



Speech delivered by



MAHESH KUMAR JAIN

Managing Director & CEO (additional charge)

at the Ninth Annual General Meeting

held on June 27, 2015 at 10.30 a.m.

at IMAGE Auditorium

Raja Annamalaipuram, Chennai - 600028

Dear Shareholders,

It gives immense pleasure in welcoming you all to the Ninth Annual General Meeting of your Bank.

The Annual Report, including the Audited Accounts of the Bank for the year ended March 31st 2015 has been in your hands for some time. With your consent, I shall take them as read.

I would like to express my deep sense of gratitude for your continuous trust, support and loyalty which has enabled the Bank to complete 108 years.

FY2014-15 was the year of recovery and turnaround as brighter prospects emerged for the economy which is now estimated at USD 2.1 trillion. Economy was largely relieved of the vulnerabilities associated with the economic slowdown viz., persistent inflation, elevated fiscal deficit, slackening domestic demand, external account imbalances and fluctuating value of the Rupee.

For the Banking sector, FY 2014 - 15 was challenging due to slower pace of growth in Credit, rise in stressed assets and moderation in profit due to higher provisioning.

The Bank had proactively responded to the challenges in order to protect the interest of its stakeholders. Ladies and Gentlemen, before I take you through the details of the financial performance of your Bank during FY 2014-15, I would like to give 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, growth remained moderate with uneven prospects across the main countries and regions. As per International Monetary Fund (IMF) forecast for 2014-15, global growth was projected at 3.5 per cent in 2015 and 3.8 per cent in 2016.

While growth in emerging markets softened, reflecting an adjustment to diminished medium-term growth expectations and lower revenues from commodity exports, outlook for advanced economies showed signs of improvement, owing to the boost of disposable incomes from lower oil prices, accommodative monetary policy stances and moderate fiscal adjustment. Geopolitical situations continued to pose threats and risks of disruptive shifts in assets prices remained relevant.

Indian Economic Scenario

In FY2014-15, Indian economy rebounded with positive economic outlook amidst uncertainties that engulfed advanced and emerging economies. Both, decline in inflation and recovery in growth were seen in FY 2014-15.

As per the estimates of Central Statistical Organisation (CSO), GDP at constant (2011-12) prices in the year 2014-15 is estimated at ₹106.44 lakh crore, showing a growth rate of 7.3 per cent. Of which, manufacturing sector registered the higher growth of 7.1 per cent in FY 2014-15 as against 5.3 per cent in 2013-14 as per new series.

In the first three quarters of FY 2014-15, RBI had a strong disinflationary stance focusing on controlling inflation measured in terms of CPI or Retail inflation. However, as the data indicated steady fall in inflation after the measures taken in monetary policies, RBI cut its key Repo rate by 50 basis points in Q4 2014-15.

Monetary Policy Framework envisages the conduct of monetary policy around a nominal anchor, numerically defined as below 6 per cent CPI inflation for 2015-16 and 4 per cent along with the range bound of plus/minus 2 per cent for all subsequent years.

This flexible inflation targeting framework greatly enhances the credibility and effectiveness of monetary policy and particularly the pursuit of inflation targets that have been set.

In the banking industry with credit and deposits growth moving broadly in tandem, liquidity conditions in the system remained comfortable. Aggregate Deposits and Credit of the banking system saw a moderate growth of 11.4 per cent and 9.5 per cent respectively during the year.

Against the above backdrop in economic and banking scenario, I present the performance of your Bank in FY 2014-15.

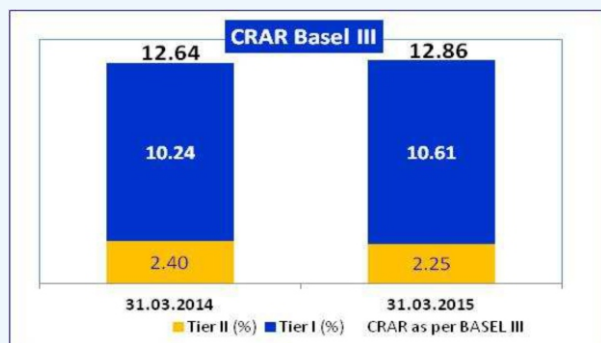
Business and Financial Achievements

I am happy to share with you, that the Bank's consistent focus on bottom line has been rewarded by the Government of India with infusion of additional capital of ₹ 280 crore based on the Bank's performance on Return on Assets and Return on Equity.

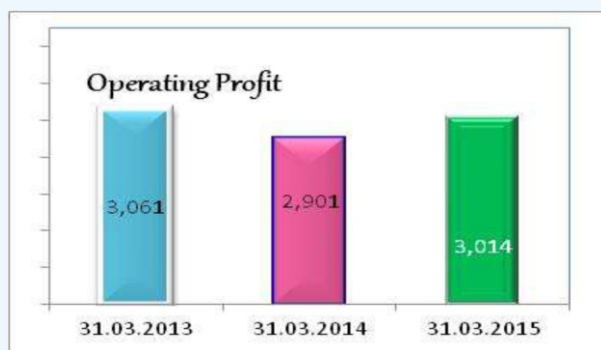
Return on Assets at 0.54 per cent continues to be the one of the best amongst the Public Sector Banks. Net Interest Margin stood at 2.50 per cent. Earnings Per Share (annualised) and Book value per share were at ₹ 21.62 and ₹ 261.46 respectively and Return on Equity was at 8.34 per cent.



Your Bank's financial soundness is reflected by a strong Capital to Risk Weighted Assets Ratio (CRAR) at 12.86 per cent under Basel III as at end March 2015 and increase in Networth to ₹ 12558 crore.



Towards having a healthy Balance Sheet, adequate provisioning has been made towards NPAs. Operating Profit of your Bank was at ₹ 3,014 crore, while Net Profit stood at ₹ 1,005 crore in FY 2014-15.

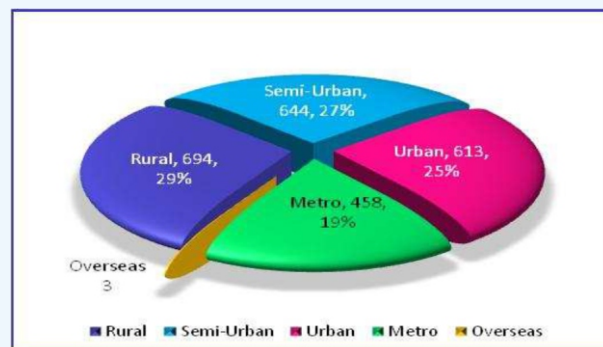


Your Bank's Business level was at ₹ 2,98,057 crore for the year ended March 2015 with deposits of ₹ 1,69,225 crore and advances of ₹ 1,28,832 crore.



Healthy mobilization of CASA accounts saw the Bank record growth at the rate of 10.43 per cent (Domestic y-o-y) constituting 29.69 per cent of the total deposits. During FY 2014-15, the Bank has shed high-cost deposits to the tune of ₹ 8,820 crore as a strategic measure to reduce cost of deposit.

Towards enhancing its presence *pan* India and to extend its network to reach the under-banked and unbanked areas, your Bank has opened 159 branches, taking Branch Network to 2409 branches as on 31.03.2015 besides three foreign branches in Singapore, Colombo and Jaffna.



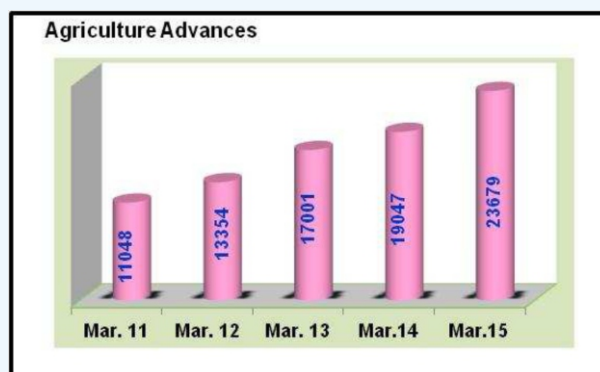
108 branches were dedicated to the Nation at the august hands of Hon'ble Finance Minister on August 21st 2014, marking the celebration of Bank's 108th year.

5 Branches in Chennai are Digitized with Bunch Note Acceptor (BNA) Machines and Multipurpose kiosks.

Bank has launched many Technology based initiatives to serve its Customers. Recent such offerings are as follows:

- **"e-purse Debit Cards"** – Facility to have multiple debit cards backed by virtual accounts opened through Net Banking. Debit cards would be issued either on purpose basis or on person basis backed by virtual accounts to which transfer from/to the Main account can be enabled.
- **Online Net Banking Facility With Green Pin** – As a green initiative, facility is provided to customers to make online request for Net Banking facility and create their own PIN for both login and transaction through Net Banking and enable their Net Banking with ATM Card credentials.
- **"IB Smart Remote"**- Android application for controlling debit card parameters viz., card status or transaction limit directly through mobile.

Your Bank has 73 specialised branches across the country exclusively catering to the Micro, Small & Medium Enterprises (MSME) sector. The MSME portfolio increased by 15.76 per cent to ₹ 18,643 crore from ₹ 16,104 crore. Your Bank has reached the stipulated norms under Priority Sector Advances which at ₹ 47,337 crore was 40.42 per cent of the Adjusted Net Bank Credit (ANBC). Agriculture lending rose to ₹ 23,679 crore as on March 31, 2015.



Under Prathan Manthiri Jan Dhan Yojana (PMJDY), your Bank has opened 25.87 lakh BSBD accounts as on March 31st 2015. Bank has the highest ratio of RuPay Debit card issuance to accounts opened at 97.66 per cent.

Awards and Recognitions

Your Bank's performance has been recognized and several coveted awards were conferred, notable among them are –

- ISO27001:2013 standard certification for the Bank's Information Systems & Security processes. Your bank is amongst very few Banks certified worldwide.
- Government of Tamil Nadu Best Bank Award (1st Rank) consecutively for the 5th year for extending maximum credit to SHGs.
- 2nd prize from “Outlook Money Awards” for Best Education Loan Provider for the year 2014. Bank has been continuously getting the award for past four years for remarkable performance under Educational Loan.
- Your Bank had received an incentive of ₹ 65 lakh from NPCI for having issued Maximum number of RuPay cards.

Going forward

General outlook on the economy is expected to improve in FY 2015-16, 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 institutions 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



MAHESH KUMAR JAIN

Managing Director & CEO (additional charge)