The Directors are pleased to place before you, the 81st Annual Report of the Bank along with the Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended 31st March 2009.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended 31st March 2009 are as follows: -

Key Parameters	Rs. in crore	
	2008-09	2007-08
Deposits	18092.00	15156.00
Advances	12145.00	10754.00
Total Business	30237.00	25910.00
Net Profit	194.75	151.62
Net Worth	1304.00	1160.98
Capital Adequacy (%) -Basel-I	13.89	13.80
Basel-II	14.76	----
EPS (in Rs.)	17.23	15.02*
Book Value per Share (in Rs.)	115.40**	128.43
Net NPA as % of Net Advances	1.13	0.33
Return on Assets (%)	1.09	1.01

* Weighted average and adjusted for issue of Bonus Shares in the ratio of 1:4

** After issue of Bonus Shares in the ratio of 1:4

FINANCIAL PERFORMANCE

Profit

The Bank has registered a record net profit of Rs.194.75 crore during the year. The Bank could achieve this substantial improvement in net profit mainly on account of higher scale of operations and better management of assets and liabilities of the Bank.

The Profit and Loss Account shows an Operating Profit of Rs.372.58 crore before depreciation, tax and provision as per details given below:

			(Rs. in crore)
Profit before depreciation, taxes & provisions			372.58
Less : Depreciation	:	13.90	
Provision for NPA/NPIs	:	21.87	
Provision for depreciation on investments	:	23.58	
Provision for contingencies	:	10.00	
Provision for Income Tax/ Wealth Tax	:	106.63	
Provision for restructured advances	:	1.85	177.83
Net Profit		:	194.75
Brought forward from last year		:	9.08
Profit available for appropriation		:	203.83

Appropriations

Transfer to Statutory Reserve	49.00
Transfer to Capital Reserve	0.50
Transfer to Revenue & other reserves	100.00
Proposed Dividend	33.90
Dividend Tax on Proposed Dividend	5.76
Carried over to Balance Sheet	14.67
Total	203.83

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/- per share on the paid up capital increased by the issue of bonus shares in the ratio of 1:4 during the year. This is, however subject to the approval of shareholders at the Annual General Meeting.

EXPANSION PROGRAMME / POLICY OF THE BANK

The Bank has been successful in spreading its coverage across the country from South to North and West to East with 530 branches and 13 extension counters. The branch network now covers 23 states/union territories and has an ATM network at 280 centres. During the year, the Bank opened 30 new branches and 55 ATMs across the country.

The Bank plans to open 45 new branches & 45 new ATMs in the current financial year so as to reach the corporate goal of 575 branches and 325 ATMs by 31.03.2010.

CAPITAL & RESERVES

The Bank was having an issued and paid up capital of Rs. 90.41 crore as on 31.03.2008. During the year, 2,26,01,298 Equity shares of Rs.10 each were issued as fully paid up bonus shares in the ratio of 1 bonus share for every 4 shares held by capitalisation of corresponding value from Share Premium Account, adhering to the norms and guidelines issued by Securities and Exchange Board of India (SEBI). Pursuant to the bonus issue the paid up capital stands increased to Rs.113.01 crore as on 31/03/2009.

The Net worth of the Bank has gone up from Rs.1160.98 crore to Rs.1304 crore due to plough back of profits during the year.

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on 31st March 2009 according to Basel I guideline is 13.89% as against the statutory requirement of 9%. Tier I CRAR constituted 12.44% while Tier II CRAR constituted 1.45%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on 31st March 2009 according to Basel II guideline is 14.76%. Tier I CRAR constituted 13.22% while Tier II CRAR constituted 1.54%.

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

LISTING AGREEMENT WITH STOCK EXCHANGES

The Bank's shares continue to be listed on The Cochin Stock Exchange Ltd., 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 2009-10.

BUSINESS ACHIEVEMENTS

The Bank crossed yet another milestone by surpassing Rs. 30,000 crore of gross business during the financial year 2008-2009, and registered a total gross business of Rs.30237 crore, consisting of total deposits of Rs.18092 crore and gross advances of Rs.12145 crore.

Deposits: The Bank could increase its total deposits to Rs.18092.33 crore from Rs.15156.12 crore last year, registering a growth of 19.37%.

The break up of the deposits as on 31.03.2009 is as under:-

	Amount (Rs. in crore)	% to total Deposits
Current Deposits	845.53	4.67
Savings Deposits	3459.68	19.12
Term Deposits	13787.12	76.21
Total	18092.33	100.00

Advances: Total advances of the Bank registered an increase of 12.93 %, to touch a gross figure of Rs.12,144.86 crore. Total Priority Sector advances have improved to Rs.4,246.24 crore, constituting 39.48 % of the Adjusted Net Bank Credit (ANBC) as at the end of the financial year. Exposure to Agricultural sector amounted to Rs.1,751.13 crore, forming 16.28 % of the ANBC as at the end of the financial year.

Split up of exposure under Priority Sector is furnished below:

		Amount (Rs. in crore)
Agriculture & Allied activities (including eligible RIDF investments)	:	1751.13
Small Enterprises	:	857.90
Other Priority Sector	:	1637.21
Total Priority Sector	:	4246.24

INVESTMENTS

The Reserve Bank of India, during the first half year in order to control the inflationary pressures, had raised the policy rates and the second half, witnessed the central bank lowering the rates. The Cash Reserve Ratio (CRR) which was 7.50% during 2007-08 was hiked up to 9% during the 1st half of the year 2008-09, and during the second half the central bank lowered the CRR to 5% with a view to maintain the growth and also to provide a stimulus to the economy. The Statutory Liquidity Ratio (SLR) was also reduced from 25% of Net Demand and Time Liabilities (NDTL) to 24% during this financial year.

The 10 Year benchmark yield was at 7.01% as on 31.03.2009 as compared to 7.93% as on 31.03.2008. The debt market had been very volatile particularly during the last quarter of the financial year. The Equity market has been very bearish throughout, and seemed to have become unidirectional with no cheer whatsoever. The markets fell below the 8000 mark on Sensex and 3000 mark on Nifty. This has been due to global economic weakness and tight liquidity conditions in the domestic markets. The IPO segment had been particularly quiet and had very few takers in this segment. The trading profit for the financial year was Rs.35.41 crore.

The Bank had an investment portfolio size of Rs.6,125.00 Cr(Gross)as on 31.03.2009 vis-à-vis Rs.4,608.00 Cr (Gross) as on 31.03.2008, registering a 33% rise in the total portfolio size. This increase has been in part due to increase in Net Demand and Time Liabilities and also due to increase in Non SLR securities yielding higher returns and investment of surplus funds in marketable Government Securities and Treasury Bills to maximize our return on surplus funds.

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 year 2006-07 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. 1.81 crore.

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2008-09, the Bank had taken various steps for recovery of Non-performing Assets by 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. As a result of the various steps taken, the Bank could recover NPAs to the tune of Rs.150.95 crore during the year against the target of Rs.100 crore. The Gross and Net NPAs of the Bank as on 31.03.2009 were Rs.260.56 crore and Rs.134.31 crore against Rs.188.48 crore and Rs.33.97 crore respectively as on 31.03.2008. The increase in the total outstandings under gross and net NPA is mainly on account of a few large accounts not adhering to the credit discipline stipulated by the Bank and hence have been categorized as NPAs. However, a few of these accounts having complied with the requirements of the Bank have since been upgraded as performing assets during the first quarter of the current year. The percentage of Gross NPA to Gross Advances stood at 2.18% and Net NPA to Net Advances at 1.13% as on 31.03.2009.

AUTOMATION AND COMPUTERISATION

The Bank has been implementing host of IT initiatives to effectively compete and to mark its own niche in the banking horizon. First such initiative was the introduction of Core Banking Solution (CBS) with a centralized Data Centre (DC). The application deployed is FINACLE of INFOSYS, one of the globally recognized Core Banking Solutions. The Bank has taken a conscious decision to network all the Branches and implement Core Banking Solution subject to the feasibility of required infrastructure. As on 31/03/09, all the 530 branches and 13 ECs are functional with CBS platform covering 100% business on line.

Leveraging on the CBS, the Bank has established an ATM network with a transaction switch installed at the Data Centre. As of review date, the Bank has 280 on line ATMs of which 39 are off site. To spread out the ATM reach, the Bank has tied up with MasterCard Inc. for Global debit and ATM card operations. Besides, the Bank has also taken membership in National Financial Switch (NFS) of Institute for Development and Research in Banking Technology (IDRBT), the technical arm of RBI, due to which all our ATM Card holders have the benefit of using our ATM Cards with about 39000 ATMs of 33 other Banks all over India.

The Bank has also launched net banking as well as SMS based mobile banking, enabling our customers to conduct cheaper and quicker mode of banking activities. The Bank has also introduced a payment gateway for facilitating E-Commerce, under which tie-ups have already been done with M/s. BILL Desk, M/s. Tech Process and on-line offerings with GURUVAYOOR Temple. An RTGS cell is set up at Fort Branch, Mumbai that facilitates the Real Time Gross Settlement (RTGS) of transactions of all our branches. The Bank has also joined the National Electronic Fund Transfer (NEFT) system, an initiative of RBI for national level fund transfer, supplementing the existing RTGS system. The Bank has launched Cheque Truncation System (CTS) as per RBI guidelines in National Capital Region-DELHI and all our branches in Delhi clearing zone are covered under this new system of electronic clearance of local cheques.

The Bank has a robust IS Security set up built up pursuant to the Information System (IS) Security policy adopted and approved by the Bank. The Bank has received a prestigious award from IDRBT in the area of Information System (IS) Security policy and practices in September 2006. System Audit and Security Audit are being done by external agencies. The apex body known as IS Security Forum conducts periodic review of the IS Security related matters.

The Board has approved a comprehensive Disaster Recovery (DR) Policy and DR solution. The DR infrastructure has been set up in Bangalore and the Bank has been conducting periodic Disaster Recovery (DR) drills from the DR centre to ensure its proper functioning. In order to upgrade and strengthen the Data Centre operations of the Bank, a state-of-the-art Data Centre is being planned to be constructed with "Green Building" concept in Kochi, where land has already been acquired and construction will commence shortly.

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 the risks emanating from financial markets as a whole. During the year the risk management structure of the Bank was further strengthened to enable it to proactively identify and help in controlling the credit, operational and market risks faced by the Bank, while maintaining proper trade off between risk and return thereby maximizing the shareholder value.

The Bank's risk management structure is overseen by the Board of Directors and appropriate policies to manage various types of risks are approved by the sub-committee of the Board. The sub-committee of the Board also provides strategic guidance while reviewing portfolio behaviour. The senior level management committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) develop the risk management policies and vet the risk limits. The Asset Liability Management Committee, Credit Policy Planning and Intelligence Committee and Investment Committee ensure adherence to the implementation of the above risk management policies, and develop Asset Liability Management policy, Credit policy and Investment policy within the above risk framework. The risk management policies have laid down risk management processes to identify, measure & mitigate the risks to bring the risks within the tolerance level.

To integrate the risk management functions, the risk governance framework is put in place during the year keeping in mind the RBI guidelines, Basel II guidelines and international good practices such as the requirement of ensuring independence of the risk management functions, i.e. the role of risk management should not be compromised by consideration of profits or performance evaluation.

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 new accord, Basel II. The Bank has migrated to Basel II during the year and assesses the capital adequacy for credit, market and operational risk as under:

PILLAR I

Sl	Risks	Approach
1	Credit Risk	Standardized Approach
2	Market Risk	Standardized Duration Approach
3	Operational Risk	Basic Indicator Approach

PILLAR II

The Bank has also put in place a frame work known as ICAAP (Internal Capital Adequacy Assessment Process) for integrating capital planning with budgetary planning and to capture the residual risks which are not addressed in pillar I like credit concentration risk, interest rate risk in the banking book, liquidity risk, earnings risk, strategic risk, reputation risk etc.

PILLAR III

The Banks are required to adopt market discipline as laid down in pillar III of Basel II guidelines. The purpose of the market discipline is to complement the minimum capital requirement (as stipulated under pillar I) and the supervisory review process (as stipulated under pillar II).

For adhering to the market discipline, the Bank has adopted a common framework for disclosures stipulated under pillar 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, and these are disclosed elsewhere in this report.

CREDIT RISK

The Bank is exposed to credit risks through its lending and investment activities. The credit risk management framework integrates 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 continues to be the maintenance of a healthy credit portfolio.

The Bank uses internal rating models for rating borrowers for measuring credit risk; internal rating migration study to review the risk at portfolio level and analyse the portfolio behaviour. The Bank uses around 17 internal rating models for different borrower types. Rating model for Banks is used to fix exposure limits for inter-bank lending.

Apart from the above implementation of laid down policies for collateral management, credit risk mitigation has also enabled the Bank to proactively ensure asset quality. The Bank also uses risk based pricing model to maintain proper trade off between risk and return. As a measure towards credit risk mitigation, the Bank has strengthened the credit sanction and credit monitoring departments by inducting more experienced personnel. Credit risks inherent in investments in non SLR Bonds are being assessed independently by mid office treasury using the internal rating models. Minimum entry level ratings for external and internal rating are prescribed by credit risk & investment policies.

Moreover, the Bank continued to ensure better integration and ensure more independence of the risk management functions during the year by ensuring separation of risk control functions from risk taking function and vested the functions of rating confirmation, development of rating models, vetting of risk limits with Integrated Risk Management Department overseen by Credit Risk Management Committee at senior level.

MARKET RISK

Market risk results from changes in market value of assets arising due to the 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 risks in its trading and banking book.

The Bank has put in place a comprehensive market risk management framework, to identify, measure and mitigate 1) Interest rate Risk 2) Liquidity Risk 3) Foreign Exchange Risk and 4) Equity price risk that are inherent in Bank -wide Asset Liability Management (ALM) including Treasury operations.

The Bank uses VaR (Value at Risk) concept to quantify market risk in Central Government securities trading book investments and currencies. Modified Duration tools are used to assess the probable impact on the Held for Trading (HFT) and Available for Sale (AFS) portfolio in the backdrop of current economic scenario and volatility in the market. For Equity portfolio, sensitivity of total portfolio to sensex movements is assessed, 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. Interest rate risks in the banking book are assessed using duration gap model whereby the impact on market value of equity is assessed for a possible adverse movement in interest rates.

As a market risk mitigation measure, investment decisions at treasury are supported by research desk at operational level and Investment sub-committee/ Investment committee at senior level.

Moreover, to ensure better integration and more independence of the risk management functions, the Bank has separated the risk control functions from risk taking function and vested the overall control of Mid offices of International Banking Division and Treasury with the Integrated Risk Management Department overseen by the Market Risk Management Committee.

LIQUIDITY RISK

Liquidity obligation of the Bank arises from withdrawal of deposits, repayments of borrowed funds at maturity and meeting 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 of 90 days. Apart from the above, the trend in the Bank's liquid assets to short-term liabilities, core deposits growth ratio, volatility dependence ratio and loans sources out of core deposits are measured, analysed and compared against limit fixed. Moreover, the funds readily available for contingency purposes, Bank's liquidity position and market liquidity position are reviewed by the Bank's Asset Liability Management Committee / Market Risk Management Committee.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It seeks to identify why a loss happened and at the broadest level includes the break down by four causes: People, Processes, Systems and External events

The Bank has a comprehensive policy on Operational Risk Management to ensure that all the operational risks within the Bank are identified, monitored and reported in a structured manner. Bank's Operational Risk Management Committee oversees the application of the policy directives.

People risk is mitigated by implementation of directives laid down in operational risk, human resources and training policies. 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.

To mitigate operational risks arising from frauds and as required by Basel II norms the Bank has put in place "Fraud prevention policy" during the year. The above framework lays down the steps to be adopted for preventive vigilance and categorically specifies the role of branches, regional offices, IT division, departments at HO and internal inspectors pertaining to prevention of frauds.

The risk of probable losses due to technical failures and business disruptions are mitigated through Business continuity planning, adequate backup facilities, the existence of disaster setup and regular testing rolled over by the DICT (Department of Information and Communication Technology).

Operational risk from external events, were brought down by transferring the risk outside the Bank by means of appropriate insurance cover during the year.

Operational risk management specialists have been designated for collecting loss data and to carry risk control self assessment

(RCSA) to pro-actively identify emerging risks at operational level for devising mitigants at source itself.

INTERNATIONAL BANKING.

The forex merchant business turnover for the year ended 31st March 2009 was Rs.10650 crore. The exchange profit for the year ended 31st March 2009 was Rs.23.69 crore against Rs.15.58 crore last year, registering a growth of 52%.

At present Bank is having draft drawing arrangement/remittance arrangements with 3 Banks and 25 Exchange Houses and electronic fund transfer facility under the brand name "SIB EXPRESS" utilizing Bank's 'Finacle' Core Banking Solution with 17 Exchange Houses. The total turnover of the inward remittances through these Exchange Houses increased to Rs.2827.82 crore during the current financial year as against Rs.1318 crore during the previous year showing an increase of 69.31% from the corresponding period last year. We have taken steps to increase remittance business and already got approval of the Bank's Board for arrangement with 7 more Exchange Houses based in Gulf countries and these are expected to be operational during the current year.

The Bank continued providing managerial support to Hadi Express Exchange, UAE. The volume of remittance through this Exchange House increased to Rs.617.99 crore registering a growth rate of 335%. M/s. Hadi Express Exchange has obtained 3 more branch licenses which are being opened at different centers in U.A.E shortly.

The Bank has implemented the new Integrated Treasury Software, which is having interfaces to Finacle, SWIFT, CCIL and Reuters for more efficient functioning. Also, online access of forex rate was made available to 23 branches using Mercury software. Through this software, branches can directly book forex rates on behalf of their customers.

NRI PORTFOLIO

Our Bank has the unique distinction of opening the first exclusive NRI branch in Kerala in the private sector and still occupies the prime position with eight exclusive NRI branches in the state. The total NRI deposit of our Bank as on 31.03.2009 was Rs.3438 crore, which constitutes 19% of the Bank's total deposits.

Bank has introduced a new NRE SB Privilege Diamond account exclusively for high networth NRI customers. NRI Cell at Head office is dedicated only for the service of our NRI customers. The cell also offers good support to the branches and closely monitors the growth of NRI business. NRI Newsletter, a quarterly publication from NRI Cell continues to provide useful information to our NRI customers.

TRAINING

The Bank is giving great importance for training and development of its officers and staff, as improvements made in human resources directly result in improvements in organization's productivity. The Bank's Staff Training College identifies the gaps in people capability and trains them for capability improvement. During the financial year, Bank could provide training to 785 of its officers, 908 clerks and 215 sub staff in different facets of Bank's operations. Hence, the Bank could impart training to a total of 1908 of its personnel during 2008-2009 alone which is about 40% of total staff strength of 4809 as on 31-03-2009. The identification of personnel for various training programmes is on the basis of training need analysis. Now the Bank is trying to ensure that every employee of the Bank is given training at least once in 3 years to keep them abreast with the changes happening in the Banking Industry and to improve their effectiveness.

MARKETING

The Bank has persistently embarked on new initiatives for various value entrenched products and services catering to the various financial needs of different segments of customers. The core banking solution facilitated various technological products and services, which helped the Bank to render flawless and quick service to its customers.

The Bank has a range of SB & CD products with Any Branch Banking facility to suit the needs of various customer segments. The Bank has launched two SB products, where the banking facilities and services are offered free of charges. 'SB-Platinum' account was devised to meet the expectations of high net worth domestic customers. A similar product 'SB-Diamond' was launched to cover the aspirations of NRI customers. 'Group Salary Savings Account' with Any Branch Banking was introduced for the salaried class of customers, where there is no stipulation on maintaining the minimum balance. In the Fixed Deposit category "SIB Eighty Plus" was instituted to commemorate the 80th Anniversary of the Bank. This high yield deposit scheme was launched for a limited period with a value addition of Rs.1 lakh personal accident death insurance cover.

Through the online fund transfer facility 'Fast Money', funds can be credited to any customer account maintained with the Bank and the fund transfer up to Rs. 5000/- is permitted free of charges. Customers can send and receive funds from accounts with any other bank in India, through RTGS and NEFT payment system put in place by RBI. Funds remitted from abroad through designated Exchange Houses and Correspondent Banks are credited online to the accounts of the customers. The Bank has tie-up with leading exchange houses and banks abroad, for this remittance facility. The Bank is a member of SWIFT, and hence international fund transfer, including outward remittance is available to the customer. The Bank has in place arrangements with M/s.UAE Exchange (Xpress Money), M/s.WallStreet (Instant Cash) and M/s.Thomas Cook (Moneygram) for receiving online remittance from abroad.

The Bank offers Depository services for the benefit of the customers. Through this facility, our customers can hold their securities in electronic form with Central Depository Services (India) Ltd. (CDSL). Thus the customers of the Bank can now open Demat accounts with the Bank through designated branches. The Bank is an authorized POS (Point of Service) of CDSL Ventures Ltd. The Bank is authorized for KYC certification for Mutual Fund Investment and the service is offered free of cost to the customers.

Pension Fund Regulatory and Development Authority (PFRDA) have launched the New Pension System (NPS) across the country. To cater this service to the subscribers of NPS, PFRDA has identified our Bank as a Point of Presence (POP). In fact, The South Indian Bank Ltd. is the single old generation private sector bank that has been selected by PFRDA among the 22 institutions identified as POPs. This has not only provided a unique opportunity for our Bank to enlist the support of public at large, who would like to become members of the New Pension Scheme introduced by the Government, but also a recognition by the Government of India that a Bank like ours has a role to play in serving this new arm of the Government, and this is expected to be a forerunner for many more things to come.

Mutual Funds are one of the preferred investment options for all those who wish to play safe, yet earn more than what traditional saving avenues offer. Bank has tie ups with leading Asset Management Companies and currently has a bouquet of 13 Mutual Fund companies with an entire array of performance featured funds. The Bank has also provided facility to invest in HSBC and HDFC funds through Systematic Investment Plan (SIP). Bank has made arrangement with leading insurance companies for collecting their renewal insurance premium. Renewal premium of ICICI Prudential, TATA AIG and ING Vysya can be accepted through any branch of the Bank. 'General Insurance' offers various health packages and policies to protect the money and goods against various perils. Bank also acts as a corporate agent for the distribution of general insurance products of M/s.Bajaj Allianz General Insurance Company.

The Bank has negotiated to work as a corporate agent of Life Insurance Corporation of India to market all their life insurance products and an agreement with them has already been signed on 02/06/2009. By associating our Bank with the largest Public Sector insurer in the country, our Bank will be able to play an important role in providing varied products suited to the needs of a wide spectrum of our customers.

The Bank's International ATM cum Debit Card (SIB Card) enables withdrawal of cash upto / equivalent of INR Rs. 20,000 per day through ATMs across the globe. Customers can withdraw cash from any ATM displaying the 'CIRRUS' logo of MasterCard International or the 'INFINET' logo of IDRBT, the technical arm of RBI. SIB Card can be used in merchant establishments equipped with Point-of-Sale (POS) terminals in India and abroad, displaying the 'MAESTRO' logo of MasterCard International, for purchase of goods worth up to Rs.1 lakh per day. Bank also offers international co-branded Visa credit cards to its customers. 'Sibernet' - the internet banking service of the Bank, facilitates online and any-time banking transactions. Bank has made arrangements with three major aggregators in the country to provide e-commerce / online payment services to the customers. Customers can perform online transfer of funds from one account to another, online bills & utility payments, e-shopping, e-commerce, make offerings & book for 'Poojas' with the famous Guruvayur Sri Krishna temple in Kerala. Customers of the Bank enjoy the benefit of Mobile Banking Service where, transaction details in their accounts (debits and credits) are sent to the mobile phone number of the customer (both domestic and overseas), which is linked to the customer account for this purpose. This facility is available to NRI customers also. With this service, transaction alerts are sent to the customers on a real time basis, using the SMS technology. Bank has planned to launch M-Commerce facility as a value added service to the Mobile Banking customers in the next fiscal.

The Bank's award winning website provides host of information to the customers. Customers can locate the branch and ATM in a locality based on State and District filters. Contact details of the branches along with the email id, bank code, IFSC codes and name of branch managers are available for quick reference. Contact details of Head office Departments and Regional Offices are also available. Direct links for making online bill payments & online shopping are available in the homepage. Facility to lodge the customer grievances is also provided through the website. The contact details of Principal Code Compliance Officer (PCCO) and the Chief Grievance Redressal Officer are published in the website. Bank has put in place a Call Centre with Toll Free facility, Nos.1-800-843-1800 and 1-800-833-1800 at Kochi. Customer service compliance requirements are regularly monitored. In addition to the Code of Bank's Commitment to the individual customers, Bank has adopted the Code of Bank's Commitment to Micro & Small Enterprises.

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.

The recent new recruitments has 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 the employees with us.

The Bank has instituted 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 first tranche of such stock option is expected to be granted to the employees during the current financial year.

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 2009, the Bank had 4523 personnel on its rolls on full time basis as against 4223 as on 31st March 2008. Cadre wise break up is as under:

Officers	2031
Clerks	1827
Sub staff	665
Total	4523
Part-time employees	286
	4809

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

Information as required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975,as amended, is given under:-

Name, Qualification and Age (in years)	Designation	Remuneration	Experience (in years)	Date of commencement of Employment	Last Employment
Dr. V.A.Joseph, M.Com., LLB, CAIIB, PhD (HRD), MPM, 58 Years.	MD & CEO	Rs.36.67 lakhs	37	December, 2003	General Manager of Syndicate Bank at Mumbai

CORPORATE SOCIAL RESPONSIBILITY

Declaration of Melur as Money Lender Free Village

Melur Village, near Chalakkudy is an agri-based village. Many of the villagers are agriculturists and farmers. Most of the villagers are poor and they lack in capital and depend on moneylenders for their needs, who in turn charge exorbitant rate of interest. To save the villagers from the clutches of these moneylenders, we have declared the village as "money lender free village" and started lending at lower rate of interest through SHGs in association with Organisation for Women Empowerment and Rural Development (OWERD) an NGO. The function was inaugurated by Mr.Ramaswamy, Regional Director, RBI, on 1st March 2008 in the presence of Dr. V A Joseph, our Managing Director & CEO.

Activities by the Bank in Tholur Village

Tholur Village is also an agri-based village in Thrissur District. Due to lack of knowledge of technical know how and capital, the farmers there could not effectively undertake agricultural activities. Realising this, the Bank in association with Tholur Panchayat, Kerala Agricultural University and OWERD, came forward to cater to their needs. Kerala Agri University attends to their technical needs and provide high yielding seeds, whereas our Bank is looking after their financial needs in association with OWERD by extending agricultural loans and also housing loans for general upliftment of the farmers.

SIB STUDENTS' ECONOMIC FORUM (SIBSEF)

Students' Economic Forum, which is celebrating its 18th 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 208 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 year 2008-2009 Sovereign Wealth Fund (April-2008), Employee Stock Option Plans (ESOP)(May-2008), Global Food Crisis (June-2008), Oil Shock and Energy Security - Part-I (July-2008), Oil Shock and Energy Security - Part-II (August-2008), Currency Futures (September-2008), Global Financial Crisis - Part I (October-2008), Global Financial Crisis - Part II (November-2008), Know Your Customer (KYC), Anti-money Laundering (AML) & Combating Financing of Terrorism (CFT) (December-2008), Economic Slowdown / Recession and Stimulus Packages - Part-I (January-2009), Economic Slowdown / Recession and Stimulus Packages - Part II (February-2009), Convergence of Accounting Standards (March-2009).

Open access is also made available to this publication through the "Students' Corner" page of the Bank's website.

SIBLINK

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

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 attached great importance to Anti-Money Laundering and the transactions of all the branches of our Bank have been brought under the ambit of AML software. The alerts generated from the AML software are monitored on a daily basis and suspicious transactions are reported to FIU-India.

In line with the RBI Guidelines, our Bank is strictly following the "Know Your Customer" norms at the time of opening new Accounts.

80th ANNIVERSARY CELEBRATIONS OF SIB

Mr.Vinod Rai, Comptroller & Auditor General of India, inaugurated the 80th Anniversary celebrations of the Bank on 12th February 2009 at Thrissur. SIB Excellence Awards were also presented to five globally acclaimed personalities hailing from Kerala, for their life-time achievements. Dr. K.M. Cherian, the eminent Cardiologist, Mr. Adoor Gopalakrishnan, the acclaimed film Director, Padma Vibhushan Dr. Verghese Kurien, 'The Milk Man of India', the music-maestro, Padma Bhushan Dr. K.J. Yesudas and Mr. M.A. Yusuff Ali, the prominent NRI industrialist were conferred with the awards.

These celebrations were also held throughout the country during January 2009 in various centres where Regional Offices of the Bank are located, which provided an opportunity to communicate the history of the Bank and its growth during the 80 eventful years to all our customers across the country. To commemorate this occasion, the Bank for the first time in its long history offered during the year bonus shares in the ratio of 1 share for every 4 shares held to the shareholders of the Bank, thereby rewarding the shareholders for their continued support and patronage.

AWARDS AND ACCOLADES

At a time when the banking industry faces challenges on account of global downturn and when industry is looking for maintaining quality of assets in its books, the Bank has been collecting awards & accolades all along the way. During the year 2008-09, the Bank received the following Awards/Recognitions from different quarters/agencies both in India and abroad.

- **Best Bank in Asset Quality Award**- Dun & Bradstreet.
- **No. 1 in Asset Quality**- Business Today Ranking of Banks.

- **Best Performer in Asset Quality**- Analyst 2008 Survey.
- **Top NPA Manager**- Assocham ECO Pulse Survey.
- **Best Old Private Sector Bank**- Financial Express India's Best Banks 08-09.
- **Best Asian Banking Website**- Asian Banking & Finance Magazine, Singapore.

On the occasion of 80th anniversary celebrations, Mr.Vinod Rai, the Comptroller & Auditor General of India mentioned that in the process of its journey of service to the nation, the Bank has set immaculate standards for excellence.

DIRECTORS

During the year, in deference to the instructions of RBI, the Bank has separated the post of Chairman and Chief Executive Officer of the Bank. The tenure of Dr.V.A.Joseph who took over as Chairman and CEO of the Bank on 05/06/2005 was to expire on 04/06/2008. He was given an extension as Chairman and CEO of the Bank till 30/09/2008 to enable the Bank to complete all necessary formalities of amending the Articles of Association of the Bank to facilitate this change.

Therefore, Dr.V.A.Joseph on completion of his extended tenure as Chairman and CEO, assumed charge as the Managing Director and CEO of the Bank w.e.f 1st October 2008.

While appointing Dr.V.A.Joseph as Managing Director and CEO of the Bank, the shareholders at the last Annual General Meeting held on 18/08/2008, had also approved the appointment of Sri.G.A.Shenai, the senior most Director of the Bank, as Non-Executive Part-time Chairman subject to the approval of RBI. On obtaining approval from RBI, Sri.G.A.Shenai took over as part-time Non-Executive Chairman of the Bank w.e.f 23rd October 2008. The RBI had approved the appointment/ re-appointment of the following Directors of the Bank as under:-

1. Appointment of Dr.V.A.Joseph, as Chairman and CEO of the Bank from 05/06/2008 to 30/09/2008.
2. Appointment of Dr.V.A.Joseph as Managing Director and CEO of the Bank for a period of 3 years w.e.f. 01/10/2008.
3. Appointment of Sri. G.A.Shenai as Part-time Non-Executive Chairman of the Bank for a period of 2 years from the date of his assuming office i.e.23rd October 2008.

Dr. John Joseph, Dr. C J Jose and Sri. Jose Alapatt who retired at the 80th Annual General Meeting held on 18/08/2008, were re-appointed as Directors of the Bank.

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

AUDITORS

The shareholders at its 80th Annual General Meeting held on 18th August 2008, appointed M/s.Deloitte Haskins & Sells, Chartered Accountants, Chennai, as the Central Auditors for the audit of Bank's accounts for the year 2008-09.

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 2009-10.

EXPLANATION FOR AUDITORS' COMMENTS IN THE REPORT

The Auditors' Report for the year 2008-09 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 2009, 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 2008-09 and of the profit of the company for that period.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and Banking Regulation Act, 1949 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts for the financial year ended on 31st March 2009, on a going concern basis.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, Government of Kerala and all other State Governments where we operate, 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 pillars of any institution are its staff, executives and administrators, more so in the case of a service institution like our Bank. The Bank has no hesitation in acknowledging this fact and thank all of them for their diligence and loyalty towards the Bank. The Board, therefore, expresses its deep appreciation for the dedicated service rendered by employees of the Bank at all levels.

Thrissur
16.06.2009

By Order of the Board
Sd/-
(G.A. SHENAI)
CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario

The Indian Economy has moved to a slower growth phase as the knock-on effect of global financial meltdown in the year 2008-09, after registering a robust growth during last five years. Even though, Gross Domestic Product (GDP) growth has moderated reflecting lower industrial production, negative exports, deceleration in services activities, dented corporate margins and diminished business confidence, there are some comforting factors like well-functioning financial markets, robust rural demand, lower headline inflation and comfortable foreign exchange reserves which buffered the economy from the worst impact of the crisis .The growth in Gross Domestic Product (GDP) for 2008-09 was 6.9% as compared to 9% for the year 2007-08. Agriculture and allied activities could register a growth of 0.6% as against 5.5% in the previous year. During 2008-09, industrial growth based on the index of industrial production (IIP), decelerated to 3.5 per cent, from 7.9 per cent in the corresponding period of the previous year. Real GDP originating in service sector also showed a slight decrease as it grew 9.7% compared with 10.5% in last year. The performance of the private non-financial corporate sector also deteriorated in the year 2008-09.

Inflation measured by year-on-year variations in the wholesale price index (WPI), decelerated sharply from the last year figure of 7.4% and from its intra-year peak of 12.91% on August, 2008 to 0.26% by March, 2009. For its overall assessment of inflation outlook for policy purposes, the Reserve Bank continuously monitors the full array of price indicators. The conduct of monetary policy has condition and contain perception of inflation in the range of 4.0-4.5 per cent.

During 2008-09, equity markets weakened in tandem with global stock markets, reflecting general deterioration in sentiments, FII outflows, slowdown in industrial growth and lower corporate profits. The BSE Sensex declined to 8160 on March 9, 2009 from a peak of 17480 recorded on April 30, 2008. NSE Nifty also declined as low as 2252 points from its intra-year peak of 5298. By the year end both indices are showing positive signs of recovery.

Banking Scenario

Aggregate deposits of Scheduled Commercial Banks (SCBs) increased by 19.8 per cent during 2008-09 as compared with 22.4 per cent in the previous year. The demand for credit moderated reflecting the slowdown of the economy in general and the industrial sector in particular. Credit growth by public sector banks to industry and to real estate sector accelerated in 2008-09. However, credit growth to personal loans services and to small enterprises decelerated.

During 2008-09, the growth in non-food bank credit (year-on-year basis) decelerated from a peak of 29.4 per cent in October 2008 to 17.5 per cent by March 2009. At this rate, non-food credit expansion was lower than that of 23.0 per cent in 2007-08. The actions of the Reserve Bank since mid-September 2008 have resulted in augmentation of actual/potential liquidity of over Rs.4,22,000 crore. In addition, the permanent reduction in the SLR by 1.0 per cent of Net Demand and Time Liabilities (NDTL) has made available liquid funds of the order of Rs.40,000 crore for the purpose of credit expansion.

Commercial banks' investment in Statutory Liquidity Ratio (SLR) securities, adjusted for Liquidity Adjustment Facility (LAF), declined marginally from 28.4 per cent of Net Demand and Time Liabilities (NDTL) in March 2008 to 26.7 per cent in March 2009.

Since mid-September 2008, the Reserve Bank has cut the repo rate by 400 basis points and the reverse repo rate by 250 basis points. The CRR was also reduced by 400 basis points of NDTL of banks.

Money supply (M3) increased by 18.4 per cent in 2008-09 as compared with 21.2 per cent in 2007-08.The year to year increase in reserve money was much lower at 6.4% compared to 31% in the previous year. Reserve money variations during 2008-09 largely reflected the increase in the currency in circulation and reduction in the cash reserve ratio (CRR) of banks.

Development in global financial market in the context of exceptionally challenging circumstances of global recession warranted more intensified monitoring and swift responses with all available instruments to preserve and maintain domestic macro economic and financial stability. The policy responses in India since September 2008 have been designed largely to mitigate the adverse impact of the global financial crisis on the Indian economy and for providing ample rupee liquidity, ensuring comfortable dollar liquidity and maintaining a market environment conducive for the continued flow of credit to productive sectors. The evolving stance of policy has been increasingly conditioned by the need to preserve financial stability while arresting the moderation in the growth momentum.

The overall stance of monetary policy in 2009-10 will broadly be:

- Ensure a policy regime that will enable credit expansion at viable rates while preserving credit quality so as to support the return of the economy to a high growth path.
- Continuously monitor the global and domestic conditions and respond swiftly and effectively through policy adjustments as warranted so as to minimize the

impact of adverse developments and reinforce the impact of positive developments.

- Maintain a monetary and interest rate regime supportive of price stability and financial stability taking into account the emerging lessons of the global financial crisis.

Economic and Banking Outlook

In spite of gloomy economic scenario world across, the Indian economy and Indian banking system have shown extreme resilience and have been able to sustain themselves as a result of high domestic demand, productivity, credit growth and high levels of savings and investment. The current global financial crisis, however, has resulted in the outlook being uncertain in the short term. Though India may face deceleration in its macro economic growth in the short term, 8 per cent plus growth for India is sustainable in the medium-term. There are several comforting factors that have helped India weather the crisis, like normal functioning of financial markets, particularly our banks, comfortable foreign exchange reserves which provide confidence in our ability to manage our balance of payments notwithstanding lower export demand and dampened capital flows, declining headline inflation, as measured by the wholesale price index (WPI), mandated agricultural lending and social safety-net programmes, which made rural demand continue to be robust. RBI forecast a GDP growth at around 6.0 per cent, 18% growth in the aggregate deposits of commercial banks and 20% growth in adjusted non-food credit, including investment in bonds/ debentures/shares of public sector undertakings and private corporate sector and CPs for the year 2009-10.

The problems of global banks arose mainly due to exposure to sub-prime mortgage lending and investments in complex collateralised debt obligations whose values have seen sharp erosion. Globally, banks have also been affected by the freeze in the inter-bank lending market due to confidence-related issues. On both counts, Indian banks have limited vulnerability. Indian banks' global exposure is relatively small, with international assets at about 6 per cent of the total assets. Indian banks' dependence on international funding is also low.

Opportunities and Threats

Global meltdown on India's financial system so far has been negligible and last year credits by banks grew by 18 per cent. The RBI too has released adequate funds to the tune of Rs.4 lakh crore into the banking system from September 2008. Liquidity is no more an issue in the Indian Banking Sector. RBI monetary easing measures such as reduction in Cash Reserve Ratio and key interest rates have helped the banks to reduce the interest rate regime and increase affordability. There is no general credit aversion among banks. In fact, their lending performance is satisfactory. Credit growth is expected to remain fairly strong on relatively lower credit penetration and higher growth vis-à-vis other emerging markets, and there is no systemic supply constraint on the availability of financial resources with high private savings. But, there exist a need to channelise these resources efficiently and effectively by way of knowledge based banking, information management and securitisation of corporate lending. Banking institutions will remain crucial in the foreseeable future while recognising the greater role for markets in industrial financing. Even as industry may see some temporary disruptions as the full effect of the current global crisis pans out, the agrarian-based nature of our economy provides us with the other big opportunity.

There are several immediate challenges facing the economy which includes supporting the drivers of aggregate demand to enable the economy to return to its high growth path, boosting the flow of credit to all productive sectors of the economy, managing the large government borrowing programme in 2009-10 in a non-disruptive manner, restoring the fiscal consolidation process ensuring an orderly withdrawal of the large liquidity injected in the system since September 2008 by the Reserve Bank to support the economy's productive requirements; and the continued challenge of preserving the stability of our financial system drawing from the lesson of the global crisis.

Indian banking system is relatively insulated from the factors leading to the turmoil in the global banking industry. However, the banking sector faces profitability pressures due to higher funding costs, mark-to-market requirements on investment portfolios, and asset quality pressures due to a slowing economy. The increased dependence by several banks on wholesale funds and on bulk deposits to fund credit growth can have liquidity and profitability implications, considering a specific regulatory capital charge if dependence on "purchased liquidity" exceeded a defined threshold. The strong capitalisation of Indian banks is a positive feature in the current environment.

Financial Performance Vs Operational Performance

For the first time in the history of the Bank, the Net Profit reached a level of Rs.194.75 crore as against Rs. 51.62 crore last year. As regards the total gross business of the Bank, it grew from Rs.25910 crore to Rs.30237 crore. While the deposits grew from Rs.15156 crore to Rs.18092 crore, gross advances grew from Rs.10754 crore to Rs.12145 crore. Food credit increased to Rs.268.22 crore from Rs.260.90 crore and non-food credit increased to Rs.11876.64 crore from Rs.10493 crore in the last year, showing a total increase of Rs.1383.64 crore. The Board has recommended a dividend of 30% i. e. @ Rs.3/- per equity share of Rs 10/- each, on the increased share capital after issue of bonus shares in the ratio of 1:4, which is subject to approval of the shareholders.

The percentage of Gross NPA to Gross Advances stood at 2.18% and the Net NPA to Net Advances at 1.13% respectively as on 31/03/09. The Capital Adequacy Ratio of the Bank has reached