

Dear Shareholders,

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 to the 3rd Annual General Meeting. I trust you have all received a copy of the Bank's Annual Report for the year 2008-09, comprising of the report of the Board of directors and Audited Financial Statements of the Bank. With your consent, I shall take it as read.

I take this opportunity to thank you all for the confidence reposed in us and also for making it convenient to attend this meeting. I deem it an honour to share with you some of the significant achievements and initiatives undertaken by your Bank during the year.

### **FINANCIAL PERFORMANCE**

In spite of the tough times witnessed in 2008-09, your Bank showed an impressive performance across all financial and operating parameters during 2008-09. In its stride towards a strong, efficient and financially sound organisation, your Bank achieved many significant milestones.

You would be elated to know that your Bank's Global business grew by 22.85 per cent to reach the level of Rs. 1,24,413 crore as on 31st March 2009.

Your Bank recorded excellent growth in all business segments during the year, especially in deposits and advances which exceeded the industry average. Total Deposits grew by Rs.11,536 crore to Rs.72,582 crore, a growth of 18.90% for the year 2008-09.

Similarly, the advances portfolio also witnessed a robust growth during the year. Gross Advances were at Rs.51,831 crore, registering an increase of Rs.11,603 crore (28.84%) as on 31.3.2009. Overall Credit Deposit ratio was at 71.41%.

Deployment in Priority sector segment grew by Rs.3297 crore (21.79%) and touched Rs.18,426 crore, which is 48.23% of the adjusted net bank credit - well above the specified norm of 40%.

You will be happy to note that the Operating profit surged to Rs.2228.83 crore (as compared to Rs.1659.30 crore for 2007-08), with a growth of 34.32%, Net profit improved by 23.45% for 2008-09 to touch Rs. 1245.32 crore as compared to Rs.1008.74 crore for 2007-08. Net Interest Margin improved to 3.54% from 3.45% reflecting the strong financials of the Bank.

Through continuous monitoring and concerted efforts at all levels, your Bank was able to bring down its gross and net NPAs. Gross NPA was at 0.89% as against 1.21% for March 2008 while Net NPA was lower at 0.18% as against 0.24% for March 2008.

### **BRANCH EXPANSION**

Widening its geographical reach to its customers in every nook and corner of the country and also in its endeavour to provide the best of the customer service, your Bank increased its touch points with its customers through its CBS branches and Automated Teller Machines (ATMs).

During the year, your Bank expanded its touch points by opening 101 new branches and increased its domestic distribution network to 1642 branches and 755 Automated Teller Machines (ATMs) including 205 offsite ATMs.

## **AWARDS AND ACCOLADES**

The efforts and initiatives undertaken by your Bank have been recognised and appreciated by various entities and forums. I take it as a great privilege and pride to share with you some of the accolades received by your bank during the year 2008-09.

It is a matter of pride that the strong and sound financials of your Bank was affirmed with the assigning of BBB(-) long term and A-3 short term counterparty rating by the international rating agency Standard & Poor's. Importantly, it bears a special mention that the rating assigned to the Bank is the same as Sovereign rating. As per the agency's assessment "the rating on Indian Bank reflects the Bank's sound capitalisation, adequate earnings and comfortable liquidity and funding profile".

Adding one more feather to its cap was the NUMBER 1 ranking given by the Financial Express. The Bank was adjudged the BEST NATIONALISED BANK - in the country based on its performance for 2007-08. This evaluation was based on the performance of the Bank on five major parameters, viz., Strength & Soundness, Growth, Profitability, Efficiency and Credit Quality. The ranking has improved from second in 2006-07 to the first position in 2007-08.

Getting recognised in the international fora, I believe, is a rare honour and it's my pleasure to inform you that your Bank is placed in the list of Forbes 2000 with a rank of "1659" globally.

I am sure, that you would be gratified to know that your Bank is one among the 19 Indian Banks/Financial Institutions which are in the Top 500 Global Financial Brands 2009, based on a study made by Brand Finance Plc in Association with the Banker magazine.

For the path breaking financial inclusion initiatives in Puducherry and Dharavi, your Bank was conferred with Skoch Challenger Award-2008 for Financial Inclusion in the banking sector. The award is instituted by Skoch Consultancy Services Private Limited, a premier financial consultancy organisation in India.

Your bank has been a pioneer in lending to farmers and rural artisans, under the banks-SHG (Self-Help Group) linkage programme in Tamil Nadu and in recognition of this, your Bank was awarded the first prize by NABARD, under "PSU Banks" category for its excellent performance under SHG-Bank linkage for 2007-08 as also for 2006-07.

You would be pleased to know that the Government of Tamil Nadu has conferred an Award in appreciation of your Bank's contribution in providing Revolving Fund assistance to SHGs in Chennai Corporation.

Similarly, the Microsat Branches in Orissa (Bhubaneswar), Pune and Patna have received awards for Best performance under SHG lending in the respective States during 2007-08 from NABARD.

When it comes to Corporate Social Responsibility, your Bank is second to none. The Bank has been awarded 4 Rolling Shields by the Madras Voluntary Blood Bank for its highest performance among the institutions for the 18th consecutive year in the state of Tamil Nadu.

## **CUSTOMER SERVICE**

As always, customer service and customer satisfaction remains at the core of your Bank's efforts. With a systematized complaint/ grievance Redressal mechanism, branches were sensitised on the importance of customer service and the Branch level customer service committee was strengthened by including customers and senior citizens.

With a view to motivating the Bank's front line staff members, a session on customer service has been included in the various training programmes conducted by Staff College (IMAGE) and other training centers of your Bank.

### **GLOBAL FINANCIAL CRISIS**

The global recession, a fall-out of the unprecedented financial crisis, is the most serious economic problem that the world has been facing in the recent times. Contextually, while the advanced economies are reeling under recession it is only economic slowdown that our economy is experiencing. The Government and the Reserve Bank of India are working in tandem towards managing the crisis and minimizing the impact. These economic challenges call for swift action from different sectors and we strongly feel that it is an opportunity for us as it presents a chance to demonstrate that we can rise to the occasion, think out of the box, lead from the front and act swiftly and effectively.

### **THE YEAR AHEAD**

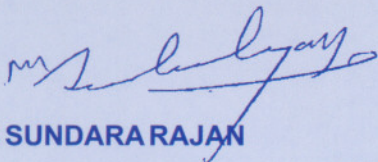
The interests of shareholders have always been the prime focus of your Bank, and in line with this, your Bank is committed to maximizing value for all its shareholders/stakeholders. I am sure with your unstinted support the Bank will scale still greater heights and reach many more milestones.

The Bank is clearly in an expansion mode by opening more than 200 branches during the last 2 years, giving equal emphasis on improvement in customer service as well. While your Bank is going ahead with opening more number of branches in different parts of the country in the coming years, the endeavour is to maintain the trust and goodwill of the customers/stakeholders and also enhance the shareholders' value through volume growth in business and better profitability.

I would like to acknowledge that all these achievements of your Bank would not have been possible without the patronage of the customers and shareholders/stakeholders. I am sure that with your continued support, your Bank will strive to move further up in the ladder and reach more milestones.

I, on behalf of the Bank and on my personal behalf would like to place on record my gratitude for continued support and guidance received from the Government of India, RBI, SEBI, other regulatory authorities, various financial institutions and banks in India and abroad. I would also 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.

Thank You,



**M S SUNDARA RAJAN**

CHAIRMAN AND MANAGING DIRECTOR