



103RD ANNUAL GENERAL MEETING

**ADDRESS BY MD & CEO,
SHRI. PRALAY MONDAL**

FRIDAY | AUGUST 23, 2024

Address by Sri. Pralay Mondal, MD&CEO, at the 103rd Annual General Meeting of the shareholders of CSB Bank Ltd. on Friday, August 23, 2024, at 11:00 a.m. IST through Video Conferencing (“VC”)

Dear Shareholders,

It is with great honor and pleasure that I extend a warm welcome to each of you on behalf of the Board of Directors of CSB Bank Limited to the 103rd Annual General Meeting.

You may have already reviewed our Annual Report for the financial year 2023-2024, where we highlighted the central theme of 'Purpose.' As we commence this AGM, I would like to share that entire CSB team is driven by this 'Purpose'. Our vision is built on strategic pillars which are Governance, Human Capital, Technology, Customer Service & Compliance, with the aim to be a Pan India customer franchise across Retail, Wholesale, SME & Gold Loan Customers.

As we continue on our transformational journey - Sustain, Build, Scale (SBS) 2030, we cherish our legacy and heritage as a traditional bank, and we are committed to evolving into a dynamic, full-service, contemporary mid-sized bank with pan-India presence by 2030. Our vision is deeply rooted in a purpose-driven approach, where we aim to exceed stakeholder expectations and deliver excellence across. As part of our transformation, we are focused on reorganizing and stabilizing our operations into strategic business areas, developing new products and services, enhancing our sales and marketing initiatives, and making significant investments in technology, human capital, and distribution. Simultaneously, we are strengthening our governance and risk management frameworks to ensure long-term sustainability.

Before presenting the Bank's performance for last financial year, I would like to briefly touch upon the macroeconomic and banking landscape within which we operate.

The global economy continues to navigate a multifaceted and interdependent set of challenges. The ability of banks to generate income and manage costs is being tested in many ways. A combination of factors, such as higher interest rates, reduced money supply, more assertive regulations, and geopolitical tensions, are reshaping the foundational architecture of the banking sector. While there are signs of resilience, the overall global economic outlook is characterized by subdued growth, persistent inflation, and heightened geopolitical risks. This divergence in growth and inflation across countries is reflected in the volatility seen across global financial markets.

Amid these global challenges, India's economy has shown remarkable resilience. With inflation largely on a downward trend, improved agricultural output, sustained buoyancy in the services sector, and a continued policy focus on reforms, investments, and inclusive growth, India has maintained robust economic growth, becoming a bright spot on the global stage. This resilience has led to increased confidence in India's prospects. The banking sector has also exhibited positive trends, with declining NPAs and growing credit demand, supported by adequate capital and liquidity buffers.

Turning to our performance over the past year, the details are comprehensively laid out in the Annual Report, which has been made available to all of you. Your bank continues with building on financial growth and achieving strong performance across both top-line and bottom-line parameters. Key financial indicators, such as NIM, CRAR, ROA, and NPA ratios, remained robust and stable during FY 24. I am proud to report that, through our purpose-driven strategies, we continue to meet and exceed shareholder expectations, as reflected in our improved EPS and Book Value per Share.

To summarize some of the major highlights of our performance for the fiscal year 2024:

Profitability:

- Strong operating performance with an operating profit of ₹780 crore, reflecting a 10% YoY growth.
- Your bank recorded the highest ever Net profit of Rs 567 Cr in last FY
- Net Interest Income grew by 11% over FY 23, reaching ₹1,476 crore.
- ROA stood at 1.79% for FY 24, surpassing the industry average of 1.3%.
- NIM was maintained above 5%, at 5.09%, compared to the industry average of 3.6%.
- Cost of Deposits was recorded at 5.35%, with Yield on Advances at 11.35%.
- The ratio of Non-Interest Income to Total Income improved to 16.64% from 11.98% in the previous fiscal year.
- Cost to Income ratio stood at 62.15%.

Business:

- Total business crossed ₹54,000 crore, marking a 20% YoY growth.
- Deposits grew by 21% YoY, outpacing the industry growth of around 14%.
- CASA ratio stood at 27.20%.
- Net advances grew by 18%, compared to the industry growth rate of 16%.
- The Gold Loan portfolio exhibited a robust YoY growth of 22%.

Capital/Liquidity:

- Strong capital base with a CRAR of 24.47%, significantly above the industry average of 16.80%.
- A lower proportion of Risk-Weighted Assets at 43.67%, compared to the industry average.
- Leverage ratio of 9.72%.
- Comfortable liquidity, with an average LCR of 117% and NSFR of 149%.

Asset Quality:

- Stable key indicators for FY 24.
- GNPA stood at ₹361 crore, or 1.47%.
- NNPA was ₹125 crore, or 0.51%.
- PCR was maintained at 86.44% with PWO & 65.41% without PWO.
- Negative credit cost for FY 24.
- Stronger and resilient balance sheet with additional contingent/accelerated provisions to the tune of ₹171 Crs over and above the regulatory prescriptions.

Shareholder Return:

- EPS improved to ₹32.67, up from ₹31.55 in FY 23.
- Book Value per Share surpassed the ₹200 mark, standing at ₹209.
- ROE of 17.37%, compared to the industry average of 13.80%.

We believe that in FY25, we would be able to sustain similar trajectory over the year.

As we progress from the 'Build' phase towards the 'Scale' phase, our focus remains on enhancing our distribution capabilities, operational efficiencies, technological advancements, and customer-centric strategies.

Building Purposeful Connections: In alignment with our distribution strategy, we are making significant strides in expanding our pan-India presence. During FY 2023-24, we increased our physical footprint by opening 76 new branches and installing 215 ATMs across the country. In the current fiscal year, we have already opened 17 new branches and set up 35 ATMs, bringing our network to 796 branches and 766 ATMs. We are also investing in Omni-channel banking alongside our physical infrastructure. Additionally, we are creating specialized operational capabilities in select branches for gold and other business segments, leveraging our existing infrastructure more efficiently for better productivity.

Strengthening Our Purpose with Digital Innovation: As part of our growth ambitions, we have embarked on a transformational digital journey laying the foundation for future ready technology. Central to this transformation is the implementation of a New Core Banking System followed by Trade Finance System, Finance Transformation with OGL, Risk transformation with OFSAA, Retail LOS & LMS, Technology Command Centre, AML & FRM system, CTS, DEM, NACH system, New Data Centre at Mumbai etc. Several key digital initiatives, such as digital onboarding, Digital Contact Centre, Corporate Net Banking, API Ecosystem and cloud-based HRMS, are already operational. These initiatives represent significant strides in our digital evolution. However, full implementation of our new core banking system and digital platforms will enable us to offer a complete suite of innovative products and services, significantly enhancing customer experience and operational efficiency.

Purposeful Customer Service: We recognize that enhancing the customer experience is a critical differentiator in the long run. To this end, we have introduced a Service Governance Council, a top management forum dedicated to reviewing and improving customer service standards. To provide differentiated and priority services to our high-value clients, we are establishing dedicated corporate service branches. Our service delivery channel is focused on proactive customer engagement and satisfaction. We are also making significant investments in technology to improve user experience and interface, ensuring that our customers have access to the best and latest banking services and solutions. These initiatives are integral to our vision of becoming the Bank of the Future.

Visionaries Shaping Our Purpose: Our Board of Directors, with their vast professional acumen, plays a pivotal role in guiding our strategic vision of SBS 2030. I am deeply grateful for their support, which is instrumental in ensuring our successful journey towards our 2030 goals, possibly ahead of schedule. We take immense pride in our resilient governance structure, underpinned by an experienced Board of Directors. Our strong corporate governance culture is essential in fostering and maintaining investor confidence, reflecting our unwavering commitment to high standards of transparency and integrity.

The leadership team at CSB Bank is a cornerstone of our success, steering the institution towards its goals with vision and expertise. Their strategic insight and deep understanding of

the banking sector have been vital in navigating challenges and capitalizing on opportunities. With a focus on innovation and customer-centricity, our leadership team ensures that we remain at the forefront of the industry, delivering exceptional value to customers, employees, and stakeholders alike. Their adaptability to the evolving landscape has been key in ensuring the bank's stability and resilience, especially in the face of global economic challenges.

Creating Purposeful Impact by Enriching Lives: At CSB, our commitment extends beyond financial growth to making a positive impact on the communities we serve. We are dedicated to driving progress in the social fabric of our society. Through strategic partnerships and sustainable initiatives, we aim to uplift the underprivileged, empower the youth, and contribute to a more inclusive and equitable society. As a responsible and socially conscious financial institution, we are committed to giving back to society and actively contributing to its well-being. Our programs are designed to reach the maximum number of deserving individuals, across all segments in our society.

Furthermore, we recognize the importance of integrating Environmental, Social, and Governance (ESG) considerations into our business operations and decision-making processes. Our ESG Policy reflects our commitment to sustainability, responsible banking practices, and creating long-term value for our stakeholders. Through the implementation of this policy, the Bank is dedicated to promoting economic growth in our country by providing sustainable and ethical financing. We have also conducted a materiality assessment on ESG awareness among all stakeholders with the assistance of a partner, and the outcome has been highly encouraging.

As we continue to advance through the Build phase, I would like to express my sincere gratitude to our valued shareholders and customers for your trust and continued support. We look forward to your continued patronage as we pursue our SBS 2030 vision. I also extend my heartfelt thanks to the Board of Directors for their invaluable guidance as we move forward on this journey. Additionally, I would like to acknowledge the regulatory bodies, including the RBI, SEBI, Stock Exchanges, and the Central and State Governments, for their ongoing support and cooperation. Lastly, I would like to commend our senior management team and staff members for their unwavering commitment and determination in achieving the milestones set out in our SBS 2030 journey.

Place: Thrissur

(Pralay Mondal)

Date: August 23, 2024

Managing Director & CEO