



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 2007 has been in your hands for some time. With your permission, I shall take them as read.

At the outset, I am glad that your Bank is back on the dividend track, though to conform with the regulatory norms, the dividend payout had to be restricted to 6.5%, as recommended by the Board, subject to your approval.

Economic & Banking Scenario

Indian economy continued on its high growth trajectory of over 9%, driven by buoyancy in industry and services sectors. Foreign exchange reserves swelled to USD 199 billion and the Rupee strengthened substantially. The strong underlying economic growth, increased consumer spending driven by credit availability at soft interest rates that were obtaining until recently and the government's push

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for infrastructure development all stoked the growth in bank credit to 30 per cent. In the latter half of the last financial year, inflationary pressures crept in due to increased consumer spending, aggravated by the sharp rise in real estate prices; supply side constraints too emerged. The Central Bank of the country, apprehending possible overheating of the economy, intervened to rein the unbridled bank credit growth not sustainable by bank deposit growth through monetary instruments. As a consequence, interest rates flared up on bank deposits; banks increased their lending rates too to protect their margins. Overall, high level of credit growth in most part of the year led to improved financial performance of banks. With interest rates now hardening, the banking system would be tested on the efficient use of its resources to sustain its net interest margin.

Performance of the Bank – Overview

The Bank has posted satisfactory overall business performance. The aggregate business of the Bank (deposits plus advances) reached Rs. 27,395 crore, registering a growth of 16% over the previous year. Deposits increased from Rs.13,335 crore to Rs.15,419 crore, net advances increased from Rs.10,232 crore to Rs.11,976 crore and the net interest income rose to Rs. 542 crore from Rs. 481 crore. The net NPAs declined to 0.95% of the net advances.

With the sustained efforts of the Management under the leadership of Mr. Vaughn Richtor, Managing Director, your Bank has thus achieved an all round improvement in its performance and posted a robust net profit at Rs.89 crore. He will take you through a detailed presentation on the Bank's performance during 2006-07.

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Acknowledgements

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 our sincere thanks to all of you for the sustained confidence reposed in the Bank and to the employees for their contribution.

Thank you.