

AUDITORS' CERTIFICATE

To
The Members of The South Indian Bank Limited

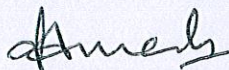
We have examined the compliance of conditions of corporate governance by The South Indian Bank Limited, for the year ended on March 31, 2015, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.


For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W


per Subramanian Suresh
Partner
Membership No.:083673



Place : Kochi
Date: May 5, 2015

Certified True Copy
For THE SOUTH INDIAN BANK LTD.


(JIMMY MATHEW)
COMPANY SECRETARY

87th
ANNUAL REPORT

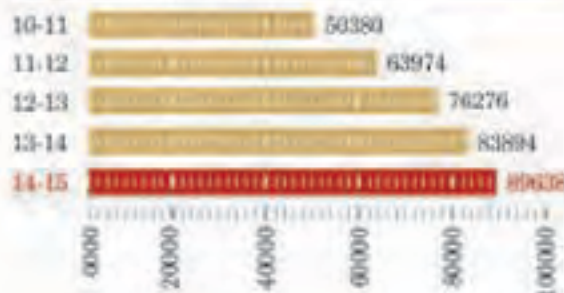


**SOUTH
INDIAN Bank**

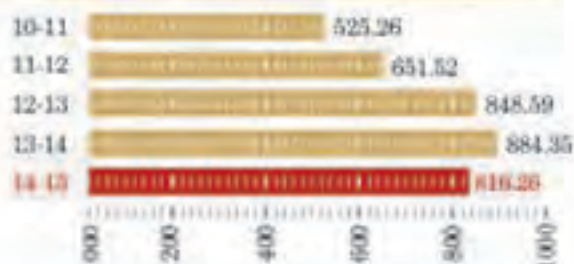
Experience Next Generation Banking

GROWTH INDICATORS

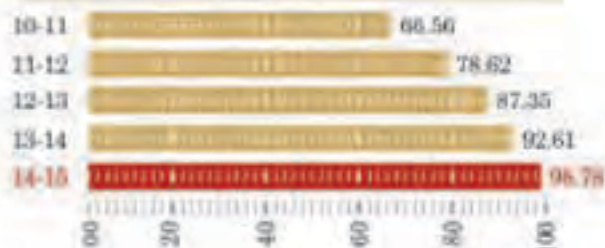
Gross Business (₹ in Cr)



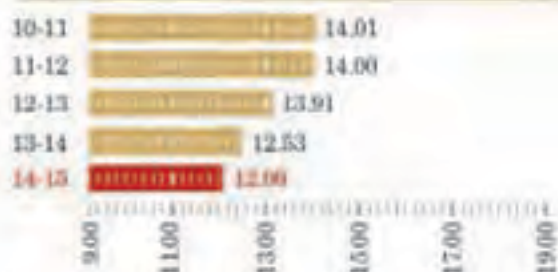
Operating Profit (₹ in Cr)



Branch Productivity (₹ in Cr)



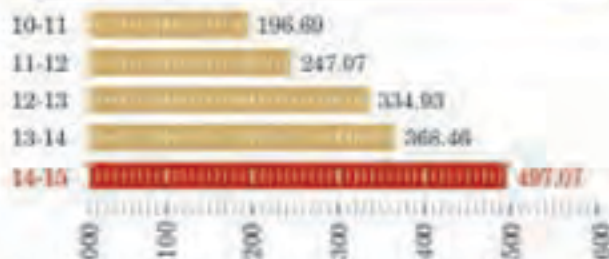
Capital Adequacy (%)



Capital and Reserve (₹ in Cr)



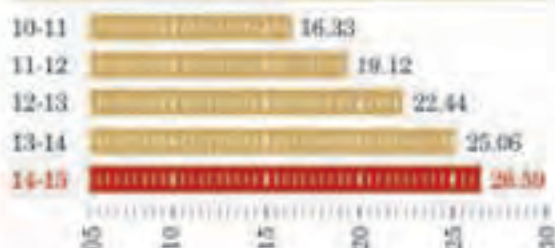
Other Income (₹ in Cr)



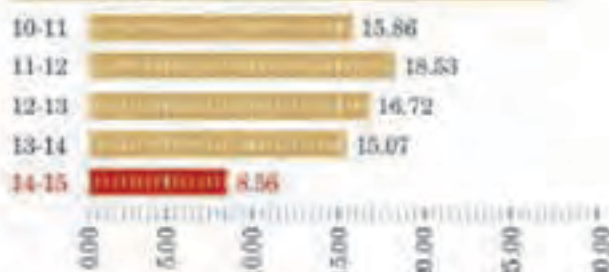
Net Profit (₹ in Cr)



Book Value Per Share (in ₹)



Return on Equity (%)



Our Bank's Vision and Mission

Vision

To be the most preferred bank in the areas of customer service, stakeholder value and corporate governance.

Mission

To provide a secure, agile, dynamic and conducive banking environment to customers with commitment to values and unshaken confidence, deploying the best technology, standards, processes and procedures where customer convenience is of significant importance and to increase the stakeholders' value.

The Board of Directors



| | | | | | | | | | | | | | |
|----|---|----|---|----|---|-----|--|----|-------------------------------|----|---|----|---|
| 1. | Smt. Ranjana S. Salgaocar Independent Director | 2. | Mr. Salim Gangadharan Independent Director | 3. | Dr. John Joseph Alapatt Independent Director | 4. | Mr. Mohan E. Alapatt Independent Director | 5. | Mr. Amitabha Guha Chairman | 6. | Mr. V. G. Mathew Managing Director & CEO | 7. | Mr. K. Thomas Jacob Independent Director |
| | | 8. | Mr. Francis Alapatt Independent Director | 9. | Mr. Cheryan Varkey Non-Executive Director | 10. | Mr. Parayil George John Tharakan Independent Director | | | | | | |



Mr. Joseph George Kavalam
Senior Vice President



Mr. A. G. Varughese
Senior Vice President

GENERAL MANAGERS*



Mr. Thomas Joseph K.
Chief General Manager



Mr. John Thomas



Mr. N. A. Murali



Mr. T. J. Raphael



Mr. Abraham K. George



Mr. Benoy Varghese



Mr. Paul V.L.



Mr. Anto George T.



Mr. Bobby James

DEPUTY GENERAL MANAGERS*

Mr. REDDY N.J.
Mr. GIREESH C.P.
Mr. JACOB E.A.
Mr. JOSE P.VARGHESE
Mr. BALAKRISHNAN K.N.
Mr. NANDAKUMAR G.
Mr. MUHANAN K.

Mr. GEORGE PAUL
Mr. SHIBU K. THOMAS
Mr. SHELLY JOSEPH
Mr. SIVARAMAN K.
Mr. AJIT CHACKO JACOB
Mr. SATHEESH KUMAR K.S.

Mr. RAJEEVU M.A.
Mr. JOY STANLEY MATHEW
Mr. SONY A.
Mr. RAMESH K.
Mr. PAUL THALLATH
Mr. JOSE MANUEL

Mr. SARAVANAN M.
Mr. JOSE PAUL P.
Ms. CHITHRA H.
Mr. SREEKUMAR CHENGATHI
Mr. MOHAN T.M.
Ms. USHA L.
Mr. KRISHNA DAS P.B.

STATUTORY AUDITORS

M/s. S.R. Balibol & Associates LLP
Chartered Accountants, 6th & 7th Floor 'A' Block, Tidel Park,
(Module 601, 701 & 702) No. 4, Rajiv Gandhi Salai,
Taramani, Chennai - 600 033

REGISTERED OFFICE

The South Indian Bank Ltd, 5th House, T. B. Road, Mission Quarters
Thiruvananthapuram - 690 001, Kerala, India. CIN: L65101KL1929PLC001607
Tel: +91 487 2420020, Fax: +91 487 2442021
www.southindianbank.com | Email: head@sub.co.in

REGISTRAR & SHARE TRANSFER AGENT

M/s. ITS Consultancy Services Pvt. Ltd.
AIS Complex, 1st Floor, No. 8, Sastri Nagar,
Near 200 Feet Road, RTD Kolathur, Kolathur,
Chennai - 600 099. Tel: 044 - 23363121, Fax: 044 - 23363131
Email: ramash@bseindia.co.in | helpdesk@bseindia.co.in

CHIEF FINANCIAL OFFICER

Mr. Girish C.P., FCA

COMPANY SECRETARY

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

*As on 11.01.2015

CONTENTS

| | | | |
|----|---|-----|--------------------------------------|
| 7 | Directors' Report to the Shareholders | 67 | Significant Accounting Policies |
| 33 | Management Discussion and Analysis Report | 71 | Notes to Accounts |
| 39 | Corporate Governance Report | 97 | Cash Flow Statement |
| 55 | Auditors' Certificate on Corporate Governance | 99 | Disclosures under Basel III Norms |
| 56 | Auditor's Report | 116 | Notice of the Annual General Meeting |
| 58 | Audited Balance Sheet | 131 | Attendance Slip and Proxy Form |
| 59 | Audited Profit and Loss Account | 133 | Format for Registering Email IDs |
| 60 | Schedules Forming Part of the Balance Sheet | 134 | ECS Mandate Form |
| 66 | Schedules Forming Part of the Profit and Loss Account | | |

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors is pleased to place before you, the 87th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2015 and the Profit and Loss Account for the year ended March 31, 2015.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2015 are as follows:

| Key Parameters | ₹ in crore | |
|---|------------|----------|
| | 2014-15 | 2013-14 |
| Deposits | 51912.49 | 47491.09 |
| Gross Advances | 37725.65 | 36403.10 |
| Total Gross Business | 89638.14 | 83894.19 |
| Operating Profit | 816.26 | 884.35 |
| Net Profit | 307.20 | 507.50 |
| Capital & Reserves | 3589.40 | 3368.05 |
| Capital Adequacy (%) - Basel-II | 12.06 | 12.53 |
| Basel-III | 12.01 | 12.42 |
| Earnings Per Share (EPS) : | | |
| (a) Basic EPS (in ₹) [face value ₹ 1/-] | 2.28 | 3.78 |
| (b) Diluted EPS (in ₹) [face value ₹ 1/-] | 2.27 | 3.77 |
| Book Value per Share (in ₹) [face value ₹ 1/-] | 26.59 | 25.06 |
| Gross NPA as % of Gross Advances | 1.71 | 1.19 |
| Net NPA as % of Net Advances | 0.96 | 0.78 |
| Return on Average Assets (%) | 0.56 | 1.00 |

FINANCIAL PERFORMANCE

Profit

The Net Operating Income of the Bank increased by ₹96.07 crore (5.44%) from ₹1767.24 crore to ₹1863.30 crore. The growth in Non-Interest Income was ₹128.61 crore (34.90%) during the year. The Bank achieved an Operating Profit of ₹816.26 crore as against ₹884.35 crore during the previous year and has achieved a net profit of ₹307.20 crore during the year against the net profit of ₹507.50 crore posted during the previous year. The moderation in profit is primarily attributable to increased provisioning requirements emanating from loan loss, Funded Interest Term Loan (FITL), restructured assets, employee benefits based on the recently concluded industry wide wage settlement and actuarial liability on superannuation benefits due to softening of market yield.

The Operating Profit for the year under review was ₹880.89 crore before depreciation, taxes and provisions as against ₹928.95 crore for the year 2013-14. Net profit was ₹307.20 crore and the profit available for appropriation was ₹347.06 crore as per details given below:

| | |
|--|---------------|
| | (₹ in crores) |
| Profit before depreciation, taxes and provisions | 880.89 |
| Less: Depreciation on Fixed Assets@ | (1.11) |
| Provisions for Non-Performing Assets | 223.58 |
| Provision for FITL | 86.82 |
| Provision for depreciation on investments | 13.72 |
| Provision for Income/Wealth Tax | 160.75 |
| Provision for standard Assets | 31.37 |
| Provision for restructured Assets | 32.56 |
| Provision for other Impaired Assets | 10.88 |
| Provision for Un-hedged Forex exposure | 15.12 |
| | 573.69 |

| | |
|------------------------------------|--------|
| Net profit | 307.20 |
| Brought forward from previous year | 39.86 |
| Profit available for appropriation | 347.06 |

@ In view of the change in accounting policy, the write back amounting to ₹65.74 crore off set with current year depreciation ₹64.63 crore.

Appropriations

| | |
|---------------------------------------|---------------|
| | (₹ in crores) |
| Transfer to Statutory Reserves | 76.81 |
| Transfer to Capital Reserves | 3.86 |
| Transfer to General Reserves | 50.00 |
| Transfer from Investment Reserve | (6.79) |
| Transfer to Special Reserve | 30.00 |
| Proposed Dividend | 81.01 |
| Dividend Tax on Proposed Dividend | 16.95 |
| Balance carried over to Balance Sheet | 95.22 |
| Total Appropriation | 347.06 |

Dividend

The Board of Directors 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.

EXPANSION PROGRAMME

The Bank had been successful in widening its network pan India with 822 branches and 1200 ATMs. The Bank has opened 53 new offices (28 branches and 25 extension counters) and 200 ATMs across the country during the financial year 2014-15. The branch network now covers 30 states/union territories.

The Bank further plans to open a maximum of 50 new offices (with a mix of Branches & Extension Counters) and 150 ATMs during the financial year 2015-16.

CAPITAL & RESERVES

The Bank's issued and paid-up capital stood at ₹135.02 crore as on March 31, 2015. During the year, 62,04,475 stock options granted under Employee Stock Option Scheme had been exercised by eligible employees.

The capital plus reserves of the Bank has moved up from ₹3368.05 crore to ₹3589.40 crore on account of the above and the plough back of profits during the year.

DIRECTORS' REPORT

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

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2015 according to Basel III guidelines is 12.01%, as against the statutory requirement of 9%. Tier I CRAR constitutes 10.43% while Tier II CRAR works out to 1.58%.

The Capital to Risk Weighted Assets Ratio (CRAR) of the Bank as on March 31, 2015 according to Basel II guideline is 12.06%, as against the statutory requirement of 9%. Tier I CRAR constitutes 10.46% while Tier II CRAR works out to 1.60%.

The Bank follows 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 BSE Ltd. and The National Stock Exchange of India Ltd. The Bank confirms that it has paid the listing fees to both the Stock Exchanges for the year 2015-16.

The Cochin Stock Exchange Limited, where the shares of the Bank were listed, had been exited from the Equity Trading Business w.e.f. 23rd December, 2014 vide SEBI order No.WTM/RKA/ MRD/163/2014 dtd. 23rd December, 2014.

BUSINESS ACHIEVEMENTS

The Bank has achieved a total Gross Business of ₹89,638.14 crore, consisting of Total Deposit of ₹51,912.49 crore and Gross Advances of ₹37,725.65 crore as on March 31, 2015.

Deposits

The total deposits of the Bank increased from ₹47,491.09 crore as on March 31, 2014 to ₹51,912.49 crore registering a growth of 9.31%.

The break-up of the deposit as on March 31, 2015 is as under:

| | Amount (₹ in crore) | % to total Deposits |
|------------------|---------------------|---------------------|
| Current Deposits | 1817.85 | 3.50 |
| Savings Deposits | 8868.45 | 17.08 |
| Term Deposits | 41226.19 | 79.42 |
| Total | 51912.49 | 100.00 |

The Bank during the year concentrated more on Core Deposit, the segment witnessed a growth of 20.61%. Savings Bank Deposits grew by 11.74% on a year to year basis. During the financial year 2014-15, the Bank had been opened 5.77 lakh new Savings Bank Accounts and 13,245 Current Accounts. The Bank, as a part of effective cost management of liabilities, took steps to shed off Bulk Deposits of ₹2,837.22 crore. NRI Deposits has grown by 29.17% to ₹11,393.15 crore.

The Bank has accorded priority to meaningful financial inclusion exercise during the period under reporting while opening new deposit relationship.

Advances

During the year, the gross advances of the Bank registered a subdued growth of 3.63%, to touch ₹37,725.65 crore. Low growth indicated earlier reflects, inter-alia, slow off-take of credit and also a pragmatic approach towards due diligence to ensure quality of assets. Total Priority Sector advances as at the end of the financial year stood at ₹15,597.02 crore, constituting 41.02% of the Adjusted Net Bank Credit (ANBC). Exposure to agriculture sector amounted to ₹6,281.80 crore forming 16.52%* 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) | 6,281.80 |
| Small Enterprises | 7,287.45 |
| Other Priority Sector | 2,027.77 |
| Total Priority Sector | 15,597.02 |

* As per RBI guidelines, indirect lending in excess of 4.5% of ANBC is not reckoned for computing achievement under the sub-target of 18% for the agriculture sector due to which the achievement under the subsector is 11.81%. However, the same is reckoned for computing achievement under the overall priority sector of 40% of ANBC.

INVESTMENTS

Although global economy is improving slowly, Euro Zone Economies are yet to fully recover from the after effects of the global financial crisis. Economic growth in USA is firming up on the backdrop of improving labour and housing market. Even though Quantitative Easing by US Fed came to an end, global liquidity still remains high on the backdrop of quantitative easing by European Union and Japan. Crude oil prices plunged on the backdrop of weak demand outlook and concern over US shale gas supply.

India remains beneficiary of fall in crude oil prices with moderation in inflation, containing fiscal deficit and current account deficit. Considering the easing of inflationary pressures, RBI has cut the policy rate by 50 bps during the year. Industrial activity witnessed marginal recovery with cumulative growth in IIP improving to 2.8% in FY 2015 from contraction of 0.1% during FY 2014. Global rating agency S & P upgraded its outlook on India's sovereign rating to stable from negative. Overall, debt and equity markets remained buoyant during FY 2015.

Bank's gross investment portfolio stood at ₹16,717.16 crore as on March 31, 2015 compared to ₹14,351.77 crore as on March 31, 2014, registering a growth of 16.48%. Investment Deposit ratio moved from 30.22% as on March 31, 2014 to 32.20% as on March 31, 2015.