

CHAIRMAN'S MESSAGE



S.M. ACHARYA
CHAIRMAN



DEAR SHAREHOLDERS,

I am pleased to address my first communication to you as the Chairman of Nucleus Software Exports Limited. Leading such a dynamic organization is a mission that I hold with utmost respect and commitment.

I am enormously proud to see that many leading banks and financial institutions in the world are using our advanced technologies to transform their business and deliver outstanding experiences for their customers.

Every day, in 50 countries around the world, more than 300,000 users log into our systems that provide products and services to a large number of customers.

According to Deloitte, 2018 could be an important year for banks globally in accelerating the transformation into more strategically focused, technologically modern, and operationally agile institutions, so that they may remain dominant in a rapidly evolving ecosystem.

THE CUSTOMER JOURNEY

Diverse technologies such as artificial intelligence, blockchain, cloud, cyber security and mobility are both promising and intimidating at the same time. They offer opportunities to reach new customers in new ways with new services but they also provide the opportunities to non-traditional competitors such as Fintechs. To make matters more complicated, a few regulations such as Open Banking, PSD2 and General Data Protection Regulations (GDPR) are expected to have a profound effect while presenting considerable challenges to financial institutions.

Despite the fact that several technology elements are interacting to drive digital transformation industry wide, customers remain at the core of it. Today's customers not only expect to be served at a time and a place of their choosing, they also require banks to intimately understand their needs and deliver a personalized experience without being overly intrusive. To be their customer's bank-of-choice, institutions need to transform their services. They need to understand their customers better, and anticipate and offer what they want before they know they need it. But they need to do this carefully as the line between 'helpful' and 'intrusive' is very fine. Banks need to carefully choose the right technology partners who can offer the new capabilities to help them attain their targeted ends. As a pioneer in providing solutions to the banking and financial industry, we are committed to helping our banking customers transform their businesses in this ever changing world of technology.

THE WAY AHEAD

Without a doubt, 2017 has been a rocky year for financial services; with political disturbances, economic uncertainty and planning for numerous regulatory changes coming into effect in 2018. In 2017, Brexit was a major factor in many parts of the world, with "uncertainty" spectre looming around the financial sector. As

such, the key focus was on the financial services industry crafting their post-Brexit strategies, particularly on how to continue having access to both EU and UK markets and in turn catering to their customers' demands. According to Gartner, by 2019 Start-ups will go beyond Amazon, Google, IBM and Microsoft in driving the artificial intelligence economy with disruptive business solutions. AI services will eat into 30% of the revenues of market leading companies by 2019. AI and machine learning will enhance analytics and the actions and interfaces of technology-enabled systems. New digital business models are emerging, and new ecosystems are forming to realign business and customer relationships and expectations. This will create an intelligent digital experience. Big shifts will be needed in the enabling technologies and IT to support this experience and digital business ecosystems. Nucleus Software is well prepared to deal with these changes and is well positioned for meeting these challenges. We are committed to helping our customers make the right choices, take bold technology decisions and stay ahead of their competitors.

VALUES AND CULTURE

A strong corporate culture is a must for doing good business besides driving growth, innovation and upholding ethics. Culture is at the substratum of an organization's performance and influences the performance by elements such as values, mission, communication and general atmosphere. The Nucleus Board takes cognizance of this fact and provides the organizational culture the importance and attention it deserves at the highest level. The Board has established a practice of discussing and reviewing the areas associated with the culture as an inherent part of its governance process. We recognize that setting the right tone from the top is essential for the Board influencing the culture and also to ensure that the leadership team is supportive of the desired culture which is almost always inherent at the top. We are committed to continue building a lasting organization that

delivers long-term sustainable performance and nurtures good human beings. This essentially links to organization values and culture. Values are the bedrock that makes the foundation of our organization culture. The elements in our five-faceted value-sphere have the right magnitude and direction. We want to ensure that these values manifest in the behaviour of each and every Nucleite thus ensuring that our espoused values are clearly visible in our day-to-day behaviors and there is a strong consonance between these and the in-practice values. We are an organization with a strong belief in learning. We learn from institutions who have built and sustained a strong value culture, while keeping our eyes and ears open to those who have suffered due to cultural mishaps.

To quote from the Rig Veda:

आ नो भद्राः क्रतवो यन्तु वश्वतः

Let noble thoughts come to us from all directions (Rig Veda, 1.89.1)

We continue our learnings from all good thoughts. We continue to assimilate and nurture these thoughts to evolve and strengthen a flourishing culture built over our sound values.

INSPIRING JOURNEY

I am confident about where we are placed in the midst of this transformational environment. Our expertise in building next-generation technology, our partnerships with the world's technology leaders and the changes that we have made as a company to align ourselves to the changing market conditions, have set us up very well for the future.

As we continue to add new talent, we have a growing team of millennials who have always lived in a connected world. Next-generation technology and our diversified work force has helped us transform the way we work and respond to the needs of our customers, employees and stakeholders. Boundaries dividing work and the rest of our lives are blurring and we at Nucleus Software are sensitive to this change.

We will continue to be guided by the values for which we have always stood by – Collaboration, Result Orientation, Innovation, Integrity and Respect. These values have made us strong for the last three decades, and our adherence to them will help us endure beyond the present and into the future.

Working together as a team, we will continue our relentless focus on our customers – helping them achieve their goals through the use of innovative technology solutions. We look forward to many years of growth and success.

S.M. ACHARYA

Chairman

Date: May 3, 2018