

Chairman's Speech at the 96th 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 96th Annual General Meeting of "The South Indian Bank Limited" for the Financial Year 2023-24, being held today through Video Conference. I am honored and inspired by the spirit you have demonstrated by joining the meeting virtually.

I am pleased to address you about the highlights of the Bank's performance during FY 2023-24, a year in which has been marked by a series of significant milestones, consolidating and reaffirming Bank's position as a leading financial institution among its peers.

The Directors' Report and the Standalone and Consolidated Audited Financial Statements for the Year ended March 31, 2024, 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 on the present Indian banking scenario.

Banking Scenarios

The Indian banking sector has made significant progress over the past year. The focus on digital transformation has paid off, with a notable increase in digital transactions. The retail, MSME and corporate segments have driven credit growth. Banks have also improved their asset quality significantly, with a decline in gross and net NPAs, supported by effective resolution mechanisms and improved credit appraisal processes. Scheduled Commercial Banks (SCBs) maintained strong capital adequacy, staying well above regulatory minimums. The asset quality of SCBs improved with a moderation in Gross Non- Performing Assets (GNPAs). Profitability indicators such as Return on Equity (RoE) and Return on Assets (RoA) remained robust. Macro stress tests indicated that SCBs were well-positioned to meet capital requirements even under severe stress scenarios.

Performance of the Bank

The Bank has embarked on a comprehensive transformation journey during the last few years. Throughout the year, the Bank has demonstrated resilience, adaptability and an unwavering focus on innovation and growth despite the challenging economic landscape. Let me place before you the position of our Bank on leading indicators.

- The total gross business of the Bank increased from ₹1,63,743.42 Cr. to ₹1,82,346.52 Cr.

- Deposits increased from ₹91,651.35 Cr to ₹1,01,920.26 Cr.
- Gross advances increased by 11.56% from ₹72,092.07 Cr to ₹80,426.26 Cr.
- Operating profit of the Bank had increased to ₹1,867.67 crore in FY 2023-24 from ₹1,507.33 crore in FY 2022-23.
- The Net Profit increased to ₹1,070.08 crore in FY 2023-24 as against ₹775.09 crore reported in FY 2022-23, a 38% increase from the previous year.
- The Provision Coverage Ratio (including write-off) has improved to 79.10 % in FY 2023- 24 from previous level of 76.78 % in FY 2022-23.
- The Gross NPA to Gross Advances stood at 4.50 % and the Net NPA to Net Advances stood at 1.46 % as on March 31, 2024.
- The CASA has increased by 8.16 per cent during current financial year to ₹ 32,692.67 crore from ₹ 30,227.06 crore in the FY 2022-23.
- Net Interest income of the Bank has increased from ₹ 3,012.08 crore in the FY 2022-23 to ₹ 3,332.06 crore in the FY 2023-24. The Bank's net interest margin (NIM) stood at 3.31%, the highest in 18 years.
- Further, the Net profit margin increased from 9.63% in FY22 - 23 to 10.57% in FY23-24.
- Net worth increased by ₹ 2,148.96 Crore from ₹ 6,674.58 Crore in FY22-23 to ₹ 8,823.54 Crore in FY23-24.
- During March 2024, the Bank has issued 52,31,85,254 equity shares of face value of ₹1 each at ₹22/- per share by way of rights issue at the rate of 1 equity share for every 4 equity shares held and successfully raised an amount aggregating to ₹1151.01 Crore, thus shoring up growth capital. This capital infusion will serve the Bank well for sustainable growth and facilitating strategic expansions in the year ahead.
- The Capital Adequacy Ratio of the Bank was 19.91% under Basel III norms as on March 31, 2024, as against the RBI mandated level of 11.50%.
- The Book value per share has increased from ₹31.89 as on March 31, 2023 to ₹33.73 as on March 31, 2024.
- The gross revenue from Treasury Operations segment increased from ₹1,088.00 crore in the FY 2022-23 to ₹2,010.99 crore in the FY 2023- 24.
- The Bank has been successful in widening its network across India with 960 banking outlets (955 Branches, 3 Satellite branches and 2 Ultra small Branches) and 1,321 ATMs/CRMs as on March 31, 2024. The Bank has opened 15 new outlets and closed 1 USB. The Bank has also opened 45 new ATMs, 11 CRMs across the country during the financial year 2023-24 and closed 23 ATMs and

1 CRM. The branch network now covers 26 States and 4 Union Territories.

- The Bank was honored with significant Institutional recognitions, awards and accolades for various initiatives undertaken such as Banking Frontier Finnoviti Awards 2023, IBA's 19th Annual Banking Technology Awards, Infosys Finacle Innovation Awards 2023 etc.
- 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.

This exceptional performance underscores Bank's robust business model, strategic initiatives, and the unwavering dedication of the employees. The Bank has strategically revamped the loan book, focusing on high-quality assets and leveraging technology to enhance operational efficiency. Approximately 70% of Bank's overall loan book has been churned, with a particular focus on A+ rated large corporate loans. This strategic shift involved reducing large ticket size loans and diversifying the loan portfolio to include various retail, MSME, and agriculture segments. Our strategy to diversify the loan book has yielded substantial positive results. The Bank has expanded its business in various segments including personal, gold, home, and auto loans. The personal loan segment saw significant traction, with the book growing to ₹2,282 crores by March 2024. Gold loans also experienced robust growth of 12% year-on-year, reaching ₹15,513 crores.

The Bank accords utmost importance to Capability Building and regular up-skilling of the staff members.

To enhance branch productivity, the Bank has introduced the 'Sales Value Addition' metric to track and improve performance at the branch level. This metric enables us to compare branch performance effectively and identify areas for improvement. As a result, the Bank has been witnessing a significant growth in branch sales, with current account origination growing fourfold in the last quarter of FY 2023-24. The Bank is continued to focus on training and reskilling of the branch staff, ensuring they have the skills and competence to meet customer needs efficiently.

Leveraging advanced technology has been a cornerstone of the Bank's strategy. The Bank has implemented automated processes for loan approvals and renewals, significantly reducing operational costs and improving efficiency. The digital transformation initiatives of the Bank have led to 97.54% of total transactions being conducted digitally. Some of the Major Digital/Technology Initiatives/Solutions embarked during the FY 2023-24 inter-alia includes the following:

- Online end to end paperless Digital execution of the Locker Agreement enabling improved TAT and Compliance.
- Mobile Capture Solution (Mobile CTS) for speedy processing of outward cheques.
- Automation of TDS refund process at Operations Department which enables speedy processing of refund to customers.
- New Aadhaar PAN link status check
- API from Bureau integrated in customer on boarding platform for ensuring KYC compliance.
- Introduction of new CASA Products like SIB Fly High/SIB Edge/SIB EXIM/SIB Doctors Plus targeting multiple customer segments.
- Introduction of New Enterprise Risk Management Software.
- Seamless GST Payment facility by integration with CBIC(Central Board of Indirect Taxes & Customs) – SIBERNET and Branch Mode.
- Facility for SIB merchants to accept credit card payments through UPI.
- The Bank has launched Foreign Exchange Advisory Cell to provide advisory services by subject experts on FEMA rules and trade finance related issues to the general public. The complimentary service is available to all Foreign Exchange Trade Fraternity.
- The Digital strategy of the Bank is instituted on four pillars, Indulge (customer self-service), Nudge (assistance to be nudged to go digital), Purge (remove redundant processes using automation) and Forge (impactful Fintech partnerships). Technology strategy focuses on leveraging cloud adoption, high availability, fraud detection, cyber security, and modernisation of infrastructure to stay competitive and provide better services to the customers. This year, we made significant strides under Bank's strategic pillars

Environmental, Social and Governance (ESG)

The Bank's commitment to Environmental, Social and Governance (ESG) principles stands as a cornerstone of its operational ethos. The Bank has actively implemented numerous initiatives to seamlessly integrate ESG considerations into its business practices, decision-making processes and product offerings. This commitment underscores Bank's proactive approach to sustainability and responsible corporate citizenship, ensuring that the Bank not only meet but exceed the expectations of its stakeholders in creating long-term value. The Bank has formulated policies such as the

Environmental and Social Management System (ESMS) Policy, Green Deposit Policy and Green Financing Framework to promote investments in green projects and sustainable development.

- 97.54% of Bank's transactions are done digitally.
- Corporate Social Responsibility Committee of the Board has been overseeing Environmental, Social and Governance (Reporting & review) activities under the ESG framework. The Board has constituted an Executive Level Committee for implementing the ESG initiatives of the Bank. Executive Level Committee will be responsible for supervision and implementation of ESG activities in the Bank.
- The Bank have installed 75 KW solar plant at two locations and 150 KW solar plant is ready for commission. Furthermore, plans are underway for additional solar installations.
- We are replacing electrical appliances and equipment to more energy efficient ones to the extent possible and for new purchases the Bank is mandatorily following high energy efficient ratings.
- The funds raised through Green Deposits are dedicated to supporting green financing activities. As of March 31, 2024, the Green Deposit scheme has successfully raised ₹56.21 crore, with ₹51.53 crore allocated to permissible green activities and projects for FY 2023-24. The remaining ₹4.68 crore is temporarily parked in liquid assets, as stipulated by the financing framework.

Corporate Social Responsibility (CSR)

The Bank has always given top priority to fulfill its obligations under the Corporate Social Responsibility. Diversified Projects in the areas of healthcare, education, sports, sanitation etc. that would benefit the society as a whole are identified and the Bank wholeheartedly supports such initiatives.

The amount spent by the Bank for the FY 2023-24 towards CSR is ₹10.50 Crores against the CSR obligation of ₹10.47 Crores (after deducting set off), as per Section 135 of the Companies Act, 2013. The Bank has embarked on some major projects last year in the field of education, healthcare, environmental sustainability 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 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 Board of Directors appoints the CRO, who heads the independent risk function in the Bank. 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. The Risk function provides an independent and integrated assessment of risks across various business lines.

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 Core Banking Solution (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.

The transactions generated in the CBS is monitored by the Fraud Risk Management (FRM) CBS by alert generated in a near real time basis. Transactions happening through various digital channels are being monitored centrally on a 24x7 basis by Fraud Risk Management (FRM) Cell, for real time detection and prevention of frauds.

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

Awards and Accolades:

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

- Six awards including Technology Bank of the Year (Winner), Tech Talent & Organisation (Winner), IT Risk Management (Winner), Tech-enabled Financial Inclusion (Runner Up), Fintech Collaboration (Special Mention), Digital Sales & Engagement (Special Mention) at IBA's 19th Annual Banking Technology Awards.
- Award for Excellence in Financial Inclusion Initiatives at IBEX India 2024 BFSI Tech Awards.
- The Bank was recognised for its exceptional commitment to digital innovation at the INBUSH ERA World Summit 2024.
- The Digital Lending Bank of the Year award in the Indian Banking Summit Awards ceremony for the Pre-Approved Personal Loans product.
- The PCI DSS certification, an international benchmark for the highest level of payment security in Cards.

Looking ahead

The Bank is confident that its proactive initiatives, coupled with robust governance and rigorous risk management practices, will pave the way for sustainable growth and generate enduring value for all the stakeholders. By continuously refining its strategies and embracing innovation, the Bank is poised to navigate challenges effectively and capitalize on opportunities in the dynamic financial landscape. As we advance, the Bank remains dedicated to upholding the highest standards of integrity, transparency and customer-centricity. Our collective efforts will not only strengthen the position in the market but also reinforce Bank's commitment to driving positive outcomes for the communities it serves.

I also take this occasion to inform that our Bank is approaching a remarkable milestone – its 100th Anniversary i.e, 2029. As we prepare to celebrate this momentous occasion, we invite all our shareholders to share your thoughts, suggestions and ideas on how we can make the anniversary truly special and memorable.

Acknowledgements

It is with great pleasure that I extend my sincere thanks to fellow Board members and to our Managing Director and CEO, Mr. P R Seshadri for their immense contribution in Bank's growth over the year. I also wish to extend my heartfelt gratitude to our previous Chairman, Sri. Salim Gangadharan, who retired on November 01, 2023, and our former MD & CEO, Sri. Murali Ramakrishnan, who served a successful tenure from

October 1, 2020, till September 30, 2023. Their exceptional leadership during some of the most challenging periods have laid a strong foundation for our current and future successes.

I also take this opportunity to express my deep sense of gratitude to the Government of India, Government of Kerala, and other State Governments where the Bank operates, Reserve Bank of India, the Securities and Exchange Board of India, and other Government and Regulatory Authorities, including stock exchanges, where the Bank's shares are listed, Joint Statutory Auditors M/s CNK Associates LLP, who are completing their term on conclusion of this meeting 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

As we move forward, I am confident that with the clear strategic direction, strong financial foundation, and dedicated team, the Bank is well-positioned to achieve sustainable growth and deliver consistent value to Bank's shareholders. Together, we have navigated challenges and achieved milestones, reinforcing the Bank's position as a pillar of trust and innovation in the financial sector. I am confident that our collective efforts will continue to propel the Bank towards even greater success.

Thank you all.

27-08-2024

Sri V J Kurian
CHAIRMAN

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