

Chairman's Speech at the 86th Annual General Meeting

Dear Shareholders,

I have great pleasure in welcoming you all to the 86th Annual General Meeting of The South Indian Bank Ltd for the Financial Year 2013-14 being held here today. The Directors' Report and the Audited Financial Statements for the Year ended 31st March 2014 are already with you and with your permission, I take them as read. I thank you for your esteemed presence, continued trust and unwavering support extended to the Bank all these years.

Before coming to your Bank's Performance, I would like to give you a brief idea regarding the present economic and banking scenario.

Economic and Banking Scenario:

Fiscal 2013 has been a challenging year for the Indian economy. Growth in the Indian economy has remained below 5.0% for the second consecutive year, along with subdued investment activity and consumer demand. Uncertainties regarding the global recovery, concerns over domestic growth and volatility in financial markets were the key features of the economic environment in fiscal 2014. India's Gross Domestic Product (GDP) grew by 4.6% during fiscal 2014. Growth was moderate due to a slowdown in industry and services sectors. Growth in the industrial sector was 0.6% during fiscal 2014, similar to the corresponding period of fiscal 2013. The services sector grew by 6.7% during fiscal 2014. The agriculture sector saw an improvement in growth to 3.6% in fiscal 2014. There is indeed a need to have a robust policy framework that balances the priorities of investment with other considerations.

The year witnessed high inflation and interest rate. The retail inflation measured by Wholesale Price Index (WPI) was 5.7% and Consumer Price Index (CPI) was 8.3% that remained above the comfort zone of Reserve Bank Of India (RBI). The year under review has been challenging with continuing macroeconomic scenario not conducive for healthy growth. Yet there have been positives in some sub-segments of performance of the banks. Improved performance of the banking industry in India has helped the economy to bounce back to a positive growth level. Current Account Deficit (CAD) which had reached all time high in 2012-13 declined to 0.2 per cent of GDP in March 2014 quarter and this was mainly due to the drastic steps taken to control import of gold and to some extent recovery in exports.

The Indian banking industry faced corresponding challenges due to the economic slowdown, as a result of which asset quality preservation took precedence over growth requirements. Though the warning signals subsequently subsided following expectations of improved policy measures and robust government initiatives, commercial banks engaged in cautious lending.

Your Bank sustained its growth through an enduring commitment to Business Excellence, while improving quality and customer delivery models. This resulted in healthy and balanced growth across all parameters including non-interest income, stable cost-to-income ratios, increasing branch and ATM footprint, human capital and best-in-class asset quality even as the external environment remained challenging.

Performance of the Bank:

During the year, your Bank had to operate in one of the very challenging economic environment, marked by higher inflation, tighter monetary policy and hardening interest rates. In this back drop I am happy to report that your Bank has recorded healthy performance. The Key financial highlights for the year 2013-14 can be summarized as under:

1. The total gross business of your Bank grew from Rs. 76,276 crore to Rs. 83,894 crore recording a growth rate of 9.99% over the previous year.
2. Total deposits grew from Rs. 44,262 crore to Rs. 47,491 crore registering a growth rate of 7.30% over the previous year. The low-cost deposits (CASA) grew at the healthy pace of 19.34%. (y-o-y).
3. The gross advances including food credit grew from Rs. 32,014 crore to Rs. 36,403 crore registering a growth rate of 13.71 % over the previous year.
4. Total Priority sector exposure as at the end of the financial year stands at Rs. 13,376.72 crore, constituting 40.66% of the Adjusted Net Bank Credit (ANBC).
5. Your Bank had achieved a net profit of Rs 507.50 crore during the year against the net profit of Rs 502.27 crore posted during the previous year.
6. The Board of Directors has recommended a dividend of 80% i. e. @ Re.0.80 per equity share of Re.1/- each, which is 14.29% higher than the

dividend of 70% declared last year. This the highest dividend declared by your Bank so far in its history.

7. The Capital & Reserves has improved from Rs.3,003.61 crore to Rs. 3,368.05 crore owing to plough back of profits during the year.
8. The Capital Adequacy Ratio under Basel III norms is as high as 12.42%, which is well above the RBI mandated level of 9%, indicating a strong capital position of your Bank.
9. The Book value per share has improved from Rs. 22.44 to Rs. 25.06 and the market capitalization is above Rs.2990 crores as on March 31st 2014.
10. The earnings per share (EPS) on fully diluted basis is Rs.3.77 to per Equity share of Re.1/- each as on March 31, 2014.
11. The business per employee stood 10.94 crore as on March 31, 2014.
12. As on March 31, 2014 the ratio of gross non-performing assets (NPA) to gross advances had decreased from 1.36% to 1.19% however net NPA to net advances has remained unchanged compared to previous year i.e., 0.78%.

During the year, your Bank has opened 54 new branches and 200 ATMs across the country. The branch network now covers 29 states/union territories and has a network of 794 branches 9 service branches and 1000 ATMs. Your Bank further

plans to open 25 new branches, 25 Extension Counters, 250 ATMs, 3 USBs and increasing the network of branches to establish foot prints in the states not covered hither to, Arunachal Pradesh and Sikkim during the current financial year.

Human Resources policies and practices of your Bank focus on attracting, motivating and retaining qualified and skilled manpower. Concurrent with these objectives, steps are taken to improve manpower efficiency. Given the market challenges, there has been considerable focus on optimizing the existing resources through internal Job postings, transfers and skill development initiatives. Training and development has assumed significant importance. The Bank's Staff Training College identifies the gaps in resource capability of the personnel and train them for qualitative improvement.

Your Bank has effectively leveraged technology and introduced several variants of traditional products and new e-based services, tailor made to the diversified needs of customers. Technology services like ATM cards, internet banking, mobile banking etc., have transformed the customer's banking experience from branch banking to anytime, anywhere banking.

1. All the branches of your Bank are inter-connected and are capable of providing online, real-time transactions to its customers. As information is centralized and updates are available simultaneously at all places, single-window service has become possible, leading to effective service-delivery to customers.
2. Your Bank is offering both Visa and Maestro debit cards to its customers. Your Bank has enabled its Visa cards and Maestro cards for online transactions. Co-branded Foreign Currency Travel Card launched in association with Axis Bank is specifically designed for customers who travel

abroad and is available in 7 foreign currencies. Your Bank launched international EMV Chip and PIN based cards in Visa platform for facilitating highly secure international card transactions. RuPay cards are also available to customers for use at domestic ATMs and POS terminals.

3. The internet banking service under the brand name “SIBerNet” has helped to position your Bank as a technology-driven Bank offering superior services to both retail and corporate customers. Your Bank has also introduced Direct and Indirect Tax Payment facility for its retail and corporate Customers.
4. Mobile banking services help customers maintain a virtual connection with the Bank at all times. SMS, SIB M-Pay and SIB M-Passbook are the mobile banking based services currently offered by the Bank. SIB Mobile Service (SMS) enables customers receive instant intimation on their account activities via SMS alerts and also enquire important information over SMS. The enhanced Mobile Banking service of the Bank “M-Pay”, offers 24x7 inter/intra Bank fund transfers, with immediate credit of the beneficiary account. The fund transfer facility is facilitated through the IMPS (Immediate Payment Service) platform of NPCI. Your Bank was a pioneer in introducing SIB M-Passbook application that allows customers to access account transaction details on their smart phones.
5. Your Bank, in association with M/s. Atos Worldline India Pvt. Ltd. is offering two types of POS Terminals PSTN (Wired Terminal) and GPRS (Wireless). Atos is the market leader in India in this segment and the primary service provider for POS acquiring services to a number of leading public sector and private sector Banks in the country.

6. Your Bank acts as a corporate agent for the distribution of insurance products of both Life Insurance Corporation of India and M/s. Bajaj Allianz General Insurance Company for life insurance and general insurance respectively.
7. Your Bank has enrolled as a Channel Partner for the distribution of bonds issued by different companies, through Banks Tie up with IFIN- A subsidiary of IFCI Financial services Limited. Through this tie-up the Bank has been enrolled as a channel partner of IFCI for the distribution of capital gain bonds and tax free bonds.
8. Your Bank is offering Cash Management Service (Premium Collection) to customers in association with Tata AIG, Exide Life Insurance Co. Ltd. (formerly known as ING Vysya) and ICICI Prudential Life Insurance Co Ltd. Under this arrangement customers can remit life insurance premium through branch counters.
9. Your Bank acts as a Point of Presence to provide services to subscribers of New Pension System introduced by Pension Fund Regulatory and Development Authority (PFRDA). Your Bank has been appointed as an Aggregator for NPS Lite.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

The Bank's CSR policy strictly conforms to the guidelines of RBI and Ministry of Corporate Affairs. Your Bank focuses on major areas like Education, Health care,

Sustainable livelihood, Infrastructure development and social causes. The Bank provided school Kits to poor students and financial assistance for maintenance of schools. Financial assistance is being provided to Cancer patients through Cancer Care for Life, a scheme of Regional Cancer Centre(RCC), Thiruvananthapuram. The Bank has provided Solar lanterns to eligible households in Pullu village. As a part of CSR, your Bank has provided an overall financial assistance of Rs. 63.42 lakhs in the financial year 2013-2014.

Awards and Accolades

During the period under review, your Bank has received the following awards for its achievements from different quarters/ agencies and I am glad to mention the following:

1. Awards from the Sunday Standard, Instituted by the new Indian Express Group, for Best Banker (mid-sized) 2013, Best Private Sector Banker, Best Banker- All round expansion and Best Banker- Efficiency and Profitability
2. Prestigious IBA Banking Technology Award 2012-13.
3. The Business Excellence Award 2012-13 Instituted by the Trivandrum Chamber of Commerce and Industry.
4. Dr. V.A Joseph , MD & CEO has been declared as one among the best 100 CEOs' of India by Business Today's ' Roll of Honour-CEOs' survey conducted in association with Price Waterhouse Coopers.

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, your 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.

It is imperative to have a robust and effective risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets as a whole. The Bank has put in place risk management architecture and practices that is overseen by a Committee of Directors. Your Bank has in place a robust risk management structure which proactively identifies the risk faced by the Bank and helps in mitigating it, while maintaining proper tradeoff between risk and return thereby maximizing the shareholder value.

Looking Ahead

I assumed the office of chairman on November 2nd 2010 and would shortly be completing 4 years with this much reputed institution. These past four years has been challenging but I am quite confident that your Bank will emerge as resilient in the coming years. Your Bank is looking at profitable growth by further enhancing CASA position and increasing yield on advances, in view of the increasing demand.

Your Bank proposes to introduce a number of initiatives such as up gradation of core Banking Software to version 10, Automation of customer relation management, state of the art call centre etc to augment the customer satisfaction during the upcoming years.

I am confident that your Bank will prevail over the challenges and attain new pinnacles. In this landmark 85th year of our Bank's epoch- making odyssey as an organization, I solicit your continued loyalty and support so that we can together propel your Bank to a new height and maximize value of all stakeholders

Acknowledgement

I take this opportunity to express my deep sense of gratitude to the Reserve Bank of India, Securities and Exchange Board of India, Government of India, Government of Kerala and all other state Governments where the Bank operates, other Government and Regulatory Authorities, including stock exchanges, where the Bank's shares are listed and correspondent Banks for their strong support and guidance, during the year. The Board also places on record its gratitude to the Bank's shareholders and customers for their continued support, patronage and goodwill. The Board further places on record its appreciation for the valuable services rendered by M/s. S. R. Batliboi & Associates LLP, Statutory Auditors, during their tenure. The single most important pillar of any Institution is its personnel, more so in the case of a service entity like a Bank. Your Bank gladly acknowledges this fact and thanks all of them for their diligence and loyalty towards the Bank. The Board expresses its sincere appreciation for the dedicated services rendered by officers and employees of the Bank at all levels.

Conclusion

Before I conclude, I would like to assure you, that your Bank has put in place appropriate plans and strategies to bring about the intended quality business growth. I seek your continued support and patronage to take your Bank to new heights.

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

July 16, 2014

AMITABHA GUHA
CHAIRMAN

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