

**CHAIRMAN'S SPEECH - By Mr. Prakash Apte**

Ladies and Gentlemen,

Our transformation from what the world christened the 'new normal' to 'never normal' has taught us that there will always be unforeseen volatilities to overturn the status quo. Change is inevitable and exciting and, therefore, we must take it in our stride. Because, it not only empowers humanity to ride the ebb and flow of life, but also enables people to thrive in the new.

**Economy**

The world economy witnessed a sharp revival in economic activity in early 2021 led by worldwide relaxations in lockdown restrictions and pent-up demand. The Indian economy also has started recovering to reach pre-pandemic levels. For FY 2021-22, GDP growth was at 8.68% against -6.60% in the previous year. The industrial sector grew by 10.27% as compared to -3.36% in the previous year, while the Services sector posted a growth of 8.44% against -7.8% in the previous year.

Widespread vaccine coverage, waning impact of pandemic and successive waves and growing preference as an alternative manufacturing destination are driving India's growth prospects.

In order to support growth, keeping in mind the muted sequential momentum, the Government's announcement of its pro-growth budget is expected to facilitate investments in infrastructure and manufacturing through its sector-specific proposals like the incentives under various production-linked incentive (PLI) schemes for 'new' sectors, tariff protection through judicious use of high customs duties in the case of select sectors, and establishment of policy framework to encourage private sector investment in emerging areas, particularly, in clean energy. The focus of the Union Budget on the public capex cycle is expected to crowd-in private investment in due course.

During FY 2021-22, inflation was very volatile. At the start of the year, it was in April 2021 at 4.23% whereas, by the time the year ended, it reached 6.95% in March 2022. In the intervening period, five out of the twelve months exceeded the Marginal Propensity Consumer's (MPC) upper threshold of 6%. Persistence of supply chain disruptions, high food and fuel prices and pass-through of high input prices remained the primary drivers of high inflation. While tax cuts on fuel, supply side government interventions and favourable base effects helped to some extent ease the pressure. The rise in inflation became a more broad-based phenomenon.

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The banking industry too, witnessed a wave of changes as everything from business models to operations reoriented to a digital-first world. New operating models around customers are taking shape, processes are evolving to keep governance in focus, and technological advancements are becoming a constant companion. Thus, from traditionally being inward looking, banks are adopting an outside-in approach.

**Technology**

Your Bank is focusing on ways and means to transition to the next with customers, technology and talent as its anchors. While strengthening the Balance Sheet and Risk management, the Bank is investing in new technologies, digitalisation and process efficiencies. Our Phygital strategy finds relevance in today's day and age of accelerated digital transformation. The Bank's digital ecosystem complements its physical infrastructure and enables our customers access, round the clock, financial services from anywhere. It has helped redefine bank-customer relationships, placing greater focus on increased customer engagement, customer centricity and cost efficiencies.

**Financial Performance**

For FY 2021-22, consolidated profit after tax was Rs. 12,089 crore, which was 21% higher than the previous year. At a standalone level, profit after tax of the Bank for FY 2021-22 was Rs. 8,573 crore compared with Rs. 6,965 crore in FY 2020-21, a growth of 23%.

Net Interest Margin (NIM) which is driven by our risk adjusted pricing stood at 4.7% for FY 2021-22. Further, a high CASA ratio of 60.7% as at March 31, 2022, significantly contributed in lowering our cost of funds and thus enabling growth of asset book. Advances grew by 21% on a YoY basis. As at March 31, 2022, the Bank's Gross NPA stood at 2.34% which was 3.25% a year ago. The Net NPA was as at March 31, 2022, 0.64% as against 1.21% as at March 31, 2021.

The Group's subsidiaries and associates contributed 29% of the consolidated profit after tax for FY 2021-22, reflecting the diversity of our business model.



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### ESG and CSR

Our Group's commitment to ESG is deep rooted in its ethos of ethics, stakeholder inclusiveness and sustainability. We strive to deliver value to our stakeholders by embedding social and environmental parameters in operations and financial decision making. Systemic efforts are underway to sensitise workforce on ESG aspects and empower each employee to drive impact through their professional pursuits. An ESG Policy Framework has been developed which explains our approach to align the Group's business strategy, processes and disclosures with national and international standards and frameworks.

The Group's efforts to minimise operational carbon footprint are focussed on digitisation of products and services, procurement of renewable energy, responsible utilisation of resources and waste recycling, amongst others.

We are cognisant of the role we can play in creating a positive impact in the lives of communities through financial inclusion efforts and Corporate Social Responsibility initiatives. Kotak's CSR projects are designed to bring about a meaningful and measurable social impact and are in line with the United Nations Sustainable Development Goals. The Bank and its subsidiaries are fully compliant with the regulatory requirement of 2% of PBT (calculated as per applicable law) on CSR projects.

### Awards

I am also happy to inform you that your Bank was awarded as one of the 'Best Brands 2021' by the Economic Times. The Bank has also featured in the 'Leadership' category as assessed by IiAS on the IFC-BSE-IiAS Indian Corporate Governance Scorecard based on G20 / OECD Corporate Governance principles. It was indeed a proud moment for your Bank to have been certified as 'One of India's Best Employers among Nation-Builders' by the Great Place to Work® Institute, in 2021.

Apart from this, as in the past years, your Bank and its subsidiaries have won a number of significant awards for its excellence in Product & Services and Information Technology.



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### **Outlook for the Group**

The Group's results for the financial year demonstrate the strong fundamental growth in India, however, concerns remain on twin global headwinds of high inflation and increasing interest rates.

Your Bank will continually evaluate its strategy against the macro economic realities as they evolve and will respond, with a view to grow its business as a sustainable franchise. The Group believes that, with sound risk management and strong capital adequacy ratio, it is well positioned to capitalise on the growth opportunities offered by India of the future. The Group aims to expand its market share in Indian financial services by increasing the customer base across the Group, and enhancing the customer experience, which will lead to higher cross-selling of products, thereby contributing to the future growth and profitability. The Group will actively seek inorganic growth opportunities in the Indian financial services space, either in businesses or assets that enables it to expand its market share, allows entry into an industry, customer, or geographic segment that the Group is currently not present in, or provides it with new capabilities.

Our strategic priorities are focussed around customers, technology and talent to build a future ready financial services group.

With that, on behalf of Board of Directors, I would like to thank all the Central and State Governments, our customers, shareholders, regulators and other stakeholders for the continued trust and encouragement, sustained support and timely guidance that we have benefited from.

Thank you all.