



**83<sup>rd</sup> Annual Report  
2010 - 2011**



## BOARD OF DIRECTORS



Front row: Dr. N. J. Kurian Independent Director    Dr. V. A. Joseph Managing Director & CEO    Sri. Amitabha Guha Chairman    Sri. Mathew L. Chakola Independent Director    Sri. H. Suresh Prabhu Non- Executive Director

Back row: Sri. K. Thomas Jacob Independent Director    Sri. Paul Chalissery Independent Director    Sri. Jose Alapatt Independent Director    Sri. Mohan E. Alapatt Independent Director



# THE SOUTH INDIAN BANK LTD.

## BOARD OF DIRECTORS\*

**Sri Amitabha Guha**, Chairman  
**Dr. V. A. Joseph**, Managing Director &  
Chief Executive Officer

**Sri Jose Alapatt**  
**Sri Paul Chalissery**  
**Sri Mathew L. Chakola**  
**Dr. N. J. Kurian**  
**Sri Mohan E. Alapatt**  
**Sri K. Thomas Jacob**  
**Sri H. Suresh Prabhu**

## TOP MANAGEMENT\*

### Executive Directors

**Sri Abraham Thariyan**  
**Sri Cheryan Varkey**

### General Managers

**Sri M. S. Mani**  
**Sri N. V. Ignatius**  
**Sri Joseph George Kavalam**  
**Sri K. S. Krishnan**  
**Sri K. S. George**  
**Sri A. G. Varughese**

### Deputy General Managers

**Sri P. J. Jacob**  
**Sri K. C. Francis**  
**Sri Roy Alex Vilangupara**  
**Sri C.J. Jose Mohan**  
**Sri Thomas Joseph K.**  
**Sri K. L. Baby**  
**Sri John Thomas**  
**Sri P. K. Kochanthony**  
**Sri Abraham K. George**  
**Sri C. T. Devis**  
**Sri T. J. Raphael**  
**Sri T. D. Devasia**

\* as on 31.03.2011

## 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

**Sri 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.

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[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

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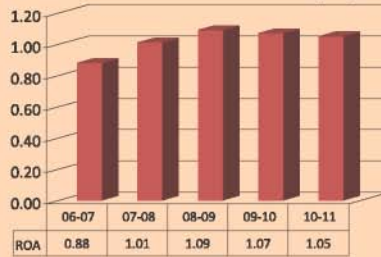
Cover Design: New Administrative Building at Kakkanad, Kochi.

## GROWTH INDICATORS

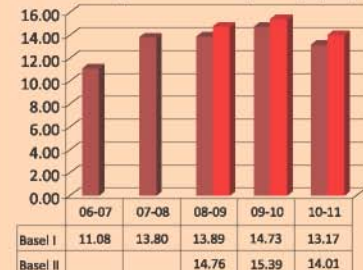
### Return on Equity (%)



### Return on Assets (%)



### Capital Adequacy (%)



### Earnings Per Share (in ₹)



### Net Profit (₹ in Cr)



### Capital & Reserves (₹ in Cr)



### Branch Productivity (₹ in Cr)



### Deposits (₹ in Cr)



### Advances - Gross (₹ in Cr)



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## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to place before you, the 83rd Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended March 31, 2011.

### PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2011 are as follows:

Key Parameters	₹ in Crore	
	2010-11	2009-10
Deposits	29721.00	23012.00
Gross Advances	20659.00	15970.00
Total Gross Business	50380.00	38982.00
Net Profit	292.56	233.76
Capital & Reserves	1845.16	1484.71
Capital Adequacy (%) –Basel-I	13.17	14.73
Basel-II	14.01	15.39
Earning Per Share (EPS) :		
(a) Basic EPS (in ₹)	2.59	2.07
[face value ₹1/-]		
(b) Diluted EPS (in ₹)	2.58	2.06
[face value ₹1/-]		
Book Value per Share (in ₹)	16.33	13.14
[face value ₹1/-]		
Gross NPA as % of Gross Advances	1.11	1.32
Net NPA as % of Net Advances	0.29	0.39
Return on Average Assets (%)	1.05	1.07

### FINANCIAL PERFORMANCE

#### Profit

The Bank has achieved a record net profit of ₹292.56 Crore during the year registering a growth of 25.15% over the previous year. The Bank could achieve this quantitative enhancement in net profit essentially 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 ₹ 548.08 Crore before depreciation, tax and provision as per details given below:

	(₹ in Crore)
Profit before depreciation, taxes & provisions	548.08
Less: Depreciation	22.82
Provision for NPA/NPLs	28.84
Provision for depreciation on investments	9.37
Provision for contingencies	20.00
Provision for Income Tax/ Wealth Tax	152.94
Provision for standard advances	21.60
Provision for restructured advances	(0.05)
Net Profit	292.56
Transfer from Investment Reserve	4.70
Brought forward from last year	17.03
Profit available for appropriation	314.29

#### Appropriations

Transfer to Statutory Reserve	73.15
Transfer to Revenue & Other Reserves	150.00
Transfer to Special Reserve u/s 36(i) (viii) of Income Tax Act, 1961	7.00
Proposed Dividend	56.50
Dividend Tax on Proposed Dividend	9.17
Carried over to Balance Sheet	18.47
<b>Total</b>	<b>314.29</b>

#### Dividend

The Board of Directors has recommended a dividend of 50% (tax-free in the hands of shareholders), i.e., @ ₹0.50/- per Equity share of face value of ₹1/- per share as against 40%, i.e. ₹0.40/- per share declared last year.

#### EXPANSION PROGRAMME / POLICY OF THE BANK

During the year, the Bank opened 61 new branches and 116 ATMs across the country. The Bank has been successful in widening its coverage across the country with 641 branches and 3 extension counters transforming it to a pan Indian Institution. The branch network now covers 26 states/union territories and has a network of 489 ATMs.

The Bank plans to open more new branches and ATMs in the current financial year so as to reach the corporate goal of 700 Branches and 600 ATMs by March 31, 2012.

#### CAPITAL & RESERVES

The Bank was having an issued and paid up capital of ₹113.01 Crore as on March 31, 2011. Capital & Reserves of the Bank has improved from ₹1484.71 Crore to a healthy level of ₹1845.16 Crore due to plough back of profits and revaluation of premises.

#### 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, 2011 according to Basel I guideline is 13.17% as against the statutory requirement of 9%. Tier I CRAR constituted 10.60% while Tier II CRAR represented 2.57%.

The Capital to Risk Weighted Assets Ratio(CRAR) of the Bank as on March 31, 2011 according to Basel II guideline is 14.01%, as against the statutory requirement of 9%. Tier I CRAR constituted 11.27% while Tier II CRAR worked out to 2.74%.

As per Reserve Bank of India guidelines, the 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 while computing the Capital requirement under Basel II guidelines.



## DIRECTORS' REPORT

### 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 2011-12.

### BUSINESS ACHIEVEMENTS

The Bank could achieve a total gross business of ₹50380 Crore, consisting of total deposit of ₹29721 Crore and gross advances of ₹20659 Crore as on March 31, 2011 registering a growth of 29.24% over the previous year.

In CASA segment, the Bank has achieved a year to year growth of 20%.

During the year 2010-11, 7.51 Lakh new SB A/cs were opened, of which, 2.82 Lakh accounts belong to students. This was specifically aimed at inculcating banking and savings habit among the younger generation.

#### Deposits

The Bank increased its total deposits to ₹ 29721 Crore from ₹23012 Crore last year, registering a growth of 29.15%.

The break up of the deposits as on March 31, 2011 is as under:-

	Amount (₹ in Crore)	% to total Deposits
Current Deposits	1201.00	4.04
Savings Deposits	5203.00	17.51
Term Deposits	23317.00	78.45
Total	<u>29721.00</u>	<u>100.00</u>

#### Advances

Total advances of the Bank registered a growth of 29.07%, to touch a gross level of ₹20,659 Crore. Total Priority sector advances have improved to ₹6,291.76 Crore, constituting 39.40 % of the Adjusted Net Bank Credit (ANBC) as at the end of the financial year. Exposure to agricultural sector amounted to ₹3,686.70 Crore, forming 23.09 % of ANBC as at the end of the financial year.

Details of exposure under various sub-heads of the priority sector is furnished below :

	Amount (₹ in Crore)
Agriculture & Allied activities	3686.70
Small Enterprises	1265.75
Other Priority Sector	1339.31
Total Priority Sector	<u>6291.76</u>

### INVESTMENTS

Indian economy has continued its broad based growth during the financial year 2010-11 registering an impressive GDP growth rate. But the inflationary pressures persisted both from domestic demand and higher global commodity prices on account of gradual global recovery from financial crisis witnessed in the past years. RBI has moved, in a calibrated manner, in the direction of normalizing the policy prescriptions. Repo and Reverse Repo rates were hiked 175 and 225 basis points respectively. SLR was reduced to 24% from 25% and CRR has been increased from 5.75% to 6.00%. The monetary policy initiatives were intended to moderate inflation by controlling demand pressures and inflationary expectations, creation of a macro environment conducive to sustainable growth, to generate liquidity environment consistent with more effective transmission of policy actions and to reduce the volatility of short-term rates in a narrower corridor. Liquidity in the system got tightened sporadically during the year under review, especially after the 3G / Broad band auctions held in June, 2010. The borrowing under Repo has occasionally crossed 1% of NDTL which was within the comfort level of RBI. The interest rates have risen due to the liquidity tightness and peaked in March 2011. This resulted in pushing up the cost of deposits.

During the first half of the financial year Indian equity market witnessed a consolidation mode. In the second half of the financial year equity market has shown some volatility. The Bank's gross investment portfolio has increased by 24.80% to ₹8941.06 Crore as against a deposit growth of 29.15% resulting in a more healthy investment deposit ratio of 30.08% against 31.13% on March 31, 2010.

### NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2010-11, the Bank had taken focused steps for recovery of Non-performing Assets through 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 initiatives taken, the Bank could recover NPAs to the tune of ₹167.24 Crore during the year against the target of ₹180 Crore. The Gross and Net NPAs of the Bank as on March 31, 2011 were ₹230.34 Crore and ₹60.02 Crore against ₹211.00 Crore and ₹61.57 Crore respectively as on March 31, 2010.

The Percentage of Gross NPA to Gross Advance came down from 1.32% as on March 31, 2010 to 1.11% as on March 31, 2011. Another encouraging achievement in NPA management was that the Bank could reduce the percentage of net NPA to net Advances from 0.39% to 0.29% as on March 31, 2011, a level comparable with the best in the industry.



## DIRECTORS' REPORT

### **INFORMATION TECHNOLOGY (IT) AND IT ENABLED SERVICES**

The Bank has been progressively introducing a host of products and services deploying the best technology available. Rapid advancement in Information Technology (IT) made a paradigm shift in the way business at large has been conducted and banking sector was also not an exception. The fierce competition being experienced in the banking horizon especially from foreign banks as well as new generation private sector banks drove the managements of old generation private sector banks and Public Sector Banks to adopt IT in the most effective and rewarding manner. 'SIBertech' [Deployment of Core Banking Solution (CBS) through networking of branches] was one of the early adopted measures in this direction, by the Bank.

The Bank has been ahead vis-à-vis other players to accomplish 100% CBS status as on March 31, 2007.

Leveraging on the CBS platform, the Bank could introduce a host of IT enabled services such as Anywhere Banking, on line ATMs (VISA, MASTER and NFS), Net Banking, Mobile banking, E commerce, M Commerce, ASBA etc.

#### **Major IT initiatives during the year**

The nucleus of CBS (Core Banking Solution) which is the centralized repository of data/information commonly known as 'Data Center' (DC) has been relocated to a new spacious location with most modern facilities and state-of-the-art technologies. The new set up will be able to take care of the Bank's business requirements in terms of IT for the next 10 years, at least. The new DC is green-complied as well.

ASBA (Application Supported by Blocked Accounts) has been introduced to enable application for primary market issues, by marking of lien on accounts, enabling the customer to manage their resources better with tangible gain of interest. VISA (Both global debit cum ATM card) operation was launched last year. This is in addition to the tie-ups with Mastercard & NFS ATM networks. Remittance Automation Facility for instantaneous fund transfer from abroad was introduced to enable online real time remittances from middle-east. A major architectural change in network connectivity was also undertaken to ensure more uptime and network resiliency. Straight Through Processing (STP) for fund transfer using RTGS/NEFT and net banking has been introduced which ensures end to end automation of fund transfer from/to other banks without any manual intervention.

#### **Information System Security Awareness**

As a part of awareness programmes against the threats emanating from Phishing, Spoofing, and other kinds of E-threats details have been published in the Bank's web site as well as net banking home page. Further, for educating customers and branches on the impact of 'E-Threats' circulars/

E Mails/customers' meets/structured training sessions have been issued/organized. Such initiatives form part of continuing awareness programme of the Bank.

The Bank's web site contains guidance column for customers with 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 such eventualities. The Bank has also subscribed to services of an industry expert agency in monitoring the web site and preventing it from being hacked.

#### **IT Training**

During the year, several IT Training programmes (both advanced and basic) in relevant areas were organized to keep the operating and other staff informed of the advancement and rapid changes in IT.

#### **RISK MANAGEMENT**

Risk is an integral part of the banking business and the Bank aims at delivering superior value to shareholders by achieving an appropriate trade-off between risk and return. Sound risk management and balancing risk-return trade-off are critical to a Bank's success. Business and revenue growth have therefore to be weighed in the context of the risks embedded in the Bank's business strategy. Of the various types of risks the Bank is exposed to, the most important are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The identification, measurement, monitoring and mitigation of risks, continued to be a key focus area for the Bank. The risk management strategy of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The policies and procedures established for this purpose are continuously benchmarked with the best practices followed in the Industry.

The Bank's risk management structure is overseen by the Board of Directors. Appropriate policies to manage various types of risks are approved by Risk Management Committee (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 and Investment Committee ensure adherence to the implementation of the above risk management policies, develop Asset Liability Management Policy and Investment Policy within the above risk framework.

#### **Compliance with Basel II framework**

The Bank has migrated to Basel II norms during Financial Year

## DIRECTORS' REPORT

2008-09. In tune with regulatory guidelines on Pillar I of Basel II norms, Bank has computed capital charge for credit risk as per the Standardized Approach, for market risk as per the Standardized Duration Method and for operational risk as per the Basic Indicator Approach. To address the issues of Pillar II, the Bank has implemented ICAAP (Internal Capital Adequacy Assessment Process) during the year integrating capital planning with budgetary planning and to capture residual risks which are not addressed in Pillar I like credit concentration risk, interest rate risk in the banking book, liquidity risk, earnings risk, strategic risk, reputation risk etc. Bank has adopted a common framework for additional disclosures under Pillar III for adhering to market discipline of Basel II guidelines. This requires the Bank to disclose its risk exposures, risk assessment processes and its capital adequacy to the market in a more consistent and comprehensive manner.

### INTERNATIONAL BANKING

In its quest for providing quality and hassle free service to the NRI clientele, the Bank has introduced two new products. The Bank has successfully implemented online remittance facility with M/s. UAE Exchange Centre, Abu Dhabi on Real time basis. This will ensure immediate credit to Bank's customers, with a unique feature of informing the beneficiaries and remitter through SMS within 60 seconds of remittance, branded as SIB Flash.

Another product branded "SIB eazyRemit" was launched, to provide online cross border remittance in USD that facilitates a remitter in US to transfer funds to India online, using the internet platform, at a nominal cost, in association with M/s. Bank of New York Mellon. This facility has been extended to other bank customers as well.

The Bank has entered into MTSS sub-agency arrangement with M/s. Weizmann Forex Limited towards payment of inward remittances under Western Union Money transfer scheme.

With an objective to provide remittance facilities to NRIs in the gulf, the Bank had entered into Speed Remittance arrangement (SIB Express) with 4 more Exchange Houses in the current fiscal viz. M/s Delma Exchange, Abu Dhabi, M/s Muthoot Exchange, Dubai, M/s Alamoudi Exchange, Saudi Arabia and M/s Al Dar For Exchange Works, Doha, Qatar. At present the Bank is having inward remittance arrangement with 4 banks and 31 Exchange Houses.

The Bank continued providing managerial support to Hadi Express Exchange, UAE, with four branches. The Bank had also set up a stall in Global Village Dubai, in connection with Dubai Shopping Festival 2011.

RBI has authorized the Bank as a nominated agency for import of gold. The Bank is on the verge of launching the product "SIB

Pure Gold". The product offers different denominations of pure gold coins, with a fineness of '999.9'.

To improve forex business turnover of the Bank, the Bank has received necessary approvals for upgrading 7 more branches to "B" category, bringing the total number of "B" category branches to 32.

### NRI PORTFOLIO

The Bank has the unique distinction of opening the first exclusive NRI branch in Kerala and still occupies the prime position with 8 exclusive NRI branches in the state. The total NRI deposit of the Bank as on March 31, 2011 constitutes 19.50 % of the Bank's total retail deposit.

The NRI Division of the Bank has since been strengthened to provide dedicated service to the Bank's NRI Customers. The Division is also offering WELCOME KIT-Centralized NRI Account Opening facility through Hadi Express Exchange to increase the customer base in UAE. The Division also extends support to the branches in their NRI related matters and closely monitor the growth of NRI business. NRI Newsletter, a quarterly publication from NRI Division continues to provide useful information to the Bank's NRI Customers.

### TRAINING

The Bank accords utmost importance to human resources development. Training programmes are conducted in SIB Staff Training College (SIBSTC), Thrissur and at 7 Regional Training Centers (RTCs) at ROs for enhancement of professional capabilities of the staff. The training programmes are designed to impart knowledge as well as catalyzing a positive attitudinal change in the participants. The improvements made in human resources has reflected in enhancement of organizational productivity. SIBSTC and the RTCs identify gaps in skill of the personnel and provide learning to them for qualitative improvement. During the year 2010-11, the Bank imparted training to 1272 officers, 990 clerks and 285 sub staff in various aspects of banking operations. Thus, the Bank could provide training to a total of 2547 of its personnel, which is about 45 percent of total staff strength of 5619 as on March, 31 2011. This is in consonance with the Bank's vision towards continuous up-gradation of skills to ensure that the staff members meet the rising expectations of customers and discharge services professionally covering the entire gamut of banking operations.

### MARKETING

The Bank has embedded its marketing strategies to ensure all round business growth and to counter the competitiveness in the market. An array of products and services were introduced keeping in view customer's preferences and as a result, the Bank was able to live up to their expectations. This exercise has helped the Bank to design each customer contact point as easy