

Chairman's Speech at the 95th Annual General Meeting

A very good morning to all of you,

It gives me immense pleasure in welcoming you all on behalf of the Board of Directors to the 95th Annual General Meeting of "The South Indian Bank Limited" for the Financial Year 2022-23, being held today through Video Conference. I am honored and inspired by the spirit you have demonstrated by joining the meeting virtually. I sincerely hope to find you all safe, secure and healthy.

I am pleased to address you about the highlights of the Bank's performance during FY 2022-23, a year in which we achieved our "all -time best" across several parameters, thanks to our turnaround strategy rolled out in October 2020. In a tumultuous year marked by global economic upheavals, India stood out as the best performing large economy and the banking sector performed well on the back of sound policies by the Government and the regulators.

The Directors' Report and the Standalone and Consolidated Audited Financial Statements for the Year ended March 31, 2023, have already been shared 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

The global growth is projected to fall from an estimated 3.5% in 2022 to 3% in both 2023 and 2024. The central banks' actions on policy rates continue to weigh on economic activity. Further, the global headline inflation is set to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024, on the back of lower commodity prices; but the core inflation is likely to decline only gradually. In most countries, the priority continues to remain on restoration of price stability, while ensuring financial stability. Financial sector turbulences could amplify, as markets adjust to further policy tightening by central banks. In the midst of global headwinds, India, with 7.2% GDP growth in 2022-23, emerged as a sweet spot even after the RBI tightened the policy rate by 250 bps during the year to 6.5%, to cushion in inflation. Although, Europe is still struggling, the inflation in India seems to have been moderated. In fact, RBI paused the rate hike for three sequential MPC

meetings held in April, June and August 2023, while continuing to maintain a cautious stance on India's inflation dynamics.

The Indian economy displayed exemplary resilience post-pandemic and turned around strongly from a contraction of 5.8% in 2020-21 to an impressive growth of 9.1% in 2021-22 and 7.2% in 2022-23. The Consumer Price Index (CPI) inflation for the fiscal year 2024 is projected at 5.4%. Additionally, the GDP growth rate for FY 2023-24 is projected at 6.5%. The Indian economy has made rapid gains out of liberalization and has gradually integrated with the global economy over the years. Consequently, it is getting increasingly exposed to global headwinds. However, India's growth in the past few years is mainly driven by robust domestic demand, especially private consumption and investment, amidst the global slowdown. India will remain one of the fastest growing large economies in 2023. The credit growth in India stood at a 12 year high of 15% in FY 2022-23 and the momentum continues in 2023-24. The high frequency indicators like GST collection, PMI, e-way bills, demand for consumer durables, etc. demonstrate enough confidence in the economy, supported by Government policies of increased outlay on infrastructure, continued focus on MSMEs, and impetus to the manufacturing sector through policies like the Production Linked Incentive (PLI) scheme.

Performance of the Bank

The key objectives of the transformation strategy rolled out in 2020 were to strengthen the financials, risk management and control systems, and enhancing competitive position, profitability and productivity and compliance. The key financial highlights for FY 2022-23, summed up as under, clearly demonstrates that the objectives have substantially been realized. Let me place before you the position of our Bank on leading indicators.

- The total gross business of the Bank increased from ₹1,50,957.86 Cr to ₹1,63,743.42 Cr.
- Deposits increased from ₹89,142.10 Cr to ₹91,651.35 Cr.
- Gross advances increased by 16.62% from ₹61,815.76 Cr to ₹72,092.07 Cr.
- Operating profit of the Bank increased to ₹1,507.33 Cr in FY 2022-23 from

₹1,247.57 Cr in FY 2021-22.

- The Net Profit increased to ₹775.09 Cr in 2022-23 as against ₹44.98 Cr in 2021-22.
- The Provision Coverage Ratio (including write-off) has improved to 76.78 in FY 2022-23 from 69.55 in FY 2021-22.
- The Gross NPA to Gross Advances stood at 5.14% and the Net NPA to Net Advances stood at 1.86% as on March 31, 2023.
- With focus laid on low-cost deposits, the CASA has increased to ₹30,227 Cr from ₹29,601 Cr in the FY 2021-22.
- Net Interest income of the Bank has increased from ₹2,240 Cr in the FY 2021-22 to ₹3,012 Cr in the FY 2022-23.
- The Capital Adequacy Ratio of the Bank was 17.25 under Basel III norms as on March 31, 2023, as against the RBI mandated level of 11.50.
- The Book value per share has increased from ₹27.97 to ₹31.89 as on March 31, 2023.
- The Bank has been successful in widening its network across India with 940 branches, 3 Satellite branches and 3 Ultra small branches. The branch network covers 26 States and 4 Union Territories. The Bank plans to open 17 Banking Outlets and 25 ATM's & 10 CRMs during the Financial Year 2023-24.
- The Bank was honored with significant Institutional recognitions, awards and accolades for various initiatives undertaken.
- The Board has recommended a dividend of 30% i.e., @₹0.30 per equity share of face value of ₹1/-each, which is subject to the approval of shareholders in this meeting.

The Bank's strong financials clearly demonstrate the success of our transformation process and the business strategy over the past three years. Our consistent focus on execution has led to strengthening the balance sheet with higher capital adequacy ratio, quality loan book, better NIM, strong CASA growth, higher PCR, digitisation, and efficient recovery and collection have bolstered the financial profile of the Bank and cushioned the balance sheet from potential risks arising out of uncertainties. As we enter FY 2024, we are well positioned to grow our advances 2X GDP growth and maintain growth with

quality and profitability.

The Board is convinced that the present strategy has resulted in clearly demonstrable improvements in qualitative parameters and financial numbers. Going forward, we shall be pursuing the same strategy, even after change of the present MD for sustaining growth, with stability and profitability. We are closely watching the scenario with respect to capital raise. Our current CAR of 17.25 is sufficient in the near term. But given the dynamics of risk profile of the assets that we are booking and profitable growth opportunities, we have an open mind on capital raise. If necessary, we will be going to the market for capital at an appropriate time, without much dilution.

The Bank accords utmost importance to Capability Building of its employees. Regular up-skilling of the staff members is the stated goal of the Human Resources Department. To meet this objective, the Bank has divided the competency building activity in two mutually collaborative units - HR – L&D, Ernakulam and SIB Staff Training College (SIBSTC), Thrissur.

The HR – L&D, Ernakulam focuses primarily on developing e-learning and other digital learning modules for the benefit of all staff members. In 2022-23, the unit has published 64 courses. The learning contents published through iLearn in the FY 2022-23 were entirely made in-house.

SIB Staff Training College (SIBSTC), Thrissur conducts internal training programmes for development of professional skills of staff members. During the FY 2022-23, the Bank has imparted training to 5,905 staff members across grades, including new joiners' induction for 1,050 persons, which is about 64% of total staff strength of 9,219 as on March 31, 2023. This is also in consonance with the Bank's priority of continuous up-scaling 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.

The Bank has adopted several financial inclusion initiatives, including appointment of Business Correspondents and Financial Literacy Counsellors. For expanding the Financial Inclusion activities, the Bank has 68 Business Correspondents and 19 Financial Literacy Counsellors as on 31.03.2023, in the

States of Kerala and Tamil Nadu.

The Bank has made significant strides in digitization. Technology and digital innovation have improved the productivity and efficiency. By realigning technology and business, the Bank has effectively harnessed the technology disruptions to our best advantage, ensuring an enviable position 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 the customers, which *inter alia* includes the following:

- With the digital push and innovations in technology, the share of digital transactions has gone up from 93.3% to 95.1%.
- A platform for SMEs is being developed that is likely to be commissioned in the first half of FY 2023-24.
- Credit model SIB MSME Integrated Lending Engine (SMILE) was introduced in FY 2021-22 as a continuous effort to improve the credit underwriting quality of MSME Portfolio from ₹25 Lakhs to ₹200 Lakhs, which will be integrated with the platform.
- Rolled out Video KYC for account opening, digital onboarding and credit underwriting across all asset products. It further accelerated its digital delivery with an array of new offerings to ensure uninterrupted and seamless services to the customers.
- Rolled out the CCIL FX (forex) Retail platform for its customers enabling them to access the market directly and book forex deals.
- Over and above implementing the entire stack of digital payment modes, we are looking at Open Banking capabilities to be implemented through API projects.
- We have deployed FRM with AI capability to strengthen the Bank's applications and mitigate fraudulent attempts through behavioural analysis and identification of risk patterns. Security control applications such as WAF (Web Application Firewall), SIEM (Security Information and Event Management) and HIPS (Host Intrusion Prevention System) have been implemented to further strengthen cyber security.
- We have been proactively following the FinTech space, assessing the FinTech services in different functional areas like Payments, Lending, Digital Onboarding, Business Aggregator, etc., covering several customer

touch points, and onboarding them.

- Launched SIB OneCard, the Bank's very own Credit Card, through a FinTech partnership.
- Partnered with M/s Actyv.ai for the roll-out of MSME GST Business Loan.
- The Bank has been following the emerging technology capabilities offered by Artificial Intelligence and Machine Learning, which provides us with the tools to automate and enhance both front-end and back-end processes. Blockchain is yet another framework that is being proactively pursued.
- Created a formidable data analytics team. Currently, the team is engaged in enhancing liability and asset collections analytics and is helping to improve the quality of liability customers. We have already commissioned the initiative on our retail platform. Presently, we are actively onboarding HL (Home Loan), LAP (Loan Against Property) and PL (Personal Loan) cases using this cutting-edge platform. Currently, this has been rolled out in four regions.

Environmental, Social and Governance (ESG)

As a responsible corporate citizen, we recognize the importance of Environmental, Social and Governance (ESG) considerations in shaping our business practices. We firmly believe that the long-term success of our Bank is intrinsically linked to the well-being of the communities we serve and the planet we inhabit. We are committed to minimizing our environmental footprint, fostering social inclusivity, and upholding robust governance practices that promote ethical conduct and sound decision-making.

- Corporate Social Responsibility Committee of the Board has been overseeing Environmental, Social and Governance (Reporting & review) activities under the ESG framework.
- The Bank has initiated steps to provide provision for Solar power generation in new buildings under construction, wherever possible.
 - Installation of On-Grid Solar Power Plants of 50kW each at Platinum Jubilee Building, Ayyanthole and Market Road Building in Ernakulam.
 - Plant of 25kW at for Kannur RO Building.

- We are replacing lights from 2X2 lights in HO and Annex buildings to more power saving LED lights. We will continue the same effort in Kakkand Administrative building. Almost 50% of the work is completed.
- Replacing vinyl flex material from signboards with more durable ACP (Aluminium Composite Panel)
- Tie-up arrangement with authorized e-waste vendor were made.
- 95.1% of Bank's transactions are done digitally.
- We introduced a new Term Deposit Product called "Green Deposit". Green Deposit is a fixed-term deposit for investors looking to invest their surplus cash reserves in environment friendly projects. These deposits provide investors a platform to fulfil their sustainability goals by investing surplus cash balances in environmentally beneficial projects.
- We launched social media campaigns for popularising green deposits and ESG Mutual Funds.
- Being a Bank, a sustainable ESG compliant lending policy is the base for us to ensure that we equip ourselves for a future oriented and sustainable lending, giving more focus on lending toward projects which are more environment friendly. In this regard, Board has approved Environmental, Social and Governance (ESG) Policy and Environmental and Social Management System (ESMS) policy for focusing on environment friendly lending.
- SIB's groundbreaking HR initiative, "Synergy - The HR Outreach Programme," is aimed to foster trust, companionship, and open communication within the organisation. Through virtual town hall-style interactions, the Head of HR engaged personally with employees, providing a platform to voice concerns, share insights, and offer suggestions. SIB's commitment for creating an inclusive work environment was demonstrated through active listening, addressing concerns, and cultivating transparency, collaboration, and mutual respect. Synergy empowered employees, fostering a culture of value and empowerment.
- SIB conducted periodic Pulse Surveys to gather employee feedback on important business as well as non-business aspects such as work-life balance, training, development, and communication. These surveys served as a valuable resource for decision-making, guiding informed choices and

addressing employee concerns effectively. The initiative demonstrated SIB's commitment to inclusivity and collaboration by actively seeking employee input for creating a better work environment.

- Through the "Make A Difference" initiative, employees formed teams to engage in various social service activities, such as charity drives, volunteering, and cloth donations.

Corporate Social Responsibility (CSR)

We consider Corporate Social Responsibility (CSR) not merely as an obligation but as an integral part of our identity and purpose. Through our diverse and impactful CSR initiatives, we strive to make a positive difference in the lives of individuals, empower communities, and contribute to the sustainable development of society at large.

- The Bank won the Asian CSR Leadership Award under the category 'Best use of CSR practice in Banking and Finance.'
- We donated advanced motor bike patrolling vehicles to Thrissur City Police called as "City Tuskers".
- We handed over Level III mobile NICU Ambulance to Government Tribal Speciality Hospital, Kottathara. We also handed over Ambulance with ventilator to M/s St. Joseph Hospital, Karuvanchal.
- We presented RO Water Plant to Govt. High School Polletai, Alapuzha.
- We conducted an extensive anti-drug awareness campaign "Drug Free Campus" in various educational institutes across the country to raise awareness about adverse effects of drug abuse among the student community. There was active participation from students, parents, institution officials, renowned personalities and respective Government departments (police officials, narcotic cells etc) along with Bank officials.
- Eradicating hunger, poverty and malnutrition, promoting health care including preventive healthcare and sanitation, and making available safe drinking water.
- Promoting Education, including special education and employment-enhancing vocational skills and livelihood enhancement projects.
- Empowering women, setting up homes and hostels for women and

orphans, setting up old age homes, measures for reducing inequalities faced by socially and economically backward groups.

- Ensuring environmental sustainability, maintaining quality of soil, air and water.
- Rural development activities.
- Training to promote nationally recognized sports.
- Promoting Financial Literacy.

The amount to be spent by the Bank towards CSR for FY 2022-23 as per Section 135 of the Companies Act, 2013, comes to ₹1.84 crore. The amount spent by the Bank this year towards CSR was ₹1.86 crore. 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:

Risk is an integral part of banking business. In the recent past, the Bank has exerted focused efforts in building a robust, and sustainable risk governance framework and to create risk awareness culture across all tiers of the organisation's hierarchy and continuing to do so. Various initiatives such as comprehensive review of Credit Risk Policy and other Risk Management Policies has been conducted along with other process improvement. Liquidity is also actively being managed through the ALCO forum, where the Bank is actively pursuing to increase the sticky and retail deposits along with operationalising majority of the wholesale banking financing relationships. 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.

The Bank has put in place independent risk management architecture and practices that are overseen by Risk Management Committee of the Board (RMCB). Appropriate policies to manage various types of risks are approved by the Board of Directors after review by Risk Management Committee of the Board (RMCB), which provides strategic guidance while reviewing portfolio behaviour. The senior level executive committees like Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC), Operational Risk

Management Committee (ORMC) and Asset Liability Management Committee (ALCO) develop the risk management policies and vet the risk limits to ensure better control.

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, centralised processing of opening and modifications of CASA accounts and loan accounts, centralised sanctioning of loan facilities, etc.

Various Preventive controls viz., Dual custody for cash, gold and other security items, maintenance of daily control registers for security items, finger-scan-authentication for processing of transactions in CBS in addition to login passwords, stringent guidelines on password usage, STP processes between CBS and payment interface systems for transmission of messages etc. are in place.

As per 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 this Internal Financial Controls Framework. Inspection and Vigilance Department plays a significant role in testing the control effectiveness for each process under the framework.

The Internal Audit function provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management to protect the Bank and its reputation.

The Bank has institutionalised a strong compliance culture and mechanism across the organisation, in pursuit of its strategic goals of transparency and trust, among all its stakeholders. The Bank has a dedicated independent Compliance Department headed by a Joint General Manager which operates as per a well-documented compliance policy for ensuring regulatory compliance, across all businesses and operations. The Bank has a well-defined and structured mechanism to assess the compliance risk and monitor its mitigation measures, thereby ensuring the effectiveness of the compliance function in managing the compliance risk.

Awards and Accolades:

The Bank had received several awards during the year, the most important are:

- Six awards at IBA's 18th Annual Banking Technology Awards.
- Banking Frontiers Finnoviti Awards, 2022 for Robotic Automation of Merchant Credit Processing.
- World Record for Staging and Swinging 101 'Oonjals' at Marine Drive, Kochi, Kerala.
- India's Most Preferred Workplaces in BFSI 2022-23 by Team Marksmen India.
- The ET Edge Best Brands in Best Brand 2022 Conclave 5th Edition organised by The Economic Times.
- "Outstanding Digital CX-SME Loans" at the 6th Digital CX Awards powered by The Digital Banker, Singapore.
- Asian CSR Leadership Award under the category 'Best use of CSR practice in Banking and Finance.
- Mr. Murali Ramakrishnan, MD & CEO was honoured with "ET Ascent Business Leader of the Year Award" and the Management Excellence Award by Thrissur Management Association (TMA).
- SIB was honoured with ASSOCHAM Best Private Sector Bank Award during the 9th MSME Awards & Excellence Summit.
- SIB received the "Excellent use of AI and ML" award at the eLets BFSI Tech Innovation awards 2023.
- The Chief Information Officer, Mr. Sony A was honoured with several awards on professional excellence.
- The Chief Financial Officer, Ms. Chithra H was selected as one of the "Leading Women CFOs of the Year 2022" by CII.
- The Chief Marketing Officer, Ms. Azmat Habibulla was honoured with the "Woman Disruptors Award - Women Marketing Head of the Year" by Adgully on Women's Day 2023.
- CISO Team – Innovation Security Leader of the Year in India CISO Summit and Awards.
- Best Tech of the Year (Robotics & AI): RPA in Quantic India's Technology Excellence Awards

Looking ahead

To remain resilient, we adopted multiple strategies with respect to restructuring of our assets and liabilities, product and segment innovations and digitalisation. We will be focusing on SME, housing, personal loans, including credit cards, vehicle and agri loans, etc as key growth drivers in FY 2023-24, while continuing to leverage our strong corporate banking franchise in tapping and penetrating top rated corporates, opportunities in supply chain financing, Dealer funding, trade and forex, etc. We will be launching new retail loan products like commercial vehicles, construction equipment, loan against shares, etc.

We have released our updated Vision 2025 under which we will strive to increase our loan book to Rs 1,00,000 Cr, CASA to 35%+, PCR (without write-off) at 65%+, NIM at 3.5%+ RoE at 13% + and RoA at 1%+. We believe that we are better placed to achieve these benchmarks.

We are adopting various cross selling strategies to improve our other income. Banca is one of the important components of our other income strategy and we are continuously increasing our insurance cross-sell income in life as well as in general. In retail as well as in SME segments, as disbursements go up, our fee income is also increasing. We are also seeing a good traction in Credit Card income. We have issued more than two Lakh cards during FY 2022-23 and expect to continue the momentum. Our concentration on top rated corporates is also leading us to increase in other income. We aim to source majority of our business digitally, thus bringing down the cost.

Acknowledgements

It is with great pleasure that I extend my sincere thanks to fellow Board members and our esteemed Managing Director and CEO, Mr Murali Ramakrishnan, who is completing his tenure on September 30, 2023. Mr. Murali Ramakrishnan has scripted a new chapter in the long journey of the Bank and his visionary strategies have changed the dynamics and future of the Bank. The financials, as we observed, have been placed on a sound edifice and the Bank is on the cusp of a sustainable performance. I personally express my gratitude to the services rendered by him. I also thank Mr. Parayil George John Tharakan, who retired on completion of his term, as per Banking Regulations Act, 1949, from the office of Independent Directorship of the Bank during November 2022, for his valuable contributions to the Board and the Bank as an Independent Director.

I also 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 CNK Associates LLP and M/s K Venkatachalam Aiyer & Co., Secretarial Auditors M/s SVJS & Associates 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 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

After seven years of serving as Chairman of our Bank, I am completing my term on November 1, 2023. I vividly remember the challenges we faced through difficult times. We have witnessed both successes and failures, riding on the unpredictable waves of the financial world, all the while holding steadfast to our unwavering vision. Your continuous support and guidance served me profoundly in traversing through the difficult years. I am quite happy that I am leaving the stage when the Bank is in sound position. For the present, I am only ceasing to be the Chairman of the Bank but continue to be a shareholder along with you all. Fortunately, the Bank has been able to find a seasoned banker, Mr. P. R. Seshadri

as new MD and CEO. His experiences with global and domestic banks will fit well to fill the gap created by the voluntary exit of the incumbent. As I gaze into the future, I am filled with a renewed sense of hope and anticipation. The seeds we have sown are destined to yield bumper harvests, one that will surpass anything we have achieved thus far. I am very confident that this outstanding group of eminent Board members and exemplary Management will continue to guide the Bank towards greater heights.

Thank you all.