



Speech delivered by



T M BHASIN
CHAIRMAN & MANAGING DIRECTOR

at the Eighth Annual General Meeting
held on June 27, 2014 at 10.00 a.m.
at IMAGE Auditorium
Raja Annamalaipuram, Chennai - 600 028

Dear Shareholders,

I have great pleasure in extending a warm welcome to you all to the Eighth Annual General Meeting of your Bank.

The Annual Report, including the Audited Accounts of the Bank for the year ended March 31st 2014 has been in your hands for some time. With your consent, I shall take them as read.

The Financial year FY2014 was challenging with moderation in economic growth impacting the performance of the Banking sector. The Bank had to proactively respond to the challenges in order to protect the stakeholders' interest. Ladies & Gentlemen, before I take you through the details of the financial performance of your bank in FY2013-14, I would like to give you a brief overview of the developments in the recent past, both at the global and domestic level, which has had an impact on the economy in general and the banking system, in particular.

Global Economic Scenario

World over, currencies were affected by the announcement of the US tapering programme, more so the developing economies currencies. The fear of the tapering programme caused funds to move out of the emerging markets and weakened them. Conditions have, however, since improved and there has been some regaining of ground.

Global economic activity is likely to strengthen in 2014, led by the growth in the advanced economies, especially the US. Global growth in 2014 is likely to be 3.5 per cent, 0.5 per cent higher than in 2013.

Indian Economic Scenario

In FY2014, the Indian economy continued to witness the challenging twin problem of prolonged high inflation and low growth. This got reflected in lower business sentiments, reduced investments and lowered consumption.

Economic activity weakened in FY 2013-14, as the protracted slowdown in Industries led to a moderation in growth of the Services sector. The GDP growth for FY 2014 at 4.7 per cent remained below 5 per cent for two consecutive years.

However, the growth in FY 2014 was primarily on account of revival in agriculture growth on the back of steady monsoons and robust growth in financial and business services.

The Monetary policy stance of the Reserve Bank has been driven by the imperatives of keeping inflation in check while supporting growth revival and managing the external economic situation. While WPI inflation moderated from a high of 7.52 per cent in November 2013 to 5.7 per cent in March 2014, Retail inflation as measured by the CPI ended at 8.31 per cent in March 2014 from 11.16 per cent seen in November 2013. However, CPI inflation has inched up in April 2014 to 8.59 per cent.

Reserve Bank hiked the Key policy rates thrice by 25 bps during the year to take the Repo rate to 8 per cent. RBI began the process of calibrated withdrawal of some of the exceptional liquidity measures undertaken by it to tackle exchange market pressures noting the improvements in the external environment in September 2013 - MSF was reduced by 125 points to 9 per cent and the minimum daily maintenance of the CRR was reduced from 99 per cent of the requirement to 95 per cent. Considering the evolving liquidity conditions, RBI provided additional liquidity through term repos of 7-day and 14-day tenor equivalent to 0.25 per cent of the Net Demand and Term Liabilities (NDTL).

Aggregate Deposits and Credit of the banking system saw a moderate growth of 14.6 per cent and 14.3 per cent respectively during the year.

Against the above backdrop in economic and banking scenario, I present the performance of your Bank in FY 2013-14.

Business and Financial Achievements



You would be happy to know that your Bank's Global Business grew by 15.1 per cent during the year to reach ₹ 286,633 crore. While Deposits grew by ₹ 20,295 crore or 14.3 per cent to ₹ 162,275 crore, Credit grew by ₹ 17,203 crore or 16.1 per cent to ₹ 122,209 crore.

Towards having a healthy Balance Sheet, adequate provisioning has been made towards NPAs which has impacted profit. Operating Profit of your Bank was at ₹ 2,901 crore, while Net Profit stood at ₹ 1,159 crore in FY 2013-14.

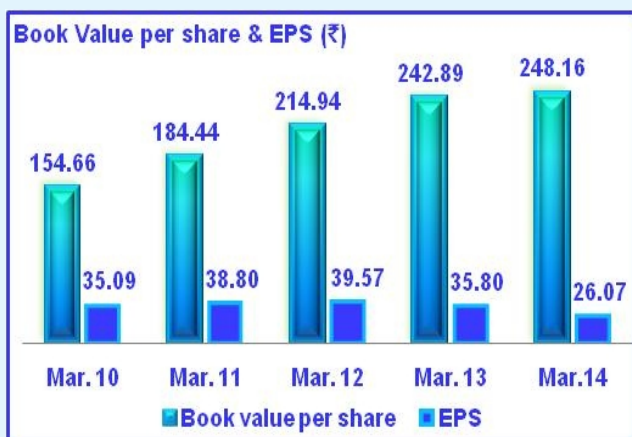
Return on Assets at 0.67 per cent continues to be the one of the best among Public Sector Banks.

Net Interest Margin stood at 2.60 per cent.

Business per employee increased to ₹ 1,453 lakh from ₹ 1,301 lakh in the previous year.



Earning per Share and Book value per share were at ₹ 26.07 and ₹ 248.16 respectively.



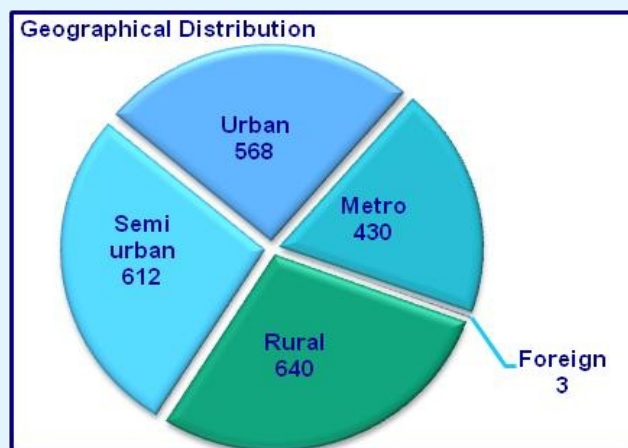
Return on Equity was at 10.22 per cent.

The Bank after obtaining permission from Government of India (GoI) converted Perpetual Non Cumulative Preference Shares (PNCPS) of ₹ 400 crore (held by GoI) into equity shares. Following the conversion, the Government holding in the Bank has gone up to 81.51 per cent (37,88,98,488 equity shares) from 80 per cent (34,38,20,000 equity shares).

Your Bank is well capitalized. Net worth of your Bank increased further to ₹ 11,535.58 crore and the Capital Adequacy Ratio under Basel II was at 13.10 per cent (Tier I - 10.51 per cent, Tier II - 2.59 per cent).



Towards enhancing its pan India Network and to extend its reach to the under - banked and unbanked areas, your Bank has opened 164 branches, including 108 branches on a single day on February 8th 2014, taking the total distribution network to 2250 branches; besides the three Foreign branches in Singapore, Colombo and Jaffna. The Bank plans to extend its network by another 150 branches in India and 3 branches overseas in Hambantota, Batticaloa and in Trincomalee in Sri Lanka.



Your Bank has reached all the stipulated norms under Priority Sector Advances which at ₹ 41,157 crore was 40.63 per cent of the Adjusted Net Bank Credit (ANBC). Agriculture lending has risen by ₹ 2,047 crore to ₹ 19,047 crore as on March 31, 2014.



Under MSME Advances, the Bank recorded a growth of 17.2 per cent to reach a level of ₹ 16,104 crore and was conferred with the coveted National Award for Excellence in lending to Micro Enterprises by the then Prime Minister, Dr. Manmohan Singh for the second consecutive year.

Awards and Recognition

Your Bank's performance has won recognition and several coveted awards were conferred, notable among them are-

- National Award for Excellence in lending to Micro Enterprises for FY 2012-13 (First Rank) for the second consecutive year, received from the then Prime Minister of India on March 1st 2014.
- National Award for Excellence in MSE lending for the year 2012-13 (Second Rank) and was conferred with the "National Award for Excellence in Lending to Micro and Small Enterprises" by Ministry of MSME.
- Best Bank Award for extending credit to SHGs for the fifth consecutive year (2011-12) in Tamil Nadu received from Selvi Dr J Jayalalithaa, Hon'ble Chief Minister of Tamil Nadu on February 24th 2014.
- The Sunday Standard Best Bankers' Awards 2013 has conferred on the Bank the award of "Best Public Sector Banker – SMEs".
- Bagged Outlook Money Awards – 2013 for Best Education Loan Provider (2nd Prize).
- Best Public Sector Bank Award from ABP News - Banking Financial Services and Insurance (BFSI).

Going Forward

General Outlook on the economy is expected to improve in FY 2014-15, as various stalled projects have been cleared to boost growth coupled with consumer confidence and stronger anticipated export growth as the world economy picks up.

I am confident that with your continued patronage and our concerted efforts, your Bank would be able to surge ahead and further enhance stakeholders' value.

With the continued support of our shareholders, customers, well wishers and the unrelenting efforts of our employees, together with the support of the Government of India and the Reserve Bank of India, I am sure, your Bank will continue to strive to move ahead in its quest for excellence.

Acknowledgement

I, on behalf of the Board of Directors and my own behalf, express my deep sense of gratitude to the Government of India, Reserve Bank of India and Securities and Exchange Board of India for the valuable guidance and support received from them.

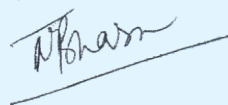
I would also thank the financial institution and correspondent banks for their co-operation and support.

I would also like to place on record the unstinted support of all the customers and shareholders for reposing their trust on us.

On behalf of the Board of Directors, I would also like to place on record my deep sense of appreciation for the dedicated and committed services made by all members of staff for the overall growth, development and excellent performance of the Bank in these challenging times.

With Best wishes

Yours Sincerely



T M BHASIN

Chairman and Managing Director