



102ND ANNUAL GENERAL MEETING

ADDRESS BY MD & CEO, SHRI.PRALAY
MONDAL

Tuesday | August 8, 2023

Address by Shri. Pralay Mondal, at the 102nd Annual General Meeting of the shareholders of CSB Bank Ltd. on Tuesday, August 8, 2023, at 11:00 a.m. IST through Video Conferencing ("VC")

Dear Shareholders,

On behalf of the Board of Directors of the Bank and on my personal behalf, I take immense pleasure in welcoming you all to the 102nd Annual General Meeting of CSB Bank Limited.

Sustain, Build, Scale 2030 (SBS 2030) is an aspiring three-pronged strategy that your Bank has embarked upon since last FY. It encompasses sustaining the Bank's foundation and critical strengths, build a future-ready franchise and scale the bank to the next level of growth and excellence. The strategic priorities for this vision includes Customer acquisition, Product diversification, Verticalisation, Tech stack improvement, Increased footprints and Sustainability. We can call FY 23 as a Big year in terms of achievement in our SBS 2030 journey and the progress has instilled lot of confidence in us to pursue the vision more aggressively.

The Annual Report for the financial year 2022-2023 is already with you and your bank did well both in terms of topline and bottom line in FY 23. Most of the financial indicators like NIM, CRAR, RoA, NPA ratios etc. have shown further improvement during the year. Our endeavour to maximise the wealth of the shareholders received a big boost, with substantial gain in EPS & Book value per share. 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 2022-23.

Globally, the stability of the financial system is tested by high inflation, tight financial conditions and banking system fragilities. Geopolitical tensions and economic fragmentation are posing challenges to the macroeconomic stability. Markets are very volatile amidst rapid shifts in investor sentiments. Though the situation is gradually improving as of now, but at a slow pace.

Indian economy is better positioned to navigate the global headwinds and has been stable and resilient, as reflected in sustained growth in bank credit, low levels of non-performing assets, adequate capital and liquidity buffers. Banks are posting strong earnings and robust credit growth with strengthening buffers.

Let me summarise the major highlights of fiscal 2023:

Your bank recorded the highest ever Net profit of Rs 547 Cr in last FY up by 19% YoY. The balance sheet is stronger and resilient as evidenced by elimination of all toxic assets including the accumulated losses, making accelerated NPA provisions and additional contingent provisions, which is almost 1.50 x times higher than NNPA. As on 31.03.2023, your bank is holding additional provisions

to the tune of Rs 170 Crs over and above the regulatory prescriptions. The key performance highlights of your bank are:

Financial Indicators:

Profitability:

- Strong operating performance-Operating profit of Rs 707 Crs, up by 15% YoY
- NII growth of 16% over FY 22 and stood at Rs 1334 Cr
- RoA has increased from 1.90% to 2.06% YoY- up by 16 bps as against the industry average of 1.1%
- NIM could be maintained above 5%; with an improvement of 21 bps over last FY at 5.48%. Average NIM for the industry was 3.7%
- Cost of deposits stood at 4.38% and Yield on Advances at 10.92%
- Non-interest income to total income ratio improved to 11.99% as against 10.80% for the previous FY
- Cost to Income ratio of 57.12%

Business:

- Total business of ~ Rs 46000 Crs – 25% YoY growth
- Deposit growth of 21% YoY as against the industry growth of around 10%
- CASA ratio continues to be above 30% at 32.18%
- Net advances grew by 31% vis a vis 16% industry growth
- Gold portfolio registered a growth of 48% YoY

Capital/Liquidity:

- Robust capital base with a CRAR of 27.10% - against the industry average of 17.10%
- Low proportion of Risk weighted assets compared to industry-40.12%
- Leverage ratio stood at 9.98% as against the industry average of 7.3%
- Comfortable liquidity with an LCR of 123% and NSFR of 155%

Asset Quality:

- Fared well in all key indicators
- GNPA of Rs 263 Cr or 1.26%- down by Rs 27 Cr or 55 bps respectively on a YoY basis. Industry level GNPA was 3.9%
- NNPA of Rs 72 Crs or 0.35% with a reduction of Rs 35 Crs or 33 bps compared to last FY. NNPA for the industry stood at 1%
- PCR of 92.11% for FY 23 as against 89.65% in FY 22- up by 246 bps
- Credit cost continued in negative trajectory for all the four quarters in FY 23

Shareholder Return:

- EPS improved to Rs 31.55/- from Rs 26.43 for FY 22
- Book value per share stood at Rs 176/- registering an increase of Rs 32/- YoY
- RoE of 20.35% as against the industry average of 12.3%

We have already published our Q1 FY 24 results and overall performance on both top line and bottom line was good. We could register a growth of 15% in net profit and 24% in total business on a YoY basis. Gold loan business crossed Rs 10000 Cr mark. Asset quality ratios improved- GNPA of 1.27% and NNPA of 0.32%. Capital/Liquidity position continued to be stable. Key financial ratios were strong. We carried forward the momentum of growth during the current fiscal as well.

Other highlights:**Investments in Distribution:**

In line with our branch expansion plan, we have opened 100 new branches during the financial year, 45% of them in the North and the West, to enhance our pan-India coverage. Thus, we opened 100 branches for the third consecutive year in a row, with a 70% increase in the number of branches from 411 to 703 since FY20. We have 528 ATMs/CRMs as on 31.03.2023. We have plans to open another 100 branches in FY 24 as well.

Investments in People:

In our SBS vision, we are aiming at building a future ready franchise with the complete product suite with a proper vertical structure; and to achieve this objective, we have to invest in the right talent both at leadership level and at front-end. We have almost completed the leadership hiring. Now hiring for the front end staff is happening. During FY 23, we have added 2100+ employees and the employee count stood at 6841 as on 31.03.2023.

Investments in Products/Process/Verticals:

In the year gone by tremendous focus was on developing/revamping the products under the identified verticals to complete/enhance our product bouquet. Policies/Processes were streamlined in line with the industry practices. Bank has partnered with FPL Technologies to launch CSB Bank One-card- a co-branded Credit card. Product programs like Zenith, Elite and Prime were launched with attractive/competitive features. Current account variants like Smart Trade /Pro Trade Forex CA were introduced by the newly set up TBG vertical with a resolve to revamp the Trade Forex business. Branch Service Quality Index Group (BSQIG) team has been set up towards ensuring the right culture and mind set among the team members to keep customer centricity at the heart of all our initiatives. Bank has contact centres with an objective of generating leads/customer service.

Investments in Technology:

Bank has made the strategic decision to replace its existing core banking system with an advanced and modern alternative and we are steadily progressing on this count. Bank has embarked on building new LOS (loan origination systems) aimed at faster disbursement of loans. Lead Management system which got launched in Q4 FY 23 helps the Bank to capture leads for both asset and liability class at the branches as well as sales executives in the field. This system will help provide business intelligence in terms of lead conversion and increase revenue. For enhancing the digital user experience, bank has introduced Contactless EMV Debit Cards and an end-to-end digital sourcing journey through VKYC for Savings accounts and Credit cards.

Right Distribution, Right Team, Right Product/Processes, Right technology help us accelerate growth in the coming years. In our first year of the SBS journey, we could sustain our core strengths and initiate the Build phase, too. We are looking at FY25 as the launching pad to take off on all avenues as a true full-service franchise.

It will be our endeavour to deliver upon the commitments to various stakeholders as we progress on our SBS 2030 vision, which will happen only with your wholehearted support and continued 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. I would also like to acknowledge the valuable guidance and deep oversight provided by the Board at each juncture of this progressive journey.

I take this opportunity to place 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.

FY 24 is a crucial year in the SBS journey and we will strive together to achieve the milestones set for the year well ahead of the schedule.

Place: Mumbai
Date: August, 8, 2023

(Pralay Mondal)
Managing Director & CEO