



K.R. Ramamoorthy
Chairman

Dear Shareholders,

I have great pleasure in extending you all a warm welcome.

The Annual Report, including the Audited Accounts of the Bank for the year ended 31st March, 2009 has been in your hands for some time. With your permission, I shall take them as read.

May I now take the pleasure of welcoming Mr. Shailendra Bhandari who assumed charge as the Managing Director & CEO of your Bank, effective 06th August, 2009 for a period of three years. Mr. Shailendra Bhandari was most recently Head of Private Equity at Tata Capital but he is perhaps well-known to many of you as the former Managing Director & CEO of Centurion Bank of Punjab. He was widely credited for successfully turning around Centurion Bank and achieving remarkable growth. Mr. Shailendra Bhandari is highly respected within the banking community and his impressive credentials for 27 years in the industry speaks for itself. He brings to the table extensive experience and a proven track record of growing businesses and creating shareholder value.

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My fellow directors and I are confident that the Bank is well-positioned to unleash its tremendous potential for growth under his guidance. I am sure that the support and cooperation of all the members of the ING Vysya family will be readily forthcoming for this.

I am happy to share with you yet another year of impressive performance. During the financial year that passed by, the Bank posted a robust overall performance, netting an all-time high profit after tax of Rs. 189 crore, the highest profit recorded in the history of the Bank in the midst of an ongoing turmoil in the global economy and its spillover effects on India. I am sure you will all join me in complimenting the management team, the staff of the Bank and Mr. Vaughn Richtor, former Managing Director & CEO in particular, for the exemplary leadership provided, leading the team from the front. In the short space of just over three years and two months, Mr. Vaughn Richtor managed to establish a sound platform for sustainable growth - first, by upgrading the business processes and systems and enhancing the compliance and risk frameworks; second, by re-structuring the business units for higher performance; and third, by improving the product suite and delivery capabilities and expanding the network.

The performance gains have been contributed by continued emphasis on core income streams, sound treasury management and marked improvement in operational efficiency. The aggregate business of the Bank as at 31st March, 2009 reached Rs. 41,641 crore, with deposits registering a growth of 22 per cent over the previous fiscal and net advances by 14 per cent. The net non-performing assets moved up to 1.23 per cent from 0.70 per cent as at 31st March, 2009 due to the impact of economic slowdown. However, these assets are under constant monitoring for recovery. Capital Adequacy Ratio of the Bank was well above the regulatory prescription at 11.65% under the New Capital Adequacy Framework (Basel II).

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Before I call for a detailed presentation on the Bank's performance during 2008-09, I will briefly share with you the emerging concerns on global & domestic macro trends and the banking fronts as they may have a bearing in our operations during the current financial year.

The global economic conditions deteriorated sharply during the year 2008 with several advanced economies experiencing their sharpest declines. The associated adverse shocks spread across emerging market economies particularly by the fourth quarter of the year and accentuated the synchronised global slowdown. The global financial environment entered a crisis phase in mid-September 2008, following growing distress among large international financial institutions. The knock-on effect of these unprecedented adverse global developments became evident in the macroeconomic performance of the Indian economy, as it experienced some loss of growth momentum with major drivers witnessing moderation. While private consumption and investment are witnessing moderation, the fiscal stimulus along with other committed expenditures of the Government could, however, arrest the moderation in growth.

The headline inflation, as measured by year-on-year variations in the Wholesale Price Index (WPI), decelerated from a peak of 12.91 per cent on 02nd August, 2008 to 0.26 per cent on 28th March, 2009 and turned negative in June 2009.

The monetary policy responses since September, 2008 have been aimed at mitigating the adverse impact of the global economic crisis on the Indian economy. The conduct of monetary policy had to contend with the speed and magnitude of the contagion and its potential spill-over effects on the domestic economy. Accordingly, since 11th October, 2008, the Reserve Bank has reduced CRR by a cumulative 400 basis points to 5 per cent, repo rate

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by 425 basis points to 4.75 per cent and the reverse repo rate by 275 basis points to 3.25 per cent. Reserve Bank also took a series of measures to augment rupee and foreign exchange liquidity to avoid shortage of liquidity as a source for market volatility or contraction in credit. The liquidity conditions have remained easy throughout in the recent period, which was evident from the orderly conditions in the market as well as sustained net absorption under the Liquidity Adjustment Facility.

The global economic environment continues to remain uncertain, although the rate of contraction in economic activities and the extent of pressures on financial systems eased in the first quarter of 2009-10. Nascent and sporadic signs of improvements in the global conditions do not suggest any clear trend, and as a result, the uncertainty on the timing and pace of global recovery persists. Projections of various international institutions indicate the persistence of global recession, with expectations of the beginning of recovery towards the later part of the year, which may get extended into the next year. In the face of the global macro economic challenges ahead, management of commercial banks will throw up unique opportunities. Your Bank will strive to continue its efforts to keep a close vigil on the market developments and take proactive steps to respond to these challenges.

I would like to take this opportunity to thank the Members of the Board for their valuable guidance, support and prudent counsel.

Before I conclude, I wish to place on record my appreciation for your continuous co-operation and patronage that has enabled the Bank to achieve various milestones. We will continue to grow and succeed for the benefit of all our stakeholders.

Thank you.