

इंडियन बैंक
Indian Bank

Your Tech-Friendly Bank

CHENNAI

Speech delivered by



T M BHASIN

**CHAIRMAN & MANAGING DIRECTOR
AT THE ANNUAL GENERAL MEETING
HELD ON 29TH JUNE 2011**

Dear Shareholders,

It gives me great pleasure to be amongst this august gathering of our stakeholders in this 5th Annual General Meeting of your esteemed Indian Bank.

On behalf of the Board of Directors and on my personal behalf, I have great pleasure in extending a warm welcome to each one of you. I would like to place on record your unstinted support in the performance of the bank.

I am happy to inform that your Bank has been ranked first in Profitability and second in overall rating among Public Sector Banks by the Financial Express and Ernst & Young survey.

Your Bank's performance has been good in 2010-11 with the Bank doing better than other Nationalised Banks in the profitability parameters and is Number one in Return on Assets (RoA), second in Cost income ratio, Gross NPA% and Provision coverage ratio.

I would now like to put before you succinctly the macroeconomic scenario during 2010-11 and against this, the performance of the Bank.

MACRO-ECONOMIC SCENARIO

GLOBAL ECONOMY

- Growth in the global economy slackened under the impact of high oil and other commodity prices, the spillover from the Japanese natural disasters and monetary tightening in Emerging Market Economies (EMEs) to contain inflationary pressures.
- Uncertainty about the resolution of the sovereign debt problem in the euro area continued to hover. The sovereign debt crisis in countries like Greece, Portugal, and Ireland posed serious challenges for the stability in the entire Euro area. The increasingly high levels of government debt in other advanced countries also added to the uncertainty around the fiscal consolidation and its impact on international financial markets.
- Although the Emerging Market Economies (EMEs) recorded better growth, significant risks on the fiscal front were seen.

DOMESTIC ECONOMY

- During the year, the domestic economy posted a robust Gross Domestic Product (GDP) growth of 8.5 percent, albeit a moderation discernible in the fourth quarter. GDP growth decelerated to 7.8 per cent in Q4 of 2010-11 from 8.3 per cent in the previous quarter. The growth in 2010-11 was mainly on the back of the sharp improvement in 'agriculture & allied activities' at 6.6 per cent and services at 9.9 per cent.
- On the demand side, the acceleration in growth in 2010-11 largely reflected faster growth of exports vis-à-vis imports and acceleration in private consumption expenditure and gross fixed capital formation. Government consumption expenditure decelerated in 2010-11 reflecting resumption in fiscal consolidation.
- The twin challenges of elevated inflation and

moderating growth persisted throughout the year. Inflation exhibited strong persistence at 9.5 per cent at March end due to supply-side shocks and gradual generalisation of price pressures.

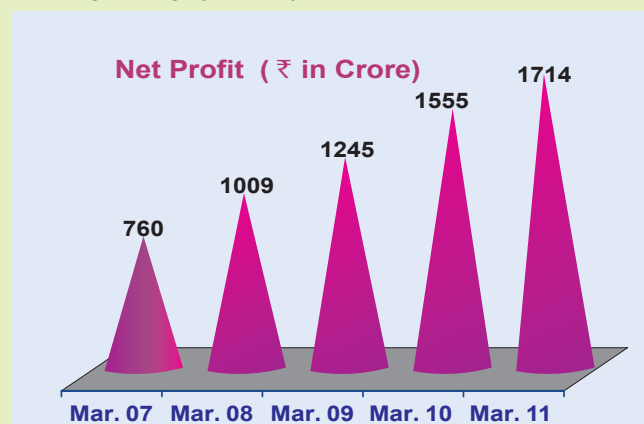
- However, Corporate earnings growth and profit margins in the fourth quarter of 2010-11 were broadly in line with the performance over the past three quarters, suggesting that demand remained steady, and in the face of sharp increases in input costs, pricing power remained intact.
- In the financial sector, tight liquidity conditions prevailed in most part of the year easing somewhat during Q4 of 2010-11 as structural and frictional liquidity drivers eased.
- Credit growth of the Banking sector at 21.4 per cent was above the Reserve Bank of India's indicated trajectory. Deposit growth picked up, responding to a rise in interest rates and ended the year with a growth of 15.8 per cent.

PERFORMANCE OF THE BANK

- Aided by buoyant growth in the economy, your Bank crossed yet another milestone with overall **Business crossing ₹180,000 crore mark**. Bank attained a business level of ₹181,530 crore. Deposits crossed the ₹100,000 crore mark to reach ₹105,804 crore. Deposits grew by ₹17,576 crore at 20 per cent. Your Bank's Credit grew by ₹13,068 crore at 21 per cent to ₹75,726 crore.

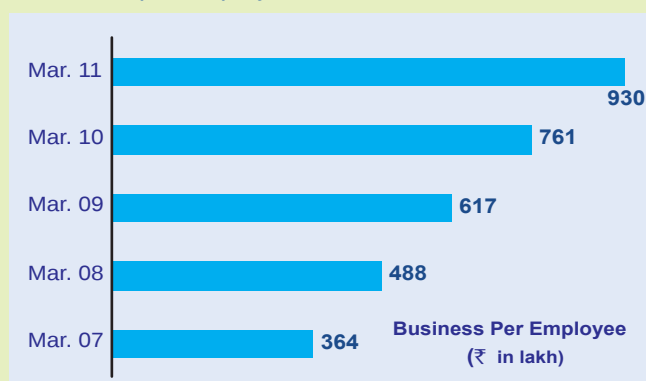


- With regard to the financials, I would like to share that the Operating Profit of your Bank has improved to ₹3292 crore, while Net Profit increased to ₹1714 crore growing by 10.23 per cent.



- Net Interest Margin improved to 3.75 per cent from 3.55 per cent.
- Return on average assets was at 1.53 per cent.

- Business per employee was at ₹ 930 lakh.



- The Bank scaled new heights in the recovery of NPA. During 2010-11, total recovery of NPA (including AUC) amounted to ₹756.58 crore as against ₹587.48 crore last year.
- Gross NPA was at 0.98% as against 0.81% for March 2010 and Net NPA was at 0.53% as against 0.23% in March 2010.
- The Capital Base of your Bank increased with a Net worth of ₹ 8326.55 crore and Capital Adequacy Ratio under Basel II of 13.56 per cent.
- The Earnings per share (EPS) at ₹38.79 and Book value per share at ₹184.44, reflect a significant improvement over previous year's levels of ₹35.09 and ₹154.66 respectively. Return on Equity was at 21.50% in the current year.
- Your Bank has always taken steps to fulfill its social obligations. Priority Sector lending increased by ₹4304 crore to ₹25969 crore, which is 43.7 per cent of the Net Adjusted Bank Credit, while Agriculture lending has risen by ₹1904 crore to ₹11048 crore as on March 31, 2011.
- The Bank's exposure to education loan portfolio has increased to ₹2810.70 crore and disbursement in 2010-11 was to the tune of ₹ 621.09 crore to 96,953 students. The Bank is also implementing "Web based on-line education loan application system" to facilitate early disposal of applications. During the year ended March 2011, 1105 students were given *in-principle* sanction amounting to ₹ 30.52 crore.
- Your Bank has 62 centres catering to the SME accounts and the SME portfolio increased to ₹ 9681 crore from ₹ 8361 crore as on March 31, 2010.
- The Bank has disbursed ₹ 1662.56 crore to 79780 Self help Groups.

FINANCIAL INCLUSION

- Extending banking facilities to the un-banked areas have been very close to our heart. Indian Bank as the convenor Bank for State Level Bankers' Committee for UT of Puducherry has since accomplished the GOAL POST of covering all 43 eligible villages with above 2000 population much before the deadline of March 2012.
- The Bank has made 100 per cent coverage of households under Financial Inclusion through issue of smart cards in Mangalam village in Union Territory of Puducherry.
- Under the RBI outreach programme, Banking services were provided in Venthoni village of Paramakudi

branch (Madurai Zone) though ICT based Smart Card enabled Business Correspondents Model The Bank has opened 152,767 'No Frill' accounts in the FI implementing villages with population above 2000 and 97,150 smart cards have been issued to the account holders. Overdraft in SB No frill accounts and GCC facilities have also been provided to 1500 beneficiaries in these villages under Financial Inclusion Plan 2010-12. The bank has so far opened 26.41 lakh 'No frill' accounts; Overdraft and GCC facilities have been provided to 55,821 beneficiaries through various branches across the country.

- During 2010-11, the Bank has disbursed ₹1662.56 crore to 79780 SHGs. Outstanding under lending to SHGs increased by ₹ 207.35 crore to reach the level of ₹ 2124.47 crore (181,309 accounts) as of March 2011, thereby registering a growth of 10.81%.

TECHNOLOGY INITIATIVES

- The Bank has been taking proactive technology initiatives to enhance customer service and customer experience at all levels by aligning IT with its business objectives and providing technology-enabled services in tune with customers' requirements. It has ensured the integrity, reliability, availability and superior performance of critical IT Systems and business solutions.
- In pursuant of this, your Bank's *tag-line* has been changed to "**Your Tech-Friendly Bank**".
- All the branches are under CBS and customers have been provided with all the techno savvy products like internet banking, mobile banking, tele-banking, cash management services, remittances through RTGS and NEFT and E-payment for Central Excise collection, Customs duty and Service Tax is also available.

CUSTOMER SERVICE

- During the year, leveraging the technology, an on-line complaint portal has been provided in the Bank's web site to enable the customers to lodge their complaints/raise queries on various products and services provided by the Bank. The customers get system-generated acknowledgement immediately on lodging the complaint / query. The grievances are redressed immediately and reply sent to the complainants through e-mail/ SMS. This facility has been widely used by the customers and during the year, 7885 queries /complaints were received/ attended /resolved.
- Your Bank's website is customer friendly with bilingual features and Market Tracker. It is also secured with Verisign.

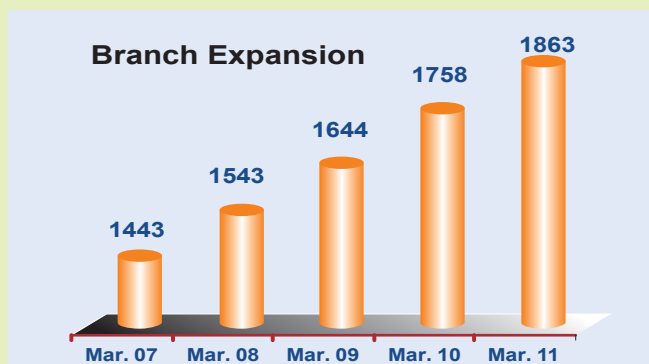
NEW INITIATIVES

- These include Customer First website to interact with Chairman and Managing Director directly through e-mail, Facility of Online Customer Complaint Redressal wherein customers can logon to the Bank's website to register their complaints.
- A Unique current account 'Supreme Current Account' offering health and wealth insurance cover was introduced. For Senior Citizens, a Jewel Loan Scheme was introduced.
- The Bank has introduced Interbank Mobile Payment Service (IMPS) and E-stamping.

- Other new products include Combo loan of housing, vehicle and retail, SME product-IB Contractors launched, Tie-up with Bajaj Auto Ltd. for financing Three Wheelers, Loan Syndication desk has been setup, Public Provident Fund (PPF) accounts were brought under CBS and Application Supported by Blocked Amount (ASBA) has been implemented for all categories of investors including Qualified Institutional Buyers for applying to Public Issues and Rights Issues.
- Wealth Management Services has been extended to Mumbai, Chandigarh, Delhi, Bengaluru and Hyderabad in addition to Chennai.
- Your Bank has also taken up the enrollment process of Unique Identification Number (AADHAAR) under Unique Identification Authority of India (UIDAI) for the customers of the Bank and the public.

BRANCH NETWORK

- Towards reinforcing and extending the reach to the under-banked and un-banked areas, your Bank opened 104 branches and 123 ATMs (including off-site ATMs) in the current year to touch 1860 delivery points and 1128 ATMs.
- Your Bank had international presence in Singapore and Sri Lanka. To further reinforce its footprints in Sri Lanka, your Bank opened its third foreign branch at Jaffna. Besides, your Bank has correspondent banking arrangements in 69 countries.



AWARDS AND ACCOLADES

Your Bank's performance won recognition and several coveted awards were conferred in the current year too, as in the past. Some of them are –

- Ranked first in Profitability by the Financial Express and Ernst & Young survey and the overall ranking was second among Public Sector Banks.
- "SKOCH" Financial Award for "SHG Initiatives"- Urban Financial Inclusion.
- OUTLOOK MONEY Awards 2010 for Best Bank under Education loan category.
- Best Bank award from the Government of Tamil Nadu for lending to SHGs during the year 2009-10. The Bank has been receiving this award consecutively for the past three years.

- Amity Corporate Excellence award for Best Customer Service.
- Adjudged No.1 Bank by CELENT on Benchmarking of Banks in India.
- Tamil Nadu State award for meritorious service in SME sector.

LOOKING FORWARD

- The Bank envisages a total business of ₹225,000 crore in FY -2011-12, as it looks to expand aggressively both domestically and internationally. The Bank would also facilitate convenience banking for its customers through its e-branches in Chennai, and Mumbai.
- Our endeavour is to build a strong, robust and a vibrant International Bank with an *Indian Heart*. With your invaluable patronage and continued support, the Bank would grow taller in overall business, profitability and Corporate Governance.
- Our objective is **Optimisation and Synchronisation** of technology towards moving to more customer-centric business with concomitant focus on business growth, thereby maximizing our stakeholders' value.
- The Bank with its passion to grow and serve the country is poised to reach greater heights with the trust and goodwill of all its stakeholders. Going forward, the Bank would continue to grow with its thrust on growth with quality.

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 reposing their trust on us.

I, on behalf of the Board would like to place on record my appreciation of the dedicated services and contribution made by members of staff for the overall performance of the Bank.

Thanking You

(T M Bhasin)
Chairman & Managing Director

Chennai,
29th June, 2011