



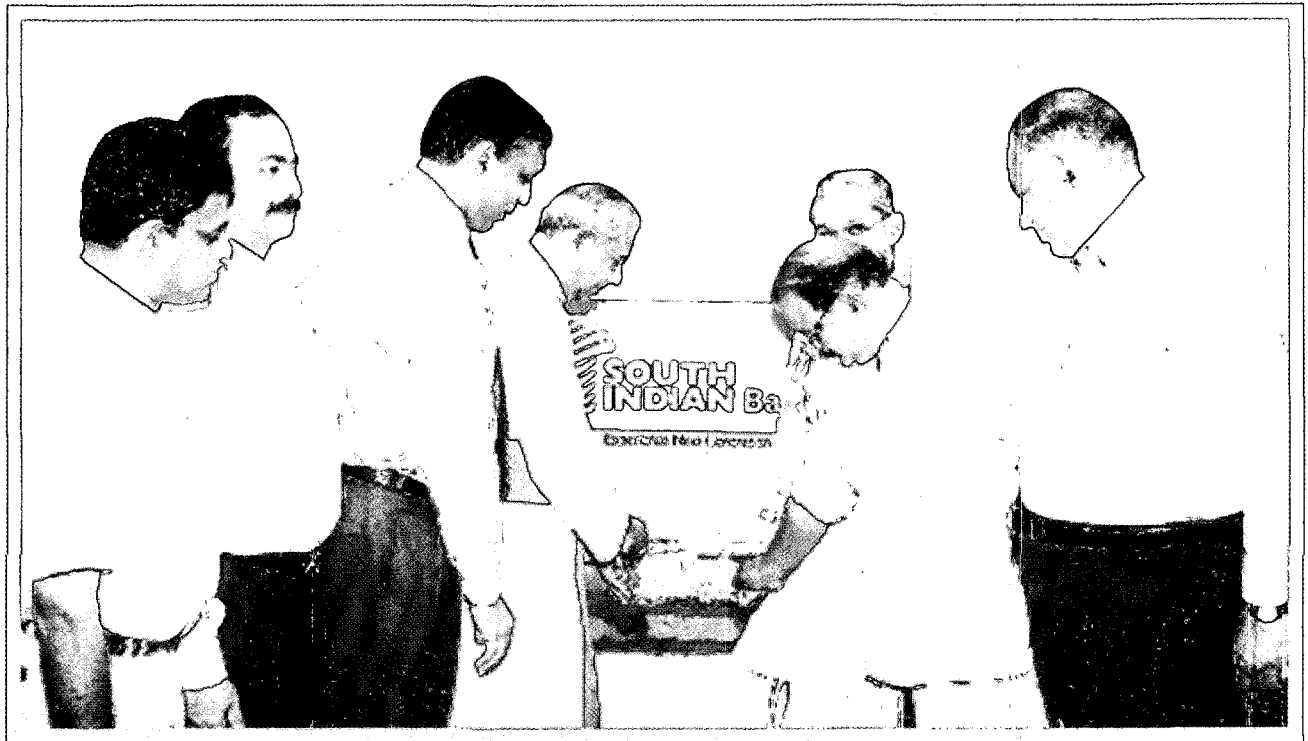
Experience Next Generation Banking

ANNUAL REPORT

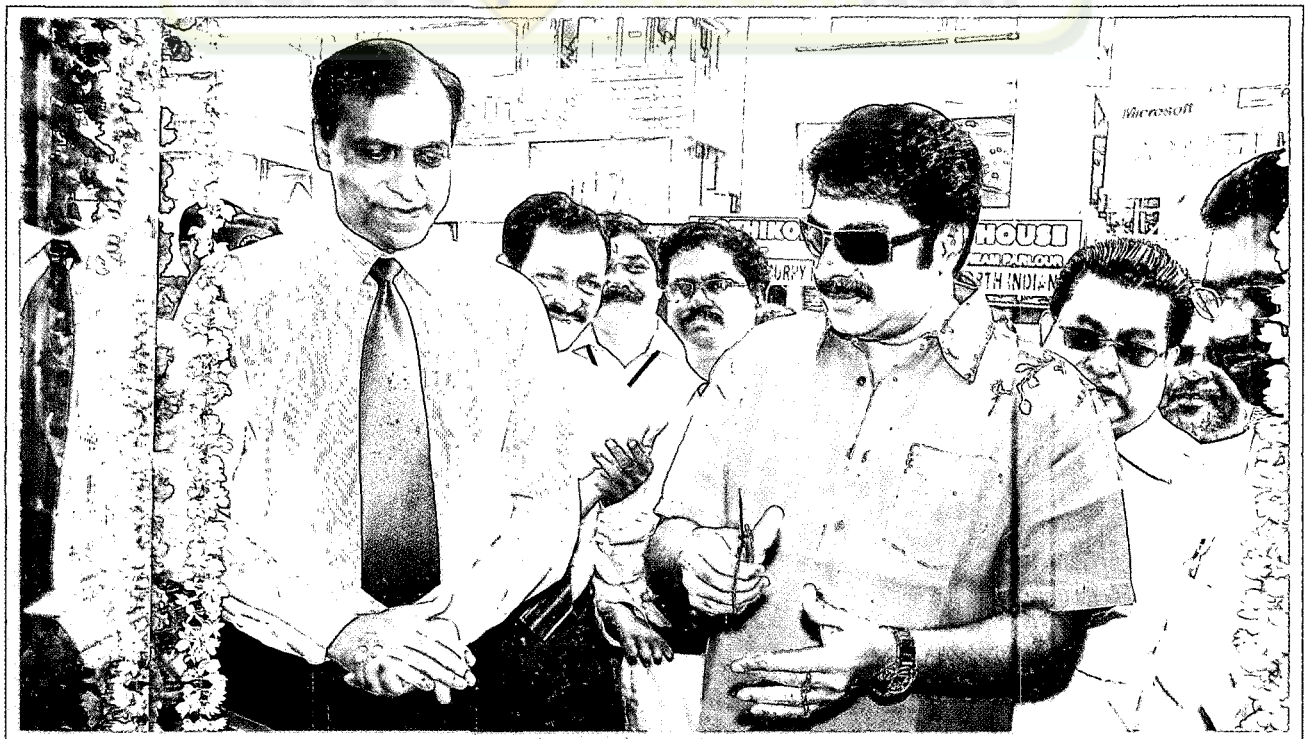
2007-2008

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His Grace Rt.Rev.Dr.Andrews Thazhath, Arch Bishop of Thrissur Arch Diocese, lays the foundation stone for our new administrative block in the presence of our Chairman & CEO, Dr.V.A.Joseph, Prof. A.Subramania Iyer, Representative of Sringeri Mutt, Mr.K.H.Ismail Sheriff, Secretary, Thrissur Masjid, our Directors - Mr.Paul Chalissery, Dr.John Joseph and Dr.C.J.Jose



Padmashree Mammooty who is our Global Brand Ambassador, inaugurates our 200th online ATM Centre on Banerji Road, Ernakulam in the presence of our Chairman & CEO Dr. V.A.Joseph

BOARD OF DIRECTORS



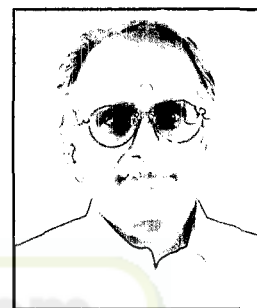
Dr. V. A. Joseph
Chairman



Mr. G. A. Shenai



Dr. John Joseph



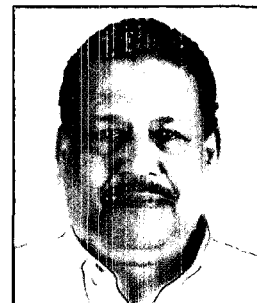
Mr. A. S. Narayanamoorthy



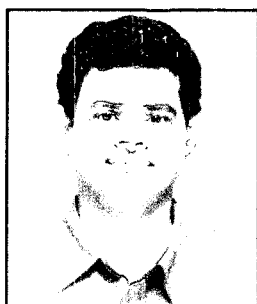
Mr. Davy K. Manavalan



Dr. C. J. Jose



Mr. Jose Alapatt



Mr. Paul Chaliserry



Mr. Mathew L. Chakola



Dr. N. J. Kurian

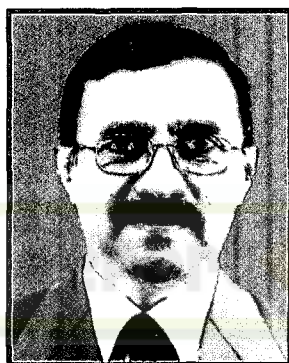
EXECUTIVES

EXECUTIVE DIRECTOR



Mr. M. Valsan

GENERAL MANAGERS



Mr. Cheryan Varkey



Mr. Alex Mathew

DEPUTY GENERAL MANAGERS

Mr. A G Varughese
Mr. George Davis Thottan
Mr. N V Ignatius
Mr. K S Krishnan
Mr. M S Mani
Mr. K S George
Mr. P E Mathai
Mr. Anto C Kalliath

Mr. Joseph George Kavalam
Mr. P J Jacob
Mr. P J Johny
Mr. K C Francis
Mr. Roy Alex Vilangupara
Mr. V A Paul
Mr. P J Ouseph
Mr. C J Jose Mohan

COMPANY SECRETARY

Mr.A.S. Narayanan

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants
672, 2nd Floor, Temple Tower
Nandanam, Anna Salai
CHENNAI 600 035

SHARE TRANSFER AGENTS

BTS Consultancy Services Private Limited
Panna Plaza, 2nd Floor,
New No.139 (Old No.74)
Arcot Road
Kodambakkam,
CHENNAI - 600 024.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to place before you, the 80th Annual Report of the Bank along with the Audited Balance Sheet as at 31st March 2008 and the Profit and Loss Account for the year ended 31st March 2008.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended 31st March 2008 are as follows: -

Key Parameters	Rs. in Crores	
	2007-08	2006-07
Deposits	15156.00	12239.00
Advances	10754.00	8308.00
Total Business	25910.00	20547.00
Net Profit	151.62	104.12
Net Worth	1160.98	723.96
Capital Adequacy (%)	13.80	11.08
Earning per share (in Rs.)	18.77*	14.79
Book Value per Share (in Rs.)	128.43	102.84
Net NPA as % of Net Advances	0.33	0.98
Return on Assets (%)	1.01	0.88

* Weighted average

The Bank has registered a record Net Profit of Rs.151.62 Crore. The Bank could achieve this substantial improvement in Net Profit mainly on account of higher scale of operations and aggressive NPA recoveries.

FINANCIAL PERFORMANCE

Profit

The Profit and Loss Account shows an Operating Profit of Rs 282.84 crore before depreciation, tax and provision as per details given below :

	(Rs. in crores)
Profit before depreciation, taxes & provisions	282.84
Less : Depreciation	12.19
Provision for NPA	12.24
Provision for depreciation on investments	11.46
Provision for Income Tax/Wealth Tax	80.13
Provision for standard assets	15.20
Net Profit	151.62
Brought forward from last year	8.19
Profit available for appropriation	159.81

Appropriations

Transfer to Statutory Reserve	38.00
Transfer to Capital Reserve	0.01
Transfer to Revenue & other reserves	81.00
Proposed Dividend	27.12
Dividend Tax on Proposed Dividend	4.60
Carried over to Balance Sheet	9.08
Total	159.81

Dividend

The Board of Directors has recommended a dividend of 30% (tax-free in the hands of shareholders), i.e., @ Rs.3/- per Equity share of face value of Rs.10/- as against 25%, i.e. Rs.2.50 per share declared last year. This is however subject to the approval of shareholders at the Annual General Meeting.

EXPANSION PROGRAMME / POLICY OF THE BANK

The Bank has taken long strides in its expansion programme and with 500 branches and 26 extension counters, it has struck its roots in 23 States and Union Territories. The Bank has an ATM network at 225 centres. During the year under review, the Bank opened 25 new branches, upgraded 8 extension counters and also opened 50 ATMs.

A new Regional Office (RO) at Kolkata started functioning from February 2008 and leveraging on it, Bank intends to take up expansion programmes in the hitherto unrepresented North Eastern States of Arunachal Pradesh, Manipur, Meghalaya, Tripura, etc. Another RO has recently been opened at Hyderabad, which will accelerate the business growth in Andhra Pradesh, where Bank is already having a good business volume.

The Bank already holds licence to open 15 new branches and plans to open 30 branches in the current financial year.

CAPITAL & RESERVES

The Bank was having an issued and paid up capital of Rs. 70.41 crore as on 31.03.2007. In September 2007, the Bank successfully completed issue of 2 crore shares @ Rs.163/- per share inclusive of premium of Rs.153/- per share to Qualified Institutional Investors under the guidelines issued by Securities and Exchange Board of India (SEBI).

The Net worth of the Bank has therefore gone up from Rs. 723.96 crore to Rs. 1160.98 crore owing to fresh capital infusion with premium and plough back of profits during the year.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on 31st March 2008 is 13.80% as against the statutory requirement of 9%. Tier I CRAR constituted 12.08% while Tier II CRAR constituted 1.72%.

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares have been listed on The Cochin Stock Exchange Ltd., The Bombay Stock Exchange Ltd., and The National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to all the Stock Exchanges for the year 2008-09.

BUSINESS ACHIEVEMENTS

Deposits: The Bank could increase its total deposits to Rs. 15156 Crore from Rs.12239 Crore last year, registering a growth of 23.83 %.

The break up of the deposits as on 31.03.2008 is as under:-

	Amount (Rs. in crores)	% to total Deposits
Current Deposits	773.12	5.10
Savings Deposits	2875.72	18.97
Term Deposits	11507.28	75.93
Total	15156.12	100.00

DIRECTORS' REPORT

Advances: Total advances of the Bank stood at Rs. 10754.36 crore registering a growth of 29.45% from that of the previous year. Total Priority Sector Advances amounted to Rs. 3816.72 crore which is 45.94 % of the Adjusted Net Bank Credit (ANBC) as at the end of the previous year, as against the target of 40% of the ANBC prescribed by Reserve Bank of India (RBI). Exposure to Agricultural sector amounted to Rs.1489.05 crore forming 17.92% of the ANBC as at the end of the previous year.

Split-up of exposure under Priority Sector is furnished below:

	Amount (Rs. in crores)
Agriculture & Allied Activities (including eligible RIDF investments)	: 1489.05
Small Enterprises	: 738.46
Other Priority Sector	: 1589.21
Total Priority Sector Advances	: <u>3816.72</u>

INVESTMENTS

The financial year saw RBI continuing its tight monetary policy. During the year, RBI hiked Cash Reserve Ratio (CRR) by 125 basis points to 7.50% resulting in higher cost of funds to the Bank. Ten year benchmark yield at the beginning and end of the financial year remained unchanged at 7.93%. However during the course of the year, the ten-year yields had dropped to a low of 7.50%.

The Stock markets showing a spectacular bull run upto December 2007 corrected very sharply during the last quarter of the financial year with index losing nearly 25% of its gains. The capital market also saw a number of companies coming out with Initial Public Offers (IPOs) to augment their capital base and to benefit from the growing confidence of the investors in the capital market during the earlier part of the year. The Bank actively participated in primary market issues which has generated good income. The trading profit during the year was Rs. 31.57 Crore by trading in equity, bonds, mutual funds, etc.

During the financial year, the gross investments increased from Rs.3457.00 crore to Rs.4608.00 crore. The incremental investments were mainly due to increase in Statutory Liquidity Ratio (SLR) requirements and Non-SLR investments, which are yielding higher returns.

DISCLOSURE IN RESPECT OF VOLUNTARY RETIREMENT SCHEME (VRS) EXPENDITURE

The VRS expenditure incurred during the financial year 2006-07 amounting to Rs.7.20 crore is getting amortised over a period of 4 years from the previous year and the unamortised amount is carried forward as deferred revenue expenditure. Proportionate expenditure on VRS amounting to Rs.1.80 crore has been charged to Profit and Loss account during the current year and the unamortised amount of VRS expenditure carried forward amounts to Rs.3.60 crore.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2007-08, the Bank had taken various steps for recovery of non-performing assets and thereby contain the growth of NPAs. Conduct of recovery camps, issue of notice under

Securities and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), one-time settlements, etc. were the major tools used by the Bank for NPA recovery.

As a result of the various steps taken, the Bank could recover NPAs to the tune of Rs.172.31 crore during the year against the target of Rs. 130.00 crore. The Gross NPAs of the Bank as on 31.03.2008 were Rs.188.48 crore as against Rs.321.21 crore as on 31.03.2007. The percentage of Gross NPA to Gross Advances came down from 3.94% as on 31.03.2007 to 1.78% as on 31.03.2008.

The most notable achievement in NPA management was that the Bank could reduce the percentage of net NPA to net Advances from 0.98% as on 31.03.2007 to 0.33% as on 31.03.2008.

AUTOMATION AND COMPUTERISATION

The Bank has accomplished 100% core banking status as on 31.03.2007. It has a primary data centre at Ernakulam and a back up disaster recovery centre at Bangalore functioning to support the Core Banking Solution (CBS) application. The Wide Area Network (WAN) built up as an exclusive CUG (Closed User Group) to run the CBS application consists of both terrestrial and VSAT media. The network is both voice and data enabled.

Leveraging on the CBS platform, Bank could introduce net banking, mobile banking, anywhere banking and other related delivery channel services. Bank could also introduce Real Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT) payment gateways for interbank and customer initiated fund transfers, at all its branches.

Information Security Management System of the Bank has been robust and efficient ever since it was introduced in 2003. Bank has deployed all regulatory and mandatory security framework in order to ensure the requirements of information asset - confidentiality, integrity and availability. Bank has bagged the prestigious technology excellence award in 2006 from IDRBT, the technical arm of RBI for the best policy and practice in Information Security. Bank has been conducting periodical Information System (IS) Audits, penetration testing, ethical hacking and also conducts periodical Disaster Recovery (DR) drills to ensure a tested Business Continuity Plan.

The Bank has plans to introduce a comprehensive Management Information System (MIS) which would provide information and data on demand to the needy at any time. Bank also contemplates to have a Business Intelligence System (BIS) as well which will cater to the requirement of data/information with dynamicity using the artificial intelligence embedded in it. Both these will assist and augment the Decision Support System (DSS) of the Bank.

RISK MANAGEMENT AND BASEL II

In the present volatile and rapidly changing financial scenario, it is very challenging for the banks to manage complex and variable risks in a disciplined manner. It is imperative to have good risk management practices not only to manage risks inherent in the banking business but also to face the risks emanating from financial markets as a whole. The Bank aims to put in place the best risk management structure which proactively identifies and

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helps in controlling the various risks faced by the Bank, while maintaining proper trade off between risk and return thereby maximising the shareholder value.

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of risk are approved by the sub committee of the Board. The sub-committee of the Board also provides strategic guidance while reviewing portfolio behaviour. Senior level Management Committees like Credit Risk Management Committee, Operational Risk Management Committee, Investment Committee, Asset Liability Management Committee, etc. develop and implement the risk policies.

BASEL II

The growing concern and recognition of limitation of Basel I which largely ignored both the heterogeneity of the asset class and its differential risk sensitivity, led to the emergence of a new accord, Basel II. Basel II encompasses all three risks inherent in the business

1. Credit Risk
2. Market Risk
3. Operational Risk

of which the most difficult and hence controversial part has been assessment, measurement and quantification of Operational Risk.

CREDIT RISK

The Bank is exposed to credit risks through its lending and investment activities. The credit risk management frameworks integrate both qualitative and quantitative processes to support growth in the asset book while ensuring an acceptable risk level in relation to the return. The aim of credit risk management in this year has been to maintain a healthy credit portfolio in the Bank. In line with the above goal, the Bank has strengthened its risk management processes by fine tuning its internal rating models for measuring credit risk and internal rating migration study to review the risk at the portfolio level and analyse the portfolio behaviour. As a measure towards credit risk mitigation, Bank has strengthened the Credit Sanction and Credit Monitoring departments by inducting more expert and experienced personnel.

Credit risks inherent in investments in Non SLR Bonds are being assessed independently by Mid office Treasury using the internal rating models developed by Integrated Risk Management Department (IRMD). Minimum entry level rating for external and internal rating are prescribed in Investment Policy for investments in Non SLR Bonds. Moreover, to strengthen the risk management system, it is proposed that the internal rating done by mid offices shall be independently confirmed by IRMD in the proposed Market Risk Management (MRM) policy.

MARKET RISK

Market risk results from changes in market value of assets arising due to volatility of market risk factors and their probable impact on income and economic value for the aggregate banking and trading books, due to Asset- Liability mismatches. The Bank adopts a comprehensive approach to manage market risk for its trading and banking book. The market risk framework identifies the types of market risks to be covered, the risk metrics and methodologies to be used to capture such risks and the standards governing the management of market risk including limit setting.

Market risk measurement on portfolios uses both statistical and non-statistical measures to monitor risks with triggers in cases of breaches in the pre-accepted levels of identified risks.

The Bank is also using Value at Risk measure, which provides valuable insights into the risk profile of the Bank's exposures. Regular, stress testing is carried out to monitor the Bank's vulnerability to shocks and the impact of extreme market movements. Risk limits for trading book are set according to a number of criteria including market analysis, business strategy, management experience and the Bank's risk appetite.

LIQUIDITY RISK

Liquidity obligations of the Bank arise from withdrawal of deposits, repayment of purchased funds at maturity, extension of credit and working capital needs. The primary tool of monitoring liquidity is the mismatch analysis, which is monitored over successive time bands on a static basis. The liquidity profile of the Bank is also estimated on a more dynamic basis by considering the growth in deposits and advances, investments, etc, for a short term period of 90 days. Stress tests are conducted in periodic intervals to test the Bank's ability to meet the obligation in a crisis scenario and to assess the impact on the Bank's liquidity to withstand stressed conditions. These positions are reviewed periodically by the Bank's Asset Liability Management Committee.

OPERATIONAL RISK

A policy on management of operational risk has been approved by the Bank to ensure that the operational risk within the Bank is properly identified, monitored and reported in a structured manner. Bank's Operational Risk Management Committee oversees application of the above said policy directives. Each new product or service introduced is subject to risk review and sign-off process where all relevant risks are identified and assessed by departments independent of the risk taking unit proposing the product. The losses due to technical failures and business disruptions are mitigated through adequate back up facilities, the existence of disaster setup and regular testing rolled over by the Information Technology Division (ITD).

The Bank has started computing capital charge under Basel II parallel run as required by RBI guidelines for Credit, Market and Operational risks from June 2006. Bank has fine tuned its Basel II parallel run by adopting various credit risk mitigation strategies aided by improved MIS systems during the year which has improved the CRAR of the Bank under Basel II. Further, Bank had appointed a consultant during the year, who is experienced in the Risk Management and Basel II implementation to review risk management processes and the parallel run under Basel II adopted by the Bank. The consultants have completed their assignments and submitted their suggestions / recommendations on various areas of risk management during the year and the Bank is in the process of further fine-tuning the system based on the consultant's recommendations. The Bank has geared up to be Basel II compliant by 31.03.2009 as prescribed by RBI.

INTERNATIONAL BANKING.

During the year ended 31st March 2008, the Bank's total forex business reached a level of Rs.54000 crore as against Rs.35473 crore last year. The merchant turnover for the year was

DIRECTORS' REPORT

Rs.14219 crore as against Rs.12562 crore last year. The exchange profit for the year ended 31st March, 2008 is Rs.15.69 crore.

At present Bank is having draft drawing arrangements/remittance arrangements with three banks and nineteen Exchange Houses and electronic fund transfer (Speed remittance) facility under the brand name "SIB EXPRESS" utilizing Bank's 'Finacle' Core Banking Solution with 12 exchange houses.

The Bank continued providing managerial support to Hadi Express Exchange. The year under review was one of consolidation for the branches of Hadi Express Exchange at Dubai and Sharjah. Both these offices extended good services to attract the remittance business. The Bank with a view to increase the home remittance business from our NRI customers is having the draft drawing arrangement with 19 exchange houses. The speed remittance product, SIB Express, an arrangement under which, the remittance gets credited to the beneficiary's account with the Bank on the same day with facility to get SMS confirmation has caught the attention of the remitters from abroad. The turnover under the draft drawing arrangement increased by 65% from Rs.800 crore to Rs.1318 crore. The more popular SIB Express showed substantial increase in turn over from Rs.83 crore in previous year to Rs.454 crore for the year 2007-08.

NRI PORTFOLIO

The Bank which has the unique distinction of opening the first exclusive NRI branch in Kerala in the private sector, still occupies the prime position with 10 exclusive NRI branches in the state. The total NRI deposit is Rs. 3084.91 crore as on 31.03.2008. NRI deposit contributes 20.35% of the total deposits of the Bank.

The Bank already has drawing arrangement with many exchange companies to provide better remittance facilities to the NRIs. The Bank is in the process of making arrangements with some more major exchange companies, which will help speedy and faster remittance from various Middle East countries with a view to provide best services to the customers.

The NRI Cell at Head Office is dedicated to the full service of NRIs. The Cell also offers best support to branches in their NRI related matters and closely monitors the growth of NRI business. "NRI newsletter", a quarterly publication from NRI Cell at HO continues to provide useful information to NRIs. A new product titled Any Branch Banking (ABB) exclusively for NRIs is under consideration which aims to provide a total gamut of banking services to this segment of customers.

TRAINING

During the year 2007-2008, Staff Training College, Thrissur could conduct 61 training programmes, thereby imparting training to 1562 personnel of the Bank. This comes to 35% of the total personnel strength as on 31st March 2008. Other than the induction programmes and refresher programmes, special programmes on Basel II, Credit Management, Risk Management, HRD & Marketing, International Banking and Core Banking System were also conducted during the year. In addition to this, Bank's Regional Training Centres could impart training to 358 personnel. Over and above these programmes, during the last fiscal, Bank had nominated 175 officers to attend special programmes conducted by other training institutions, viz., Bankers Training College, Mumbai, NABARD, NIBM, Pune,

Southern Banks Staff Training College, FEDAI etc. Some of the external programmes include AML, Basel II, Branch Management, Credit & Risk Management and Financial Analysis. Thus during the last fiscal, Bank could provide training to 2095 of its personnel (Officers 1304, Clerks 701 & Sub-Staff 90), which comes to 47% of the total personnel strength.

An exclusive workshop for two days on "Basel II & Integrated Risk Management" was also conducted for the benefit of Bank's Directors at the Administrative Staff College of India, Hyderabad, during the year.

BRAND IMAGE

The incorporation of the new logo on the Bank's site as well as on the electronic media has helped to attract the youth into the Bank and thereby substantially improve the savings deposit base. Bank's website, www.southindianbank.com, is also redesigned during the year to make it more communicative, informative and educative to the visitors.

MARKETING

The Bank ventured new initiatives towards deeper penetration into varied customer segments and diversification of value embedded products and services. The technology driven products and services such as ATM cum Debit Cards, ABB accounts - CD Premium and SB Privilege, SMS Banking and Sibernet enabled the Bank to render impeccable, best-in-class services to the customers and provided impetus in acquiring a robust, widespread client base in India and abroad. Youthplus SB accounts with attractive features and freebies were launched during the year targeting tech-savvy younger generation. SB Privilege scheme was liberalized to provide differentiated options dependent on segmented customer profile, at the same time making technology dividends percolate to even ordinary SB account-holders. Also, the technology edge could be leveraged to drive business and income growth. Enhanced version of internet banking - Sibernet, was introduced for facilitating funds transfer via internet payment gateway, with further scalability already planned for utility and bills payments in the immediate future. Depository services are made available from 114 designated branches, and commencement of trading facilities with tie up with reputed broking companies is in the final phase of implementation. With a view to provide value added services to corporate clients in managing collection of receipts and payments across diverse locations, the facility of Cash Management Services (CMS) was initiated during the year.

During the year, the Bank could attain a phenomenal increase in revenue by marketing of mutual funds and insurance business. Tie ups with leading Asset Management Companies such as HSBC Investments, HDFC Mutual Fund, Fidelity Fund Management Ltd., and ABN AMRO Asset Management (India) Ltd. were concluded for distribution of Mutual Funds products. Thus an entire array of performance-featured funds is now available to the investors. Innovative strategies were designed for marketing of life insurance products of ICICI Prudential Life Insurance Co. and general insurance products of Bajaj Allianz General Insurance Co. Ltd., resulting in considerable increase in premium collections as well as income. Direct Marketing Vertical (DMV), a three tier organizational structure, was pioneered for exclusive, focused marketing of mutual funds and insurance products. This endeavour has made direct

DIRECTORS' REPORT

marketing more efficacious and sustainable in earning revenues for the Bank. Corporate branding exercise was completed during the year with the publication of 'Corporate Identity Guidelines', detailing imperatives of usage of logo in corporate communications.

'Customer Service' continues to be the paramount paradigm of all the activities of the Bank. Customer service compliance requirements are regularly monitored. The efforts to internalize the provisions of Code of Bank's Commitment to the Customer are continuously revisited and the directions of RBI/BC SBI are meticulously implemented to provide hassle-free, convenient customer services. Arrangements are made by the Bank in the website such that customers can register their complaint on-line. The name and address of Principle Code & Compliance Officer (PCCO) & Grievance Redressal Officer also is published on the website to facilitate settling of customer complaints in time. The Bank has initiated steps to provide a toll-free number for the convenience of the customers, which is expected to be functional during the first quarter of 2008-09. Bank is also in the final stages of tie up with 2 leading aggregators in India. With this tie up over Sibernet (I-banking product) customers will be able to make bill payments, e-commerce etc. from the convenience of their office/home. The arrangement is expected to be in place by the first quarter of 2008-09.

PERSONNEL

In line with the growth in business volume as well as its geographical spread, the Bank has embarked upon a major recruitment drive with the primary objective of acquiring manpower of the right quality and numbers. Local recruitments have been made to synchronise with the culture of the particular region. Campus recruitments have also been done so as to retain its competitive edge and also to ensure that required skills are successfully brought on board.

Approximately 500 people are recruited annually in recent years and this will continue this year as well.

An interesting feature noticed in the Bank now is that a significant portion of the business is accounted for by younger clients and therefore it is an advantage to have young people who are adept at serving this segment of clients.

The recent new recruitments have also resulted in the average age of the Bank's employees falling from roughly 47 years to 42 years, instead of the normal phenomenon of an ageing staff team.

A performance based incentive scheme has been introduced by the Bank from April 2007 covering all the employees. The scheme has stimulated interest in each staff member. Apart from the scheme, the Bank has also introduced a fast track promotion policy to retain its employees.

Needless to mention that the incentive scheme was a roaring success last year with the business growth reaching a level exceeding Rs.25,000 crore and a record all time high Net Profit of above Rs.150 crore.

Subject to the approval of the shareholders at the ensuing Annual General Meeting, the Bank is also planning to introduce an Employee Stock Option Scheme for the Directors and employees of the Bank to create a proprietary interest in all the staff members and to further motivate and increase the morale and loyalty of the employees.

The Bank believes that with the staff friendly measures introduced, the attrition level amongst the new recruits can be reduced to a significant extent.

As on 31st March 2008, the Bank had 4223 personnel on its rolls as against 3868 as on 31st March 2007. Cadre - wise break up is as under:

Officers	1932
Clerks	1616
Sub staff	675
Total	4223

Besides, there were 275 part-time employees in subordinate cadre.

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

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

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

PARTICULARS OF EMPLOYEES

There were no employees in receipt of remuneration covered by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, during the year.

SOCIAL COMMITMENTS

Being sensitive to the issue of rural farming communities especially private borrowing from moneylenders, the Bank launched a programme named 'money lender free village' and focused Meloor, a small village in Thrissur District. Working in tandem with an NGO, Bank surveyed the village and impressed upon the borrowers to clear their liabilities with the money lenders who were charging exorbitant rate of interest.

The Bank then made arrangements to lend money to these borrowers at lower rate of interest with repayment in convenient instalments. This concept was well received by beneficiaries and social circles. On successful implementation of this project, the Bank may consider launching similar programmes in other villages.

SIB Students' Economic Forum (SIBSEF)

Student's Economic Forum, which is celebrating its 17th year of publication was launched in December 1991. It is a monthly publication discussing one theme in an issue covering a whole range of economic affairs and activities. So far 196 themes have been published and in response to the requests from our readers and well wishers, we had compiled the first 150 themes of this publication in 3 volumes. The objective of this venture is to kindle interest in economic affairs in the minds of our younger generation and also to empower the student community. Although it is a publication targeted at the younger generation and student community, feed back received at our end show that, the booklet is being well referred by academics, administrators, diplomats etc. It is also a source of reference for the editors of various publications, including that of reputed banking journals. Following topics were discussed during the



DIRECTORS' REPORT

year 2007-2008 : Global warming and Carbon Credit (April 2007), Sustainable banking (May 2007), Mutual funds part-I (June 2007), Mutual funds part-2 (July 2007), Monetary and Credit Policy (August 2007), Reverse mortgage (September 2007), Sub-prime bubble (October 2007), Hedge funds (November 2007), Basel II and Banks' preparedness (December 2007), Basel II Pillar-I (January 2008), Basel II Pillar 2 & 3 and Union budget 2008-09 (March 2008). Open access is also made available to this publication through the "Students' Corner" page of the Bank's website.

SIBLINK

'SIBLINK', Bank's corporate family magazine, has been functioning as an internal PR tool educating and also motivating the staff for better performance.

In the 11th All India House Magazine Contest conducted by Rotary Club of Cochin-Mid-Town, 'SIBLINK' was the only house magazine from the banking sector to find a place in the list of winners.

Anti Money Laundering (AML)

The Bank has given much importance to compliance of the AML guidelines to guard against money laundering through our Branches. The transactions flowing from all the Branches and all the transactions on systems used in International Banking Division, Treasury Department, etc. will also be brought under automated monitoring of the AML software.

E-Circular

The Bank has acquired a software named 'e-circular' to issue circulars to the branches from Head Office and Regional offices, in electronic form, enabling the branches to access the instructions instantaneously on a real time basis. This has taken the Bank one step forward towards the vision of a paperless office.

DIRECTORS

Sri Davy K Manavalan and Sri G A Shenai who retired at the 79th Annual General Meeting held on 29.06.2007, were re-appointed as Directors of the Bank. At the said Annual General Meeting, Sri Paul Chalissery, Sri Mathew L Chakola and Dr N J Kurian were elected as Directors of the Bank liable to retire by rotation.

Dr John Joseph, Dr C J Jose and Sri Jose Alapatt are the Directors who retire by rotation at the ensuing Annual General Meeting, and being eligible for re-appointment, the Board recommends their re-appointment as the Directors of the Bank.

AUDITORS

The shareholders at its 79th Annual General Meeting held on 29th June 2007, appointed M/s Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Central Auditors for the audit of Bank's accounts for the year 2007-08.

M/s Deloitte Haskins & Sells, Chartered Accountants, Chennai, vacate office at the end of the Annual General Meeting to be held this year but are eligible for re-appointment for the financial year 2008-09.

Reserve Bank of India (RBI), vide its letter DBS.ARS. No.17264/08:21:005/2007-08 dated June 16 2008, has approved the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Statutory Auditors of the Bank for

the year 2008-09 under section 30(1A) of the Banking Regulation Act, 1949, pursuant to an application made by the Bank. The Board of Directors recommends their appointment.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors' Report for the year 2007-08 does not have any qualifications. Hence, no explanation is given in this regard.

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of annual accounts for the financial year ended 31st March 2008, the applicable accounting standards have been followed and proper explanation has been furnished to the extent of departures from those standards.
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2007-08 and of the profit of the company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts for the financial year ended on 31st March 2008, on a going concern basis.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Securities and Exchange Board of India, 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. Further, the Board expresses its appreciation for the dedicated service rendered by employees of the Bank at all levels.

Thrissur
28.06.2008

By Order of the Board
Sd/-

(Dr. V.A. JOSEPH)
CHAIRMAN