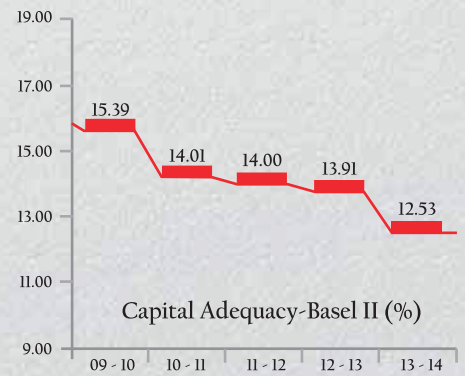
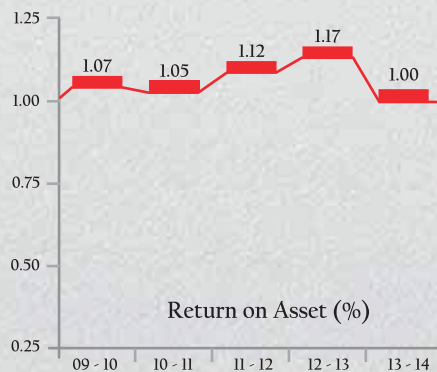
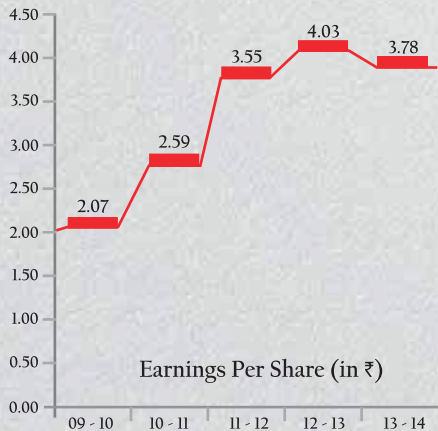
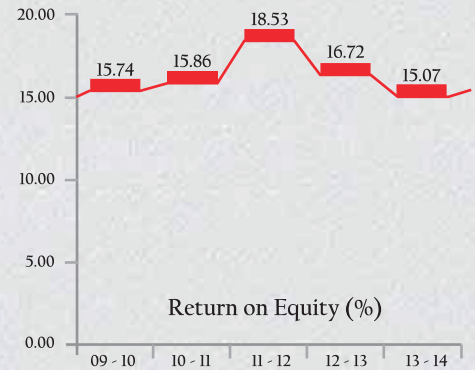
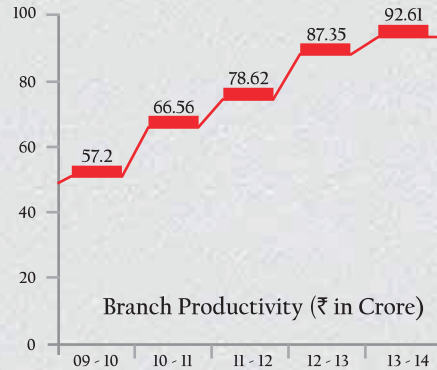
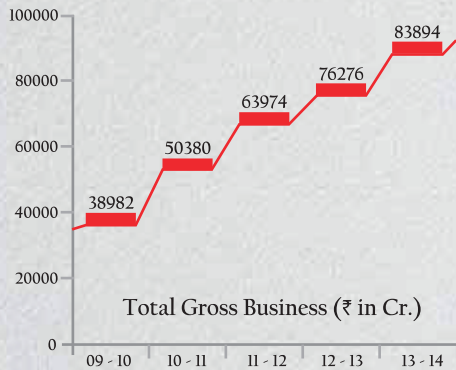
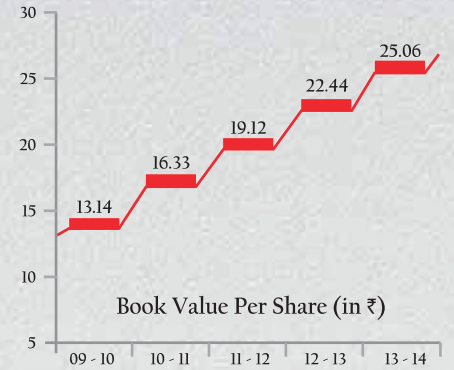
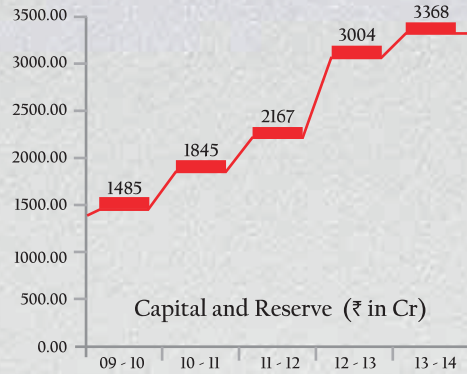
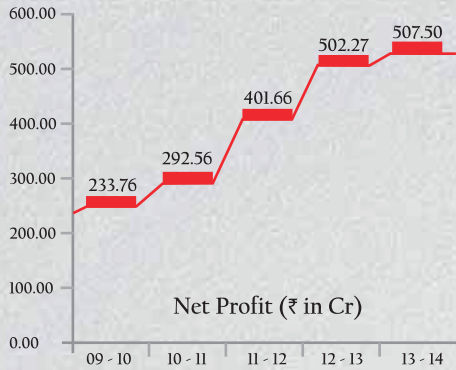


86th ANNUAL REPORT
2013-2014



G R O W T H I N D I C A T O R S



BOARD OF DIRECTORS



Left to Right

Dr. N. J. Kurian, Independent Director
Mr. Mathew L. Chakola, Independent Director
Dr. John Joseph Alapatt, Independent Director
Mr. Francis Alapatt, Independent Director
Dr. V. A. Joseph, Managing Director & CEO
Mr. Amitabha Guha, Chairman
Mr. K. Thomas Jacob, Independent Director
Mr. Mohan E. Alapatt, Independent Director
Mr. Paul Chalissery, Independent Director
Mr. Salim Gangadharan, Independent Director

EXECUTIVE VICE PRESIDENT



Mr. V.G. Mathew



Mr. Abraham Thariyan

◀ EXECUTIVE DIRECTORS ▶



Mr. Cheryan Varkey

CHIEF GENERAL MANAGERS



Mr. Joseph George Kavalam



Mr. A. G. Varughese

GENERAL MANAGERS*



Mr. Thomas Joseph K.



Mr. N. A. Murali



Mr. John Thomas



Mr. T.J. Raphael



Mr. Abraham K. George



Mr. Benoy Varghese

DEPUTY GENERAL MANAGERS*

Mr. FRANCIS CHACKO
Mr. VIJAYAKUMAR N.
Mr. ANTO GEORGE T
Mr. REDDY N.J.

Mr. PAUL V.L.
Mr. GIREESH C P
Mr. JACOB E.A.
Mr. JOSE P.VARGHESE

Mr. BOBBY JAMES
Mr. BALAKRISHNAN K.N.
Mr. NARENDRAN A.
Mr. MANJIYIL S.K.

Mr. NANDAKUMAR G
Mr. MOHANAN K.
Mr. GEORGE PAUL
Mr. SHIBU.K.THOMAS

Mr. SHELLY JOSEPH
Mr. DAVIES M.J.
Mr. SIVARAMAN K.
Mr. AJIT CHACKO JACOB

STATUTORY AUDITORS

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

REGISTERED OFFICE

The South Indian Bank Ltd, SIB House, T. B. Road, Mission Quarters
Thrissur - 680 001, Kerala, India. CIN: L65191KL1929PLC001017
Tel: +91 487 2420020, Fax: +91 487 2442021.
www.southindianbank.com | Email: head@sib.co.in

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 | helpdesk@btsindia.co.in

COMPANY SECRETARY

Mr. Jimmy Mathew, A.C.S., A.C.M.A..

*As on 31.03.2014

CONTENTS

5	Directors' Report to the Shareholders	46	Schedules Forming Part of the Profit and Loss Account
17	Statutory Disclosures Regarding Employees' Stock Option Scheme	47	Significant Accounting Policies
19	Management Discussion and Analysis Report	51	Notes to Accounts
23	Corporate Governance Report	72	Cash Flow Statement
35	Auditors' Certificate on Corporate Governance	74	Disclosures under Basel III Norms
36	Auditor's Report	90	Notice of the Annual General Meeting
38	Audited Balance Sheet	103	Attendance Slip and Proxy Form
39	Audited Profit and Loss Account	105	ECS Mandate Form
40	Schedules Forming Part of the Balance Sheet	106	Format for Registering Email IDs
		107	Postal Ballot Form

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors is pleased to place before you, the 86th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2014 and the Profit and Loss Account for the year ended March 31, 2014.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2014 are as follows:

Key Parameters	₹ in crore	
	2013-14	2012-13
Deposits	47491.00	44262.00
Gross Advances	36403.00	32014.00
Total Gross Business	83894.00	76276.00
Net Profit	507.50	502.27
Capital & Reserves	3368.05	3003.61
Capital Adequacy (%) - Basel-II	12.53	13.91
Basel-III	12.42	NA
Earnings Per Share (EPS) :		
(a) Basic EPS (in ₹)	3.78	4.03
[face value ₹ 1/-]		
(b) Diluted EPS (in ₹)	3.77	4.00
[face value ₹ 1/-]		
Book Value per Share (in ₹)	25.06	22.44
[face value ₹ 1/-]		
Gross NPA as % of Gross Advances	1.19	1.36
Net NPA as % of Net Advances	0.78	0.78
Return on Average Assets (%)	1.00	1.17

FINANCIAL PERFORMANCE

Profit

The Bank had achieved a net profit of ₹507.50 crore during the year against the net profit of ₹502.27 crore posted during the previous year. The Bank was able to achieve this growth in net profit essentially on account of higher scale of operations, better management of assets and liabilities and focus on enhancement of non-interest revenue of the Bank. .

The Operating Profit for the year under review was ₹928.95 crore before depreciation, taxes and provisions. Net profit was ₹507.50 crore and the profit available for appropriation was ₹544.46 crore as per details given below:

	(₹ in crore)	
Profit before depreciation, taxes & provisions	928.95	
Less : Depreciation	44.61	
Provision for NPA/NPLs	137.12	
Provision for FITL	5.64	
Provision for depreciation on investments	(28.47)	
Provision for Income Tax/Wealth Tax	221.43	
Provision for standard advances	31.09	
Provision for restructured advances	9.70	
Provision for Impaired Assets	0.33	421.45
Net Profit		507.50
Brought forward from last year		36.96
Profit available for appropriation		544.46

Appropriations

	(₹ in crore)
Transfer to Statutory Reserve	126.88
Transfer to Capital Reserve	0.84
Transfer to Revenue & Other Reserves	220.00
Transfer to Special Reserve u/s 36(1) (viii) of The Income Tax Act, 1961	17.00
Transfer to / (from) Investment Reserve	14.09
Proposed Dividend	107.52
Dividend Tax on Proposed Dividend	18.27
Carried over to Balance Sheet	39.86
Total	544.46

Dividend

The Board of Directors recommended a dividend of 80% (tax-free in the hands of shareholders), i.e., @ ₹0.80 per Equity Share of face value of ₹1/- per share vis-à-vis 70%, i.e. ₹0.70 per share declared last year.

EXPANSION PROGRAMME / POLICY OF THE BANK

During the last financial year, the Bank has opened 54 new branches and 200 ATMs across the country. The Bank has been successful in widening its presence pan India with 794 branches and 9 service branches. The branch network now covers 29 states / union territories and has a network of 1000 ATMs.

The Bank further plans to open 25 new branches, 25 Extension Counters, 250 ATMs, 3 USBs and increasing the network of branches to establish foot prints in the states not covered hither to, Arunachal Pradesh and Sikkim during the current financial year.

CAPITAL & RESERVES

The Bank's issued and paid up capital stood at ₹134.39 crore as on March 31, 2014. During the year, 54,09,172 stock options granted under Employee Stock Option Scheme had been exercised by eligible employees.

The capital plus reserves of the Bank has gone up from ₹ 3,003.61 crore to ₹3,368.05 crore owing to plough back of profits during the year.

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

The Bank is subject to the capital adequacy guidelines mandated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March, 2019. These guidelines on Basel III are to be implemented beginning 1st April, 2013 in a phased manner, the minimum capital required to be maintained by the Bank

DIRECTORS' REPORT

for the year ended 31st March, 2014 is 9% with minimum Common Equity Tier 1 (CET1) of 5%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2014 according to Basel III guidelines is 12.42%, as against the statutory requirement of 9%. Tier I CRAR constituted 10.79% while Tier II CRAR worked out to 1.63%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2014 according to Basel II guideline is 12.53%, as against the statutory requirement of 9%. Tier I CRAR constituted 10.89% while Tier II CRAR worked out to 1.64%.

The Bank is following Standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively.

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 2014-15.

BUSINESS ACHIEVEMENTS

The Bank has achieved a total gross business of ₹83,894 crore, consisting of total deposit of ₹47,491 crore and gross advances of ₹36,403 crore as on March 31, 2014 registering a growth of 9.99% over the previous year.

In CASA segment, the Bank has achieved a year on year growth of 19.34%. During the year, 2013-14, 8.01 lacs new SB A/c's had been opened. The Bank has accorded priority to meaningful financial inclusion exercise during the period under reporting.

Deposits

The total deposits of the Bank increased to ₹47,491 crore from ₹44,262 crore as on March 31, 2013, registering a growth of 7.30%.

The break-up of the deposit as on March 31, 2014 is as under:

	Amount (₹ in crore)	% to total Deposits
Current Deposits	1,888.27	3.98
Savings Deposits	7,936.63	16.71
Term Deposits	37,666.19	79.31
Total	47,491.09	100.00

Advances

Gross advances of the Bank registered an increase of 13.71%, to touch a gross figure of ₹36,403.10 crores. Total Priority sector advances as at the end of the financial year stood at ₹13,376.72 crores, constituting 40.66% of the Adjusted Net Bank Credit (ANBC). Exposure to agricultural sector amounted to ₹4,556.59 crores, forming 13.85%* of ANBC as at the end of the financial year. Break-up of exposure under Priority sector is furnished below:

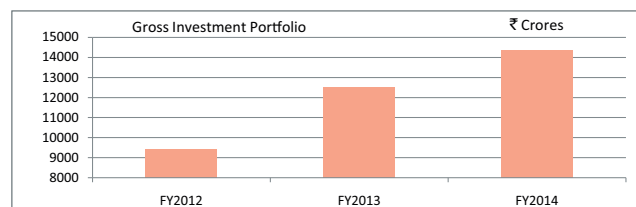
	Amount (₹ in crore)
Agriculture & Allied activities (including investments in RIDF)	4,556.59
Small Enterprises	6,509.26
Other Priority Sector	2,310.87
Total Priority Sector	13,376.72

* As per RBI guidelines, indirect lending in excess of 4.5% of ANBC is not reckoned for computing achievement under 18 percent target for agriculture sector. Hence the achievement under 18 percent target comes to 10.41%. However, same is reckoned for computing achievement under the overall priority sector target of 40 percent of ANBC.

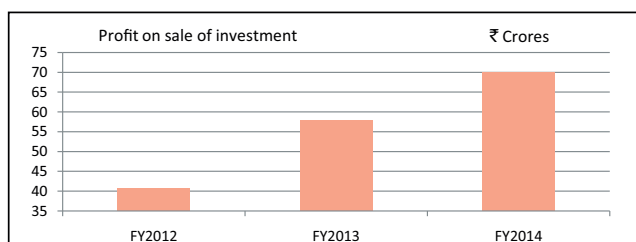
INVESTMENTS

Financial Year 2014 was a challenging year with overall economic slowdown on the backdrop of halted investment cycle, firm inflation and tight monetary condition. Although market witnessed heightened volatility initially on the news of fed tapering, it got absorbed finally without major difficulties. We expect gradual economic recovery in 2014-15 with better investment prospect on the backdrop of improved current account deficit, global economic recovery and growth inducing policy initiatives of the new federal government. However, a weak monsoon could upset prospect of early economic recovery at the expected level.

Bank's gross investment portfolio stood at ₹14,351.77 crores as on March 31, 2014 compared with ₹12,523.47 crores as on March 31, 2013, registering a growth of 14.60%. Investment Deposit ratio has increased to 30.22% as on March 31, 2014 from 28.29% as on March 31, 2013.



Even in the challenging environment, profit on sale of investment registered healthy growth from ₹ 57.72 crores in FY2013 to ₹ 69.88 crores in FY2014. Total interest income from investments for the FY2014 was ₹ 954.48 crores as against ₹746.39 crores for the FY2013, registering a growth of 27.88%.



DIRECTORS' REPORT

NON-PERFORMING ASSETS (NPA) MANAGEMENT

During the year 2013-14, as a result of the focused and sustained efforts like early recovery of NPAs, through prompt and effective measures under the SARFAESI Act, follow up of recovery cases pending before DRTs and civil courts, one time compromise settlements of accounts, etc., Bank has recovered NPAs to the extent of ₹532.69 crore, (recovery including up-gradation ₹301.16 crores) as against the target of ₹250.00 crore. The recovery during the current year also surpassed the recovery of ₹270.73 crore for the previous financial year ended March 31, 2013. The thrust on selection of credit, adequate due diligence and improvement in credit administration were maintained ensuring improvement in quality of assets.

During the year, the Gross NPA of the Bank declined from ₹433.87 crore as on March 31, 2013 to ₹432.62 crore as on March 31, 2014. But Net NPA marginally increased from ₹249.53 crore as on March 31, 2013 to ₹281.67 Crore as on March 31, 2014. Out of this GNPA of ₹432.62 crores, ₹186.28 crores is accounted by fresh slippage and provision requirement was only ₹38.16 crores. In terms of percentage, GNPA improved from 1.36 % as on March 31, 2013 to 1.19 % as on March 31, 2014 and net NPA remain unchanged at 0.78% as on March 31, 2014.

INFORMATION TECHNOLOGY (IT) AND IT ENABLED SERVICES

The growing competition, arising out of increasing customer expectations and increasing need of risk management pushed Indian Banks to adopt technology more vigorously for survival and growth.

Indian banking industry, today is in the midst of an IT evolution. A combination of regulatory and competitive reasons has led to increasing importance of total banking automation in the Indian Banking Industry.

Information Technology has basically been used under two different verticals in Banking. One is IT infrastructure and controls and other is Application of IT for improving business process and developing customer centric solutions. Information technology enables sophisticated and product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets.

The Bank, has been an early adopter of technology with a view to providing safe and convenient banking facilities to its customers, having introduced host of services and facilities for enhancing the customer satisfaction. The Bank has been successfully functional with Finacle Core Banking Solution (CBS) from Infosys for several years. 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, VISA and RuPay payment and settlement agencies.

- Debit Card operations with VISA, MAESTRO and RuPay.
- Straight Through Processing (STP) for RTGS and NEFT payment systems.
- Internet Banking and E-Commerce including NEFT support for other bank remittances.
- Mobile Banking and M-Commerce (with support for other bank money transfer through IMPS).
- ASBA (Application Supported by Blocked Amount).
- Foreign Inward Instantaneous remittance with own Payment Hub system.
- Demat and On-line Trading Facility.
- Point of Sales (POS).
- Bullion Sales.
- Portfolio Investment Scheme for NRI community.
- Central Plan Scheme Monitoring System (CPSMS).
- Kiosk based Financial Inclusion Solution.
- Cash Deposit Machines.

IT initiatives/Solutions embarked during the year

The following list elucidates a few of the IT enabled services / solutions that the Bank has launched during the year to serve its customers in a better and efficient way.

- Various new products offered to customers which includes enhancements in delivery channels such as Internet Banking, Mobile Banking and ATM.
- Version migration of CBS with enriched features leading to increased internal efficiency of operations, augmented control over various functions through streamlined processes.
- Version migration of Internet Banking Application with augmented security controls and features.
- Captive Security Operation Centre in line with GKC (Gopalakrishna Committee) recommendations of RBI for monitoring and management of IT systems.
- Enterprise Wide Fraud Risk Management Solution in line with the recommendations of GKC.
- ISO 27001 implementation for DC/DR and IT Operations.
- Business Process Management solution leading to a paperless environment to a large extent.
- Technology solution for Basel II advanced approach/Basel III implementation.
- Integrated CRM solution to help business users for better understanding of Bank's customers.
- Rupay debit card – An NPCI initiative.
- Mobile Pass Book for customers on all platforms such as Andorid, iOS, Blackberry and Windows.

Information Security and Risk Management

As banks adopt technology as part of their ongoing strategic tool to face challenges in the emerging realities of business, they are increasingly exposed to technology risks. It is therefore imperative for each 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 Information Security

DIRECTORS' REPORT

Policy and other IT Policies – IT Operation Policy, IT Governance Policy, IT out sourcing Policy and Information Security systems have already taken these aspects into consideration. Further, the Information Security of banking IT functions is getting strengthened through implementation of a captive SOC (Security Operation Centre).

The Bank has been providing awareness on e-threats to its customers and staff on a continued basis so that both proactive and reactive measures can be initiated, as deemed appropriate to mitigate potential risks associated with e-threats.

The Bank has been implementing the stipulations and guidelines articulated and 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 (Gopalakrishna Committee Report).

IT Training

During the year, many training programmes had been attended by the Bank's officers in premier institutions such as IDRBT, NIBM to keep themselves abreast with the advancements in IT, Information Security, CRM etc.

Awards and Accolades

During the period under review, the Bank has received the following awards for its achievements from different quarters/agencies:

- Awards from the Sunday Standard, instituted by The New Indian Express Group, for Best Banker (mid-sized) 2013, Best Private Sector Banker, Best Banker – All round expansion and Best Banker – Efficiency and Profitability.
- Prestigious IBA Banking Technology Award 2012-13.
- The Business Excellence Award 2012-13 instituted by the Trivandrum Chamber of Commerce and Industry.
- Dr. V. A. Joseph, MD & CEO has been declared as one among the best 100 CEOs' of India by Business Today's 'Roll of Honour – CEOs' survey conducted in association with Price Waterhouse Coopers.

Gopalakrishna Committee Recommendations Management Philosophy and Measures

Gopalakrishna Committee Recommendations on Information Security, Electronic Banking, Technology Risk and Cyber Frauds as applicable to the Bank has been taken up for implementation. Effective measures have been taken to address the identified gaps in each area such as IT Governance, Information Security, IT Service out sourcing, IS Audit, IT Operations, Cyber Frauds, Business Continuity Plan (BCP), Customer Education and Legal issues. The IT Organization set up has been redrawn to suit the functions / roles specified in the recommendations with segregation of duties. Technology, Development, IT Operations and IT Assurance functions have been clearly divided and now independently headed.

IT Strategy Committee of the Board, IT Steering Committee, Information Security Committee and Chief Information Security Officer (CISO) reporting independently to Head Risk Management are in place.

Revamped Information Security Policy factoring the various guidelines and stipulations mentioned in the report has been approved by Board and is in place, besides other IT Policies such as IT Operation Policy, IT Governance Policy and IT Out Sourcing Policy.

The progress of implementation of GKC recommendations are reviewed by IT Strategy Committee of Board and the Board on quarterly basis. The major items which are under process which would enable the Bank to achieve full compliance to GKC are as follows:

1. Security Operation Centre
2. Comprehensive Fraud Risk Management Solution
3. ISO 27001 Implementation
4. Near line DR Center Solution

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 a Committee of the Board. 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 ensures adherence to the implementation of the above risk management policies, develop Asset Liability Management Policy within the above risk framework.

Compliance with Basel III and Basel II framework

In compliance 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