SOUTH INDIAN Bank

DEPT : SECRETARIAL

REF No. SEC/ST EX.STT/ 38 /2012-13

31st August, 2012

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051.

Dear Sirs,

The Board of Directors of the Bank vide Circular Resolution dt.31/08/2012 has decided to disclose the following information to Stock Exchange(s), though it does not fall under price sensitive information under clause 36 of the listing agreement, as a matter of good corporate governance:

a) Certain acts of fraud committed by two employees in connivance with third party borrowers at one of our Branches were unearthed recently with an involvement of approximate total amount for Rs. 34.15 Crore. The employees have admitted to committing these acts of fraud by way of granting loans without obtaining securities and forging the documents. One of the officers involved has been placed under suspension from service and the other has resigned. Out of the approximate amount of Rs. 34.15 crore of loans with fraudulent security, the Bank has recovered an amount of Rs.2.50 crore in cash and also obtained collateral securities by way of immovable properties worth approximately Rs. 10 crore, as per latest valuation. Further, the Bank is holding an insurance cover of Rs. 10 crore against such incidents and the claim has already been lodged. The potential losses could be further limited based on the recovery process initiated.

b) Further, Bank had received an amount of Income Tax Refund amounting to Rs. 53.12 crore including a component of interest amounting to Rs.14.05 crore on 27/08/2012. The refund is attributable to granting of effect by the Income Tax authorities to the favorable orders of the Supreme Court decision on the issue of Bad Debts written off in respect of non Rural Branches u/s 36(1)(vii) of the Income tax Act 1961.

This is for your kind information.

Yours faithfully,

(JIMMY MATHEW)
COMPANY SECRETARY