



SPEECH DELIVERED BY SHRI T C A RANGANATHAN, CHAIRMAN, AT THE ANNUAL GENERAL MEETING OF THE BANK HELD ON WEDNESDAY, 28.06.2017

Dear Shareholders,

I have great pleasure in welcoming you to the 17TH Annual General Meeting of your Bank. The Bank's Annual Report for the year 2016-17 is already in your hands. With your permission, I take it as read.

Before I present the performance highlights of your Bank, I would like to brief you on the general macroeconomic and banking environment.

Global & Economic Environment

Multilateral institutes IMF and the World Bank have endorsed India as a 'bright spot' in today's global economy amid 'profound' reforms. India registered a GDP growth of 6.1 per cent in FY 2016-17. Agriculture and Allied Activities grew at 4.9% in FY17, compared to last year growth of 0.7% due to harvested record of food grains and good monsoon rains. As a result of very good rainfall during monsoon 2016 and various policy initiatives taken by the government, the country has witnessed record food grain production in the

current year. Industry grew by 5.6% in FY17 from 8.8% in FY16, owing to significant decline in mining and manufacturing growth. Mining and quarrying registered a slow growth of 1.8% in FY17 compared to 10.5% in FY16. Service sector growth moderated to 8.6% in FY17, compared to 9.7% in FY16, mainly due to moderation in 'trade, hotel, transport, communication & services' by 7.8% and 'financial, real estate & professional services' by 5.7%.

The year 2016-17 was marked by a variety of institutional and behavioral reforms like implementation of the Insolvency and Bankruptcy Code, creation of Monetary Policy Committee, redesigning of the Fiscal Responsibility and Budget Management (FRBM) framework, passage of GST, the policy thrust towards a less-cash formal economy etc.

However, the Indian banking system is saddled with non-performing assets of over Rs.8 lakh crore, of which Rs.6 lakh crore is with PSBs. The asset quality of banks in India has deteriorated sharply over the past few years, although the pace of this fall has moderated in the past few quarters. In addition, credit demand has fallen to historic lows. PSB's market share in credits declined to 66% in March 2017 from 73% during March 2014. This has contributed to the crisis, with non-performing assets (NPAs) running at 10 per cent of GDP.

Economic Outlook

The World Bank has kept its forecast of global growth in 2017 and 2018 unchanged at 2.7% & 2.9% respectively, as manufacturing and trade are picking up and confidence is improving. Global economic activity has expanded at a modest pace, supported by firming growth in major advanced economies (AEs) and in some emerging market economies (EMEs)

as well. However, a faster than expected sequence of interest rate hikes by the US Federal Reserve could trigger a significant dollar rise that would increase the debt burden of Asian emerging economies with large dollar denominated borrowings.

Performance Highlights :

During the Financial Year 2016-17 some of the highlights of the Bank's performance are:

- ❖ Total business stood at Rs. 3,68,119 crore as on 31st March 2017.
- ❖ Total deposits stood at Rs. 2,11,343 crore as on 31st March 2017.
- ❖ Gross Advances stood at Rs.1,56,776 crore as on 31st March 2017.
- ❖ Operating Profit for the year ended 31st March 2017 is Rs 3650 crore.
- ❖ Net loss for the year ended 31st March 2017 is Rs 3417 crore.
- ❖ Gross NPA ratio stood at 22.39% as on 31.03.2017. Net NPA ratio stood at 13.99% as on 31.03.2017.
- ❖ Capital Adequacy Ratio stood at 10.50% as per Basel III norms as on 31.03.2017. During the year, the Bank has raised capital to the tune of Rs. 261.94 crore on QIP basis and Rs. 1551 crore from Government of India (including share premium).
- ❖ Business Per Employee stood at Rs. 12.28 crore as on 31.03.2017.
- ❖ The Book Value per Share stood at Rs. 34.52 as on 31.03.2017.

Turnaround Plans

With the approval of the Board of your Bank, a comprehensive Turnaround Strategy has been drawn up to improve the Bank's performance on various parameters. Important focus areas will include business growth with special

focus on Retail and MSME balanced with quality lending in Large Corporate and Mid Corporate, increase in fee based income, NPA resolution and management, arresting fresh slippages, driving digital penetration and transformation, rationalisation of branches and administrative offices, reduction of operating expenses and strengthening of systems and procedures. Enhancing the brand image, strengthening the Bank's market position are other aspects of the Turnaround Strategy that has been formulated with a view to restore the Bank to its former glory and to carve a distinct niche for itself in the Banking industry.

Acknowledgements :

To conclude, I express my sincere gratitude to the Government of India, Reserve Bank of India and Monetary Authorities of countries where the Bank has a presence, for their continued support.

My sincere thanks to our valued customers and our shareholders for their faith and trust in us. My thanks also go out to the members of the Board for their guidance, direction and support.

My thanks and appreciation go to the employees of the Bank for their dedication and continued commitment.

I seek the continued support and commitment of all stakeholders as the Bank commits itself to achieving its goal of Turnaround.

With best wishes,

T C A Ranganathan
Non Executive Chairman