



82<sup>nd</sup> Annual Report  
2009 - 2010

## BOARD OF DIRECTORS



<i>Front row:</i>	<b>Dr. C.J. Jose</b> Independent Director	<b>Sri. A.S. Narayanamoorthy</b> Independent Director	<b>Sri. G.A. Shenai</b> Chairman	<b>Dr. V.A. Joseph</b> Managing Director & CEO	<b>Sri. Davy K. Manavalan</b> Independent Director
<i>Back row:</i>	<b>Sri. Mathew L. Chakola</b> Independent Director	<b>Sri. Mohan E. Alapatt</b> Independent Director	<b>Dr. N.J. Kurian</b> Independent Director	<b>Sri. Jose Alapatt</b> Independent Director	<b>Sri. Paul Chalisery</b> Independent Director

# THE SOUTH INDIAN BANK LTD.

## BOARD OF DIRECTORS\*

**Mr. G. A. Shenai**, Chairman  
**Dr. V. A. Joseph**, Managing Director &  
Chief Executive Officer  
**Mr. A. S. Narayanamoorthy**  
**Mr. Davy K. Manavalan**  
**Dr. C. J. Jose**  
**Mr. Jose Alapatt**  
**Mr. Paul Chalissery**  
**Mr. Mathew L. Chakola**  
**Dr. N. J. Kurian**  
**Mr. Mohan E. Alapatt**

## TOP MANAGEMENT\*

### Executive Directors

**Mr. H. Suresh Prabhu**  
**Mr. Abraham Thariyan**

### Chief General Manager

**Mr. Cheryan Varkey**

### General Managers

**Mr. M. S. Mani**  
**Mr. N. V. Ignatius**  
**Mr. George Davis Thottan**

### Deputy General Managers

**Mr. A. G. Varughese**  
**Mr. K. S. Krishnan**  
**Mr. K. S. George**  
**Mr. P. E. Mathai**  
**Mr. Joseph George Kavalam**  
**Mr. P. J. Jacob**  
**Mr. K. C. Francis**  
**Mr. Roy Alex Vilangupara**  
**Mr. C.J. Jose Mohan**  
**Mr. Thomas Joseph K.**  
**Mr. K. L. Baby**  
**Mr. John Thomas**  
**Mr. P. K. Kochanthony**

## STATUTORY AUDITORS

### **M/s. Deloitte Haskins & Sells**

Chartered Accountants,  
7<sup>th</sup> Floor, ASVN Ramana Tower,  
52, Venkatnarayana Road,  
T. Nagar, CHENNAI – 600 017.

## CFO & COMPANY SECRETARY

**Mr. K. S. Krishnan**, A.C.A., A.C.S.

## REGISTRAR & SHARE TRANSFER AGENT

### **M/s. BTS Consultancy Services Pvt. Ltd.**

No. 4, Ramakrishna Nagar,  
Near Kumaran Matriculation School,  
Villivakkam, CHENNAI – 600 049.

Tel : 044 - 26503337

Fax : 044 - 26503338

email : [ramesh@btsindia.co.in](mailto:ramesh@btsindia.co.in)

[helpdesk@btsindia.co.in](mailto:helpdesk@btsindia.co.in)

## REGISTERED OFFICE

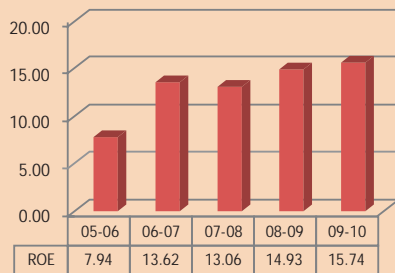
### **The South Indian Bank Ltd.**

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Mission Quarters,  
THRISSUR - 680 001,  
Kerala, India.  
Tel : +91 487 2420020  
[www.southindianbank.com](http://www.southindianbank.com)  
email: [head@sib.co.in](mailto:head@sib.co.in)

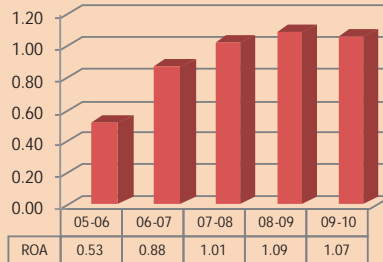


## GROWTH INDICATORS

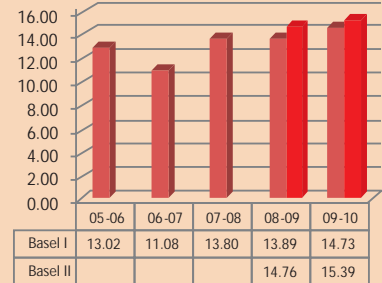
### Return on Equity (%)



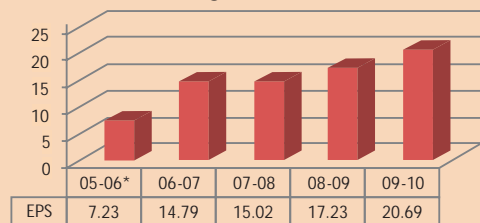
### Return on Assets (%)



### Capital Adequacy (%)

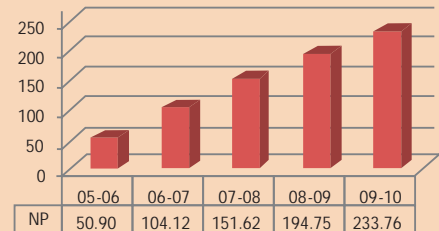


### Earnings Per Share (in Rs)

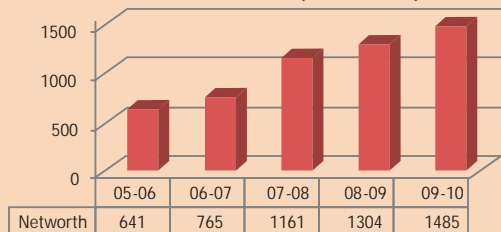


\* Weighted average

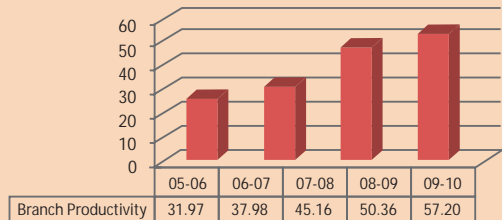
### Net Profit (Rs. in Cr)



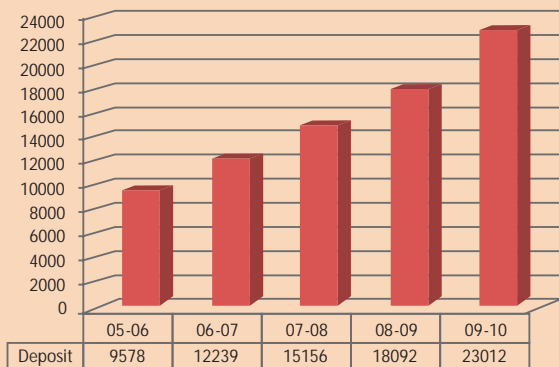
### Networth (Rs. in Cr)



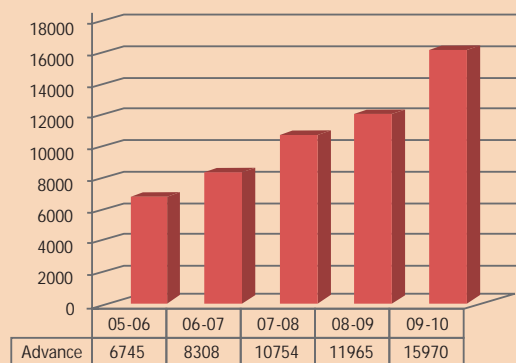
### Branch Productivity (Rs. in Cr)



### Deposits (Rs. in Cr)



### Advances - Gross (Rs. in Cr)



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## CONTENTS

Directors' Report to the Shareholders	5
Statutory Disclosures regarding Employees' Stock Option Scheme	13
Management Discussion and Analysis Report	15
Corporate Governance Report	18
Auditors' Certificate on Corporate Governance	30
Auditors' Report to the Shareholders	31
Audited Balance Sheet	32
Audited Profit and Loss Account	33
Schedules Forming Part of the Balance Sheet	34
	39 Schedules Forming Part of the Profit and Loss Account
	40 Significant Accounting Policies
	45 Notes to Accounts
	64 Cash Flow Statement
	67 Additional Disclosures in terms of Compliance of Basel II requirements as on March 31, 2010.
	81 Notice of the Annual General Meeting
	85 Attendance Slip and Proxy Form
	87 ECS Mandate Form
	89 Share Nomination Form



## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to place before you the 82nd Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended March 31, 2010.

### PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2010 are as follows: -

Key Parameters	Rs. in crore	
	2009-10	2008-09
Deposits	23012.00	18092.00
Gross Advances	15970.00	11965.00
Total Gross Business	38982.00	30057.00
Net Profit	233.76	194.75
Net Worth	1484.71	1304.00
Capital Adequacy (%) - Basel-I	14.73	13.89
Basel-II	15.39	14.76
Earning Per Share (EPS) :		
(a) Basic EPS (in Rs.)	20.69	17.23
(b) Diluted EPS (in Rs.)	20.58	17.23
Book Value per Share (in Rs.)	131.39	115.40
Gross NPA as % of Gross Advances	1.32	2.18
Net NPA as % of Net Advances	0.39	1.13
Return on Average Assets (%)	1.07	1.09

### FINANCIAL PERFORMANCE

#### Profit

The Bank has achieved a record net profit of Rs.233.76 Crore during the year registering a growth of 20.1% over the previous year. The Bank could achieve this 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. 427.33 crore before depreciation, tax and provision as per details given below :

	(Rs. in crore)	
Profit before depreciation, taxes & provisions	427.33	
Less : Depreciation	16.76	
Provision for NPA/NPLs	37.19	
Provision for depreciation on investments	(40.94)	
Provision for contingencies	33.00	
Provision for Income Tax/Wealth Tax	133.55	
Provision for standard advances	6.43	
Provision for restructured advances	7.58	193.57
Net Profit		233.76
Brought forward from last year		14.67
Profit available for appropriation		248.43

### Appropriations

Transfer to Statutory Reserve	58.45
Transfer to Capital Reserve	0.69
Transfer to Revenue & Other Reserves	90.00
Transfer to Investment Reserve	20.27
Transfer to Special Reserve u/s 36(i) (viii) of The Income Tax Act, 1961	9.28
Proposed Dividend	45.20
Dividend Tax on Proposed Dividend	7.51
Carried over to Balance Sheet	17.03
<b>Total</b>	<b>248.43</b>

### Dividend

The Board of Directors has recommended a dividend of 40% (tax-free in the hands of shareholders), i.e., @ Rs.4/- per Equity share of face value of Rs.10/- per share as against 30%, i.e. Rs.3/- 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 been successful in spreading its coverage across the country from South to North and West to East with 580 branches and 3 extension counters. The branch network now covers 26 states/union territories and has an ATM network at 373 centres. During the year, the Bank opened 50 new branches and 93 ATMs across the country.

The Bank plans to open 60 more new branches and 107 new ATMs in the current financial year so as to reach the corporate goal of 640 Branches and 480 ATMs by March 31, 2011.

### CAPITAL & RESERVES

The Bank was having an issued and paid up capital of Rs. 113.01 crore as on March 31, 2010. The Net worth of the Bank has gone up from Rs.1304 crore to Rs.1484.71 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 March 31, 2010 according to Basel I and Basel II guidelines was 14.73% and 15.39 % respectively. Tier I CRAR constituted 11.89% and 12.42% while Tier II CRAR constituted 2.84% and 2.97% under Basel I and Basel II respectively. This is against the statutory requirement of 9% stipulated by Reserve Bank of India.

### 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 2010-11.

## DIRECTOR'S REPORT

### BUSINESS ACHIEVEMENTS

The Bank could achieve a total gross business of Rs.38982 Crore, consisting of total deposits of Rs.23012 Crore and gross advances of Rs.15970 Crore as on March 31, 2010 registering a total business growth of 29.69% over the previous year.

**Deposits:** The Bank could increase its total deposits to Rs. 23012 Crore from Rs. 18092 Crore last year, registering a growth of 27.19%.

The break up of the deposits as on March 31, 2010 is as under:-

	Amount (Rs. in crore)	% to total Deposits
Current Deposits	1052.00	4.57
Savings Deposits	4272.00	18.56
Term Deposits	17688.00	76.87
Total	<u>23012.00</u>	<u>100.00</u>

**Advances:** Total advances of the Bank registered an increase of 33.47%, to touch a gross figure of Rs. 15970 Crore. Total Priority sector advances have improved to Rs.5090.93 Crore, constituting 41.92% of the Adjusted Net Bank Credit (ANBC) as on March 31, 2010. Exposure to agricultural sector amounted to Rs.2656.80 Crore, forming 21.88 % of 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)	2656.80
Small Enterprises	1094.50
Other Priority Sector	1339.63
Total Priority Sector	<u>5090.93</u>

### INVESTMENTS

The fiscal 2009-10 saw a divergent trend in long duration and short duration fixed income securities resulting in a steepening of yield curve. Longer end of the curve was under pressure on account of the higher government borrowing and rising inflationary expectations. The demand for the short term debt instrument was high due to higher liquidity in the system. In the second half of the fiscal, RBI initiated an exit from the soft monetary policy, began by a hike in SLR from 24% to 25%. This was followed by hikes in cash reserve requirements and repo and reverse repo rates. There was a spectacular rally in the equity market in the fiscal backed by a lower base, stable government at the Centre, sign of economic recovery, abundant liquidity and return of risk appetite in the markets.

During the fiscal, our Bank's gross investment portfolio increased by 16.97% to Rs. 7164.29 crore as against a deposit growth of 27.19% resulting in a more healthy investment deposit ratio of 31.13% against 33.85% on March 31, 2009. The Statutory Liquidity Ratio (SLR) investments had grown by 38.69%. The Bank made a total trading profit of Rs. 78.02 crore against Rs.35.41 crore in previous year.

### 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 has been getting amortised over a period of 4 years from the year 2006-07 and the unamortised amount was being carried forward as deferred revenue expenditure. The proportionate expenditure on VRS amounting to Rs. 1.81 crore (Previous year Rs.1.80 crore) has been charged to Profit and Loss account during the current year and hence there is no unamortised amount of VRS expenditure outstanding as at the end of the year as it stands fully absorbed during the last four years.

### NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2009-10, the Bank had taken various steps for recovery of non-performing assets by conduct of recovery camps, issue of notice under Securitization 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. 269.62 Crore during the year against the target of Rs. 225 Crore. The Gross and Net NPAs of the Bank as on March 31, 2010 were Rs. 211 Crore and Rs. 61.57 crore against Rs. 260.56 Crore and Rs.134.31 Crore respectively as on March 31, 2009. The percentage of Gross NPA to Gross Advance came down from 2.18% as on March 31, 2009 to 1.32% as on March 31, 2010.

The most notable achievement in NPA management was that the Bank could reduce the percentage of net NPA to net Advances from 1.13% to 0.39% as on March 31, 2010.

### AUTOMATION AND COMPUTERISATION

Rapid advancement in Information Technology (IT) made a paradigm shift in the way business has been conducted and banking was also not an exception. The stiff and fierce competition being experienced in the banking horizon especially from foreign banks as well as new generation private sector banks forced the managements of old generation private sector banks to ponder upon new dimensions of banking, deploying IT in the best possible manner. Our Board of Directors and the Top Management embraced this idea in early 2000 and thus the 'SIBerTech' initiative was born.

'SIBerTech' was the initiative to deploy Core Banking Solution (CBS) and Bank could achieve 100% CBS status as on March 31, 2007.

Leveraging on the CBS platform Bank could introduce a host of services such as Anywhere Banking, on line ATMs, Net Banking, Mobile Banking, E commerce, M commerce etc.

### Information System Security Awareness

The menace of phishing, spoofing, various kinds of e-threats, etc. and precautionary measures to be taken by the users/ customers to thwart such potential perils have been incorporated in our web site as well as net banking home page, besides as ticker message in the home page of web site, as part of Customer Education. Further educating customers and branches on the impact of 'E-Threats' periodically through circulars/e-mail mode/ customers' meets/structured training sessions forms part of continuing awareness programme introduced by the Bank during the year.



## DIRECTOR'S REPORT

Our web site is provided with a guidance column for customers in regard to the safety measures to be undertaken to guard against the possible E- Threats. Mobile alerts are also being sent periodically to make customers vigilant about the same. Bank is in the process of introducing two-factor authentication mechanism, which augments the existing security in net banking.

### Major IT initiatives during the year

New Pension System was introduced in the Bank as per Pension Fund Regulatory Development Authority (PFRDA) guidelines and South Indian Bank is the only old generation private sector bank included for this purpose as of now. To encourage and smoothen the working of the New Pension Scheme, the entire operations have been computerised with access to the designated branches to upload all the information easily and quickly.

E commerce has been commenced with tie up with various service providers for bill payments, trading etc.

M commerce has been introduced through a tie up with M/s PayMate to facilitate purchase transactions through Mobile banking.

A new data centre with state-of-the-art technology and complying with green building concepts is being set up at Kakkannad, Kochi and the same is expected to be operational during the current year.

Banking Business Intelligent Solution, which is akin to CBS to facilitate various reporting and information processing under distinct subject areas such as Customer Intelligence, Financial Intelligence, Operational Intelligence and Risk Intelligence, is in the process of implementation.

### IT Training

During the year, several IT Training programmes (both advanced and basic) in relevant areas to keep the resource abreast with the advancement and rapid changes in IT were arranged for the benefit of our staff at all levels.

### RISK MANAGEMENT AND BASEL II

In the present volatile and rapidly changing financial scenario, 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 tradeoff 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 Risk Management Committee of Board (RMC), which provides strategic guidance while reviewing portfolio behavior. The senior level management committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) develop the risk management policies and vet the risk limits. The Asset Liability Management Committee, 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 and mitigate the risks to bring the risks within the tolerance level.

The Bank has already migrated to Basel II during FY 08-09 and assesses the capital adequacy for credit risk under Standardized Approach, market risk under Standardized Measurement Method and operational risk under Basic Indicator Approach. To address the issues of Pillar II, the Bank has implemented ICAAP framework (Internal Capital Adequacy Assessment Process) during the year 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. For adhering to market discipline as laid down in pillar III of Basel II guidelines, the Bank has adopted a common framework for disclosures. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner.

### INTERNATIONAL BANKING

At present the Bank is having inward remittance arrangement with 4 Banks and 27 Exchange Houses. During the year, we had entered into an arrangement with the Commercial Bank of Qatar to improve inward remittances and trade related activities from Qatar. We have also initiated tie up with two banks in Saudi Arabia for participating in the growing trade between the two countries. With a view to improve remittance facilities to NRI's in the Gulf countries, the Bank has entered into Speed Remittance arrangement (SIB Express) with 3 new Exchange Houses and with 5 existing Exchange Houses with whom we already have Draft Drawing Arrangement.

To facilitate real time credit of inward remittances from overseas countries through Exchange Houses and Banks, we have launched a Web based Payment Hub which will provide instant credit to the beneficiary's account not only with our Bank but also for credit of other Banks' account through National Electronic Fund Transfer (NEFT) facility provided by Reserve Bank of India. We have also entered into an arrangement with Bank of New York towards online remittance in US Dollar under SIBeazyRemit for Non resident Indians living in U.S.A.

The Bank continued providing managerial support to Hadi Express Exchange, UAE. The Exchange House opened two new branches at Ras Al Khaimah and Deira Dubai during the year, totaling the branch network to four. Bank had also set up a stall in Global Village Dubai, in connection with Dubai Shopping Festival, which attracted a large number of visitors during the festival period.

To improve forex business, Bank had upgraded 11 branches to 'B' category thus bringing the total number of "B" category branches to 25. The Bank has also started publishing the Exchange rates of all major currencies through our web-site on a daily basis. Bank is presently maintaining 11 nostro accounts in 8 major currencies.

During the year, the Bank has introduced Foreign Currency Non Resident (FCNR) Deposits in Australian Dollar (AUD) to

## DIRECTOR'S REPORT

Non resident Indians residing in Australia, with a view to provide this additional facility of investment of their surplus savings in AUD in India.

Our Bank has signed a MOU with Colombo-headquartered Hatton National Bank and this tie-up is a mutually beneficial agreement that will facilitate cross-border business between India and Sri Lanka.

### NRI PORTFOLIO

Our Bank has the unique distinction of opening the first exclusive NRI branch in Kerala and still occupies the prime position with eight exclusive NRI branches in the state. The total NRI deposit of our Bank as on March 31, 2010 constitutes 20.77% of the Bank's total retail deposit.

The NRI Division of the Bank has since been strengthened to provide dedicated service to our NRI customers. The Division also offers best support to the branches in their NRI related matters and closely monitors the growth of NRI business. NRI Newsletter, a quarterly publication from NRI Division continues to provide useful information to our NRI customers.

### TRAINING

The Bank is giving utmost importance for training and development of its Officers and Staff, as improvements made in human resources directly result in enhancement in organization's productivity. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and train them for qualitative improvement. During the financial year, Bank could provide training to 1486 of its Officers, 906 clerks and 116 sub staff in different facets of Bank's operations. Hence, the Bank could impart training to a total of 2511 of its personnel during 2009-2010 which is about 49 percent of total staff strength of 5132 as on March 31, 2010. This is in pursuance of the Bank's objective to provide opportunities for continuous upgradation of skills to our entire staff to ensure that they meet the rising expectations of our customers in the entire spectrum of banking operations.

### MARKETING

Bank has taken various marketing oriented initiatives to ensure business growth and competitiveness in the market. Systems, procedures, products and services are designed from the customer's point of view. This exercise has helped the Bank to design each customer touch point as easy and result oriented as possible. Bank has leveraged the Core banking system to offer varied financial products and services in a hassle free and effective manner.

Bank has a range of SB & CD products with Any Branch Banking facility to suit the needs of various customer segments. Through Real Time Gross Settlement / National Electronic Fund Transfer (RTGS / NEFT), customers can send funds to and receive funds from accounts with any other bank in India, who are the members of this payment system. Through the 'fast money' mode of funds transfer, money can be sent / received between

2 customer accounts maintained within the Bank. Customers can also send and receive funds to and from abroad through the arrangements made with Society for Worldwide Inter-bank Financial Telecommunication (SWIFT).

During the year, the Bank has launched a special Savings Bank product exclusively for women called 'SIB MAHILA'. This packaged savings bank product, which is linked to an RD account, is offered along with free insurance cover in respect of 'house-to-house' travel and death due to accident. There are two categories of this product bundled with a variety of free banking / technology services. Targeting the investors in the Stock Market, Bank launched another SB product 'SB Invest' where the customer is free to operate the account without any obligation to keep a minimum balance. This is a 'zero balance' account but with complete banking facilities - at par payable cheques, any branch banking, net banking, mobile banking, online trading and demat service.

Bank offers the depository services for the benefit of the customers. Through this facility, customers can hold their securities in electronic form with Central Depository Services (India) Ltd. (CDSL). For e-trading, Bank has launched 'SIBer Trade' - the online trading facility to buy stocks and shares from Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd. (NSE) through a tie-up arrangement with Geojit BNP Paribas Financial Services Ltd.

Pension Fund Regulatory and Development Authority (PFRDA) has launched the New Pension System (NPS) across the country. To cater this service to the subscribers of NPS, PFRDA has identified the Bank as a Point of Presence (POP) and the Bank launched the service w.e.f. May 1, 2009. It is proposed to offer this service through all our branches by the end of June 2010. With effect from April 1, 2010 tax will be deducted at source on interest earned on time deposit with banks at higher rates if Income Tax Permanent Account Number (PAN) is not made available. Based on the representations received from the customers, Bank has made a direct arrangement with M/s. UTI Technology Services Ltd. for servicing the PAN card applications. This is in addition to the already launched KYC Certification services for the Mutual Fund Investors, in association with M/s. CDSL Ventures Ltd. (CVL).

Mutual Funds are one of the preferred investment options for all those who wish to play safe, yet earn more than what traditional saving avenues offer. During the year, Bank entered in to a tie up with LIC Mutual Fund and with this, Bank offers a range of funds from 14 performing Mutual Fund companies.

From June 2009 onwards, Bank acts as a corporate agent of Life Insurance Corporation (LIC) of India for selling the life insurance products. All our branches are equipped to provide customised services to our account holders in the area of life insurance and with the wide and varied life insurance products provided by LIC, our Bank is in an unique position to meet the aspirations of our customers for protecting their families