



101ST ANNUAL GENERAL MEETING

ADDRESS BY

SHRI.PRALAY MONDAL

Tuesday | September 27, 2022

Address by Shri. Pralay Mondal, at the 101st Annual General Meeting of the shareholders of CSB Bank Ltd. at 11.00 a.m. on Tuesday, September 27, 2022, through video conferencing

Dear Shareholders,

On behalf of the Board of Directors of the Bank, I take immense pleasure in welcoming you all to the **101st** Annual General Meeting of CSB Bank Limited.

I am privileged to address you for the first time at the AGM of your beloved institution that has traversed through many a different situation over the past hundred plus years to emerge as the number one bank in the small bank category as per the surveys and analysis conducted by various leading journals/organizations in FY 2022. Now we aim to scale the Bank to the mid-size category in the medium term and to emerge as a significant player in the industry thereafter.

The Annual Report for the financial year 2021- 2022 is already with you where our strategic pursuits and achievements during the year have been detailed. In the report, we have also given details on our ESG initiatives. This is an outcome of our unwavering commitment to Governance along with prudent risk management practices. As in the previous years, your Bank focused on Corporate Governance principles, maintained transparency in disclosures and zero level of non-compliance, for which adequate internal systems and controls, processes and procedures were laid down and implemented. This resulted compliance at all levels of Governance.

At CSB Bank, we had an excellent year during which the Bank advanced on all key operational and financial parameters. This is indeed praiseworthy as the banking sector across the world has been going through external challenges since the outbreak of the pandemic. Our performance during the year has been against a challenging environment both within the country and globally.

Before I deliberate on the Bank's performance, I would like to touch upon the economic and banking environment, in which your Bank performed during the year 2021-22.

Indian economy has shown resilience in the face of multiple challenges posed by shocks such as the Global Financial Crisis, the COVID-19 pandemic and Russia – Ukraine conflict. India witnessed several policy measures, reforms and budgetary priorities, which created a conducive atmosphere for rapid growth. Industry has passed through a redefining phase and adapted to the new normal. *"Digital technology"* has emerged as the key driver. Overall growth is coming back to the banking system as well. We have started encashing the available opportunities whether it is Retail, SME, Mid-Market or Emerging Enterprises. We continued with our geographic expansion mode with the opening of around 100 more branches in FY 22.

Let me summarise the major highlights of fiscal 2022:

It has been a spectacular year for the bank as far as earnings is concerned and now we are continuously making profits for three consecutive years. Net profit in last FY more than doubled to Rs 459 Crs. Bank continued with the accelerated provisioning policy during FY 22. The Covid related provisioning continues as a buffer despite easing of the situation. As on 31.03.2022, your bank is holding additional provisions to the tune of Rs 215 Crs over and above the regulatory prescriptions. Our income increased from Rs 2175 crore in FY21 to Rs 2285 crore in FY22. Interest income during the year was at Rs 2038 crore as against Rs 1872 crore in the previous year. Asset

quality improved as the gross NPA percentage that was at 2.68% as on 31.03.21 improved by 87 bps to 1.81% as on 31.03.22. In absolute value, the gross NPAs amounted to Rs 290 crore, compared with Rs 394 crore a year ago. Net NPAs also fell to below 1% i.e., 0.68% from 1.17 per cent as on 31.03.21.

- Net Interest Income of the bank has crossed Rs 1,000 crore mark for the first time in its history. At Rs 1,153 crore, NII has grown YoY at a robust 23%.
- Non-Interest Income Ex Treasury profits grew from Rs 201 crore to Rs 235 crore or by 17% powered by growth in commission income from Rs 50 crore to Rs 72 crore or by 44%
- Total employees increased from 4,180 to 4,663 with no major impact on Staff Cost
- Other opex has increased from Rs 233 crore to Rs 305 crore YoY or by 31%. Number of branches increased from 512 to 603 contributing to hike in other opex.
- Operating profits grew from Rs 516 crore to Rs 614 crore or by 19% on the back of improved NII and reduced staff cost.
- CD Ratio (Net) of the Bank improved by 291 bps (78.34% from 75.43%).
- CASA Ratio of the Bank improved to 33.66% from 32.19% (up by 1.47%).
- Provision Coverage Ratio of the Bank stood at 89.7%. If we reckon the Covid related provisioning for the computation of PCR, it will be almost 100%
- Yield on advances improved from 10.97% to 11.21%.
- Cost of deposits reduced from 5.07% to 4.31% or by 76 bps
- NIM improved from 4.81% to 5.27% YoY or by 46 bps.
- RoA has increased from 0.99% to 1.91% YoY and RoE from 21.2% to 12.5%.
- Book Value per share increased from Rs 117 to Rs 144 or by 23% and EPS from Rs 12.6 to Rs 26.4 or by 110%.
- CRAR ratio of the Bank is 25.90% against the regulatory requirement of 11.50%.
- Cost to Income Ratio improved to 56.2% in FY 22 from 58.6% in FY 21.

Coming to topline, total deposits of the bank grew by 5.5% on year-on-year basis while the advances grew by 9.5% to touch a level of Rs 15,815 Crores.

Bank has done well under all critical business and profitability parameters. While consolidating our performance we have strengthened our balance sheet on the backing of adequate provisions for known and unknown losses.

Stepping into FY23, I am delighted to inform you that we continue to exhibit our resilience and deliver performance. The FY23 Q1 results are a testimony to it. Our capital adequacy ratio is one of the best in the industry at 25.46%. Net NPA is at a historical low of 0.60%. The liquidity position is very comfortable; LCR is much above the RBI stipulation and stood at 147%. Earning is consistently growing and the profitability track record is maintained. Our primary objective of building the balance sheet for the future continues.

On the CSR front, the Bank had spent Rs. 84 lac towards CSR activities as per the mandatory guidelines and the funds were spent on core areas, viz. promoting healthcare including preventive healthcare, COVID vaccination programme, disaster management, setting up of homes for poor and promoting education.

We at CSB are embarking on a journey of Sustain - Build – Scale 2030 i.e., SBS 2030. Your Bank aims to **Sustain** its strong foundation and critical strengths, **Build** the future highway through

investments in technology, digital infrastructure, partnerships, leadership, products, processes etc and **Scale** your Bank to the next level of Growth and Excellence with necessary guardrails in place. We will achieve this by implementing best-in-class technology, leveraging loyal partnerships, offering all products and services across our business and instilling customer-centric mindset among our employees to consistently meet customer expectations. Customer acquisition will be one of our key focus to scale the bank.

The key enablers for SBS 2030 will be:

- Good Governance Structure
- Clear Executable Strategy
- Board Support and Guidance
- Growth Oriented Policy
- Building Infrastructure – Physical, Hybrid or Digital
- Robust and Efficient Customer Centric Process
- Leadership with experience to build and scale franchise with long term vision and commitment
- Innovation – Agile / Digital

The key objectives of the bank in the coming year(s) will be:

- Focus on Customer Acquisition
- Growth in granular liability franchise with ever improving CASA Ratio
- Focus on strong operating performance with consistency
- Initial investments with defined payback period
- Well capitalized bank with adequate liquidity buffer to manage Economic & Credit Cycles
- Prudent treasury investment strategy viz. a viz. wholesale funded book growth with the right balance of Risk Vs. Return
- Well diversified retail book to manage cycles
- Relentless focus on Fee business & Non Interest Income earnings
- Enhance coverage, Create segmentation and Whitelist opportunities in Wholesale Business
- Focus on Asset quality, Risk management and strong Collection framework

Our ongoing endeavour has been to generate value and honour the commitments made to the shareholders. The last 3 years witnessed remarkable improvement, transformation and turnaround of the bank lead by the successful execution of strategies into meaningful results. Thank you for your continued support and patronage.

I take this opportunity to express my sincere thanks to our valued shareholders and customers for the faith bestowed on us and the unstinted support extended throughout the journey. Without your support and confidence, the institution could not have survived over a century in existence.

Personally, as well as on behalf of the Board of Directors, I thank my predecessor, Mr C.VR. Rajendran who led the Bank during the critical years of transformation. We are indebted to him for the remarkable turnaround and for putting the Bank on a strong foot.

I wish to make a special mention on the invaluable contribution of Mr Madhavan Aravamuthan for his guidance and support as Part-Time Chairman of the Bank during his tenure till June 28, 2022.

I wish to mention my gratitude to the regulators, Reserve Bank of India, SEBI, stock exchanges, Central Government and State Governments for their guidance and support. I thank our senior management team for their execution capabilities and all the staff members for their committed hard work and determination, which helped us unlock this proud and satisfying period for the Bank. While expressing my gratitude and respect for every employee who risked their health and served the Bank during this pandemic, I would also like to extend my heartfelt condolences to the families of those staff members, who lost their lives due to the COVID-19 pandemic.

The vision for the Bank is to create a Strong and Scalable Retail & SME franchise. While we continue to grow gold loan business, we are in process of setting up retail asset franchise with all the products, systems and processes in place. As we expand our presence in deeper geography, we will enhance our offering on Agri products to cater to the need of Rural customers. In parallel we are building a strong CASA franchise through quality customer acquisition. NRI business which contributes to around 23% of liability franchise is being further strengthened to enhance the franchise value. We will build stronger risk management culture, credit underwriting processes and controls and use score cards, credit bureaus, various technology enablements with separate credit and risk verticals for appropriate risk governance structure. We are building up knowledge based team in the bank to translate the Bank's vision for next level of growth.

SBS-2030 encompasses the expansion of our branch networks across the India, driving growth through existing and new verticals, enhancing business per branch and leveraging fixed costs through digitization and technology. We strive to deliver transformed experience to our customers and build a culture of design thinking and seamless execution embedded in our organization.

On the liability side, our focus is to build a granular retail book through seamless customer acquisition and onboarding process with a consistent user experience. We will define segments, geographies and provide products, digital transformation, all channels of delivery, STP and all such other enablers to the customer.

Our focus will be on executing our plans, monitoring them and ensuring we deliver to your expectation with focus on building a long term customer franchise by leveraging full service banking license of CSB Bank.

Thank You for your continued support and patronage.

Thank You

Place: Mumbai

(Pralay Mondal)

Date: September 27, 2022