

Chairman's Speech at the 94th Annual General Meeting

A very good morning to all of you,

It's my pleasure to welcome you all on behalf of the Board of Directors to the 94th Annual General Meeting of "The South Indian Bank Limited" for the Financial Year 2021-22, being held today through Video Conference. I am honored and inspired by the spirit you have demonstrated by joining us virtually. I hope to find you all safe, secure and healthy always.

I am grateful for the opportunity to speak to you at this critical moment, in the global response to the COVID-19 - a pandemic, which was navigating multiple waves of infections and new mutations, continues to impact many aspects of our lives and the ongoing geo-political conflict between Russia and Ukraine. Indeed, it is out of some of the most tragic crises that the world has found many imaginative solutions. I wish that the World would ultimately emerge victorious from all these crises.

The Directors' Report and the Standalone and Consolidated Audited Financial Statements for the Year ended March 31,2022, are already with you and with your permission, I take them as read.

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

Economic and Banking Scenarios

We were going through an operating environment much more uncertain and challenging than any in the recent memory. The COVID-19 pandemic triggered short-term fiscal imbalances and a long -term economic impact on the nations across the globe. The war in Ukraine has dented the world economy and it significantly resulted in slowdown of global growth in 2022 and inflationary spiral. Fuel, commodity and food prices have increased rapidly. Indian economy is not decoupled from these impacts either. The risks of stagflation are increasing.

As per the IMF's World Economic Outlook, April 2022, the global economic prospects have worsened, and the global growth is projected to slow down from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. Beyond 2023, global growth is

projected to decline to about 3.3%. War induced commodity, crude oil and food price increases, supply shocks and broadening price pressure have led to 2022 inflation projections of 5.7% in advanced economies and 8.7% in emerging market and developing economies. However, India is expected to be one of the fastest growing economies in the world, with the expected GDP growth of 8.2% in 2022-23, supported by widespread vaccine coverage, easing of regulation, robust export growth and big push in capital spending.

The RBI has also trimmed India's economic growth forecast for 2022-23 from 7.8% estimated earlier to 7.2%. Revised growth is significantly lower than the 8.7% growth achieved in 2021-22. Inflation continues to be above the tolerance level of the RBI, posing a serious challenge to growth and financial stability. The inflation is now projected at 6.7% in 2022-23. The financial markets also experienced with bouts of turbulence, in the context of global spillovers. The banks have bolstered capital and liquidity positions, while asset quality has improved. Market risks have been increasing, as spells of volatility arising out of capital outflows and continuing depreciation of the Indian Rupee. The scheduled commercial banks maintained sound capital positions, with the CRAR of 16.7; and the GNPA slipping to a six-year low of 5.9% as on March 31, 2022. The Provisioning Coverage Ratio (PCR) increased to 70.9%.

Performance of the Bank

Despite the crippling impacts of the pandemic and the geo-political conflicts, our Bank turned in reasonable performance and financial results during the FY 2021-22 and the key financial highlights for FY 2021-22 are summed up, as under:

- The Bank has reported its highest ever quarterly profit after tax of Rs. 272 crore during Q4 – 2022.
- Despite the challenges in the operating environment, the Bank achieved a total business of Rs. 1,50,957.80 crore, consisting of deposits of Rs. 89,142.10 crore and gross advances of Rs. 61, 815.76 crore as on March 31, 2022.
- With focus laid on low-cost deposits, the CASA has grown from Rs. 24,589.80 as on March 31, 2021 to Rs. 29, 601.37 crore as on March 31, 2022,

with a growth of 20.38% and the CASA ratio reached at a sustainable level of 33.21%.

- During the year 2021-22, the gross advances of the Bank registered a growth of 4%, compared to previous fiscal, to touch Rs. 61,815.76 crore.
- NPA recovery and upgrade has shown a historic performance and the Gross NPAs has reduced from 6.97% to 5.90% on Y-o-Y and the net NPA has also came down to 2.97%, as against 4.71% for the previous year.
- With the focus on strengthening the financials, the PCR has improved from 58.73 in March 2021 to 69.55 in March 2022.
- The operating profit decreased from Rs 1661.60 crore in 2020-21 to Rs 1247.57 crore in 2021-22. The net profit for the year was Rs. 44.98 crore as compared to a net profit of Rs. 61.91 crore during the previous year.
- The capital adequacy ratio improved to 15.86 as compared to 15.42 in the previous year.
- Compared to past two years, the incidents of frauds have decreased substantially. During 2021-22, the amount involved in fraud has been declined to Rs. 40.31 crore, compared to Rs. 1193.46 crore in 2020-21. The Bank has put in place an effective monitoring mechanism and has made substantive improvements in internal controls, leading to effective fraud prevention and control.
- The book value per share of the Bank has increased to Rs. 27.97 as at March 31, 2022.
- With the digital push and innovations in technology, the share of digital transactions has gone up to 93.3%.
- The Bank has been successful in widening its network across India with 935 banking outlets and 1270 ATMs/CRMs.

- During the year, the Bank was honored with significant Institutional recognitions, awards and accolades for various initiatives undertaken.

The Bank accords utmost importance to constantly enhancing skill-sets of its staff members. 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 2021-22. Training Programmes are organized by L&D unit at SIB Staff Training College (SIBSTC), Thrissur for development of professional skills. These training programmes are designed to develop competency of the operating personnel, while imbibing the SIBIAN's true spirit and culture through an effective learning process. Staff members are also nominated to external training centers for being trained in specialized areas as well as to have higher exposure. During the financial year 2021-22, the Bank has imparted training to a total of 6,065 staff members across positions, including new joiners' Induction for 1,296 persons, which is about 66% of total staff strength of 9,219 as on March 31, 2022. This is also in consonance with the Bank's priority of continuous up-gradation of skills to ensure that the staff members meet the aspirations of the customers and in discharging their services professionally covering the entire gamut of banking operations.

In addition to this, trainings have also been imparted to 13 Financial Literacy Centres/Business Correspondents for better rural banking services and as a measure of expanding financial inclusion initiatives of the Bank. The success of these training programmes has been reflected in the enhanced organizational productivity of the staff.

The Bank has made significant strides in digitization. Technology and digital innovation have improved productivity and efficiency. By realigning technology and business, the Bank has effectively harnessed the technology disruptions to our best advantage, ensuring better growth in the preset competitive environment. The Bank has introduced a host of services and facilities with a view to providing safe, secure and convenient banking facilities to its customers, which *inter-alia* includes the following:

- Launch of Bank's Credit card SIB- ONE CARD tie up with M/s FPL Technologies Pvt. Ltd.

- Implemented Robotic Process Automation in various back -office processes in centralized centers of the Bank.
- Video CIP- On board customers remotely by establishing the customer's identity.
- Loan related services in Bank's digital channels like Pre-approved loans, Housing loan interest certificate, etc.
- Launch of Multilingual functionality in Bank's Mobile application, SIB Mirror +.
- Digital signing of Legal Documents.
- DIYA (Do It Yourself using Aadhaar) Account Process Flow has been launched by which customers can open accounts from branches without the intervention of CPC, using Aadhaar based authentication.
- Implementation of Early Warning System to detect the slippages of accounts into NPAs, well in advance.
- Facility to link FastTags with the Bank account and to set standing instructions to recharge the same.
- Spot credit through digital modes for Current A/c customers based on transactions in their accounts.
- Enhanced the unique feature in Mobile Banking application- e-Lock, to facilitate customers to set a threshold limit for cumulative debit transactions in a day through all channels. E-Lock enables customers to block/unblock debit transactions through all channels with a single click.

Corporate Social Responsibility (CSR)

The 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. In line with the CSR Policy and in accordance with the Companies Act, the Bank undertook various activities.

During 2021-22, the Bank spent Rs 6.04 crore towards CSR activities, which includes the unspent CSR amount of Rs. 0.34 crore pertaining to ongoing projects was transferred to 'Unspent CSR FY 2021-22' on March 31, 2022, in accordance with the Companies Act, 2013 and Companies (Amendment) Act, 2021. The Bank had also embarked on some major projects last year in the field of healthcare, particularly in the context of the pandemic, education, sports, and sanitation, etc. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure to deliver maximum impact.

Risk Management:

Risk is an integral part of banking business. It is imperative to have robust and effective risk management practices not only to manage risks inherent in the banking business but also the risks emanating from financial markets. The Bank has in place a robust risk management architecture, which proactively identifies the risks faced by the Bank and helps in mitigating the same. The risk management strategy of the Bank is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The policies and procedures established for this purpose are continuously fine-tuned and benchmarked against the best practices followed in the industry. Through continuous refinement/improvement of the risk measurement/management systems, including automation of feasible processes, the Bank aims to ensure regulatory compliance as well as better return on and utilization of capital in line with the business objectives.

As part of the Business Continuity Management, the Bank's Operational Risk team is working in close coordination with various stakeholders to ensure smooth conduct of operations during this pandemic time. New Risk Management initiatives such as automation of Risk Assessment Model for Retail, MSME, and Corporate are under implementation.

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, 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. A separate Compliance department is ensuring that all regulatory norms are followed, both in letter and spirit.

Awards and Accolades:

The year 2021-22 saw the Bank being honored with the following significant Institutional recognitions, awards and accolades:

- South India Best Employer Brand Awards 2021 – Excellence in HR through Technology for mHRMS mobile app.
- UiPath Automation Excellence Award for Best Automation under Crisis for Business Continuity.
- Six awards at IBA’s 17th Annual Banking Technology Awards:
 - Winner - Best Technology Bank of the Year (Small Banks)
 - Winner - Best IT Risk Management and Cyber Security Initiatives (Small Banks)
 - Winner - Best Fintech Collaboration (Small Banks)
 - Joint Winner - Best Use of AI/ML and Data Analytics (Small Banks)
 - Runner Up - Best Cloud Adoption (Small Banks)
 - Joint Runner Up - Best Payments Initiatives (among all Private Banks)
- The 11th Edition of UBS Forums’ Data Center Summit and Awards 2022 for the below categories:
 - Winner – Physical Security (Security Design)
 - Recognition – Risk Management (Availability)
 - Recognition – Design Management (Infrastructure)
 - Recognition – Innovation – New Initiatives (Infrastructure)

- Finnoviti Awards 2022 from Banking Frontiers.
- Business Leader of the Year Award, 2022 from CMO Asia for ‘Workplace and People Development’.
- Most admirable BFSI Professional Award from World BFSI Congress to HR Team.
- Our Legal Team secured the Runners-Up position in the category - Best Banking & Finance Legal team of the Year, at the 11th Annual Legal Era - Indian Legal Awards, 2022.

Looking ahead

The Bank has undertaken a comprehensive transformational journey centered around processes, products, technology, people capabilities, business strategy, risk management and compliance. Given the initiatives already undertaken, the Bank has repositioned itself in the market. The process of de-risking the balance sheet continues and the efforts towards building a sound loan book have been successful. Even under the pandemic situation, maintaining a sustainable asset quality is the major challenge faced by the Bank. Recognizing the critical importance of controlling NPAs to a sustainable level, the credit risk management tools and strategies are being further strengthened. As a result of the Bank’s strong focus on credit underwriting and tracking early warning signals, and top priority on recovery and collections, the future NPA level is expected to be controlled. Appropriate product pricing, on a risk-return perspective and strict control and vigil on portfolio quality would improve asset quality and profitability.

Acknowledgement

There were a few changes in Board during the financial year 2021-22. Ms. Ranjana S Salgaocar and Mr. Francis Alappatt, have ceased to be directors of the Bank during the Financial Year after serving the Bank for an extended period. They had contributed significantly to the transformation process and also in formulating appropriate business strategies. The Board appreciates their efforts and wish them all the very best.

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, Joint Statutory Auditors M/s Varma & Varma and M/s CNK Associates LLP, Secretarial Auditors 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, one of the Joint Statutory auditors of the Bank, who is completing their 3year term by this AGM. 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 trying times. The Board expresses its sincere appreciation for the dedicated services rendered by officers and employees of the Bank at all levels.

Conclusion

The history shows us that global threats and crises open a way of pulling together diverse partners to solve shared problems. Before I conclude, I would like to assure you, that the Bank has put in place appropriate plans and strategies to bring about the most desirable quality business growth with profitability. The results of the measures have already been reflecting in the Balance sheet with quality loan book and improved earnings. I seek your continued support and patronage. We look forward to continuing this journey along with you to take our Bank to new horizons.

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

July 12, 2022

SALIMGANGADHARAN
CHAIRMAN

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