



IMPS



# SOUTH INDIAN Bank

Experience Next Generation Banking



SEPTEMBER 2014

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## Section

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**1** Brief Company Overview

**2** Key Business Highlights

**3** Future Business Strategy

**4** Financial Performance

**5** Annexure

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## BRIEF COMPANY OVERVIEW

# South Indian Bank is emerging as a pan-India banking franchise

## Bank Overview

- 85 year old bank, incorporated on January 25, 1929 in Thrissur
- 802 branches, 1,026 ATMs located in 27 states and 3 Union Territories\*
  - ~83% branches in southern states of Kerala, Tamil Nadu, Andhra Pradesh and Karnataka
- Diversified business mix with growing focus on retail franchise
  - Retail + MSME franchise contributes ~69%<sup>\$</sup> of total business
- Consistently growing franchise serving over 7 mn\* customers presently
- Young workforce (avg. age of 34 years) with experienced top management
- Strong focus on risk management with extensive use of technology for managing operations
- During Q1FY15, the bank registered an Operating profit of INR 2,209 mn and PAT of INR 1,267 mn

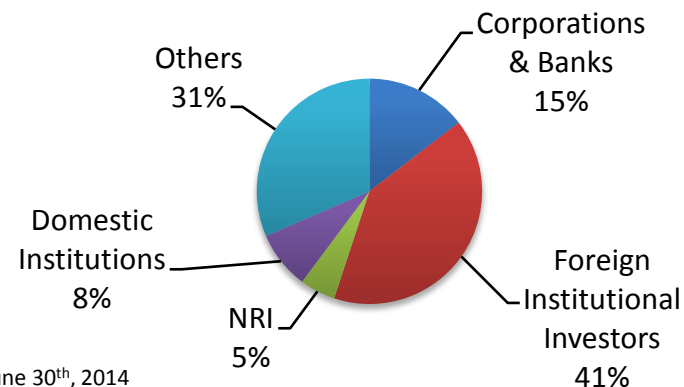
\* Data as of July 31, 2014

## Key Financials

<i>Data for Q1FY15</i>	<b>INR mn</b>
Market Capitalization <sup>#</sup>	37,742
Total Assets	538,769
Net Advances	342,554
Total Deposits	464,892
Net Profit	1,267
CAR (Basel – III)%	
CET 1/Tier I	10.6%
CAR	12.2%
NNPAs (%)	0.9%

# Data as of September 5<sup>th</sup>, 2014

## Shareholding Structure<sup>\$</sup>



<sup>\$</sup> Data as of June 30<sup>th</sup>, 2014

# Track record of Continuous Value Creation



**2014:** Authorized capital increased from INR 1,600 mn to INR 2,500 mn

**2013:** Achieves target of INR 5,000 mn in Net Profit; Business exceeds INR 750,000 mn

**2012:** Net Worth crosses INR 20,000 mn; Total Credit Crosses INR 250,000 mn; Equity offering for INR 4,426 mn to QIBs through the QIP route

**2011:** Business exceeds the landmark of INR 500,000 mn in Total Business;

**2010:** The face value of shares was sub-divided from Rs. 10 each to 10 equity shares of Re.1 each

**2008:** Bonus Issue of shares to equity shareholders; Opened 500<sup>th</sup> branch in New Delhi

**2007:** Equity offering for INR 3,260 mn to QIBs through the QIP route

**2006:** Follow-On offering of equity shares of INR 1,480 mn

**2004:** Rights offering of Bank shares

**1998:** First Public issue of Shares of the bank (IPO) ahead of listing on BSE, NSE & CSE

**1975:** Received license from RBI to deal in Foreign Exchange

**1971:** 100<sup>th</sup> branch opened at Ernakulam

**1946:** Becomes a schedule bank under RBI Act

**1941:** Opened first branch outside Kerala at Coimbatore

**1929:** Commences operations as a Private limited company in a rented room in Thrissur

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## KEY BUSINESS HIGHLIGHTS

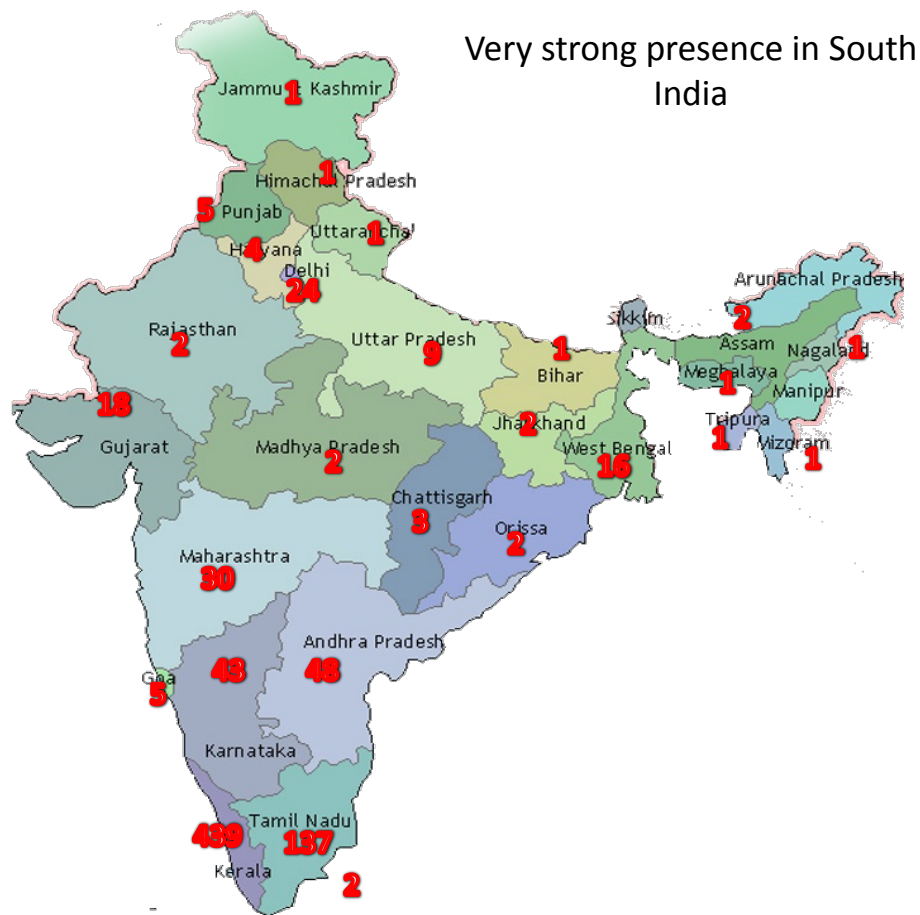
# Key Business Highlights





# Building upon strong presence in South India to expand across India...

## Pan-India Branch Network



	FY12	FY13	FY14	July 31, 2014
No. of Branches	700	750	800	802
No. of ATMs	663	800	1,000	1,026

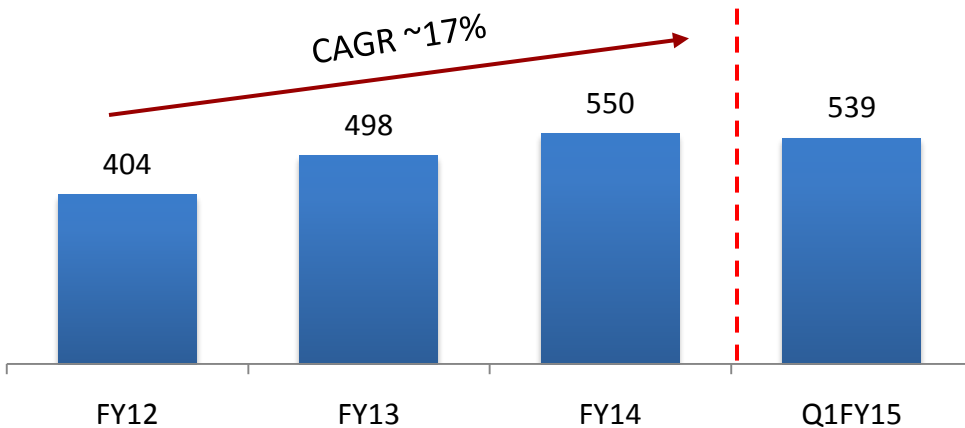
## Traditional & Alternate Channels



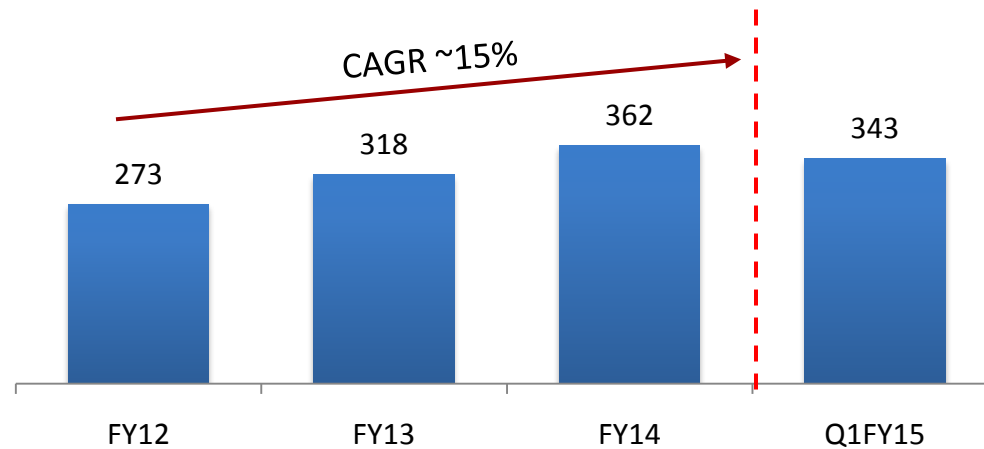
\* Data as of July 31, 2014

# Leading to Consistent Growth across Business Metrics...

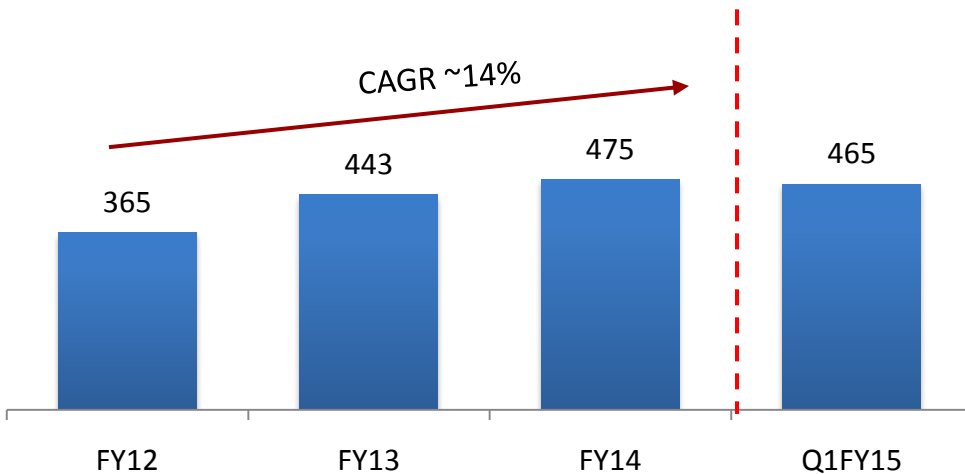
## Assets



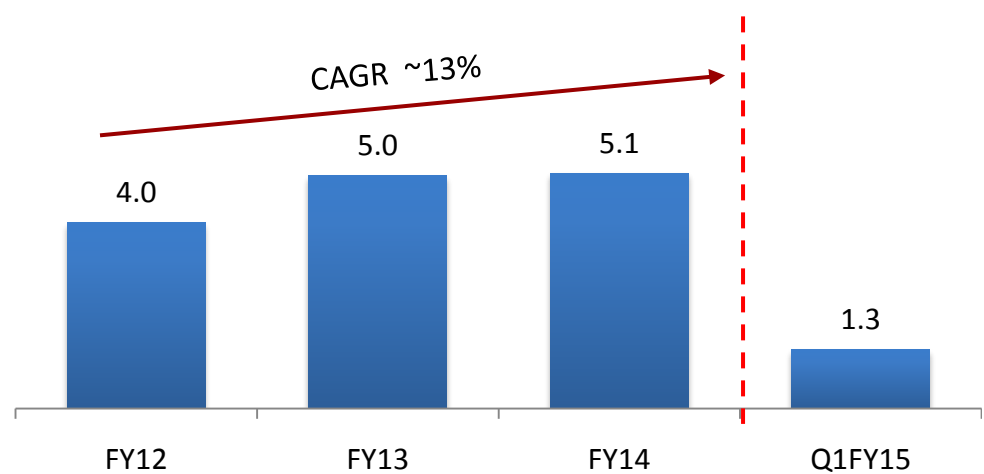
## Advances



## Deposits



## Net Profit

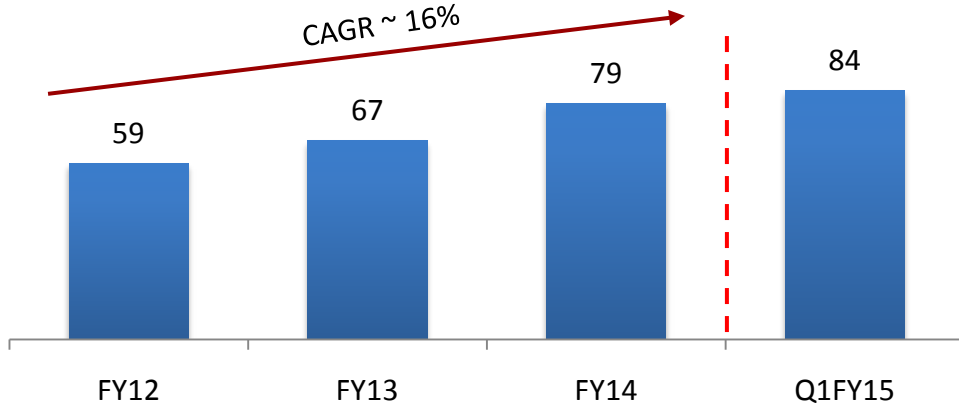


All figures in INR bn

# Strong Customer Base with Growing Retail Deposits

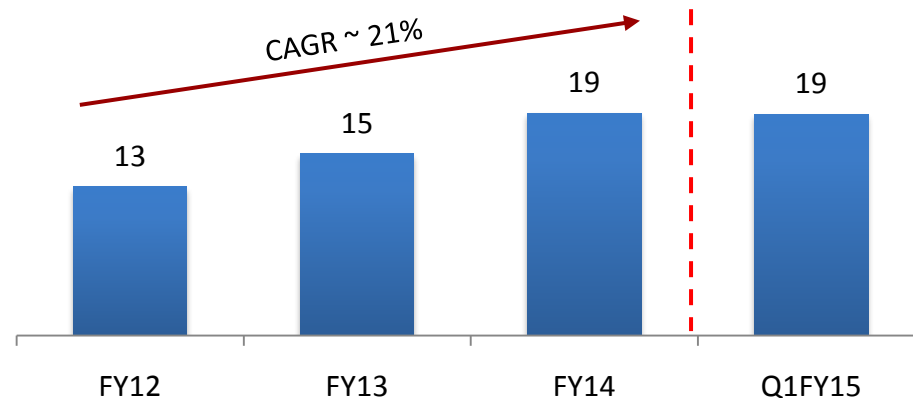
## Savings Account Deposits

CAGR ~ 16%



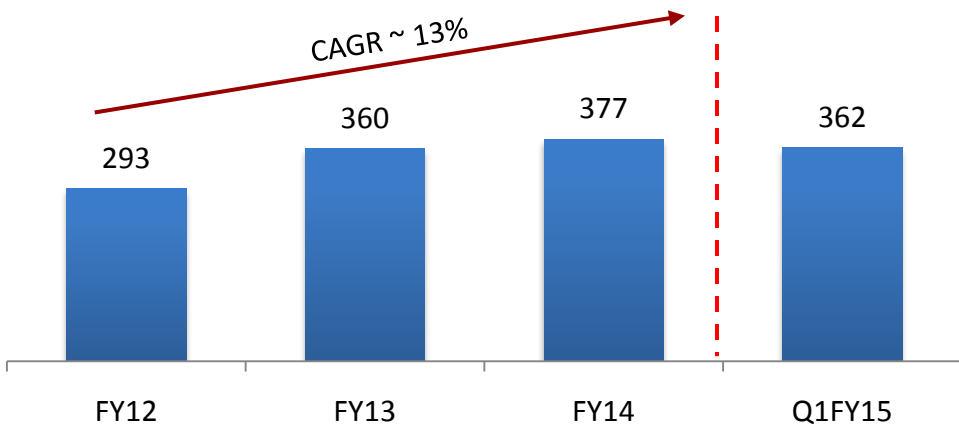
## Current Account Deposits

CAGR ~ 21%

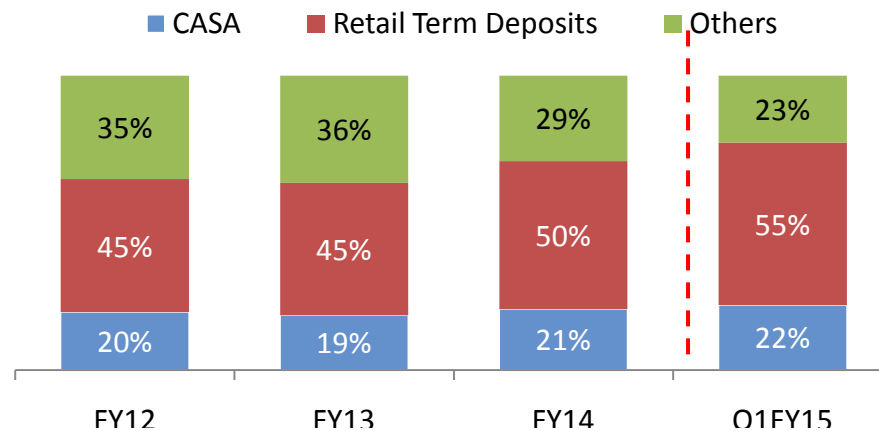


## Term Deposits

CAGR ~ 13%



## Strong Retail Deposit Book

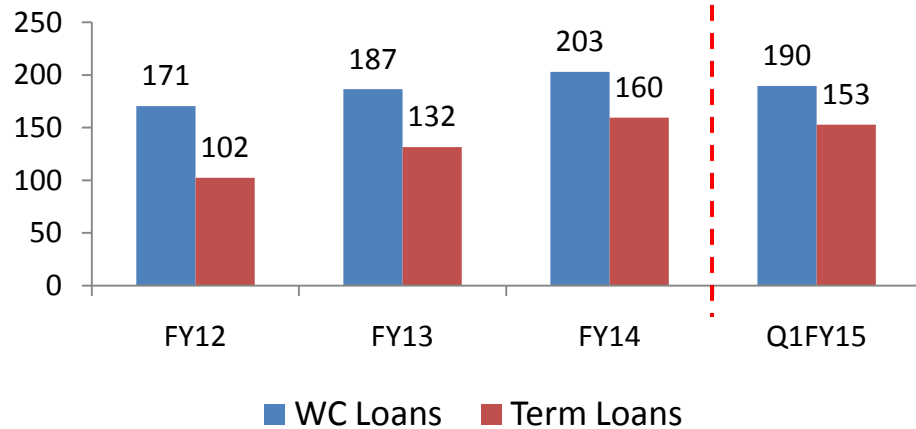


\* Others include Bulk Deposits and Certificate of Deposits

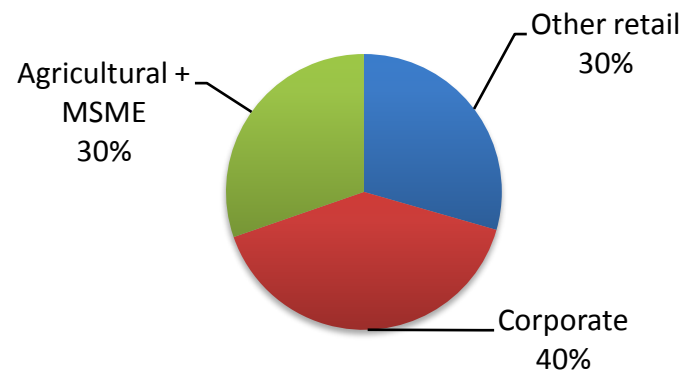
All figures in INR bn

# Well Diversified Advances Portfolio

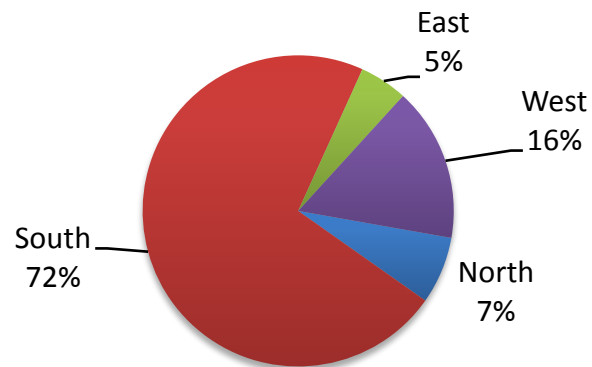
## Consistently growing Advances



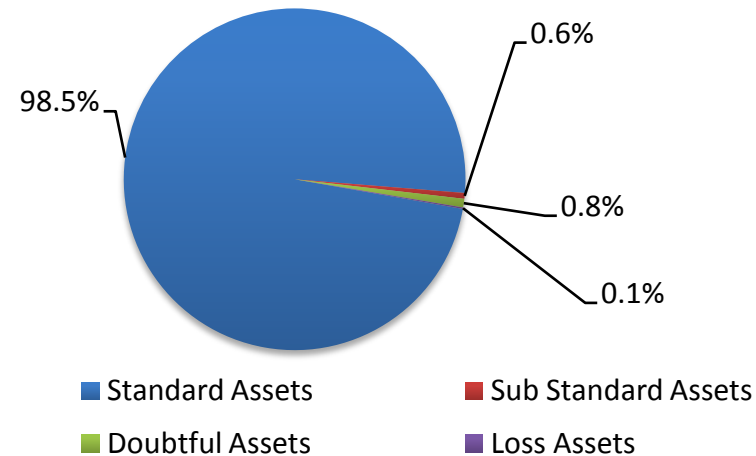
## Balanced Advances Mix



## Geographical break-up of Advances



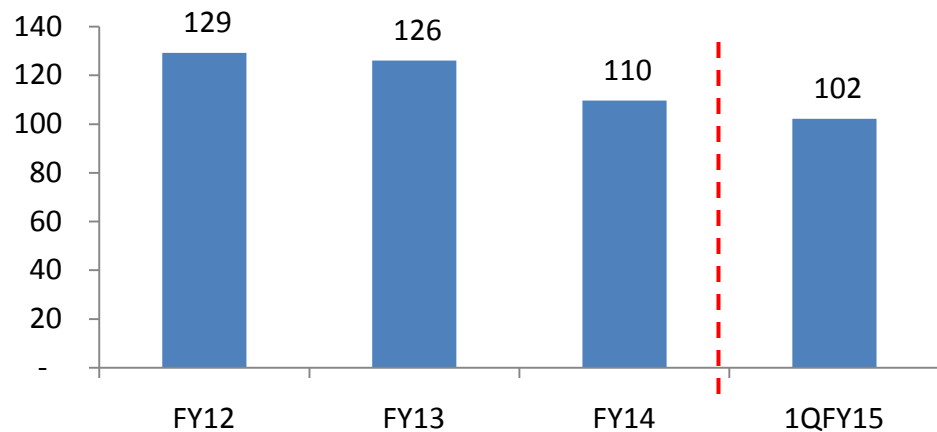
## Strong Asset Quality



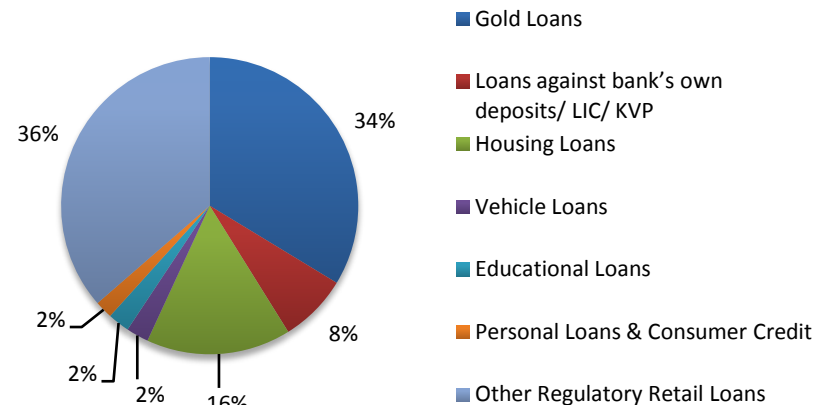
All figures in INR bn; Break-up details as of June 30, 2014

# Robust Retail, Agriculture & MSME Portfolio coupled with...

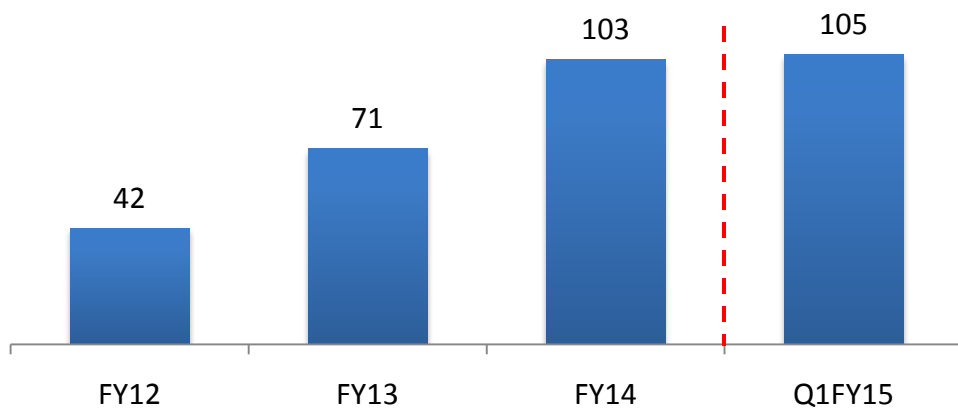
## Retail Advances



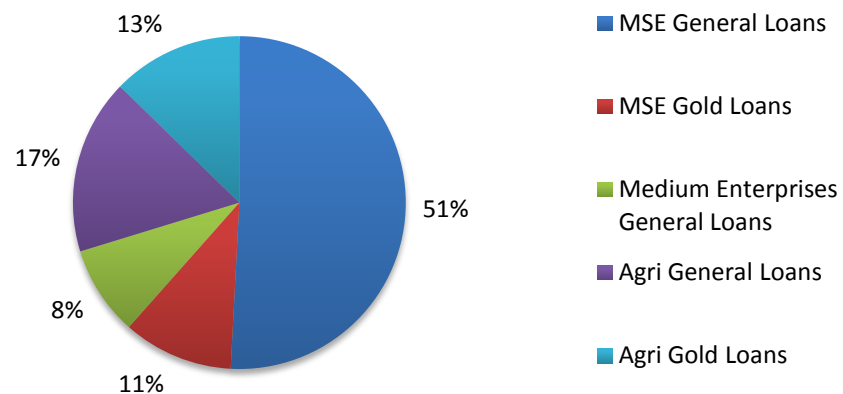
## Retail Advances Portfolio



## Agriculture & MSME Advances



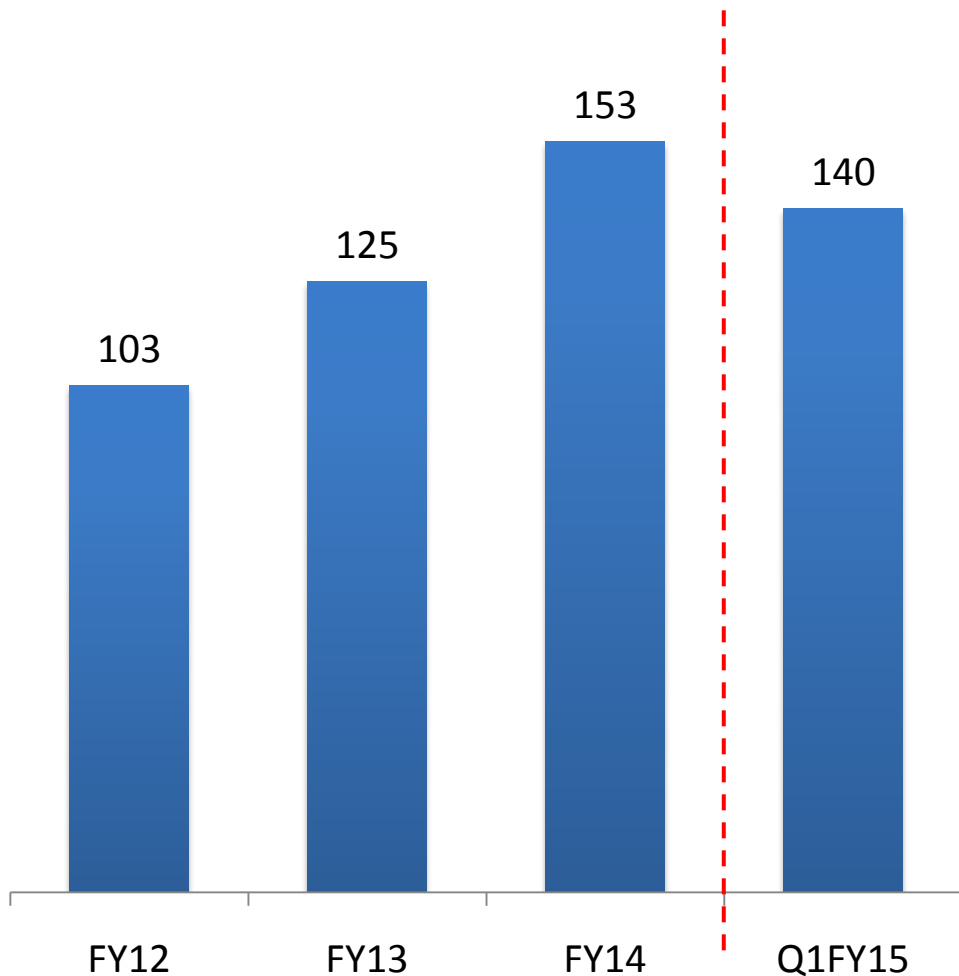
## Agriculture & MSME Advances Portfolio



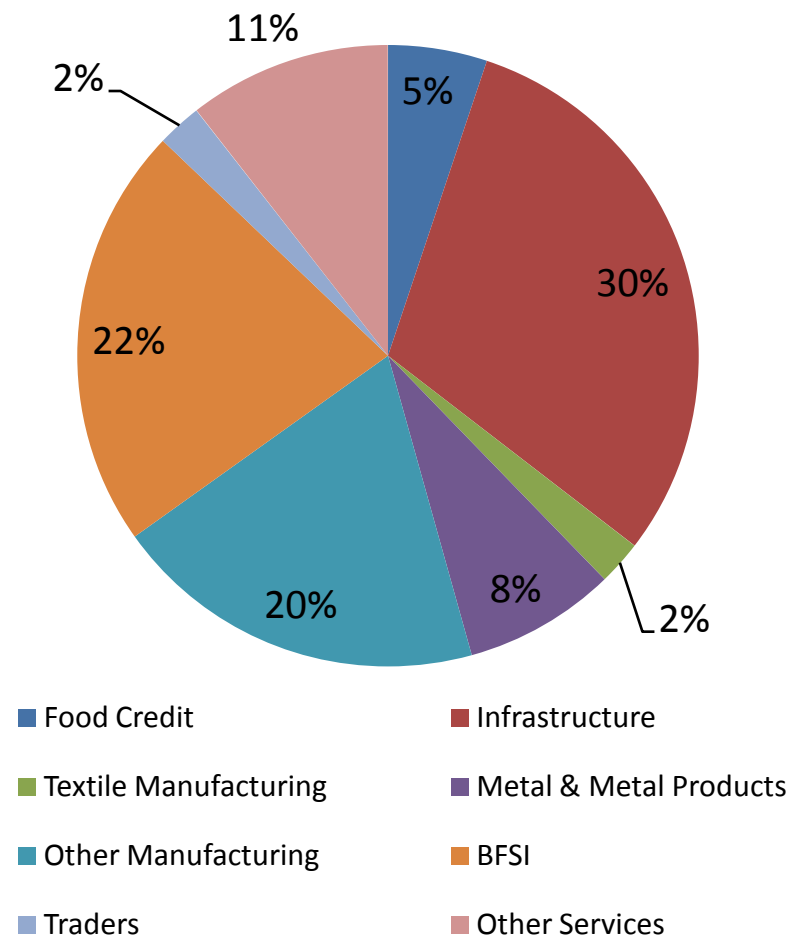
All figures in INR bn; Break-up details as of June 30, 2014; FY12-FY14 numbers based on restated classification being followed from FY15 onwards

## ... Growing Corporate Advances Portfolio

**Corporate Advances**



**Corporate Advances Portfolio**



All figures in INR bn; Break-up details as of June 30, 2014; FY12-FY14 numbers based on restated classification being followed from FY15 onwards

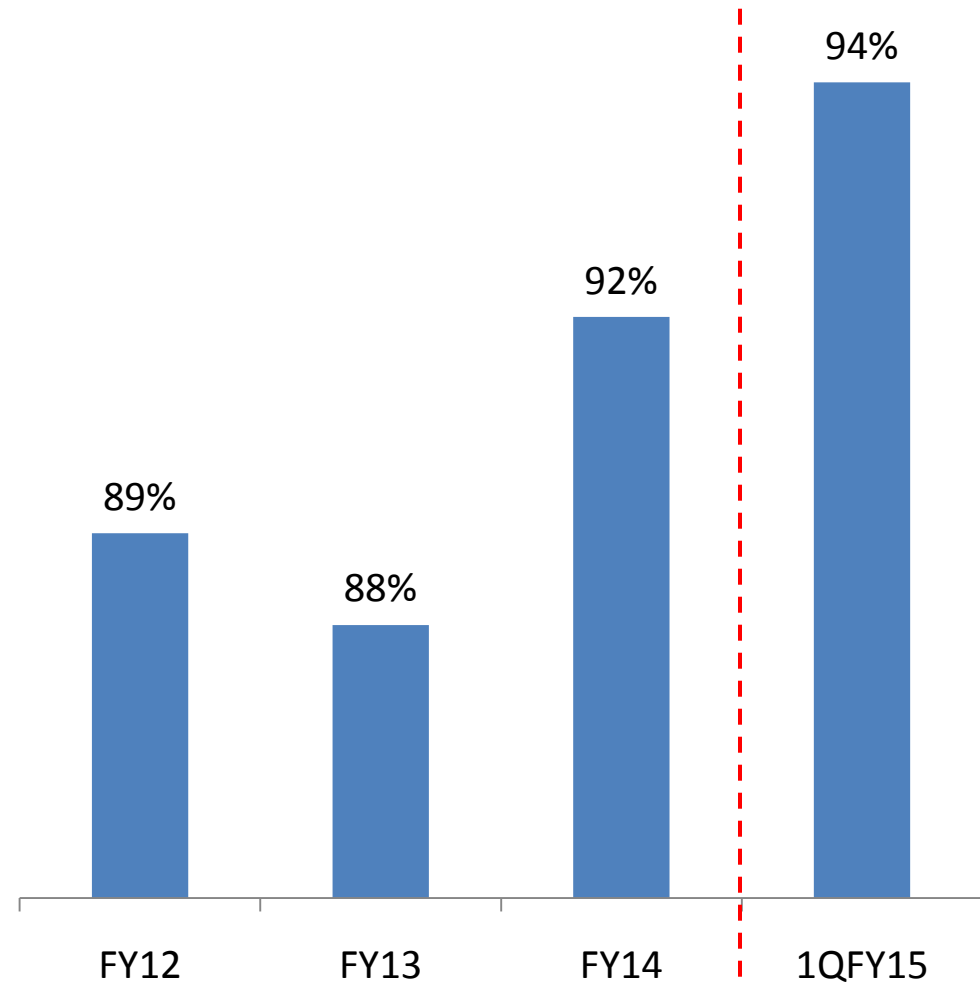
# High focus on Risk management with Strong Technology Platform

## Industry-wise Advances Distribution

Sector	%
Infrastructure	13.9%
Basic Metal and Metal Products	4.5%
Textiles	3.4%
Construction	2.6%
Food Processing	2.4%
Rubber, Plastic and their products	2.1%
Gems and Jewellery	2.0%
Cement and Cement Products	1.2%
Other Industries	6.4%
Residuary Other Advances	61.5%

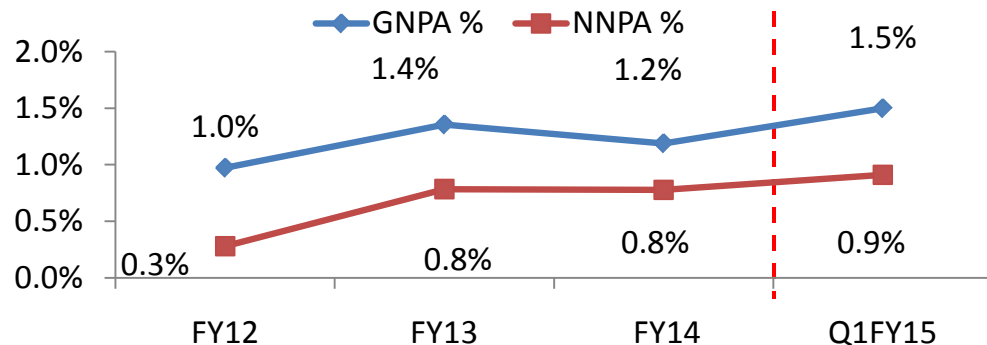
Break-up details as of June 30, 2014

## Secured Loans as a % of Total Aggregate Advances

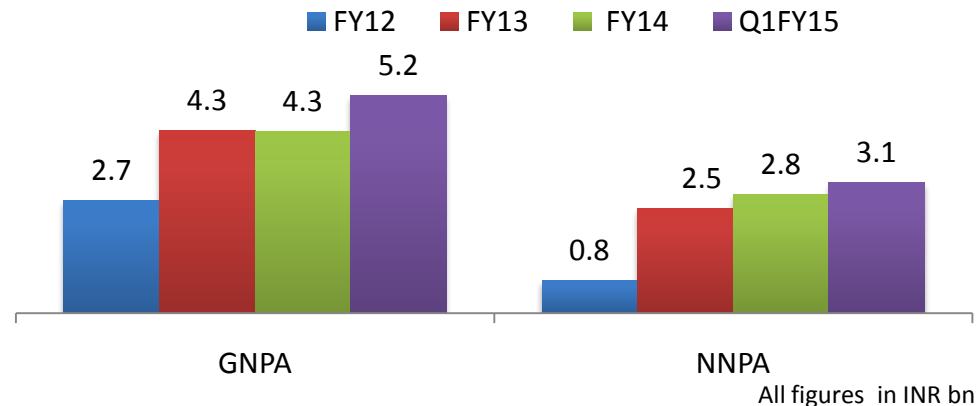


## ... resulting in Strong Asset Quality

### GNPA & NNPA (%)



### GNPAs & NNPA

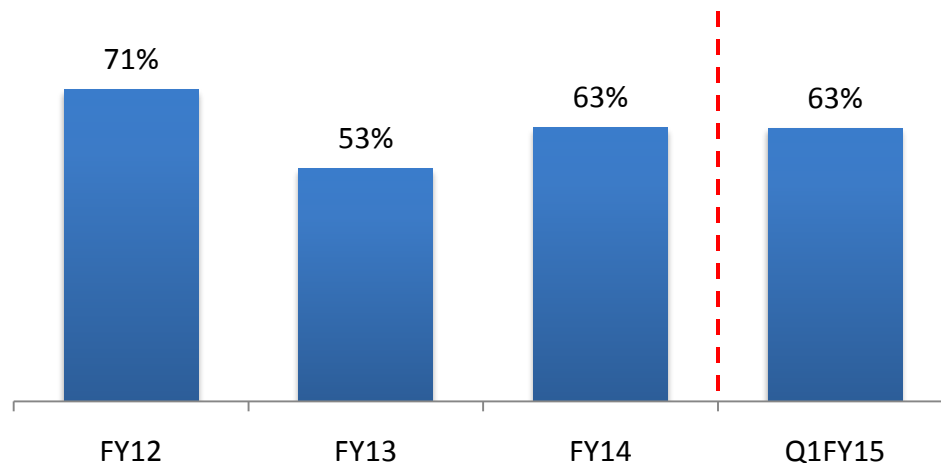


### Industry – wise NPAs

Sector	%
Infrastructure	19.2%
Gems & Jewellery	9.8%
Textiles	9.4%
Basic Metal & Metal Products	8.0%
Construction	2.1%
Food Processing	1.6%
Other Industries	13.7%
Residuary Other Advances	36.3%

Break-up details as of June 30, 2014

### Provisioning Coverage (%)



**Top 10 Accounts contribute 49.5% of GNPAs**



## ... resulting in Strong Asset Quality (contd.)

### Gross NPA Movement

Movement of Gross NPAs	FY12	FY13	FY14	Q1FY15
Opening balance	2.3	2.7	4.3	4.3
Additions during the year	1.7	5.3	6.3	1.0
Reductions during the year	1.3	3.6	6.3	0.1
Closing balance	2.7	4.3	4.3	5.2

### Net NPA Movement

Movement of Net NPAs	FY12	FY13	FY14	Q1FY15
Opening balance	0.6	0.77	2.5	2.8
Additions during the year	1.2	3.4	5.0	0.8
Reductions during the year	1.0	1.7	4.7	0.5
Closing balance	0.77	2.5	2.8	3.1

### Restructured Assets

	FY12	FY13	FY14	Q1FY15
Restructured Standard Advance	9.9	14.5	16.3	16.6
Restructured NPA	0.3	2.0	0.9	1.2
Total Restructured Advance	10.2	16.4	17.3	17.8

### Industry-wise Restructured Standard Advance

Sector	% of Total Restructured
Infrastructure and Power	49.1%
Drugs & Pharma	10.3%
Iron & Steel & Basic Metals	9.6%
Service	7.6%
Ship Building Industry	7.2%
Infrastructure - Roads & Transport	6.1%
Construction EPC	5.8%
Agriculture	3.9%
Textiles	2.4%
Housing	0.2%
Education	0.02%

All figures in INR bn; Break-up details as of June 30, 2014

## Backed by experienced professional management team



**Experience:**  
~45 years

**Previous Experience:**  
Dy. Managing Director –  
SBI, Managing Director –  
State Bank of Hyderabad

**Amitabha Guha**  
Chairman  
(M.Sc)



**Experience:**  
~42 years

**Previous Experience:**  
General Manager –  
Syndicate Bank

**Dr. Joseph VA**  
MD & CEO  
(M.com, CAIIB, MPM, LLB, Phd)



**Experience:**  
~35 years

**Previous Experience:**  
CGM, State Bank of India

**Mathew VG**  
Executive Vice President  
(M.Sc – Physics, CAIIB)



**Experience:**  
~41 years

**Previous Experience:**  
General Manager, Federal  
Bank

**Abraham Thariyan**  
Executive Director  
(B.Sc-Chemistry, MA(Sociology), MBA, CAIIB)



**Experience:**  
~37 years

**Life time banking with  
South Indian Bank**

**Joseph George Kavalam**  
Chief General Manager  
(B.Sc)



**Experience:**  
~37 years

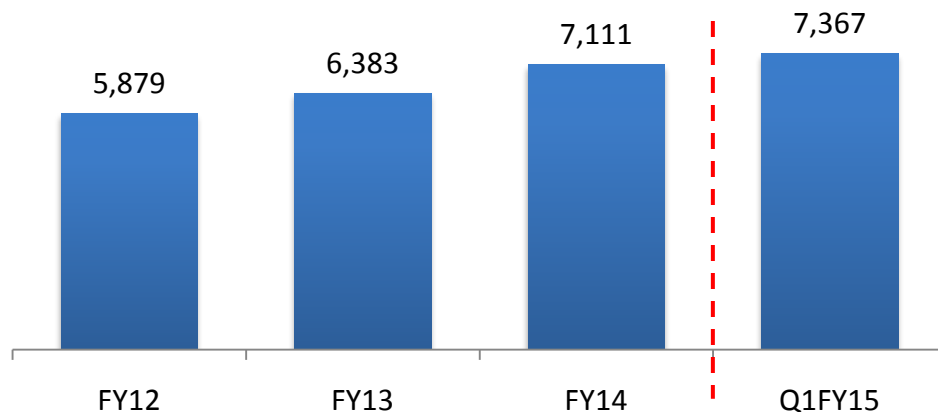
**Life time banking with  
South Indian Bank**

**Varughese AG**  
Chief General Manager  
(B.Sc, MBA, CAIIB-2)

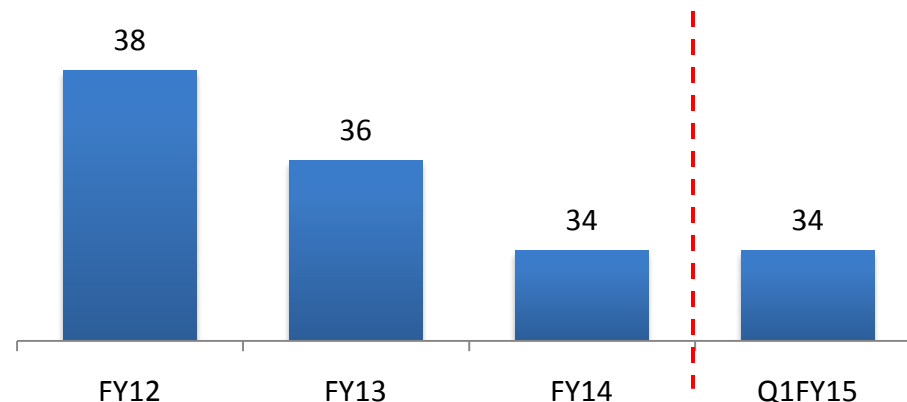
**Continuity of Management with just 2 CEOs at the helm in the last decade**

# ...Supported by young motivated work force with increasing productivity

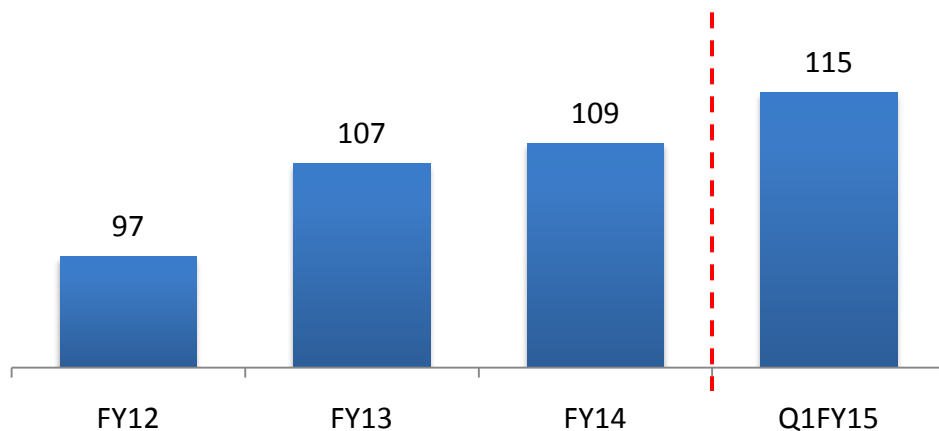
**Number of Employees**



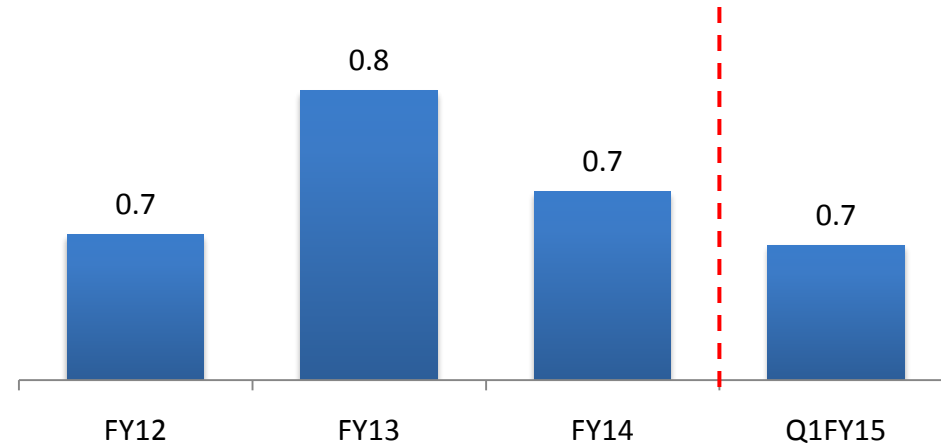
**Average age of Employees**



**Business per Employee**



**Profit per Employee**

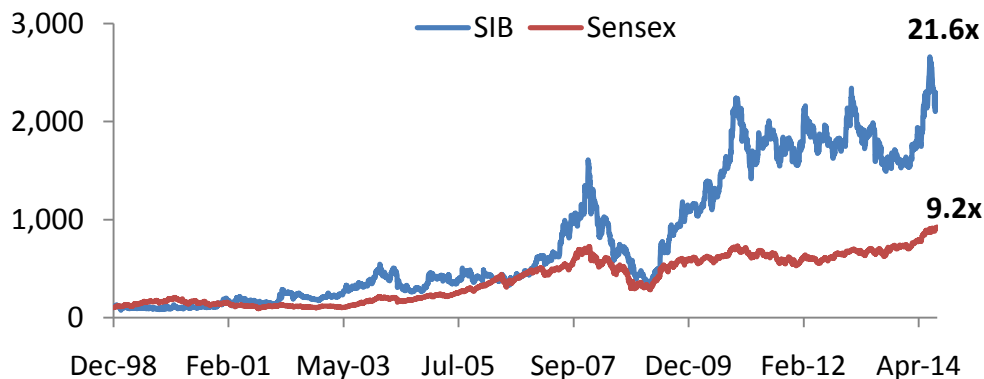


All figures in INR mn; Break-up details as of June 30, 2014

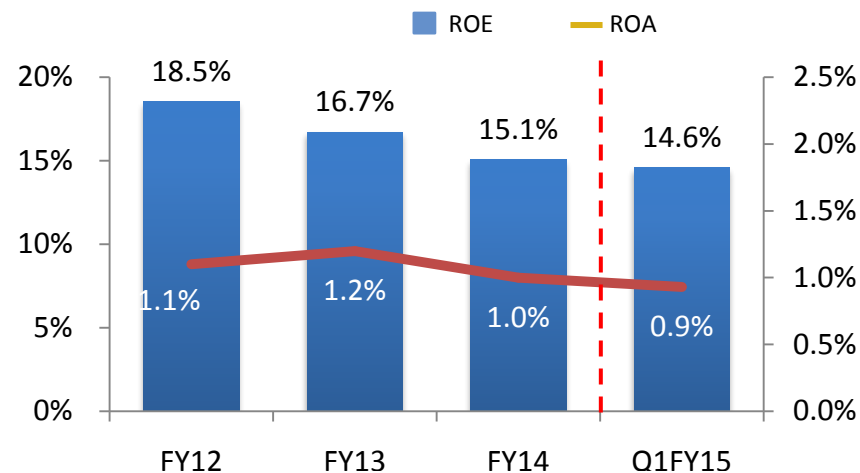
# Figures for Q1FY15 Employee Profitability are annualized

# ...Delivering Shareholder Returns consistently

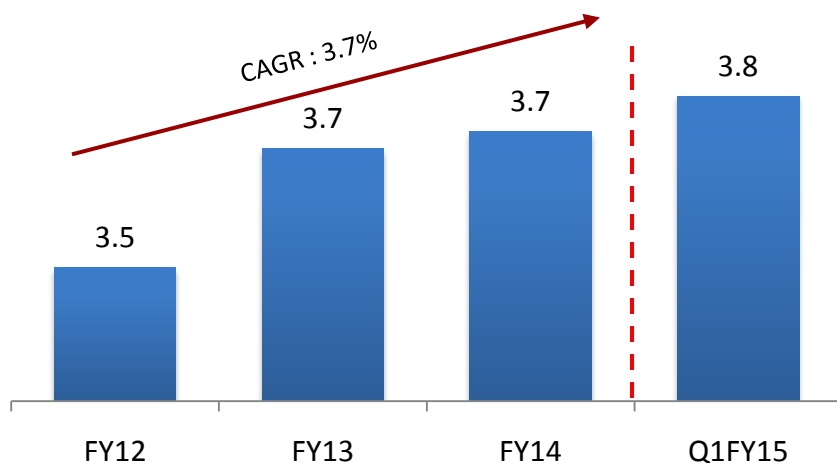
## Share Price Performance since Listing



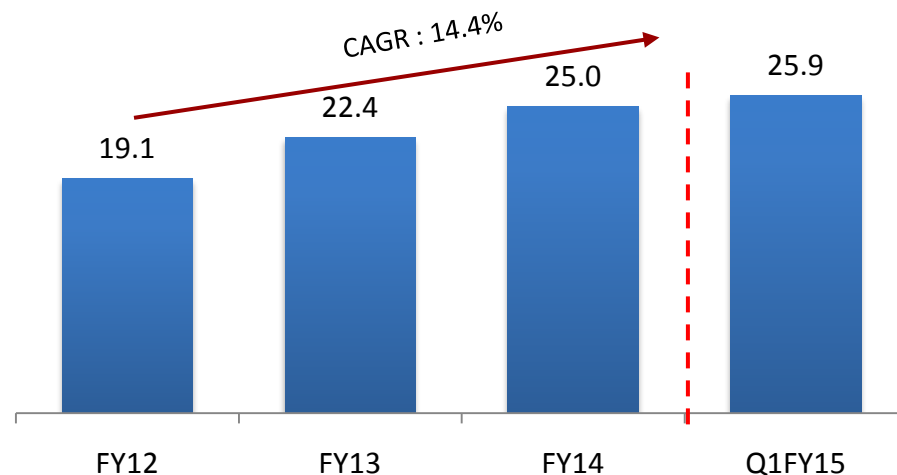
## ROE and ROA (Average)



## EPS Growth



## BVPS Growth



# EPS, RoE and ROA for Q1FY15 are annualized

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# FUTURE BUSINESS STRATEGY

# Business Strategy

## Increase Retail share of Advances

- Increase share of Retail (including Agriculture & MSME) to 65% respectively by FY17
  - Focus on SME, home loans & vehicle loans with competitive pricing and centralised monitoring
- Initiated a number of structural and cultural changes to increase the focus on profitable growth
  - Training Branch and regional managers to increase cross-selling across products
  - Rolling out enhanced platform in November 2014
  - Improve efficiency further by increasing mobile and internet interface

## Increase Fee based Income by 10% p.a.

- Intend to focus on increasing fee-based income by expanding third-party product offerings, increasing fee-based services and cross-selling offerings to the customers
- Plan to increase the fees received from ATMs by increasing the number of ATMs and increase fees from POS terminals by significantly increasing the number of POS terminals
- Implementing CRM package to systematize cross selling and ensuring end-to-end covering of customers

## Diversify Branch Network Pan India

- Leverage high credibility and perception in Kerala by expanding branch network
- Diversify and further strengthen its penetration Pan India
- Focus on Tier I and Tier II towns with strong Retail and SME businesses following cluster approach
- Increase bank's presence in new states
- Branch network to expand to 825 and ATM network to expand to 1,250 by FY15

## Business Strategy (contd.)

**Increase CASA as  
a Percentage of  
Total Deposits**



- Strong focus to increase share of CASA
- Incentive systems for employees have been aligned to focus on CASA
- Extensive focus on NRI customers to increase share of CASA
  - Planned Rep offices in Middle East to target these customers

**Efficiently  
Manage NPAs  
and Continue to  
Focus on Risk  
Management**



- High focus on reducing risk in Asset quality and thus reducing earnings volatility
  - Strong check on Stressed assets to maintain asset quality
  - Focus on low ticket advances and high rated companies for corporate advances
  - NNPA to be under 1.0%
- Significant investment in to fraud detection, integrated risk management and CRM package
  - Migrating to 10.1 of Finacle for CBS
- Reduce cost to income ratio by 1% per annum
  - Regular training initiatives to be undertaken to improve / supplement skill set of new recruits & young workforce to increase cross selling capabilities

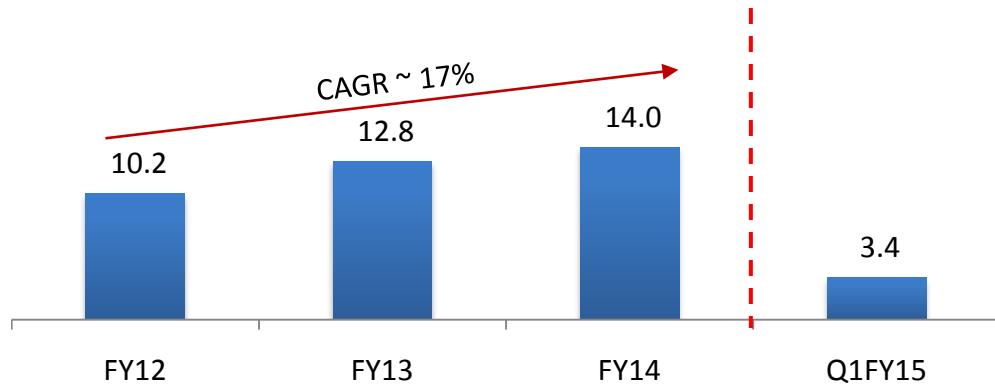
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# FINANCIAL PERFORMANCE

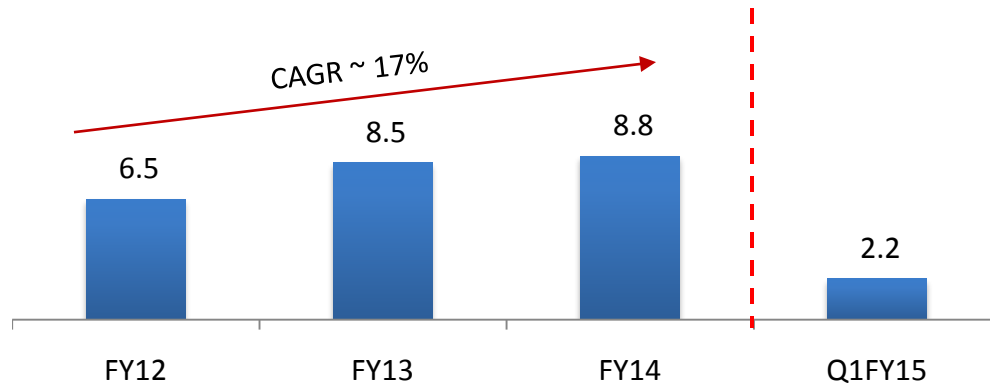


## Robust Growth in Core Revenue and Profitability

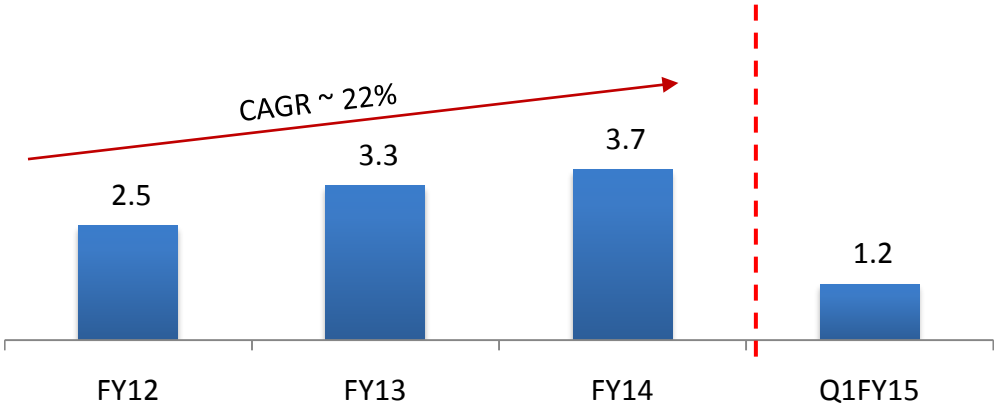
### Net Interest Income



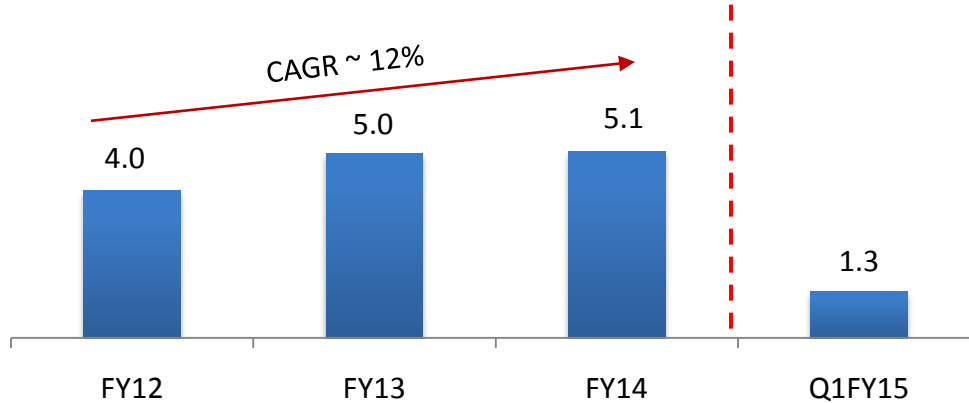
### Operating Profit



### Non-Interest Income



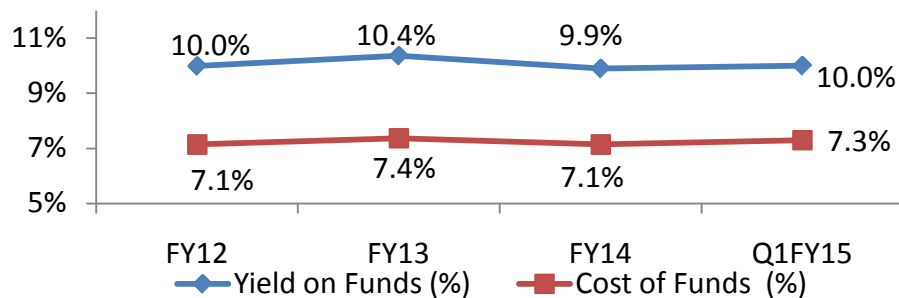
### PAT



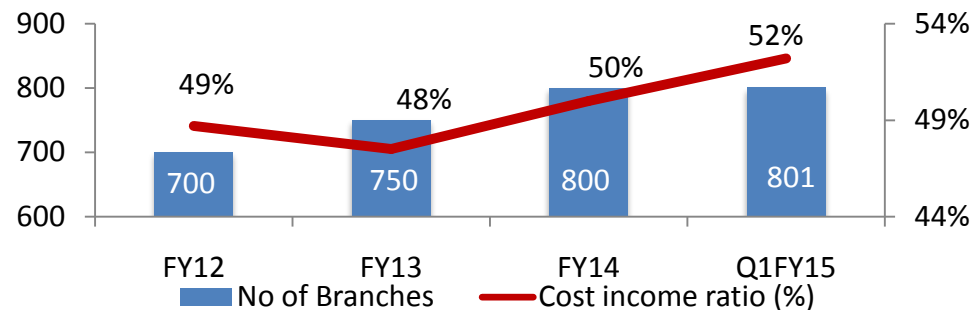
All figures in INR bn;

## Other key financial metrics

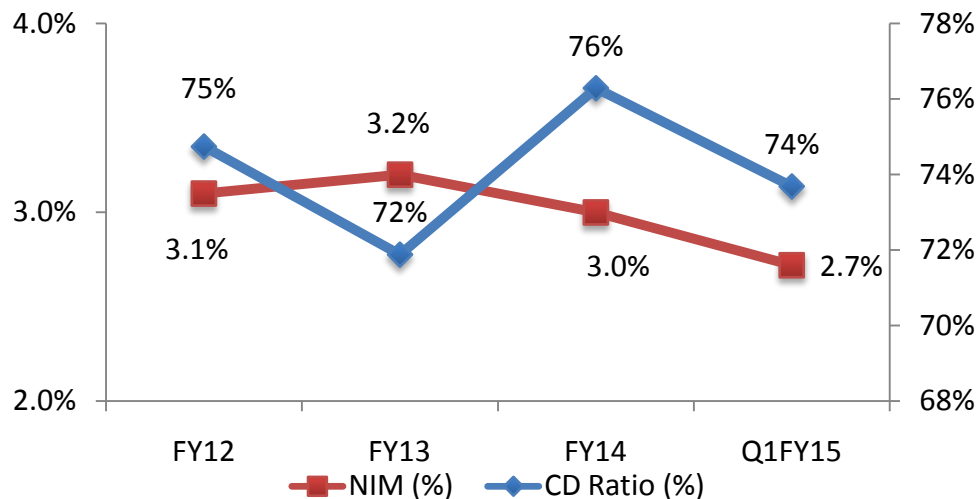
### Cost of Funds & Yield on Funds



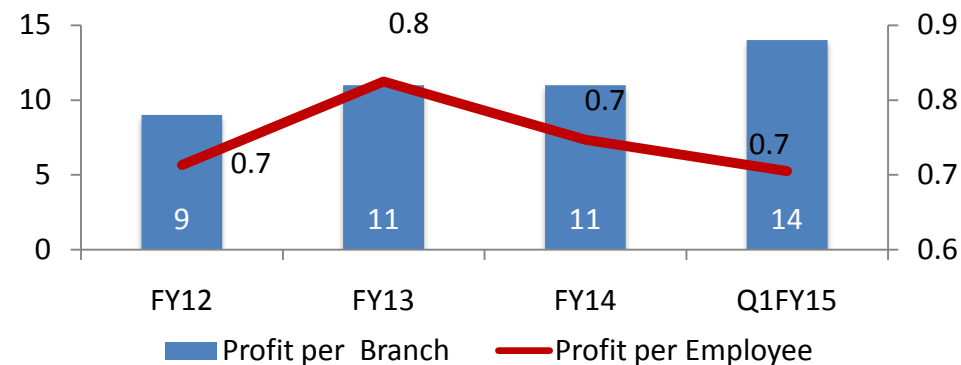
### Branch Expansion and C/I ratio



### Credit/Deposit Ratio & NIMs



### Branch & Employee Profitability



All figures in INR mn;

# Figures for Q1FY15 Employee Profitability are annualized

# Summary Financials: Balance Sheet

	INR mn			
	FY12	FY13	FY14	Q1FY15
<b>Capital and liabilities</b>				
Shareholders' funds	21,675	30,036	33,681	34,835
Deposits	365,005	442,623	474,911	464,892
Borrowings	5,882	12,846	27,308	26,412
Other liabilities	11,139	12,446	13,961	12,630
<b>Total</b>	<b>403,701</b>	<b>497,950</b>	<b>549,860</b>	<b>538,770</b>
<b>Assets</b>				
Cash and Cash Equivalents	26,405	43,359	32,179	39,691
Investments	93,999	125,235	143,518	143,607
Loans	272,807	318,155	362,299	342,554
Fixed assets	3,775	3,961	4,122	4,655
Other assets	6,714	7,240	7,742	8,263
<b>Total</b>	<b>403,701</b>	<b>497,950</b>	<b>549,860</b>	<b>538,769</b>

Note 1: Shareholders' funds include ESOP outstanding

Note 2: Numbers may not add up due to rounding off

## Summary Financials: Income Statement

	INR mn				
	FY12	FY13	FY14	Q1FY14	Q1FY15
Interest Income	35,834	44,343	50,151	12,251	13,447
Interest Expense	25,616	31,535	36,163	8,976	10,038
<b>Net Interest Income</b>	<b>10,218</b>	<b>12,808</b>	<b>13,988</b>	<b>3,276</b>	<b>3,409</b>
Other Income	2,470	3,349	3,685	1,177	1,212
<b>Operating Revenue</b>	<b>12,688</b>	<b>16,158</b>	<b>17,672</b>	<b>44,453</b>	<b>4,620</b>
Operating Expense	6,173	7,672	8,829	1,938	2,411
<b>Operating Profit</b>	<b>6,515</b>	<b>8,486</b>	<b>8,844</b>	<b>2,516</b>	<b>2,209</b>
Provisions and Contingencies (excl. Tax)	792	1,927	1,554	1,054	512
<b>Profit Before Tax</b>	<b>5,723</b>	<b>6,559</b>	<b>7,289</b>	<b>1,462</b>	<b>1,697</b>
Tax	1,707	1,536	2,214	314	431
<b>Net Profit (incl extraordinary items)</b>	<b>4,017</b>	<b>5,023</b>	<b>5,075</b>	<b>1,148</b>	<b>1,267</b>

Note 1: Numbers may not add up due to rounding off

## Summary Financials: Key Ratios

	FY12	FY13	FY14	Q1FY15
<b>Profitability and efficiency (%)</b>				
Return on average Total Assets	1.1	1.2	1.0	0.9
Return on average Net Worth	18.5	16.7	15.1	14.6
Interest Spread	2.9	2.9	2.7	2.5
Cost to Income Ratio	48.7	47.5	50.0	52.2
<b>Capital Adequacy – Basel II<sup>1</sup> (%)</b>				
Total Capital Adequacy Ratio	14.0	13.9	12.5	12.3
Tier I Capital Adequacy Ratio	11.5	12.1	10.9	10.7
<b>Asset Quality (%)</b>				
Gross NPA as a % of Gross Advances	1.0	1.4	1.2	1.5
Net NPA as a % of Net Advances	0.3	0.8	0.8	0.9

Note 1: Basel III Total Capital Adequacy Ratio for Q1FY15 is 12.2% and Tier I is 10.6%

Note 2: Numbers may not add up due to rounding off



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