-16.

At present the Bank is having rupee inward remittance arrangement with 5 Banks and 31 Exchange Houses and turnover for the year ended March 2016 was ₹7,390.02 crore registering an increase of 2.92% as compared to the previous financial year. During the FY 2015-16 the Bank continued providing managerial support to M/s. Hadi Express Exchange, UAE. The Bank has presently deputed 19 officers of the Bank to manage the operations of Hadi Express Exchange. Considering the scope in improving Bank's remittance business through arrangements with EH's, the Bank has deputed four officers to UAE with UAE Exchange Centre, Al Ansari Exchange and Al Fardan Exchange.

The International Banking Division of the Bank has initiated the centralization of trade finance operations in stages. By centralized trade finance operations at a single location, deploying talented sources, Bank will be able to impart professional services to its trade finance customers ensuring strict FEMA / RBI guidelines. Presently all inward remittances have been centralized and centralization of outward remittances is in progress. Rest of the trade finance operations is scheduled to be completed in due course.

NRI PORTFOLIO

The NRI deposits constitute 26% of the total deposits and 30% of the Core Deposits of the Bank. The Bank is having a separate NRI Division, in Kalamassery, Kochi, headed by an Assistant General Manager and its functions and working are monitored by a Deputy General Manager and General Manager in the Marketing Department of the Bank. The dedicated officers and staff working in NRI Division are rendering support and assistance to NRIs and all the Branches gave an impetus to the growth of NRI business of the Bank. The Branch level NRI Relationship Officers and the NRI Desk functioning in major NRI business Branches are giving special care and attention to all of the Bank's NRI patrons.

NRI Division is also taking care of NRE/NRO welcome kit account opening through which instant activation and operation of Account is possible. Such accounts are available at all the Branches of Hadi Express Exchange, UAE; selected SIB branches and to the marketing officers deputed to various Exchange Houses in UAE. The welcome kit account opening is widely accepted in the market and added momentum to the NRE/NRO SB Accounts opening, which improves the share of low cost Deposits of the Bank. The NRI CASA deposits (NRE/NRO SB and CD) constitute 24% of the total CASA of the Bank.

The online NRE/NRO account opening facility available in Bank's website is enabling NRIs across the world in opening NRI accounts in your Bank at the comfort of their home/office. The Skype calling (Skype id: talk2nricell) in NRI Division make possible for NRIs for an audio video talk with officials working in Head Office NRI Division. In order to have a personal interaction and get together with the top executives of the Bank, NRI meets were held at eleven centers in Kerala. All these efforts coupled with the service and efforts of SIBIANs working all over India resulted in achieving 26% growth in the total NRI Deposit during the financial year 2015-16.

TRAINING

The Bank accords utmost importance to the process of skill enhancement. Training Programme are conducted at SIB Staff Training College (SIBSTC), Thrissur and at 6 Regional Training Centres (RTCs) at Regional Office for enhancement of professional skills of the staff. The training programmes are designed to develop competency of operating personnel while imbibing the SIBIANS' spirit and culture through an effective learning process. The success of these programmes reflects 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 financial year 2015-16, the Bank has imparted training to 3,203 officers, 1,358 clerks and 121 sub staff in various aspects of banking operations. Further, during the financial year 2015-16, the Bank has conducted training programme on Finacle-10 and imparted training to 1,173 officers and 784 clerks. Thus, the Bank has provided training to a total of 6,639 personnel, which is about 85.33% of total staff strength of 7,780 as on March 31, 2016. This is in consonance with the Bank's vision towards continuous up-gradation of skills to ensure that the staff members meet the rising expectations of customers and discharge services professionally covering the entire gamut of banking operations.

MARKETING

The Marketing Department of the Bank plays a critical role in generating new business for the Bank through customer acquisition. The department also takes initiatives in product development and promotion by creating awareness on products and by driving customer-centric campaigns.

The products and services under the domain of Marketing Department can be broadly classified as Technology, Third Party Products and Value added services.

Technology Products of the Bank

The Bank has effectively leveraged technology and introduced several variants of traditional products and new e-based services, tailor-made to the diversified needs of customers. Technology services like ATM/Debit cards, internet banking, mobile banking etc. have transformed the customers' banking experience from branch banking to anytime, anywhere banking. Bank has set up a separate Digital Products Division to take care of product development, process improvement and promotion of all technology products.

- **Any Branch Banking System:** All the branches of the Bank are inter-connected and are capable of providing online, real-time transactions to its customers. As information is centralized and updates are available simultaneously at all places, single-window service has become possible, leading to effective service-delivery to customers. Customers can Deposit/Withdraw freely without any tariff charge from any branch.

- **SIB ATM cum Debit Cards:** The Bank is offering Visa, Master and RuPay debit cards to its customers. Using SIB debit cards, Bank's customers can withdraw cash through ATMs of any Bank in India and international usage is allowed through EMV chip cards. The Bank has also enabled its debit cards for POS/Online transactions.

  Co-branded Foreign Currency Travel Card launched in association with Axis Bank is specifically designed for customers who travel abroad and is available in 8 foreign currencies - USD, GBP, AUD, EUR, CHF, CAD, SGD and JPY.

  The Bank is issuing only EMV Chip cards, from February 1, 2016 facilitating highly secure international card transactions. Currently Bank issues Visa Classic EMV, RuPay Classic EMV, RuPay Platinum EMV, MasterCard Titanium EMV and MasterCard World EMV cards which can be used both in International and Domestic ATM/POS/ONLINE.

  Green PIN facility is available for all Debit cards, by Bank's Customers can Self generate/reset their ATM PIN at any SIB ATM counters and the service is available 24 x 7. This project is part of SIB's Green initiatives and helps to save paper.

  SIB Rewardz is the loyalty program from SIB, by which customers can earn reward points while shopping using their SIB debit cards. These points can be redeemed for a number of exiting products and services through the portal www.sibrewardz.com. and through offline stores.

  Customers are also given the option of 3D secure password or One Time Password (OTP) to complete their Online transactions using SIB Debit cards, thus making the process a lot more convenient and secure.

  VISA Fast Funds is a service offered to the customers to receive money to their VISA Debit card. Customers can receive money instantly to their VISA Debit card any time 24 x 7 without any additional cost.

- **Internet Banking:** The internet banking service under the brand name"SIBerNet" has helped to position the Bank as a technology-driven Bank offering superior banking services to both retail and corporate customers. With new online service called CRAYONS, now customers can register and activate for SIBerNet service through online without visiting the branch. Increased transactional limits, Fund Transfers (RTGS/NEFT/Within Bank), online bill payments, Online deposit opening, online offerings to deity and also to avail booking of doctors online, Block Debit card, stop payment of cheque online, Direct IRCTC ticket booking, KSEB bill payments, Apply for IPO (Initial Public offering through SIBerNet-ASBA) retrieval of forgot SIBerNet User ID etc. are a few of the services offered through SIBerNet. In addition to these, the Bank has also introduced Direct and Indirect Tax Payment facility for its retail and corporate Customers.

- **Mobile Banking:** Banks are in process of transforming Mobile Banking application into a Digital Bank. Your Bank's Pride,' SIB Mirror', an in-house built Mobile banking application, which has become a magic in the Mobile banking space and a symbol of technological excellence among Mobile banking Applications .It has been enriched with lot of Unique features such as Shake to Know Balance, Shake to Transfer funds, Augmented Reality, Click to Share Account Info, along with E-Statement of all accounts (SB/CD/Loan/Deposit), Fund Transfers, Mobile/DTH recharge, ATM Card Block, Social Money, Cheque status, Clearing cheque info, Complaint module etc. and it is available in all platforms. 'SIB Mirror' has won third prize in IDRBT Banking Application Contest 2016.

  Other mobile banking services offered by the Bank areSIB M-Pay, SMS Banking and SIB missed Call service. SIB M-Pay allows customers to make instant inter/intra Bank fund transfers 24X7. SIB M-Pay uses NPCI's IMPS fund transfer mechanism to transfer funds instantly to other Bank accounts. Customer are also able to do online/merchant payments, access m-passbook and other value-added services like mobile recharge and DTH recharge. Through SIB Missed call service, the customers are able to know the balance with just a missed call.

- Point of Sale (POS): The Bank, in association with M/s. Atos Worldline India Pvt. Ltd. is offering two types of POS terminals - PSTN (wired terminal) & GPRS (wireless). Atos is the market leader in India in this segment and the primary service provider for POS acquiring services to a number of leading public sector and private sector Banks in the country.

Third Party Products

To cater to the needs of a diverse customer base, the Bank has made arrangements with several companies to distribute products like insurance, pension and mutual funds to customers.

Insurance (Life/General): The Bank acts as a corporate agent

for the distribution of insurance products of both M/s Life Insurance Corporation of India and M/s Bajaj Allianz General Insurance Company for life insurance and general insurance respectively.

Mutual Funds: Mutual Fund is a popular form of investment since it provides the advantages of professional portfolio management and dividend reinvestment. The Bank has tie up with 14 leading Mutual Fund companies thereby offering a variety of mutual fund products to customers.

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

Depository Services: The Bank offers Depository services for the benefit of its customers. Through this facility, customers can hold their securities in electronic form in demat account with M/s Central Depository Services (India) Ltd. (CDSL). For e-trading, the Bank offers SIBerTrade – the online trading facility to buy /sell stocks for its domestic customers from stock exchanges in India through tie-up with M/s. Geojit BNP Paribas Financial Services Ltd. & M/s. Religare Securities Ltd. SEBI has also registered the Bank as Self Certified Syndicate Bank (SCSB) for accepting application under Application Supported by Blocked Amount (ASBA) through all the branches of the Bank. ASBA enables the Bank's customers to apply for IPO/FPO, rights 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 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.

New Pension System: The Bank acts as a Point of Presence to provide services to subscribers of New Pension System introduced by Pension Fund Regulatory and Development Authority (PFRDA). All branches of the Bank are designated for collecting NPS applications and contributions. An additional tax benefit of ₹ 50000/- under Sec 80 CCD (1B) was introduced for NPS contributions. APY was introduced by Govt. of India in place of NPS Lite providing minimum assured pension from ₹1000 to ₹5000 to subscribers is also available to Bank's customers.

PAN Application Servicing: The Bank has made arrangement with M/s UTI Technology Services Ltd. (UTITSL) for servicing applications for PAN card. On an average the Bank processes 15,000 applications per year.

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

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

Centralized Direct Debit Service: The Bank has entered into tie-up with leading aggregator M/s. Billdesk Services for Centralized Direct Debit arrangement. Through this tie up Bank's customers will be able to make regular payments like monthly/ quarterly/half yearly payments of Mutual Fund SIP investments/ Loan EMIs (Vehicle/Equipment Loans)/Insurance premium etc. by directly debiting their account and thereby making the payments to various billers/institutions. This facility is available to all customers irrespective of their branches being located in ECS/non-ECS locations. The Bank has similar arrangements with 3 companies - TVS Credit Services, Sundaram Finance Ltd and Shriram City Union Finance.

TOLL FREE: The Bank has subscribed to toll free numbers from Idea Cellular Ltd. (Toll Free number- 1800 843 1800) and BSNL (Toll Free Number- 1800 425 1809) to enable customers to contact the Bank without incurring any cost. In addition, a land-line connection dedicated for international customers is also available. Toll free centre is now functioning in 4 shifts, 24 x 7 with staff members who are capable of handling multiple languages. In addition to this a channel support team is working 24 x 7 at the same premises who are focused to support and escalation of issues related to technology products.

Marketing and promotional activities of the Bank are vital in identifying customer needs and designing differentiated products to cater to those needs. While the department is keen to introduce new and varied products, facilitating customer adoption and providing customer assistance assumes equal significance during its operation. The Bank strives to comply with regulatory requirements during the entire sales process, and thereafter during support.

<u>Visibility Enhancement initiatives</u>

The Bank has undertaken many brand promotion initiatives in various media like Newspaper, Television, Radio, hoarding and online social media. Outdoor branding was mainly focussed in major metros like Bangalore, Delhi, Chennai and Hyderabad by the way of branding bus shelters and by placing hoardings at prime locations. The Bank had branded Ernakulam South Railway station in Kerala and have introduced innovative branding in NMMT Volvo bus in Mumbai. The Bank has conducted two press conferences and more than 10 press releases on major product launch or events done by the Bank. Two television commercials were produced during this financial

year starring Bank's Brand Ambassador Sri Mammootty. These TV commercial were launched in all the prominent TV channels in Kerala and also in the main English Finance/Business channels for Bank's brand promotion. Subsequently the Bank has also aired its TVC in major high end theatres of metro cities during the launch of Film 'Dilwale'. During the national pre budget and Budget period the Bank has aired its TVC in the channels like CNN IBN, CNBC, Times Now, ET now and Zee Business. FM radio advertisement for gold loan promotion was done in the leading FM stations of the cities Chennai, Coimbatore, Bangalore and Hyderabad. Also the Bank had joined national campaign of CNBC named "Inside Kerala" that has established the Bank's national brand presence. The Bank had also sponsored the 35th Annual National management Convention of Kerala Management Association. The Bank had published its corporate advertisement starring Sri Mammootty in main dailies during Valentine's Day and product promotion of SIB mirror. The Bank had associated with Global media events for the programme 'Golden Achievement Awards Dubai' 3rd Edition 2015 that had good coverage in Middle East. Interview with MD and CEO was done by leading dailies like Business Line, Mathrubhumi and The New Indian Express, which enhanced your Bank's brand image in the market.

The Social Media arm of the Bank functioning in Marketing Department constantly launches various brand and product promos in the diverse social media platforms maintained by your Bank. Presently your Bank maintains official page in face book, Twitter, YouTube and Google plus. The page gives facility for the customers to input their valuable suggestions/feedbacks and also seek queries regarding new products and services rendered by your Bank.

HUMAN RESOURCE

Human Resource is the single most important catalyst for effective and efficient operation of any organization. Competition has rendered this dimension still more critical. The Bank has a team of committed, self-motivated and empathetic workforce who strive to meet the customers' requirements. To augment the existing manpower in line with the Bank's healthy and sustained growth and expansion of network, the Bank has continued its initiatives of major talent acquisition and retention policies in the FY 2015-16.

Manpower

As on March 31, 2016, the Bank had 7,780 personnel on its rolls. Cadre wise break-up is as under:

Cadre	Male	Female	Total
Officers	2634	1354	**3988**
Clerk	1459	1561	**3020**
Peon	456	28	**484**
Part-time employees	71	217	**288**
Total	**4620**	**3160**	**7780**

Infusion of young personnel has brought down the average age of employees of the Bank to 34 years as on March 31, 2016.

Number of Staff Members having Professional Qualification as on March 31, 2016 is as under:

Educational Stream	Number of Staff
Management	1389
Post- Graduation	1234
CA	66
CS	6
Engineering	986
PHD	1
Legal	76
ICWA/CMA	43

Maintenance of Personnel data

Maintenance of staff records was streamlined under "HRMSS" (Human Resources Management Software Solution System). 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, the Bank had introduced new modules such as Travelling Allowance, User feedback and suggestions, Subsistence Allowance etc., in addition to the existing modules like Expense Maintenance, Pension Maintenance, Marketing Excellence, Transfers, Promotion Maintenance, HRA, Leave and LFC, Training, Online Annual Performance Appraisal of Officers upto Chief General Manager cadre, Service Record, etc.

Motivational Initiatives

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

a) Promotions: The Bank has been offering healthy career progression opportunities. During the financial year, 234 clerical staff had been promoted to Scale I, 158 officers to Scale II and 124 Officers to various senior cadres.
b) Implementation of the Xth wage revision settlement - Settlement signed between IBA and Officers/Workmen unions on salary revision of Officers and Award staff had been successfully implemented and the revised salary and arrears for the period from November 1, 2012 released to all the eligible staff members on June 29, 2015.
c) New medical insurance scheme in lieu of the existing hospitalisation scheme – The Bank has implemented the new medical insurance scheme formulated by IBA with United India Insurance Company (UIIC) in lieu of the erstwhile hospitalisation scheme on the terms and conditions specified by IBA. Under this scheme the premium amount is borne by the Bank.

Industrial Relations

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

EMPLOYEE STOCK OPTION SCHEME (ESOS)

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

Till March 31, 2016, 3,80,32,680 stock options were vested, out of which 2,02,44,141 stock options were exercised by eligible employees. The money realized due to exercise of the said options was ₹26,31,64,978.30/- and consequently 2,02,44,141 shares of ₹1/- each have been allotted to the employees/legal heirs concerned.

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

The total options granted under seven phases of SIB ESOS 2008 works out to 4.21% of the paid up share capital of the Bank as at March 31, 2016. The scheme has generated intended motivation amongst the staff.

Statutory disclosures regarding details of the stock options granted, vested, exercised and forfeited and expired during the year under review are annexed to this Report.

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 2015-16 on various topics such as Manual of Instruction – Documentation, Finacle 10 etc. Prizes were awarded for the toppers in these tests. It is encouraging to note 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.

E- Learning test for Prob. Officers

From January 2016, onwards the Bank is conducting an E-Learning test for Prob. Officer on a monthly basis to upgrade their knowledge level on a continuous basis.

E-Circular

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

SIB STUDENTS' ECONOMIC FORUM (SIBSEF)

Students' Economic Forum is a monthly publication from the SIB Staff Training College and it provides an analysis of contemporary themes relating to developments in Economy, Banking and Finance. So far, 292 themes have been published since the first publication which was launched in December 1991. The publication is celebrating its **"Silver Jubilee"** year. During the year the Bank has published the fifth volume of compendium, comprising the theme 202 to 280. In response to the requests from readers, 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 provide a learning platform to the student community. The hard copies of the publication numbering about 3,100 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 Financial year 2015-16 are - Bitcoin, GIRO, Railway Budget, Economic Survey and Union Budget 2015-16 (Part - I), Railway Budget, Economic Survey and Union Budget 2015-16 (Part - II), Foreign Trade Policy 2015-2020, Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds- Part - I, Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds - Part - II, Gold Monetization Scheme and Sovereign Gold Bonds Scheme, Payment Banks and Small Banks, Ease of Doing Business, Railway Budget and Economic Survey, Union Budget Part - I. These themes are made available in the Bank's Website.

Awards & Accolades

The Bank has received following awards/rewards during the financial year:

- Social Banking Excellence Award 2015 (Runner up position in Rural Banking-Small Bank) instituted by ASSOCHAM Inspiring Work Places Award 2015 for best HR & Talent Practices among Private Sector Banks instituted by the Banking Frontiers.
- Banking Technology Excellence Award 2014-15 for "Cyber Security Risk Management" from IDRBT, the technical arm of Reserve Bank of India.
- The SIB's green initiative 'Green PIN' won award at the MasterCard Payment Strategy Workshop 2015 held in Pune.
- Prize in IDRBT Banking Application Contest for the innovative mobile banking app "SIB Mirror".

ISO certification

The Personnel Department of the Bank received the ISO 9001:2008 Certification. This certification acknowledges that the policies, practices and methods adopted by the department are system oriented and in tandem with international standards.

Achievements and milestones:

The Bank has signed MoU with NSIC, to facilitate loans to MSE and thus promotes the MSME credit portfolio of the Bank.

Foreign Exchange Advisory Cell

The Bank has launched Foreign Exchange Advisory Cell to

Provide advisory services by subject experts on FEMA rules and trade finance related issues to the general public. The complimentary service is available to all Foreign Exchange Trade Fraternity.

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

The Bank has undertaken various initiatives for energy conservation at its premises. Further, the Bank has used information technology extensively in its operation and consistently pursuing its goal of technological up-gradation in a cost efficient manner for delivering quality customer service. The Bank, being a banking company and an authorized dealer in Foreign Exchange, has taken all possible steps to encourage export credit.

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

The Bank has zero tolerance approach towards any action on the part of any executive/employees which may fall under the ambit of 'Sexual Harassment' at workplace, and is fully committed to uphold and maintain the dignity of every women staff working in the Bank. The Policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. All the employees (permanent, contractual, temporary, trainees) are covered under this policy.

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

Number of complaints filed during the financial year - Nil

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

Particulars of Employees

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

Name, Qualification and Age (in years)	Designation	Remuneration		Experience (in years)	Date of commencement of Employment	Last Employment
		Gross (₹)	Net (₹)*			
V. G. Mathew, M.Sc. CAIIB 62 years	MD & CEO	83,36,325.00	55,86,162.00	38	02.01.2014	Chief General Manager, SBI

*Net of Taxes paid

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

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

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

South Indian Bank's CSR Policy:

South Indian Bank is grateful to the society for the support and encouragement in the Bank's growth and development. The Bank believes that no organization can make sustainable development without the patronage of the society. The Bank is committed in the integration of social and environmental concerns in its business operations and also in the interactions with its stakeholders. The Bank shall continue to have among its objectives, the promotion and growth of the national economy and shall continue to be mindful of its social and moral responsibilities to customers, shareholders, employees and society. Bank is committed to financing the economic and developmental activities of the nation with concern for human rights and environment.

Overview of Activities:

In line with the CSR policy and in accordance with Schedule VII of the Companies Act 2013, South Indian Bank undertook various activities during the FY 2015-16 which had significant impact on the society. These activities include:

- Setting up homes and hostels for women and orphans.
- Training to promote sports.
- Making available safe drinking water.
- Conservation of natural resources.
- Eradicating hunger, poverty and malnutrition.
- Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly and the differently abled.
- Promoting Preventive healthcare and sanitation.
- Contribution to the Prime Minister's National Relief Fund.

Web-Link to the CSR Policy:

http://southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=778&linkId=778

Composition of CSR Committee:

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

DIRECTORS' REPORT

Members of the Committee are:

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

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

Average net profit before tax of the Company for the last three financial years: ₹578.54 crore

Prescribed CSR Expenditure (two per cent of the amount as above): ₹11.57 crore.

Details of CSR spent during the Financial Year:

a. Total amount to be spent for the Financial Year 2015-16: ₹11,57,00,000/-.

b. Amount unspent, if any: ₹9,26,81,520/-.

c. Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and District where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs subheads: (1) Direct Expenditure on projects or programs (2) overheads:	Cumulative Expenditure upto the Reporting Period	Amount spent: Direct or through implementing agency
				(₹ in 000')	(₹ in 000')	(₹ in 000')	
1	Providing drinking water facilities	Making available safe drinking water	– Other, Palakkad District, Kerala	12.00	12.00	12.00	Direct
2	Construction of houses for women and orphans	Setting up homes and hostels for women and orphans	– Local area, Thrissur District, Kerala	3000.00	3000.00	3000.00	Direct
3	Training and enhancement of sports skill development	Training to promote sports	– Other, Kottayam District, Kerala	1000.00	350.00	1000.00	Direct
4	Providing nutritious meals	Eradicating hunger, poverty and malnutrition	– Other, Kottayam District, Kerala	100.00	100.00	100.00	Direct
5	Capital creation for conservation of natural resources	Conservation of natural resources	– Other, Pathanamthitta District, Kerala	1000.00	1000.00	1000.00	Direct
6	Promoting basic amenities at schools/ colleges, conducting awareness programs including financial literacy camps/ activities	Promoting Education	– Local area, Thrissur District, Kerala – Other, Thiruvananthapuram District, Kerala – Other, North 24 Parganas District, West Bengal – Other, Udupi District, Karnataka – Pan India	36406.48	3556.48	3556.48	Direct
7	Conducting medical camps, investment in preventive health care programs	Promoting Preventive Heath care and Sanitation	– Local area, Thrissur District, Kerala – Other, Coimbatore District, Tamil Nadu – Pan Kerala	2204.00	0.00	0.00	Direct
8	Contribution to the Prime Minister's National Relief Fund	Contribution to the Prime Minister's National Relief Fund	Pan India	15000.00	15000.00	15000.00	Direct
			Total	58722.48	23018.48	23668.48	

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

DIRECTORS' REPORT

Reason for not spending the two percent of average net profit of the last three financial years or any part thereof:

In the FY 2015-16, the Bank revamped its CSR activities to fall in line with the new rules and regulations in accordance with the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014. In the FY 2015-16, the Bank spent ₹2.30 crore towards CSR activities, which constitutes 19.90% of CSR Budget of the year. The Bank stays committed to its corporate social responsibility and intends to continually increase the impact of its CSR initiatives. The Bank has utilised the reporting year to lay a foundation on which to build and plan future projects and currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come the Bank will maximise its efforts to meet the targeted CSR spends.

Responsibility Statement:

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

Sd/-	Sd/-
V. G. Mathew	Francis Alapatt
Managing Director & CEO	Chairman - CSR Committee

FINANCIAL INCLUSION

Financial inclusion aims to ensure the availability of formal and basic banking services to all Indian households, including those in the un-banked and under-banked areas. South Indian Bank has adopted several financial inclusion initiatives, including Kiosk banking.

Kiosk Banking Model – Bank Mitra / Business Correspondent (BC)

The Kiosk banking complies with the open standards recommended by the Indian Banks' Association (IBA) and the Institute for Development and Research in Banking Technology (IDRBT) and is capable of incorporating the Unique Identity Solution being implemented by the Unique Identity Authority of India (UIDAI). Under Kiosk Banking Model, the Bank is able to provide basic banking services in un-banked/ under-banked areas through outlets such as common service centres, Individual Business Correspondents [BC], small retail shops, etc. with a laptop based solution.

Kiosk centres offers basic banking services such as customer enrollment, deposits, withdrawal, fund transfers, balance enquiry, FD, RD remittance etc. to potential customers. Customers can open new basic savings account in Kiosk centres by providing KYC documents and biometrics. The Bank has implemented Kiosk Banking Model in the state of Kerala through 53 Akshaya centers, who are acting as common service centres in the state and 76 Individual BC's in Tamil Nadu. As on March 31, 2016, 39,016 customers have opened accounts under the Bank's Kiosk Banking Model.

Financial Literacy Centres

Financial Literacy is the ability to understand how money works in our day to day life and how someone manages it, how he/she invests it and how a person offers it to others. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with their financial resources. 12 FLCs have been allotted to the Bank by SLBC in the state of Kerala to disseminate financial literacy to the people and it is functioned through retired bank employees, school teachers and retired government employees.

Pullu – Model Village of South Indian Bank

The Bank has been servicing Pullu Village in Chazhoor Panchayat of Thrissur Dist. in Kerala under Bank's Financial Inclusion initiative since 2010. In order to ensure meaningful Financial Inclusion and to facilitate BC based operations in the village, Bank has opened Ultra Small Branch at Pullu on November 1, 2013. The village was since adopted by the Bank and various welfare measures were initiated in Pullu. Propagation of Bio farming, conducting financial literacy sessions, providing agricultural credit, organizing medical camps are few of such initiatives the Bank has undertaken in the village. The only L.P School in Pullu village which was struggling for survival was given a helping hand by the Bank and they were provided with furniture worth ₹1.00 lakh. A model poultry unit was set up in the school compound in order to take care of the nutritional needs of the children.

Government of India Scheme - PMJDY

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

A survey on 2,68,690 Households was conducted by the Bank under PMJDY to identify Households not having bank accounts. The Bank has opened 1, 03,108 BSBDA accounts as on January 31, 2016 under PMJDY and balance outstanding in those accounts exceeds ₹14.21 crore at present. Rupay Debit Cards has been issued in PMJDY accounts providing customers with the benefit of accidental insurance coverage of ₹1.00 Lac.

Social Security schemes in insurance and pension sectors **(PMJJBY, PMSBY & APY**), introduced by the Government

of India were given high priority by the Bank and 2,40,777 customers have already joined the schemes through the Bank. Pradhan Mantri Mudra Yojana (**PMMY**), Government scheme intended to support the micro enterprises is also implemented in the Bank as part of social banking.

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, 2016, to the e-mail address which the Shareholders have previously registered with their Depository Participant (DP) as their valid e-mail address. Investors desirous of refreshing / updating their e-mail addresses are requested to do so immediately in their respective DP accounts. The e-mail addresses indicated in respective DP accounts which will be periodically downloaded from NSDL/ CDSL will be deemed to be their registered e-mail address for serving notices / documents including those covered under Section 136 of the Companies Act, 2013.

Shareholders holding shares in physical form and desirous of availing electronic form of delivery of documents are requested to update their e-mail addresses with Bank's Registrar and Transfer Agents by a written request. 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.

ANTI - MONEY LAUNDERING (AML)

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

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

The Bank had implemented UIDAI's e-KYC services for Aadhaar authentication, in 50 branches during the Financial Year 2015-16, which will be scaled up to all the branches during the current year.

The Board has nominated Mr. V. G. Mathew, MD & CEO as the "designated director", as per PMLA Act.

The Bank has attached great importance for compliance of KYC/AML/CFT norms by the customers as per the Reserve Bank of India directive.

FATCA-CRS

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

DIRECTORS

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

Excluding the MD & CEO, all other members of the Board are Non-Executive Directors and Seven Directors out of the total 10 Directors are Independent Directors. Declaration has been obtained from the Independent Directors as required under the RBI Regulations, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Companies Act, 2013. The remuneration and other benefits paid to MD & CEO of the Bank and other Non-Executive and Independent Directors during the finnancial year 2015-16 are disclosed in Corporate Governance Report.

Composition of Audit Committee

The Audit Committee of the Board is chaired by Sri K. Thomas Jacob, who is a Chartered Accountant. The other members of the committee are Sri Salim Gangadharan (Non-Executive Independent Director), Sri Cheryan Varkey (Non-Executive Director) and Sri Mohan E. Alapatt (Non-Executive Independent Director) The constitution of the Committee is in compliance with the regulatory requirements. The terms of reference of the Audit Committee, incorporated in the Bank's Code of Corporate Governance, are in accordance with the SEBI (LODR) Regulations, 2015 entered into by the Bank with Stock Exchanges where the Bank's shares are listed, Companies Act, 2013 and RBI guidelines.

Independent Directors

In terms of the definition of Independence of Director as prescribed under Regulation 27(2) of the SEBI (LODR) Regulations, 2015 and Section 149(6) of Companies Act, 2013 and based on the confirmation / disclosures received from the Directors, the following Directors are Independent Directors of the Bank as on the date of this report

1. Sri Mohan E. Alapatt (DIN: 00025594)
2. Sri K.Thomas Jacob (DIN: 00812892)
3. Dr. John Joseph Alapatt (DIN: 00021735)

4. Sri Francis Alapatt (DIN: 01419486)
5. Sri Salim Gangadharan (DIN: 06796232)
6. Smt. Ranjana S. Salgaocar (DIN: 00120120)
7. Sri Parayil George John Tharakan (DIN: 07018289)

Woman Director

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

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

Criteria for appointment as Director of the Bank

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

Criteria For Determining Qualifications, Positive Attributes

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

Criteria for determining Independence of a director

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

REMUNERATION POLICY:

Remuneration Policy for Employees of the Bank:

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

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

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

REMUNERATION POLICY OF DIRECTORS:

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

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

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

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

Remuneration of Chairman:

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

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

Remuneration of Non-Executive Directors (NEDs):

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

Policy on Board Diversity:

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

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

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

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

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

Board Level Performance Evaluation

The Companies Act, 2013 and SEBI (LODR) Regulations, 2015 stipulates the performance evaluation of the Directors including Chairman, Board and its Committees.

Considering the said provisions, the Bank has devised the process and the criteria for the performance evaluation which has been recommended by the Nomination & Remuneration committee and approved by the Board.

The process for formal annual performance evaluation is as under:

- Committee of Independent Directors at their separate meeting evaluates the performance of Non-Independent Directors including Chairman of the Bank and the Board as a whole.
- The Board evaluates the performance of the Independent Directors (excluding the director being evaluated) and submit its report to the Nomination & Remuneration committee.
- The Board Evaluate the performance of Board level committees.
- Nomination & Remuneration Committee evaluated/ review the performance of each Director recommends the appointment/reappointment/ continuation of Directors to

the Board. Based on the recommendation of Nomination & Remuneration Committee, Board will take the appropriate action.

The criteria for performance evaluation are as under:

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

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

Performance Evaluation of Board

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

Performance Evaluation of the Board Level Committees

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

AUDITORS

a) Statutory Auditors:

The shareholders at its 87th Annual General Meeting held on July 15, 2015, appointed M/s Deloitte Haskins & Sells, Chartered Accountants, Chennai as Statutory Central Auditors of the Bank for the audit of Bank's accounts for the year 2015-16.

M/s Deloitte Haskins & Sells, Chartered Accountants, vacates the office at the end of the Annual General Meeting to be held this year but are eligible for re-appointment for the Financial Year 2016-17.

b) Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013, the Bank had appointed M/s KSR & Co., Company Secretaries LLP, Practicing Company Secretaries, Coimbatore as its Secretarial Auditors to conduct the secretarial audit of the Bank for the FY 2015-16. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY 2015-16 is annexed to this report.

Audit and Inspection

Regular Inspection of the branches is conducted at periodical intervals on the basis of Risk Based Internal Audit approach. From August 2015 onwards, RBIA of branches is being conducted more objectively through audit software. Concurrent audit at branches is done by qualified Chartered Accountants/ retired officers covering 68% of business of the Bank. Bank has brought almost all isolated remote branches under the ambit of concurrent audit, irrespective of the business volume of such branches. Concurrent audit of International Banking Division, Treasury Department, Credit Department and Data Centre is also conducted. In the light of centralization of activities like account opening, retail loan processing, etc., the Bank has implemented concurrent audit system in Transaction Banking Dept. and Retail Hub during the year 2015-16. In addition to the above, the Bank conducts Stock Audit, Credit Audit, KYC/AML Audit, Information System Audit, Revenue Audit, Surprise Inspection of gold & cash, exclusive Gold Loan asset verification etc. at branches. Information System Audit of CBS and major applications for the financial year 2015-16 was done by external audit firm. Besides, all the branches are subjected to statutory audit on yearly basis. Transaction monitoring alerts are generated from software on certain rules set. These alerts are monitored at HO and clarifications are called for from branches wherever necessary. ROs are having facilities for scrutiny of all alerts wherever needed. The branch operations are centrally analyzed for ensuring compliance to KYC/ AML/CFT guidelines with the help of AML software. Fraud Risk Monitoring Cell (FRM Cell) is established to prevent fraudulent activity in the customer accounts in which almost 20 rules have enabled w.r.t. card related activities to generate alerts.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors report for the year 2015-16 does not contain any qualification.

CORPORATE GOVERNANCE

A separate report profiling Corporate Governance as required under applicable regulations of the SEBI (LODR) Regulations 2015 and a certificate from M/s Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Bank, are annexed to this Report.

Extracts of Annual Return

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014

the extracts of the Annual Return as at March 31, 2016 in form no. MGT-9 is annexed to this report.

Subsidiary Companies

The Bank did not have any subsidiary Company during the previous financial year. The Board of Directors has formulated a policy for determining 'material' subsidiaries pursuant to the provisions of the Listing Regulations. The same is displayed on the website of the Bank (https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=781&linkId=781).

Related Party Transactions

The Board of Directors has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. The same is displayed on the website of the Bank

(https://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=215&LinkIdLvl3=782&linkId=782).

Since there were no Related Party tranctions, Form AOC-2 is not applicable to the Bank.

Strictures and Penalties

During the last three years, there were no penalties or strictures imposed on the Bank by the Stock Exchange(s) and/or SEBI and/or any other statutory authorities on matters relating to capital market.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

Directors' Responsibility Statement

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

(a) in the preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year 2015-16 and of the profit of the Bank for that period;

(c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts for the financial year ended on March 31, 2016, on a going concern basis;

(e) the directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENTS

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

By Order of the Board

(AMITABHA GUHA)
CHAIRMAN
DIN : 02836707

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

Place : Hyderabad
Date : June 1, 2016

DIRECTORS' REPORT

Annexure to Directors Report for the year ended March 31, 2016

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		Tranche 6		Tranche 7	
	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)	Options	Exercise price (₹)
Options outstanding at the beginning of the year	14600	12.93	158890	24.98	569100	24.12	19400	12.93	914800	21.65	20863700	18.72	2226500	21.65
Options granted during the year	0	12.93	0	24.98	0	24.12	0	12.93	0	21.65	0	18.72	0	21.65
Options exercised during the year	0	12.93	250	24.98	4300	24.12	300	12.93	9450	21.65	142705	18.72	0	21.65
Options vested during the year	0	12.93	0	24.98	315700	24.12	6000	12.93	259350	21.65	6196030	18.72	0	21.65
Forfeited/lapsed during the year	14600	12.93	158640	24.98	248200	24.12	6500	12.93	301400	21.65	314400	18.72	83500	21.65
Options outstanding at the end of the year	0	12.93	0	24.98	316600	24.12	12600	12.93	603950	21.65	20406595	18.72	2143000	21.65
Total Number of Options in force as on March 31, 2016	23482745													

Other details are as under:

Money realised by exercise of options	₹26,31,64,978.30
Pricing Formula: a) for Tranche 1, Tranche 2, Tranche 3, Tranche 5 , Tranche 6 & Tranche 7 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 KMPs & Senior managerial personnel	Name — Options Granted Mr. Cheryan Varkey — 97000 * Mr. Mathew V. G. — 100000 Mr. Thomas Joseph K. — 78500 Mr. John Thomas — 78500 Mr. Murali N. A. — 65000 Mr. Raphael T. J. — 72500 Mr. Benoy Varghese — 72500 Mr. Paul V. L. — 56500 Mr. Anto George T. — 41500 Mr. Bobby James — 62500 Mr. Gireesh C. P. — 44500 Ms. Chithra H. — 30000 Mr. Sibi P. M. — 30000 Mr. Jimmy Mathew — 13500 *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'	2.47
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, Tranche 5 – 21.65, Tranche 6 – 18.72 and Tranche 7 – 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 Tranche 5 – 24.26 ,Tranche 6 - 23.49 and Tranche 7 – 27.56

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	31.03.2016
Net Profit as reported (₹ in crore)	333.27
Proforma Net profit based on fair value approach (₹ in crore)	331.30
Basic EPS as reported (₹)	2.47
Basic EPS (Proforma) (₹)	2.45
Diluted EPS as reported (₹)	2.47
Diluted EPS (Proforma) (₹)	2.45

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

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

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

Tranches	Year ended March 31, 2016							Year ended March 31, 2015						
	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Exercise Price per share (₹)	12.93	24.98	24.12	12.93	21.65	18.72	21.65	12.93	24.98	24.12	12.93	21.65	18.72	21.65
Weighted Average Share Price per share (₹)	8.57	17.03	22.57	23.10	24.26	23.49	27.56	8.57	17.03	22.57	23.10	24.26	23.49	27.56
Expected Volatility (%)	28.26	28.26	28.26	28.26	28.26	29.95	34.59	28.26	28.26	28.26	28.26	28.26	29.95	34.59
Historical Volatility (%)	43.50	31.33	29.23	31.32	28.94	32.19	34.83	43.50	31.33	29.23	31.32	28.94	32.19	34.83
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	2.16 to 4.16	3.10 to 5.10	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.16 to 4.16	3.10 to 5.10
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	8.61 to 8.88	8.15 to 8.19	7.98	7.88 to 7.98	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09	8.61 to 8.88	8.15 to 8.19
Expected Dividend Yield (%)	8.17	4.11	3.10	3.03	2.89	3.41	2.90	8.17	4.11	3.10	3.03	2.89	3.41	2.90
The Price of underlying share in market at the time of grant of option (₹)	14.37	27.75	26.80	23.50	24.05	20.80	24.05	14.37	27.75	26.80	23.50	24.05	20.80	24.05

DIRECTORS' REPORT

Annexure to Directors Report for the year ended March 31, 2016

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

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

Sl. No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration[1] of the employees for the financial year	**Chairman** Mr. Amitabha Guha 1.69:1 **MD & CEO** Mr. V. G. Mathew 5.93:1 For this purpose, sitting fees paid to the Directors (except Sitting fee paid to Chairman as approved by RBI) have not been considered as remuneration.
II	The percentage increase in remuneration of each director, CFO, CEO, CS in the financial year	**Chairman** Mr. Amitabha Guha 63.29% **MD & CEO** Mr. V. G. Mathew[2] 38.94% Mr. C. P. Gireesh **(CFO)** 33.79% Mr. Jimmy Mathew **(Company Secretary)** 24.54%
III	The percentage increase in the median remuneration of employees in the financial year	31.89%
IV	The number of permanent employees on the rolls of the Bank	There were 7,780 employees as on March 31, 2016
V	The explanation on the relationship between average increase in remuneration and Bank performance	The calculation of yearly increase in employee remuneration is done based on IBA settlement. The performance linked incentive is applicable to all eligible employees in all cadre who meet the criteria, specified in the PLIS, which includes, individual performance, branch performance and achievement of the targeted operating profit of the Bank. As mentioned above the Bank follows holistic performance review mechanism to ensure that the increase is commensurate with the effort and it is aligned with the performance of the Bank.
VI	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Bank	For the Financial Year 2015-16, KMPs were paid approx 0.36% of the net profit for the year.

VII	Variations in the market capitalization of the Bank, price earnings ratio as at the closing date of the current FY and previous FY and percentage increase over decrease in the market quotations of the shares of the Bank in comparison to the rate at which the Bank came out with the last public offer	The Market capitalization of the Bank has decreased from ₹3402.38 crore as of March 31, 2015 to ₹2383.30 crore as of March 31, 2016. Over the same period, the price to earnings ratio came down from 11.05 to 7.15. The stock price as at March 31, 2016 has increased by 167.42% to 17.65 (234.28% to ₹22.06 after considering Bonus issue made at 2008 of 1 for 4) over the last public offering, i.e. FPO in 2006 at the price of ₹ 6.60 per share.
VIII	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average percentage increase made in the median salaries of employees other than the managerial personnel was 39.62%, while the increase in the median remuneration of managerial personnel was 33.25% . The calculation of yearly increase in employee remuneration is done based on IBA settlement.
IX	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Bank	The comparison of remuneration of each of the Key Managerial personnel against the performance of the Bank is as under : Particulars: % of Net Profit for FY 2015-16 MD & CEO Mr. V. G. Mathew: 0.25 CFO: 0.06 CS: 0.05
X	The key parameters for any variable component of remuneration availed by the directors[3]	Except Mr. V.G. Mathew, MD & CEO, no other directors have been paid any variable remuneration during the financial year. The broad factors and guidelines considered for paying variable pay to MD & CEO, are: a) Financial outcomes and profitability of the Bank. b) Variable pay shall not exceed 70% of fixed pay in a year. c) Where variable pay is 50% or more, 40% shall be deferred over a period of 3 years. d) In the event of negative contributions, in any year, the deferred compensation shall be subject to malus/ clawback arrangements as decided by the Nomination and Remuneration Committee. e) any payment in this nature is made only with the prior approval of Reserve Bank of India/Shareholders.
XI	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	NIL
XII	Affirmation that the remuneration is as per the remuneration policy of the Bank	**Yes, it is confirmed**

Notes:
1. The median salary of the staff members is arrived by taking 12 months' actual salary paid during the FY 2015-16.
2. For calculation of the percentage increase in remuneration of MD & CEO in the financial year 2015-16, the remuneration paid during the period October 1, 2014 to March 31, 2015 is annualized.
3. Remuneration of Chairman and MD & CEO is regulated by RBI guidelines.

DIRECTORS' REPORT

Annexure to Directors Report for the year ended March 31, 2016

SECRETARIAL AUDIT REPORT

(Pursuant to Section 204(1) of the Companies Act, 2013 read with
Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

For the Financial Year ended 31st March, 2016

To,
The Members,
The South Indian Bank Limited,
"SIB House", Mission Quarters,
T. B. Road, P. B. No. 28,
Thrissur – 680 001

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **The South Indian Bank Limited** (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on 31st March, 2016 in a manner that provided us reasonable basis for evaluating the corporate conduct / statutory compliances and expressing our opinion thereon.

On the basis of the above and on our verification of documents, books, papers, minutes, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of the Audit, We hereby report that in our opinion, the Company has, during the period covered under the Audit as aforesaid, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31st March, 2016 according to the provisions of:

(i) The Companies Act, 2013 and the Rules made there under and the Companies Act, 1956 and the Rules made there under to the extent applicable.
(ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made there under.
(iii) The Depositories Act, 1996 and the Regulations and Bye-Laws framed there under.
(iv) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
(v) The following Regulations and Guidelines prescribed under Securities and Exchange Board of India Act, 1992:-
   a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
   b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
   d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
   e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
   f. The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client.
   g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.
   h. The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998.
(vi) The following laws, regulations, directions, orders applicable specifically to the Company:
   a. The Reserve Bank of India Act, 1934.
   b. The Banking Regulation Act, 1949.
   c. The Banking Companies Regulation (Companies Rules), 1949.
   d. The Banking Companies (Period of Preservation of Records) Rules, 1985.

DIRECTORS' REPORT

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

(i) the Secretarial Standards 1 & 2 issued by The Institute of Company Secretaries of India.

(ii) Listing Agreement for equity and debt securities entered into with Bombay Stock Exchange Limited and National Stock Exchange Limited.

On the basis of the information and explanation provided, the Company had no transaction during the period under Audit requiring the compliance of applicable provisions of Act / Regulations / Directions as mentioned above in respect of:

a) Foreign Direct Investment, External Commercial Borrowings and Overseas Direct Investment.
b) Delisting of equity shares.
c) Buy-back of securities.

We further report that

The Board of Directors of the Company is duly constituted with the proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period covered under the Audit were carried out in compliance with the provisions of the Act.

Adequate notice and detailed notes on Agenda was given to all Directors at least seven days in advance to schedule the Board Meetings. There exist a system for seeking and obtaining further information and clarifications on the Agenda items before the Meeting and for meaningful participation at the Meeting.

Majority decision is carried through and recorded as part of the minutes. We understand that there were no dissenting members' views requiring to be captured in the minutes.

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

We further report that during the period covered under the Audit, the Company has made the following specific actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, referred to above:

a) Members have enabled Borrowing Powers of the Company up to a limit of ₹6000 crore over and above the aggregate of the paid-up share capital and free reserves pursuant to Section 180(1)(c) of the Companies Act, 2013 at the 87th Annual General Meeting held on 15th July, 2015 .
b) Private placement of 3000 numbers Non-convertible, Redeemable, Unsecured, Basel-III compliant Tier-II Bonds Debt Securities of ₹10,00,000/- each raising a total sum of ₹300 crore was made.

For KSR & Co Company Secretaries LLP

Date : 25th May, 2016
Place : Coimbatore

Dr. K. S. Ravichandran
Managing Partner
(FCS: 3675; CP: 2160)

DIRECTORS' REPORT

Annexure to Directors Report for the year ended March 31, 2016

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March 2016

[Pursuant to section 92(3) *of the Companies Act, 2013* and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

(i)	CIN	:	L65191KL1929PLC001017
(ii)	Registration Date	:	25.01.1929
(iii)	Name of the Company	:	The South Indian Bank Limited
(iv)	Category/Sub Category of the Company	:	Public Company
(v)	Address of the Registered office and contact details	:	The South Indian Bank Ltd. SIB House, T.B. Road Mission Quarters Thrissur 680 001 Kerala, India
(vi)	Whether Listed Company	:	Yes
(vii)	Name, Address and Contact Details of Registrar and Transfer Agent, If any	:	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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Banking Services	64191	100%
2			
3			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of Shares Held	Applicable Section
1	NIL				
2					

IV. SHAREHOLDING PATTERN (Equity Share Capital Break-up as percentage of Total Equity)

(i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.		0							0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other….	0	0	0	0	0	0	0	0	0

DIRECTORS' REPORT

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Sub-total (A) (1):	0	0	0	0	0	0	0	0	0
(2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other – Individuals		0							0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI		0							0
e) Any Other….	0	0	0	0	0	0	0	0	0
Sub-total (A) (2):	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Public Shareholding									0
1. Institutions									0
a) Mutual Funds	72692338	0	72692338	5.38	73726673	0	73726673	5.46	0.08
b) Banks / FI	45818339	0	45818339	3.39	34865612	0	34865612	2.58	-0.81
c) Central Govt.	0	0	0	0	0	0	0	0.00	0
d) State Govt.(s)	0	0	0	0	0	0	0	0.00	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0.00	0
f) Insurance Companies	62849084	0	62849084	4.65	67849084	0	67849084	5.02	0.37
g) FIIs	376780435	0	376780435	27.91	75581234	0	75581234	5.60	-22.31
h) Foreign Venture Capital Funds		0		0	0	0	0	0.00	0
i) Others (specify)		0		0	0	0	0	0.00	0
Sub-total (B)(1):	558140196	-	558,140,196	41.34	252022603	-	252,022,603	18.66	-22.67
2. Non- Institutions						0		0.00	0
a) Bodies Corp.						0		0.00	0
i) Indian	72330222	3421010	75751232	5.61	50074634	3165350	53239984	3.94	-1.67
ii) Overseas	0	0	0	0	0	0	0	0.00	0
b) Individuals						0		0.00	0
i) Individual shareholders holding nominal share capital upto ₹1 lakh	284142743	73573722	357716465	26.49	322769246	73395424	396164670	29.34	2.84
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	92978973	5912850	98891823	7.32	85636369	1849990	87486359	6.48	-0.85
c) Others (specify)									
Qualified Foreign Investor	869453	0	869453	0.06					-0.06
Trust	925701	0	925701	0.07	892901	0	892901	0.07	0
Clearing member	1236464	0	1236464	0.09	1390436	0	1390436	0.10	0.01
HUF	9906592	0	9906592	0.73	10593702	0	10593702	0.78	0.05

DIRECTORS' REPORT

Directors & their relatives	1510909	744690	2255599	0.17	1375909	744690	2120599	0.16	-0.01
Escrow Account	159420	0	159420	0.01		0		0.00	-0.01
Non-Resident Indians	67215253	13035470	80250723	5.94	88913202	12448800	101362002	7.51	1.56
ESOS	6201475	0	6201475	0.46	0	0		0.00	-0.46
Foreign Nationals	0	0	0	0.00	0	0	0	0.00	0
Foreign Portfolio Investor (corporate)	157846893	0	157846893	11.69	445035785	0	445035785	32.96	21.27
Sub-total (B)(2):	695324098	96687742	792011840	58.66	1006682184	91604254	1098286438	81.34	34.37
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**1253464294**	**96687742**	**1350152036**	**100.00**	**1258704787**	**91604254**	**1350309041**	**100.00**	12
C. Shares held by Custodian for GDRs & ADRs	**0**	0	0	0	0	0		0.00	0
Grand Total (A+B+C)	**1253464294**	**96687742**	**1350152036**	**100.00**	**1258704787**	**91604254**	**1350309041**	**100.00**	12

(ii) Shareholding of Promoters/Promoters Group

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1	NIL							
	Total							

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year (as on April 1, 2015 i.e. on the basis of SHP of March 31, 2015)		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase	-	-	-	-
	At the End of the year	0	0	0	0

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No.	Name of Shareholder	Shareholding at the beginning of the year (as on April 1, 2015 i.e. on the basis of SHP of March 31, 2015)		Change in Shareholding (No. of Shares)		Shareholding at the end of the year	
		No. of Shares	% of total shares of the company	Increase	Decrease	No. of Shares	% of total shares of the company
1	YUSUFFALI MUSALIAM VEETTIL ABDUL KADER .	49999998	3.70	16,666,810.00	0	66666808	4.94
2	FIRST CARLYLE VENTURES MAURITIUS	66544763	4.93	0	0	66544763	4.93
3	LIFE INSURANCE CORPORATION OF INDIA	59739424	4.42	5,000,000.00	0	64739424	4.79
4	CX SECURITIES LIMITED	44868583	3.32	0	1,740,000.00	43128583	3.19
5	GKFF VENTURES	43322329	3.21	0	2,440,808.00	40881521	3.03
6	LAVENDER INVESTMENTS LIMITED	20500000	1.52	17,627,000.00	0	38127000	2.82

7	DEUTSCHE SECURITIES MAURITIUS LIMITED	34986189	2.59	0	377,000.00	34609189	2.56
8	IVA INTERNATIONAL FUND	29719091	2.20	0	0	29719091	2.20
9	KOTAK MAHINDRA (INTERNATIONAL) LIMITED	28500000	2.11	0	0	28500000	2.11
10	ACACIA PARTNERS, LP	20700000	1.53		4,285,520.00	24985520	1.85

Note: *Top Ten shareholders of the Bank as on March 31, 2016 has been considered for the above disclosure.*

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name of Director and KMP	Shareholding at the beginning of the year		Change in Shareholding (No. of Shareholding)		Shareholding at the end of the year	
		No. of Shares	% of total shares of the Bank	Increase	Decrease	No. of Shares	% of total Shares of the Bank
	Directors						
1	Amitabha Guha	15000	0.00	0	0	15000	0.00
2	V. G. Mathew	0	-	0	0	0	-
3	Mohan E. Alapatt	75000	0.01	0	0	75000	0.01
4	K. Thomas Jacob	51301	0.00	5000	0	56301	0.00
5	Dr. John Joseph Alapatt	219720	0.02	0	0	219720	0.02
6	Francis Alapatt	165000	0.01	0	0	165000	0.01
7	Salim Gangadharan	10000	0.00	0	0	10000	0.00
8	Cheryan Varkey	53130	0.00	0	0	53130	0.00
9	Ranjana Shivanand Salgaocar	56000	0.00	1000	0	57000	0.00
10	Parayil George John Tharakan	0	-	0	0	0	-
	KMPs other than MD & CEO						
1	C.P. Gireesh (Chief Financial Officer)	15250	0.00	8850	0	24100	0.00
2	Jimmy Mathew (Company Secretary)	0	-	0	0	0	-

V. INDEBTEDNESS

Indebtedness of the Bank including interest outstanding/accrued but not due for payment (₹ in crore)

Particulars	Secured Loan excluding deposit	Unsecured loans	Deposit	Total Indebtedness
Indebtedness at the begning of the financial Year				
i) Principal Amount	-	2,232	-	2,232
ii) Interest due but not paid				
iii) Interest accrued but not due		18	-	18
TOTAL (i+ii+iii)		2,250	-	2,250
Change in Indebtedness during the financial year				
Addition	38,151	22,224		60,375
Reduction	38,151	22,438		60,589
Net Change	-	(214)	-	(214)
Indebtedness at the end of the financial year				
i) Principal Amount	-	2,315	-	2,315
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	12	-	12
Total (i+ii+iii)	-	2,327	-	2,327

DIRECTORS' REPORT

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			
		V. G. Mathew (MD & CEO)*	WTD	Manager	Total Amount
1	Gross salary	8336325	0	0	8336325
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	8093000	0	0	8093000
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	243325	0	0	243325
	(c) Profits in lieu of salary under Section 17(3) of Income-tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
	Granted during the year	0	0	0	0
	Exercised during the year	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as % of profit	0	0	0	0
	- others, specify…	0	0	0	0
5	Others, please specify	0	0	0	0
	Total (A) (Total Remuneration does not include the number of Stock Options)	8336325	0	0	8336325
	Ceiling as per the Act #				'Refer Note'

\# **Note:** In terms of the provisions of the Companies Act, 2013, the remuneration payable to MD & CEO shall not exceed 5% of the net profit of the Bank. The remuneration paid to MD & CEO is well within the limit.

* Subject to the approval of RBI.

B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount
1	Independent Directors	Sri Mohan E Alapatt	Sri Thomas Jacob	Dr. John Joseph	Sri Francis Alapatt	Sri Salim Gangadharan	Smt. Ranjana Salgaocar	Sri Parayil John Tharakan	
	- Fee for attending board / committee meetings	12,75,000	14,10,000	13,75,000	9,25,000	15,75,000	5,80,000	7,35,000	
	- Commission	0	0	0	0	0	0	0	
	- Others, please specify	0	0	0	0	0	0	0	
	Total (1)	12,75,000	14,10,000	13,75,000	9,25,000	15,75,000	5,80,000	7,35,000	78,75,000
2	Other Non-Executive Directors	Sri Amitabha Guha	Sri Cheryan Varkey						
	- Fee for attending board / committee meetings	17,75,000	12,85,000						
	- Commission	-	-						

	- Others, (honorarium fixed by the Board and approved by shareholders and RBI)	6,00,000	-						
	Total (2)	23,75,000	12,85,000	-	-	-	-	-	36,60,000
	Total (B)=(1+2)								1,15,35,000
	Total Managerial Remuneration								
	Overall Ceiling as per the Act #								'Refer Note'

 # Note: In terms of the provisions of the Companies Act, 2013, the remuneration payable to directors other than executive directors shall not exceed 1% of the net profit of the Bank. The remuneration payable to the Directors is well within the said limit.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		CFO	Company Secretary	Total Amount
1	Gross salary	2041923.00	1497976.00	3539899.00
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	2039870.50	1472023.00	3511893.50
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	2052.50	25953.00	28005.50
	(c) Profits in lieu of salary under Section 17(3) of Income-tax Act, 1961	-	-	-
2	Stock Option			
	Granted during the year	-	-	
	Exercised during the year	8850	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify…	-	-	-
5	Others, please specify	-	-	-
	Total (A) (Total Remuneration does not include the number of Stock Options)	2041923.00	1497976.00	3539899.00

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. Company			None		
Penalty					
Punishment					
Compounding					
B. Directors			None		
Penalty					
Punishment					
Compounding					
C. Other Officers in default			None		
Penalty					
Punishment					
Compounding					

DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

Global growth remains subdued in 2015, with the modest growth of 3.1 percent, and is expected to recover at a slower pace than previously envisioned. According to the International Monetary Fund's (IMF) World Economic Outlook Report (April 2016), the global growth is expected to be modest at 3.2 per cent in 2016, as the advanced economies are in the recovery mode. The recovery is projected to strengthen in 2017 and beyond, driven primarily by emerging market and developing economies, as conditions in stressed economies start gradually to normalise.

Global commodity prices weakened due to a combination of subdued growth conditions, supply glut in certain cases, and a stronger dollar resulted in the benchmark CRB Commodity Index falling by 23.4% in 2015. The decline was broad based with prices of crude oil (Brent), industrial metals, gold, and agricultural commodities falling by approximately 36%, 24%, 10% and 12%, respectively. The ongoing slowdown and rebalancing in China (with more than 10% share in global trade), declining investments in commodity exporters like Brazil, Russia, etc., and significant exchange rate depreciation in many EMs (primarily triggered by dollar strength and exchange rate adjustment in China) resulted in weakening of global trade activity.

Subdued economic activity amid disinflationary conditions prompted many key central banks to further ease monetary policy through a combination of conventional and unconventional tools. While few major central banks extended their quantitative and credit easing measures,some of them like the European Central Bank and the Bank of Japan also pushed their monetary policy rate into negative territory.

Fortifying India's pole position as the fastest-growing large economy, the country's fourth quarter GDP growth stood at a higher than anticipated 7.9%. The country expanded by 7.50%, 7.60% and 7.2% during first, second and third quarter and overall for full year, the economy grew at a five-year high of 7.60%. This upswing was supported by growth in industrial as well as agricultural sector. For the entire 2015-16 the agriculture sector grew by 1.20%. As per the advance estimates, food grains production was 252.33 million tonnes in 2015-16 which is higher than expected. The GDP is expected to grow by 8% in 2016-2017. Powered by a strong show in refinery product's output and electricity generation, the eight core sector industries saw an output growth of 8.50% in April 2016. As expected, agriculture witnessed a revival in the March quarter, registering a 2.30% growth against a contraction by 1.70% in the same quarter last fiscal.

The CPI inflation eased to 4.8% in March year-on-year bolstering the Reserve Bank of India's recent decision to cut interest rates. The drop in the inflation rate from the revised 5.3% in February shows prices rising at their slowest pace in six months. However the headline inflation rose to 5.4% in April 2016 on a spurt in food prices. The RBI is targeting to bring it down the inflation to 5% by the end of the fiscal 2017, and at present base-effect is helping the country. However, tick in Brent crude prices and domestically higher minimum support prices will also push up headline inflation in the future.

The year 2015 witnessed high volatility in equity markets as global headwinds in the form of the Greek Crisis, China currency devaluation, falling commodity prices and US Fed rate hike kept the markets under pressure. Executive actions from the Government across the infrastructure sector, defence, insurance, banking, etc. kept the market hopeful of the Government's intent of improving the business scenario. The positive action from the Government and falling energy prices helped the Indian economy to build stability during the year. Though, benchmark indices closed down nearly 4 percent, their midcap and small cap counterparts witnessed resilience. Domestic investors showed confidence in the Indian economy and poured a record ₹67,000 crores in Indian equities, while FPIs investment stood at ₹13,000 crore. Compared with the secondary market, the initial public offering (IPO) market remained upbeat, recording a four year high mobilisation in 2015 with 64 IPOs aggregating to about US$ 2.2 billion (about ₹139 billion). While the IPO index generated a return of 19 per cent in 2015, the benchmark Sensex yielded a negative return of 5.0 percent in 2015. Money, bond and credit markets have been largely insulated from global spillovers, while foreign exchange and equity markets have experienced bouts of volatility. Liquidity conditions generally tightened in the second half of the year and proactive liquidity management alleviated pressure on money market rates. Long-term yields exhibited a tightening bias till February and risk spreads reflected both corporate sector stress and asset quality concerns in banks. Total flow of resources to the corporate sector remained buoyant, with industry receiving a rising proportion of the non-food credit.

Banking Scenario:

Total banking sector assets have increased at a CAGR of 11.71 per cent to USD1.96 trillion during FY13 - FY15. The Assets of public sector banks, which account for more than 70 per cent of the total banking assets, grew at a CAGR of 12 per cent and private sector expanded at a CAGR of 13 per cent, while foreign banks posted a growth of 9 per cent. Corporate demand for bank loans have grown due to continued infrastructure investments, and due to other policy decisions such as reducing oil subsidies, issuing of telecom spectrum licenses and the proposed abolition of penalty on loan prepayment.

The Gross NPA to Gross Advances in listed banks grew from ₹3.00 lakh crore in FY15 to around ₹5.81 lakh crore in FY16

and the Net NPA has also jumped from ₹1.67 lakh crore to ₹3.39 lakh crore during the same period.

Loan-to-Deposit ratio for banks across sectors has increased over the years. Private and foreign banks have posted high return on assets than nationalised and public sector banks. This has prompted most of the foreign banks to start their operations in India

Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks have already embraced the international banking supervision accord of Basel II; interestingly, according to RBI, majority of the Banks already meet capital requirements of Basel III, which has a deadline of March 31, 2019. Most of the banks have put in place the framework for asset-liability match, credit and derivatives risk management.

Banks are laying emphasis on diversifying the source of revenue stream to protect themselves from interest rate cycle and its impact on interest income. Focusing on increasing fee and fund based income by launching plethora of new asset management, wealth management and treasury products.

Indian banks, including public sector banks are aggressively improving their technology infrastructure to enhance customer experience and gain competitive advantage. Internet and mobile banking is gaining rapid foothold .Customer Relationship Management (CRM) and data warehousing and analytics will drive the next wave of technology in banks. Indian banks are rapidly focusing on SMAC (Social, Mobile, Analytics and Cloud) techniques to reach new customers. Indian banks currently devote around 15 per cent of total spending on technology. Spending on technology is expected to increase at an annual rate of 14.2 per cent. Banks in the country are set to benefit further as they move ahead in implementing additional technological advancements.

Technology has allowed banks to increase their scale rapidly and manage increased business and transactions volume with lesser man power and reduced costs (at the operational level). Digital analytics is providing deeper insights into customer needs and enabling banks to offer highly targeted products and services; this is likely to pick up pace in the coming years. New channel-integration technologies are enabling a more seamless end-to-end experience for banking customers. Offering new opportunities to engage and interact with customers and thereby build relationship and grow revenues; social media has a crucial role to play in this drive.

The wide scope and ease of online banking has led to a paradigm shift from traditional branch banking to net banking. Around 44% people are using Net banking, which remains the most favourite mode of payment among internet users in India. Extensions for facilities such as fund transfer, account maintenance and bill payment at ATM stations have reduced branch banking footfall. The increase would take the number of ATMs per million population from 189 in 2015 to about 300 in 2017.

Economic and Banking Outlook:

The Indian economy currently stands at a strong footing with the interest rate rolling downwards, key macro variables like CAD and Fiscal deficit mostly under control and the Government's continued push for reforms and ease of doing business. International agencies continue to remain positive on India with an expected growth faster in 2016 -17. India is likely to gain momentum in the year to come as the results of earlier measures are visible. The key factors which are likely to aid growth during the year are the impact of the executive action addressing systemic issues in key sectors like mining, railways, defence, banking, roads and power. Further, the pay commission suggestion for hikes in payouts for Government employees coupled with soft commodity prices are likely to result in consumption driven growth. The continued accommodative stance and look out for emerging room for more rates easing by the Reserve Bank is likely to bring in positive sentiments and scope for expansion of the economy.

A number of factors could impinge upon the growth outlook for 2016-17. First, slow investment recovery amidst balance sheet adjustments of corporate is likely to hinder investment demand. Secondly, with capacity utilization in the organized industrial sector estimated at 72.5 per cent, revival of private investment is expected to be hesitant. Thirdly, global output and trade growth remain tepid, dragging down net exports. On the positive side, the Government's "start-up" initiative, strong commitment to fiscal targets, and the thrust on boosting infrastructure could brighten the investment climate. Household consumption demand is expected to benefit from the Pay Commission award, continued low commodity prices, past interest rate cuts, and measures announced in the Union Budget 2016-17 to transform the rural sector.

India's macroeconomic fundamentals stand much improved. At the margin, we expect interest rate cuts to be a positive factor for the markets. The market multiple has come off over the past year. We expect it to be underpinned this year by reasonable earnings growth, lower rates and an incremental pick-up in sequential growth momentum.

In sectors such as urban development and railways, evolution of policy to drive large-scale investments is largely over and the flow of orders should start to materialise in CY2016. We also expect state level spending in some of the states like Andhra Pradesh (AP), Telangana, Maharashtra and UP to pick-up significantly.

Even through the slowdown, corporate India has seen rising free cash flows as the capital expenditures come off. Despite the fact that there has been severe stress in some sectors of the economy and the growth has generally slowed down, corporate have started to deleverage their balance sheets as

the room created by lower capital spends and stable cash flows has been rising. We believe that any pickup in growth due to additional Government and consumption demand can start to create large benefits for corporate ROEs as the incremental capital deployment is falling. Despite rising free cash flow in corporate India, ROEs have remained depressed due to poor utilisation of assets which have been commissioned in the last 3-4 years. We expect this to start changing in FY17.

On the monetary policy front, the RBI had reduced repo rate by a cumulative of 75 bps to 6.75% during the course of FY 2015-16. This measure followed earlier reduction of 50 bps in the fiscal 2014-15. With CPI inflation for January 2016 clocking 31 bps lower than RBI's target of 6.0% and Government maintaining fiscal discipline, the central bank opted for another cut of 25 bps in the repo rate to 6.50% in April 2016.

Money market liquidity conditions improved in the first half of FY 2015-16 (with average liquidity being in surplus between Jul-Sep) largely on the back of front loading of Government expenditure and dollar purchases by the RBI. Thereafter, liquidity conditions started deteriorating sequentially and closed FY 2015-16 with a deficit of ₹2,145 Billion. Build-up of Government cash balances with the RBI, above trend increase in currency in circulation and dollar sale by RBI contributed towards tightening of liquidity conditions in the second half of FY 2015-16.

Opportunities and threats:

The future of banking in India looks not only exciting but also transformative. Despite the somewhat difficult current operating environment, banks remain the largest financial sector intermediary in India. In future, technology will make the engagement with banks more multi-dimensional even as other entities, markets and instruments for credit and financial services continue to develop and expand. Another facet of digitization will happen as banks will venture into B2B environments. Banks will tie-up with various e-commerce companies. Earlier in 2015, Reserve Bank of India said it was open to form ventures with e-commerce companies and let them act as banking correspondents. This partnership will definitely provide both competition and opportunity. Tying up with e-commerce companies will prove advantageous to banks as it will create new opportunities to sell products. This will also prevent technology companies and non-banking financial companies to poach their customers.

The current weakness in economic activity has muted credit demand from banks. Part of this slowdown is due to excess capacities in many sectors, together with the increase in leverage on corporate balance sheets, impeding their ability to absorb credit. In addition, alternative sources of financing, both domestic and offshore, have also emerged.

Stressed assets in banks' credit portfolios have also constrained credit delivery, but the situation is gradually improving. While banks have taken measures to clean their portfolios, with write-offs and provisions, the Reserve Bank of India has also facilitated rectification through a number of well-thought-out initiatives. Restricting incremental non-performing assets through early detection, monitoring, corrective action plans, shared information and disclosures is also likely to keep a future recurrence in check. Proposed mechanisms for asset resolution, including the Bankruptcy Code, will help speedier recovery.

The financial demands of creating infrastructure to support the aspiration of sustained high growth will be enormous. Institutions like the National Infrastructure Investment Fund will catalyse increasing funds flow to infrastructure.

As India's integration with the global economy increases, and the rupee gets internationalized, Indian banks will facilitate corporate access to offshore markets and capital pools. Bond, currency and derivatives markets will develop and deepen; rather than being a threat to banks, these markets will complement banking services and products, with a diversity of risk management and hedging options, and enable banks to hand off credit risk.

However, as global markets become more competitive and volatile, commercial success will depend on the ability to operate and scale up in an uncertain environment. Managing risk will become increasingly important. Technology and analytics will become the cornerstones of improved risk management in the country.

In the wider banking context, technology is enabling more effective, lower cost delivery of corporate financial services, facilitating rapid and seamless payments, enhancing the retail customer experience, and increasingly, allowing increased access to financial services among the hitherto excluded. The biggest impact of technology will be the ability to personalize delivery of products and services to customers. Data analytics is an integral part of this ability to customize. Increasing use of unstructured data, generated largely from social media, will vastly add to behavioural understanding and prediction. In an environment where delivery of financial services will become increasingly commoditized, customer experience will become the differentiating norm for a preferred service provider. The ability to tailor financial solutions to customers across multiple platforms will unleash a wave of product innovations and thereby demand for financial services.

The landscape of India's financial sector is changing. Anytime, anywhere banking, using differentiated channels and technology, will enable a multi-fold increase of reach in rural and remote areas. Coupled with the emergence of a new class of banks—the small and payments banks—one of the biggest impacts of technology adoption will be rapidly accelerating financial inclusion by making last-mile access more cost effective and expanding the reach of banking to the unbanked. The Pradhan Mantri Jan-DhanYojana has been an outstanding

example. Direct transfers to bank accounts coupled with the range of services, envisioned in the Government's Digital India programme, will drive customer adoption and promote a savings culture. Partnerships between these specialized entities and universal banks will effectively leverage their networks to deliver financial services, including micro-credit.

Customers are increasingly weaving their digital and physical worlds together, with transactions conducted using multiple channels. Competition from unconventional entities will quicken the pace of technology innovation. Collaboration between banks and the retail ecosystem will also deepen to provide customers with a bouquet of products. In general, distinctions between financial and non-financial service providers will blur; an inter-connected and collaborative ecosystem of service providers will emerge. Through partnerships and acquisitions, banks will integrate financial services, wallets, payments, shopping services, etc., to deliver an enhanced customer experience.

Yet, despite the array of financial services on offer, customers in a volatile and uncertain world will increasingly need a sense of permanency and security for their deposits. Banks will be the institutions that can fulfil this need, partly due to stringent regulatory norms, which will enhance systemic safety. In addition, due to the low penetration of formal, organized financial services among households and small and medium enterprises, the opportunities for financial intermediaries, particularly banks, remain very bright.

The sector should start to see the roll-out of differentiated banking models like payments banks and small finance banks. In addition, existing banks are all trying to catch up with changing financial technology trends to stay relevant.

The deposit market in India has seen very little change. Most banks have offered a steady 4% on savings deposits even after these rates were deregulated in 2011. Some think payments banks could force a change while others say that payments banks won't make enough profits so as to offer higher deposit rates.

Banks have become more aggressive in dealing with companies defaulting on repayments, because of the strategic debt restructuring (SDR) route introduced by the Reserve Bank of India in June 2015. Banks have invoked SDR on at least nine companies so far. Over the next 18 months, banks will have to find suitable buyers for the majority equity converted from debt in all these firms. Sceptics say that won't be an easy task.

With the stressed asset scenario stabilizing and with banks taking the lead in selling stressed assets in the economy, the banking regulator envisages that the problem of non-performing assets will be tackled by March 2017. The Reserve Bank of India has provided banks with multiple tools such as the joint lender forum mechanism, 5/25 refinancing and strategic debt restructuring, which the regulator will monitor closely to ensure there is no misuse.

Financial Performance Vs Operational Performance

The total gross business of the Bank grew from ₹89,368.14 crore to ₹97,191.52 crore. While the deposits grew from ₹51,912.49 crore to ₹55,720.73 crore, gross advances grew from ₹ 37,725.65 crore to ₹41,470.79 crore. Food credit grew from ₹579.07 crore to ₹589.67 crore and non-food credit stood at ₹40,881.12 crore vis-à-vis ₹37,146.58 crore in the last year, posting an increase of ₹3,734.54 crore. Operating profit of the Bank had increase by ₹63.02 crore during the year, i.e. increased from ₹816.26 crore to ₹879.28 crore. The Net Profit increased to ₹333.27 crore as against ₹307.20 crore reported in last year. The Board has recommended a dividend of 50% i. e. @ ₹0.50 per equity share of ₹1/- each, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 3.77% and the Net NPA to Net Advances at 2.89% as on March 31, 2016. The Capital Adequacy Ratio of the Bank was 11.82 under Basel III norms as on March 31, 2016 as against the RBI mandated level of 9.625. Book value per share rose from ₹26.59 to ₹28.45 during the year 2015-16.

The gross revenue from Treasury Operations segment increased from ₹1,320.47 crore to ₹1,362.91 crore, Corporate/ Wholesale Banking segment increased from ₹2,451.64 crore to ₹2,737.07 crore and Other Banking Operations segment increased from ₹116.56 crore to ₹140.29 crore whereas the gross revenue from Retail Banking segment decreased from ₹1,894.62 crore to ₹1,834.35 crore.

Segment results net of allocated / apportioned cost and provisions from Treasury segment increased from ₹(141.48) crore to ₹(140.98) crore, Corporate/ Wholesale Banking segment increased from ₹62.98 crore to ₹173.16 crore and Other Banking Operations increased from ₹95.46 crore to ₹113.78 crore whereas segment results net of allocated / apportioned cost and provisions from the Retail Banking segment decreased from ₹385.25 crore to ₹363.70 crore.

RISK MANAGEMENT PRACTICES:

It is imperative to have robust and effective risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets as a whole. The bank has in place a robust risk management structure which proactively identifies the risks faced by the Bank and helps in mitigating the same, while maintaining proper trade-off between risk and return thereby maximizing the shareholder value. The bank has fine-tuned the system of comprehensive risk profiling of the Bank in line with regulatory guidelines that will facilitate integrated risk management through effective assessment of the level and direction of key risks.

The bank has put in place risk management architecture and practices that is overseen by Risk Management Committee

of the Board (RMCB). Appropriate policies to manage various types of risks are approved by the Board of Directors after review by Risk Management Committee of the Board (RMCB), which provides strategic guidance while reviewing portfolio behaviour. The senior level executive committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC), Operational Risk Management Committee (ORMC) and Asset Liability Management Committee (ALCO) develop the risk management policies and vet the risk limits to ensure better control. Bank is in the process of implementing Enterprise Wide Risk Management Solution (EWIRMS), as a part of moving over to advanced approaches, which will facilitate suitable alignment of risk and capital to the overall business strategy.

a) Credit Risk Management:

The bank has a comprehensive credit risk management policy, which deals with identification, assessment, measurement and mitigation of credit risk. Bank`s credit risk management policy defines credit risk as the possibility of losses associated with the diminution in the credit worthiness of the borrower or the counterparty or the failure on the part of the borrower to meet its obligations in accordance with the agreed terms. To address and manage such credit risk, the Bank has established the Credit Risk Management Committee, which is entrusted with the task of overseeing various risk management measures envisaged under the credit risk management policy. The Credit Risk Management Committee also deals with credit risk management procedures, in addition to reviewing, analyzing, managing and controlling the various credit risks that the Bank faces. Of the strategic measures employed in managing credit risk, risk rating occupies a position of prominence, as it involves the rating of borrowers from a risk perspective for the purpose of credit decision, pricing and supervision. The bank has adopted dual rating system for credit rating of borrowers. For the purpose of credit risk rating, the Bank's exposure is broadly classified into retail and non-retail. All corporate loans are rated using dual rating models and retail exposures are scored using different scorecards. Bank has eight non default rating grades and one default rating grade. As a part of Advanced Approach under Basel II, bank has a system for validation of the rating models on an annual basis.

Appropriate credit approval processes, risk mitigation, post-disbursement monitoring and timely remedial actions are part of the credit risk management. Segment-wise and borrower category-wise exposure limits are fixed and monitored by the Bank to address the risk of concentration. Rating migration studies and default rate analysis based on the credit risk rating of the borrowers are undertaken on a periodic basis to provide input for policy and strategic decisions.

b) Market Risk Management:

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

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

c) Operational Risk Management

The bank has developed an operational risk management framework that is fully integrated into the Bank's overall risk management processes. The bank has put in place processes, systems and procedures to actively mitigate operational risks and optimize resources not only to protect the Bank but also to provide return commensurate with the risk profile adopted. Risk identification and assessment together with control assessment are keys to the risk management process and for this purpose; the Bank has already put in place risk management processes like Risk and Control Self Assessment (RCSA) framework. It has also revamped the operational risk management framework by introducing Key Risk Indicators (KRI), Loss data collection and modelling methodologies.

d) Liquidity Risk

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

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

DIRECTORS' REPORT

e) Business Continuity Plan

The bank is having a comprehensive Business Continuity Plan (BCP) to ensure continuity of critical business operations of the Bank during disasters. In line with the Business Continuity Plan, bank has constituted a BCP Committee incorporating the heads of all major departments to exercise, maintain and invoke business continuity plan as needed. A core team called Emergency Operation Team is also in place to act immediately upon a crisis and for supervision of recovery under alternative operations arrangements at the disaster and the team ensures that the business functions are back to normalcy with minimum delay. Disaster Recovery drill for the core banking system of the Bank has been conducted at regular intervals to ensure the competence of the same during emergency situations.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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.

Vigil Mechanism/Whistle Blower Policy in the Bank

Vigilance Mechanism of the Bank is functioning as a separate vertical headed by a General Manager and reporting directly to the MD & CEO of the Bank. Vigilance Department of the Bank has twin roles of investigation of frauds and putting in place a dynamic mechanism, in order to have more controls over the incidence of frauds.

The Bank has in place a vibrant Whistle Blower Policy (WBP) and the Protected Disclosure Scheme (PDS), which are reviewed from time to time. Whistle Blower Policy and the Protected Disclosure Scheme of the Bank are published in the website of the Bank and thereby awareness is kindled to Customers as well as to Employees so as to be an effective tool in the reporting and prevention of frauds.

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

Functioning of the Vigilance Department is reviewed by Audit Committee of the Board on a quarterly basis and is being closely followed up by RBI and guided by its master circular on "Frauds- classification and reporting" issued every year.

HUMAN RESOURCE DEVELOPMENT/INDUSTRIAL RELATIONS

As on March 31, 2016, the Bank had 7,780 personnel on its rolls. Human Resource policies and practices of the Bank focus on attracting, motivating and retaining qualified and skilled manpower. Concurrent with these objectives, steps are taken to improve manpower efficiency. Given the market challenges, there has been considerable focus on optimising the existing resources - through internal job postings, transfers and skill development initiatives. During the Financial Year, our Personnel Department has been awarded with the ISO 9001:2008 Certification. Training and development have assumed significant importance. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and trains them for qualitative improvement. During the financial year, Bank has provided training to 4376 of its Officers, 2142 clerks and 121 sub-staffs in different facets of Bank's operations.

The development of employees is essential to the future strength of our business. We have implemented a systematic approach for identifying, developing and deploying talented employees to ensure an appropriate supply of individuals of high calibre.

To motivate the employees further and to inculcate in them a sense of ownership, Employees' Stock Option Scheme (ESOS) was approved by the shareholders at the Annual General Meeting held on August 18, 2008. The Bank introduced Tranche 1 of the scheme in 2009-10, Tranche 2 of the scheme in 2010-11, Tranche 3 of the scheme in 2011-12, Tranche 4 and Tranche 5 during 2012-13, Tranche 6 during 2013-14 and Tranche 7 during 2014-15 subject to the regulatory guidelines in this regard. An aggregate of 1,57,005 options were exercised by the employees during the current financial year and equal number of shares have been allotted against those exercises. In order to ensure enhanced productivity and efficiency in all areas of operations and cultivate motivation among employees in all cadre, the Bank implemented the Performance Linked Incentive Scheme (PLIS) from the financial year 2007-08 onwards. The Bank follows a scientific method for calculation of the PLIS, which includes, individual performance, branch performance, achievement of the targeted profit of the Bank etc.

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

By Order of the Board

(AMITABHA GUHA)	**(V. G. MATHEW)**
CHAIRMAN	MANAGING DIRECTOR & CEO
DIN : 02836707	DIN : 05332797

Place : Hyderabad
Date : June 1, 2016

ANNEXURE TO THE DIRECTORS' REPORT

Report on Corporate Governance :

(The Report on Corporate Governance forms part of the Directors' Report for the year ended March 31, 2016)

Bank's Philosophy on Code of Governance:

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

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

The required details on Corporate Governance are given hereunder:-

1. BOARD OF DIRECTORS

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

Composition of Board

The composition and category of the Directors along with their attendance at Board Meetings and shareholdings in the Bank as on March 31, 2016 are given below:

Sl. No.	Name of Director	Category of Director	No. of Board Meetings		Attendance of last AGM on 15.07.2015	No. of shares held	% of holding
			Held during the tenure	Attended			
1	Sri Amitabha Guha, Chairman	NE	10	10	Present	15000	0.0011
2	Sri V.G. Mathew, M.D. & CEO	Whole Time Director	10	10	Present	0	0.0000
3	Sri Mohan E. Alapatt, Director	INE	10	10	Present	75000	0.0056
4	Sri K.Thomas Jacob, Director	INE	10	9	Present	56301	0.0042
5	Dr. John Joseph, Director	INE	10	10	Present	219720	0.0163
6	Sri Francis Alapatt, Director	INE	10	10	Present	165000	0.0122
7	Sri Salim Gangadharan, Director	INE	10	10	Present	10000	0.0007
8	Sri Cheryan Varkey, Director	NE	10	9	Present	53130	0.0039
9	Smt. Ranjana Salgaocar, Director	INE	10	7	Present	57000	0.0042
10	Sri Parayil George John Tharakan, Director	INE	10	9	Present	0	0.0000

NE – Non-Executive Director

INE – Independent Non-Executive Director

Board Meetings

A total of 10 Board Meetings were held during the year and the dates are as under:
05.05.2015, 23.05.2015, 02.06.2015, 15.07.2015, 25.08.2015, 17.10.2015, 26.11.2015, 20.01.2016, 01.03.2016, 29.03.2016.

ANNEXURE TO THE DIRECTORS' REPORT

Committee position of Directors in the Bank as on March 31, 2016:

The name of each Committee with the name of its respective Chairman as on 31.03.2016 is furnished below:

1.	Management Committee	– Sri Amitabha Guha
2.	Audit Committee	– Sri K. Thomas Jacob
3.	N P A Review Committee	– Sri Francis Alapatt
4.	Nomination & Remuneration Committee	– Dr. John Joseph Alapatt
5.	Customer Service Committee	– Sri V. G. Mathew
6.	Stakeholders Relationship Committee	– Smt. Ranjana S. Salgaocar
7.	Committee to Prevent and Review Frauds in the Bank	– Sri V. G. Mathew
8.	Premises Committee	– Sri Francis Alapatt
9.	Risk Management Committee	– Sri Salim Gangadharan
10.	Information Technology Strategy Committee	– Sri Mohan E. Alapatt
11.	Corporate Social Responsibility Committee	– Sri Francis Alapatt
12.	Capital Planning & Infusion Committee	– Sri Amitabha Guha

None of the Directors is a member of more than ten Board Committees or Chairman of more than five such Committees, as required under SEBI (LODR) Regulations, 2015.

Directorship of Directors in other Public Limited Companies and Public Institutions

- Sri Amitabha Guha, Part-time Chairman, is a Director on the Board of M/s Gangavaram Port Ltd., Hyderabad, M/s Xpro India Ltd., New Delhi, M/s Power Mech Projects Ltd., Hyderabad and M/s Ramkrishna Forgings Ltd., Kolkata.
- Sri Salim Gangadharan, Independent Director, is an Independent Director on the Board of The National Securities Clearing Corporation Ltd., Mumbai.
- Sri K. Thomas Jacob, Independent Director, is an Independent Director on the Board of M/s. Malabar Cements Ltd., Palakkad.
- Sri Francis Alapatt, Independent Director, is a Director on the Board of CII Guardian International Ltd., Kochi.

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

2. COMMITTEES OF BOARD

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

(A) MANAGEMENT COMMITTEE

Management Committee of Board has been constituted based on RBI guidelines vide its circular No. DBOD. No. BP. BC.96/21.03.038/2004-05 dated 10th June, 2005 essentially to sanction credit proposals beyond the powers of MD & CEO and all other operational matters permitted by the Board from time to time. The members of the Committee as on March 31, 2016 are Sri Amitabha Guha - Chairman, Sri V. G. Mathew, Sri K. Thomas Jacob, Sri Salim Gangadharan, Sri Cheryan Varkey and Dr. John Joseph Alapatt. The terms of reference of the Committee are as follows:

1. All credit proposals, beyond the powers of Managing Director.
2. OTS proposals within the powers of the Board.
3. Ratification proposals of sanction made by MD beyond his powers.
4. Review of MD's sanctions.
5. Review of Food Credit – Monthly disbursement (Monthly).
6. NPA recovery (Monthly).
7. Compromise proposals sanctioned by MD (Quarterly).
8. Legal action waiver allowed by MD (Quarterly).
9. Sanction to bid the property in court auction above the decreetal dues.
10. Payment of compensation in consumer cases (above ₹1,00,000/-).
11. Enhancement of the prudential individual exposure limit.
12. Review of the order of Committee for identification of Wilful Defaulters.
13. Review of the order of Committee for identification of non - cooperative borrowers of the bank.
14. Review of Top 100 NPA accounts below 5 crores (SS/ Doubtful/Loss) (25 in each quarter) – Quarterly.
15. Write off/remission allowed by the Bank for the previous Quarter (Quarterly).
16. Status report on OTS sanctioned by MCB during last one year (Quarterly).
17. Review of staff Accountability - Quick mortality and fresh NPA above ₹10 lakhs.
18. Documents time barred/getting time barred (Quarterly).
19. Concessions given by MD & CEO in MC Sanctions and review of MD & CEO sanctions by MC (Quarterly).
20. Overdue Credit Proposal over 3 months, falling within the power of MC (Quarterly).
21. Review of Performance under Annual Credit Plan (ACP) (Half yearly).
22. Review of Advances granted to SC/ST under Priority Sector (Half yearly).
23. Ratification Note for exceeding of various limits fixed as per Forex Policy.
24. Review of Debit / Credit / Travel Cards (Half yearly).
25. Review of performance of MasterCard debit card operations (Quarterly).
26. Bidding for Equity shares through Book building process and subscription to Equity shares in primary market.
27. Subscription, purchase and sale/offer for repurchase of units of debt oriented mutual funds as well as increasing

the exposure to the debt oriented mutual funds including liquid and floating rate funds.

28. Equity Trading (Monthly).
29. Investment in Equity shares in the secondary market.
30. Statement of Structural Liquidity (Fortnightly).
31. Statement of Interest Rate Sensitivity(Monthly).
32. Prob. Impact of rise in yields on market value of Central Government Securities & Trading Book Investments (Monthly).
33. Report on Country Risk (Monthly).
34. Report of VaR of Central Government Securities in AFS & HFT category (Trading Book) & of Currencies (Monthly).
35. Exposure Monitoring (Monthly).
36. Monitoring of excess CRR (Quarterly).
37. Opening and operation of Bank Accounts.
38. Region-wise fund Position (Fortnigthly).
39. Calendar of reviews to be put up to MCB, as per RBI circular dated 28th May, 2005.
40. Acquisition of Fixed Assets.
41. Awarding of Contracts/Appointment of Architects and Engineers for building construction / renovation etc.
42. For any deviations from the norms fixed for Branch premises.
43. For incurring any Revenue or Capital Expenditure in excess of the delegated powers.
44. Fresh purchases, AMC (Annual Maintenance Contract) and other IT related expenses – beyond the delegated powers of HO Executivies.
45. Issue of duplicate share certificates.
46. Miscellaneous items not requiring the approval of the Board.
47. Any other items which may be permitted by the Board from time to time.

A total of 21 meetings were held during the year. The dates of meetings were

21.04.2015,	05.05.2015,	23.05.2015,	02.06.2015,
18.06.2015,	29.06.2015,	14.07.2015,	05.08.2015,
24.08.2015,	07.09.2015,	25.09.2015,	16.10.2015,
09.11.2015,	25.11.2015,	18.12.2015,	30.12.2015,
20.01.2016,	09.02.2016,	29.02.2016,	16.03.2016

and 28.03.2016.

(B) AUDIT COMMITTEE

The Audit Committee of the Board is chaired by Sri K. Thomas Jacob, who is a Chartered Accountant. The other members of the committee are Sri Salim Gangadharan, Sri Cheryan Varkey and Sri Mohan E. Alapatt as on March 31, 2016. The terms of reference of Audit Committee, harmonized with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Companies Act, 2013, and the responsibilities enjoined upon by the RBI, inter-alia includes the following:

a) Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, adequate and credible.
b) Recommending to the Board, the appointment, 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) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
d) Reviewing with management the annual financial statements and auditor's report thereon before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.
e) Evaluation of Internal Financial Controls and Risk Management System including reviewing the adequacy of the Audit and Compliance functions, including their policies, procedures, techniques and other regulatory requirements.
f) Review, as far as the situation necessitates all other finding in the audit reports including Risk based internal Audit Reports.
g) Approval or any subsequent modification of transactions of the company with related parties;
h) Scrutiny of inter-corporate loans and investments;
i) Valuation of undertakings or assets of the company, wherever it is necessary;
j) Monitoring the end use of funds raised through public offers and related matters.
k) Review, with the management, the quarterly financial statements before submission to the board for approval.
l) Review with the management, the financial statement, review and monitor the performance of statutory and internal auditors, adequacy of the internal control systems;
m) Any show cause notice issued by any Govt./Quasi Govt./ regulatory authority with its impact.
n) Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit and discussion with internal auditors of any significant findings and follow up there on;
o) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
p) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
q) Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
r) To review the functioning of the whistle blower mechanism;
s) Approval of appointment of chief financial officer after assessing the qualifications, experience and background etc. of the candidate;
t) Management discussion and analysis of financial condition and results of operations;

u) Management letters / letters of internal control weaknesses issued by the statutory auditors;
v) Internal audit reports relating to internal control weaknesses; and the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
w) Review of quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) & Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).
x) Review of all reports as per the calendar of reviews stipulated by the RBI from time to time;
y) Any other terms of reference as may be included from time to time in SEBI (LODR) Regulations 2015, the Companies Act, 2013 and by Reserve Bank of India.
z) Any other items which may be permitted by the Board/ Committee from time to time.

The Committee met 10 times during the year. The dates of meetings were 04.05.2015, 17.06.2015, 14.07.2015, 06.08.2015, 26.08.2015, 16.10.2015, 26.11.2015, 18.12.2015, 19.01.2016 and 28.03.2016.

(C) NOMINATION & REMUNERATION COMMITTEE

Vide Board Resolution SEC/S-104/15-16 on July 15, 2015 the Nomination Committee and Compensation & Remuneration Committee of the Board were merged and constituted Nomination & Remuneration Committee with comprehensive terms of reference of both the Committees to take care of the nomination of Directors, KMP, etc., to oversee the framing, review and implementation of compensation policy of the bank on behalf of the board and remuneration related matters of the Directors, KMPs and Employees, etc. The Members of the Committee as on March 31, 2016 are Dr. John Joseph Alapatt - Chairman, Sri Amitabha Guha and Sri Mohan E. Alapatt.

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

- 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 May 23, 2011 on Fit & Proper Criteria of the Banks.
- To devise a Succession Planning Policy for the Board and Senior Management.
- To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/removal of Directors.
- To identify persons who are qualified to become Directors/ KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
- To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
- To devise a policy on Board diversity.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.
- To oversee the framing, review and implementation of Bank's overall compensation structure and related polices on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
- The Committee shall work in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
  - i) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;
  - ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
  - iii) Coordinate the progress of growth of business vis -a-vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;
  - iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
- To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.
- To oversee the administration of Employee benefits, such as Provident Fund, Pension Fund, Gratuity, Compensation for absence on Privilege/Sick/Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.

ANNEXURE TO THE DIRECTORS' REPORT

- The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board;
- Any other matters regarding remuneration to WTDs/MD & CEO and other staffs of the Bank as and when permitted by the Board.
- To conduct the annual review of the Compensation Policy.
- To fulfill such other powers and duties as may be delegated to it by the Board.

The Nomination Committee met 1 time (on 23.05.2015), Compensation & Remuneration Committee met 3 times during the year (on 05.05.2015, 14.07.2015 & 25.08.2015). The Nomination and Remuneration Committee met 3 times during the year. The dates of meetings were 17.10.2015, 19.01.2016 and 29.02.2016.

(D) N P A REVIEW COMMITTEE

This Committee has been constituted to review all NPA Accounts above ₹50.00 Lakhs. The Committee meets once in a quarter. The members of the Committee as on March 31, 2016 are Sri Francis Alapatt - Chairman, Sri V.G. Mathew, Sri Salim Gangadharan , Sri Cheryan Varkey and Sri Parayil George John Tharakan.

The Committee met 4 times during the year. The dates of meetings were 17.06.2015, 07.09.2015, 25.11.2015 and 29.02.2016.

(E) CUSTOMER SERVICE COMMITTEE

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

The members of the Committee as on March 31, 2016 are Sri V. G. Mathew - Chairman, Sri Amitabha Guha, Sri Francis Alapatt and Sri Parayil George John Tharakan.

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 strengthen the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer services provided by the Bank.

The committee met 4 times during the year. The dates of meetings were 29.06.2015, 24.08.2015, 26.11.2015 and 29.02.2016.

(F) STAKEHOLDERS RELATIONSHIP COMMITTEE

The Committee looks into redress the complaints from shareholders and investors like transfer of Shares, non-receipt of Annual Reports, non-receipt of declared dividends etc. The Committee also ratifies share transfers/transmission/ name deletion cases etc. from time to time. The members of the Committee are Smt. Ranjana Salgaocar - Chairperson, Sri Francis Alapatt and Sri Parayil George John Tharakan.

The terms of reference of Stakeholders Relationship 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 or above 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. The dates of meetings were 17.06.2015, 25.08.2015, 26.11.2015 and 16.03.2016.

Status of Shareholder Complaints as on March 31, 2016

Sl. No.	Items	No. of complaints			
		Pending at the beginning of the year	Received during the year	Redressed during the year	Pending at the end of the year
1	Non-receipt of Refund Order/Allotment credit	0	0	0	0
2	Non-receipt of Dividend Warrants	0	110	110	0
3	Request for issue of duplicate share certificates	0	104	104	0
4	Complaints received from BSE/NSE/SEBI/ROC	0	10	10	0
5	Other miscellaneous complaints	0	26	26	0
6	Non-receipt of share certificate after transfer	0	0	0	0
Total		0	250	250	0

ANNEXURE TO THE DIRECTORS' REPORT

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

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank with a view to provide focused attention on preventing and monitoring of frauds involving amounts of Rupees One Crore and above. The members of the Committee as on March 31, 2016 are Sri V.G. Mathew - Chairman, Sri Amitabha Guha, Sri K. Thomas Jacob, Sri Salim Gangadharan and Sri Cheryan Varkey.

The Committee met 4 times during the year. The dates of meetings were 23.05.2015, 25.08.2015, 25.11.2015 and 29.03.2016.

(H) PREMISES COMMITTEE

A Premises Committee was constituted by the Board of Directors at its meeting held on December 28, 2007 to oversee and monitor the improvements to the Head Office building and a new Data Centre Building at Rajagiri Valley, Kakkanad, Kochi. Its terms of reference include approving Budgets for acquisition of new premises, calling tenders from reputed architects and contractors, scrutinizing, short-listing and negotiating their site plans, estimates, finalizing their appointment, fees & other terms and conditions and monitoring the progress of the project. The members of the committee as on March 31, 2016 are Sri Francis Alapatt - Chairman, Sri V.G. Mathew, Smt. Ranjana Salgaocar and Sri Parayil George John Tharakan.

The Committee met 4 times during the year. The dates of meetings were 23.05.2015, 17.10.2015, 19.01.2016 and 16.03.2016.

(I) RISK MANAGEMENT COMMITTEE

In terms of the guidelines of Reserve Bank of India on the Asset Liability Management / Risk Management Systems, a Risk Management Committee of Board has been constituted. The members of the committee as on March 31, 2016 are Sri Salim Gangadharan - Chairman, Sri Amitabha Guha, Sri V.G. Mathew and Sri K. Thomas Jacob.

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.
j) To review the direction of various risks attributable to the Bank based on an analytical model articulated by RBI.

The Committee met 4 times during the year. The dates of meetings were 18.06.2015, 24.08.2015, 25.11.2015 and 29.03.2016.

(J) INFORMATION TECHNOLOGY STRATEGY COMMITTEE

This committee has been constituted w.e.f. March 2, 2010 to suggest improvement and monitor the implementation of modern technology in the Bank. In compliance with Gopalakrishna Committee report contained in RBI circular RBI/2010-11/494 DBS:CO:ITC:BC.No.6/31.02.008/2010-11 dated 29.04.2011 the name of the Information Technology Committee has been changed as "Information Technology Strategy Committee" and the scope, terms of reference of the Committee has been amended w.e.f. 28.11.2012. The members of the Committee as on March 31, 2016 are Sri Mohan E. Alapatt - Chairman, Sri Amitabha Guha, Sri V.G. Mathew and Sri K. Thomas Jacob.

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;
- 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;

ANNEXURE TO THE DIRECTORS' REPORT

- Issuing high-level policy guidance (e.g.: 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 in compliance with RBI Guidelines.

The Committee met 6 times during the year. The dates of meetings were 23.05.2015, 05.08.2015, 16.10.2015, 19.01.2016 and 16.03.2016 and 28.03.2016.

(K) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to Section 135 of the Companies Act, 2013 and the rules and admissible activities notified therein by Ministry of Corporate Affairs in February 2014, the Bank is required to constitute a Corporate social responsibility Committee of Board to formulate Corporate Social responsibility Policy and to oversee the implementation of CSR activities undertaken by the bank. As provided in the Act and pursuant to the same, the Board of Directors has constituted a Corporate Social Responsibility (CSR) Committee of the Board, with Sri Francis Alapatt as Chairman of the Committee, Sri V.G. Mathew, Sri Mohan E. Alapatt and Smt. Ranjana Salgaocar as its co-members as at March 31, 2016.

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

1) Articulate and recommend to the Board, a Corporate Social Responsibility Policy which should stipulate the scope of activities to be undertaken by the Bank as specified in Schedule VII to the Companies Act, 2013.
   Schedule VII includes the following items:
   (i) eradicating hunger, poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water;
   (ii) promoting of education, including special education and employment, enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
   (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
   (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality soil, air and water;
   (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
   (vi) measures for the benefit of armed forces veterans, war widows and their dependents;
   (vii) training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;
   (viii) Contribution to Prime Ministers National Relief Fund or any other fund set up by the Central Government for Socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward Classes, minorities and women;
   (ix) contributions or funds provided to technology incubators located within academic institutions which approved by the Central Government;
   (x) Rural Development projects.
2) To stipulate and recommend the amount of expenditure to be incurred on the activities referred to in clause (1); and
3) Monitor and update, as and when warranted, the Corporate Social Responsibility Policy of the company from time to time.
4) To recommend to the Board any other activities/ programmes/projects, which may be recommended by the regulatory authorities from time to time.

The Committee met 4 times during the year. The dates of meetings were 17.06.2015, 25.08.2015, 26.11.2015 and 16.03.2016.

(L) CAPITAL PLANNING AND INFUSION COMMITTEE

The Bank had constituted one special purpose committee viz. Capital Planning & Infusion Committee. The Capital Planning & infusion Committee was formed on May 28, 2014 to analyze various options for infusion of Capital and to do all acts and things and to take all decisions pertaining to the issue and which are ancillary and incidental to such decisions including the short-listing/appointment of Merchant Bankers to the issue. The members of the Committee as on March 31, 2016 are Sri Amitabha Guha - Chairman, Sri V.G. Mathew, Sri Mohan E. Alapatt , Sri K. Thomas Jacob and Dr. John Joseph Alapatt.

The Committee met 2 times during the year. The dates of meetings were 05.08.2015 and 25.11.2015.

(M) COMMITTEE OF INDEPENDENT DIRECTORS

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

ANNEXURE TO THE DIRECTORS' REPORT

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

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

The Committee met once during the year and all Independent Directors attended the meeting. The date of meeting was 01.03.2016.

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	21	21
Sri K. Thomas Jacob	21	18
Sri Salim Gangadharan	21	20
Sri Cheryan Varkey	21	20
Sri V.G. Mathew	21	21
Dr. John Joseph Alapatt	21	21

AUDIT COMMITTEE

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri K. Thomas Jacob	10	9
Sri Salim Gangadharan	10	10
Sri Cheryan Varkey	10	9
Sri Mohan E. Alappat	10	10

NOMINATION COMMITTEE:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	1	1
Sri Amitabha Guha	1	1
Dr. John Joseph Alapatt	1	1

COMPENSATION & REMUNERATION COMMITTEE:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	3	3
Sri Amitabha Guha	3	3
Dr. John Joseph Alapatt	3	3

NOMINATION & REMUNERATION COMMITTEE*:

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	3	3
Sri Amitabha Guha	3	3
Dr. John Joseph Alapatt	3	3

* Nomination Committee and Compensation & Remuneration Committee merged into Nomination and Remuneration Committee w.e.f. July 15, 2015.

NPA REVIEW COMMITTEE

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

CUSTOMER SERVICE COMMITTEE

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

STAKEHOLDERS RELATIONSHIP COMMITTEE

Name of Director	No. of meetings	
	Held during the tenure	Attended
Smt. Ranjana Salgaocar	4	4
Sri Francis Alapatt	4	4
Sri Parayil George John Tharakan	4	3

ANNEXURE TO THE DIRECTORS' REPORT

COMMITTEE TO PREVENT AND REVIEW FRAUDS IN THE BANK

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri V.G. Mathew	4	4
Sri Amitabha Guha	4	4
Sri Cheryan Varkey	4	4
Sri Salim Gangadharan	4	4
Sri K. Thomas Jacob	4	3

PREMISES COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Salim Gangadharan	4	4
Sri Amitabha Guha	4	4
Sri V.G. Mathew	4	4
Sri K. Thomas Jacob	4	4

INFORMATION TECHNOLOGY STRATEGY COMMITTEE

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Mohan E. Alapatt	6	6
Sri Amitabha Guha	6	6
Sri K. Thomas Jacob	6	5
Sri V.G. Mathew	6	6

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Francis Alapatt	4	4
Sri V. G. Mathew	4	4
Sri Mohan E. Alapatt	4	4
Smt. Ranjana Salgaocar	4	4

CAPITAL PLANNING & INFUSION COMMITTEE

Name of Director	No. of meetings	
	Held during the tenure	Attended
Sri Amitabha Guha	2	2
Sri Mohan E. Alapatt	2	2
Sri K.Thomas Jacob	2	2
Dr. John Joseph Alapatt	2	2
Sri V.G.Mathew	2	2

REMUNERATION POLICY:

Remuneration Policy for Employees of the Bank:

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

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

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

Related Party Transactions

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 during the financial year were in the ordinary course of business and on an arms length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Bank. Suitable disclosure as required by the Accounting Standards (AS18) has been made in the notes to the Financial Statements. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time. The Board of Directors at its Meeting held on October 30, 2014 has formulated **a policy on materiality of Related Party Transactions** and also **on dealing with Related Party Transactions** pursuant to the provisions of the Companies

Act, 2013 and Listing Regulations. The same is displayed on the website of the Bank.(https://www.southindianbank.com/UserFiles/file/Rupay/DISCLOSURE/POLICY%20ON%20MATERIALITY%20OF%20AND%20DEALING%20WITH%20RELATEDPARTY%20TRANSACTIONS.pdf)

REMUNERATION PAID TO DIRECTORS DURING THE YEAR ENDED ON MARCH 31, 2016

The Bank paid a gross remuneration of ₹83,36,325/- during the year to Sri V.G. Mathew, the Managing Director and Chief Executive Officer of the Bank in accordance with the terms and conditions approved by Reserve Bank of India and the Shareholders.

a) No pecuniary relationship exists for Independent Directors/ Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings/ monthly honorarium during the year as per law. The Independent Directors of the Bank also had no pecuniary relationship with the Bank, or their promoters or directors.

b) The criteria of making payments to Independent Directors/ Non-executive Directors of the Bank are disclosed on the Bank's website, the web link to which is https://www.southindianbank.com / content/view ContentLvl1.aspx?linkIdLvl2=854&linkIdLvl3=859&linkId=859

A) Details of Remuneration to MD & CEO

The details of remuneration paid to Sri V. G. Mathew, MD & CEO during the financial year 2015-16 are as follows:

PARTICULARS	AMOUNT (₹)
Basic Pay	66,00,000
Variable Pay	7,50,000
Perquisites	2,43,325
PF Contribution	5,60,000
Travelling Allowances (Foreign)	1,83,000
Gross Income	**83,36,325**
No. of Employees Stock Options granted during the year (2015-16)	NIL
No. of Employees Stock Options granted during the year (2014-15)	1,00,000

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

The Reserve Bank of India vide their letter dated October 29, 2015 has permitted to pay Sri Amitabha Guha, Chairman, the sittings fees, fixed from time to time for attending Board/ Committee meetings in addition to an amount of ₹50,000 per month as honorarium. Accordingly, the Bank paid ₹23,75,000/- during the year as honorarium and sitting fees.

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

As provided under Article 95A of the Articles of Association of the Bank, the sitting fees payable to a non-executive Director for attending a Meeting of the Board or Committee thereof are decided by the Board of Directors from time to time subject to the ceilings if any, prescribed under the Companies Act, 2013 and the rules there under. The Board of Directors have approved the payment of ₹40,000 as sitting fee for each Meeting of the Board and ₹25,000 as sitting fee for each Meeting of the Committee attended. Accordingly the Bank paid sittings fees during the financial year 2015-16 as under:

Sri Mohan E. Alapatt – ₹12,75,000/-, Sri K. Thomas Jacob – ₹14,10,000/-, Dr. John Joseph Alapatt – ₹13,75,000/-, Sri Francis Alapatt – ₹9,25,000/-, Sri Salim Gangadharan – ₹15,75,000/-, Sri Cheryan Varkey – ₹12,85,000/-, Smt. Ranjana Salgaocar – ₹ 5,80,000/- and Sri Parayil George John Tharakan – ₹ 7,35,000/-,Total amount paid ₹ 91,60,000/-.

3. BRIEF RESUME OF DIRECTORS SEEKING RE-APPOINTMENT

Resume of Directors retiring by rotation at the 88th Annual General Meeting is given below::

a) Name : Sri Cheryan Varkey (DIN: 06884551)
Age : 64 years
Qualifications : M.Sc., CAIIB
Experience : He was an employee of the Bank from 1975 and retired as Executive Director (Credits) of the Bank on April 30, 2014.
Present position : Non-executive Director
Sector : Majority (Banking)

Sri Cheryan Varkey, was appointed as an Non-executive Director of the Board on May 28, 2014, pursuant to the Section, 161 of the Companies Act, 2013 and reappointed at the 87th AGM held on July 15, 2015. He will hold office till the date of the 88th Annual General Meeting or the last date on which the Annual General Meeting should have been held, whichever is earlier. He is not a Director in any other public limited company. He holds 53130 shares of the Bank. He is the member of Audit Committee, Management Committee, NPA Review Committee and Committee To Prevent and Review Frauds in the Bank.

ANNEXURE TO THE DIRECTORS' REPORT

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

Name of Meeting	Day, Date and Time	Venue	Whether any Special Resolution(s) Passed
85th Annual General Meeting	Friday, June 28, 2013 at 10.00 a.m.	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for modification of terms of Employees Stock Option Scheme 2008.
86th Annual General Meeting	Wednesday, July 16, 2014 at 10.00 a.m	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed for alteration of Bank's Articles of Association. 2. Special Resolution passed to increase the authorized capital. 3. Special Resolution passed to increase the subscribed capital by issue of further shares. 4. Special Resolution passed for obtaining permission to borrow money where the money to be borrowed together with already borrowed exceeds the paid up capital and free reserves.
87th Annual General Meeting	Wednesday, July 15, 2015 at 10.00 a.m	Casino Cultural Auditorium Ltd., T.B. Road, Thrissur	Yes. 1. Special Resolution passed to Augment the paid up share capital of the bank by further issue of shares. 2. Special Resolution passed to modify SIB ESOS 2008 in line with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 3. Special Resolution passed to increase the borrowing power of the bank Pursuant to section (180)(1)(c) of the Companies Act, 2013. 4. Special Resolution passed to Approve the borrowing/ raising funds in Indian/ Foreign currency by issue of debt securities upto ₹1,000 crore on private placement basis.

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

5. DISCLOSURES

A) 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, 2016 was ₹13.17 Lacs.

B) MD & CEO / CFO Certification

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

C) Internal Control Systems

Code of Conduct

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

Code of Conduct for Prevention of Insider Trading

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

information in relation to the Bank and during the period when the Trading Window is closed. The code of conduct for prevention of insider trading are available on the website of the Bank. https://www.southindianbank.com/UserFiles/file/Rupay/DISCLOSURE/SIB%20Code%20of%20Conduct%20-Insider%20Trading%202015.pdf

Whistle Blower Policy:

Bank has formulated a Whistle Blower Policy with a view to provide a mechanism for employees of the Bank to approach the Chairman of the Audit Committee of the Bank / Ethics Counsellor (Chief of Internal Vigilance) in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank and to prohibit Managerial functionaries from taking any adverse personal action against those employees. All protected disclosures reported under this policy will be thoroughly investigated by the Ethics Counsellor / Chairman of the Audit Committee of the bank. The investigation is to be normally completed within 45 days of receipt of the protected disclosure. The identity of the whistle blower shall be kept confidential to the extent possible and permitted under law. The functioning of the whistle blower Policy mechanism is reviewed half yearly by the Audit Committee and the Policy is reviewed annually by the Board and no personnel was denied access to Audit Committee. The Details of whistle Blower Policy are available on the website of the Bank. https://www.southindianbank.com/UserFiles/file/Rupay/poli/WBP%20POLICY%202015.pdf

D) Other Disclosures

- The Bank has adhered to all the mandatory requirements of Corporate Governance norms as prescribed by SEBI (LODR) Regulations, 2015 to the extent applicable to the Bank.

Familiarization Programme

The Bank had conducted various sessions during the financial year to familiarize Independent Directors of the Bank, their roles, rights, responsibilities in the Bank, nature of the Banking Industry, business model, risk management system and technology architecture of the Bank. Further, the Directors are encouraged to attend the training programmes being organized by various regulators/ bodies/ institutions on above matters. The details of such familiarization programmes are displayed on the website of the Bank. (https://www.southindianbank.com/UserFiles/file/WebNew/Directors%20Training%20Register/Directors%20Training%20Register%20(2).pdf)

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.
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.
8. Review of all reports as per the calendar of reviews stipulated by the RBI from time to time;
9. Any other items/informations as may be prescribed in SEBI (LODR) Regulations 2015, the Companies Act, 2013 and by Reserve Bank of India.

6. MEANS OF COMMUNICATION

The unaudited/audited quarterly/half yearly/annual financial results of the Bank are forwarded to the BSE Ltd. and National Stock Exchange of India Ltd. immediately after the Board meeting and are published in prominent national and regional dailies such as Deepika, Business Line and Economic Times. 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

88th Annual General Meeting	Date	8th July, 2016
	Day	Friday
	Time	10.00 a.m.
	Venue	Casino Cultural Auditorium Ltd., T. B. Road, Thrissur
Financial year		2015-16
Book Closure Date		02.07.2016 (Saturday) to 08.07.2016 (Friday) (both days inclusive).
Dividend Payment Date		from 13th July, 2016 to 18th July, 2016
Name & designation of Compliance Officer		JIMMY MATHEW Company Secretary
Share Transfer Agents		BTS Consultancy Services Pvt. Ltd. M S Complex, 1st Floor, No.8, Sastri Nagar, Near 200 Feet Road/RTO Kolathur, Kolathur, CHENNAI – 600 099 Tel. : 044-25565121 Fax : 044-25565131 E-mail : ramesh@btsindia.co.in helpdesk@btsindia.com 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
Corporate Identity Number (CIN)		L65191KL1929PLC001017
E-mail address		ho2006@sib.co.in
Bank's Website		http://www.southindianbank.com

LISTING OF THE BANK'S EQUITY SHARES

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

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

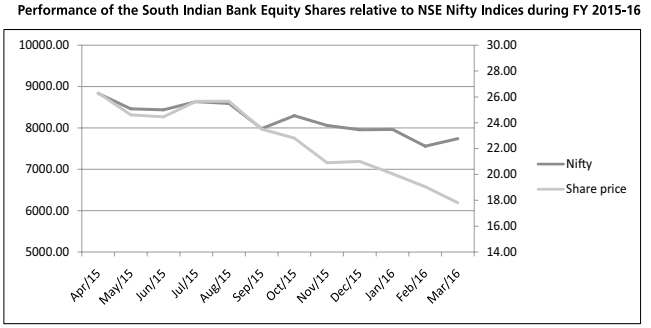
The listing fees payable to the Stock Exchanges for the financial year 2016-17 have already been remitted.

The Market Price Data of Bank's Shares

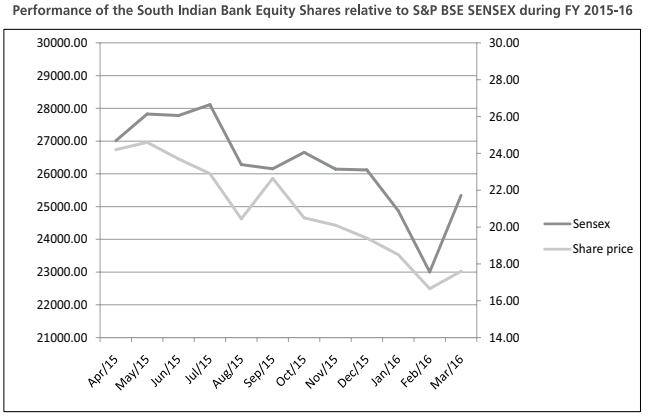
The monthly high and low prices of the Bank's shares traded on the National Stock Exchange of India Ltd. (NSE), Mumbai and BSE Ltd. (BSE), Mumbai during the financial year are as under:

MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April	28.70	23.70	26.65	23.75
May	24.80	23.20	24.80	23.30
June	25.00	22.45	25.00	22.45
July	25.90	22.65	25.85	22.65
August	23.75	18.60	23.80	18.75
September	24.40	19.30	24.70	19.20
October	23.30	20.35	23.35	20.35
November	21.45	19.90	21.50	19.80
December	21.40	18.90	21.35	18.85
January	20.35	17.55	20.35	17.55
February	19.20	16.40	19.20	16.35
March	18.05	16.55	18.05	16.60

Performance of the South Indian Bank Equity Shares relative to NSE Nifty Indices during FY 2015-16



Performance of the South Indian Bank Equity Shares relative to S&P BSE SENSEX during FY 2015-16



ANNEXURE TO THE DIRECTORS' REPORT

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2016.

CATEGORY (NO. OF SHARES)	PHYSICAL		DEMAT	
	NO. OF HOLDERS	SHARES	NO. OF HOLDERS	SHARES
UP TO --- 100	3687	50003	71676	4083213
101 --- 200	2819	343696	29780	5297970
201 --- 500	3039	1080235	45955	17948204
501 --- 1000	3046	2076855	30851	26594662
1001 --- 5000	25719	47074565	42601	98478487
5001 --- 10000	1415	10515560	6522	48843379
10001 --- 50000	956	18044450	5305	107567046
50001 & ABOVE	92	12418890	897	949891826
TOTAL	40773	91604254	233587	1258704787
% to total Shares	----	6.78	----	93.22

Total number of shareholders both physical and electronic put together is 274360.

MEMBERS' PROFILE AS ON MARCH 31, 2016 IS AS UNDER

S. No.	CATEGORY	SHARES		TOTAL	% OF SHARE-HOLDING
		PHYSICAL	DEMAT	SHARES	
1	RESIDENT INDIVIDUALS	75245414	408405615	483651029	35.82
2	INDIAN FINANCIAL INSTITUTIONS	0	86132850	86132850	6.38
3	FOREIGN INSTITUTIONAL INVESTOR	0	75581234	75581234	5.60
4	NON-RESIDENT INDIANS	12448800	88913202	101362002	7.51
5	BODIES CORPORATES	3165350	50074634	53239984	3.94
6	DIRECTORS & RELATIVES	744690	1375909	2120599	0.16
7	MUTUAL FUNDS	0	73726673	73726673	5.46
8	TRUSTS	0	892901	892901	0.07
9	BANKS	0	16581846	16581846	1.23
10	CLEARING MEMBERS	0	1390436	1390436	0.10
11	HUF	0	10593702	10593702	0.78
12	FOREIGN PORTFOLIO INVESTOR (CORP)	0	445035785	445035785	32.96
	GRAND TOTAL	**91604254**	**1258704787**	**1350309041**	**100.00**

SHARE TRANSFER SYSTEM

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

Trading in the Bank's shares are now compulsorily in dematerialized 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 transferor and 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 AND LIQUIDITY

The Equity shares of the Bank have been allotted International Securities Identification Number (ISIN) INE 683A01023. As at the end of March 2016, 1258704787 (93.22%) shares of the Bank have been converted into dematerialized form

ANNEXURE TO THE DIRECTORS' REPORT

and 91604254 (6.78%) shares were being held in physical form.

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

UNCLAIMED/UNPAID DIVIDEND

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

In terms of 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. The unpaid dividend of ₹58,13,793 for the financial 2008-09 will become due for transfer to the fund on September 24, 2016. The unpaid fractional Dividend of ₹3,07,364.28 declared in the year 2009 will also become due for transfer to the fund on August 6, 2016.

The Ministry of Corporate Affairs on May 10, 2012 has notified Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, whereby companies are required to identify and upload information regarding unclaimed amounts due to be transferred to IEPF on the Ministry`s website and also on Bank's website in the following link: https://www.southindianbank.com/divident/Divident.aspx?id=1&linkId=672 Accordingly, the details of such unpaid / unclaimed amounts alongwith their respective due dates for transfer to IEPF are provided for the benefit of investors. The Shareholders may please claim their unclaimed / unpaid amount due to them by making a request to the Company giving their particulars before the same are transferred to the IEPF.

EQUITY SHARES IN SUSPENSE ACCOUNT

The Bank has following Equity Shares lying in the unclaimed suspense account which were issued pursuant to the Follow on Public Issue and the Bonus Share issued thereon.

	No. of Share Holders	No. of Equity Shares*		Total
		FPO2006	Bonus 2008	
Opening Balance as on April 1, 2015	39	127630	31790	159420
Request received during the year	1	1330	330	1660
Shares credited during the year	1	1330	330	1660
Closing Balance as on March 31, 2016	38	126300	31460	157760

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

The voting rights on the shares outstanding in the suspense account as on March 31, 2016 shall remain frozen till the rightful owner of such shares claims the shares.

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

The Bank has complied with all mandatory recommendations prescribed in Listing Agreement/SEBI (LODR) Regulations, 2015. A certificate to this effect from the Bank's Statutory Central Auditors, M/s. Deloitte Haskins & Sells Chartered Accountants, is annexed.

9. AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT

I, V. G. Mathew, MD & CEO 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 SEBI (LODR) Regulations, 2015 "on Corporate Governance."

(AMITABHA GUHA)
CHAIRMAN
DIN : 02836707

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

Place : Hyderabad
Date : June 1, 2016

ANNEXURE TO THE DIRECTORS' REPORT

CEO / CFO Certification

We, V. G. Mathew, Managing Director & CEO and C. P. Gireesh, Chief Financial Officer, of THE SOUTH INDIAN BANK LIMITED hereby certify that:

a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 and that to the best of our knowledge and belief:
   i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
   ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.

d) We have indicated, to the Auditors and the Audit Committee:
   i. significant changes in internal control over financial reporting during the year;
   ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Yours faithfully

V. G. MATHEW
Managing Director & CEO
(DIN: 05332797)

C. P. GIREESH
Chief Financial Officer

Place : Kochi
Date : May 11, 2016

ANNEXURE TO THE DIRECTORS' REPORT

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF

THE SOUTH INDIAN BANK LIMITED

1. We have examined the compliance of conditions of Corporate Governance by THE SOUTH INDIAN BANK LIMITED ("the Bank"), for the year ended on 31st March, 2016, as stipulated in:
   - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Bank with stock exchange(s) for the period from April 01, 2015 to November 30, 2015.
   - Clause 49(VII)(E) of the Listing Agreements of the Bank with the stock exchange(s) for the period from April 01, 2015 to September 01, 2015.
   - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016 and
   - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.

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

3. We have examined the relevant records of the Bank in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.

4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C , D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016.

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

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

S. Sundaresan
Partner
(Membership No. 25776)

Bengaluru, 1st June, 2016.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SOUTH INDIAN BANK LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of **THE SOUTH INDIAN BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information in which are incorporated the Returns of 19 branches of the Bank audited by us and 839 branches/ offices audited by the Branch Auditors of the Bank's branches.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, in so far as they apply to banks and Guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the financial statements of the Bank in accordance with the Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. 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.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Act, in the manner so required for Banking Companies and give a true and fair view in conformity with the accounting principles generally accepted in India, in so far as they apply to banks and Guidelines issued by the Reserve Bank of India, of the state of affairs of the Bank as at 31st March, 2016, and its profit and its cash flows for the year ended on that date.

INDEPENDENT AUDITOR'S REPORT

Emphasis of Matter

9. Attention is drawn to Note No. A. 10.A of Schedule 18 regarding spreading over the shortfall arising from the sale of certain non-performing assets during the year ended 31st March, 2015 and 2016 over a period of 2 years, in terms of RBI Master Circular DBOD.No.BP.BC.9/21.04.048/2014-15 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated July 1, 2014, as amended and the balance outstanding of such cumulative shortfall as at 31st March, 2016 of ₹23.74 crore.

   Our Opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143 (3) of the Act and Section 30 of the Banking Regulation Act, 1949, we report that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

    c) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

    d) The reports on the accounts of the 839 branches/ offices audited by branch auditors of the Bank appointed under Section 143(8) of the Companies Act, 2013 have been forwarded to us and have been properly dealt with by us in preparing this report.

    e) The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account,

    f) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable;

    g) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

    h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls over financial reporting.

    i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

       i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements– Refer Schedule 12 and Note No. B.10 of Schedule 18 to the financial statements;

       ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note No. B.11 of Schedule 18 to the financial statements;

       iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

S. Sundaresan
Partner
(Membership No. 25776)

Bengaluru, 11th May, 2016

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 10 (h) of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **THE SOUTH INDIAN BANK LIMITED** ("the Bank") as at 31st March, 2016 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the Guidelines issued by the Reserve Bank of India.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

The reports on the adequacy of internal financial controls over financial reporting at the branch offices of the Bank audited by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and other applicable regulations. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 10 (h) of our report of even date)

detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

S. Sundaresan
Partner
(Membership No. 25776)

Bengaluru, 11th May, 2016.

BALANCE SHEET AS AT MARCH 31, 2016

		Schedule No.	As at March 31, 2016 ₹('000)	As at March 31, 2015 ₹('000)
पूँजी और देयताएं	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	**1,350,309**	1,350,152
कर्मचारी स्टोक विकल्प (अनुदान) बकाया	Employees' Stock Options (Grants) Outstanding		**36,545**	23,807
आरक्षित निधियाँ और अधिशेष	Reserves and Surplus	2	**37,068,972**	34,543,906
निक्षेप	Deposits	3	**557,207,302**	519,124,877
उधार	Borrowings	4	**23,149,560**	22,324,748
अन्य ऋण तथा प्रावधान	Other Liabilities and Provisions	5	**12,936,105**	13,795,674
जोड़	TOTAL		**631,748,793**	591,163,164
संपत्तियाँ	ASSETS			
भारतीय रिज़र्व बैंक में नकदी अधिशेष	Cash and Balances with Reserve Bank of India	6	**24,761,254**	24,415,760
बैंको में अतिशेष और मांग पर तथा अल्प सूचना पर प्राप्य धन	Balances with banks and money at call & short notice	7	**6,233,443**	11,535,025
विनिधान	Investments	8	**146,189,280**	140,861,442
अग्रिम	Advances	9	**410,857,478**	373,916,367
स्थिर आस्तियाँ	Fixed Assets	10	**4,869,904**	4,790,491
अन्य आस्तियाँ	Other Assets	11	**38,837,434**	35,644,079
जोड़	TOTAL		**631,748,793**	591,163,164
आकस्मिक ऋण	Contingent Liabilities	12	**147,497,409**	272,200,703
संग्रहण के लिए बिल	Bills for Collection		**6,205,230**	5,544,392
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा संबंधी टिप्पणियाँ	Notes on Accounts	18		

अनुसूचियाँ ऊपर बैलेंस शीट का एक अभिन्न अंग के रूप में
Schedules referred to above form an integral part of the Balance Sheet

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

S. Sundaresan
Partner
(Membership No. 25776)

Bengaluru
May 11, 2016

For and on behalf of Board of Directors

Thomas Joseph K.
Executive Vice President

V. G. Mathew
MD & CEO

Mohan E. Alapatt
Director

Sivakumar G.
Executive Vice President

K. Thomas Jacob
Director

Dr. John Joseph
Director

Reghunathan K. N.
Executive Vice President

Francis Alapatt
Director

Salim Gangadharan
Director

C. P. Gireesh
Chief Financial Officer

Cheryan Varkey
Director

Ranjana S. Salgaocar
Director

Jimmy Mathew
Company Secretary

Parayil George John Tharakan
Director

Kochi
May 11, 2016

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

		Schedule No.	Year ended March 31, 2016 ₹('000)	Year ended March 31, 2015 ₹('000)
I. आय	I. INCOME			
अर्जित ब्याज	Interest Earned	13	55,571,979	52,862,231
अन्य आय	Other Income	14	5,174,237	4,970,717
जोड़	TOTAL		60,746,216	57,832,948
II. व्यय	II. EXPENDITURE			
व्यय किया गया ब्याज	Interest Expended	15	40,474,999	39,199,929
परिचालन व्यय	Operating Expenses	16	11,478,429	9,813,006
उपबंध और आकस्मिक व्यय	Provisions & Contingencies	18.A.28	5,460,124	5,747,974
जोड़	TOTAL		57,413,552	54,760,909
III. लाभ/हानि	III. PROFIT/LOSS			
वर्ष के शुद्ध लाभ	Net Profit for the year		3,332,664	3,072,039
पिछले वर्ष के अग्रनीत लाभ	Profit brought forward from previous year		952,257	398,582
विनियोग केलिये उपलब्ध लाभ	Profit available for Appropriation:		4,284,921	3,470,621
IV. विनियोग	IV. APPROPRIATIONS			
कानूनी आरक्षितियों को अंतरण	Transfer to Statutory Reserve		833,200	768,100
पूँजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		245,329	38,590
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue and Other Reserve		500,000	500,000
विशेष आरक्षितियों को अंतरण	Transfer to Special Reserve u/s 36(i)(viii) of Income Tax Act		257,200	300,000
विनिधान आरक्षीत खाते को अंतरण आकस्मिक रिज़र्व को अंतरण	Transfer to/(from) Investment Reserve		(100,492)	(67,939)
प्रस्तावित लाभांश	Proposed Dividend		675,159	810,101
प्रस्तावित लाभांश पर कर	Tax on Proposed Dividend		137,446	169,512
सीएसआर के लिए व्यय अतिशेष जो आगे तुलन पत्र में ले जाया गया है।	Balance carried over to Balance Sheet		1,737,079	952,257
जोड़	TOTAL		4,284,921	3,470,621
प्रति शेयर अर्जन (₹)	Earnings per share (Face value of ₹1 per share)			
आधार ईपीएस (₹)	Basic (in ₹)	18.B.2	2.47	2.28
तनुकृत ईपीएस (₹)	Diluted (in ₹)	18.B.2	2.47	2.27
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा संबंधी टिप्पणियाँ	Notes on Accounts	18		

अनुसूचियाँ ऊपर लाभ और हानि खाता का एक अभिन्न अंग के रूप में
Schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

S. Sundaresan
Partner
(Membership No. 25776)

Bengaluru
May 11, 2016.

For and on behalf of Board of Directors

Thomas Joseph K.
Executive Vice President

V. G. Mathew
MD & CEO

Mohan E. Alapatt
Director

Sivakumar G.
Executive Vice President

K. Thomas Jacob
Director

Dr. John Joseph
Director

Reghunathan K. N.
Executive Vice President

Francis Alapatt
Director

Salim Gangadharan
Director

C. P. Gireesh
Chief Financial Officer

Cheryan Varkey
Director

Ranjana S. Salgaocar
Director

Jimmy Mathew
Company Secretary

Parayil George John Tharakan
Director

Kochi
May 11, 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

		Year Ended March 31, 2016 ₹ ('000)	Year Ended March 31, 2015 ₹('000)
Cash flow from operating activities			
Net Profit as per Profit and Loss Account		**3,332,664**	3,072,039
Adjustments for:			
Provision for taxes (Net)		**1,763,964**	1,607,450
Depreciation		**670,288**	(11,089)
Deferred Employee Cost Amortized		**-**	224,900
Amortisation of Premium on HTM Investments		**188,823**	195,045
Provision for Depreciation / Non-Performing Investments		**432,191**	117,789
General Provisions against Standard Assets		**(7,900)**	313,700
Provision/write off for Non Performing Assets		**3,918,979**	2,255,238
Other Provisions		**(647,111)**	1,453,797
ESOS Employee Compensation expense amortised		**14,912**	16,347
Interest on Subordinated bonds		**350,338**	195,000
Loss on sale of land, buildings and other assets		**402**	4,187
Operating profit before working capital changes	(A)	**10,017,550**	9,444,403
Changes in working capital:			
Increase / (Decrease) in Deposits		**38,082,425**	44,213,982
Increase / (Decrease) in Borrowings		**(2,175,188)**	(4,983,023)
Increase / (Decrease) in Other Liabilities		**(412,345)**	(1,188,322)
(Increase) / Decrease in Investments		**7,279,437**	10,748,698
(Increase) / Decrease in Advances		**(40,662,096)**	(14,382,327)
(Increase) / Decrease in Other Assets		**(2,408,009)**	(34,233,766)
	(B)	**(295,777)**	175,242
Cash flow from operating activities before taxes	(A+B)	**9,721,773**	9,619,645
Direct Taxes Paid		**(2,378,216)**	(2,749,800)
Net cash flow from operating activities	(C)	**7,343,557**	6,869,845
Cash flow from investing activities:			
Purchase of Fixed Assets/Capital Work-In-Progress		**(762,471)**	(712,250)
Sale of Fixed Assets		**12,106**	27,360
(Purchase) / Sale of Investments (Held to Maturity)		**(13,228,289)**	(1,041,161)
Net cash flow from investing activities	(D)	**(13,978,654)**	(1,726,051)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

		Year Ended March 31, 2016 ₹ ('000)	Year Ended March 31, 2015 ₹('000)
Cash flow from financing activities:			
Proceeds from issue of share capital		2,990	80,584
Dividend paid including Corporate Dividend Tax		(975,018)	(1,257,881)
Interest on Subordinated bonds		(348,964)	(195,000)
Issue/(Repayment) of Subordinate bonds		3,000,000	-
Net cash flow from financing activities	(E)	1,679,008	(1,372,297)
Net increase in cash and cash equivalents	(C+D+E)	(4,956,089)	3,771,498
Cash and cash equivalents as at beginning of the year *(Refer note below)*		35,950,785	32,179,287
Cash and cash equivalents as at the end of the year *(Refer note below)*		30,994,697	35,950,785

Note:

Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and money at call and short notice (Refer schedules 6 and 7 of the Balance sheet)

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

S. Sundaresan
Partner
(Membership No. 25776)

Bengaluru
May 11, 2016

For and on behalf of Board of Directors

Thomas Joseph K. Executive Vice President	V. G. Mathew MD & CEO	Mohan E. Alapatt Director
Sivakumar G. Executive Vice President	K. Thomas Jacob Director	Dr. John Joseph Director
Reghunathan K. N. Executive Vice President	Francis Alapatt Director	Salim Gangadharan Director
C. P. Gireesh Chief Financial Officer	Cheryan Varkey Director	Ranjana S. Salgaocar Director
Jimmy Mathew Company Secretary	Parayil George John Tharakan Director	

Kochi
May 11, 2016

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2016

	As at March 31, 2016 ₹('000)	As at March 31, 2015 ₹('000)
SCHEDULE 1 - CAPITAL		
Authorised Capital	**2,500,000**	2,500,000
250,00,00,000 Equity shares of ₹1/- each (Previous year 250,00,00,000 equity shares of ₹1/- each)		
Issued, Subscribed and Paid up Capital	**1,350,309**	1,350,152
135,03,09,041 Equity shares of ₹1/- each (Previous year 135,01,52,036 equity shares of ₹1/- each)		
TOTAL	**1,350,309**	1,350,152
Employees' Stock Options (Grants) Outstanding		
Employees' Stock Options Outstanding	**50,020**	53,129
Less: Deferred Employee Compensation Expense (unamortised)	**13,475**	29,322
TOTAL	**36,545**	23,807
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	**7,880,939**	7,112,839
Additions during the year	**833,200**	768,100
Sub total	**8,714,139**	7,880,939
II. Capital Reserve		
Opening Balance	**479,458**	440,868
Additions during the year	**245,329**	38,590
Sub total	**724,787**	479,458
III. Asset Revaluation Reserve		
Opening Balance	**1,385,788**	1,316,556
Additions - Write back to Reserve on account of change in method of Depreciation	**-**	118,797
	1,385,788	1,435,353
Deductions during the year:		
Deduction from revaluation reserve to the extent of depreciation on revalued amount	**49,565**	49,565
Sub total	**1,336,223**	1,385,788

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2016

	As at March 31, 2016 ₹('000)	As at March 31, 2015 ₹('000)
IV. Share Premium		
Opening Balance	9,563,027	9,479,668
Additions during the year	3,168	83,359
Sub total	9,566,195	9,563,027
V. Revenue and Other Reserves		
Opening Balance	13,279,145	12,816,790
Additions during the year by way of lapse of vested options	1,839	6,590
Addition during the year due to transfer of depreciation on revaluation	49,565	49,565
Additions during the year by way of appropriation	500,000	500,000
Deduction on account of transitional provision of Sch II of Companies Act 2013 (Refer Note no. A. 26.b of Schedule 18)	-	93,800
Sub total	13,830,549	13,279,145
VI. Investment Reserve		
Opening Balance	100,492	168,431
Sub total	100,492	168,431
Transfer to Profit & Loss Appropriation A/c	100,492	67,939
Sub total	-	100,492
VII. Special Reserve u/s 36(i)(viii) of Income Tax Act		
Opening Balance	902,800	602,800
Additions during the year	257,200	300,000
Sub total	1,160,000	902,800
VIII. Balance in Profit and Loss Account	1,737,079	952,257
TOTAL	37,068,972	34,543,906
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	46,413	20,160
(ii) From Others	19,784,878	18,158,318
II. Savings Bank Deposits	104,758,449	88,684,474
III. Term Deposits		
(i) From Banks	31,642,140	27,996,838
(ii) From Others	400,975,422	384,265,087
TOTAL	557,207,302	519,124,877
B. (i) Deposits of branches in India	557,207,302	519,124,877
(ii) Deposits of branches outside India	Nil	Nil
TOTAL	557,207,302	519,124,877

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2016

	As at March 31, 2016 ₹('000)	As at March 31, 2015 ₹('000)
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	350,116	350,088
(iii) Other Institutions and Agencies (Refer Note no. B. 9 of Schedule 18)	11,230,814	12,835,164
II. Borrowings outside India - from other banks	11,568,630	9,139,496
TOTAL	23,149,560	22,324,748
Secured borrowings included in above	Nil	Nil
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	1,070,880	1,467,333
II. Inter-Office adjustments (Net)	-	-
III. Interest Accrued	1,520,804	1,933,199
IV. Others (including provisions)*	10,344,421	10,395,142
TOTAL	12,936,105	13,795,674

*Includes :-

a) Provision for standard assets ₹213.64 crore (Previous Year ₹214.43 crore)

b) Proposed dividend amounting to ₹67.52 crore (Previous Year ₹81.01 crore)

c) Corporate Dividend Tax payable amounting to ₹13.74 crore (Previous Year ₹16.95 crore)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (Including foreign currency notes)	3,044,243	2,986,695
II. Balances with Reserve Bank of India		
In Current Account	21,717,011	21,429,065
TOTAL	24,761,254	24,415,760

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2016

	As at March 31, 2016 ₹('000)	As at March 31, 2015 ₹('000)
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
(a) In Current Accounts	117,878	650,696
(b) In Other Deposit Accounts	2,812,618	4,055,070
ii) Money at call & short notice		
With Banks	1,500,000	6,000,000
Sub total	4,430,496	10,705,766
II. Outside India		
(a) In Current Accounts	53,815	362,384
(b) In Other Deposit Accounts	-	-
(c) Money at call & short notice - with banks	1,749,132	466,875
Sub total	1,802,947	829,259
TOTAL	6,233,443	11,535,025
SCHEDULE 8 - INVESTMENTS (net of provisions)		
I. Investments in India in:		
(i) Government Securities*	138,372,094	123,511,057
(ii) Other Approved Securities	-	-
(iii) Shares	1,373,627	1,171,394
(iv) Debentures and Bonds	4,144,842	5,314,032
(v) Subsidiaries and/or Joint Ventures	-	-
(vi) Others (Certificate of deposits, Security Receipts etc.)	2,298,717	10,864,959
TOTAL	146,189,280	140,861,442
Gross Investments	146,938,865	141,178,836
Less : Depreciation	506,719	208,570
Provision for NPI	242,866	108,824
Net Investments	146,189,280	140,861,442
* Including Non SLR SG special bonds with Book Value ₹719.29 crore (Previous Year: ₹50.68 crore).		
II. Investments outside India	Nil	Nil
TOTAL	146,189,280	140,861,442

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2016

	As at March 31, 2016 ₹('000)	As at March 31, 2015 ₹('000)
SCHEDULE 9 - ADVANCES (net of provisions)		
A. (i) Bills Purchased and Discounted	17,962,135	20,276,657
(ii) Cash Credits, Overdrafts and Loans repayable on demand	190,923,391	168,008,610
(iii) Term Loans	201,971,952	185,631,100
TOTAL	410,857,478	373,916,367
B. (i) Secured by tangible assets (including advances against book debts)	379,314,286	342,884,946
(ii) Covered by Bank/Government Guarantees	8,938,052	8,848,134
(iii) Unsecured	22,605,140	22,183,287
TOTAL	410,857,478	373,916,367
C. I. Advances in India		
(i) Priority Sectors	165,041,687	132,214,431
(ii) Public Sector	13,439,226	19,821,817
(iii) Banks	632,447	-
(iv) Others	231,744,118	221,880,119
TOTAL	410,857,478	373,916,367
II. Advances outside India	Nil	Nil
TOTAL	410,857,478	373,916,367
SCHEDULE 10 - FIXED ASSETS (Refer Note 5 of Schedule 17)		
I. Premises (including Land)		
At cost as on March 31, of the preceding year	3,146,669	3,146,008
Additions during the year	-	661
	3,146,669	3,146,669
Deductions during the year	-	-
	3,146,669	3,146,669
Depreciation to date	379,081	307,674
Sub total	2,767,588	2,838,995
II. Assets under construction		
At cost as on March 31, of the preceding year	98,332	80,216
Additions during the year	373,533	262,598
	471,865	342,814
Capitalisations during the year	270,240	244,482
	201,625	98,332
Depreciation to date	-	-
Sub total	201,625	98,332
III. Other Fixed Assets		
At cost as on March 31, of the preceding year	3,945,671	3,335,154
Additions during the year	660,164	693,495
	4,605,835	4,028,649
Deductions/adjustments during the year	99,925	82,978
	4,505,910	3,945,671
Depreciation/adjustments to date	2,605,219	2,092,507
Sub total	1,900,691	1,853,164
TOTAL	4,869,904	4,790,491

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2016

	As at March 31, 2016 ₹('000)	As at March 31, 2015 ₹('000)
SCHEDULE 11 - OTHER ASSETS		
I. Inter-Office adjustments (Net)	**13,066**	127,405
II. Interest Accrued	**5,376,774**	4,466,603
III. Tax Paid in Advance/Tax Deducted at Source (Net)	**2,767,817**	1,820,266
IV. Deferred tax asset (net) (Refer Note no. B.4 of Schedule 18)	**1,026,332**	1,359,632
V. Stationery and Stamps	**16,818**	18,714
VI. Non-Banking Assets acquired in satisfaction of claims	**31,676**	11,326
VII. Others*	**29,604,951**	27,840,133
TOTAL	**38,837,434**	35,644,079

*Includes RIDF ₹2,760.09 crore (previous year ₹2,631.02 crore)

SCHEDULE 12 - CONTINGENT LIABILITIES (Refer Note no. 14 of Schedule 17)		
I. Claims against the Bank not acknowledged as debts:		
(i) Service Tax disputes	**205,295**	211,117
(ii) Others	**76,578**	71,606
II. Liability on account of outstanding Forward Exchange Contracts[1]	**119,075,640**	249,159,994
III. Guarantees given on behalf of constituents in India	**18,967,960**	14,795,637
IV. Acceptances, endorsements and other obligations	**8,432,450**	7,522,969
V. Other items for which the bank is contingently liable:		
(i) Capital Commitments	**189,850**	17,580
(ii) Transfers to Depositor Education and Awareness Fund (DEAF)	**549,636**	421,800
TOTAL	**147,497,409**	272,200,703

[1] Represents notional amount

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

		Year ended March 31, 2016 ₹('000)		Year ended March 31, 2015 ₹('000)
SCHEDULE 13 - INTEREST EARNED				
I. Interest/Discount on Advances/Bills		43,635,868		41,529,676
II. Income on Investments		10,077,831		9,458,504
III. Interest on balances with Reserve Bank of India and Other Inter-Bank funds		287,732		795,265
IV. Others		1,570,548		1,078,786
TOTAL		55,571,979		52,862,231
SCHEDULE 14 - OTHER INCOME				
I. Commission, Exchange and Brokerage		519,120		465,576
II. Profit on sale of Investments	1,433,943		1,705,312	
Loss on sale of Investments	(68,504)	1,365,439	(65,333)	1,639,979
III. Profit on sale of land, buildings and other assets	3,385		834	
Loss on sale of land, buildings and other assets	(3,787)	(402)	(5,021)	(4,187)
IV. Profit/(Loss) on Exchange transactions (net)		451,885		315,940
V. Miscellaneous Income		2,838,195		2,553,409
TOTAL		5,174,237		4,970,717
SCHEDULE 15 - INTEREST EXPENDED				
I. Interest on Deposits		38,275,643		36,617,880
II. Interest on Reserve Bank of India/Inter-Bank Borrowings		1,262,300		1,210,416
III. Others		937,056		1,371,633
TOTAL		40,474,999		39,199,929
SCHEDULE 16 - OPERATING EXPENSES				
I. Payments to and Provisions for Employees		6,922,522		6,336,965
II. Rent, Taxes and Lighting		1,018,600		906,887
III. Printing and Stationery		120,007		105,219
IV. Advertisement and Publicity		115,594		158,568
V. Depreciation	670,288		646,287	
Less : Reversal of excess depreciation due to change in accounting policy	-	670,288	657,376	(11,089)
VI. Directors fees, allowances and expenses		10,935		7,576
VII. Auditors' fees and expenses (incl. branch auditors)		30,568		32,686
VIII. Law charges		30,117		34,405
IX. Postage, telegrams, telephones, etc.		227,000		197,870
X. Repairs and Maintenance		165,689		216,992
XI. Insurance		588,883		528,393
XII. Other Expenditure		1,578,226		1,298,534
TOTAL		11,478,429		9,813,006

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

Background

The South Indian Bank Limited ('SIB' or the 'Bank') was incorporated on January 29, 1929 at Thrissur as a private limited company and was later converted into a public limited company on August 11, 1939. SIB has a network of 858 branches/ offices 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 BSE Limited and National Stock Exchange of India Limited.

Basis of Preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 to the extent applicable and the relevant provisions of the Companies Act, 2013 ("the Act") and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except where otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

The Ministry of Corporate affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. As per Clarification issued by Institute of Chartered Accountants of India dated 26th April, 2016, the said notification is applicable to accounting periods commencing on or after the date of notification i.e. 1st April, 2016. Hence the said notification has not been considered in the preparation of the financial statements.

Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

Significant Accounting Policies

1. Revenue recognition

a) Interest / discount income from loans, advances and investments (including deposits placed with banks and other institutions) are recognized 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 recognized only on realization.

b) Dividend on investments in shares and units of mutual funds are accounted when the bank's right to receive the dividend is established.

c) Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.

d) Insurance claims and locker rent are accounted on receipt basis.

e) Commission income on issuance of bank guarantee / letter of credit is recognized over the period of the guarantee/letter of credit.

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

g) Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.

h) Funded interest on term loans are recognised on realisation as per the guidelines of RBI.

i) The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income.

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".

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

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

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

B) Acquisition cost

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

C) Valuation

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

a. Investments classified as HFT or AFS – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges, SGL account transactions, pricelist of RBI or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b. Held to Maturity – These are carried at their acquisition cost. Any premium on acquisition of government securities are amortized over the remaining maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c. Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d. Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e. Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
- in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company;
- Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company / Securitisation Company.
- Non-Performing Investments are identified and valued based on RBI guidelines.

f. The Bank follows 'Settlement Date' accounting for recording purchase and sale transactions in securities.

D) Repo and Reverse Repo transactions

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

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

In respect of Repo transactions under LAF and MSF with RBI, amount borrowed from RBI is 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, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are accounted as interest income.

E) Short Sales

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

F) Transfer of securities Between Categories

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

G) Disposal of Investments

a. Investments classified as HFT and AFS – Profit or loss on sale / redemption is included in the Profit and Loss account.

b. Investments classified as HTM – Profit on sale of / redemption of investments is included in the Profit and Loss Account and is appropriated to capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale/redemption is charged to the Profit and Loss Account.

3. Advances

A) Valuation / Measurement

a) Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, sacrifice provisions on restructured advances and unrealized interest on NPAs. Interest on Non Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at the minimum required level as per the guidelines of the RBI on matters relating to prudential norms.

b) Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".

c) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

d) For entities with Unhedged Foreign Currency Exposure (UFCE) , provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskness of unhedged position. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

e) The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – direct advances to Sectors agricultural and SME at 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

f) The bank transfers advances through inter-back participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where bank is participating, the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the bank is participating, the aggregate amount of participation is shown as due from banks under advances.

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

g) Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

4. Country risk:

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

5. Fixed assets and depreciation

a) The Fixed Assets (other than those, which are revalued) are stated at historical cost less accumulated depreciation/amortisation and impairment losses, if any.

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 the historical cost or the amount substituted for the historical cost. The Bank transfers difference between depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost from Asset Revaluation Reserve to the General Reserve.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of the fixed assets on a straight line basis at the rates and in the manner prescribed in Schedule II of the Companies Act, 2013.

6. Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a reduction in revaluation to the extent a revaluation reserve is available for that asset.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

7. Non-Banking Assets

Non-Banking assets acquired in settlement of debts /dues are accounted at the lower of their cost of acquisition or net realisable value.

8. Transactions involving foreign exchange

a) Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities outstanding at the Balance Sheet date are revalued at rates notified by Foreign Exchange Dealers Association of India [FEDAI] and resulting profits or losses are included in the Profit and Loss Account.

b) Foreign exchange spot and forward Contracts outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

c) Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

9. Employee benefits

a) Provident Fund:
The contribution made by the Bank to "The South Indian Bank Ltd. Employees Provident Fund", administered by the trustees is charged to Profit and Loss account. The fund is a defined contribution fund and the Bank has no further liability beyond the contribution made to the fund.

b) Pension Fund:
The contribution towards "The South Indian Bank Ltd. Employees' Pension Fund Trust", managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the profit and loss account. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to Profit and Loss account and the Bank has no further liability beyond the contribution to the fund on this account.

c) Gratuity:
The bank makes annual contribution to "The South Indian Bank Ltd. Employees' Gratuity Trust" administered and managed by the trustees. The present value of the bank's obligation towards the same is actuarially determined based on the projected unit credit method as at the balance sheet date. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

d) Compensated absence on Privilege / Sick / Casual Leave:
The employees of the Bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the profit and loss account. The actuarial gain or loss arising during the year is recognized 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 Regulations 2014 and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortized on a straight line basis over the vesting period.

f) Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognised during the period when the employee renders the service. These benefits include performance incentives.

10. Segment Reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

11. Debit Card Reward Points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

12. Earnings Per Share (EPS)

The Bank reports Basic and Diluted Earnings per Equity Share in accordance with Accounting Standard 20, prescribed under Section 133 of the Companies Act, 2013. Basic EPS has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end. Potential equity shares which are anti-dilutive in nature are ignored.

SCHEDULE - 17 SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

13. Taxes on income

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

14. Accounting for Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard 29, Provisions, Contingent Liabilities and Contingent Assets prescribed under Section 133 of the Companies Act, 2013, the Bank recognizes provisions when it has a present obligation as a result of a past event and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate of the amount of the obligation can be made.

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

15. Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and balances with other banks/ institutions and Money at Call and Short Notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

17. Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

18. CENVAT Credit

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules 2004, as amended.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

A. Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in Notes forming part of the financial statements for the year ended 31st March, 2016 are denominated in Rupees crore (unless specified otherwise) to conform to extant RBI guidelines.

1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per RBI guidelines. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March 2019. These guidelines on Basel III have been implemented on 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the year ended 31st March 2016 is 9.625% with minimum Common Equity Tier 1 (CET1) of 6.125% (including CCB of 0.625%). The Capital adequacy Ratio of the Bank calculated as per Basel III Capital Regulations is set out below.

[₹ in crore]

	Particulars	March 31, 2016	March 31, 2015
	Common Equity Tier I Capital	3656.94	3,290.07
	Tier I Capital	3656.94	3,290.07
	Tier II Capital	741.72	499.32
	Total Capital	4,398.66	3,789.39
	Total Risk Weighted Assets	37,199.34	31,561.71
	Capital Ratios		
I	Common Equity Tier I Capital Ratio (%)	9.83	10.43
II	Tier I Capital Ratio (%)	9.83	10.43
III	Tier II Capital Ratio (%)	1.99	1.58
IV	Total Capital Ratio (CRAR) (%)	11.82	12.01
		March 31, 2016	March 31, 2015
V	Percentage of the shareholding of the Government of India in public sector banks (%)	NA	NA
VI	Amount of Equity Capital raised	0.02	0.62
VII	Amount of Additional Tier I capital raised; *of which* Perpetual Non- Cumulative Preference Shares (PNCPS) : Perpetual Debt Instruments (PDI):	Nil	Nil
VIII	Amount of Tier II capital raised: *of which* Debt Capital instrument: Preference Share Capital Instruments:	 300 Nil	 Nil Nil

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank has made these disclosures which are available on its website at the following link :
http://www.southindianbank.com/content/viewContentLvl1.aspx?linkIdLvl2=854&LinkIdLvl3=880&linkId=880
Pillar 3 disclosures have not been subjected to audit.

2. Investments

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
a. Value of Investments		
(i) Gross Value of Investments		
(a) In India	14,693.89	14,117.88
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	50.67	20.86
(b) Outside India	-	-
(iii) Provisions for Non Performing Investments (NPI)		
(a) In India	24.29	10.88
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	14,618.93	14,086.14
(b) Outside India	-	-

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

b. Movement of provisions held towards depreciation on investments		
(i) Opening Balance	20.86	7.13
(ii) Provisions made during the year	57.70	13.73
(iii) Less: Write-off/ (write back) of excess provisions during the year	27.89	-
(iv) Closing Balance	50.67	20.86
c. Movement of provisions held towards NPIs		
(i) Opening Balance	10.88	12.85
(ii) Provisions made during the year	13.41	10.56
(iii) Less: Write-off/ (write back) of excess provisions during the year	-	12.53
(iv) Closing Balance	24.29	10.88

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

2.1. a) Investments under HTM (excluding specified investments as per RBI norms) account for 20.40% (Previous Year 21.94%) of demand and time liabilities as at the end of March 2016 as against permitted ceiling of 21.50% (Previous Year 23.50%) stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹18.88 crore (Previous Year: ₹19.50 crore) has been amortised during the year and debited under interest received on Government securities.

c) Profit on sale of securities from HTM category amounting to ₹50 crore (Previous Year: ₹7.07 crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹24.52 crore (Previous Year ₹4.10 crore), net of taxes and transfer to statutory reserve, to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

d) The bank had withdrawn ₹10.05 crore (Previous Year ₹6.79 crore) from Investment Reserve Account and credited to Profit and Loss Appropriation account.

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

a) **Done during the year ended March 31, 2016:** [₹ in crore]

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2016
Securities sold under repo	Nil	Nil	Nil	Nil
Securities purchased under reverse repo	Nil	Nil	Nil	Nil

b) **Done during the previous year ended March 31, 2015:** [₹ in crore]

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2015
Securities sold under repos	Nil	Nil	Nil	Nil
Securities purchased under reverse repos	Nil	Nil	Nil	Nil

4. **Disclosure in respect of Non-SLR investments:**

(i) Issuer composition of Non-SLR investments as at March 31, 2016: [₹ 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	244.08	221.43	-	51.75	211.12
(ii)	FIs	161.25	16.02	-	17.68	16.05
(iii)	Banks	63.61	-	-	16.71	-
(iv)	Private Corporate	141.50	18.71	-	58.04	6.63
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others#	965.53	959.61	-	959.61	959.61
(vii)	Total Book Value of investments	1575.97				
(viii)	Less: Provision for NPI	(24.29)				
(ix)	Less: Provision held towards depreciation	(50.67)				
	Total	**1,501.01**	**1,215.77**	**-**	**1,103.79**	**1,193.41**

* Column values in 4, 5, 6, 7 are net of Depreciation and provision for NPI.
# Includes Non SLR SG special bonds with Book Value ₹719.29 crore.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(ii) Issuer composition of Non-SLR investments as at March 31, 2015: [₹ 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	393.43	298.27	-	81.09	297.95
(ii)	FIs	320.48	25.44	-	58.49	215.48
(iii)	Banks	861.77	-	-	9.46	-
(iv)	Private Corporate	190.21	145.90	-	135.07	104.35
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others#	50.68	50.68	-	50.68	50.68
(vii)	Total Book Value of investments	1,816.57				
(viii)	Less: Provision for NPI	(10.88)				
(ix)	Less: Provision held towards depreciation	(19.97)				
	Total	**1,785.72**	**520.29**	**-**	**334.79**	**668.46**

* Does not include Certificate of Deposits Face Value ₹806.50 crore.
** Column values in 4, 5, 6 & 7 are net of depreciation and provision for NPI.
# Includes Non SLR SG special bonds with Book Value ₹50.68 crore).

[₹ in crore]

	Particulars	March 31, 2016	March 31, 2015
A	Shares	137.36	117.14
B	Debentures & Bonds@	1133.77	582.08
C	Subsidiaries/ joint ventures	-	-
D	Others	229.88	1086.50
E	**Total**	**1501.01**	**1785.72**

@ Including Non SLR SG special bonds with Book Value ₹719.29 crore (Previous Year: ₹50.68 crore).

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

Particulars	March 31, 2016	March 31, 2015
Opening Balance	12.19	36.29
Additions during the year	26.26	7.18
Reductions during the year	-	31.28
Closing balance	38.45	12.19
Total provisions held	24.29	10.88

5. **Investments held under the 3 categories viz. "Held for Trading (HFT)", "Available for Sale (AFS)" and "Held to Maturity (HTM)" are as under:** [₹ in crore]

Particulars	March 31, 2016				March 31, 2015			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Govt. Securities#	89.71	1,836.80	11,910.70	13,837.21	229.65	589.22	11,532.24	12,351.11
Other Approved	-	-	-	-	-	-	-	-
Shares	16.28	121.08	-	137.36	7.16	109.98	-	117.14
Debentures & Bonds	-	414.48	-	414.48	-	531.40	-	531.40
Others	-	229.87	-	229.87	606.98	479.52	-	1,086.50
Total	**105.99**	**2,602.23**	**11,910.70**	**14,618.92**	**843.79**	**1,710.12**	**11,532.24**	**14,086.15**

Includes Non-SLR SG Special Bonds with Book Value ₹ 662.53 crore (Previous Year: Nil) under HTM and Non SLR SDL Special Bonds issued by State Government ₹56.76 crore (Previous Year: ₹ 50.68 crore) under AFS.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

- In accordance with RBI Circular DBR.BP.BC.No.31/21.04.018/2015-16 dated July 16, 2015, the Bank has, effective from September 30, 2015 included its deposits placed with NABARD, SIDBI, and NHB on account of shortfall in lending to priority sector under 'Other Assets'. Hitherto these were included under 'Investments' and Interest income thereon was included under 'Interest Earned - Income on Investments'. Arising out of regrouping in line with the above mentioned RBI guidelines, interest income on deposit placed with NABARD, SIDBI and NHB is included under "Interest Earned - Others". Figures for the previous year have been regrouped/reclassified to conform to current year classification. The above change in classification has no impact on the profit of the Bank for the year ended March 31, 2016 and March 31, 2015.
- Investments having Face Value aggregating ₹2216 crore (Previous Year: ₹1730 crore) are kept as margin towards repo transactions and those having Face Value aggregating ₹180 crore (Previous Year: ₹180 crore) are kept as margin towards intraday liquidity with the RBI.
- Investments having Face Value aggregating ₹103 crore (Previous Year: ₹103 crore) kept as margin for clearing of securities, Face Value of ₹925 crore (Previous Year: ₹905 crore) are kept as margin for collateralized borrowing and Lending Obligations (CBLO) and Face Value aggregating ₹10.30 crore (Previous Year: ₹9.25 crore) are kept as margin for Forex forward segment-Default Fund with the Clearing Corporation of India Ltd.
- On March 31, 2016, Investment having Face Value ₹312 crore are marked as lien against Repo Borrowing of ₹300 crore.

6. Sale and transfers to/ from HTM Category

During the current year, the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the year.

7. 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.

The notional principal amount of foreign exchange contracts classified as trading on March 31, 2016 amounted to ₹4,705.11 crore (Previous Year ₹19,452.70 crore). For these trading contracts, on March 31, 2016, marked to market position was asset of ₹46.80 crore (Previous Year ₹140.63 crore) and liability of ₹46.76 crore (Previous Year ₹140.70 crore). The notional principal amount of foreign exchange contracts classified as hedging on March 31, 2016 amounted to ₹1,444.51 crore (Previous Year ₹1,072.48 crore).

8. Movements in non-performing advances (funded)

[₹ in crore]

Particulars	31-Mar-16	31-Mar-15
(i) Net NPAs to Net Advances [%]	2.89	0.96
(ii) Movement of NPAs (Gross)		
a) Gross NPAs as at the beginning of the year	643.45	432.62
b) Additions (Fresh NPAs during the Year)	1609.70	499.95
Sub- total (A)	2253.15	932.57
c) Less:		
i. Upgradations	134.63	85.40
ii. Recoveries (excluding recoveries made from upgraded accounts	66.29	86.77
iii. Technical/Prudential Write-offs	169.93	-
iv. Write- offs other than those under (iii) above	1.23	11.24
v. Reduction by sale of Assets to ARCs	318.71	105.71
Sub-total (B)	690.79	289.12
d) Gross NPAs as at the end of the year *	1562.36	643.45
(iii) Movement of NPAs (Net)**		
a) Opening Balance	357.05	281.67
b) Additions during the year	1267.25	366.59
c) Reductions during the year	439.04	291.21
d) Closing Balance	1185.26	357.05
(iv) Movement of provisions for NPAs*** (excluding provisions on Standard Assets)		
a) Opening Balance	259.76	131.90
b) Provisions made during the year	438.64	236.39
c) Write off / write back of Excess provisions	343.79	108.53
d) Closing Balance	354.61	259.76

*After considering technical/ Prudential Write-Offs. Closing Gross NPAs before technical/ Prudential Write – Offs is ₹1732.28 crore (Previous Year ₹643.45 crore)
**Net NPA is after considering ECGC/DICGC/Insurance claim amount pending for adjustment of ₹22.49 crore (Previous Year ₹26.64 crore).
***Includes sacrifice provision on accounts classified as NPA, amounting to ₹9.19 crore (Previous Year ₹2.29 crore.)

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

9. Particulars of Accounts Restructured as on March 31, 2016

(₹ in crore)

Sl. No.	Type of Restructuring / Asset Classification / Details	Under CDR Mechanism (A)					Under SME Debt Restructuring Mechanism (B)				
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1.	Restructured Accounts as on April 1, 2015 (Opening figures)										
	No. of borrowers	7	-	2	-	9	-	-	-	2	2
	Amount outstanding	656.03	-	77.62	-	733.65	-	-	-	-	-
	Provision thereon	56.15	-	0.80	-	56.95	-	-	-	-	-
2.	Fresh restructuring during the year 2015-16										
	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	32.69	-	8.23	-	40.92	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
3.	Upgradations to restructured standard category during the year 2015-16										
	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 (2016-17)										
	No. of borrowers	-				-	-				-
	Amount outstanding	-				-	-				-
	Provision thereon	-				-	-				-
5.	Down gradations of restructured accounts during the year 2015-16										
	No. of borrowers	(1)	-	-	1	-	-	-	-	-	-
	Amount outstanding	(50.62)	-	47.10	3.52	-	-	-	-	-	-
	Provision thereon	(0.67)	-	0.67	-	-	-	-	-	-	-
6.	Write offs of restructured accounts during the year 2015-16										
	No. of borrowers	1	-	-	-	1	-	-	-	1	1
	Amount outstanding	119.49	-	46.76	-	166.25	-	-	-	-	-
	Provision written back	31.73	-	0.80	-	32.53	-	-	-	-	-
7.	Restructured Accounts as on March 31, 2016 (closing figures)										
	No. of borrowers	5	-	2	1	8	-	-	-	1	1
	Amount outstanding	518.61	-	86.19	3.52	608.32	-	-	-	-	-
	Provision thereon	23.75	-	0.67	-	24.42	-	-	-	-	-

(*Contd…*)

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in crore)

Sl. No.	Type of Restructuring / Asset Classification / Details	Others (C)					Total (D – A+B+C)				
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1.	Restructured Accounts as on April 1, 2015 (Opening figures)										
	No. of borrowers	20	2	7	3	32	27	2	9	5	43
	Amount outstanding	1,225.68	0.22	108.07	0.20	1,334.17	1,881.71	0.22	185.69	0.20	2,067.82
	Provision thereon	11.84	0.01	1.46	0.01	13.32	67.99	0.01	2.26	0.01	70.27
2.	Fresh restructuring during the year 2015-16										
	No. of borrowers	1	-	-	-	1	1	-	-	-	1
	Amount outstanding	207.37	-	0.01	-	207.38	240.06	-	8.24	-	248.30
	Provision thereon	3.03	-	0.02	-	3.05	3.03	-	0.02	-	3.05
3.	Upgradations to restructured standard category during the year 2015-16										
	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 (2016-17)										
	No. of borrowers	3				3	3				3
	Amount outstanding	37.07				37.07	37.07				37.07
	Provision thereon	-				-	-				-
5.	Down gradations of restructured accounts during the year 2015-16										
	No. of borrowers	(4)	1	2	1	-	(5)	1	2	2	-
	Amount outstanding	(292.50)	36.03	256.15	0.32	-	(343.12)	36.03	303.25	3.84	-
	Provision thereon	(7.71)	4.77	2.92	0.02	-	(8.38)	4.77	3.59	0.02	-
6.	Write offs of restructured accounts during the year 2015-16										
	No. of borrowers	6	-	3	-	9	7	-	3	1	11
	Amount outstanding	672.84	0.02	47.95	0.08	720.89	792.33	0.02	94.71	0.08	887.14
	Provision written back	4.74	-	1.44	-	6.18	36.47	-	2.24	-	38.71
7.	Restructured Accounts as on March 31, 2016 (closing figures)										
	No. of borrowers	8	3	6	4	21	13	3	8	6	30
	Amount outstanding	430.64	36.23	316.28	0.44	783.59	949.25	36.23	402.47	3.96	1,391.91
	Provision thereon	2.42	4.78	2.96	0.03	10.19	26.17	4.78	3.63	0.03	34.61

i. Fresh Restructuring includes fresh sanction / increase in existing accounts : CDR - ₹40.92 crore (Provision Nil), SME - Nil (Provision Nil), Others - ₹89.72 crore (Provision ₹3.05 crore), Total - ₹130.64 crore (Provision ₹3.05 crore)

ii. Write off of restructured accounts includes recoveries / closure/Sale in existing accounts : CDR - ₹72.13 crore (Provision ₹16.25 crore), SME - Nil (Provision Nil), Others - ₹705.21 crore (Provision ₹ 4.75 crore), Total - ₹777.34 crore (Provision ₹21 crore)

iii. The bank maintains a provision for diminution in fair value of assets amounting to ₹39.63 crore, of which assets holding ₹5.02 crore of such provision, have shown satisfactory performance as per RBI guidelines are not disclosed above.

iv. A Restructured Doubtful account with opening balance of ₹10.25 crore which was restructured again in the current year is not disclosed under Fresh Restructuring.

v. A Doubtful account with Balance of ₹3.24 crore which was restructured during the period, however was closed before the year end itself is not considered under above disclosure.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

Particulars of Accounts Restructured as on March 31, 2015

(₹ in crore)

Sl. No.	Type of Restructuring	Under CDR Mechanism (A)					Under SME Debt Restructuring Mechanism (B)				
	Asset Classification / Details	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1.	Restructured Accounts as on April 1, 2014 (Opening figures)										
	No. of borrowers	9	-	2	1	12	1	1	1	2	5
	Amount outstanding	495.37	-	16.30	2.77	514.44	1.56	0.04	0.09	-	1.69
	Provision thereon	36.60	-	1.15	-	37.75	-	-		-	-
2.	Fresh restructuring during the year 2014-15										
	No. of borrowers	4	-	-	-	4	-	-	-	-	-
	Amount outstanding	362.29	-	1.97	-	364.26	-	-	-	-	-
	Provision thereon	30.55	-	-	-	30.55	-	-	-	-	-
3.	Upgradations to restructured standard category during the year 2014-15										
	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 (2015-16)										
	No. of borrowers	3				3	1				1
	Amount outstanding	37.68				37.68	1.56				1.56
	Provision thereon	2.16				2.16	-				-
5.	Down gradations of restructured accounts during the year 2014-15										
	No. of borrowers	(1)	-	1	-	-	-	-	-	-	-
	Amount outstanding	(68.53)	-	68.53	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
6.	Write offs of restructured accounts during the year 2014-15										
	No. of borrowers	2	-	1	1	4	-	1	1	-	2
	Amount outstanding	95.42	-	9.18	2.77	107.37	-	0.04	0.09	-	0.13
	Provision written back	8.84	-	0.35	-	9.19	-	-	-	-	-
7.	Restructured Accounts as on March 31, 2015 (closing figures)										
	No. of borrowers	7	-	2	-	9	-	-	-	2	2
	Amount outstanding	656.03	-	77.62	-	733.65	-	-	-	-	-
	Provision thereon	56.15	-	0.80	-	56.95	-	-	-	-	-

(*Contd...*)

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(₹ in crore)

Sl. No.	Type of Restructuring / Asset Classification / Details	Others (C)					Total (D = A + B + C)				
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1.	Restructured Accounts as on April 1, 2014 (Opening figures)										
	No. of borrowers	21	2	7	5	35	31	3	10	8	52
	Amount outstanding	915.79	0.08	72.56	0.16	988.59	1,412.72	0.12	88.95	2.93	1,504.72
	Provision thereon	0.39	-	1.46	0.01	1.86	36.99	-	2.61	0.01	39.61
2.	Fresh restructuring during the year 2014-15										
	No. of borrowers	6	-	-	-	6	10	-	-	-	10
	Amount outstanding	346.59	0.01	5.91	0.04	352.55	708.88	0.01	7.88	0.04	716.81
	Provision thereon	11.48	-	0.01	-	11.49	42.03	-	0.01	-	42.04
3.	Upgradations to restructured standard category during the year 2014-15										
	No. of borrowers	1	(1)	-	-	-	1	(1)	-	-	-
	Amount outstanding	0.01	(0.01)	-	-	-	0.01	(0.01)	-	-	-
	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 (2015-16)										
	No. of borrowers	3				3	7				7
	Amount outstanding	0.30				0.30	39.54				39.54
	Provision thereon	0.02				0.02	2.18				2.18
5.	Down gradations of restructured accounts during the year 2014-15										
	No. of borrowers	(4)	1	3	-	-	(5)	1	4	-	-
	Amount outstanding	(30.84)	0.16	30.68	-	-	(99.37)	0.16	99.21	-	-
	Provision thereon	(0.01)	0.01	-	-	-	(0.01)	0.01	-	-	-
6.	Write offs of restructured accounts during the year 2014-15										
	No. of borrowers	1	-	3	2	6	3	1	5	3	12
	Amount outstanding	5.55	0.02	1.08	-	6.65	100.97	0.06	10.35	2.77	114.15
	Provision written back	-	-	-	-	-	8.84	-	0.35	-	9.19
7.	Restructured Accounts as on March 31, 2015 (closing figures)										
	No. of borrowers	20	2	7	3	32	27	2	9	5	43
	Amount outstanding	1,225.70	0.22	108.07	0.20	1,334.19	1,881.70	0.22	185.69	0.20	2,067.84
	Provision thereon	11.84	0.01	1.47	0.01	13.33	67.99	0.01	2.27	0.01	70.28

i. Fresh Restructuring includes fresh sanction/ increase in existing accounts: CDR – ₹53.87 Cr (Provision Nil), Others - ₹73.05 Cr (Provision Nil), Total – ₹126.92 Cr (Provision Nil)

ii. Write off of restructured accounts includes recoveries/ closure/sale in existing accounts: CDR – ₹56.04 Cr (Provision ₹9.19 Cr), SME DRM – ₹0.57 Cr (Provision ₹0.01 Cr), Others – ₹6.64 Cr (Provision Nil), Total – ₹63.25 Cr (Provision ₹9.21 Cr)

iii. The bank maintains a provision for diminution in fair value of assets amounting to ₹76.54 crore (PY ₹44.59 crore), of which assets holding ₹6.26 crore (PY ₹4.98 crore) of such provision, have shown satisfactory performance as per RBI guidelines are not disclosed above.

SCHEDULE - 18 NOTES ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

10. A. Details of Financial Assets sold to Securitization / Reconstruction company for asset reconstruction [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
(i) No. of Accounts	16	8
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	196.18	140.83
(iii) Aggregate Consideration	168.83	91.38
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	11.71
(v) Aggregate gain/ (loss) over net book value	(27.35)	(37.74)

Item no. (ii) and (v) of previous year includes ₹82.07 crore in respect of sale of certain non-performing financial assets and net shortfall in recovery of net book value of ₹8.32 crore respectively.

The Bank had assigned certain non-performing financial assets having a net book value of ₹196.18 crore during the current financial year (₹82.07 crore during the year ended March 31, 2015) to Asset Reconstruction Companies. The Bank has, in terms of RBI Circular DBOD.No.BP.BC.9/21.04.048/2014-15 on "Prudential norms on income recognition, asset classification and provisioning pertaining to advances" dated July 1, 2014 , as amended, spread the net shortfall in recovery of net book value of ₹41.50 crore (Previous year ₹8.32 crore) over a period of two years.

In respect of such assignments, an amount of ₹16.10 crore (Previous year ₹1.66 crore) has been charged to the profit and loss account during the year ended March 31, 2016 and the unamortised balance carried forward as at March 31, 2016 is ₹23.74 crore (Previous year ₹6.66 crore).

B. Details of Book value of Investments in Security Receipts [₹ in crore]

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying		Total	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Book value of investments in security receipts	204.40	62.70	-	-	204.40	62.70

Note- In addition to the above, bank holds security receipt of ₹16.75 crore (Previous Year ₹16.75 crore) which are backed by Standard asset sold by the bank.

C. Details of Non-Performing financial assets purchased/ sold [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Non performing financial assets purchased/ sold (from/to banks)	Nil	Nil

11. Provisions on Standard Assets: [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Provisions towards Standard Assets	213.64	214.43

12. Business ratios

Particulars	March 31, 2016	March 31, 2015
(i) Interest Income as a percentage to Working Funds [1]	9.18%	9.55%
(ii) Non-interest income as a percentage to Working Funds [1]	0.86%	0.90%
(iii) Operating Profit as a percentage to Working Funds [1]	1.45%	1.59%
(iv) Return on Assets [Based on Working Fund] [1]	0.55%	0.56%
(v) Business (Customer Deposits plus Advances) per employee [2] (₹ in crore)	12.55	11.54
(vi) Profit per employee [2] (₹ In crore)	0.04	0.04

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

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

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

13. Lending to sensitive sectors:

A. Exposures to Real Estate Sector

[₹ in crore]

Category	March 31, 2016	March 31, 2015
a) **Direct Exposure**		
(i) Residential Mortgages -	2470.11	2,037.46
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; *of which Individual housing loans eligible for inclusion in priority sector advances*	*1283.89*	*1,041.41*
(ii) Commercial Real Estate -	287.30	122.37
Lending secured by mortgages on commercial real estate (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure include non-fund based (NFB) limits		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) **Indirect Exposure**		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	594.82	477.80
Total Exposure to Real Estate Sector	**3352.23**	**2,637.63**

B. Exposure to Capital Market sectors

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
(i) Direct Investments in equity shares	168.29	106.16
(ii) Investments in convertible bonds/ convertible debentures	5.00	5.00
(iii) Investments in units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	10.43	30.43
(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	-	-
(v) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(vi) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;	-	-
(vii) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers:	101.22	178.05
(viii) Loans sanctioned to corporate against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(ix) Bridge loans to companies against expected equity flows/ issues	-	-
(x) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(xi) Financing to stockbrokers for margin trading	-	-
(xii) All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	**284.94**	**319.64**

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

C. Risk category wise country exposure:

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

Risk Category	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016	Exposure (net) as at March 31, 2015	Provision held as at March 31, 2015
Insignificant	929.93	-	828.72	-
Low	645.62	-	342.43	-
Moderate	8.18	-	10.83	-
High	9.03	-	4.75	-
Very High	-	-	-	-
Restricted	-	-	-	-
Off Credit	-	-	-	-
TOTAL	1592.76	-	1186.73	-

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

14. Floating Provision [₹ in crore]

	Particulars	2015-16	2014-15
(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

15. Maturity Pattern of key assets and liabilities:

As at March 31, 2016: [₹ 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	212.74	930.69	863.88	1,290.92	8,709.88	6,860.07	16,672.03	6,152.90	1,229.61	12,798.01	55,720.73
Advances	1,863.66	214.98	270.17	863.03	5,289.95	4,753.82	8,593.20	6,835.50	4,737.45	7,663.99	41,085.75
Investments	-	191.00	162.05	45.05	301.53	108.48	394.23	2,079.04	2,020.30	9,317.25	14,618.93
Borrowings	63.69	-	-	-	927.57	336.27	170.63	316.79	200.00	300.00	2,314.95
Foreign Currency-Assets	146.54	167.77	44.58	84.74	175.01	330.03	85.08	9.23	-	-	1,042.98
Foreign Currency-Liabilities	36.84	3.48	2.93	12.53	990.00	307.53	165.14	391.93	403.52	-	2,313.90

As at March 31, 2015: [₹ 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	137.06	1120.97	842.63	2915.84	11270.62	10270.38	10497.58	6337.70	952.78	7566.93	51912.49
Advances	2067.01	233.53	323.95	814.37	4379.40	4042.54	8985.38	5993.77	4166.06	6385.63	37391.64
Investments	285.27	1400.67	209.65	2.46	736.54	245.24	37.63	2303.93	1931.79	6932.96	14086.14
Borrowings	76.48	-	500.00	-	150.00	94.47	781.97	341.25	88.30	200.00	2232.47
Foreign Currency-Assets	107.23	-	1.25	5.80	82.45	281.81	428.87	4.23	0.01	-	911.65
Foreign Currency-Liabilities	20.84	1.62	1.64	4.71	194.90	102.12	809.50	167.65	418.26	-	1721.24

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

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

16. Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank:

During the year ended 31 March, 2016 and 31 March, 2015, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

17. Unsecured Advances

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Total Advances for which intangibles securities such as charge over the rights, licenses, authority etc has been taken as collateral	434.37	498.61
Estimated value of such intangible collateral	434.37	498.61

18. Penalties levied by the Reserve Bank of India

The penalty imposed by RBI during the year ended March 31, 2016 was ₹32,400/- (Previous year ₹52,550/-)

19. Asset quality ratios

Particulars	March 31, 2016	March 31, 2015
Percentage of net NPAs to net advances (%)	2.89	0.96
Provision Coverage Ratio (%)	40.34	60.96

20. Concentration of Deposits, Advances, Exposures and NPAs

(i) Concentration of Deposits

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Total Deposits of twenty largest depositors	5,070.41	4,634.12
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	9.10%	8.93%

Note: Exclude holders of certificate of deposits

(ii) Concentration of Advances*

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Total Advances to twenty largest borrowers	5507.79	5,962.53
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	13.28%	13.50%

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

(iii) Concentration of Exposures*

[₹in crore]

Particulars	March 31, 2016	March 31, 2015
Total Exposure to twenty largest borrowers/customers	5565.01	6,228.84
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the bank on borrowers/ customers	9.89%	9.26%

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

(iv) Concentration of NPAs

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Total Exposure to top four NPA accounts	909.01	189.43

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.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

21. Sector-wise Advances [₹ in crore]

Sl. No.	Sector*	2015-16			2014-15		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector (%)	Outstanding Total Advances	Gross NPAs	Percentage ofGross NPAs to Total Advances in that sector (%)
A	Priority Sector						
1	Agriculture and allied activities	5715.93	42.33	0.74	4029.24	21.38	0.53
2	Advances to industries sector eligible as priority sector lending	4244.09	109.79	2.59	3131.36	87.17	2.78
2.a	Textile	662.38	4.95	0.75	462.46	18.24	3.95
2.b	Basic Metal	453.83	1.72	0.38	277.07	1.70	0.61
2.c	Infra	304.99	17.88	5.86	380.45	40.00	10.51
3	Services	4909.79	103.72	2.11	3974.74	44.21	1.11
3.a	Professional	420.70	4.08	0.97	323.74	3.04	0.94
3.b	Trade	3676.75	60.79	1.65	2326.96	36.25	1.56
3.c	NBFC	343.31	30.98	9.02	466.30	-	-
4	Personal loans	1493.15	41.55	2.78	2153.93	36.27	1.68
4.a	Housing Loan	1086.87	22.77	2.10	1017.04	22.57	2.22
4.b	Other Personal loans incl. Gold Loan	159.86	0.08	0.05	861.91	1.85	0.21
	Sub-total (A)	**16362.96**	**297.39**	**1.82**	**13289.27**	**189.03**	**1.42**
B	Non Priority Sector						
1	Agriculture and allied activities	443.29	-	-	-	-	-
2	Industry	10750.32	898.74	8.36	11766.38	324.29	2.76
2.a	Textile	990.87	58.38	5.89	1147.66	23.77	2.07
2.b	Basic Metal	1482.97	375.64	25.33	1430.37	122.13	8.54
2.c	Infra	3871.24	276.41	7.14	4590.35	66.76	1.45
3	Services	10324.22	338.89	3.28	8910.69	86.98	0.98
3.a	Professional	1761.13	4.50	0.26	1641.05	10.61	0.65
3.b	Trade	3218.16	313.97	9.76	2016.57	47.85	2.37
3.c	NBFC	3799.79	-	-	3071.75	-	-
4	Personal loans	3590.00	27.34	0.76	3759.33	43.14	1.15
4.a	Housing Loan	1383.24	13.61	0.98	854.11	9.00	1.05
4.b	Other Personal loans incl. Gold Loan	2105.12	12.85	0.61	2467.07	32.74	1.33
	Sub-total (B)	**25107.83**	**1264.97**	**5.04**	**24436.40**	**454.41**	**1.86**
	Total (A+B)	**41470.79**	**1562.36**	**3.77**	**37725.67**	**643.44**	**1.71**

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.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

22. Movement in technical/prudential written off accounts: [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Opening balance of Technical/ Prudential written-off accounts as at April 1	271.24	322.74
Add: Technical/ Prudential write-offs during the year	169.93	-
Sub-total (A)	441.17	322.74
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	8.44	5.24
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written-off accounts during the year	0.05	1.00
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	8.40	45.26
Sub-total (B)	16.89	51.50
Closing balance as at March 31 (A-B)	424.28	271.24

23. Overseas Assets, NPAs and Revenue - Nil

24. Off-balance Sheet SPVs sponsored

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms.

25. Bancassurance Business [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Fees/ remuneration received from bancassurance business:		
- For selling life insurance policies	1.63	1.89
- For selling non-life insurance policies	1.57	1.50
Total	**3.20**	**3.39**

26. Drawdown from Reserves

a) The Bank has drawn down ₹10.05 crore (Previous Year ₹6.79 crore) from Investment Reserve Account in accordance with RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by banks'.

b) During the previous year, in accordance with the requirements of Schedule II of the Companies Act 2013, the Bank has re-assessed the useful lives of the fixed assets and an amount of ₹9.38 crore (net of taxes) has been drawn from the Revenue and Other Reserve in respect of assets whose useful life is nil as at April 1, 2014.

27. Provision for taxes during the year: [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Current Tax	143.07	201.89
Deferred Tax (net)	33.33	(41.17)
Wealth Tax	-	0.03
Total	**176.40**	**160.75**

28. Provisions and Contingencies

a) Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account:

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Provision for NPAs	391.90	225.52
Provision for NPIs	13.40	(1.94)
Provision for taxes (Net)*	143.07	201.91
Deferred Tax (net)	33.33	(41.17)
Provision for Standard Assets	(0.79)	31.37
Provision for Restructured Advances	(36.90)	32.56
Provision for depreciation in the value of investments	29.81	13.72
Provision for FITL	(25.40)	86.82#
Provision for unhedged foreign currency exposures	(5.05)	15.12
Others	2.64	10.88
TOTAL	**546.01**	**574.79**

* Includes Wealth Tax ₹0.03 crore during the previous financial year.

\# Pursuant to the clarification by Reserve Bank of India (RBI) vide para 14.2.5 of Master Circular dated July 1, 2014 in relation to Prudential norms for conversion of unpaid interest into Funded Interest Term Loan, Debt or Equity instruments, the Bank based on special dispensation issued by RBI vide letter no DBOD. No.BP.5886/21.04.132/2014-15 dated October 20, 2014, deferred the provision over three quarters during the previous financial year.

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b) Movement in provision for debit card reward points: [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Opening provision at the beginning of the year	-	-
Provision made during the year	0.15	-
Reductions during the year	-	-
Closing provision at the end of the year	0.15	-

c) Movement in provision for other contingencies: [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Opening provision at the beginning of the year	13.93	3.05
Provision made during the year	2.92	11.35
Reductions during the year	0.30	0.47
Closing provision at the end of the year	16.55	13.93

29. Disclosures on Remuneration

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

Composition.

The Nomination & Remuneration committee of the Board consists of three members of which one member from Risk Management Committee of the Board facilitate effective governance of compensation.

The roles and responsibilities of the Nomination & Remuneration Committee inter-alia includes the following:

- Scrutinizing the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India vide their directive dated May 23, 2011 on Fit & Proper Criteria of the Banks.
- To devise a Succession Planning Policy for the Board and Senior Management.
- To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/ removal of Directors.
- To identify persons who are qualified to become Directors/ KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
- To formulate the criteria for evaluation of Independent Directors and the Board/Committees.
- To devise a policy on Board diversity.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.
- To oversee the framing, review and implementation of Bank's overall compensation structure and related polices on remuneration packages payable to the WTDs/MD & CEO and other staff including performance linked incentives, perquisites, Stock option scheme etc. with a view to attracting, motivating and retaining employees and review compensation levels vis-a-vis other Banks and the industry in general.
- The Committee shall work in close coordination with the Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The Committee will also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:
  - (i) Draw up terms and conditions and approve the changes, if any, to the Performance Linked Incentive schemes;
  - (ii) Moderate the scheme on an ongoing basis depending upon the circumstances and link the same with the recommendations of Audit Committee;
  - (iii) Coordinate the progress of growth of business vis -a- vis the business parameters laid down by the Board and Audit Committee and effect such improvements in the scheme as considered necessary;
  - (iv) On completion of the year, finalize the criteria of allotment of marks to ensure objectivity/equity.
- The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.
- To obtain necessary clearances and approvals from regulatory authorities, appoint Merchant Bankers and do such other things as may be necessary in respect of the Employees Stock Option Scheme.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

- To oversee the administration of Employee benefits, such as, provident fund, Pension Fund, Gratuity, Compensation for absence on Privilege/Sick/Casual Leave etc., which are recognized in accordance with Accounting Standard-15 (revised) specified in the Companies (Accounting Standards) Rules, 2006.
- The Committee may suggest amendments to any stock option plans or incentive plans, provided that all amendments to such plans shall be subject to consideration and approval of the Board;
- 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 dt. January 13, 2012.
The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers up to the rank of General Manager (Scale VII) is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board / Committee.
Further, the compensation structure for the Whole Time Directors (WTDs) / Managing Director & Chief Executive Officers (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to clause 95 of Articles of Association of the Bank read with Section 197 of the Companies Act, 2013.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
The Board of Directors through the NRC shall exercise oversight and effective governance over the framing and implementation of the Compensation Policy. Human Resource Management under the guidance of MD & CEO shall administer the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. The factors taken in to account for the annual review and revision in the variable pay and performance bonus are:
- The performance of the Bank
- The performance of the business unit
- Individual performance of the employee
- Other risk perceptions and economic considerations.

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

e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.
- Where the variable pay constitutes a substantial portion of the fixed pay, i.e., 50% or more, an appropriate portion of the variable pay, i.e., 40% will be deferred for over a period of 3 years.
- In case of deferral arrangements of variable pay, the deferral period shall not be less than three years. Compensation payable under deferral arrangements shall vest no faster than on a pro rata basis.
- The Board may adopt principles similar to that enunciated for WTDs / CEOs, as appropriate, for variable pay-timing, m`alus / clawback, guaranteed bonus and hedging.
- Employee Stock Option Scheme / Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

f) Description of the different forms of variable remuneration (i.e., cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.
Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:
(i) Performance Linked Incentives to those employees who are eligible for incentives.
(ii) Exgratia for other employees who are not eligible for Performance linked Incentives.
(iii) Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965
(iv) Any other incentives, by whatever name called having the features similar to the above.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

			2015-16	2014-15
Quantitative disclosures	(a)	• Number of meetings held by the Remuneration Committee during the financial year	6	5
		• remuneration paid to its members (₹ in Lakhs)	4.50	2.35
	(b)	(i) Number of employees having received a variable remuneration award during the financial year.	1	1
		(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.	-	-
	(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	66.00	65.81
		• Variable	7.50	16.39
		• Deferred	-	-
		• Non Deferred	-	-
	(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.	-	-

30. **Securitisation Transactions**

The Bank has not done any securitisation transactions during the year ended 31 March, 2016 and 31 March, 2015.

31. **Credit Default Swaps**

The bank has not taken any transactions in credit default swaps during the year ended March 31, 2016 and March 31, 2015.

32. **Status of Complaints**

A. **Shareholder complaints**:

		March 31, 2016	March 31, 2015
(a)	No. of complaints pending at the beginning of the year	-	-
(b)	No. of complaints received during the year	250	402
(c)	No. of complaints redressed during the year	250	402
(d)	No. of complaints pending at the end of the year	-	-

B. **Customer complaints**:

		March 31, 2016	March 31, 2015
(a)	No. of complaints pending at the beginning of the year	149	65
(b)	No. of complaints received during the year	10430	7741
(c)	No. of complaints redressed during the year	10446	7657
(d)	No. of complaints pending at the end of the year	133	149

Complaints on ATM transactions (Included in B above):

Complaints against banks own ATM's

		March 31, 2016	March 31, 2015
(a)	No. of complaints pending at the beginning of the year	34	10
(b)	No. of complaints received during the year	2853	1843
(c)	No. of complaints redressed during the year	2833	1819
(d)	No. of complaints pending at the end of the year	54	34

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Complaints against other bank ATM's

		March 31, 2016	March 31, 2015
(a)	No. of complaints pending at the beginning of the year	115	55
(b)	No. of complaints received during the year	7151	5,499
(c)	No. of complaints redressed during the year	7187	5,439
(d)	No. of complaints pending at the end of the year	79	115

C. Status of Awards passed by the Banking Ombudsman:

		March 31, 2016	March 31, 2015
(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.

33. Letter of Comfort (LoCs) issued by Banks:

The Bank has not issued any reportable Letter of Comfort during the year ended March 31, 2016 and March 31, 2015 respectively.

34. Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency product portfolio and encouraging them to hedge the unhedged portion. In line with the policy, assessment of unhedged foreign currency exposure is a part of assessment of borrowers and is undertaken while proposing limits or at the review stage.

Further, the Bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank also maintains incremental provision towards the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained provision of ₹10.07 crore (Previous Year ₹15.12 crore) and additional capital of ₹8.42 crore (Previous Year ₹17.10 crore) on account of Unhedged Foreign Currency Exposure of its borrowers as at March 31, 2016.

35. Liquidity Coverage Ratio (LCR)

[₹ in crore]

Particulars		Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
		Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		6464.83		4463.84		4357.58		4370.62		4336.87
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	37,965.79	3,686.91	36,703.66	3,565.86	36,510.26	3,549.84	35,695.25	3,468.91	33,452.48	3,247.32
(i)	Stable deposits	2,193.35	109.67	2,090.19	104.51	2,023.65	101.18	2,012.27	100.61	1,958.53	97.93
(ii)	Less stable deposits	35,772.44	3,577.24	34,613.47	3,461.35	34,486.61	3,448.66	33,682.98	3,368.30	31,493.95	3,149.40
3	Unsecured wholesale funding, of which:	3,170.29	1,959.70	3,466.34	1,814.93	3,565.56	1,819.43	3,379.38	2,070.30	3,510.01	1,985.82
(i)	Operational deposits (all counterparties)	909.19	203.47	908.66	202.90	791.99	182.01	720.74	165.60	657.97	154.04
(ii)	Non-operational deposits (all counterparties)	1,636.12	1,506.24	1,211.32	1,073.49	1,053.97	949.59	1,553.11	1,462.49	1,338.95	1,226.54
(iii)	Unsecured debt	624.98	249.99	1,346.37	538.55	1,719.59	687.84	1,105.53	442.21	1,513.09	605.24
4	Secured wholesale funding		-		-		-		-		166.67

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

5	Additional requirements, of which	1.71	1.71	2.92	2.92	53.32	53.32	16.87	16.87	419.07	419.07
(i)	*Outflows related to derivative exposures and other collateral requirements*	1.71	1.71	2.92	2.92	53.32	53.32	16.87	16.87	419.07	419.07
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	461.75	583.21	461.75	596.11	461.75	482.47	461.75	480.68	461.75	446.25
7	Other contingent funding obligations	2598.10	650.74	2598.10	629.94	2598.10	495.07	2,598.10	594.66	2,598.10	621.70
8	TOTAL CASH OUTFLOWS		6,882.28		6,609.76		6,400.13		6,631.43		6,886.83
Cash Inflows											
9	Secured lending (e.g. reverse repos)	-		-		-		-		-	
10	Inflows from fully performing exposures	3,268.14	1,634.07	3,029.39	1,514.69	3,179.36	1,589.68	3,639.33	1,819.67	3,845.28	1,922.64
11	Other cash inflows	780.30	756.71	353.39	307.60	374.44	343.61	530.10	508.67	931.77	913.48
12	TOTAL CASH INFLOWS	-	2,390.78	-	1,822.30	-	1,933.29	-	2,328.34	-	2,836.12
13	TOTAL HQLA		6,464.83		4,463.84		4,357.58		4,370.62		4336.87
14	TOTAL NET CASH OUTFLOWS		4,491.49		4,787.46		4,466.84		4,303.09		4,050.71
15	LIQUIDITY COVERAGE RATIO (%)		143.94%		93.24%		97.55%		101.57%		107.06%

Note: The average weighted and unweighted amounts are calculated taking simple average for the months in the respective quarters.

36. Qualitative Disclosure around LCR

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". The LCR guidelines aim to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken. Banks are required to maintain High Quality Liquid Assets of a minimum of 100% of its Net Cash Outflows by January 1, 2019. However, with a view to providing transition time, the guidelines mandate a minimum requirement of 70% w.e.f. January 1, 2016 and a step up of 10% every year to reach the minimum requirement of 100% by January 1, 2019. The adequacy in the LCR maintenance is an outcome of a conscious strategy of the Bank towards complying with LCR mandate ahead of the stipulated time lines. The monthly average LCR of the bank for the quarter March 2016 is 143.94%.

The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement, regulatory dispensation allowed upto 2% of NDTL in the form of borrowing limit available through Marginal Standing Facility (MSF) and 5% of NDTL as Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). From February 2016 onwards, RBI has allowed Banks to reckon an additional 3% of NDTL as FALLCR. Level 1 asset contributes to 97.99% of the total high quality liquid assets of the bank of which the major contribution is from the Government securities.

The principal components of the estimated cash out flows which could arise in next 30 days are retail deposits (59.36%) and unsecured wholesale funding (27.75%). The bank intends to fund the short term cash outflows from extremely liquid Government securities and funding for estimated cash outflows considered in LCR computation substantially flows from this source.

Bank has only forward contract as derivative exposure. The bank is managing its liquidity from the centralized fund management cell attached to Treasury Department, Mumbai.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

37. Transfers to Depositor Education and Awareness Fund (DEAF) [₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Opening balance of amounts transferred to DEAF	42.18	--
Add : Amounts transferred to DEAF during the year	13.07	42.85
Less : Amounts reimbursed by DEAF towards claims	0.29	0.67
Closing balance of amounts transferred to DEAF	54.96	42.18

38. Intra-Group Exposure - Nil.

39. Inter-bank participation with risk sharing

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2016 was ₹689 crore (Previous Year: Nil).

B: Other Disclosures

1. Fixed Assets

a) Premises of the Bank were revalued as on March 31, 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.

b) The software capitalized under Fixed Asset (Net of depreciation) was ₹24.86 crore (PY ₹13.34 crore) as at March 31, 2016.

c) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Gross Block		
At the beginning of the year	15.05	-
Additions during the year	16.26	15.05
Deductions during the year	-	-
Closing Balance	31.31	15.05
Depreciation / Amortisation		
At the beginning of the year	1.71	-
Charge for the year	4.74	1.71
Deductions during the year	-	-
Depreciation to date	6.45	1.71
Net Block	**24.86**	**13.34**

2. Earnings Per Share

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

Particulars	March 31, 2016	March 31, 2015
Weighted average number of equity shares used in computation of basic earnings per share	135,01,89,368	134,78,81,375
Potential equity shares arising out of the Employees Stock Option Scheme	3,554	73,17,759
Weighted average number of equity shares used in computation of diluted earnings per share	135,01,92,922	135,51,99,134
Earnings used in the computation of basic earnings per share (₹ in crore)	333.27	307.20
Earnings used in the computation of diluted earnings per share (₹ in crore)	333.27	307.20
Nominal Value of share (in ₹)	1.00	1.00
Basic earnings per share (in ₹)	2.47	2.28
Effect of potential equity shares for ESOS	0.00	0.01
Diluted earnings per share (in ₹)	2.47	2.27

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

3. Accounting for Employee Share Based Payments

The company has provided various share based payment schemes to its employees. As on March 31, 2016, the following schemes were in operation;

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Date of grant	21.11.2009	21.10.2010	16.02.2012	28.06.2012	05.03.2013	03.12.2013	27.03.2015
Date of Board approval	21.11.2009	21.10.2010	16.02.2012	28.06.2012	05.03.2013	03.12.2013	27.03.2015
Date of Shareholders approval	18.08.2008	18.08.2008	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	213,52,100	22,26,500
Method of settlement	Equity	Equity	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	03.12.2015 to 03.12.2017	27.03.2017 to 27.03.2019
Exercise period (for all Tranches)	Eligible to exercise the options during any one of the four specific periods (i.e., within 30 days after the end of each quarter) within one year from the date of vesting.						
Manner of Vesting (for all Tranches)	In a graded manner over a 4 year period with 30%, 30% and 40% of the grants vesting in each year commencing from the end of 24 months from the grant date.						

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

Activity in the options outstanding under the ESOS

Particulars	March 31, 2016		March 31, 2015	
	Options	Weighted average exercise price (₹)	Options	Weighted average exercise price (₹)
Options outstanding at the beginning of the year	2,47,66,990	19.25	3,34,25,040	17.25
Options granted during the year	0.00	0.00	22,26,500	21.65
Options exercised during the year	1,57,005	19.04	62,04,475	12.99
Forfeited / lapsed during the year	1,127,240	21.68	46,80,075	14.44
Options outstanding at the end of the year	23,482,745	19.13	2,47,66,990	19.25
Options Exercisable	66,33,955	19.09	7,16,140	22.91

The weighted average share price at the date of exercise of the options was ₹19.75 (Previous year ₹27.16)

Details of exercise price for stock options outstanding as at March 31, 2016

Particulars	Exercise price per share	Number of options outstanding	Remaining contractual life of options
Tranche 1	12.93	0.00	0.00
Tranche 2	24.98	0.00	0.00
Tranche 3	24.12	3,16,600	0.88
Tranche 4	12.93	12,600	0.81
Tranche 5	21.65	6,03,950	1.50
Tranche 6	18.72	2,04,06,595	1.78
Tranche 7	21.65	21,43,000	3.09

No options were granted during the year.

Details of exercise price for stock options outstanding as at March 31, 2015

Particulars	Exercise price per share	Number of options outstanding	Remaining contractual life of options
Tranche 1	12.93	14,600	0.64
Tranche 2	24.98	1,58,890	0.56
Tranche 3	24.12	5,69,100	1.45
Tranche 4	12.93	19,400	1.38
Tranche 5	21.65	9,14,800	2.03
Tranche 6	18.72	2,08,63,700	2.78
Tranche 7	21.65	22,26,500	4.09

The weighted average fair value of stock options granted during the year 2014-15 was ₹8.48.

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

Fair Value methodology

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

Tranches	Year ended March 31, 2016							Year ended March 31, 2015						
	1	2	3	4	5	6	7	1	2	3	4	5	6	7
Exercise Price per share (₹)	12.93	24.98	24.12	12.93	21.65	18.72	21.65	12.93	24.98	24.12	12.93	21.65	18.72	21.65
Weighted Average Share Price per share (₹)	8.57	17.03	22.57	23.10	24.26	23.49	27.56	8.57	17.03	22.57	23.10	24.26	23.49	27.56
Expected Volatility (%)	28.26	28.26	28.26	28.26	28.26	29.95	34.59	28.26	28.26	28.26	28.26	28.26	29.95	34.59
Historical Volatility (%)	43.50	31.33	29.23	31.32	28.94	32.19	34.83	43.50	31.33	29.23	31.32	28.94	32.19	34.83
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	2.16 to 4.16	3.10 to 5.10	4.20	3.28 to 4.28	2.20 to 4.21	2.09 to 4.09	2.15 to 4.16	2.16 to 4.16	3.10 to 5.10
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	8.61 to 8.88	8.15 to 8.19	7.98	7.88 to 7.98	7.89 to 7.94	7.88 to 7.95	7.89 to 8.09	8.61 to 8.88	8.15 to 8.19
Expected Dividend Yield (%)	8.17	4.11	3.10	3.03	2.89	3.41	2.90	8.17	4.11	3.10	3.03	2.89	3.41	2.90

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

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Opening of ESOS Liability	5.31	6.43
Liability on account of ESOS issued	0.00	0.53
Reversal on account of Exercise	(0.03)	(0.90)
Reversal on account of lapsed/forfeiture	(0.28)	(0.75)
Total Employee compensation cost pertaining to ESOS (₹ in crore)	5.00	5.31
Opening Deferred Compensation Cost	2.93	4.12
Deferred compensation cost on ESOS issued	0.00	0.53
Compensation Cost pertaining to ESOS amortized during the year (₹ in crore)	(1.54)	(1.67)
Reversal on account of lapse/ forfeiture	(0.04)	(0.06)
Deferred compensation cost (₹ in crore)	1.35	2.92

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

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

Particulars	March 31, 2016	March 31, 2015
Net Profit as reported (₹ in crore)	333.27	307.20
Proforma Net profit based on fair value approach (₹ in crore)	331.30	305.82
Basic EPS as reported (₹)	2.47	2.28
Basic EPS (Proforma) (₹)	2.45	2.27
Diluted EPS as reported (₹)	2.47	2.27
Diluted EPS (Proforma) (₹)	2.45	2.26

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

4. Deferred Tax Assets (net)

[₹ in crore]

Particulars	March 31, 2016	March 31, 2015
Deferred Tax Asset (A)		
Provisions for Loans/Investments/ others	149.61	180.88
Total (A)	**149.61**	180.88
Deferred Tax Liabilities (B)		
Fixed Assets: Impact of difference between tax depreciation and Depreciation charged for the financial reporting	6.83	13.68
Special Reserve created u/s 36(i)(viii) of I T Act	40.15	31.24
Total (B)	**46.98**	44.92
Deferred Tax Asset (net) (A-B)	**102.63**	135.96

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

5. Related party disclosure:

a. Key Management Personnel

Sri V. G. Mathew, Managing Director & Chief Executive Officer.

b. Gross Remuneration paid.

[₹ in crore]

Name	Designation	2015-16	2014-15
Sri Mathew V. G.	M.D& C.E.O.	0.83	0.46
Dr. Joseph V. A.	M.D& C.E.O. till Sept 2014	N.A	0.52

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.

[₹ in crore]

Items/Related Party	Key Management Personnel		Relatives of Key Management Personnel		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Deposits						
Balance outstanding	0.18	0.10	0.33	0.24	0.51	0.34
Peak Balance	0.26	0.10	0.38	0.46	0.64	0.56
Interest paid	0.01	0.01	0.02	0.01	0.03	0.02

6. 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	March 31, 2016	March 31, 2015
Pension Fund	160.55	178.43
Gratuity Fund	14.59	11.77
Compensation for absence on privilege/sick/casual leave	25.27	18.98

The employee benefits on account of pension, gratuity and Leave have been ascertained on actuarial valuation in accordance with Accounting Standard - 15 prescribed under section 133 of the Companies Act, 2013.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2016.

b) Changes in the defined benefit obligations

[₹ in crore]

	Gratuity Plan		Pension Plan	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Projected defined benefit obligation, beginning of the year	157.33	155.39	480.72	415.69
Current Service Cost	8.91	8.11	130.57	120.69
Interest Cost	11.70	11.34	31.96	27.76
Actuarial (gain)/ loss	7.02	3.71	83.38	38.93
Benefits paid	(19.88)	(21.22)	(156.46)	(122.34)
Projected defined benefit obligation, end of the year	165.08	157.33	570.16	480.72
Liability (net) of fair value of plan asset at the end of the year	14.59	11.77	160.55	178.43

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

c) Changes in the fair value of plan assets

[₹ in crore]

	Gratuity Plan		Pension Plan	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Fair value of plan assets, beginning of the year	145.56	136.48	302.29	246.44
Expected return on plan assets	11.32	10.82	25.35	21.68
Employer's contributions	11.77	16.83	178.43	148.83
Actuarial gain/ (loss)	1.72	2.65	60.00	7.68
Benefits paid	(19.88)	(21.22)	(156.46)	(122.34)
Fair value of plan assets, end of the year	150.49	145.56	409.61	302.29

The Company expects to contribute ₹14.59 crore towards gratuity and ₹160.55 crore towards pension in the next year.

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

[₹ in crore]

	Gratuity Plan		Pension Plan	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Current Service Cost	8.91	8.11	130.57	120.69
Interest defined benefit obligation	11.70	11.34	31.96	27.76
Expected return on plan assets	(11.32)	(10.82)	(25.35)	(21.68)
Net actuarial (gain)/ loss recognized in the year	5.30	1.06	23.38	31.25
Past service cost	-	-	-	-
Employee cost	14.59	9.69	160.55	158.02
Amortization cost	-	2.08	-	20.41
Total	14.59	11.77	160.55	178.43
Actual return on plan assets	13.05	13.08	85.35	29.01

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

	Gratuity Plan		Pension Plan	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Government of India Securities	-	-	-	-
State Government Securities	-	-	-	-
High quality Corporate Bonds	-	-	-	-
Equity Shares of Listed Companies	-	-	-	-
Funds Managed by Insurer *	100%	100%	100%	100%
Others (With Fund and Bank)	-	-	-	-
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

	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Defined Benefit Obligations	165.08	157.33	155.39	146.95	136.88
Plan Assets	150.49	145.56	136.48	115.21	93.72
(Surplus)/Deficit	14.59	11.77	18.91	31.74	43.16
Unamortized	-	-	2.08	5.59	10.44
Net Benefit expense	14.59	11.77	16.83	26.15	32.72
Experience adjustments on Plan Liabilities	7.02	3.71	8.34	14.50	17.44
Experience adjustments on Plan Assets	(1.72)	(2.65)	(3.12)	(3.71)	(0.27)

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(ii) Pension

	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Defined Benefit Obligations	570.16	480.72	415.69	369.80	323.64
Plan Assets	409.61	302.29	246.44	179.74	166.84
Surplus/Deficit	160.55	178.43	169.25	190.06	156.80
Unamortized	-	-	20.41	45.13	73.87
Net Benefit expense	160.55	178.43	148.84	144.93	82.93
Experience adjustments on Plan Liabilities	83.38	38.93	32.64	90.64	32.32
Experience adjustments on Plan Assets	(60.00)	(7.68)	5.50	3.72	8.99

g) Assumptions used by the actuary in accounting for Gratuity/Pension/Compensation for absence

	Gratuity Plan		Pension Plan		Compensation for absence	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Discount rate	7.94%	7.83%	7.94%	7.83%	7.83%	7.83%
Expected rate of return on plan assets	8.00%	8.00%	8.00%	8.00%	*	*
Increase in compensation cost	8.00%	6.00%	5.00%	5.00%	6.00%	6.00%

*Not applicable

Notes:

(i) Discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.

(ii) Expected rate of return on plan assets is based on the average long term rate of return expected on investments of the funds during the estimated term of the obligations.

(iii) The estimates of future salary increases, considered in actuarial valuation, 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 an amount of ₹25.27 crore (Previous year ₹18.98 crore) has been debited to Profit and Loss account.

The above information is as certified by actuary and relied upon by the auditor.

7. 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.

8. **Segment reporting**

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

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

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

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

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

d) Other Banking Operations:
This segment includes income from para banking activities such as debit cards, third party product distribution and associated costs.

Geographic segment
The Bank operations are predominantly confined within one geographical segment (India) and accordingly this is considered as the only secondary segment.

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

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue	1362.91	1320.47	2737.07	2451.64	1834.35	1894.62	140.29	116.56	6074.62	5783.29
Result	(140.98)	(141.48)	173.16	62.98	363.70	385.25	113.79	95.46	509.67	402.21
Unallocated Expenses/ (Income)									-	-
Operating profit									509.67	402.21
Income Taxes									176.40	160.75
Depreciation Reversal *	-	-	-	-	-	-	-	-	-	(65.74)
Net Profit									333.27	307.20
Other Information:										
Segment Assets	18,300.35	17,827.88	27,285.46	24,926.77	15,978.42	14,949.23	-	-	61,564.23	57,703.88
Unallocated Assets									1,610.65	1,412.44
Total Assets									63,174.88	59,116.32
Segment Liabilities	17,251.46	16,728.34	25,999.77	23,710.49	15,225.51	14,219.80	-	-	58,476.74	54,658.63
Unallocated Liabilities									856.21	868.28
Total Liabilities									59,332.95	55,526.91

* Depreciation Reversal of ₹65.74 crore on account of change in accounting policy for charging depreciation from WDV Method to Straight line Method.

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

9. Tier II Bonds

During the FY 15-16, the Bank has raised ₹300 crore of Basel III compliant Tier II Capital.

Lower Tier II Bonds outstanding as at March 31, 2016 (included under Schedule 4 Borrowings) is ₹500 crore (Previous Year ₹200 crore).

Amount reckoned for Tier II Capital as per RBI guidelines is ₹460 crore (Previous Year ₹200 crore).

10. 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, Acceptances, endorsements and other obligations	As a part of banking activities, the Bank issues Letter of Guarantees and documentary credit on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers' obligations, either directly or in case the customer fails to fulfill their financial or performance obligations.
4	Other items for which the bank is contingently liable	Includes capital commitments and amount transferred to RBI under the Depositor Education and Awareness Fund (DEAF).

* Also refer schedule – 12

SCHEDULE - 18 NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

11. **Provision for long term contracts**
The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

12. **Corporate social responsibility**
Operating expenses include ₹2.30 crore for the year ended March 31, 2016 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The Bank has spent 0.40% of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2016. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilising the reporting year to lay a foundation on which to build and scale future projects and partnerships. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

13. **Investor education and protection fund**
There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

14. **Provisioning pertaining to fraud accounts**
The Bank has reported 8 cases as fraud during the Financial Year ended March 31, 2016 amounting to ₹1.59 crore and has provided for the same in full. Bank does not have any unamortised loss in this regard as on March 31, 2016.

15. The Financial Statements for the year ended March 31, 2016 are audited by the statutory auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants. The Financial Statements for the year ended March 31, 2015 were audited by another firm of chartered accountants.

16. 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 **DELOITTE HASKINS & SELLS**
Chartered Accountants

S. Sundaresan
Partner
(Membership No. 25776)

Bengaluru
May 11, 2016

For and on behalf of Board of Directors

Thomas Joseph K. Executive Vice President	**V. G. Mathew** MD & CEO	**Mohan E. Alapatt** Director
Sivakumar G. Executive Vice President	**K. Thomas Jacob** Director	**Dr. John Joseph** Director
Reghunathan K. N. Executive Vice President	**Francis Alapatt** Director	**Salim Gangadharan** Director
C. P. Gireesh Chief Financial Officer	**Cheryan Varkey** Director	**Ranjana S. Salgaocar** Director
Jimmy Mathew Company Secretary	**Parayil George John Tharakan** Director	

Kochi
May 11, 2016

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2016

1. Scope of Application

The South Indian Bank Limited is a commercial bank, which was incorporated on January 25, 1929 in Thrissur, Kerala. The Bank does not have any subsidiary/Associate companies under its Management.

2. Capital Adequacy

I. Qualitative Disclosure

RBI Guidelines on capital adequacy

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March 2019. These guidelines on Basel III have been implemented on 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the year ended 31st March 2016 is 9.625% with minimum Common Equity Tier 1 (CET1) of 6.125% (including CCB of 0.625%).

The bank's approach in assessment of capital adequacy

The bank is following standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively. Besides, computation of CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on quarterly basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar- II of Basel guidelines. The adequacy of banks capital funds to meet the future business growth is also assessed in the ICAAP document.

Quantitative Disclosure

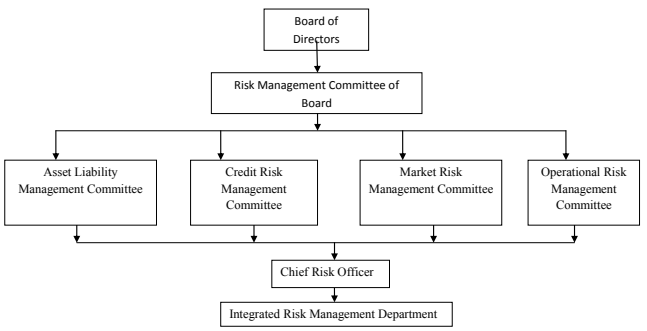
	Particulars	Amount in ₹ Million
(a)	Capital requirements for Credit Risk	30,932.35
	Portfolios subject to standardized approach	30,932.35
	Securitization exposures	0.00
(b)	Capital requirements for Market Risk (Standardised duration approach)	1,715.76
	Interest Rate Risk	1,328.70
	Foreign Exchange Risk (including gold)	43.31
	Equity Risk	343.74
(c)	Capital requirements for Operational Risk (Basic Indicator Approach)	3,156.25
	Total Capital Requirement at 9.625%{ (a)+ (b)+(c) }	35,804.36
	Total Capital Fund	43,986.63
	Common Equity Tier- I CRAR %	9.83 %
	Tier- I CRAR %	1.99 %
	Total CRAR %	11.82 %

Risk Management: Objectives and Organisation Structure

Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an appropriate trade off between risk and return to maximize shareholder value. The relevant information on the various categories of risks faced by the bank is given in the ensuing sections. This information is intended to give market participants a better idea on the risk profile and risk management practices of the bank.

The bank has a comprehensive risk management system set up to address various risks and has set up an Integrated Risk Management Department (IRMD), which is independent of operational departments. Bank has a Risk Management Committee functioning at apex level for formulating, implementing and reviewing bank's risk management measures pertaining to credit, market and operational risk. Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Asset Liability Management Committee, Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid office at Treasury Department/International Banking Division at operational level. The structure and organization of Risk Management functions of the bank is as follows:

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2016



3. Credit Risk: General Disclosures

I. Qualitative Disclosure

Definition of impaired credit and past dues considered by bank for accounting purposes

The guidelines as laid down by RBI Master Circular No. DBOD.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015, on Asset classification, Income Recognition and Provisioning to Advances portfolio are followed while classifying Non-performing Assets (NPAs). The guidelines are as under:

a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

b) A non-performing asset (NPA) is a loan or an advance where;

i. Interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,

ii. the account remains 'out of order', in respect of an Overdraft / Cash Credit (OD/ CC), (out of order - An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as "out of order".)

iii. the bill remains overdue for a period of more than 90 days in the case of bills Purchased and discounted (overdue - Any amount due to the bank under any credit facility is "overdue" if it is not paid on the due date fixed by the bank.)

iv. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops (overdue - Any amount due to the bank under any credit facility is "overdue" if it is not paid on the due date fixed by the bank.)

v. The installment of principal or interest thereon remains overdue for one crop season for long duration crops, (overdue - Any amount due to the bank under any credit facility is

a. 'Overdue' if it is not paid on the due date fixed by the bank.)

vi. The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of RBI guidelines on Securitization dated February 1, 2006.

vii. In respect of derivative transactions, the overdue receivables representing positive Mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Credit risk management practices of our Bank

The bank has a comprehensive credit risk management policy which deals with identification, assessment, measurement and mitigation of credit risk. The policy has defined credit risk as the possibility of losses associated with the diminution in the credit quality of the borrower or the counter-party or the failure on its part to meet its obligations in accordance with the agreed terms. The Credit Risk Management Committee, an executive level committee is entrusted with the task of overseeing various risk management measures envisaged in the policy. The Credit Risk Management Committee also deals with issues relating to credit risk management policy and procedures and analyse, manage and control credit risk on a bank wide basis. Credit risk management policy primarily addresses the credit risk inherent in advances. The principal aspects covered under this policy include credit risk rating, credit risk monitoring, credit risk mitigation and country risk management.

The major specific credit risk management measures followed by bank, as listed out in the credit risk management policy are given in following points.

- The credit/country risk associated with exposures, like inter-bank deposits and export bill discounting, to different countries are consolidated regularly and monitored by the Board.
- Bank uses two dimensional rating system and retail scoring system for evaluating credit risk associated with non-retail and retail exposures respectively. The bank uses segment-specific rating models that are aligned to target segment of the borrowers.
- Risks on various counter-parties such as corporates, banks, are monitored through counter-party exposure limits, also governed by country risk exposure limits in case of international transactions.
- The bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2016

II. Quantitative Disclosure

a) Gross Credit Risk Exposures as on 31st March 2016

Amount in ₹ Million

Category	Exposure
Fund Based [1]	4,65,988.83
Non-Fund Based [2]	31,214.51
Total	49,72,03.34

Note :

1. Fund based credit exposure excludes Cash in hand, Balance with RBI, SLR investments, shares, deposits placed at NABARD, SIDBI & NHB, Fixed and Other assets.
2. Non-fund based exposure includes outstanding Letter of Credit, Acceptances, Bank Guarantee exposures and Forward Contracts. The value of forward contracts is arrived based on Current Exposure Method (CEM).

b) Geographic Distribution of Credit Risk Exposure as on 31st March 2016

Particulars	Amount in Million
Domestic	49,72,03.34
Overseas	Nil
Total	49,72,03.34

c) Industry wise Distribution of gross advances and NPAs as on 31st March 2016

Industry Name	Gross Advance	GNPA	Standard Advance
A. Mining and Quarrying (A.1+A.2)	**1,766.16**	**-**	**1,766.16**
A. 1. Coal	-	-	-
A. 2. Others	1,766.16	-	1,766.16
B. Food Processing (Sum of B.1 to B.5)	**2,740.10**	**557.17**	**2,182.93**
B.1. Sugar	208.49	-	208.49
B.2. Edible Oils and Vanaspathi	168.93	-	168.93
B.3. Tea	-	-	-
B.4. Coffee	-	-	-
B.5. Others	2,362.68	557.17	**1,805.51**
C. Beverages (Exluding Tea & Coffee) and Tobacco (Sum of C. 1 & C. 2)	**2,875.75**	**-**	**2,875.75**
C. 1. Tobacco and Tobacco products	3.13	-	3.13
C. 2. Others	2,872.62	-	2,872.62
D. T. Extiles (Sum of D.1 to D.6)	**16,532.46**	**633.33**	**15,899.13**
D. 1. Cotton	9,423.12	50.82	9,372.30
D. 2. Jute	108.10	-	108.10
D. 3. Handicraft/Khadi (Non Priority)	99.11	0.54	98.57
D. 4. Silk	655.22	145.60	509.62
D. 5. Woolen	144.63	-	144.63
D. 6. Others	6,102.28	436.37	5,665.91
Out of D (i.e. Total Textiles) to Spinning Mills	10,406.10	196.42	10,209.68
E. Leather and Leather products	**1,498.73**	**-**	**1,498.73**
F. Wood and Wood Products	**915.89**	**10.04**	**905.85**
G. Paper and Paper Products	**2,864.41**	**89.74**	**2,774.67**
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**1,224.50**	**21.81**	**1,202.69**
I. Chemicals and Chemical Products (Dyes,Paints, etc) (Sum of I.1 to I.4)	**6,992.67**	**25.30**	**6,967.37**
I.1 Fertilizers	31.20	-	31.20
I.2 Drugs and Pharmaceuticals	4,406.03	-	4,406.03
I.3 Petrochemicals (excluding under Infrastructure)	-	-	-
I.4 Others	2,555.44	25.30	2,530.14
J. Rubber, Plastic and their Products	**7,627.54**	**31.99**	**7,595.55**
K. Glass and Glassware	**60.22**	**-**	**60.22**
L. Cement and Cement Products	**7,266.46**	**1.68**	**7,264.78**
M. Basic Metal and Metal products (M. 1+M. 2)	**19,367.94**	**3,773.51**	**15,594.43**
M.1 Iron and Steel	15,315.13	3,682.35	11,632.78
M.2 Other Metal and Metal Products	4,052.81	91.16	3,961.65
N. All Engineering (N.1+N.2)	**7,632.14**	**114.93**	**7,517.21**
N.1 Electronics	166.97	-	166.97
N.2 Others	7,465.17	114.93	7,350.24
O. Vehicles,Vehicle Parts and Transport Equipments	**6,803.06**	**0.45**	**6,802.61**
P. Gems and Jewellery	**7,264.60**	**424.88**	**6,839.72**

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2016

Q. Construction	7,200.01	1,261.63	5,938.38
R. Infrastructure (Sum of R.1 to R.4)	41,778.66	2,942.91	38,835.75
R.1 Transport (Sum of R.1.1 to R.1.5)	18,805.04	455.39	18,349.65
R.1.1 Railways	-	-	-
R.1.2 Roadways	18,805.04	455.39	18,349.65
R.1.3 Aviation	-	-	-
R.1.4 Waterways	-	-	-
R.1.5. Others	-	-	-
R.2 Energy (Sum of R.2.1 to R.2.4)	10,944.95	-	10,944.95
R.2.1 Electricity (generation-transportation and distribution)	10,944.95	-	10,944.95
R.2.1.1 State Electricity Boards	-	-	-
R.2.1.2 Others	10,944.95	-	10,944.95
R.2.2 Oil (storage and pipeline)	-	-	-
R.2.3 Gas/LNG (storage and pipeline)	-	-	-
R.2.4 Others	-	-	-
R.3 Telecommunication	6,084.81	10.59	6,074.22
R.4 Others (Sum of R.4.1 to R.4.3)	5,943.86	2,476.93	3,466.93
R.4.1 Water Sanitation	-	-	-
R.4.2 Social & Commercial Infrastructure	5,943.86	2,476.93	3,466.93
R.4.3 Others	-	-	-
S. Other Industries	6,798.74	170.55	6,628.19

d) Residual Contractual Maturity breakdown of Assets as on 31st March 2016 — Amount in ₹ Million

Time band	Cash and Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Asset	Other Assset
Next Day	3,550.55	471.11	-	18,636.63	-	80.10
2-7 Day	-	4,127.00	3,402.89	2,149.83	-	285.96
8-14 Day	-	88.62	1,620.50	2,701.70	-	366.06
15-28 Day	601.57	251.09	450.53	8,630.32	-	773.08
29-3 Months	2,680.27	1,295.65	3,015.27	52,899.45	-	3,018.71
3-6 Months	2,063.16	-	1,084.83	47,538.20	-	3,801.90
6-12 Months	3,288.47	-	3,942.27	85,931.98	-	7,270.74
1-3 year	2,084.48	-	20,790.36	68,354.99	-	15,637.51
3-5 year	1,860.75	-	20,202.96	47,374.54	-	594.35
over 5 Year	8,632.00	-	91,679.65	76,639.97	4,869.90	7,009.02
Total	24,761.25	6,233.44	1,46,189.25	4,10,857.62	4,869.90	38,837.43

e) The composition of Gross NPAs and NPIs, Net NPAs, NPA ratios and provision for GNPAs and GNPIs as on 31st March 2016 and movement of gross NPAs and provisions during the quarter ended 31st March 2016 are given in following table.

₹ in Million

1.	Amount of Gross NPAs	15,623.62
	• Substandard	9,066.24
	• Doubtful-1	5,260.67
	• Doubtful-2	1,107.79
	• Doubtful-3	32.88
	• Loss	156.04
2.	Net NPA	11,852.59
3.	NPA Ratios	
	• Gross NPA to Gross Advance:	3.77 %
	• Net NPA to Net Advance:	2.89%
4.	Movement of N PA (Gross)	
	• Opening Gross NPA (balance as at the end of previous Fiscal)	6,434.50
	• Additions to Gross NPA	16,096.99
	• Reductions to Gross NPA	6,907.88
	• Closing Balance of Gross NPA	15,623.61
5.	Movement of N PA Provisions	
	• Opening balance of NPA Provisions held (balance as at the end of previous Fiscal)	2,597.58
	• Provisions made during the period	4,386.36
	• Deductions during the period	3,437.88
	• Closing Balance of NPA Provisions	3,546.07
6.	Amount of Non-Performing Investments (Gross)	384.47
7.	Amount of Provisions held NP Investments	242.90
8.	Movement of Provisions for Depreciation on Investments	
	• Opening Balance of Provisions for Depreciation (balance as at the end of previous Fiscal)	208.60
	• Provisions made during the period	577.00
	• Write-offs / Write-back of excess provisions during the period	278.90
	• Closing Balance of Provisions for Depreciation	506.70

f) Details of write offs and recoveries that have been booked directly to the income statement

(₹ in Millions)

Write offs that have been booked directly to the income statement	3,210.31
Recoveries that have been booked directly to the income statement	816.22

h) Geography wise Distribution of NPA and Provision

Geography	Gross NPA	Specific Provision	General Provision
Domestic	15623.61	3454.12	3771.02*
Overseas	NIL	NIL	NIL
Total	15623.61	3454.12	3771.02*

*Inclusive of NPA Provision, Restructured sacrifice provision in NPA Accounts and ECGC/DICGC /Insurance Claim pending.

4. Credit Risk: Disclosure for Portfolios under Standardized Approach

I. Qualitative Disclosure

a. Names of credit rating agencies used

Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are:

1. CRISIL
2. CARE
3. India Ratings and Research Private Limited (Formerly FITCH INDIA)
4. ICRA
5. Brickwork Ratings India Pvt. Ltd.
6. SMERA Ratings Ltd.

The Bank computes risk weight on the basis of external rating assigned, both Long-Term and Short-Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follows below mentioned procedures as laid down in the Basel II guidelines for use of external ratings:

- The external rating assigned by an agency is considered if it fully takes into account the credit exposure of the bank.
- If an issuer has a long- term exposure with an external long-term rating that warrants a risk weight of 150 percent, all unrated claims on the same counter-party, whether short-term or long-term, should also receive a 150 percent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- If an issuer has a short-term exposure with an external short-term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether long-term or short-term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- The unrated short-term claim of counter-party will attract a 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 counter-party 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.

b. Process used to transfer public issue ratings onto comparable assets in the banking book

(i) In circumstances where the borrower has a specific assessment for an issued debt - but the bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to the bank's un-assessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the un-assessed claim is not later than the maturity of the rated claim, except where the rated claim is a short-term obligation. If not, the rating applicable to the specific debt cannot be used and the un assessed claim will receive the risk weight for unrated claims.

(ii) If either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, a claim on the same counter-party, which is unrated by any chosen credit rating agency, will be assigned the same risk weight as is applicable to the rated exposure, if this claim ranks pari-passu or junior to the rated exposure in all respects.

II. Quantitative Disclosures

Amount of exposure (after risk mitigation) outstanding as on 31st March 2016 under major three risk buckets

Description of risk bucket	₹ in Million
Below 100% Risk Weight	3,88,880.75
Risk Weight at 100%	1,48,879.01
More than 100% Risk Weight	94,575.85
Deducted if any	

(Amount of exposures includes cash in hand, balance with RBI, investments, loans and advances, Fixed and other assets, off balance sheet items and forward contracts)

5. Credit Risk Mitigation: Disclosures for Standardised Approaches

I. Qualitative Disclosure

Policies and processes for collateral valuation and management

Bank has put in place a comprehensive policy on Credit Risk Mitigants and Collaterals for recognizing the eligible collaterals and guarantors for netting the exposures and reducing the credit risk of obligors. Basic procedures and descriptions of

controls as well as types of standard/acceptable collaterals, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, applicable "haircuts" to collateral, frequency of revaluation and release of collateral are stipulated in the bank's credit policy, policy on collateral management and credit risk mitigant policy. The bank uses net exposure for capital calculations after taking cognizance of eligible financial collaterals. All collaterals and guarantees are recorded and the details are linked to individual accounts.

Collateral valuation

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to counter-party when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines.

The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in line with the requirements specified by RBI guidelines. These adjustments also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

Types of collateral taken by the Bank

The Bank determines the appropriate collateral for each facility based on the type of product and risk profile of the counter-party. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/ automobile being financed. The valuation of the properties is carried out by an empanelled valuer at the time of sanctioning the loan.

The Bank also offers products which are primarily based on collateral such as shares, specified securities, warehoused commodities and gold jewellery. These products are offered in line with the approved product policies, which include types of collateral, valuation and margining.

The Bank extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The limits with respect to unsecured facilities have been approved by the Board of Directors.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorisation approved by the Board of Directors. For facilities provided as per approved product policies, collateral is taken in line with the policy.

Credit Risk Mitigation techniques

The RBI guidelines on Basel III allow the following credit risk mitigants to be recognised for regulatory capital purposes:

A. Eligible Financial Collaterals

- Cash and fixed deposit receipts, issued by our bank.
- Gold: Gold would include both bullion and jewellery. However, the value of the collateralized jewellery should be arrived at after notionally converting these to 99.99% purity.
- Kisan Vikas Patra, Indira Vikas Patra and National Savings Certificates provided no lock-in period is operational and if they can be encashed within the holding period.
- Life Insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.
- Securities issued by Central and State Governments.
- Debt securities rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are either:

a) Attracting 100 per cent or lesser risk weight i.e., rated at least BBB(-) when issued by public sector entities and other entities (including banks and Primary Dealers); or

b) Attracting 100 per cent or lesser risk weight i.e., rated at least CARE A3 / CRISIL A3 / India Ratings and Research Private Limited (India Ratings) A3 /ICRA A3 /Brickwork A3 / SMERA A3 for short-term debt instruments.

- Debt Securities not rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are:

a) issued by a bank; and

b) listed on a recognised exchange; and

c) classified as senior debt; and

d) all rated issues of the same seniority by the issuing bank are rated at least BBB(-) or CARE A3/ CRISIL A3/ India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/Brickwork A3/SMERA A3 by a chosen Credit Rating Agency; and

e) The bank holding the securities as collateral has no information to suggest that the issue justifies a rating below BBB(-) or CARE A3/ CRISIL A3/ India Ratings and Research Private Limited (India Ratings) A3/ICRA A3/ Brickwork A3/SMERA A3 (as applicable) and;

f) Banks should be sufficiently confident about the market liquidity of the security.

- Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the banks operation mutual funds where:

a) A price for the units is publicly quoted daily i.e., where the daily NAV is available in public domain; and
b) Mutual fund is limited to investing in the instruments listed in this paragraph.

B. **On-balance sheet netting**, which is confined to loans/ advances and deposits, where banks have legally enforceable netting arrangements, involving specific lien with proof of documentation.

C. **Guarantees**, where these are direct, explicit, irrevocable and unconditional. Further, the eligible guarantors would comprise:
a) Sovereigns, sovereign entities (including Bank for International Settlements, the International Monetary Fund, European Central Bank and European Community as well as those Multilateral Development Banks, Export Credit Guarantee Corporation of India and Credit Guarantee Fund Trust for Small Industries, Credit Risk Guarantee Fund Trust for Low Income Housing), banks and primary dealers with a lower risk weight than the counter-party;
b) Other entities that are externally rated except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

II. Quantitative Disclosure

a. **Details of exposure covered by eligible financial collateral and information about (credit or market) concentration within the mitigation taken as on 31st March 2016 is given in table below**

S. No.	Nature of Exposure	Exposure	Amount of Risk Mitigants	Risk Weighted Assets
1	Exposure covered by Gold	38,881.47	38,880.84	0.79
2	Exposure covered by deposits	19524.69	20902.92	0.00
3	Loan against KVP / IVP/NSC/LIC	85.11	113.48	0.00

6. Securitisation Exposures: Disclosure for Standardised Approach

Not applicable since the bank does not undertake securitisation activity.

7. Market Risk in Trading Book

I. Qualitative disclosures

Market Risk Management Policy

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices. The market risk for the Bank is managed in accordance with the Market Risk Management policy, Investment Policy and ALM Policy which are approved by the Board. The policies ensure that operations in securities, foreign exchange etc. are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate changed business requirements, economic environment and changes in regulations.

Structure and organisation of the market risk management function

The Market Risk Management Committee (MRMC), which is an independent function, reports to the Risk Management Committee. MRMC exercises independent control over the process of market risk management and recommends changes in risk policies, controls, processes and methodologies for quantifying and assessing market risk. There is clear functional separation of:

- Trading i.e. front office; and
- Monitoring, control, settlements and accounting i.e. Treasury back office.

Strategies and processes

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

The scope and nature of risk reporting and/or measurement system risk reporting

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

Risk Measurement

- Values at Risk (VaR) numbers are arrived for Trading book Central Government securities, T Bills and Currencies.
- The positions are marked to market at stipulated intervals. The Duration/Modified Duration is computed and its adherence to the prescribed duration limits is ensured.
- The bank is computing capital charge on "Held for Trading" and "Available for Sale" categories using Standardized Duration Approach as required under RBI guidelines for Basel II.

- Stress testing analyses are done by applying rate shocks for parallel shift in the yield curve under current economic and political scenario.

II. Quantitative disclosures

Capital requirements for different categories of Market Risks at 9.625%

(₹ in Millions)

S. No.	Particulars	Capital Charge
1	Interest rate risk	1,328.70
2	Equity Position Risk	343.74
3	Foreign Exchange Risk	43.31

8. Operational Risk

Operational risk management framework

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes legal risk but excludes strategic and reputation risk. Operational risk is inherent in the Bank's business activities in both domestic as well as overseas operations and covers a wide spectrum of issues.

Objectives

The objective of the Bank's operational risk management is to manage and control operational risks in a cost effective manner within targeted levels of operational risk consistent with the Bank's risk appetite as specified in the Operational Risk Management Policy (the Policy) approved by the Board of Directors. The Policy aims to:

- Define Bank level operational risk appetite;
- Establish clear ownership and accountability for management and mitigation of operational risk;
- Help business and operations to improve internal controls, reduce likelihood of occurrence of operational risk incidents and minimise potential impact of losses;
- Minimise losses and customer dissatisfaction due to failure in processes;
- Develop comprehensive operational risk loss database for effective mitigation;
- Meet regulatory requirements as set out in the guidance note on management of operational risk issued by the RBI; and
- Compute capital charge for operational risk as per the guidelines issued by the RBI.

The bank has started the Risk and Control 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.

9: Interest Rate Risk in the Banking Book (IRRBB)

I. Qualitative disclosures

IRRBB refers to the risk arising on account of adverse interest rate fluctuations on interest rate sensitive assets and interest rate sensitive liabilities, which are held in banking book. In short-term perspective -Traditional Gap Analysis (TGA) approach-it is the risk of an adverse impact on net interest income arising from timing differences in re-pricing of various items of assets liabilities. In long-term perspective - Duration Gap Analysis (DGA) approach - it is the risk arising from adverse impact on the Bank's economic value of equity, due to duration gap between assets and liabilities.

Interest rate risk on banking book assumes the form of basis risk, yield curve risk, re-pricing risk or embedded options risk. For purposes of measuring the impact of these risks on net interest income under TGA approaches, the risk position is identified as the gap between rate sensitive assets and liabilities in different maturity buckets. For purposes of measuring the impact of these risks on economic value of net worth under DGA approach, the risk position is defined as the modified duration of equity which is derived from the modified duration gap, which in turn requires computation of the weighted average modified duration of assets and weighted average modified duration of liabilities.

The bank calculates the impact on the earnings by gap analysis with the assumed change in yield over one year. Bank has put in place prudential limits for probable reduction in Net Interest Income (NII) for buckets below one year due to adverse change in interest rates. Earnings at Risk (EaR) are being calculated using Traditional Gap Analysis as per ALM guidelines of RBI.

The bank calculates the impact on the Market value of equity by Duration Gap Analysis and the impact is calculated by applying a notional interest rate shock of 200 basis points as per ALM guidelines of RBI.

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

II. Quantitative Disclosures

Amount in ₹ Million

Particulars	As on 31st March 2016
Change in NII	
Probable impact on Net Interest income for 100 Bps downward movement in interest rate	₹640.06 Million
Change in MVE	
Probable impact on Market Value of equity (MVE) for a 200 Bps upward movement in interest rates.	6.15% on Net worth

10. General Disclosure for Exposures Related to Counter-party Credit Risk

I. Qualitative disclosures

Bank has put in place Counter-party Credit Risk limits for banks as counter-party, based on internal rating considering a number of financial parameters like net worth, capital adequacy ratio, rating etc. of the counter-party bank and with the approval of the Board. Counter-party exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board.

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Capital for Counter-party Credit Risk is assessed based on the Standardized Approach.

II. Quantitative Disclosures

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method (CEM). The balance outstanding for forward contract as on 31st March 2016 is as follows:

Particulars	₹ in Million
Forward Contracts valued based on CEM	3800.50
Total	**3800.50**

Table DF 11. Composition of capital as on 31st March 2016

₹ in Million

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		Amounts subject to Pre-Basel III Treatment	
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	1,350.31	
2	Retained earnings	35,732.75	
3	Accumulated other comprehensive income (and other reserves)		
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*		
	Public sector capital injections grandfathered until January 1, 2018		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory adjustments	37,083.06	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	486.01	
10	Deferred tax assets		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity	27.59	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financial entities		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments (26a+26b+26c+26d)		
26a	*of which:* Investments in the equity capital of the unconsolidated insurance subsidiaries		
26b	*of which:* Investments in the equity capital of unconsolidated non-financial subsidiaries		
26c	*of which:* Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank		
26d	*of which:* Unamortised pension funds expenditures		
	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment		

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	of which: [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)		
	of which: [INSERT TYPE OF ADJUSTMENT]		
	of which: [INSERT TYPE OF ADJUSTMENT]		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	513.60	
29	**Common Equity Tier 1 capital (CET1)**	**36,569.46**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)		
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	*of which: instruments issued by subsidiaries subject to phase out*		
36	**Additional Tier 1 capital before regulatory adjustments**		
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments (41a+41b)		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which: Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]		
	of which: [INSERT TYPE OF ADJUSTMENT]		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**		
44	**Additional Tier 1 capital (AT1)**		
44a	**Additional Tier 1 capital reckoned for capital adequacy**		
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	**36,569.46**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	4,600.00	
47	Directly issued capital instruments subject to phase out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	*of which: instruments issued by subsidiaries subject to phase out*		
50	Provisions	2,838.42	
51	**Tier 2 capital before regulatory adjustments**	**7,438.42**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments	21.25	

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54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments (56a+56b)		
56a	*of which:* Investments in the Tier 2 capital of unconsolidated subsidiaries		
56b	*of which:* Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank		
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]		
	of which: [INSERT TYPE OF ADJUSTMENT]		
57	**Total regulatory adjustments to Tier 2 capital**	**21.25**	
58	Tier 2 capital (T2)	**7,417.17**	
58a	Tier 2 capital reckoned for capital adequacy	**7,417.17**	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0.00	
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	7,417.17	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**43,986.63**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment		
	of which:		
	of which: …		
60	**Total risk weighted assets (60a + 60b + 60c)**	**37,1993.44**	
60a	*of which: total credit risk weighted assets*	3,21,375.15	
60b	*of which: total market risk weighted assets*	17,826.04	
60c	*of which: total operational risk weighted assets*	32,792.26	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.83%	
62	Tier 1 (as a percentage of risk weighted assets)	9.83%	
63	Total capital (as a percentage of risk weighted assets)	11.82%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	6.125%	
65	*of which: capital conservation buffer requirement*	0.625%	
66	*of which: bank specific countercyclical buffer requirement*		
67	*of which: G-SIB buffer requirement*		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.33%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	**5.50%**	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	**7.00%**	
71	National total capital minimum ratio (if different from Basel III minimum)	**9.00%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities		
73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 under standardised approach		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

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	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	*Current cap on CET1 instruments subject to phase out arrangements*		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82	*Current cap on AT1 instruments subject to phase out arrangements*		
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*		
84	*Current cap on T2 instruments subject to phase out arrangements*		
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*		

Notes to the Template

National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities		
73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 under standardised approach		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	*Current cap on CET1 instruments subject to phase out arrangements*		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82	*Current cap on AT1 instruments subject to phase out arrangements*		
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*		
84	*Current cap on T2 instruments subject to phase out arrangements*		
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*		

Table DF-12 Composition of Capital- Reconciliation Requirements

Step I ₹ in Million

		Balance Sheet as in Financial Statements	Balance sheet under regulatory scope of consolidation
		31.03.2016	31.03.2016
A	Capital & Liabilities		
i.	Paid-up Capital	1,350.31	
	Reserves & Surplus	37,068.97	
	Minority Interest	-	
	Total Capital	38,419.28	
ii.	Deposits	5,57,207.30	
	of which: Deposits from banks	31,688.55	
	of which: Customer deposits	5,25,518.75	
	of which: Other deposits (pl. specify)		

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iii.	Borrowings	23,149.56	
	of which: From RBI	-	
	of which: From banks	350.12	
	of which: From other institutions & agencies	11,230.81	
	of which: Others (pl. specify) Borrowings from outside India	11,568.63	
	of which: Capital instruments(Does not include bonds held by banks)	-	
iv.	Other liabilities & provisions (includes ESOP outstanding)	12,972.65	
	Total	6,31,748.79	
B	**Assets**		
i.	Cash and balances with Reserve Bank of India	24,761.25	
	Balance with banks and money at call and short notice	6,233.44	
ii.	Investments:	1,46,189.28	
	of which: Government securities	1,38,372.09	
	of which: Other approved securities	-	
	of which: Shares	1,373.63	
	of which: Debentures & Bonds	4,144.84	
	of which: Subsidiaries / Joint Ventures / Associates	-	
	of which: Others (Commercial Papers, Mutual Funds etc.)	2,298.72	
iii.	Loans and advances	4,10,857.48	
	of which: Loans and advances to banks	632.45	
	of which: Loans and advances to customers	4,10,225.03	
iv.	Fixed assets	4,869.90	
v.	Other assets	38,837.43	
	of which: Goodwill and intangible assets	-	
	of which: Deferred tax assets	1,026.33	
vi.	Good will on consolidation	-	
vii.	Debit balance in Profit & Loss account	-	
	Total Assets	**6,31,748.79**	

Step II

₹ in Million

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No.
		31.03.2016	31.03.2016	
A	**Capital & Liabilities**			
i.	Paid-up Capital	1,350.31		(a)
	of which : Amount eligible for CET1	1,350.31		(a) (i)
	of which : Amount eligible for AT1			
	Reserves & Surplus	37,068.97		(b)
	of which : Amount eligible for CET1			
	Statutory Reserve	8,714.14		(b)(i)
	Share Premium	9,566.19		(b)(ii)
	General Reserve	13,830.55		(b) (iii)
	Capital Reserve	724.79		(b)(iv)
	Special reserve under Section 36(i) (viii) of Income Tax Act	1,160.00		(b)(v)
	Balance in P/L a/c. at the end of the previous financial year	952.26		(b)(vi)
	Current Financial Year carry forward Profit	784.82		(b)(vii)
	Investment Reserve Account (part of Tier 2 Capital)	0.00		(b)(viii)
	Revaluation Reserve (part of Tier 2 Capital, at a discount of 55 per cent)	601.30		(b)(ix)
	Minority Interest	0.00		
	Total Capital	38,419.28		(a)+(b)

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ii.	Deposits	5,57,207.30		(c)
	of which: Deposits from banks	31,688.55		(c)(i)
	of which: Customer deposits	5,25,518.75		(c)(ii)
	of which: Other deposits (pl. specify)			
iii.	Borrowings	23,149.56		(d)
	of which: From RBI	-		(d)(i)
	of which: From banks	350.12		(d)(ii)
	of which: From other institutions & agencies	11,230.81		(d)(iii)
	of which: Others (pl. specify) Borrowings from outside India	11,568.63		(d)(iv)
	of which: Capital instruments (Does not include bonds held by banks)	-		(d)(v)
	Capital instrument subject to phase out and included in Tier 2 Capital	-		
iv.	*Other liabilities & provisions & ESOP*	12,972.65		(e)
	of which: Standard Asset provision included under Tier 2 Capital	2,237.12		(e)(i)
	of which : DTLs related to goodwill			(e)(ii)
	of which : Details related to intangible assets			
	Total	**6,31,748.79**		(a)+(b)+(c)+(d)+ (e)
B	*Assets*			
i.	*Cash and balances with Reserve Bank of India*	24,761.25		(f)
	Balance with banks and money at call and short notice	6,233.44		(g)
ii.	*Investments:*	1,46,189.28		(h)
	of which: Government securities	1,38,372.09		(h)(i)
	of which: Other approved securities	-		(h)(ii)
	of which: Shares	1,373.63		(h)(iii)
	of which: Debentures & Bonds	4,144.84		(h)(iv)
	of which: Subsidiaries / Joint Ventures / Associates	-		
	of which: Others (Commercial Papers, Mutual Funds etc.)	2,298.72		(h)(v)
iii.	*Loans and advances*	4,10,857.48		(i)
	of which: Loans and advances to banks	632.45		
	of which: Loans and advances to customers	4,10,225.03		(i)(i)
iv.	*Fixed assets*	4,869.90		(j)
v.	*Other assets*	38,837.43		(k)
	of which: Goodwill and intangible assets	-		
	Out of which :	0		
	Goodwill	0		(k)(i)
	Other Intangibles (excluding MSRs)			(k)(ii)
	Deferred tax assets	1,026.33		(k)(iii)
vi.	*Goodwill on consolidation*			(l)
vii.	*Debit balance in Profit & Loss account*			(m)
	Total Assets	**6,31,748.79**		(f)+(g)+(h)+(i)+ (j)+(k)+(l)+(m)

Step III

₹ in Million

Common Equity Tier 1 capital : instruments and reserves			
		Component of regulator capital reported by bank	Source based on reference number / letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,916.50	(a) (i)+b (ii)

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2	Retained earnings	26,166.55	(b)(i)+(b)(iii)+(b)(iv)+ (b)(v)+ (b)(vi)+ (b)(vii)
3	Accumulated other comprehensive income (and other reserves)		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier I Capital before Regulatory adjustments**	**37,083.06**	(b)(i)+(b)(iii)+ (b)(iv)+(b)(v)+(b)(vi) + (a)(i) + b(ii) + b(vii)
7	**Prudential valuation adjustments**	**0**	
8	**Goodwill (net of related tax liability)**	**-**	

Table DF 13: Main Features of Regulatory Capital Instruments
Series I

		Sub-ordinated Tier 2 Bonds
1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A09091
3	Governing law(s) of the instrument	Indian Law
	Regulatory treatment	
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	₹1600 Million
9	Par value of instrument	₹1 Million
10	Accounting classification	Liability
11	Original date of issuance	20.08.2009
12	Perpetual or dated	Dated
13	Original maturity date	20.04.2020
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.75 % p.a
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

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Series II

		Sub-ordinated Tier 2 Bonds
1	Issuer	The South Indian Bank Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE683A08028
3	Governing law(s) of the instrument	Indian Law
	Regulatory treatment	
4	Transitional Basel III rules	Sub-ordinated Tier II Bonds
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
8	Amount recognised in regulatory capital (₹ in million, as of most recent reporting date)	₹ 3000 Million
9	Par value of instrument	₹1 Million
10	Accounting classification	Liability
11	Original date of issuance	30.09.2015
12	Perpetual or dated	Dated
13	Original maturity date	31.10.2025
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	10.25 % p.a
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	PONV
32	If write-down, full or partial	Full
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All depositors and other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Table DF- 14: Full Terms and Conditions of Regulatory Capital Instruments

Series I

Nature of Instrument	Unsecured Redeemable Non-Convertible Subordinated Tier II Lower Bonds
Amount Subscribed	₹2,000 Million
Face Value	₹10,00,000/-
Date of allotment	20.08.2009
Date of Redemption	20.04.2020
Coupon Rate	9.75% p.a
Put and call option	Nil
Issuance, Trading & Listing	Listed on BSE Ltd., Mumbai

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2016

Series II

Nature of Instrument	10.25% Unsecured Redeemable Non-Convertible Basel III Compliant Tier 2 Bonds in the nature of Debentures
Amount Subscribed	₹3,000 Million
Face Value	₹10,00,000
Date of allotment	30.09.2015
Date of Redemption	31.10.2025
Coupon Rate	10.25% p.a.
Put and call option	Nil
Issuance, Trading & Listing	Listed in BSE

Table DF 15: Disclosures on Remuneration

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

- **Composition**

  The Nomination & Remuneration committee of the Board consists of three members of which one member from Risk Management committee of the Board facilitate effective governance of compensation.

The roles and responsibilities of the Nomination & Remuneration Committee inter-alia include the following:

i. Scrutinizing the declarations received from persons to be appointed as Directors as well as from the existing Directors seeking re-appointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank of India vide their directive dated May 23, 2011 on Fit & Proper Criteria of the Banks.

ii. To devise a Succession Planning Policy for the Board and Senior Management.

iii. To formulate a Nomination policy of the Board to guide the Board in relation to appointment/re-appointment/ removal of Directors.

iv. To identify persons who are qualified to become Directors/ KMPs and who may be appointed in senior management as defined in the Succession Policy in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.

v. To formulate the criteria for evaluation of Independent Directors and the Board/Committees.

vi. To devise a policy on Board diversity.

vii. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

viii. To perform such other functions as may be necessary or appropriate for the performance of its duties.

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

x. The Committee shall work in close 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.

xi. With respect to the Performance Linked Incentive Schemes, the Committee is empowered to:

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

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

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

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

xii. The Committee shall also function as the Compensation Committee as prescribed under the SEBI (Share Based Employee Benefits) Regulations, 2014 and is empowered to formulate detailed terms and conditions of the Scheme, administer, supervise the same and to allot shares in compliance with the guidelines and other applicable laws.

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

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

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

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

xvii. To conduct the annual review of the Compensation Policy.

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

DISCLOSURE UNDER BASEL III NORMS AS ON MARCH 31, 2016

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

The Bank has formed the compensation policy based on the Reserve Bank of India guidelines vide its Circular No. DBOD.No.BC.72/29.67.001/2011-12 dt. January 13, 2012. The fixed remuneration and other allowances including retirement benefits of all subordinate, clerical and officers up to the rank of General Manager (Scale VII) is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers above the cadre of General Manager, the fixed remuneration is fixed by Board / Committee.

Further, the compensation structure for the Whole Time Directors (WTDs) / Managing Director & Chief Executive Officers (MD & CEO) of the bank are subject to approval of Reserve Bank of India in terms of Section 35 B of the Banking Regulation Act, 1949. The payment of compensation also requires approval of the shareholders of the Bank in the General Meeting pursuant to clause 95 of Articles of Association of the Bank read with Section 197 of the Companies Act, 2013.

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

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

d) **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.**

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

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

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

e) **A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.**

- Where the variable pay constitutes a substantial portion of the fixed pay, i.e., 50% or more, an appropriate portion of the variable pay, i.e., 40% will be deferred for over a period of 3 years.
- In case of deferral arrangements of variable pay, the deferral period shall not be less than three years. Compensation payable under deferral arrangements shall vest no faster than on a pro rata basis.
- The Board may adopt principles similar to that enunciated for WTDs / CEOs, as appropriate, for variable pay-timing, m`alus / clawback, guaranteed bonus and hedging.
- Employee Stock Option Scheme / Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

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

- Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:
  - I. Performance Linked Incentives to those employees who are eligible for incentives.
  - II. Exgratia for other employees who are not eligible for Performance linked Incentives.
  - III. Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.
  - IV. Any other incentives, by whatever name called having the features similar to the above.

Quantitative Disclosures

Number of meetings held by the Remuneration Committee during the year ended 31.03.2016		6
Remuneration paid to its members.		₹0.45 Million as Sitting fees
Number of employees having received a variable remuneration award during the financial year.		1
Number of sign-on awards made during the financial year.		-
Total amount of sign-on awards made during the financial year.		-
Details of guaranteed bonus, if any, paid as joining / sign on bonus.		-
Details of severance pay, in addition to accrued benefits, if any.		-
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.		-
Total amount of deferred remuneration paid out in the financial year.		-
Break-down of amount of remuneration awards for the year ended 31.03.16		(₹ in Millions)
-	Fixed	6.60
-	Variable	0.75

Summary comparison of accounting assets vs. leverage ratio exposure measure

Leverage Ratio:

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

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The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

Summary comparison of accounting assets vs. leverage ratio exposure measure		
Item		(₹ in Million)
1	Total consolidated assets as per published financial statements	6,31,748.80
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(513.59)
4	Adjustments for derivative financial instruments	3800.50
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	23,669.80
7	Other adjustments	0.00
8	**Leverage ratio exposure**	**6,58,705.49**

Leverage ratio common disclosure template		
Item		Leverage ratio framework (₹ in million)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	6,31,748.80
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(513.59)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	6,31,235.20
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1283.38
5	Add-on amounts for PFE associated with all derivatives transactions	2517.12
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	**Total derivative exposures (sum of lines 4 to 10)**	3800.50
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,750
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,750)
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	0.00
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	8,41,02.19
18	(Adjustments for conversion to credit equivalent amounts)	(60,432.39)
19	**Off-balance sheet items (sum of lines 17 and 18)**	23,669.80
	Capital and total exposures	
20	Tier 1 capital	36,569.45
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**6,58,705.49**
	Leverage ratio	
22	**Basel III leverage ratio**	**5.55%**

SOUTH INDIAN Bank
Experience Next Generation Banking

NOTICE

NOTICE is hereby given that the 88th Annual General Meeting of the shareholders of The South Indian Bank Ltd. ("the Bank") will be held at Casino Cultural Auditorium Ltd., T. B. Road, Thrissur – 680 001, on Friday, July 8, 2016 at 10 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Bank's Audited Balance Sheet as at 31st March, 2016 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 dividend.
3. To appoint Statutory Central Auditors and to authorize the Board to fix their remuneration and, if thought fit, to pass the following resolution as Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the underlying rules viz., Companies (Audit and Auditors) Rules, 2014 as may be applicable and the Banking Regulation Act, 1949, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, from time to time and subject to approval from the Reserve Bank of India ("RBI") and such other regulatory authorities, as may be applicable, **M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai,** be and are hereby appointed as Auditors of the Bank for the period commencing from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank on such remuneration as shall be decided by the Board of Directors or any Committee thereof."

4. To appoint a Director in the place of Mr. Cheryan Varkey (DIN-06884551), who retires by rotation under Section 152 of Companies Act, 2013 and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

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

   "RESOLVED THAT pursuant to the provisions of Section 139 and Section 143(8) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable rules, if any, the applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India, Board of Directors be and is hereby authorised to arrange for the audit of the Bank's branches for the financial year 2016 – 17 and to appoint and fix the remuneration of branch auditors in consultation with the Central Statutory Auditors for the purpose."

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

   "RESOLVED THAT pursuant to provisions of the Foreign Exchange Management Act, 1999 ("FEMA"), as applicable, including the regulations, guidelines and circulars issued thereunder, and all other applicable rules, regulations, guidelines, circulars, policies and laws, as applicable (including any modifications or re-enactment(s) thereof, from time to time) and subject to all applicable approval(s), permission(s), sanction(s), consent(s) and intimation(s), as may be required, and subject to such condition(s) as may be prescribed by the Reserve Bank of India or any other relevant authorities, while granting such approval(s), permission(s), sanction(s) and consent(s), as may be required, the consent of the members of the Bank be and is hereby accorded to permit foreign investors, including Foreign Portfolio Investors ("FPIs") and Foreign Institutional Investors ("FIIs"), as defined under the relevant regulations issued by Securities and Exchange Board of India, including their sub-accounts, to acquire and hold Equity Shares of the Bank, by purchase or acquisition through primary or secondary market route, and under the 'Portfolio Investment Scheme' under FEMA or otherwise, upto an aggregate limit of 59% of the paid-up share capital of the Bank, provided however that the share holding of each foreign investor (including an FPI or FII), on its own account and on behalf of each of their sub-accounts in the Bank shall not exceed such limits as are or as may be prescribed, from time to time, under applicable laws, rules and regulations.

   RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Bank be and is hereby authorised to take all such steps and actions, including determination of the permissible limit of aggregate holding of the foreign investors in the Bank, and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate including settling any question that may arise in this regard.

   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to execute all such documents, deeds, intimations and writings as may be required for the aforesaid purpose and which it may deem fit in the interest of the Bank, to delegate all or any its powers herein conferred by this resolution to any Committee of Director or Directors or any one or more executives of the Bank, and do all such acts, deeds and things as may be deemed necessary in order to give effect to the above resolution."

7. **To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution**

   "RESOLVED THAT pursuant to Section 42 and other applicable provisions, if any, of the Companies Act, 2013, as amended, and the rules made thereunder, Companies (Prospectus and Allotment of Securities) Rules, 2014, Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 including any amendment, the applicable provisions of

NOTICE

the Banking Regulation Act, 1949, as amended, and the rules, circulars and guidelines issued by Reserve Bank of India ("RBI") from time to time (including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being in force) and all other relevant provisions of applicable law(s), the provisions of the Memorandum and Articles of Association of the Bank and subject to such other approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the concerned Statutory Authority(ies) including RBI, the approval of the Members of the Bank be and is hereby accorded to the Board of Directors of the Bank (hereinafter referred to as "Board" and which term shall be deemed to include any Committee of the Board or any other persons to whom powers are delegated by the Board as permitted under the Companies Act, 2013) for borrowing/raising of funds in Indian/foreign currency by issue of debt securities including but not limited to non-convertible debentures, bonds (including bonds forming part of Tier I capital/Tier II Capital in accordance with and subject to the terms and conditions specified in the Basel III Capital Regulations prescribed by RBI, long terms infrastructure bonds or such other securities as may be permitted by RBI from time to time) in domestic and/or overseas market, on a private placement basis and / or for making offers and /or invitations therefore and /or issue(s)/issuances therefore, on private placement basis, for a period of one year from the date hereof, in one or more tranches and/or series and under one or more shelf disclosure documents and/or one or more letters of offer and on such terms and conditions for each series/tranches including the price, coupon, premium, discount, tenor etc., as deemed fit by the Board, as per the structure and within the limits permitted by RBI, of an amount not exceeding ₹500 Crore (Rupees Five Hundred Crore only), within the overall borrowing limits of the Bank, as approved by the Members from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Bank or any Committee of the Board or such other persons as may be authorized by the Board, be and are hereby authorized to negotiate, modify and finalize the terms and conditions of the debt securities and sign the relevant documents/agreements in connection with the private placement of the debt securities, including without limitation, the private placement offer letter (along with the application form), information memorandum, disclosure documents, debenture subscription agreement, debenture trust deed and any other documents as may be required, in connection with the offering(s), issuance(s)and/or allotment(s) on private placement of debt securities by the Bank and to further delegate the above powers to any Committee of Directors or any personnel of the Bank to act on their behalf as they may deem fit and to do all such other acts and things and to execute all such documents as may be necessary for giving effect to this resolution."

By Order of the Board of Directors

Place : Hyderabad
Date : June 1, 2016

(JIMMY MATHEW)
COMPANY SECRETARY

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (AGM or the Meeting) is entitled to appoint a proxy to attend and vote on a poll, instead of himself/herself and the proxy need not be a Member of the Bank. A person can act as proxy on behalf of Members up to and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Bank. Further, a Member holding more than ten percent, of the total share capital of the Bank carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.
2. The instrument appointing proxy should, however, be deposited at the Registered Office of the Bank not less than forty eight hours before the commencement of the Meeting.
3. An Explanatory Statement setting out of the material facts pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.
4. Members/Proxies should fill the Attendance Slip for attending the Meeting and bring their Attendance Slips to the Meeting.
5. In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.
7. The Register of Members and Share Transfer Books of the Bank will remain closed from Saturday the 2nd day of July, 2016, to Friday the 8th day of July, 2016, (both days inclusive). Dividend on equity shares as recommended by the Board for the year ended March 31, 2016, if declared at the meeting, will be paid on and from Wednesday, July 13, 2016:
   (a) In respect of shares held in dematerialized mode, to all beneficial owners as per the details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on Friday, July 1, 2016, and
   (b) to those members holding shares in physical form, whose names appear in the Bank's Register of Members at the close of business hours on Friday, July 8, 2016 after giving effect to all valid transfers in physical form lodged with the Bank and/ or its Share Transfer Agents on or before Friday, July 1, 2016.
8. 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. up to the date of the Annual General Meeting.

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9. All dividends remaining unclaimed or unpaid including the balance in Dividend Account up to and including financial year 1994 – 95 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 1995 – 96 to 2007 – 2008 have already been transferred to the Investors' Education and Protection Fund (the Fund) as required under Section 205(A) of the Companies Act, 1956 and that no claim can be made against the dividend amounts of the above mentioned years.
10. 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.
11. 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.
12. 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.
13. Members may please note that, a copy of the PAN card of the transferor and the transferee must mandatorily be submitted along with the transfer deed for registering transfer of physical shares.
14. 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.
15. Members holding (physical) shares in identical order of names in more than one folio are requested to write to the Share Transfer Agents to facilitate consolidation of their holdings in one folio.
16. A brief profile of the Director, who is re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships/chairmanships of Board Committees, share holding and relationships between directors inter-se as stipulated by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.
17. In terms of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 as amended, the Bank is providing the 'remote e-voting' (e-voting from a place other than venue of the AGM) facility through Central Depository Services (India) Limited (CDSL) as an alternative, for all members of the Bank to enable them to cast their votes electronically, on the resolutions mentioned in the notice of the 88th Annual General Meeting of the Bank, dated June 1, 2016 (the AGM Notice) e-voting facility to its members holding share in physical or dematerialized form, **as on the cut-off date, being Friday, 1st July, 2016,** to exercise their right to vote by electronic means on any or all of the business specified in the accompanying Notice (the "Remote e-voting.")

    The instructions for shareholders voting electronically are as under:

    (i) The remote e-voting commence on Tuesday, 5th July, 2016 at 10.00 a.m. (IST) and ends on Thursday 7th July, 2016 at 5.00 p.m. (IST). During this period shareholders of the Bank, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. July 1, 2016 may cast their votes electronically. The remote e-voting module shall be disabled by CDSL for voting after 5.00 p.m. (IST) on 7th July, 2016.

    (ii) The shareholders should log on to the e-voting website: www.evotingindia.com.

    (iii) Click on Shareholders.

    (iv) Now Enter your User ID

    a. For CDSL: 16 digits beneficiary ID,

    b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

    c. Members holding shares in Physical Form should enter the **6 digits Folio Number** registered with the Company as user id (for example user id of Folio No. SIB012345 will be '012345').

    (v) Next enter the Image Verification as displayed and Click on Login.

    (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

    (vii) If you are a first time user, follow the steps given below:

	For members holding shares in Demat Form / Physical Form
PAN	• Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders).
	• Members who have not updated their PAN with the company/Depository Participant are requested to use the sequence number (printed on the attendance slip) in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)#	Enter the Dividend Bank Details OR Date of Birth in (dd/mm/yyyy) format as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the Registered folio number/DP ID & Client ID in the Dividend Bank details field as mentioned in instruction (iv).

There are 2 fields provided. Any one details to be entered.

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(viii) After entering these details appropriately, click on "SUBMIT" tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote. In this case, it would be The South Indian Bank Limited.

(xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If you as a Demat Account Holder have forgotten the existing password, then enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.

(xviii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xix) Note: For Non-Individual Shareholders and Custodians:

Non-Individual shareholders (i.e., other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates and Custodians respectively.

- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to: helpdesk.evoting@cdslindia.com.
- After receiving the login details, a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

18. In terms of the recent amendment to the Companies (Management and Administration) Rules, 2014 with respect to the voting through electronic means, the Bank is also offering the facility for voting by way of physical ballot at the AGM. The Members attending the meeting should note that those who are entitled to vote but have not exercised their right to vote by Remote e-voting, may vote at the AGM through ballot for all businesses specified in the accompanying Notice. The Members who have exercised their right to vote by Remote e-voting may attend the AGM but shall not vote at the AGM. The voting rights of the Members shall be in proportion to their shares of the paid-up equity share capital of the Bank as on the cut-off date being Friday, 1st July, 2016, subject to the provisions of the Banking Regulation Act, 1949, as amended.
19. The Board of Directors has appointed Dr. K. S. Ravichandran, M.Com., LL.B., FCS, Ph.D., practicing Company Secretary or failing him Mr. C. V. Madhusudhanan, B.Sc., B.L., FCS, Practicing Company Secretary as the Scrutinizer to scrutinize the voting and Remote e-voting process in a fair and transparent manner.
20. Any person, who acquires shares of the Bank and become member of the Bank after the cut-off date for despatch of the notice (i.e., after May 27, 2016) and holding shares as of the cut-off date for e-voting (i.e., July 1, 2016) may obtain the login id and password by sending a request at btschennai@gmail.com or helpdesk@btsindia.co.in or helpdesk.evoting@cdslindia.com.

NOTICE

21. The Results on above resolutions shall be declared not later than 48 hours from the conclusion of the AGM of the Bank and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolutions.

22. The Results declared along with Scrutinizer's Report(s) will be available on the website of the Bank (www.southindianbank.com) within two (2) days of passing of the resolutions and communication of the same to the BSE Limited and the National Stock Exchange of India Limited.

23. In support of the "Green Initiative" announced by the Government of India, electronic copy of the Annual Report and this Notice inter-alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent by e-mail to those shareholders whose e-mail addresses have been made available to the Bank/Depository Participants unless member has requested for a hard copy of the same. For members who have not registered their e-mail addresses, physical copies of this Notice inter-alia indicating the process and manner of e-voting along with attendance slip and proxy form will be sent to them in the permitted mode. Further, in terms of Rule 18 of the Companies (Management and Administration) Rules, 2014, a Company may give notice through electronic mode addressing to the person entitled to receive such e-mail as per the records of the Company or as provided by the depository, provided that the Company shall provide an advance opportunity at least once in a financial year, to the member to register his e-mail address and changes therein and such request may be made by only those members who have not got their e-mail id recorded or to update a fresh e-mail id and not from the members whose e-mail ids are already registered.

    In view of the above, the Bank hereby requests the members who have not updated their e-mail IDs to update the same with their respective Depository Participant(s) or M/s BTS Consultancy Services Private Limited, Registrar and Transfer Agent (R&T) of the Bank as applicable. Further, members holding shares in electronic mode also requested to keep their e-mail addresses updated with the Depository Participants/R&T of the Bank. Members holding shares in physical mode are also requested to update their e-mail addresses by writing to the R&T of the Bank quoting their folio number(s).

24. 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

Statement of material facts as required under Section 102(1) of the Companies Act, 2013 annexed to and forming part of the Notice dated June 1, 2016:

Item No. 05

In accordance with the provisions of Section 139 and Section 143(8) of the Companies Act, 2013/RBI and other regulatory requirements, the shareholders of the Bank may authorize its Board of Directors to appoint branch auditors for those branches, which are not proposed to be audited by the auditors of the Bank, in consultation with the Bank's Central Statutory Auditors.

Accordingly, your Directors recommend the adoption of the Resolution No. 5 of the Notice.
None of the Directors, Key Managerial Personnel or relatives thereof are, in any way, concerned or interested in this resolution.

Item No. 6

The Union Budget for 2015 – 2016 had announced that distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with and replaced with composite cap. Pursuant to the budget announcement and subsequent circulars issued by the Department of Industrial Policy and Promotion, foreign investment of upto 74% of the paid-up share capital (with approval of the FIPB, in case the foreign investment exceeds 49%), is permitted in a private sector bank, with no distinction between various categories of foreign investors, such as foreign portfolio investors ("FPIs") and Foreign Institutional Investors ("FIIs").

In order to enhance the liquidity of the Equity Shares, and to provide for greater headroom for eligible foreign investors to purchase the Equity Shares on the stock exchanges without breaching the existing foreign direct investment limits, the Bank may make appropriate applications to the regulatory authorities of the Government of India for increase in the foreign direct investment limits upto an aggregate limit of 59% of the paid-up share capital of the Bank. Further, any capital raise by the Bank in the future could also lead to increase in the foreign share holding of the Bank beyond 49% of the Bank's paid-up Equity Share Capital.

To facilitate the above, your Bank has proposed this resolution for your approval. Your Directors, therefore, recommend the special resolution, as set forth in Item No. 6 of this Notice, for approval by the members of the Bank.

NOTICE

None of the Directors or Key Managerial Personnel of the Bank or their relatives is in anyway interested or concerned in the above resolution, except to the extent of the equity shares of the Bank held by him/her or their relatives.

Item No. 7

The Bank has been borrowing funds to meet the business requirements within the limits approved by the shareholders by way of issuance of various debt securities (bonds/debentures) as permitted by Reserve Bank of India ("RBI") and in accordance with the provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended, and other applicable laws, from time to time.

In terms of Section 42 of the Companies Act, 2013 read with Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company can make private placement of securities subject to the condition that the proposed offer of securities or invitation to subscribe securities has been previously approved by the Members of the Company, by a special resolution, for each of the offers or invitations/subscriptions. In case of offer or invitation for subscription of non-convertible debentures, it shall be sufficient if the Company passes a special resolution only once in a year for all the offers or invitation for subscription of such debentures during the year.

Accordingly, the Bank had obtained the approval of Members at last AGM held on July 15, 2015 for borrowing/raising funds by issue of debt securities pursuant to the relevant provisions of the applicable circulars or guidelines issued by RBI, upto ₹1,000 Crore (Rupees One Thousand Crore Only), in one or more tranches. Pursuant to the said approval, the Bank has raised an amount of ₹300 Crore (Rupees Three Hundred Crore Only) by way of issue of Bonds till March 31, 2016. The current approval of Members is valid upto July 14, 2016.

In order to facilitate the raising of funds by way of issue of debt securities, it would be necessary to have the fresh approval of Members in place. Accordingly, the Board of Directors, after assessing its fund requirements, has proposed to obtain the consent of the Members of the Bank for borrowing/raising funds in Indian/foreign currency by issue of debt securities including but not limited to non-convertible debentures, bonds, etc., pursuant to the relevant provisions of the applicable circulars or guidelines issued by RBI, upto ₹500 Crore (Rupees Five Hundred Crore only), in one or more tranches in domestic and/or overseas market, as per the structure and within the limits permitted by RBI and other regulatory authorities, to eligible investors on private placement basis, on such terms and conditions as the Board of Directors or any Committee(s) thereof or such other persons as may be authorized by the Board, from time to time, determine and consider proper and appropriate for the Bank. This would form part of the overall borrowing limits under Section 180(1)(c) of the Companies Act, 2013 of ₹6000 Crore (Rupees Six thousand Crore) approved by the Shareholders at the 87th AGM held on July 15, 2015. The Resolution under Section 42 of Companies Act, 2013 shall be valid for a period of one year from the date of passing of this resolution.

The pricing of the debt securities referred above depends primarily upon the rates prevailing for risk free instruments, rates on other competing instruments of similar rating and tenor in the domestic or overseas markets, investor appetite for such instruments and investor regulations which enable investments in such instruments.

Further, debt securities would be issued for cash either at par or premium or at discount to the face value depending upon the prevailing market conditions, as permitted under the Laws.

Accordingly, the approval of Members is being sought by way of special resolution as set out at in Item No. 7 of this Notice for borrowing/raising funds in Indian/foreign currency by issue of debt securities on private placement basis.

None of the Directors or Key Managerial Personnel and their relatives are in any way, concerned or interested in this resolution.

By Order of the Board of Directors

Place : Hyderabad
Date : June 1, 2016

(JIMMY MATHEW)
COMPANY SECRETARY

SOUTH INDIAN Bank
Experience Next Generation Banking

PROXY FORM

THE SOUTH INDIAN BANK LIMITED

CIN: L65191KL1929PLC001017

Regd. Office: S I B House, Mission Quarters, T B Road, Thrissur – 680 001, Kerala, India

website: www.southindianbank.com Tel: +91 487 2420020 e-mail: head@sib.co.in, ho2006@sib.co.in

88th Annual General Meeting

Friday, July 8, 2016 at 10.00 a.m.

I/We ..... being the member(s), holding .....

shares of the above named Company under Folio / DP ID Client ID No. ..... hereby appoint:

(1) Name: .....

Address: .....

E-mail Id: .....Signature: ....., or failing him/her;

(2) Name: .....

Address: .....

E-mail Id: .....Signature: .....

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 88th Annual General Meeting of the Company, to be held on Friday July 8, 2016 at 10.00 a.m. at Casino Cultural Auditorium, Thrissur and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions		Optional*	
No.	Ordinary Business	For	Against
1.	To Adopt Financial Results for the year ended 31st March, 2016		
2.	To declare dividend		
3.	To Appoint M/s Deloitte Haskins & Sells, as Statutory Central Auditors of the Bank and fixing their remuneration.		
4.	To appoint Sri Cheryan Varkey, who retires by rotation and being eligible offers himself for re-appointment		
	Special Business		
5.	To appoint Branch Auditors in consultation with Statutory Auditors.		
6.	To seek approval of FIPB to increase the FDI Limit from 49% to 59% of paid-up Share Capital.		
7.	To Approve the borrowing / raising funds in Indian /foreign currency by issue of debt securities upto ₹500 crore on private placement basis.		

Signed this..... day of..... 2016.

Signature of Proxy holder(s) .....

Affix Revenue Stamp not less than Re. 1

Signature of the Shareholder

Note: (1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank, not less than 48 hours before the commencement of the Meeting.

(2) For Resolutions, Explanatory Statements and Notes, please refer to the Notice of 88th Annual General Meeting.

(3) It is optional to put 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.

(4) Please complete all details including details of member(s) in above box before submission.

ATTENDANCE SLIP
THE SOUTH INDIAN BANK LIMITED

CIN: L65191KL1929PLC001017

Regd. Office: SIB House, T. B. Road, Mission Quarters, Thrissur – 680 001

88th Annual General Meeting

Friday, July 8, 2016 at 10.00 a.m.

Members Folio/DP ID & Client ID No.	
Name and Address of the Shareholder	

I/We hereby record my/our presence at the Eighty Eighth Annual General Meeting held at Casino Cultural Auditorium, Thrissur.

…….. ……

Member's/ Proxy's name in Block Letters Member's/Proxy's Signature

Note:

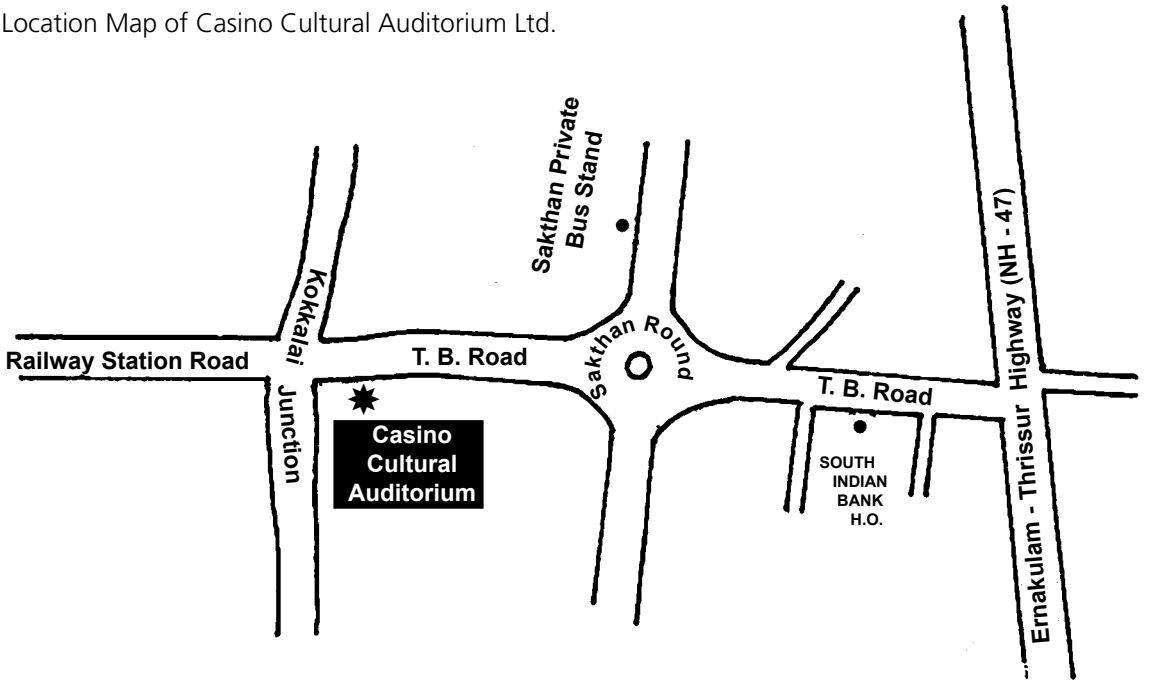
1. Please complete the name, sign this Attendance Slip and hand it over at the Attendance verification counter at the Entrance of the Meeting Hall.
2. Members are requested to bring this slip along with them as duplicate slips will not be issued at the venue of the meeting.

Note: PLEASE BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING.

Venue of the 88th Annual General Meeting of SOUTH INDIAN BANK Limited
to be held on Friday, July 08, 2016 at 10:00 A.M.

Venue Address :
Casino Cultural Auditorium Ltd., T. B. Road, Thrissur – 680 001

Location Map of Casino Cultural Auditorium Ltd.



SOUTH INDIAN Bank
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Form No. SH-13

Nomination Form

[Pursuant to section 72 of the Companies Act, 2013 and rule 19(1) of the Companies (Share Capital and Debentures) Rules 2014]
(To be filed in duplicate)

To,
The South Indian Bank Limited
Regd. Office, SIB House
PB No. 28, T. B. Road, Thrissur, Kerala – 680001.

I/We..... the holder(s) of the securities of **The South Indian Bank Ltd. Thrissur – 680 001 Kerala**, particulars of which are given hereunder wish to make nomination and do hereby nominate the following persons in whom shall vest, all the rights in respect of such securities in the event of my/our death.

(1) PARTICULARS OF THE SECURITIES (in respect of which nomination is being made):

Nature of Securities	Folio No.	No. of securities	Certificate No.	Distinctive Nos.

(2) PARTICULARS OF NOMINEE:

Name:	
Date of Birth:	
Father's/Mother's/Spouse's name:	
Occupation:	
Nationality:	
Address:	
E-mail id:	
Relationship with the security holder:	

(3) IN CASE NOMINEE IS A MINOR:

Date of birth:	
Date of attaining majority	
Name of guardian:	
Address of guardian:	

(4) SHARE HOLDERS INFORMATION

HOLDER 1	Signature	
	Name	
	Address	
	Date	
HOLDER 2	Signature	
	Name	
	Address	
	Date	

(5) Name, Address and Signature of two Witnesses

Name and Address	Signature with Date
1.	
2.	

Encl: Photo ID Proofs of share holder(s) : Please mark [√] and write ID registration No.(s)

Driving Licence	Electoral Voter ID	PAN Card	Passport	Bank Pass book (With photo)	Bank/Govt. employee ID card	Others (specify)

(For instructions, please see overleaf)

SOUTH INDIAN Bank
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INSTRUCTIONS:

1. Please read the instructions given below very carefully and follow the same. If the form is not filed as per instructions, the same will be rejected.
2. The Nomination can be made by Individuals holding shares on their own behalf singly or jointly. Non-individuals including Society, Trust, Body Corporte, Partnership Firm, Karta or Hindu Undivided Family, Holders of Power of Attorney cannot nominate. If the shares are held jointly, all joint holders shall sign (as per the specimen registered with the Company) the nomination form.
3. A Minor can be nominated by a holder of shares and in that event, the name and address of the Guardian should be provided.
4. The Nominee shall not be a Trust, Society, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family or a Power of Attorney Holder; A Non-Resident Indian can be a nominee on re-patriable basis.
5. Nomination stands rescinded upon transfer of shares.
6. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heir.
7. Only one person can be nominated to a given folio.
8. Details of all holders in a folio need to be filled. Else the request will be rejected.
9. The nomination will be registered only when it is complete in all respects including the signature of all registered holders (as per the specimen lodged with the company).
10. Whenever the shares in the given folio are entirely transferred, transpositioned or dematerialized with some other folio, then this nomination shall stand rescinded.
11. The Nomination form shall be **filed in duplicate** with the Share Transfer Agents **M/s. BTS Consultancy Services Pvt. Ltd., MS Complex, 1st Floor, No.8, Sastri Nagar, Near 200 Feet Road/ RTO Kolathur, Kolathur, Chennai-600099, Tamilnadu,** who will return one copy thereof to the Shareholders.
12. Upon receipt of a duly executed nomination form, the Company/Share Transfer Agent of the Company will register the form and allot a registration number. The registration number and Folio No. should be quoted by the nominee in all future correspondence.
13. The nomination can be varied or cancelled by giving a notice to the Company in Form No. SH-14. The cancellation/variation shall take effect from the date on which the notice of such variation or cancellation is received by the company.
14. This form is meant for shareholders holding shares in physical mode.
15. Shareholders holding shares in dematerialized mode, nomination is required to be filled with the Depository Participants (DPs) in their prescribed form.

FOR OFFICE USE ONLY

Nomination Registration Number and Date   Share Registrar/Company Seal

SOUTH INDIAN Bank
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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 - 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

Sub: Registering of e-mail address for service of documents through e-mail

I hereby request the Bank to register my e-mail 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 e-mail;

1. Folio No. :
2. Name of the 1st Registered Holder :
3. E-mail address :

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

Name :

Place :

Date : ___/___/___

SOUTH INDIAN Bank
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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:__/___/ 2016

Address: _____

Note:

1. This form should be submitted to our Share Transfer Agents at the address given above to reach them on or before July 1, 2016 for receipt of dividend declared, if any, for the financial year 2015-16.
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).

Project Service Agreement appointing IFC

Mr. V.G. Mathew, MD & CEO and Ms. Rachel Freeman, Advisory Manager, Financial Institution Asia after signing the project service agreement appointing International Finance Corporation as consultant to South Indian Bank in the presence of Mr. Thomas Joseph K., EVP- Administration and Mr. Sivakumar G., EVP- Credit.

Centralised Marketing & Processing Centre

Mr. V.G. Mathew, MD & CEO inaugurating the Centralised Marketing & Processing Centre (CMPC) in the presence of Mr. Thomas Joseph K., EVP- Administration, Mr. Sivakumar G, EVP- Credit and Mr. Raphael T.J., General Manager - Marketing & IT.

ISO 9001:2008 Certification

Mr. V.G. Mathew, MD & CEO receiving the ISO 9001:2008 Certificate for the Personnel Department of the Bank from Mr. Shashi Nath Mishra, Global Head, IRQS in the presence of Mr. V. L. Paul, General Manager (Administration)

MoU between SIB & NSIC

The exchange of MoU between NSIC and South Indian Bank executed by Mr. Ravindranath, CMD-NSIC and Mr. V.G. Mathew, MD & CEO.

Inspiring Work Places Award 2015

Mr. V. L. Paul, General Manager (Administration) receiving the prestigious 'Inspiring Work Places Award 2015' instituted by the Banking Frontiers from Dr. Anil Khandelwal, Ex-CMD of Bank of Baroda for Best HR & Talent Practices among Private Sector Banks.

Social Banking Excellence Award 2015

Mr. Murali N.A, General Manager - Mumbai Region receiving the 'Social Banking Excellence Award 2015' (Runner up position, Rural Banking - Small Bank) instituted by ASSOCHAM from Hon. Minister of State for Finance Mr. Jayant Sinha at a function held in Mumbai.

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 | CIN : L65191KL1929PLC001017

South Indian Bank is a member of BCSBI and is committed to treat customers in a fair, transparent and non-discriminatory manner.