

there is better commitment to the corporate strategic goals at all levels. We set a lot of value to clarity and consistency in communications so that the change management initiatives will have a smooth sailing and consistent execution is ensured.

Recovery Strategy

I have been emphasising the need for NPA recovery throughout the organisation across all cadres and now the results are encouraging. We already have some major corporate recoveries and anticipate significant recovery from SME space also. I assure you that we are not keeping any stone unturned in this regard and adopting all legal measures to get back your money.

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

We may not be able to control many environmental factors - the economy, interest rates, the markets, or world events. We need to therefore focus on what we can control and what we can sustain in the long term: our core performance and our revenue growth. We're focused on providing you, our shareholders, with sustainable, long-term success.

While we anticipate earnings challenges to continue in FY 18 also due to multiple factors, we are confident of coming out clean with a sustainable business model with your support.

We value your investment greatly and thank you for continuing to share this journey with us.

Thank you for your support.

Yours Sincerely,

(C.VR. Rajendran)
(M. D. & CEO)

Thrissur
September 25, 2017



The Catholic Syrian Bank Ltd.

Regd. Office: 'CSB Bhavan',
St. Mary's College Road, P.B No. 502,
Thrissur – 680 020, Kerala.
Tel: +91 487-2333020; Fax: +91 487-2338764;
Email: investors@csb.co.in; Website: www.csb.co.in
CIN: U65191KL1920PLC000175

Managing Director & CEO's
Speech.

Shri. C.VR. Rajendran

at the

96th
Annual General Meeting

of the shareholders of
The Catholic Syrian Bank Ltd.
at 10.00 a.m. on Monday, the 25th of September
2017
at Kousthubham Auditorium,
Shoranur Road, Thrissur – 680001.

CSB... Support all the way

 Catholic Syrian Bank



Dear Shareholders,

It is indeed a great privilege to address you in my new role as MD & CEO of this illustrious institution. Though I have been in a different ecosystem for most part of my career, for the past 10 months or so I have been with CSB driving transformation. This has helped me gain insights into our core strengths, the challenges we are facing and the direction of response to these challenges.

FY 17 was yet another challenging year for the entire banking industry. According to Financial Stability Report of RBI, Gross NPA in the banking sector went up by 200 bps i.e. from 7.6% in FY 16 to 9.6% in FY 17, we also had to bear the impact, for us it increased by 163 bps i.e. from 5.62% to 7.25%. We had to make provisions for NPAs to the tune of Rs 183 crore. The good news is that despite this, we could come back to profitability, thanks to treasury profits of Rs 196 crore.

Our major performance highlights in the year gone by were:

- ✓ CASA mix improved to 25% from 20% with YoY growth of 28%
- ✓ Gold loans grew at 15% YoY
- ✓ Cost of Deposits came down to 6.90% from 7.86%
- ✓ Cost Income Ratio improved to 74.49% from 100.87%

- ✓ Capital Adequacy Ratio improved to 12.15% from 10.55%

Our FY 17 results relied heavily on treasury profits which is a one off event. We have chalked out detailed plans to put the bank to a path of consistent growth and sustainable success, powered by core income growth.

Capital Infusion

In banking, there is a virtuous circle of capital infusion leading to business growth business growth leading to profit growth and profit growth leading to improved shareholder returns and shareholder return leading to further capital infusion. While this virtuous cycle may be at work in other business as well, in banking it is all the more important given the leverage potential of equity capital. For example 1 Re of capital allows a bank to accept Rs 21 of deposits. We are planning a capital infusion of Rs 650 crore this year and apart from setting the virtuous cycle active, this will enable us to be of greater service to you and scale up our capabilities so that we stand benchmarked to the best in the industry.

Credit Growth

From the day 1 I took office, I have been driving credit growth with quality so that your money remains safe while assuring stable returns.

- Our incremental credit growth in corporate segment has been largely to AA or better rated companies.
- We are actively promoting growth in gold loan business since the risk adjusted return on

capital from this business is enormous given its zero capital requirement.

- For the moment we are going cautious and slow on SME front as the stress in this sector has been rising and before we re-enter this segment we need to ensure adequate skill sets. Towards strengthening credit processes we have recruited 60+ chartered accountants who will be mostly posted in a few select branches cherry picked for SME lending based on the potential of the area.
- On retail front LAP will continue to be the flagship product while we have plans to set up a two wheeler vertical adopting the NBFC model.

People Strategy

We are in the somewhat unique position that the experience in years of a significant number of our experienced employees is now equal to the average age of another significant portion. This is a huge demographic dividend that CSB will benefit from in coming years – however we do have a challenge in managing the transition and the loss of experience as the retirements kick in. We intend to bridge this gap through selective lateral hiring and much greater focus on organic skill development. Selling has been an area where we have been lacking and this year we will be recruiting around 400 feet on street people for CASA and gold loan verticals. We also intend to change the way performance is evaluated & rewarded in the organisation so that