



इंडियन बैंक
Indian Bank
Your Tech-Friendly Bank

Speech delivered by



T M BHASIN

CHAIRMAN & MANAGING DIRECTOR
at the Seventh Annual General Meeting
held on June 28, 2013 at 10.00 a.m.
at IMAGE Auditorium, Raja Annamalaipuram,
Chennai - 600028.

CHAIRMAN AND MANAGING DIRECTOR'S ADDRESS

Dear Shareholders,

I extend a very warm welcome to each one of you on behalf of the Board of Directors and on my personal behalf to the Seventh Annual General Meeting of your Bank.

It gives me great pleasure to address this august gathering and present the performance of your Bank for the year ended March 31, 2013. The Director's Report and the Audited final accounts of the Bank for the period ended March 2013 have already been provided to you and with your consent, I take them as read.

I am glad to inform you that your Bank continues to perform well in most of the key parameters. Your Bank is ranked second among nationalized banks in terms of Return on Assets (RoA) and Net Profit to Business. In terms of Operating Profit to Business, your Bank is ranked fourth.

Your Bank's Capital to Risk Weighted Assets ratio has been optimal at 13.08 per cent and ranks third among nationalized banks. The healthy networth of your Bank has resulted in the Book Value of share going up to ₹ 242.89 from ₹ 214.94 as on March 31, 2012.

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

Ladies and Gentlemen, before I take you through the details of the financial performance of your Bank in 2012-13, I would like to give a brief overview of the developments in the recent past, both at the global and domestic level, which had an impact on the economy and the banking system.

Global Economic Scenario

Global growth was weak in 2012 and is expected to remain sluggish in 2013 too. Supportive policy action in the Euro Area and the measures to tackle the fiscal cliff in the US have reduced the downside risks, however, risks remain. It is expected that activity levels would continue to stay weak in 2013 as fiscal adjustments in Advanced Economies would drag down growth in the Emerging Market Economies (EMEs) too. Also sagging external demand in advanced economies have adversely impacted growth in the EMEs.

Global growth is expected to stay sluggish at 3.3 per cent in 2013 and expected to improve to 4.0 per cent in 2014.

Indian Economic Scenario

Growth slowdown, persistent inflation and the twin deficit risks came to the fore during 2012-13, with slowdown turning visibly pervasive across most sectors. Part of the slowdown has been due to global factors with weak external demand impacting activity levels, especially that of the manufacturing sector. The deceleration in the services sector growth, the mainstay of high growth levels witnessed in the recent period, also dragged down overall economic activity.

Growth in the industrial sector witnessed a slowdown recording a growth of 1.0 per cent during FY 2012-13, largely due to infrastructure and input constraints, rising costs and moderation of external demand. Contraction in capital goods and the mining sector have affected the overall performance of the industrial sector.

Though inflation has moderated towards the end of the year, with WPI inflation at a 41-month low of 4.89 per cent in April 2013, inflation based on CPI remains high at 9.39 per cent in April 2013, reflecting substantial food inflation pressures.

India's export growth also moderated considerably in FY 2012-13 mainly due to slowdown in external demand. Exports contracted by 1.8 per cent while Imports grew by 0.4 per cent which led to the widening of the trade deficit.

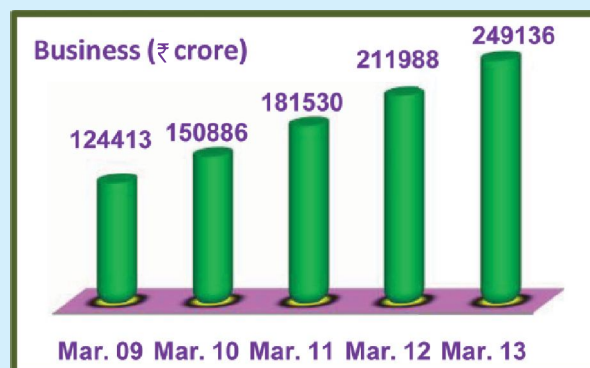
A major concern was the sustained pressure on Current Account Deficit (CAD), which at 5.4 per cent in the first nine months of the financial year was substantially higher compared to the already high CAD of 4.1 per cent of GDP in FY 2011-12. CAD to GDP ratio reached a historic high of 6.7 per cent in Q3 of 2012-13. Shrinking exports, a weak rupee and uncertain capital inflows have also impacted the external debt and vulnerability.

The banking sector was impacted by the slowdown in the economy in FY 2012-13, leading to moderation in growth of both deposits and credit. Growth in deposits and credit moderated substantially to 14.3 per cent and 14.1 per cent respectively in FY 2012-13 whereas Reserve Bank had given an indicative projection of 15 per cent and 16 per cent respectively.

Taking cognizance of falling growth, Reserve Bank lowered policy interest rates and the SLR by 100 bps each, and the CRR by 75 bps in FY 2012-13, however, tight liquidity conditions prevailed through most of FY 2012-13.

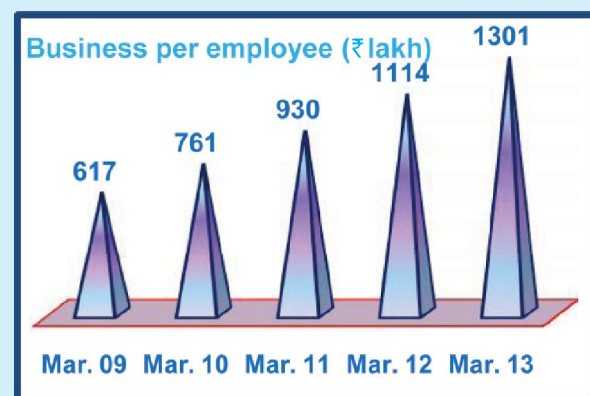
Against the above backdrop in economic and banking scenario, I present the performance of your Bank in FY 2012-13.

Business and Financial Achievements



You would be glad to know that your Bank's Global Business grew by 17.52 per cent during the year to reach ₹ 249,136 crore. While Deposits grew by ₹ 21,176 crore or 17.53 per cent to ₹ 141,980 crore, Credit grew by ₹ 15,972 crore or 17.52 per cent to ₹ 107,156 crore.

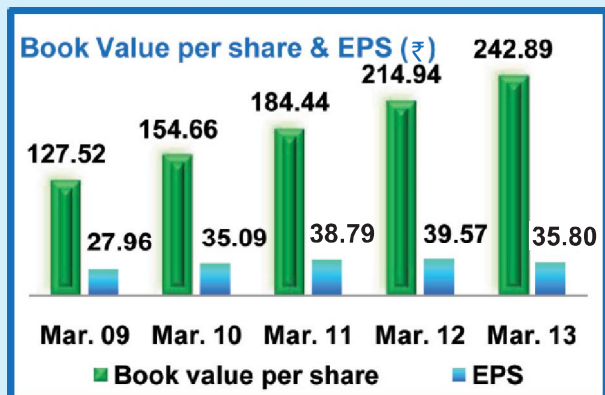
Towards having a healthy Balance sheet, adequate provisioning has been made towards NPAs and also employee related benefits which has impacted the profit. Operating profit of your Bank was at ₹ 3,061 crore, while Net Profit stood at ₹ 1,581 crore in FY 2012-13.



Business per employee increased to ₹ 1,301 lakh from ₹ 1,114 lakh in the previous year.

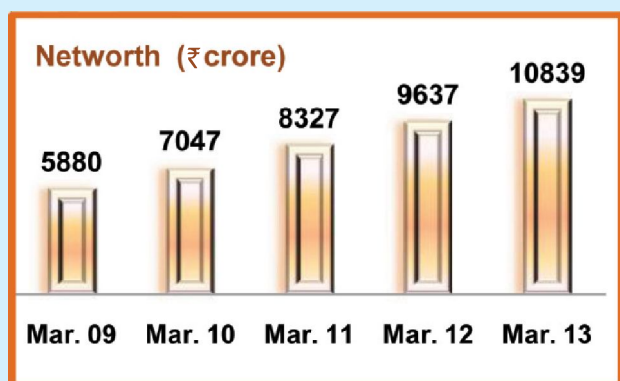
Return on Assets at 1.02 per cent continues to be the best among Public Sector Banks.

Net Interest Margin (NIM) continues to be above the 3 per cent mark and stood at 3.09 per cent.

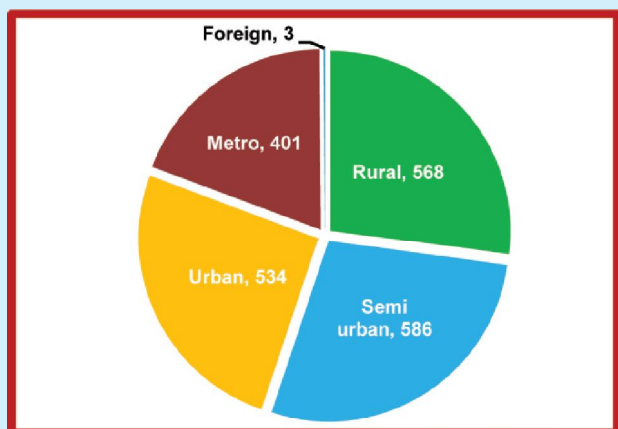


Earning per share (annualised) and Book value per share were at ₹ 35.80 and ₹ 242.89 respectively.

Return on Equity was at 14.89 per cent.

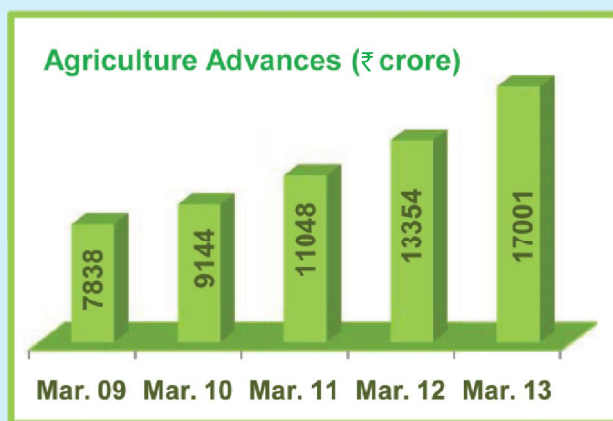


Your Bank is well capitalized. Net worth of your Bank increased further to ₹ 10,838.84 crore and the Capital Adequacy Ratio under Basel II was at 13.08 per cent (Tier I – 10.88%, Tier II – 2.20%).



Towards enhancing its pan India network and to extend its reach to the under-banked and unbanked areas, your Bank opened 143 branches and 42 ATMs in the current year to touch 2089 branches and 1322 ATMs.

Your Bank has international presence in Singapore and Colombo & Jaffna in Sri Lanka.



Your Bank has reached all the stipulated norms under Priority Sector Advances which at ₹ 36,421 crore was 42.1 per cent of the Adjusted Net Bank Credit. Agriculture lending has risen by ₹ 3646 crore to ₹ 17,001 crore as on March 31, 2013.

Giving focus on the SME sector, your Bank has 73 specialised branches across the country exclusively catering to the SME sector and the SME portfolio increased by ₹ 3,588 crore or 35 per cent to ₹ 13,746 crore.

Financial Inclusion

- For specialized lending to SHGs, your Bank has exclusively 45 MICROSATE branches. These branches have disbursed ₹ 590 crore covering 23,457 SHGs during FY 2012-13 and the total outstanding advances as at end-March 2013 stood at ₹ 746 crore covering 56,913 SHGs.
- Your Bank has opened 1418 Ultra Small Branches (USBs) in the villages with population above 2000, covered through BC model under Financial Inclusion.
- Under the Financial Inclusion Plan, your Bank has provided banking services to 3494 villages with population above 2000 as well as below 2000 through various delivery channels as below:
 - ♦ 3380 villages through Smart Card based Business Correspondent (BC) model;
 - ♦ 26 villages through Brick and Mortar Branches;
 - ♦ 34 villages through Banking Service Centres (BSCs); and
 - ♦ 54 villages through Mobile Branch/Van.
- In the Union Territory of Puducherry, where your Bank is the SLBC Convenor, all the 42 villages with population above 2000 and 25 villages with population 2000 and below have been provided with banking services through various delivery channels under the Financial Inclusion Plan by the member banks.
- Under the Direct Benefit Transfer (DBT) scheme, in the 43 pilot districts, your Bank is Lead Bank in Chittoor District of Andhra Pradesh and SLBC Convenor in the UT of Puducherry. In Puducherry District, accounts have been opened for all the 4249 beneficiaries under 13 schemes and in Chittoor District, accounts have been opened for all the 1.29 lakh beneficiaries under 8 schemes. In Krishna and Yanam Districts, accounts have been opened for 1.07 lakh beneficiaries under 5 schemes and 753 beneficiaries under 3 schemes, respectively from whom details have been received.

Awards and Recognitions

Your Bank's performance has won recognition and several coveted awards were conferred in the current year too; notable among them are –

- ***Your Bank was ranked first and has been conferred with the coveted National Award for Excellence in Lending to Micro Enterprises for FY 2012 by the Hon'ble President of India.***
- SKOCH Digital Inclusion Award 2012 for exemplary use of technology in Financial Inclusion.
- 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.
- IBA – Banking Technology Awards 2011 for best use of technology in Training and e-learning (2nd Runner up).
- Outlook Money Awards 2012 for Best Bank.
- NFS ATM Operational Excellence Award 2012 - Runner-up under 'Public Sector Banks' category constituted by NPCI in recognition of its excellent performance in respect of ATMs and Switch connected to NFSATM Network.
- The Sunday Standard FINWIZ Award 2012 by New Indian Express for Quickest Turnaround.

Master Card Innovation Award – PREPAID CARD PROGRAM to the Bank for innovative prepaid card sales, targeting Corporate entities by M/s. Master card International.

Accolades in the recent past ...

- Listed among Top 150 Banks for Best RoA as per Banker Magazine.
- Adjudged Fifth among the Public Sector Banks as the Best Service Brand by Economic Times Brand Equity.
- ISO 9001:2008 Certification for our Corporate Office Building - First Corporate Office building of PSBs in India to get the ISO Certification.

New Initiatives

Several new initiatives were taken by your Bank during the year as part of its commitment to customers and stakeholders to facilitate convenience banking.

- Online application facility for MSME loans.
- E-Payment Interface for Direct Tax, Indirect Tax, Commercial Taxes Collection for West Bengal, Maharashtra Virtual Treasury payment, Puducherry, Karnataka, Orissa, Andhra Pradesh, Tamil Nadu CST/VAT, Tamil Nadu RTO fees, Tamil Nadu Electricity Bill payment, Multi-challan Customs Duty payment through IceGate site, receipt of CST and DVAT for Dept. of Trade & Taxes, Government of NCT Delhi etc., enabled.
- Online Merchant Payment Gateway Interface with more than 5000 merchants / brokers, for payment of Bills.
- Tamil Nadu Electricity Bill (TNEB) payments through SMS Mode.
- Contribution to Prime Minister's National Relief Fund facilitated through net banking.
- IB Prepaid Gift Cards and IB Prepaid International Travel Cards under Master Card Brand launched. The Prepaid Gift Cards are available in free loading denominations and issued to the customers free of charge. The Prepaid Travel cards are sold through all FOREX authorized branches of the Bank.

- Opening e-TDA (electronic-term deposit account) through net banking – customers having net banking facility can open term deposits (FD/STD/RIP/RD) electronically by instant debit to the accounts through net banking.
- Online remittance facility from UAE Exchange enabling instant credit to our customers' accounts.
- Collection of application fees for various Universities enabled through Multi Utility Payment Module.

Looking forward

We expect the current financial year 2013-14 to be a challenging one with moderate recovery in the economy. With the global economic outlook continuing to be uncertain, the twin deficits in the domestic economy coupled with persistent inflation, slower GDP growth, lower growth in the Gross Domestic Savings and the slowing investment climate may moderate the growth in the banking system.

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 and 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 these challenging times.

With best wishes

Yours sincerely



T M BHASIN

Chairman and Managing Director