

90th
ANNUAL
REPORT
2017 - 2018



GROWTH INDICATORS

Net Profit (₹ in Cr.)



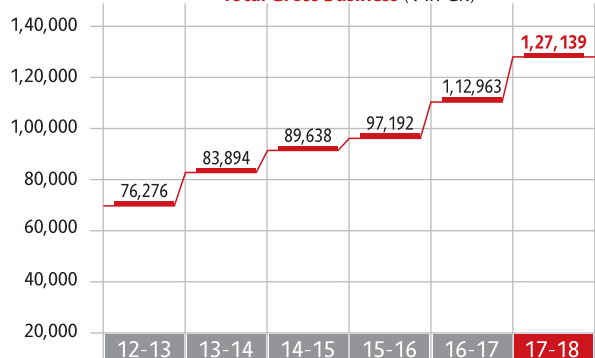
Capital Adequacy (%)



Book Value Per Share (in ₹)



Total Gross Business (₹ in Cr.)



Operating Profit (₹ in Cr.)



Other Income (₹ in Cr.)



Capital And Reserves (₹ in Cr.)



Return On Equity (%)



Branch Productivity (₹ in Cr.)



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.

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The Board of Directors



Mr. Achal Kumar Gupta
Non-Executive Director



Mr. Parayil George John Tharakan
Independent Director



Dr. John Joseph Alapatt
Independent Director



Mr. Salim Gangadharan
Chairman



Mr. V. G. Mathew
Managing Director & CEO



Mr. K. Thomas Jacob
Independent Director



Mr. Francis Alapatt
Independent Director



Mrs. Ranjana S. Salgaocar
Independent Director



Mr. V.J.Kurian
Independent Director





Chairman's Communique



Salim Gangadharan
Chairman

Dear Shareholders

It gives me immense pleasure in placing before you the key highlights of your Bank's performance during the financial year 2017-18.

The Retail banking continues to be the core focus of the Bank to fulfill its 2020 Vision of becoming a 'Retail Banking Power House'.

Details of the achievements made and initiatives taken by your Bank during the year are provided in the enclosed Annual Report. We have been fairly successful in spotting sustainable and profitable business opportunities and in responding promptly to our customers, thereby providing them a different and superior banking experience.

The global economic activity is gaining momentum with expansion of global trade with the gradual improvement in global demand. Conditions for investment have generally improved, amid low financial volatility, reduced banking sector fragilities, recovery in commodity sectors and a more solid global macroeconomic and political outlook. Financing costs generally remain low, and spreads have narrowed in many emerging markets, reflecting an uptick in risk appetite and consequent decline in risk premium. This has supported rising capital flows to emerging markets, including a rise in cross-border lending, and stronger credit expansion in both developed and developing economies. World GDP growth as estimated by the IMF (International Monetary Fund in April 2018) touched 3.8% in 2017, the fastest since 2011. With financial conditions expected to remain supportive, global growth is expected to tick up to 3.9% both in 2018 and 2019. Emerging and developing Asia is expected to grow at around 6.5% over 2018-19, broadly the same pace as in 2017. The region continues to account for over half of world growth. India's macroeconomic fundamentals continued to improve last year on the back of significant policy initiatives by the Government, supported by a stable monetary policy. After lagging for five consecutive quarters, economic growth in India is turning around. India has emerged as the fastest growing major economy in the world. India's GDP is estimated to have increased 6.7% in 2017-18 and is expected to grow by 7.4% in 2018-19. Looking forward, the economic growth is expected to gather momentum.

Indian financial markets witnessed diverse trends across various segments. The money market, which witnessed excess liquidity in the first half of the year, saw the liquidity turning to deficit by February 2018. On the bond market, the 10-year G-sec yield rose by 72 bps to 7.40% during the course of FY18. The equity markets, which witnessed new highs on the back of aggressive buying by domestic mutual funds and foreign portfolio investors gave

way to bearish correction trend by February 2018, mainly on account of the Union Budget proposal of Long Term Capital Gain (LTCG), sharp increase in US bond yields, the announcement of protectionist tariffs by the US, geopolitical developments, and revelations of large value frauds in some domestic banks. Over the course of FY18, the Indian Rupee weakened marginally by 0.5% and closed the year at Rs 65.18 vis-a-vis the US dollar. The implementation of the Goods and Service Tax (GST) along with demonetisation and digitisation efforts will significantly assist in formalisation of the Indian economy. Focusing on the banking sector, the coming year will test the effectiveness of the much awaited Insolvency and Bankruptcy Code (IBC). Successful resolution of cases admitted in National Company Law Tribunal (NCLT) is crucial to the banking sector, considering the large amount of stressed assets. Considering the sticky Non Performing Assets (NPA) menace, the Reserve Bank of India (RBI) laid out conservative asset classification norms. Though the RBI norms will cause short-term pain to the banking industry in terms of sector profitability and capital adequacy, the same would force banks to clean up their balance sheets. In addition to the NPA trouble, the recently discovered large value frauds in banks dented the image of Indian banks as flag bearers of financial prudence, conservatism and judicious lending. During the year under review, the Reserve Bank of India has initiated various measures to ensure that the system, operational processes, cyber security and risk management for the banking sector are sound, safe and healthy.

Looking ahead, the outlook for 2018-19 appears to be quite bright due to various factors, such as:

- The demonetisation and implementation of Goods and Services Tax reforms pointed towards formalization of policies and process. These structural reforms accelerate the transition of business and people from informal to formal economy.
- The inherent economic growth on account of projected secular growth in consumption economy has resulted in increased wealth and greater demand for goods and services, making India a fast growing market.
- The RBI's Vision 2018 document which envisages promotion of electronic payments and Government policies encouraging digital banking will increase the usage of digital banking services. The transactions executed through digital means provide ease and convenience to customer and increased efficiency, productivity and profitability to banks.
- The technological upgradation and adoption of new age technologies such as Block Chain, Artificial Intelligence, etc. will help the banks with increased operational efficiency, productivity and profitability.
- The Financial inclusion roadmap provided by the RBI to banks provides immense opportunity to tap the under banked rural masses.

During the year, the Bank recorded a total gross business of ₹1,27,139 crore- comprising total deposits of ₹72,030 crore and gross advances of ₹55,109 crore as on March 31, 2018, whereas the net profit of the bank decreased to ₹334.89

854 Branches	55 Extension Counters	1,331 ATMs	₹ 1,27,139 crore Total Gross Business as on March 31, 2018
₹ 72,030 crore Total Deposit as on March 31, 2018			₹ 55,109 crore Gross Advances as on March 31, 2018

crore as compared to ₹392.50 crore in the preceding year. The Bank widened its network gainfully across India with 854 Branches, 55 Extension Counters and 1,331 ATMs and 51 CDMs/CRMs.

We remain committed to provide outstanding services and quality experience to our customers in the coming years and will take various initiatives at strategic and operational level to enhance the sustainability of the same. We have been upgrading to cutting-edge technology platforms and continuously evolving our own digital channels. Bank's IT Vision is to enable technology as a strong strategic support to the Bank, providing value in key organisational initiatives to achieve business goals, offer excellent customer service and to ensure sound internal controls and regulatory compliance. Our robust risk management systems help us ensuring long-term sustainability and steady growth. We constantly work towards achieving financial stability and enhancing stakeholders' value. This is accomplished with our proactive and improved risk management policies and practices.

The management team, led by the Managing Director & CEO has charted out a clear and sustained growth plan. The path is based on well-defined risk appetite and risk management policies and practices, optimal capital allocation framework and compliance. Retail banking continues to be the core focus of the Bank to fulfill its 2020 Vision of becoming a 'Retail Banking Power House'. Our quality of leadership talent is nurtured and well-placed to execute the Bank's new growth strategies. I am confident that the coming years will help the Bank to maintain and enhance its strengths and optimally tap the diverse growth opportunities that our country presents.

We thank you for your continued goodwill, support and trust. We eagerly look forward to your valuable suggestions, as it helps us serve you better. Our capital base, robust growth aspects, wider network and leadership in technology, position us very well to leverage the growth opportunities across the economy. I look forward to your continued support in this journey. With the continued support and patronage of all, I am confident that your Bank will reach greater heights during the coming years. I humbly thank all our shareholders for their continued faith in our strength and capabilities, members of the Board, Government of India and Reserve Bank of India, and other agencies for their valuable support and guidance, customers for their continued support and trust and our employees for their tireless efforts and hard work towards realising our ambitious goals.

Best Wishes,

Salim Gangadharan



MD and CEO's Message

Dear Shareholders

As we enter our 90th year of operations, it is a matter of pleasure and privilege for me to share the Financial results for the year 2017-18 on behalf of the South Indian Bank Limited's Board of Directors and Management Team.



V. G. Mathew
Managing Director & CEO

The financial year 2017-18 was a defining year for the Indian economy. India's economic reforms continued in the year with the roll out of significant initiatives such as Goods and Services Tax (GST) regime, Insolvency Resolution Scheme and Bank recapitalization. These structural reforms have struck at the core of long-festering problems around taxation and asset quality. NITI Aayog is directly working with States to bring about a transformation in the Agriculture sector by initiating a series of reforms. All these measures have received validation and approval from investors, both domestic and overseas. The growth and development of banking domain opened up a new set of opportunities along with fresh challenges. We, at South Indian Bank, have strongly responded to the opportunities and accepted the challenges by maintaining our strong connect with our esteemed customers. This has enabled us to explore and capture various business opportunities in line with the vision and mission of the Bank.

The Financial Year 2017-18 presented a challenging environment for the Banking Sector. Primary among them was the unfolding scenario of stressed assets which continued to deteriorate across various sectors and made a severe dent on the capital position and profitability of the banks. In addition to this the recently discovered frauds across various banks presented a new set of challenges to the Indian banks. Our Bank has been careful in proactive recognition of corporate stress and maintaining high standards of operational control and management.

The risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level 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 evaluated and benchmarked against the best practices followed in the industry. Through continuous refinement / improvement of the risk measurement / management systems, including automation of feasible processes, the Bank aims to ensure regulatory compliance as well as better

return on and utilization of capital in line with the business objectives.

Information Technology, an area of prime focus for our Bank, has maintained its strides towards technological excellence. Leveraging on the latest version of Core Banking Solution(CBS) from Infosys we have implemented several initiatives to provide enhanced banking operations. Our Internet Banking platform (Sibernet) and Mobile Banking platform (SIB Mirror Plus) have been well received across different segments of customers. The centralisation initiatives of the Bank have progressed further during FY 2017-18. Apart from centralised processing of all liability side operations and Retail Assets, we have now completed centralisation of International Banking operations and Trade Finance. The processing of credit proposals across all verticals has also been centralised through the Wholesale Banking Credit Processing Centre, Mid-corporate Credit Processing Centre and the Retail Assets Credit Processing Centre. Further, the Centralised Credit Monitoring Cell monitors all credit exposures of ₹5.00 crore and above. The Collection Hub follows up all potential defaults in Retail Loans through telecalls and text messaging. The Bank has a very rich technology framework at the forefront and back end which caters to all requirements of the retail and corporate customers alike and provides very quick turnaround time.

Let me now share an overview of Last Year's financials:

- The operating profit has gone up from ₹1214.60 crore in 2016-17 to ₹1480.79 crore, registering a growth of 21.92 %.
- The Net profit of the Bank for the year has decreased from ₹392.50 crore during the FY 2016-17 to ₹334.89 crore during 2017-18, registering a decrease of ₹57.61 crore (14.68%).
- The Earnings per share and Book value per share for the year ended March 31, 2018 stood at ₹1.86 and ₹28.98 respectively.
- The capital plus reserves of the Bank moved up from ₹4,845.47 crore to ₹5241.22 crore on account of exercise of options and plough back of profits during the year.
- The non corporate advances (62.91 % of total advances) grew by 18.80% during FY 2017-18 in line with the Bank's focus on Retail business.
- During the year, there was an excess achievement in the Priority sector and Agriculture sector over and above the regulatory prescription. The total Priority Sector advances (net of PSLC) as at the end of the financial year stood at ₹21,757.12 crore constituting 46.89% of the Adjusted Net Bank Credit (ANBC) as against mandated 40%.
- The Bank has successfully widened its network across India with 854 branches, 55 extension counters and 1331 ATMs and 51 CDMs /CRMs. The Bank has opened 10 new outlets (4 Branches and 6 Extension Counters), 60 ATMs and 4 CRMs across the country during the financial year 2017-18.

The year 2017-18 saw the Bank being honoured with significant Institutional recognitions, awards and accolades.

- Received the 'Best Bank Award for Digital Banking among Small Banks' and 'Best Bank Award for High Performance IT Ecosystem among Small Banks' in the thirteenth edition of the IDRBT Banking Technology Excellence Awards 2016-17.
- Won five technology awards during the Indian Banking Association (IBA) Technology Awards 2018.
- Won the Celent Model Bank 2018 Award for Trade Finance and Supply Chain.
- Won Digital India Excellence Award 2017 for innovation in mobile app 'Digital e-lock' in the 5th PAN-IIM World Management Awards 2017.

Looking forward, the Indian banking industry is facing an array of challenges which includes the success/ effectiveness of the resolution process under the Insolvency and Bankruptcy Code (IBC). Successful resolution of cases admitted in National Company Law Tribunal (NCLT) is crucial to the banking sector considering the large amount of accumulated stressed assets. With a view to arresting the Non Performing Assets (NPA) menace, Reserve Bank of India has been progressively tightening the regulation covering Asset Quality. Though the RBI stance will cause a short term pain to banking industry in terms of sector profitability, it would finally lead to clean up of the Bank balance sheets.

We strongly believe that your Bank is agile as an organisation and is alive to the challenges and opportunities in the environment. Even in the current challenging scenario, your Bank is standing on a strong wicket. It is upon us to collectively take action to overcome the challenges and grab the opportunities. Our focus is on capitalising on growth opportunities while at the same time taking meaningful steps to address challenges in the environment. Our strong customer support and loyalty together with staff with enduring commitment is sure to improve the Bank's performance during the current year.

I take this opportunity to thank the Board members, Government of India, RBI, SEBI, other regulatory authorities, various financial institutions, banks and correspondents in India and abroad for their valuable and continued support and guidance. I thank all our shareholders for reposing their confidence and faith in us. I also thank all our esteemed customers for their continued co-operation and backing. I would also like to register my appreciation of the dedication and commitment shown by our staff members; they have enabled the Bank to expand and reach new heights of performance and profitability in a very challenging environment.

Best Wishes ,

V .G Mathew

Management Team



Mr. Thomas Joseph K.
Executive Vice President



Mr. Sivakumar G.
Executive Vice President



Mr. Reghunathan K.N.
Executive Vice President



Mr. Raphael T. J.
SGM & CIO



Mr. John Thomas
SGM, Country Head-
Business Development



Mr. Paul V.L.
SGM, Administration



Mr. Benoy Varghese
SGM, Country Head-
Wholesale Banking



Mr. Anto George T.
GM, Inspection & Vigilance



Mr. Sanchay Kumar Sinha
GM, Country Head-Retail Banking

Joint General Managers*

Mr. Gireesh C. P.
Mr. Shelly Joseph
Mr. Reddy N.J.
Mr. Balakrishnan K.N.
Mr. Ramesh K.
Mr. Satheesh Kumar K.S.

Deputy General Managers *

Mr. Jacob E.A.

Mr. Jose P.Varghese
Mr. Nandakumar G.
Mr. George Paul
Mr. Shibu.K.Thomas
Mr. Sivaraman K.
Mr. Ajit Chacko Jacob

Mr. Rajeevu M.A.
Mr. Sony A.
Mr. Paul Thaliath
Mr. Saravanan M.
Ms. Chithra H.
Mr. Sreekumar Chengath

Mr. Mohan T. M.
Mr. Shashidhar Y.
Mr. Joly Sebastian
Mr. Joby M.C.
Mr. Sibi P. M.
Mr. Peter A.D.

Mr. Jose M.T.
Mr. Madhu M.
Ms. Minu Moonjely
Mr. John C.A.
Mr. Job P.M.
Mr. Jojo Antony

Mr. Vijith S.
Ms. Biji S. S.
Mr. Paul Antony Maliakal
Capt. Arvind Kumar Kamboj
Ms. Lakshmi Prabha T. M.
Mr. Biju E Punnachalil

STATUTORY AUDITORS

S.R. Batliboi & Co. LLP

Chartered Accountants
14th Floor, The Ruby, 29 Senapati Bapat Marg
Dadar (West) Mumbai - 400 028,

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

*As on 31.03.2018

REGISTRAR & SHARE TRANSFER AGENT

M/s BTS Consultancy Services Pvt. Ltd.

M S Complex, 1st Floor, No.8, Sastri Nagar
Near 200 Feet Road / RTO Kolathur, Kolathur
CHENNAI - 600 099. Tel : 044-2556 5121, Fax : 044-2556 5131
Email: ramesh@btsindia.co.in, helpdesk@btsindia.co.in

CHIEF FINANCIAL OFFICER

Mr. Gireesh C.P., FCA

COMPANY SECRETARY

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Members,

The Board of Directors is pleased to place before you, the 90th Annual Report of the Bank along with the Audited Balance Sheet as at March 31, 2018, Profit and Loss Account and the Cash Flow Statement for the year ended March 31, 2018.

PERFORMANCE OF THE BANK

The performance highlights of the Bank for the financial year ended March 31, 2018 are as follows:

Key Parameters	₹in crore	
	2017-18	2016-17
Deposits	72029.59	66117.49
Gross Advances	55108.99	46845.69
Total Gross Business	127138.58	112963.18
Operating Profit	1480.79	1214.59
Net Profit	334.89	392.50
Capital & Reserves	5241.22	4845.47
Capital Adequacy (%) - Basel-III	12.70	12.37
Earnings Per Share (EPS)* :		
(a) Basic EPS (in ₹)	1.86	2.61
[face value ₹1/-]		
(b) Diluted EPS (in ₹)	1.85	2.61
[face value ₹1/-]		
Book Value per Share (in ₹)	28.98	26.88
[face value ₹1/-]		
Gross NPA as % of Gross Advances	3.59	2.45
Net NPA as % of Net Advances	2.60	1.45
Return on Average Assets (%)	0.43	0.57

FINANCIAL PERFORMANCE

Profit

The Net Operating Income (Net Interest Income and other income) of the Bank increased by ₹411.78 Crore (17.22%) from ₹2390.99 crore to ₹2802.77 crore. The growth in Non Interest Income was ₹121.69 crore (17.01%) during the year.

The Operating Profit for the year under review was ₹1480.79 crore before taxes and provisions as against ₹1214.59 crore for the year 2016-17. The Net profit for the year was ₹334.89 crore as compared to a net profit of ₹392.50 crore during the previous year and the profit available for appropriation was

₹690.55 crore as per details given below:

	₹in crore]
Profit before depreciation, taxes and provisions	1480.79
Less: Provision for NPI	(7.14)
Provision for Non-Performing Assets	693.46
Provision for FITL	(6.08)
Provision for Depreciation on Investments	316.11
Provision for Income Tax	165.00
Provision for Standard Assets	7.38
Provision for Restructured Assets	(4.68)
Provision for General Others	(39.47)
Provision for Other Impaired Assets	21.25
Provision for Un-hedged Forex Exposure	1.03
Provision for Non Banking Asset Provision	(0.96)
Net profit	334.89
Brought forward from previous year	355.66
Profit available for appropriation	690.55
Appropriations	(₹in crore)
Transfer to Statutory Reserves	83.73
Transfer to Capital Reserves	29.88
Transfer to General Reserves	50.00
Transfer to Special Reserve	86.55
Dividend Paid for FY 16-17	72.14
Tax on Dividend Paid for FY 16-17	14.22
Balance carried over to Balance Sheet	354.03
Total Appropriation	690.55

Dividend

The Board of Directors recommended a dividend of 40% (tax-free in the hands of shareholders other than Individuals whose dividend income is above ₹10 lakh), i.e., @ ₹0.40 per Equity Share of face value of ₹1/- per share.

EXPANSION PROGRAMME

The Bank had been successful in widening its network across India with 854 Branches, 55 Extension Counters, 1331 ATMs and 51 CRMs/CDMs. The Bank has opened 10 new outlets (4 Branches and 6 Extension Counters), 60 ATMs and 4 CRMs across the country during the financial year 2017-18. The branch network now covers 27 States and 3 Union Territories.

The Bank plans to open a maximum of 10 new outlets (Branches and Extension Counters) and 50 ATMs/CRMs during the financial year 2018-19.

CAPITAL & RESERVES

The Bank's issued and paid up capital increased to ₹180.88 crore as on March 31, 2018.

During the Financial Year 2017-18, equity shares granted under the Employee Stock Option Scheme (59,95,121 stock option) were exercised by eligible employees.