

## **Chairman's Speech at the 93rd Annual General Meeting**

A very Good Morning to all,

I am delighted to welcome you all on behalf of the esteemed members of the Board to the 93<sup>rd</sup> Annual General Meeting of "The South Indian Bank Limited" for the financial year 2020-21, being held today through Video Conference. This is already our second virtual event of this kind, and we are really missing the intimacy and warmth of face- to- face interactions. I hope to find you all safe, and healthy as the pandemic continues to be at our doorsteps. A special thanks to all of you for joining virtually, at this critical juncture.

I am addressing you all at a time when the nation has been severely impacted by the Second wave of the pandemic. Undoubtedly, this is the most challenging test we had ever faced. It is time for all of us to remain acutely conscious of observing the health and safety measures to remain strong, guard against cynical despair and stay united in preserving our shared values and ethos. I wish this world would emerge victorious from the crisis created by the pandemic. The darkest hour always is before the dawn, and we are already beginning to glimpse the green shoots that give rise to cautious optimism. I am quite sure that all of us should stand united with a strong resolve to serve the community and express solidarity with the nation.

The Directors Report and the Audited Financial Statements for the financial Year ended March 31, 2021, are already with you and with your kind permission, I take them as read.

Before I present the performance of the Bank, I would like to briefly share with you the present macroeconomic and banking scenarios.

### **Economic and Banking Scenarios**

The pandemic disrupted the real economy, and not just the financial system alone. The surge in daily COVID-19 cases is likely to impact a fragile recovery, with significant correlation between lockdowns, reduced mobility and economic growth. An increasing number of State Governments were forced to resort to complete lockdowns or strict localised containment for prolonged periods,

resulting in significant impact on economic activity. The crisis has inflicted shocks to trade, cross-border travel, global production, and demand.

Economic prospects have diverged further across countries in the wake of the Second wave. Vaccine access has emerged as the principal fault line along which the global recovery splits into two distinct blocks- those that can look forward to further normalisation (advanced countries) and those that will still face resurgent infections, and mortality. The recovery, however, is not assured in those countries where infections are currently very low, so long as the virus is around elsewhere.

As per the IMF's July 2021 World Economic Outlook, the global economy is projected to grow at 6% in 2021 and 4.9% in 2022. Prospects for emerging markets and developing economies have been marked down for 2021, especially emerging Asia. Nevertheless, risks around the global baseline are on the downside.

In India, the stress on the banking sector was further accentuated by the pandemic. The exponential spread of COVID-19 has led to the GDP growth contracting by 7.3% in FY 2021. The pandemic has a significant impact on economic activities and lending potential across sectors. Financial institutions, using their strong liquidity position, played a key role in reinvigorating the economy.

In the current financial year, India is expected to be one of the fastest growing economies in the world. As the vaccine rollout gathers momentum, the economy is expected to be on a much stronger footing, especially from the Second quarter. The RBI has projected the real GDP to grow at 9.5% in 2021-22; consisting of 21.4% growth in Q1; 7.3% in Q2; 6.3% in Q3; and 6.1% in Q4.

## **Performance of the Bank**

The Key financial highlights for FY 2020-21 are summed up, as under:

- Our Bank achieved a total business of Rs. 1,42,129 crore, consisting of deposits of Rs. 82,711 crore and gross advances of Rs. 59,418 crore as on March 31, 2021.

- CASA has grown from Rs. 20,760 crore as on March 31, 2020 to Rs. 24,590 crore as on March 31, 2021, with a growth of 18.45%. The Savings bank deposits grew by 15.48% on a year -on -year basis.
- The Net Operating Income (Net Interest Income and other income) of the Bank increased by Rs. 229.14 crore (6.81%) from Rs. 3,363.25 crore to Rs. 3,592.39 crore.
- The GNPA has increased from 4.98% as on March 31, 2020 to 6.97% as on March 31, 2021 and Net NPA has increased from 3.34% as on March 31, 2020 to 4.71% as on March 31, 2021. Despite prompt and effective credit risk management and recovery measures, fresh slippages of accounts from the corporate and retail sectors, due to the wide spread of COVID -19 Pandemic had impacted the portfolio quality.
- With the focus on strengthening the financials, the Provision Coverage Ratio (PCR) has increased to 58.73 from previous level of 54.22.
- The Capital Adequacy Ratio of our Bank was 15.42, under Basel III norms as on March 31, 2021, as against the RBI mandated level of 10.875.
- As on March 31, 2021, the Book value per share of the Bank stood at Rs.27.75 (face value Re.1/-).
- Our Bank has been successful in widening its network across India with 884 branches; 45 Extension Counters; 1315 ATMs/CRMs.
- During the year, our Bank was honoured with significant Institutional recognitions, awards and accolades for various initiatives undertaken.

Employees are the key drivers of our success. Human Resources Management is ingrained in the Bank's strategy. Our Vision 2024, as defined by the 6Cs – Capital, CASA, Cost-to-income, Competency building, Customer focus and Compliance has inculcated people development under the strategic initiative i.e., Competency building through augmenting the talent of young resources and

revamping the organizational structure to build a pool of senior talent to deliver continued excellence.

The Bank believes in having an empowered team. While the management and senior leadership drive knowledge and guidance as a top-down approach, employees at all levels are given various opportunities to share their perspectives, experiences and seek professional options. A new dashboard called 'Exemplar' has been introduced where senior management team can share inspiring stories of their team members who have done exceedingly well in their roles. As a bottom-up approach, the Bank has introduced the concept of 'Suggestion Box' wherein employee suggestions relating to customer experience, employee friendliness, methods of cost reduction, etc. are captured. Further, a dedicated Committee with representatives from various departments evaluate the suggestions received. Employees can track the status of his/her suggestions on a real time basis. This activity is aimed at generating more ideas, increase problem solving skills among employees and encourage seamless downward and upward communication in the organization.

To augment the workforce in tune with the Bank's sustained growth and expanding network, major initiatives towards training, talent acquisition, motivation and retention have been continued in the FY 2020-21 as well. SIB Staff Training College and the RTCs identify skill gaps in the personnel and provide support for qualitative improvement. Staff members are also nominated to external training centres for being trained in specialized areas as well as to have higher exposure. During the financial year 2020-21, the Bank has imparted training to 3,834 officers and 1, 640 clerks in various aspects of banking operations. A total of 5,484 staff members were trained during the FY 2020-21, which is about 66% of total staff strength of 8,314 as on March 31, 2021. This is also in consonance with the Bank's priority of continuous up-gradation of skills.

The Bank is a market leader in adopting innovations in technology with a view to providing safe, secure, and convenient banking facilities to its customers. The Bank has introduced a host of services and facilities for enhancing customer satisfaction, which *inter alia* include the following:

- UI/UX Enhancement -The internet banking page is being redesigned to offer better customer experience, while transacting online.

- New Mirror+ application has been launched with new UI/ UX and new features.
- Money bloom in Mirror+
- Online option for Sovereign Gold Bond application and payment.
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- SIB Namaste-To introduce Virtual Booking System for branch visit appointment booking.
- Outward remittances using Internet banking.
- Litigation Management system- Software for Credit Recovery Dept to monitor legal proceedings once account turned NPA.
- Integrated POS - POS machines now enabled with additional payment options including BharatQR and UPI.
- Tab based Aadhaar e-KYC instant account opening for individual Savings Accounts.
- Quick account opening facility at branch level through e-KYC acceptance with reduced paper involvement, processing time and interdepartmental dependency.
- Self on-boarding by opening SIB-Insta account through mobile devices using Aadhaar and PAN card.

### **Corporate Social Responsibility (CSR)**

Our Bank is grateful to the society that has supported and encouraged the Bank during its long journey of growth and development. The Bank believes that no organization can make sustainable development without the patronage of the society. The Bank is committed to integrate social and environmental concerns in its business operations. Our Bank shall continue to have among its objectives, promotion and growth of national economy and shall continue to be mindful of its social and moral responsibilities to customers, shareholders and the society. In line with the CSR Policy and in accordance with the Companies Act, the Bank undertook various activities.

Our Bank has always given top priority to fulfilling its obligations under CSR. Diversified projects in the areas of healthcare, particularly in the context of the pandemic, education, sports and sanitation that would benefit the society as a whole are identified and the Bank wholeheartedly supports such initiatives.

The amount to be spent by the Bank towards CSR for FY 2020- 21 as per Section 135 of the Companies Act, 2013, comes to Rs. 11.19 crore. The unspent CSR amount of Rs. 3.14 crore was transferred to 'Unspent CSR Account' on March 31, 2021, in compliance with Companies (Amendment) Act, 2021. The Bank had also embarked on some major projects last year in the field of education, healthcare, etc. By choosing long term sustainable projects, the Bank has taken an approach which brings steady and long-lasting impact on the society.

### **Risk Management:**

The risk governance framework of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The Board of Directors oversees all the risks assumed by the Bank. Specific Committees have been constituted to facilitate focused oversight of various functions. The Risk Management Committee of the Board sets the standards and governs the risk management functions, thereby bringing in a top to down focus on risk management. During the year, a dedicated Market Intelligence Unit has been formed, which undertakes the analysis of major Industry sectors on an ongoing basis and publishes the industry outlook report in Bank's intranet portal to enable better sourcing, sound underwriting and monitoring. Bank has launched automated Retail Credit Scorecards in association with one of the four Credit Bureaus (which has a separate wing for Analytics) operating in India. Moreover, the fully automated nature of the scoring process ensures faster Turnaround Time (TAT). Bank is in an advanced stage of implementing a data-driven underwriting model for MSME sector, in association with an external consultant. The entire MSME loan sourcing/processing/disbursing journey is being transformed with an aim to ensure streamlined processes, enhanced customer satisfaction and quality asset portfolio.

### **Internal Control Systems and Compliance**

The Bank has put in place extensive internal controls and processes to mitigate operational risks, which includes maker-checker authentication of CBS transactions, centralized processing of opening and modifications of CASA accounts and loan accounts, centralized sanctioning of loan facilities, day end checks to monitor critical issues involving timely renewal of credit reports,

closure of the Bank Guarantees, timely obtaining of loan documents, EM creation and CERSAI registration, etc.

As per the requirement of Companies Act, 2013, the Bank has formulated Internal Financial Controls framework. Risk and controls associated with each process in the Bank are documented under the Internal Financial Controls Framework.

### **Looking ahead**

We have now embarked on a scale changing technology adoption and transformation agenda to help drive our ambitious future growth plans. Strategic planning is an organizational management activity used to set priorities, to focus on energy and resources, to strengthen operations, and to ensure that employees and other stakeholders are working towards common goals and shared vision. It helps the organization to be more competitive in the market. Recognizing the critical importance of controlling NPAs to a sustainable level, the credit risk management tools and strategies are being strengthened. The credit underwriting and administration processes and collection and recovery are being tightened.

As we have seen, the impact of the pandemic will be seen over a couple of years. Regulatory and Governmental support has ensured that the entire impact is not taken on the banking sector at once, and the full impact will get realized over the next 1-2 years. Excess liquidity causes some amount of inflationary pressure. A resumption of individual consumption and business recovery will aid the banking sector immensely. The Bank is determinatively steering away from large, syndicated loans and stressed sectors of the economy. Future focus of our Bank will remain digital services, collection efficiency, risk adjusted credit expansion and recovery.

### **Acknowledgement**

I take this opportunity to express my deep sense of gratitude to the Reserve Bank of India, the 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 Varma & Varma, Chartered Accountants, 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. The Bank profoundly acknowledges this fact and thanks all of them for their diligence, devotion and loyalty towards the Bank, during these difficult times. The Board expresses its sincere appreciation for the dedicated services rendered by officers and employees of the Bank at all levels.

### **Conclusion**

Prior to concluding, I would take the honor of apprising you all that our Bank has applied to yield the best advisable condition in business broadening. Our capital base, robust growth prospects, wider network, new business strategy and leadership, position us in a vantage position to leverage the growth opportunities across the economy. Through Vision 2024, we are articulating our medium-term strategy that helps us to achieve our mission - profitability through quality credit growth. Bank is committed to realize its goals by focusing on the major areas such as profitability, asset quality, resilient loan book, robust retail liability portfolio, appropriate organizational structure and latest digital technology. I look forward to your continued support in this journey. With the continued support and patronage of all of you, I am confident that our Bank will come out successfully of the current challenges.

I urge every one of you to stay safe and take care of your loved ones.

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

August 18, 2021.

**SALIM GANGADHARAN**  
**CHAIRMAN**

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