

2012

84<sup>th</sup> Annual Report

2011

2010

2009

2008





Sri. Amitabha Guha  
Chairman



Sri. Jose Alapatt  
Independent Director



Sri. Paul Chalissery  
Independent Director



Sri. Mathew L. Chakola  
Independent Director



Dr. N. J. Kurian  
Independent Director



Sri. Mohan E. Alapatt  
Independent Director



Sri. K. Thomas Jacob  
Independent Director



Sri. H. Suresh Prabhu  
Non- Executive Director



Dr. V. A. Joseph  
Managing Director & CEO

## BOARD OF DIRECTORS

# 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 Chaliserry**  
**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 Joseph George Kavalam**  
**Sri K. S. Krishnan**  
**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 John Thomas**  
**Sri N. A. Murali**  
**Sri P. K. Kochanthony**  
**Sri Abraham K. George**  
**Sri T. J. Raphael**  
**Sri Francis Antony P.**  
**Sri Benoy Varghese**  
**Sri Francis Chacko**  
**Sri Vijayakumar N.**  
**Sri Krishna Prasad R.**

## STATUTORY AUDITORS

**M/s S. R. Batliboi & Associates**  
Chartered Accountants,  
6th & 7th Floor –“A” Block  
Tidel Park, (Module 601,701&702),  
No.4, Rajiv Gandhi Salai, Taramani,  
Chennai -600 113

## CFO & COMPANY SECRETARY

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

## REGISTRAR & SHARE TRANSFER AGENT

**M/s BTS Consultancy Services Pvt. Ltd.**  
MS Complex, 1st Floor, No. 8, Sastri Nagar,  
Near 200 Feet Road / RTO Kolathur  
Kolathur , CHENNAI – 600 099.

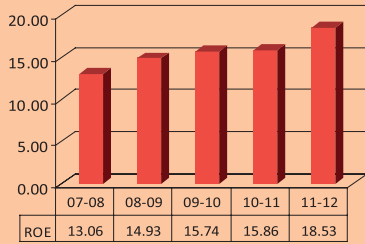
Tel : 044- 25565121  
Fax : 044- 25565131  
email : [ramesh@btsindia.co.in](mailto:ramesh@btsindia.co.in)  
[helpdesk@btsindia.co.in](mailto:helpdesk@btsindia.co.in)

## REGISTERED OFFICE

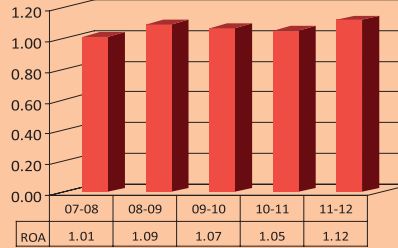
**The South Indian Bank Ltd.**  
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Mission Quarters,  
THRISSUR – 680 001,  
Kerala, India.  
Tel : +91 487 2420020  
[www.southindianbank.com](http://www.southindianbank.com)  
email: [head@sib.co.in](mailto:head@sib.co.in)

# GROWTH INDICATORS

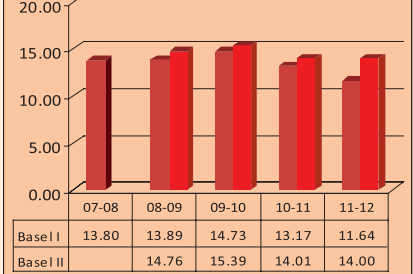
### Return on Equity (%)



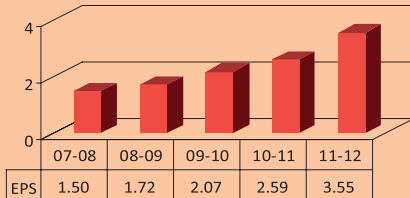
### Return on Assets (%)



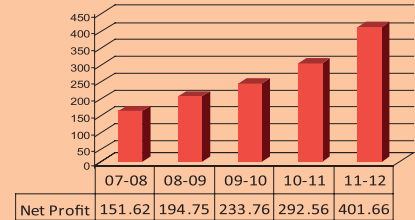
### Capital Adequacy (%)



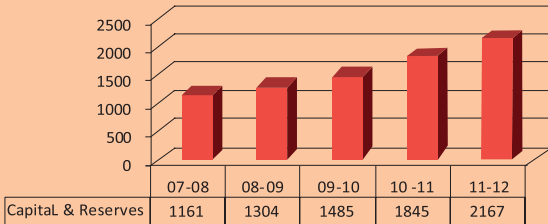
### Earnings Per Share (in ₹)



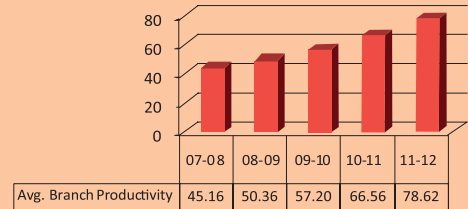
### Net Profit (₹ in Cr)



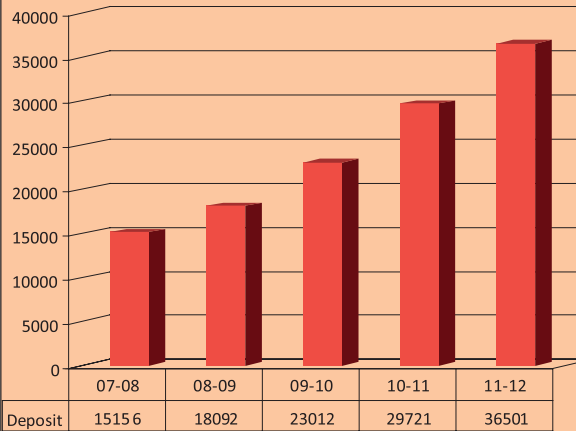
### Capital & Reserves (₹ in Cr)



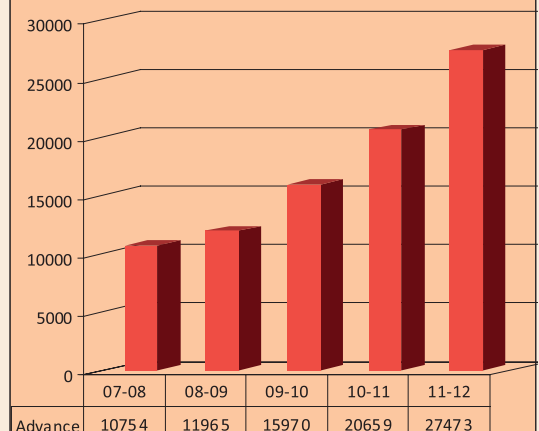
### Branch Productivity (₹ in Cr)



### Deposits (₹ in Cr)



### Advances - Gross (₹ in Cr)



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## DIRECTORS' REPORT TO THE SHAREHOLDERS

### To the Members,

The Board of Directors are pleased to place before you, the 84th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2012 and the Profit and Loss Account for the year ended March 31, 2012.

### PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2012 are as follows: -

Key Parameters	₹ in crore	
	2011-12	2010-11
Deposits	36501.00	29721.00
Gross Advances	27473.00	20659.00
Total Gross Business	63974.00	50380.00
Net Profit	401.66	292.56
Capital & Reserves	2167.48	1845.16
Capital Adequacy (%) - Basel-I	11.64	13.17
Basel-II	14.00	14.01
Earning Per Share (EPS) :		
(a) Basic EPS (in ₹) [face value ₹ 1/-]	3.55	2.59
(b) Diluted EPS (in ₹) [face value ₹ 1/-]	3.50	2.58
Book Value per Share (in ₹) [face value ₹ 1/-]	19.12	16.33
Gross NPA as % of Gross Advances	0.97	1.11
Net NPA as % of Net Advances	0.28	0.29
Return on Average Assets (%)	1.12	1.05

### FINANCIAL PERFORMANCE

#### Profit

The Bank has achieved a record net profit of ₹401.66 crore during the year registering a growth of 37.29% over the previous year. The Bank could achieve this phenomenal growth in net profit essentially on account of higher scale of operations and better management of assets and liabilities of the Bank.

The Operating Profit for the year under review is ₹682.72 crore before depreciation, taxes and provisions. Net profit is ₹ 401.66 crore and the profit available for appropriation is ₹420.13 crore as per details given below:

	₹ in crore	
Profit before depreciation, taxes & provisions		682.72
Less : Depreciation:	31.20	
Provision for NPA/NPLs:	21.34	
Provision for depreciation on investments:	14.07	
Provision for Income Tax/Wealth Tax:	170.69	
Provision for standard advances:	39.75	
Provision for restructured advances:	4.01	281.06
Net Profit:		401.66
Brought forward from last year:		18.47
Profit available for appropriation:		420.13

### Appropriations

(₹ in crore)

Transfer to Statutory Reserve	100.42
Transfer to Capital Reserve	0.51
Transfer to Revenue & Other Reserves	211.52
Transfer to Special Reserve u/s 36(i) (viii) of The Income Tax Act, 1961	14.00
Transfer to/(from) Investment Reserve	(7.13)
Transfer to/(from) present value provision for ADWDRS	(1.52)
Proposed Dividend	68.10
Dividend Tax on Proposed Dividend	11.05
Carried over to Balance Sheet	23.18
<b>Total</b>	<b>420.13</b>

### Dividend

The Board of Directors has recommended a dividend of 60% (tax-free in the hands of shareholders), i.e., @ ₹0.60/- per Equity Share of face value of ₹1/- per share as against 50%, i.e. ₹0.50/- per share declared last year.

### EXPANSION PROGRAMME / POLICY OF THE BANK

During the year, the Bank opened 58 new branches and 174 ATMs across the country. The Bank has been successful in widening its coverage across the country with 700 branches and 2 extension counters transforming it into a pan India institution. The branch network now covers 27 states/union territories and has a network of 663 ATMs.

The Bank plans to open more new branches and ATMs in the current financial year so as to reach the corporate goal of 750 Branches and 750 ATMs by March 31, 2013.

### CAPITAL & RESERVES

The Bank was having an issued and paid up capital of ₹ 113.37 crore as on March 31, 2012. Capital & Reserves of the Bank has improved from ₹ 1,845.16 crore to a healthy level of ₹2,167.48 crore due to plough back of profits.

### 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, 2012 according to Basel I guideline is 11.64% as against the statutory requirement of 9%. Tier I CRAR constituted 9.60% while Tier II CRAR represented 2.04%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2012 according to Basel II guideline is 14.00%, as against the statutory requirement of 9%. Tier I CRAR constituted 11.54% while Tier II CRAR worked out to 2.46%.

Pursuant to Reserve Bank of India guidelines, the Bank migrated to new Capital Adequacy framework w.e.f. March 31, 2009. The Bank has adopted Standardized 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., BSE 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 2012-13.

### BUSINESS ACHIEVEMENTS

The Bank achieved a total gross business of ₹63,974 crore, consisting of total deposit of ₹36,501 crore and gross advances of ₹27,473 crore as on March 31, 2012 registering a growth of 26.98% over the previous year.

In CASA segment, the Bank has achieved a year to year growth of 12.11%.

During the year 2011-12, 6.30 Lakh new SB A/cs were opened.

#### Deposits

The Bank could increase its total deposits to ₹ 36,501 crore from ₹ 29,721 crore last year, registering a growth of 22.81%.

The break up of the deposits as on March 31, 2012 is as under:-

	Amount (₹ in crore)	% to total Deposits
Current Deposits	1,261.82	3.46
Savings Deposits	5,917.49	16.21
Term Deposits	29,321.22	80.33
Total	<u>36,500.53</u>	<u>100.00</u>

#### Advances

Gross advances of the Bank registered an increase of 32.98%, to touch a gross figure of ₹ 27,473 crore. Total Priority sector advances as at the end of the financial year stood at ₹5,221.50 crore, constituting 25.27% of the Adjusted Net Bank credit (ANBC). Exposure to agricultural sector amounted to ₹1,993.16 crore, forming 9.65% of ANBC as at the end of the financial year.

Split up of exposure under Priority sector is furnished below :

	Amount (₹ in crore)
Agriculture & Allied activities	1,993.16
Small Enterprises	1,765.53
Other Priority Sector	1,462.81
Total Priority Sector	<u>5,221.50</u>

### INVESTMENTS

Indian GDP growth slowed in the financial year 2011-12 on account of the higher interest rates as well as global

volatilities. Higher trade deficit of \$185 billion, and increase in external debt burden were putting pressure on INR. Headline Wholesale Price Index (WPI) inflation, which remained above 9 per cent during April-November 2011, moderated to 6.9 per cent by end-March 2012, consistent with the Reserve Bank's indicative projection of 7 per cent.

Liquidity conditions remained in a deficit mode throughout 2011-12. Average net injection of liquidity under the daily Liquidity Adjustment Facility (LAF) increased from around ₹50,000 crore during April-September 2011 to around ₹140,000 crore during February 2012 and further to ₹160,000 crore during March 2012, partly reflecting a build-up in government cash balances. In order to mitigate the liquidity tightness, the Reserve Bank of India conducted Open Market Operations (OMOs) aggregating around ₹130,000 crore between November 2011 and March 2012. Further, the Cash Reserve Ratio (CRR) was reduced by 125 basis points (50 basis points effective January 28, 2012 and 75 basis points effective March 10, 2012), injecting primary liquidity of about ₹80,000 crore. RBI continued hiking the LAF repo and reverse repo rates touching a peak of 8.50% and 7.50% respectively in the previous year. The Bond market and the equity market was trading in a range with negative bias throughout the financial year.

Our Bank's gross investment portfolio increased by 5.34% to ₹9,399.87 crore as against a deposit growth of 22.81% resulting in a healthy investment deposit ratio of 25.75% as on March 31, 2012.

### NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2011-12, the Bank had taken focused steps for recovery of Non-Performing Assets by initiating prompt and effective measures for recovery under the Securities and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), follow up of recovery cases filed before DRT and civil courts, one time settlement of accounts, conduct of recovery camps etc.

As a result of the various initiatives taken as above, Bank could recover NPAs to the tune of ₹ 176.86 crore during the year (up from ₹167.24 crore as on previous year) as against the target of ₹192 crore. The Gross and Net NPAs of the Bank as on March 31, 2012 were ₹ 267.16 crore and ₹ 76.51 crore as against ₹ 230.34 crore and ₹ 60.02 crore respectively as on March 31, 2011.

Percentage of Gross NPA to Gross Advance declined to 0.97% as on March 31, 2012 from 1.11% as at March 31, 2011 and percentage of net NPA to net Advances also came down from 0.29% as on March 31, 2011 to 0.28% as on March 31, 2012. Both the percentage of GNPA & NNPA are comparable with the best in the industry.



## DIRECTORS' REPORT

During the year, with effect from quarter ended June 2011 onwards, Bank could smoothly switch over to fully automated NPA classification and provisioning of accounts, much ahead of the RBI stipulated date. As a prudent measure, with a view to build up provision and capital buffer, Bank has adopted a policy for additional provisioning in NPA accounts, which is effective from quarter ended March 31, 2012. NPA provisioning in percentage thus stood at 71.36%.

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

Information Technology and its adoption to offer innovative solutions has been paramount importance for sustenance of banks. The turnaround time for rolling out a technology product in banks has been visibly diminishing, which essentially calls for a robust system in place to articulate projects right from conception to execution.

The Bank, an early adopter of technology with a view to providing safe and convenient banking facilities to its customers, has introduced host of services and facilities for enhancing the customer satisfaction. The Bank has been successfully functional with Core Banking Solution (CBS) and achieved 100% roll out in CBS as on March 31, 2007. CBS has been the key component in introducing the following technology services by the Bank for the benefit of its customers.

- ❖ Real time on line ATMs having affinity with NFS (National Financial Switch), Master and VISA payment and settlement agencies.
- ❖ Global Debit Card operations with VISA and MAESTRO.
- ❖ Straight Through Processing (STP) for RTGS and NEFT Payment systems
- ❖ Internet Banking & E -Commerce
- ❖ Mobile Banking & M-Commerce
- ❖ ASBA (Application Supported by Blocked Amount)
- ❖ Foreign Inward Instantaneous remittance with own Payment Gateway System
- ❖ Demat & On Line Trading Facility
- ❖ Point of Sales (POS)
- ❖ Bullion Sales
- ❖ Portfolio Investment Scheme for NRI community

### **IT initiatives/Solutions embarked during the year**

The Bank has launched following IT enabled services/Solutions during the year to serve its customers in a better and efficient way.

IMPS (Interbank Mobile Payment System): This facilitates instant interbank transfer of funds. This initiative is launched in association with NPCI (National Payment Corporation of India). Both JAVA based (application) and SMS based mode of operations are available. Transactions are validated through

registered mobile number and unique MMID (Mobile Money Identifier) with 24X7 availability and instant debit/credit intimation to both sender and receiver.

Point of Sale Solution (POS): Facilitates acceptance of VISA, MASTER and MAESTRO cards. Launched in association with M/s FIS Payment Systems Ltd.

Core Hardware Migration: In line with the capacity planning envisaged by the Bank, the Core hardware has been changed to the latest which can cater to Bank's needs for next 5 years.

Bullion Sales: 24 Carat pure gold of 999.9 purity. Manufactured in Switzerland by PAMP refineries, one of the renowned global gold refiners with purity being ASSAY certified. Currently launched in the states of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh.

Portfolio Investment Solution for NRIs: Enables NRIs to purchase shares from secondary market. Partnering with M/s Geojit BNP Paribas Financial Services Ltd. for this initiative. Facility is offered both in online and offline mode.

### **Information Security and Risk Management**

As banks embrace technology as part of their new strategic agenda to face competition in the emerging realities of banking, they are increasingly exposed to IT risks. It is therefore imperative for any bank to work out appropriate IT risk management strategies to secure its most vital information asset and ensure that related risk management systems and processes are strengthened on continual basis to secure both present and future banking activities. SIB's IS audit system has already factored these aspects into consideration and it includes the new supervisory initiatives in the form of Risk Based Supervision (RBS) and Risk Based Internal Audit (RBIA) under Basle II.

Bank has been providing awareness on e-threats to its customers and staff in an incessant basis so that both proactive and reactive measures can be instituted, as deemed appropriate to thwart risks associated with menace of e-threats.

Bank is in the process of implementing the stipulations and guidelines issued by RBI based on the working group recommendations on Electronic Banking, Technology Risk, Information Security and Cyber Frauds as part of the IT governance programme.

### **Upcoming Initiatives**

Bank would like to introduce the following initiatives to augment the customer convenience in the related areas during the year.

- ✓ Online Debit Card Payments
- ✓ 2<sup>nd</sup> Factor Authentication for net banking
- ✓ Online Tax Payments
- ✓ Prepaid Travel Cards
- ✓ Automated Dataflow from Bank to RBI as per the RBI directions on the same

## DIRECTORS' REPORT

### IT Training

During the year under reporting, many IT training programmes in relevant areas were attended by the Bank's resource in premier institutions such as IDRBT, NIBM, IIM etc. to equip themselves abreast with the advancement and rapid changes in IT.

### Awards and Accolades

During the year, the Bank bagged the Technology Excellence Award, instituted by IDRBT and the Bank has been designated for the Great Mind Challenge for Business award during the year, given away by IBM, a global IT solution company for implementation of innovative IT solutions.

### 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 function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level, as appropriate, through quantitative examinations of embedded risks. The risk management strategy of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The policies and procedures established for this purpose are continuously 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 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 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

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), 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

The total forex business turnover for the year ended 31<sup>st</sup> March, 2012 was ₹52,662.15 crore recording an increase of 47.67% as compared to the previous financial year and Bank earned an exchange profit of ₹31.88 crore showing a year on year increase of 59.87%.

The Bank has successfully implemented online remittance facility with M/s. UAE Exchange Centre, Abu Dhabi and UAE Exchange, Kuwait 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". Bank will be extending this facility to few more exchange houses within a short span.

At present the Bank is having rupee inward remittance arrangement with 4 Banks and 32 Exchange Houses and turnover for the year ended March 2012 was ₹3,988.02 crore registering an increase of 37.48% as compared to the previous financial year. The Bank continued providing managerial support to M/s Hadi Express Exchange, UAE, with five branches.

### NRI PORTFOLIO

The Bank has the unique distinction of opening the first exclusive NRI Branch in Kerala and still occupies the prime position with 7 exclusive NRI Branches in the state. The total NRI Deposit of the Bank as on March 31, 2012 constitutes 20% of the Bank's total retail deposit.

The NRI Division of the Bank has been setup to provide dedicated and personalized service to the Bank's NRI customers. In the FY 2011-12, the Division has successfully co-ordinated NRI Meets in Dubai-UAE, Doha-Qatar, and Jeddah & Riyadh in Saudi Arabia to reach out to Bank's customers in various GCC countries. To build up the momentum of NRI business growth and valued customer retention, the division has successfully co-ordinated NRI Meets with cultural events in all the Regions of the Bank in Kerala. The Bank has deputed officers to Bank's stall at Dubai Shopping Festival (DSF), Global Village to promote