



Speech delivered by



T M BHASIN

CHAIRMAN & MANAGING DIRECTOR

at the Sixth Annual General Meeting
held on June 29, 2012 at IMAGE Auditorium
Raja Annamalaipuram, Chennai - 600 028 at 10.00 a.m.

CHAIRMAN AND MANAGING DIRECTOR'S ADDRESS

Dear Shareholders,

On behalf of the Board of Directors and on my personal behalf, I extend a very warm welcome to each one of you at the sixth Annual General Meeting (AGM) of your Bank.

I deem it a privilege to address this august gathering and highlight the performance of your Bank during the year 2011-12.

It gives me great pleasure to inform you that your Bank continues to be the best in the industry in most of the key parameters. Your Bank is ranked topmost in terms of RoA (1.31 per cent), Operating Profit to Business (1.64 per cent) and Net Profit to Business (0.83 per cent). Your Bank's Cost to Income ratio is as low as 38.71 per cent, which is one amongst the best in the industry. Gross NPA at 2.03 per cent compares well with the industry's average of 3.0 per cent for the year ending March 2012.

Your Bank has been generating enough capital over the years by ploughing back the profits into Tier I capital, which has taken care of credit growth in the ensuing financial years. We continue to have the highest Tier I capital at 11.13 per cent; of course, the CRAR at 13.47 per cent is also quite optimal. In view of such a healthy Tier I capital, your Bank did not request for further capital infusion by the Government of India in FY 2011-12. This has resulted in the Book value of share going up from ₹ 184.44 in March 2011 to ₹ 214.94 as on 31.03.2012.

Besides, your Bank continues to enjoy the strongest rating, same as the *Sovereign* rating from the rating agencies, Standard & Poor's and Fitch.

The Directors' Report and the audited final accounts of the Bank for the period ended March 2012 have already been provided to you and with your consent, I take them as read.

Ladies and Gentlemen, I would like to start by first giving you a clear perspective on the events that have unfolded in the recent past impacting the economy and the financial system.

Global Economic Scenario

During the financial year 2011-12, the global economy continued to face a range of uncertainties, in view of the global economic prospects being eclipsed by the Euro zone crisis. In the Euro area, after a brief phase of relative calm with large liquidity injection by the European Central Bank (ECB), of late, renewed concerns have arisen about a sustainable solution to the sovereign debt problem and the increasing vulnerability of the banking sector.

The Euro area crisis has added to the pre-existing headwinds from fiscal consolidation and banking sector deleveraging in the advanced economies, as well as capacity constraints and reduced capital inflows in some of the large developing economies.

The spillover from the euro area crisis is likely to affect not only Europe but also other emerging market economies which might also experience the effect of financial volatility.

The US is doing relatively better, although mixed trends are being observed in the macro-economic data. Relatively high unemployment and depressed consumer spending are still seen in the US affecting the market sentiments and economic outlook.

Growth in major emerging and developing economies has also been moderating. Slowing global growth has dampened commodity prices, heightened risk aversion and as such, the resultant slowing of capital flows might have some adverse impact on emerging and developing economies, including India.

In view of the foregoing factual position, global GDP is projected to increase by 2.5 per cent in 2012, with an expectation of growth accelerating to 3.0 per cent in 2013, as per World Bank estimates.

Indian Economic Scenario

The Indian macroeconomic scenario remains clouded given the deteriorating growth-inflation dynamics.

Economic activity has moderated sequentially over the quarters to take growth to 5.3 per cent in Q4 of 2011-12, though for the financial year 2011-12 as a whole it was 6.5 per cent compared to 8.4 per cent growth in FY 2010-11. Deceleration in industrial production from the supply side and weak investment from the demand side has, in particular, contributed to the growth slowdown.

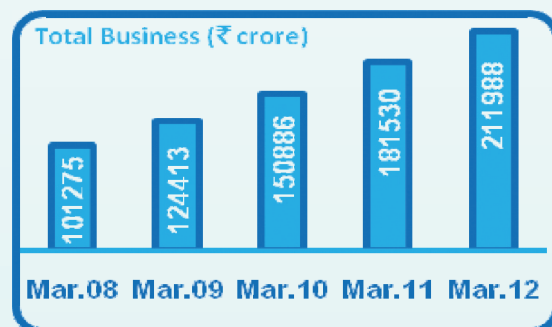
Headline inflation based on WPI rose to 7.55 per cent in May 2012 from 7.23 per cent in the previous month due to double digit inflation in food and fuel items. The positive development on the inflation front is that core (non food manufactured products) inflation has witnessed a downward trend.

In the Banking sector, Aggregate Deposits have registered a growth of 14.4 per cent while Credit grew at 18.3 per cent as on June 01st 2012 as compared to a growth of 17.4 per cent and 19.3 per cent respectively as at end March 2012.

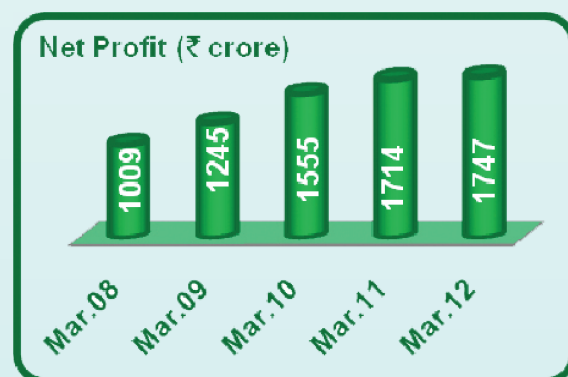
The impact of weakening rupee especially in Q1FY13, lack of investment, lower industrial growth, tight liquidity conditions and widening trade gap could further hurt GDP growth in FY 2012-13.

Against the above backdrop, I present the performance of your Bank in FY 2011-12.

Performance Highlights

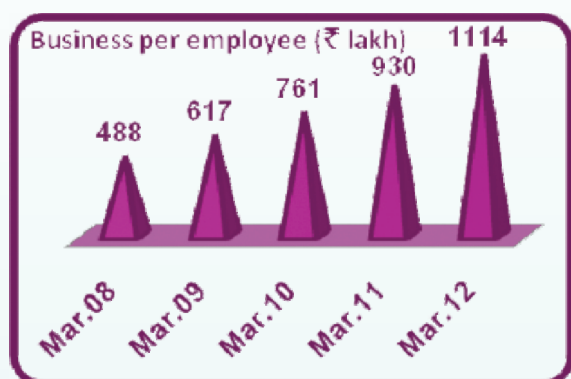


You will be glad to know that your Bank has crossed yet another milestone during the year with Global Business crossing ₹ 2,00,000 crore to reach ₹ 2,11,988 crore, growing by 16.8 per cent or ₹ 30,458 crore. Deposits increased by 14.2 per cent or ₹ 15,000 crore to reach ₹ 1,20,804 crore while Credit expanded by 20.4 per cent or 15,458 crore to ₹ 91,184 crore during the year.



Your Bank's Operating Profit increased to ₹ 3,463 crore for the year ended March 2012 as compared to ₹ 3,292 crore in the previous year, registering a growth of 5.2 per cent.

Net Profit was at ₹ 1,747 crore for the year ended March 2012 as compared to ₹ 1,714 crore in the previous year.



Business per employee has increased to ₹ 1114 lakh from ₹ 930 lakh.

Your Bank's Return on Average Assets (RoA) continues to be one of the best in the industry and stood at 1.31 per cent.

Net Interest Margin (NIM) was at 3.43 per cent while Cost Income Ratio was at 38.7 per cent.

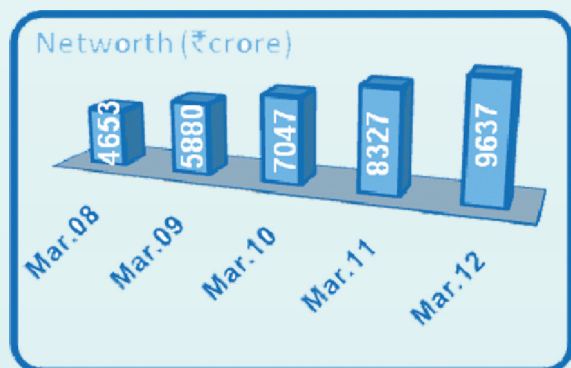
Return on Equity (RoE) was at 18.73 per cent in the current financial year.

As I said in my opening remarks, the Book value of share of your Bank improved to ₹ 214.94 as at March 31, 2012 from ₹ 184.44 as at March 31, 2011 and Earnings per Share (EPS) improved to ₹ 39.57 from ₹ 38.79.

Provision Coverage ratio was at 70.13 per cent.

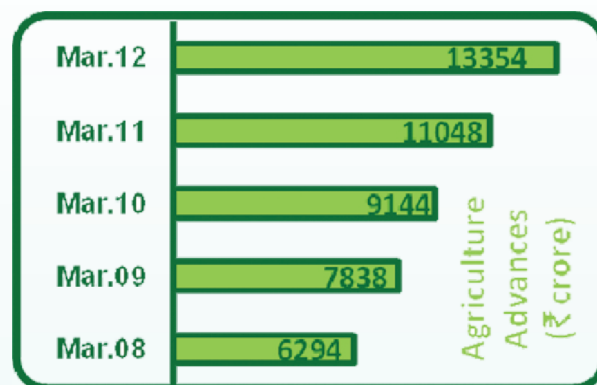
The Capital base of your Bank improved further with Networth increasing to ₹ 9,637 crore and Capital Adequacy Ratio (CRAR) under Basel II was at 13.47 per cent.

Your Bank has head room of ₹ 7,546 crore to raise Tier II bonds.



As always, your Bank is in the forefront to fulfill its obligations to the society. As a responsible Corporate citizen, it has been the vision of your Bank to empower the community through socio-economic development of the underprivileged and weaker sections.

Priority sector lending has increased by ₹ 4,057 crore to ₹ 30,027 crore, constituting 41.5 per cent of the Adjusted Net Bank Credit (ANBC).



Agriculture advances improved by 20.9 per cent to ₹13,354 crore and constituted 18.5 per cent of ANBC.

Your Bank has 72 specialised branches across the country catering to the SME sector; the SME portfolio increased by ₹ 486 crore to ₹ 10,161 crore.

Financial Inclusion (FI)

With a vision to provide banking services to the unbanked villages, your Bank has provided banking services to all the allotted 1522 villages with population above 2000 under the Financial Inclusion Plan.

In UT of Puducherry, where the Bank is the SLBC Convenor, banking services have been extended to all the villages with population above 2000 as also villages with population 2000 and below by the member banks through various delivery channels.

UT of Puducherry has become the first state in the country to provide banking services to all the villages including villages with population below 2000 under FI.

Branch Network

Towards extending the reach to the underbanked and unbanked areas, your Bank has opened 95 branches and 152 ATMs (including off-site ATMs) in the current year to touch 1955 delivery points, 1280 ATMs, besides 34 Extension Counters, 23 Satellite Offices, 1 Collection Counter, 66 Rural Banking Service Centres and 1 Forex Bureau.

Your Bank has international presence in Singapore and in Colombo & Jaffna in Sri Lanka. Besides, your Bank has correspondent banking arrangements with 188 banks in 69 countries.

Awards and Recognitions

Your Bank has through the years won several coveted awards and accolades for its excellent performance and in the current year too, the following awards and recognitions were conferred:

- ✓ Ranked first in Strength and Soundness, Second in Profitability and Efficiency for FY 2010-11 by *Financial Express And Ernst & Young* survey. Overall, Bank was ranked third best among PSBs
- ✓ *Golden Peacock* Innovative Product/Service Award in recognition of contribution to promotion of SHGs
- ✓ *SKOCH Challenger Award 2012* - Banking for outstanding contribution in providing banking services to the unreached villages through various Financial Inclusion initiatives
- ✓ *SKOCH Financial Inclusion Award-2012* for completion of 100% Financial Inclusion in UT of Puducherry

- ✓ *Dun & Bradstreet Banking Award 2011* for Best Asset Quality
- ✓ Best Risk Master Award for Public Sector Bank category *from FIBAC at the FICCI - IBA conference*
- ✓ *Outlook Money Awards 2011* for Best Education Loan Provider
- ✓ Adjudged Third among the Public Sector Banks as the Best Service brand by *Economic Times Brand Equity*
- ✓ Listed among Top 150 Banks for Best RoA by *Banker magazine*.

New Initiatives

Several new initiatives were taken and new products were launched by your Bank during the year to facilitate convenience banking to its customers.

- ✓ WAP (Wireless Access Protocol) enabled Mobile Banking
- ✓ On line Loan Application for Home Loan and Education loan
- ✓ Deposit products - Ind Bonanza, Ind Gold and SME clusters - in Bhiwandi, Mumbai (Leather cluster), Textile Cluster in Bhilwara Region, Ceramic Manufacturing units at Morvi, Fasteners cluster units at Chandigarh were launched during the year
- ✓ Demand Drafts payable 'at par' at all Branches
- ✓ SMS being sent to customers on weekly balance in running accounts to the registered Mobile Number in their CIF informing the Week End Balance (as on Saturday) in their SB / CA / OD/CC accounts
- ✓ Platinum Debit Master Card launched - customers can enjoy a rewarding shopping experience with quick and secure access to their funds to pay for products and services
- ✓ Cheque Truncation Scheme (CTS) implemented by your Bank at Coimbatore & Bangalore, in addition to Delhi and Chennai
- ✓ 85 biometric ATMs in operation
- ✓ Tie up with SBI Mutual Fund to sell their Mutual Fund Products
- ✓ During the year, your Bank has introduced one more avenue to the customers to lodge their grievances / complaints to get their queries clarified through SMS. The customer can send SMS to 56677 typing 'complaints'.

Future Outlook

The current year would be a challenging year for banks, in view of the global economic environment still remaining uncertain and concerns about persistent rising current account and fiscal deficit. Our inherent strengths, potential and the wide network of branches, we expect, would enable us to sustain and grow in the current financial year. Our thrust areas in the current year would be to improve our retail business, which would enable us to capitalise on the opportunities and meet the challenges.

Sustaining the growth momentum, your Bank would take up all challenges and touch new levels in business growth and performance.

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 & Exchange Board of India for the valuable guidance and support received from them.

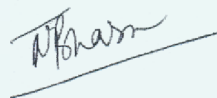
I would also thank the financial institutions and correspondent banks for their co-operation and support.

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 very very challenging times.

Thank you all,

Yours sincerely



T M Bhasin
Chairman and Managing Director

29th June 2012