



Address by
Shri. Madhavan Menon
Chairman, CSB Bank



98th
**ANNUAL GENERAL
MEETING**

29th JUNE 2019 ● **KOUSTHUBHAM AUDITORIUM, THRISSUR**

Dear Shareholders,

It gives me immense pleasure in welcoming all of you to the 98th Annual General Meeting of your Bank. I feel privileged to address you, for the first time, as the Chairman of this institution which has been in existence for almost a century. On behalf of the Board of the Bank, I thank each of you for joining us for this Meeting. Your continued interest in and support for the Bank over nearly a century is one of our greatest motivation to rise above the challenges currently faced by the Bank and to move way forward in the trajectory of growth in the long run. I would like to say that your confidence and support to this Bank has prompted Mr. Prem Vatsa led Fairfax group, to invest upto 51 % stake in your Bank at a total consideration of Rs.12,080 million.

I trust that the Annual Report for the financial year ended March 31, 2019 containing the Audited Accounts, Directors' Report including Secretarial Audit Report and Auditors' Report have been received and reviewed by you.

Before I deliberate on the Bank's performance, now, with your permission, I would like to dwell on the developments in the Global and Indian economy and the banking environment in which your Bank had performed during the year under review.

Economic Scenario

After the strong growth in the early 2018, global economy has been losing pace reflected by further slowdown in trade and manufacturing activity which was especially due to unsettled trade tensions and macroeconomic stress in few countries. The outlook is further clouded by uncertainty relating to Brexit. From an economic perspective, the near future seems to be challenging and volatile and there is considerable uncertainty as to whether this volatility is temporary or the beginning of a recession in advanced economies. This uncertainty also seems to be reflected in several downward revisions to the FY19 global growth forecasted by the International Monetary Fund (IMF).

Indian economy started with a healthy growth rate of 7.5% backed by strong domestic consumption. However, the growth deteriorated in subsequent quarters owing to strong global volatility largely from financial volatility, end of quantitative easing in the large and advanced economies leading to investment outflows, externalities from trade disputes and rising crude oil prices. The third advance estimates for FY19 released by the National Statistics Office (NSO) in its latest report revised India's real Gross Domestic Product growth at 6.8% year-on-year,

down by 20 basis points from the second advance estimates released in February 2019. The proximate factors responsible for this slowdown include declining growth of private consumption, tepid increase in fixed investment and muted exports. With all this, the Indian economy has also shown remarkable resilience against adverse global developments, if not completely decoupled from it. With increasing sustained economic growth and macro-economic stability, favourable demography and a large market, India still remains an important player in the global economic arena. Thanks to the stable government, progressive policy measures and decent rainfall, the fundamentals of our macro economy has exhibited enviable strength. Despite serious challenges in the areas of reviving bank credit, bringing private investments back on rails, sagging exports, etc., India remains the lone bright spot in the global economic landscape due to the various positive initiatives from the government and the dynamics of our market place.

Indian Banking sector has continued to face strong headwinds during the period under review. The operating environment was challenging due to concerns of growing non-performing assets and high incidence of assets getting restructured, ultimately denting the profitability of most of the Banks. Besides, the banking industry has to cope with competitive pressures, changes in customer loyalty, stringent regulatory environment and entry of new players including Fintechs, all of which are pressurizing the banks to adopt new business models, streamline operations and improve processes. Despite these, the Indian Banking industry has strength to weather all challenges and its performance would improve considerably in the coming quarters due to further anticipated revival in the country's economic growth.

Reserve Bank of India (RBI) has been very proactively supporting the growth of banking sector and stimulating the recovery through a slew of policy measures. On the monetary policy front, RBI has reduced the repo rate by 50 basis points in two phases, which resulted the rate to come down from 6.25 % to 5.75 %. The Insolvency and Bankruptcy Code, 2016 (IBC) has significantly altered the financial landscape as it provides a market mechanism for time-bound insolvency resolution enabling maximisation of value. Recent supervisory data of RBI suggests that various efforts made by the RBI in strengthening its regulatory and supervisory framework and the resolution mechanism instituted through IBC are bearing fruit.

Financial Performance of the Bank

The year under review has been a challenging one for your Bank. In this period, your Bank has posted an Operating Profit of Rs. 13.36 crore as against an operating profit of Rs. 74.33 crore in the previous year and reported a net loss of Rs. 197.42 crore as against net loss of Rs. 97.47 crore in the FY 2017- 18. This was mainly on account of increase in operating expenditure, accelerated provisioning for Non-Performing Assets and depreciation on Investments. But it is worthwhile to note that as on March 31, 2019, the total assets increased by Rs.1041.11 crore and stood at Rs.16,911.16 crore, deposits increased by Rs.433.22 crore and stood at Rs.15,123.87 crore and advances increased by 1,277.88 crore and stood at 10,615.24 crore. Despite the challenges faced during the period under review, your Bank is fundamentally strong to absorb these adversities. There are, however, challenges of improving the quality of assets, increasing the pace of business growth, effective risk management particularly in the context of Basel III norms, driving financial inclusion and above all, sustaining the key profitability parameters. I would like to assure you that the Bank has already taken various steps to recalibrate and consolidate its strengths and to improve its overall performance particularly to rein the NPA provisioning requirements further by close monitoring and recovery and also by continuously reducing expenditure in as many areas as possible.

Capital Raising Plan

Your Bank has remained capitalized at a very comfortable level to meet future growth plan. Capital to Risk (Weighted) Assets Ratio (CRAR) position of your Bank as on March 31, 2019 is 16.77 %, which is much above the statutory minimum limit of 10.875% stipulated by RBI.

As I mentioned at the beginning of my speech, FIH Mauritius Investments Ltd (FIHM), acquired 51% stake in your Bank on a fully diluted basis and have already infused capital aggregating to Rs.7,207.53 million in respect of warrants and shares allotted to them and the balance amount of Rs.4,873.83 million is expected to be brought in, shortly.

This capital infusion is the first of its kind in the banking space in the country and would strengthen the capital adequacy of your Bank to a very solid level, helping the Bank go a long way in putting it back in the growth trajectory.

Bank will continue with its efforts to raise capital to the extent required to meet with capital adequacy requirements and future growth plans of the Bank.

Customer Service

In the banking industry, where technology continues to evolve the way we handle personal and business finances, quality customer care includes keeping pace with both live and digital options for handling everything from simple to complex transactions. Providing good customer service can help your Bank increase customer loyalty. Your Bank has always endeavored to provide high quality customer service in tune with the changing times over the past nine decades and has put in place, a well-defined Customer Grievances Redressal Mechanism to address any of the customer grievances. Your Bank strongly believes that customer service will continue to be the most important factor in maintaining and improving the Bank's role within the Indian Banking Industry.

Corporate Social Responsibility (CSR)

Though your Bank was not obligated to spend money for Corporate Social Responsibility (CSR) activities during FY 2018-19, as part of the CSR initiatives, it has always taken an inclusive, empowering and responsible approach towards the marginalized sections of the society and have gone beyond the regulatory mandate to expand operations in the rural and semi-urban areas. Your Bank is focusing on this front by taking all possible steps to increase its CSR reach and spend over the coming years, supplemented by its continued focus towards sustainable development and responsible banking.

Corporate Governance

Corporate governance is the system by which businesses are directed and controlled. Good corporate governance is a key factor in underpinning the integrity and efficiency of an Institution. Poor corporate governance can weaken an institution's potential, can lead to financial difficulties and in some cases can cause long-term damage to an institution's reputation. Your Bank has put in place a strong and transparent Corporate Governance practices. The Corporate Governance philosophy of the Bank is to promote corporate fairness, transparency and accountability so as to maximise long-term value for all stakeholders. Your Bank continues to maintain high standards of Corporate Governance and upholds fairness, integrity & trust in all its dealings.

Future Outlook

A major transformation process is currently being undertaken in the Bank and we hope that the process will be well positioned to ride the growth story by delivering sustainable value addition to all our stakeholders. Your

Bank is implementing an aggressive growth strategy concentrating on high quality customer service, building up quality asset book, rationalizing branch network, developing new capabilities and skill sets in human resources, building a robust IT infrastructure and digital platform, etc. Significant investments are being made in improving our manpower, training, driving innovations in digital services to develop new products and channels, cross selling of products and building new capabilities. To further enhance the process of this transformation, from a traditional, regional, local, community bank to a new-age bank with a wider presence, and to underline our Bank's new identity, new businesses and new energy, your Bank is in the process of rebranding itself as 'CSB Bank Limited' from "The Catholic Syrian Bank Limited". With this background and the new high quality leadership team in place, I am very excited about the future and sincerely believe that CSB's best days are just ahead.

Acknowledgements

On behalf of my colleagues on the Board, I place on record our gratitude for the support and guidance extended by the Ministry of Finance and Ministry of Corporate Affairs, Government of India, Reserve Bank of India, SEBI, and other regulatory authorities.

I would like to express my sincere thanks to the MD & CEO Shri. C. VR. Rajendran, who has brought in several indigenous reforms to rejuvenate the Bank.

I would also like to place on record my appreciation to all our employees and unions for their dedication and support.

I would also like to express my sincere thanks to our valued shareholders and customers for their continued support and confidence reposed on the Bank.

I would also put on record my gratitude to the electronic and print media for their support in all our activities.

I conclude by stating that, your Bank is committed to continuously improve its operations and differentiate itself in the market-place through customer focused innovations in products and services, with the aim of building a strong and sustainable Bank for the next generation.

Place: Thrissur

Date: June 29, 2019

(Madhavan Menon)

Chairman