



Address by  
**Shri. C VR Rajendran**  
MD & CEO, CSB Bank



**98<sup>th</sup>**  
**ANNUAL GENERAL  
MEETING**

**29<sup>th</sup> JUNE 2019** ● **KOUSTHUBHAM AUDITORIUM, THRISSUR**

Dear Shareholders,

It is my third address to you as the Managing Director and CEO of this illustrious institution which is at the threshold of celebrating being 100 years young. As you know very few organization across the world have survived this much of years and in our case we are now in the cusp of a new dawn – an inflexion point of changing from a sleepy old generation bank to a customer centric new age private bank.

This Annual General Meeting is the first Annual General Meeting of The CSB Bank Limited as Company Law Board has already approved our name change. To ensure that the change is not name sake, we are revisiting, reorganizing and revitalizing the way business is done in the bank. Three broad Strategic Business Units (SBUs) viz. Retail Banking (including Branch banking and Retail assets including gold loans), SME Banking and Wholesale Banking will be the three pillars of growth for the bank with support structures of IT, HR, Operations, Finance, Risk and Compliance.

### **Performance of the Bank:**

The Key financial highlights for the year 2018-19 can be summarized as under:

- Net Interest Income crossed Rs 400 crore mark and stood at Rs 440 crore, growing at 14%. Net Interest Margin continued its upward journey, 2.3% to 2.5%.
- Credit Deposit Ratio improved from 64% as on 31.03.18 to 70% as on 31.03.19, thanks to credit growing at 14%.
- The credit growth has not resulted in increase in risk weighted assets – risk weighted assets actually reduced by 5% as the bank's growth was mainly in high rated corporate loans and gold loans where the effective risk weight is low.
- Non-Interest Income increased from Rs 125 crore to Rs 136 crore or by 8% due to increase in commission on bancassurance, processing fees, recovery of bad debts written off etc.
- Due to increase in AS 15 provisions consequent to the effects of reduction in retirement age and increased annuity cost for DA of pensioners, staff cost increased from Rs 287 crore to Rs 384 crore – an increase of around Rs 100 crore which has affected the operational profit.
- Our operating profit reduced from Rs 74 crore to Rs 13 crore due to the above mentioned surge in staff costs.
- As already stated we had stepped up the provisioning rates above the RBI standards and resultantly provided Rs

92 crore above the regulator requirements. Also, during the second half of the FY, in order to identify incipient stress in the working capital accounts in which the credit turnover was low, the bank had conducted stock audit of all those accounts whose credit limit are 25 lakhs & above. 297 such accounts were identified for conducting special stock audit. Based on the stock audit report, the bank had classified accounts with aggregate exposure of Rs 31 crore as NPA. There were strict instructions to branches to desist from any act of ever-greening.

- Hit to P&L on account of provision for NPA was Rs 262 crore in FY 19 as against Rs 191 crore in FY 18, due to the above prudential measures.
- We had also decided to derecognise the appreciation in Security Receipts book and this has caused additional hit of Rs 11 crore.
- Due to the combined effects of the above, the Loss After Tax increased from Rs 97 crore in FY 18 to Rs 197 crore in FY 19.
- On Asset quality front the worst seems to be over for the bank. While gross NPA reduced from 7.9% to 4.9%, Net NPA reduced from 4.5% to 2.3%. Provisioning Coverage Ratio improved from 62% to 78%.
- Capital Adequacy improves from 9.9% as on 31.03.18 to 16.7% as on 31.03.19. It may be noted that the minimum requirement including capital conservation buffer is 10.875% and we are well above the minimum. We expect remaining money towards share capital and warrants of Rs 487 crore from M/s FIHM this financial year and this will further bolster our capital base and make us well poised for gargantuan growth.

Strategic Intervention is a multistep process – sometimes consisting of many small steps, not a few big ones. Along the whole journey interactions with various stakeholders are essential and we are committed to that.

We have taken an important measure towards improving the staff productivity – we have reduced the retirement age of officers from sixty to fifty-eight with effect from April 2019. We are committed to establishing a pay structure which is related to performance of employees. We have stepped up hiring at various levels to ensure that there is right staffing and all new additions to staff pool come on a CTC pay structure.

Our strategy content is based on:

- a compelling value proposition for the customer and
- a robust return proposition for the shareholder.

To attain these two propositions we are committed to a compelling people proposition that ensures sustainable strategy execution.

We are committed to building a culture of trust and commitment that motivates people to execute the agreed strategy – not to the letter, but to the spirit. Our goal is to aligning employees' minds and hearts to the new strategy so that at the level of the individual, they embrace it of their own accord and willingly go beyond compulsory execution to voluntary cooperation in carrying it out.

Now we are in the age of Continuous Connections, new technologies have made 24/7 customer relationships possible. It's time to change our business model accordingly. Instead of waiting for customers to come to us, we should address the customer's needs the moment they arise and sometimes even earlier – and this will be our Mantra for success.

Due to the coming IPO, my tongue is tied as regards the guidance for future earnings but I am confident that CSB is well positioned for the future. In the coming days we will continue working to build the most customer focused,

efficient, innovative and meritocratic CSB ever – characterized by:

- a strong capital base,
- a presence to reckon with in the markets we serve,
- focused growth within a strong risk management framework,
- operational excellence and
- highly engaged team members.

We value your investment greatly and thank you for continuing to share this journey with us. Thank you for your trust – as we look forward to a transformed CSB, that trust is our greatest asset, and enhancing it every day is our most important measure of success.

Place: Thrissur

(C VR Rajendran)

Date: June 29, 2019

MD&CEO