

Dear Shareholders,

I have great pleasure in welcoming you all to the 85th Annual General Meeting of The South Indian Bank Ltd. being held here today. I thank you for your esteemed presence, continued trust and unwavering support extended to the Bank all these years.

Growth of Indian Economy slowed more than anticipated, with both manufacturing and service activity constrained by supply bottlenecks and sluggish external demand. Growth rate of 9.2 percent in the fourth quarter of 2010-11 came down to 4.5 percent by the end of the third quarter of 2012-13, which was the lowest in fifteen quarters. The deceleration in the services sector growth, which had been the mainstay of higher growth in the past had pulled down overall economic activity and employment generation. The agricultural output declined due to deficient rainfall that impacted kharif crop. Domestic policy uncertainties, perception of governance concerns, the impact of earlier monetary tightening and declining external demand impacted the growth prospects.

For Global economies 2012-13 was a better year when compared with the year previous. Near term risks in the advanced economies have receded during the past financial year. However, the improvement is yet to be fully translated in economic activities which remained subdued. A slow recovery is taking place in the US driven by improvement in the housing sector and employment generation.

Inflation which continued to be a major concern for the Indian Economy moderated due to the tight monetary policy of the Central Bank. Headline inflation, as measured by the wholesale price index (WPI) came down to an average of 7.3 percent in 2012-13 from 8.9 percent in 2011-12. The easing was particularly significant in last quarter of 2012-13, the year-end inflation receding to 6.0 percent. Even as headline inflation eased, there were upside pressures on food inflation through the year 2012-13 owing to an unusual spike in vegetable prices in April 2012 followed by rise in cereal prices due to delayed monsoon and the sharp increase in the minimum support price for paddy. This was quite evident from the fact that retail inflation, as measured by the new consumer price index, averaged 10.2 percent during 2012-13. RBI has projected

M3 growth for 2013-14 at 13.0 per cent for policy purposes. Consequently, aggregate deposits of Commercial Banks are projected to grow by 14.0 per cent. Keeping in view the resource requirements of the private sector, the growth of non-food credit of the Commercial Banks is estimated to be 15.0 percent.

Indian Primary equity market remained subdued in 2012-13. Its recovery depends on improvement in macroeconomic fundamentals, continued fiscal consolidation and revival of global growth. However, strong FII inflows, especially in the second half of 2012-13 augured well for the Indian equity market and the Rupee, although the market movements were also conditioned by domestic slowdown and governance concerns. Key stock market indicators show that price to earnings (PE) and price to book value (PB) ratios declined in 2012-13 in comparison with the past two years. The Indian financial market, in February 2013, had a new entrant viz., the MCX Stock Exchange Limited.

I am happy to report that your Bank recorded healthy performance, achieving new milestones in most areas of its activities. The Key financial highlights for the year 2012-13 can be summarized as under:

1. The total gross business of the Bank grew from Rs.63,974 crore to Rs.76,276crore recording a growth rate of 19.22% over the previous year.
2. Total deposits grew from Rs. 36,501crore to Rs. 44,262 crore registering a growth rate of 21.26% over the previous year. The low-cost deposits (CASA) grew at the healthy pace of 14.67%. (y-o-y).
3. The gross advances including food credit grew from Rs.27,473 crore to Rs.32,014 crore registering a growth rate of 16.53 % over the previous year.
4. Total Priority sector exposure as at the end of the financial year stands at Rs. 8,591.76 crore, constituting 31.24 % of the Adjusted Net Bank Credit (ANBC).
5. The net profit grew by 25.05% from Rs.401.66 crore to Rs.502.27 crore, which is the highest net profit recorded by the Bank so far in its long history of 85 years.

6. The Board of Directors has recommended a dividend of 70% i. e. @ Re.0.70 per equity share of Re.1/- each, which is 16.67% higher than the dividend of 60% declared last year. This is again the highest dividend declared by the Bank so far in its history.
7. The Capital & Reserves has improved from Rs.2,167.48 crore to Rs.3,003.61 crore due to infusion of fresh capital and ploughing back of profit.
8. The Capital Adequacy Ratio under Basel II norms is as high as 13.91%, which is well above the RBI mandated level of 9%, indicating a strong capital position of the Bank.
9. The Book value per share has improved from Rs.19.12 to Rs.22.44 and the market capitalization is above Rs.3,200 crore.
10. The earnings per share (EPS) on fully diluted basis has improved from Rs.3.50 to Rs.3.99 per Equity share of Re.1/- each as on March 31, 2013.
11. The business per employee has improved from Rs.10.79 crore to Rs.12.01 crore as on March 31, 2013, indicating improved productivity at all levels.
12. However the ratio of gross non-performing assets (NPA) to gross advances had increased from 0.97% to 1.36 % and net NPA to net advances increased from 0.28% to 0.78 % as on March 31, 2013.

The most redeeming dimension of our Bank's performance during the last five years has been consistency in its growth and at a level higher than that of the industry level, which is the result of dedication, commitment and hard work displayed by my colleagues at all levels and I have no hesitation in recording Board's appreciation to every one of them for their single minded devotion to the objectives of the Bank.

During the year, the Bank opened 50 new branches and 137 ATMs across the country. The branch network now covers 29 states/union territories and has a network of 750 branches and 800 ATMs. We plan to open more new branches and ATMs in the current financial year so as to reach the corporate goal of 800 Branches and 1000 ATMs by

March 31, 2014. With these additions and many other steps initiated, the Bank is well on its course to reach our long term target of Rs.92,000 crore of business by the end of March, 2014.

Pacing with the Bank's significant growth, the Bank has been successfully addressing the challenge of man power planning through recruitment of adequate staff utilizing the channels of campus recruitment and through open advertisement. Acquiring freshers and grooming them to be skilled are the areas of priority for the Bank. Further we have been providing extensive training in different facets of banking for our employees to hone their skills and make them more relevant to our customers' needs and expectations.

As you are well aware, your Bank is in the forefront of leveraging modern technology to deliver innovative products and services, without in any way compromising the personalized service to our customers. Based on the technology platform, the Bank has introduced a number of new products and services to meet the growing needs and aspirations of our clientele. These initiatives also helped the Bank to reach out to newer tech savvy potential customers in addition to serving the large number of existing customers who continue to be the backbone of our business. A few of the most important and well received products are detailed here for the benefit of the esteemed Shareholders:

- 1) Customers of the Bank enjoy the benefit of mobile banking service wherein, the transaction alerts are sent to the customers (including the mobile nos. registered outside India) on a real time basis, using SMS technology. During the FY 2011-12, the Bank had launched SIB M-Pay, the enhanced mobile banking services for the benefit of domestic customers which offers 24X7 instant inter/intra bank fund transfers even on bank holidays. The fund transfer facility is facilitated using the IMPS (Immediate Payment Service) platform of NPCI. The facility also enables the registered user to enjoy value added services like mobile recharge, DTH recharge, flight ticket booking, movie ticket booking etc. using their mobile phones. The Bank had planned exclusive marketing strategies for this product, which resulted in large number of registrations.

- 2) Point of Sale Solution (POS) which facilitates acceptance of VISA, MASTER and MAESTRO cards was launched.
- 3) In line with the capacity planning envisaged by the Bank, the Core hardware has been changed to the latest which can cater to Bank's needs for next 5 years.
- 4) The Bank launched bullion banking on September 6, 2011 for sale of gold coins/ingots of denomination 1, 3, 4, 8, 20, 50 & 100 gm, with 999.9 purity branded as "SIB Pure Gold", through all the Branches of the Bank. SIB Pure Gold is packaged in a tamper-proof cover and is sourced from world's renowned refinery PAMP, Switzerland with purity being ASSAY certified.
- 5) To enable NRIs to purchase shares from secondary market the Portfolio Investment Solutions for NRIs was launched partnering with M/s Geojit BNP Paribas Financial Services Ltd. This facility is offered both in online and offline mode.
- 6) In FY-2011-12, SEBI has registered the Bank as Self Certified Syndicate Bank [SCSB] for accepting application under Application Supported by Blocked Amount (ASBA). ASBA enables the Bank's customers to apply for IPO/FPO and rights issues by allowing a lien on the account instead of actual payment while applying.
- 7) The Bank is offering both Visa and Maestro debit cards to its customers. Using SIB debit cards Bank's customers can withdraw cash through ATMs of any bank in India and also across the globe wherever Visa/Master logo is displayed. The Bank has also launched the travel card on the 84th Founder's Day this year.
- 8) 'SIBerNet' - the internet banking service of the bank facilitates online and any-time banking transactions, third party and External Fund Transfers (RTGS/NEFT), which enables Bank's customers to do transaction on a round the clock basis. In addition, the Bank has Direct and Indirect Tax Payment facility for its Retail and Corporate Customers.

- 9) Since June, 2009 the Bank has been acting as a corporate agent of Life Insurance Corporation of India for selling the life insurance products. This year, the Bank has been focusing more on non-single premium products, considering the fact that this is more beneficial for the Bank and customer alike. The Bank acts as a corporate agent for the distribution of insurance products of M/s Bajaj Allianz General Insurance Company. This year, your Bank introduced a new investment channel for customers, viz. capital gains, tax free bonds in tie-up with IFIN.

Your Bank's long standing commitment for financial soundness, long-term customer relationships and proactive management is as important today as ever before. Going forward, the Bank would continue with its thrust on growth with quality. The Bank would try to protect and further improve the current levels of its key financials like net interest margin, return on assets, earnings per share, asset quality etc. through dedicated focus on low-cost deposit mobilization, improvement in non-interest income, efficient pricing of deposits and loans, reduction in high cost or low yielding bulk business and through improved credit selection and effective credit monitoring.

During the year the Bank was awarded the prestigious "BANKING TECHNOLOGY EXCELLENCE AWARD" by IDRBT. We received this award for the third time.

In the present volatile and rapidly changing financial scenario it is imperative to have sound and effective risk management practices to manage risk inherent in the banking business and also the risks emanating from financial market as a whole. During the year, the risk management structure of the Bank had further strengthened to enable it to proactively identify and help in controlling the credit, operational and market risks embedded in the business, while maintaining proper tradeoff between risk and return, thereby maximizing the shareholders' value.

The Financial Inclusion initiative of the Reserve Bank of India has yielded good results. Penetration of Banks in rural areas has increased manifold. The newly added banking outlets in rural area include brick and mortar branches and Business correspondent outlets. As part of the Financial

Inclusion initiatives, Bank engages Business Correspondents (BCs), who in turn extend basic banking services to the people in the said locations. The Bank has formulated an exclusive smartcard based Savings Bank A/c with built in OD facility “South Indian Bank Financial Inclusion Smart Card (SIB FINS Card) A/c”. It is envisaged that pension payments, labour welfare payments, kerosene and LPG subsidy as well as public distribution system subsidy will be routed through bank accounts. Going forward, financial inclusion plan will throw open more untapped business opportunities for the Banks.

As a responsible corporate citizen, the Bank supports and pursues the ‘Green Initiative’ of the Ministry of Corporate Affairs (MCA). In conformance with such initiatives, the Bank effected electronic delivery of documents including the notice and explanatory statement of Annual General Meeting (AGM), Audited Financial Statements, Directors’ Report, Auditors’ Report etc. for the year ended March 31, 2013, to the email address which the Shareholders have previously registered with their Depository Participant (DP) as their valid email address.

I wish to reaffirm that our employees are our biggest assets. I would like to place on record our appreciation for all our staff members at all levels for their great contribution in building a strong and successful organization amidst challenging economic environment. On your behalf and on behalf of the Board of Directors, I appreciate their contribution for yet another year of achievements.

I take this opportunity to express my thanks to all our shareholders for their continued trust in the Board of Directors and the Management of the Bank. Further, I would like to express my gratitude to all my colleagues on the Board, both past and present, for their very valuable and sagacious guidance and members of staff at all levels and the top management team for their active support and wholehearted involvement in our earnest endeavors to achieve the corporate objectives.

The Bank has immensely benefited from the contributions made by the Auditors, Legal Advisors and the Correspondent Banks, whose support is invaluable. I am grateful to Reserve Bank of India, Government of India, Government of Kerala, various State Governments where we

operate, FEDAI, Securities and Exchange Board of India and the Stock Exchanges where our shares are listed for their continued support and guidance. I also thank the media, both print and electronic for their unstinted support to our Bank all these years. On behalf of the Bank and on my own behalf, I sincerely thank all our depositors, customers and well wishers both resident and non-resident Indians, whose abiding faith and trust has helped this Bank to reach new heights of acceptance and growth year after year.

Thank you, Ladies and Gentlemen, for your time and attention.

AMITABHA GUHA

CHAIRMAN

June 28, 2013

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

