

DECLARATION

With reference to Notification No. SEBI/LAD-NRO/GN/2016-17/001 dated May 25, 2016 and Circular No. CIR/CFD/CMD/56/2016 dated May 27, 2016 issued by the Securities and Exchange Board of India (SEBI), we hereby declare that our Auditors' have furnished an unmodified report on the Annual Financial Statements for the year ended March 31, 2016.

For THE SOUTH INDIAN BANK LIMITED.


C.P. Gireesh
Chief Financial Officer

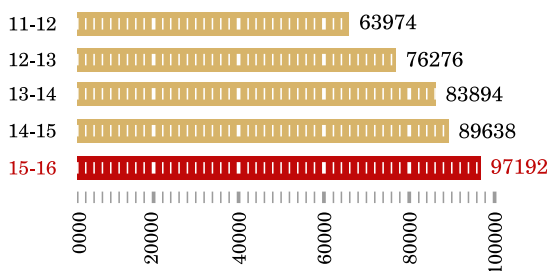
C.P. Gireesh
CFO

Date: 14th June, 2016
Place: Thrissur

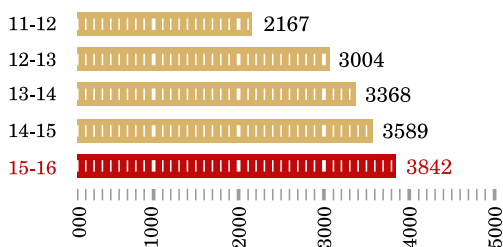
100th
ANNUAL
REPORT
2015-2016

GROWTH INDICATORS

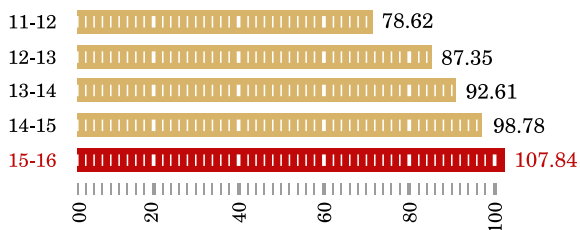
Gross Business (₹ in Cr)



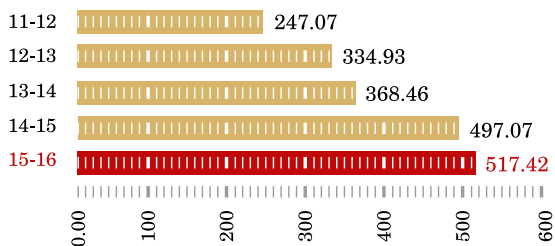
Capital and Reserves (₹ in Cr)



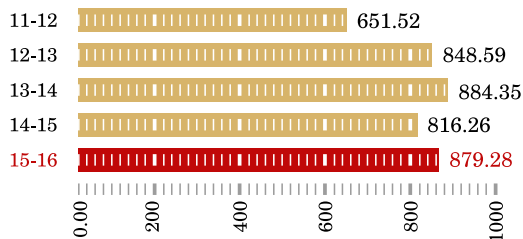
Branch Productivity (₹ in Cr)



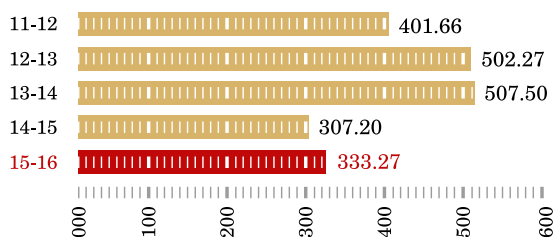
Other Income (₹ in Cr)



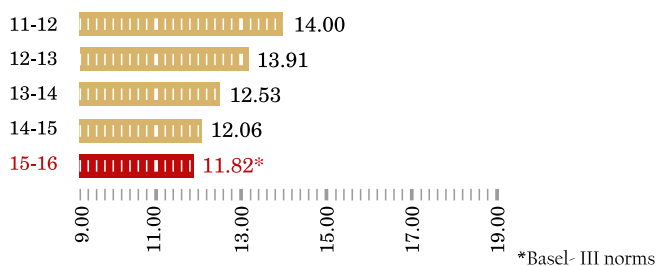
Operating Profit (₹ in Cr)



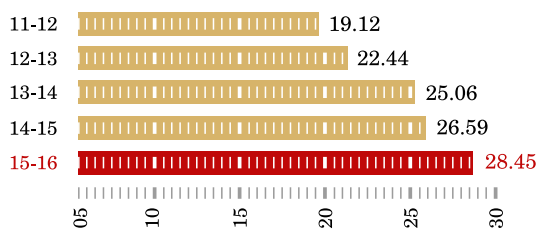
Net Profit (₹ in Cr)



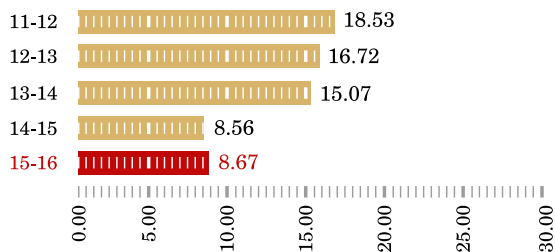
Capital Adequacy (%)



Book Value Per Share (in ₹)



Return on Equity (%)



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.

Contents

02

Board of Directors

04

Chairman's
Message

06

Managing Director's
Message

08

Management Team

09

Directors' Report
to the Shareholders

39

Management Discussion &
Analysis Report

45

Corporate
Governance Report

61

Auditors' Certificate on
Corporate Governance

62

Auditors' Report

66

Audited Balance Sheet

67

Audited Profit
and Loss Account

68

Cash Flow Statement

70

Schedules forming
part of the Balance Sheet

76

Schedules forming
part of the Profit and
Loss Account

77

Significant Accounting
Policies

83

Notes to Accounts

110

Disclosures under
Basel III Norms

129

Nomination Form

131

Format for Registering
Email IDs

133

ECS Mandate Form



The Board of Directors

| 1. Mr. Parayil George John Tharakan, 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. Smt. Ranjana S. Salgaocar, Independent Director



Message from the Chairman



Mr. Amitabha Guha
Chairman

Dear Shareholders,


It is indeed a privilege to place before you a brief profile of performance of your bank for the financial year 2015-16. Viewed against the backdrop of macroeconomic challenges the banking industry faced during the year under review, your Bank has turned in a strong performance. Detailed performance for the year 2015-16 and the initiatives contemplated for 2016-17 in specific and for future in general have been articulated in enclosed Annual Report for the year, 2015-16.

According to the International Monetary Fund's (IMF) World Economic Outlook Report (April 2016), the global growth is expected to be modest at 3.2 per cent in 2016, as the advance economies are in recovery mode. Moody's has revised India's sovereign ratings outlook upward. However, there is likely to be the risk of persisting financial markets volatility as global central banks embark on asymmetric monetary policies and strategies. India, now, is perhaps better equipped to address the challenges as it has been able to moderate fiscal and current account deficits.

On the monetary policy front, the RBI had reduced repo rate by a cumulative of 75 bps to 6.75% during the course of FY 2015-16. This measure followed earlier reduction of 50 bps in the fiscal 2014-15. With CPI inflation for January 2016 clocking 31 bps lower than RBI's target of 6.0% and government maintaining fiscal discipline, the central bank opted for another cut of 25 bps in the repo rate to 6.50% in

April 2016. The Government also sustained its endeavours to create growth friendly environment through multiple initiatives like Startup India, Standup India and Digital India.

Right from the inception of the South Indian Bank, we had always accorded priority to small business and retail domain of the banking and hence the fundamentals of our bank have been always stable, secured and diversified. Bank has articulated VISION 2020 INITIATIVE to



Your bank has been effectively leveraging technology to serve its client's better.

transform the bank in the next four years. The vigorous centralization initiative mooted in the past few months is to be read in this context. Creation of Retail Hub up and Transaction Banking Department is a part of the whole process of creating adequate support system. With the Inauguration of CMPC (The Centralized Marketing & Processing Centre) on January 15, 2016 at Kalamassery, the bank has made perceptible progress in consolidating and creating a functionally effective and efficient platform.

The performance for the financial year 2015-16 is reported in detail in the Annual Report. During the year, the Bank had achieved a total Gross Business of ₹97,191.52 crores consisting of Total Deposit of ₹55,720.73 crore and Gross Advances of ₹41,470.79 crore as on March 31, 2016. For the entire fiscal year, the bank's net profit increased 8.5 per cent to ₹333.27 crore compared with ₹307.20 crore in the preceding

fiscal year. Total Income rose to ₹6,074.62 crore for the fiscal year as against ₹5,783.30 crore in 2014-15. The gross advances increased from ₹37,725.65 crore to ₹41,470.79 crore, registering a growth of 9.03% over the previous year. The Bank had been successful in widening its network across India with 834 branches and 1287 ATMs. The Bank has opened 29 new offices (12 branches and 17 extension counters) and 87 ATMs across the country during the financial year 2015-16.

Your bank has been effectively leveraging technology to serve its client's better. Emerging technologies have changed the banking industry radically through digitization and networked banking platform. The Bank is one of the 'FIRST FEW ENTITIES' to upgrade Finacle - 7 CBS to Finacle - 10 version.

The perception of risk management has already fundamentally changed the approach to business and it is further evolving with expanded scope and coverage. The bank has in place a robust risk management structure which proactively identifies the risks faced by the bank and helps in mitigating the same, while maintaining proper trade-off between risk and return thereby maximizing the shareholder value. The Bank has infused the philosophy of corporate governance into all of its activities.

Before I conclude, I would like to assure you again that your Bank has put in place appropriate plan, policies and strategies to achieve growth with quality and profitability. Your support, encouragement and faith have instilled in us the confidence required to pursue excellence in our journey forward.

I wish to take this opportunity to thank and gratefully acknowledge the contribution, of our customers, shareholders, members of the staff and their respective organizations and all other stakeholders. Their valuable support and faith in our activities have kept us motivated to move forward.

Message from the Managing Director & CEO

Dear Shareholders,

On behalf of the Board of Directors and the Management Team of the South Indian Bank Limited, I am pleased to present our financial results for the year 2015-16.

Though the economic environment remained challenging during the financial year 2015-16, several encouraging developments helped to improve the investor sentiment and business confidence in India. The future of banking in India looks not only exciting but also transformative. In coming years, technology will make the engagement with banks more multi-dimensional even as other entities, markets and instruments for credit and financial services continue to develop and expand.

Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks are laying emphasis on diversifying the source of revenue stream to protect themselves from interest rate cycle and its impact on interest income. Increase in working population and growing disposable incomes will raise the demand for banking and related services. Housing and personal finance and rural banking are expected to witness growth in the future.

South Indian Bank is committed to upholding highest standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvement of internal controls and sound investor relations. To the Bank, it is more of an organizational culture going beyond just the adherence to rules and regulations.

In order to support and monitor the existing branch network and to provide continuous focus on



Mr. V. G. Mathew
Managing Director & CEO

business development, both the deposit and advances portfolios, the Bank has formed an exclusive full-fledged Business Development Department during the financial year 2015-16.

The Bank has continued to invest in technology and in human capital to support the business growth, extend the reach and deepen existing customer relationships. We are aggressively improving the technology infrastructure to enhance customer experience and gain competitive advantage.



The marked shift in business strategies adopted by the Bank in retail lending and CASA has positively contributed to the Bank's better performance, despite significant stress in the economy.

In view of the current macroeconomic conditions and global developments, the Bank has shifted the business focus from corporate book to retail book. The marked shift in business strategies adopted by the Bank in retail lending and CASA has positively contributed to the Bank's better performance, despite significant stress in the economy.

Let me share with you an overview of last year's financials:

- ✦ The Net profit of the Bank has increased from ₹307.20 crore in the FY 2014-15 to ₹333.27 crore in FY 2015-16, registering an increase of ₹26.07 crore (8.49%).
- ✦ The operating profit has gone up from ₹816.26 crore in FY 2014-15 to ₹879.28 crore in FY 2015-16, registering a growth of 7.72%.
- ✦ The Earning per Share (annualized) and Book Value per share for the year ended March 31, 2016 has increased to ₹2.47 and ₹28.45 respectively as against ₹2.27 and ₹26.59 as on March 31, 2015.

- ✦ The Capital & Reserves have improved from ₹3,589.40 crore to ₹3,841.93 crore on account of exercise of options and plough back of profits during the year.
- ✦ The Bank has continued to expand its network across India with 834 Branches, 42 Extension counters and 1287 ATMs. The Bank has opened 29 new offices (12 branches and 17 Extension Counters) and 87 ATMs during the financial year 2015-16.

In the FY 2015-16, the Bank has received significant institutional recognitions, awards and accolades. The Bank won the prestigious Inspiring Work Places Award 2015 for best HR & Talent Practices among Private Sector Banks, instituted by Banking Frontiers. Apart from this, the Bank won the prestigious Banking Technology Excellence Award 2014-2015 for "Cyber Security Risk Management" from IDRBT, the technical arm of Reserve Bank of India. Further, the Bank won Social Banking Excellence Award (Runner-up position in Rural Banking-Small Bank) instituted by ASSOCHAM and Prize in IDRBT Banking Application contest for the innovative mobile banking app, "SIB Mirror". Our green initiative "Green PIN" won award at the Master Card Payment Strategy Workshop 2015 held in Pune. The Personnel Department of the Bank received ISO 9001:2008 certification during the year.

I take this opportunity to thank the Members of the Board for their valuable guidance, support and prudent counsel. I also place on record our appreciation of the support, wise counsel and guidance received from the Government of India, Reserve Bank of India, Securities and Exchange Board of India, other regulatory authorities, various Financial Institutions, Banks and Correspondents in India and abroad. We also place on record our appreciation and gratitude to our Shareholders and customers for their continued support, patronage and goodwill. The single most important pillar of any Institution is its personnel, more so in the case of a service entity like a Bank. We sincerely acknowledge this fact and thank all of them for their dedicated service, diligence and loyalty towards the Bank.