



RATED AS NUMBER - 1 PUBLIC SECTOR BANK*

**By Financial Express*

PERFORMANCE OF THE BANK - 2008-09

SYNOPSIS OF PERFORMANCE

- ✓ The Board of Directors have pleasure in recommending a final dividend of 30% – With the interim dividend of 20% paid in March 09, total dividend works out to 50%.
- ✓ Sustained growth in Revenues, operating Profit, Net Profit, operational efficiency and business despite challenging market conditions.
- ✓ Healthy capital adequacy
- ✓ improved asset quality; Further fall in NPAs; Contained fresh NPAs;
- ✓ Expanded net work by addition of 101 branches and 155 ATMs during the year.
- ✓ Launched Wealth Management Services.

PERFORMANCE HIGHLIGHTS

| | Q4 | FY09 |
|---------------------|--------------|----------|
| Net Profit | ↑ 63.06% YOY | ↑ 23.45% |
| Net Interest Income | ↑ 27.75% YOY | ↑ 27.00% |
| Fee Income | ↑ 14.74% YOY | ↑ 28.00% |
| Operating Revenue | ↑ 16.17% YOY | ↑ 19.10% |
| Operating Profit | ↑ 21.56% YOY | ↑ 34.32% |
| Net Interest Margin | 3.34 | 3.54 |
| Cost of Funds | 5.69 | 5.50 |

BUSINESS PERFORMANCE - 2008-09

- Sustainable growth in the Bank's Business
 - Total Business grew by 22.85% to Rs.1,24,413 Cr.
 - Total Deposits grew by 18.90% to Rs.72,582 Cr.
 - Gross Advances grew by 28.84% growth to Rs. 51,831 Cr
 - Retail Advances grew by 22.95% in 2008-09 to Rs.9664 Cr. and constituted 18.65% of total advances.
- Net NPAs lower at 0.18% (0.24 % for March '08).
- Book Value per share was Rs.127.52, as at end March'09, compared to Rs.98.96 for March '08.
- Capital Adequacy at 13.27% with Tier-1 capital at 11.28% as per Basel I
- Capital Adequacy at 13.98% with Tier-1 capital at 11.88% as per Basel II
- Opened 101 branches during the year

NET PROFIT

Q4 2008-09

2008-09

Rs.
394.07
Cr.

up by
63.06 %

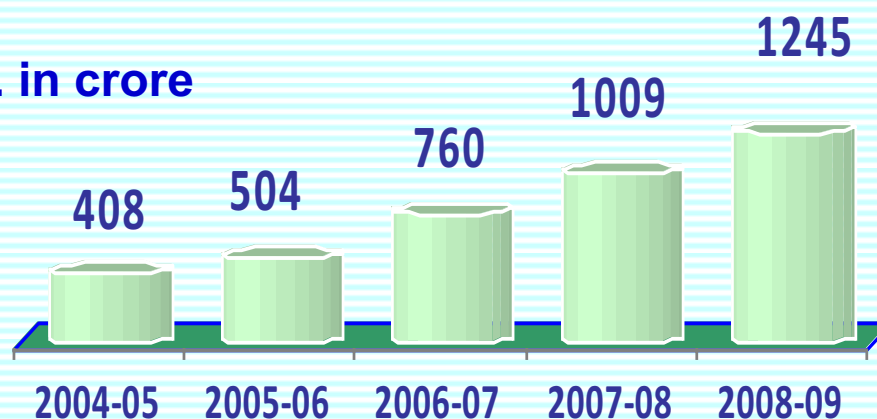
Rs.
1245.32
Cr.

Up by
23.45 %

- 2008-09: Up by Rs.236.58 Crore (23.45%) to Rs.1245.32 Crore from Rs. 1008.74 Crore
- Q4 2008- 09: Up by Rs. 152.40 Crore (63.06%) to Rs.394.07 Crore from Rs. 241.67 Crore

**GROWING
CONSISTENTLY**

Rs. in crore



OPERATING PROFIT

Q4 2008-09

Rs.
635.72
Crore

Up by
21.56%

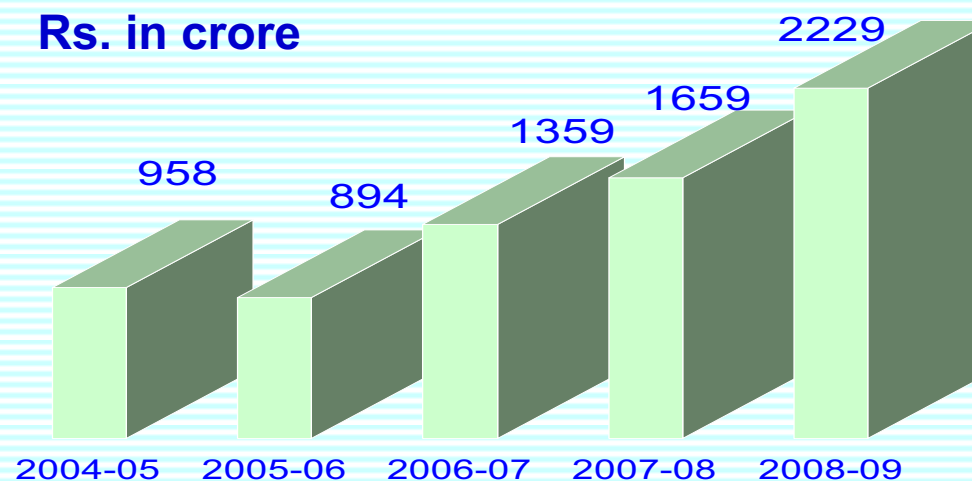
2008-09

Rs.
2228.83 Cr.

Up by
34.32%

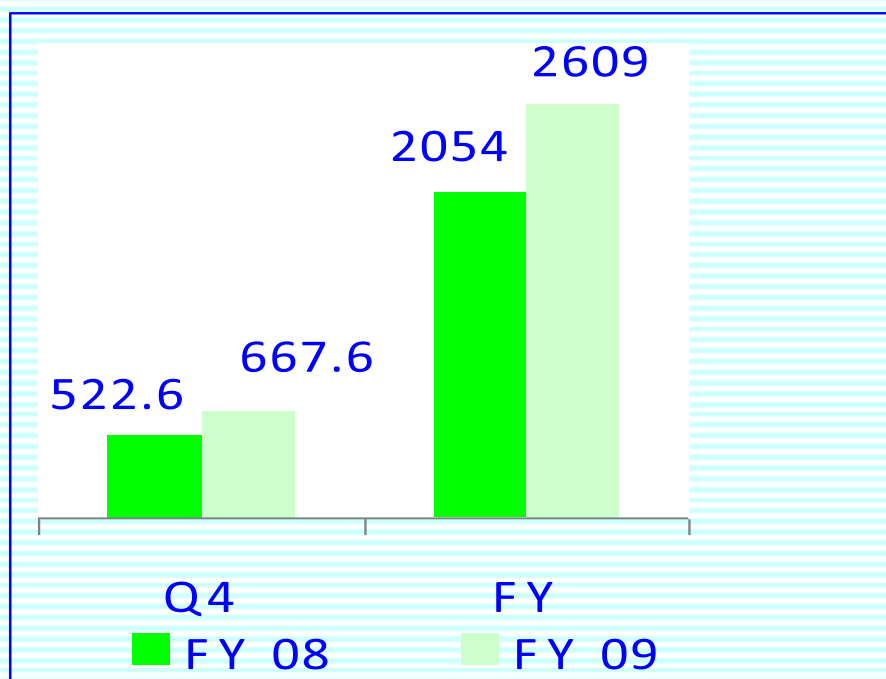
- 2008-09: Up by Rs.569.53 Crore (34.32%) to Rs.2228.83 Crore from Rs.1659.30 Crore
- Qtr.Mar. 09: Up by Rs.112.75 Crore (21.56%) to Rs.635.72 Crore from Rs. 522.97 Crore

Rs. in crore



GROWING NET INTEREST INCOME

Net Interest Income (FY 09 vs FY 08)



Net Interest Income in the last 5 years
(Rs.in crores)

| | |
|-------|---------|
| FY 05 | 1258.30 |
| FY 06 | 1441.94 |
| FY 07 | 1782.19 |
| FY 08 | 2053.90 |
| FY 09 | 2608.52 |

CAGR (5 years) 20 %

PROFIT & LOSS STATEMENT

Rs. In Crore

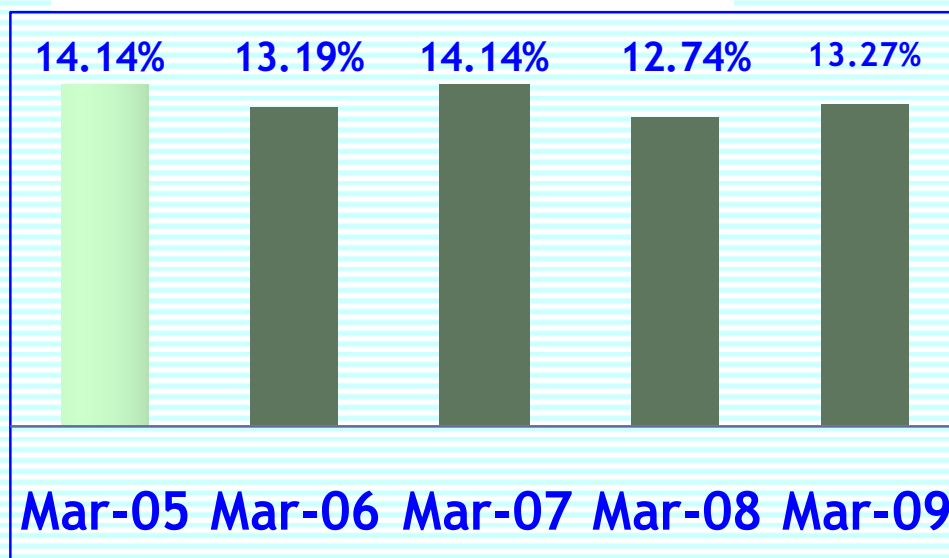
| | 2008-09 | 2007-08 | Growth % | Q4 2009 | Q4 2008 | Q4-o-Q4 Growth % |
|---------------------------------|---------|---------|-------------|---------|---------|------------------------|
| Interest income | 6830.33 | 5212.97 | 31.03 | 1856.37 | 1369.36 | 35.56 |
| of which: MoI | 145.36 | 175.54 | -17.19 | 57.04 | 22.40 | 154.64 |
| Non interest income | 1035.44 | 1005.69 | 2.96 | 292.11 | 303.49 | -3.75 |
| of which: | | | | | | |
| a. Recovery of bad debts | 183.00 | 312.92 | -41.52 | 45.61 | 97.46 | -53.20 |
| b. Profit on sale of investment | 194.77 | 179.01 | 8.80 | 57.83 | 41.59 | 39.05 |
| c. other non int. income | 657.67 | 513.76 | 28.01 | 188.67 | 164.44 | 14.73 |
| Total Income | 7865.77 | 6218.66 | 26.49 | 2148.48 | 1672.85 | 28.43 |
| Interest Expenditure | 4221.81 | 3159.07 | 33.64 | 1188.80 | 846.78 | 40.39 |
| Operating expenditure | 1415.13 | 1400.29 | 1.06 | 323.96 | 303.10 | 6.88 |
| Total Expenditure | 5636.94 | 4559.36 | 23.63 | 1512.76 | 1149.88 | 31.56 |
| Operating profit | 2228.83 | 1659.30 | 34.32 | 635.72 | 522.97 | 21.56 |
| Net Profit | 1245.32 | 1008.74 | 23.45 | 394.07 | 241.67 | 63.06 |
| Net Interest Income | 2608.52 | 2053.90 | 27.00 | 667.57 | 522.58 | 27.75 |

KEY FINANCIAL RATIOS

| | Parameter | 2007-08 | 2008-09 | Q4-2008 | Q4-2009 |
|---|--|---------|---------|---------|---------|
| 1 | NIM | 3.45 | 3.54 | 3.44 | 3.34 |
| 2 | Yield on advances | 10.59 | 11.02 | 10.45 | 10.92 |
| 3 | Cost of deposits | 5.85 | 6.27 | 5.79 | 6.55 |
| 4 | Cost income ratio | 45.77 | 38.83 | 36.69 | 33.76 |
| 5 | Return on Average Assets | 1.64 | 1.62 | 1.46 | 1.89 |
| 6 | Return on average net worth | 24.51 | 23.36 | 21.38 | 26.99 |
| 7 | Weighted average EPS (Rs.) (annualised) | 22.52 | 27.96 | 21.54 | 35.64 |
| 8 | Book value (Rs.) | 98.96 | 127.52 | 98.96 | 127.52 |

CAPITAL ADEQUACY

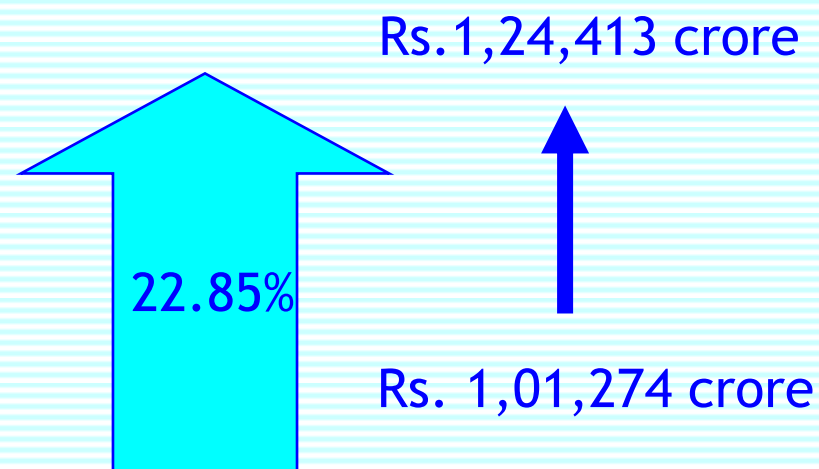
(Rs. in crore)



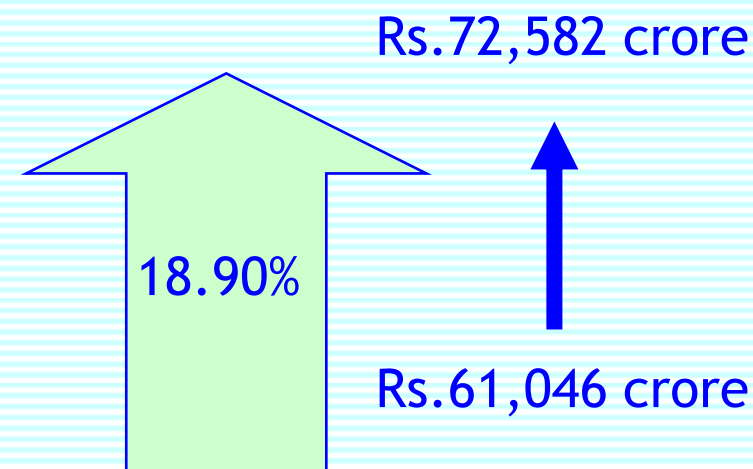
| | Mar-07 | Mar-08 | Mar-09 |
|---------|---------|---------|---------|
| Tier I | 3621.32 | 4653.07 | 5864.95 |
| Tier II | 547.19 | 598.32 | 1034.14 |
| Total | 4168.51 | 5251.39 | 6899.09 |

| | Mar-08 | Mar-09 |
|----------------------|--------|--------|
| Basel I | | |
| Tier I (%) | 11.29 | 11.28 |
| Tier II (%) | 1.45 | 1.99 |
| CRAR as per Basel I | 12.74 | 13.27 |
| Basel II | | |
| Tier I (%) | 11.43 | 11.88 |
| Tier II (%) | 1.47 | 2.10 |
| CRAR as per Basel II | 12.90 | 13.98 |

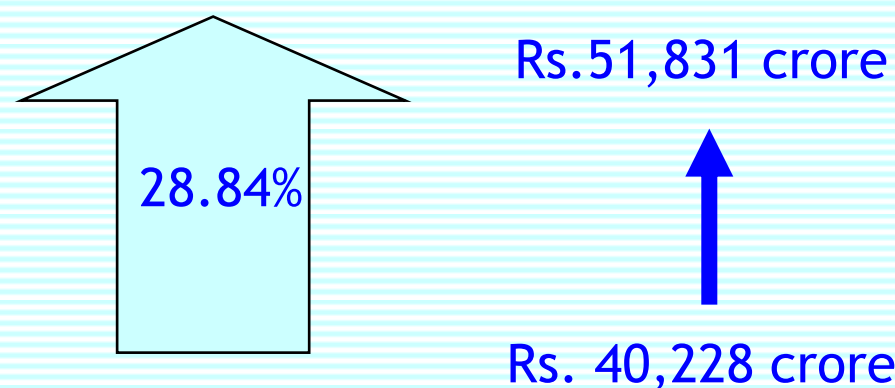
BUSINESS HIGHLIGHTS



Global Business

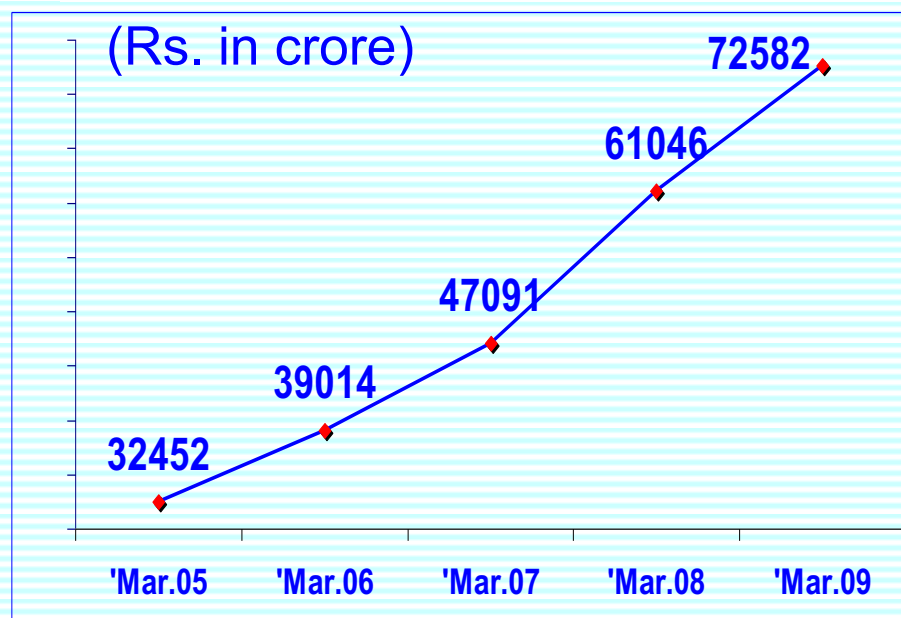


Global Deposits



Global Gross Advances

DEPOSITS



(Rs. in crore)

| CASA (DOMESTIC POSITION) | Mar.08 | Mar.09 | Growth |
|-----------------------------|--------|--------|--------|
| Current | 4545 | 5014 | 10.32 |
| Savings | 14980 | 17625 | 17.66 |
| Total CASA | 19525 | 22639 | 15.95 |
| % of CASA | 33.27 | 32.53 | |

- Global Deposits Improved by Rs.11,536 Crore or 18.90% (YoY) to Rs.72,582 Crore
- Wholesale Deposits (Deposits of over Rs.5 Crore) declined to 12.62% of Total Deposits as against 16.60% as on 31.03.2008.
- Launched 'Movement BANYAN VRIKSH' for mobilisation of Current and Savings Bank accounts Bank opened over one million accounts during the period.

STRATEGY FOR GROWTH IN LENDING

- Focus on building quality assets by extending credit to corporates with good financials and record performance in the past and having strong potential for future growth
- Focus on following business segments
 - Corporate
 - SMEs
 - Structured Products
- Close and continuous risk assessment of borrowal accounts, applying rating as a tool to assess the business
- Concentration on small accounts in Priority Sectors and Micro Credit which offers good repayment of dues

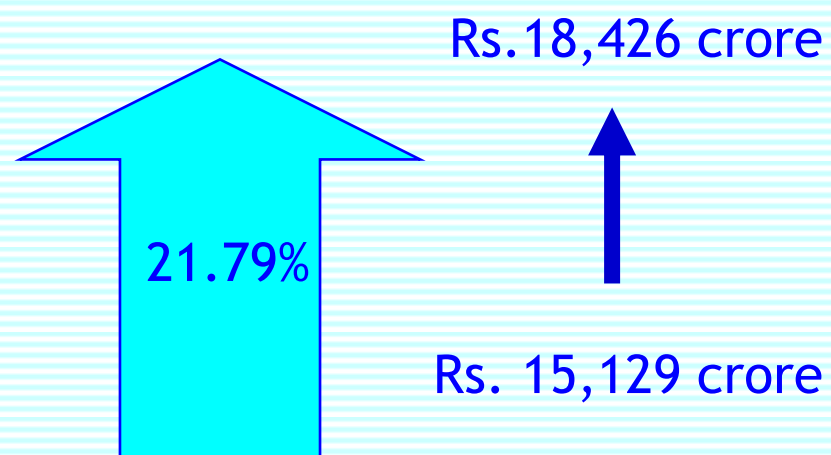
ADVANCES - COMPOSITION

- Global Gross credit grew by Rs.11,603 Crore or 28.84% to Rs.51,831Crore as on 31.3.2009
- CD Ratio (gross) improved to 71.41% as on 31.3.2009 from 65.90% as on 31.03.2008
- Incremental CD Ratio during the year was 100.58%.

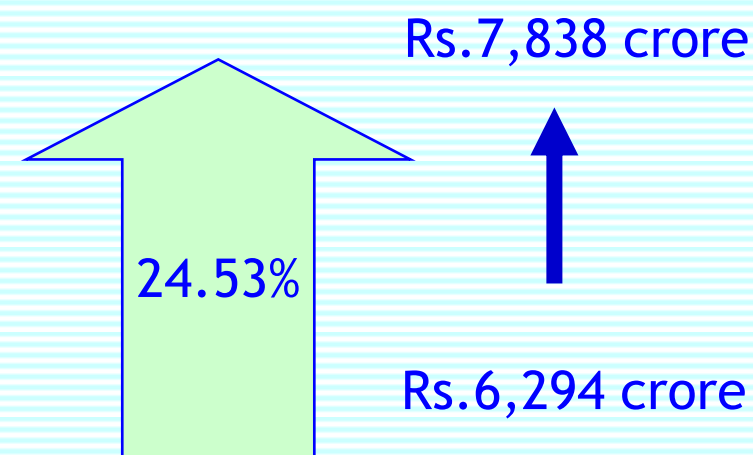
(Rs. in crore)

| Credit to | Mar.07 | Mar 08 | Mar.09 | Y-o-Y Growth (%) |
|---------------------------|--------|--------|--------|------------------|
| Agriculture | 4814 | 6294 | 7838 | 24.53 |
| Retail | 6251 | 7860 | 9664 | 22.95 |
| SME | 3115 | 4355 | 5489 | 26.04 |
| Corporate & Commercial | 13983 | 19695 | 25870 | 31.35 |
| Overseas Credit | 1339 | 2024 | 2970 | 46.74 |
| Total | 29502 | 40228 | 51831 | 28.84 |
| Of which: Priority Sector | 11998 | 15129 | 18426 | 21.79 |

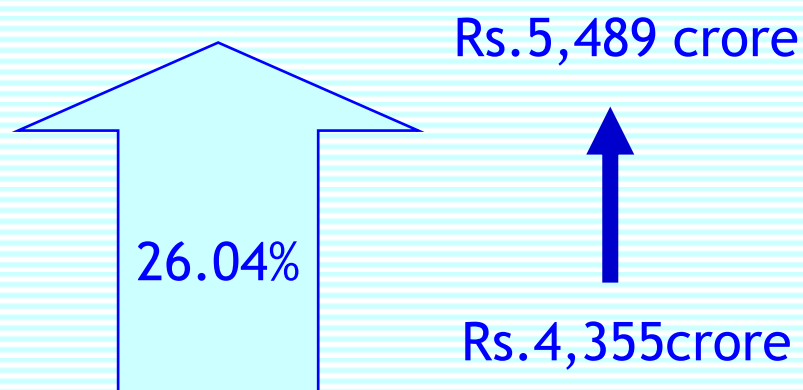
PRIORITY SECTOR LENDING - HIGHLIGHTS



Priority Sector advances



Agriculture advances



SME Advances

PRIORITY SECTOR LENDING - COMPOSITION

- Priority sector credit as percentage to Adjusted Net Bank Credit (ANBC) was 48.23 % as against the prescribed norm of 40%.
- Agricultural credit as percentage to Adjusted Net Bank Credit (ANBC) was 20.51 % as against the prescribed norm of 18%.
- Bank has provided debt waiver amounting to Rs.457.40 crore benefiting 2.36 lakh Small and Marginal Farmers. Besides 0.43 lakh other Farmers were provided relief of Rs.84.57 crore as at the close of the scheme.
- Fresh loans are being issued to the beneficiaries of the Debt Waiver scheme from 01.07.08 to 31.03.09 Rs.283.19 crore has been provided to 97,357 Farmers.

| Segment | Mar.08 | Mar09 | Growth % | (Rs. in crore) |
|--------------------------------|--------|-------|----------|----------------|
| Agriculture | 6294 | 7838 | 24.53 | |
| Small Enterprises | 3256 | 3950 | 21.31 | |
| Micro credit | 205 | 329 | 60.49 | |
| Retail Trade | 898 | 923 | 2.78 | |
| Education Loan | 1105 | 1608 | 45.52 | |
| Home Loan | 3369 | 3776 | 12.08 | |
| State sponsored org. for SC/ST | 2 | 2 | 0.00 | |
| Total Priority Sectors | 15129 | 18426 | 21.79 | |

PRIORITY SECTOR LENDING - INITIATIVES

CAPACITY BUILDING INITIATIVES

- As a step towards getting closer to the rural people, the Bank has set up a Trust by name 'Indian Bank Trust for Rural Development' (IBTRD) for undertaking various development activities.
- Under the umbrella of the above Trust, Financial Literacy and Credit Counseling (FLCC) centres have been established at Dharmapuri and Puducherry.
- The Bank has also established RUDSETI Model Training Institutes named as 'Indian Bank Self Employment Training Institute (IND SETI)' at Salem and Puducherry for providing training to rural youth.
- Apart from the above, exclusive initiatives of the Bank towards capacity building, the Bank is participating in Rural Training Centre, Karaikudi, Tamil Nadu (jointly with NABARD & IOB) and Andrapradesh Bankers' Institute of Rural & Entrepreneurship Development - APBIRED , Hyderabad (jointly with Government of AP & four other Banks). These two training institutes offer wide range of skill oriented training programmes with a focus on rural population.

COMMON MAN BANK - FINANCIAL INCLUSION INITIATIVES

- Besides achieving total financial inclusion (involving all banks) in UT of Puducherry, Cuddalore in Tamilnadu and Kollam in Kerala, the Bank has implemented 100% Financial Inclusion in 11 other lead districts. 100% Financial Inclusion has also been completed by the Bank in Nilgiris (ST), Tiruvarur (SC) and Kanniyakumari (minorities) districts in Tamilnadu.
- Covering 4637 villages, the Bank under the Financial Inclusion Project, opened 17.04 lakh no frill SB accounts and provided overdraft and General Credit Card facilities to 52545 individuals with a total sum of Rs.10.91 crore.
- Under Janashree Bima Yojan (JBY), the micro insurance scheme launched in association with Life Insurance Corporation of India Ltd, and intended for providing life cover to SHG members, the Bank has provided insurance cover to 8,579 groups covering 83,033 members during the year.
- Under Universal Health Care Policy (UHCP), the micro insurance scheme launched in association with United India Insurance Company Ltd and intended for providing health cover to BPL families, the Bank has so far cumulatively provided insurance cover to 16,220 BPL members.

LENDING TO SHGs - CONTINUED THRUST

Rs. in crore

| Period | No. of SHGs financed during the year | Amount of Credit disbursed | Outstanding | YoY growth (%) | Number of new SHGs linked |
|---------|--------------------------------------|----------------------------|-------------|----------------|---------------------------|
| 2003-04 | 18203 | 103 | 137 | 82.67 | 14320 |
| 2004-05 | 35355 | 201 | 199 | 45.26 | 18616 |
| 2005-06 | 53285 | 393 | 350 | 75.88 | 35168 |
| 2006-07 | 61469 | 503 | 575 | 64.29 | 36163 |
| 2007-08 | 75381 | 815 | 987 | 71.65 | 39879 |
| 2008-09 | 90421 | 1054 | 1351 | 36.88 | 42626 |

- The Bank has established 25 MICROSATE branches (specialized branches for Micro finance) of which 13 were opened during 2008-09.
- To strengthen Micro Finance and to facilitate marketing through publicity & sale, the Bank along with Indian Bank Trust for Rural Development (IBTRD) arranged for an 'Exhibition cum sale' exclusively for SHG products at Chennai on 28.02.09 & 01.03.09. A total 146 SHGs participated and total sale of Rs.4.21 lakh. Orders booked worth around Rs.16 lakh.

FOCUS ON STUDENTS - EDUCATION LOAN

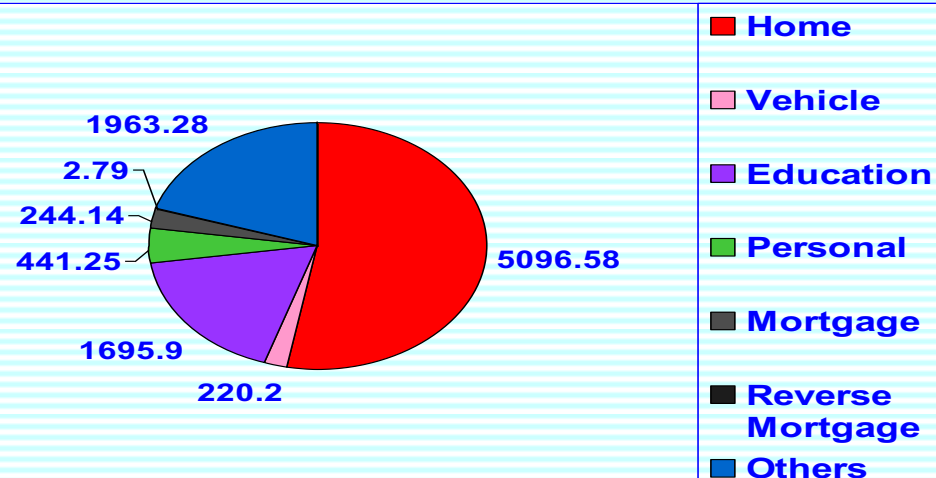
Rs. in crore

| Period | No. of students financed during the year | Amount of Credit disbursed | Outstanding | YoY growth (%) (Balance Outstanding) |
|---------|--|----------------------------|-------------|---|
| 2003-04 | 2881 | 38.72 | 83.39 | 38.04 |
| 2004-05 | 9552 | 119.25 | 161.66 | 93.86 |
| 2005-06 | 24809 | 260.14 | 375.86 | 132.50 |
| 2006-07 | 31141 | 352.25 | 692.36 | 84.21 |
| 2007-08 | 44710 | 435.49 | 1149.33 | 66.00 |
| 2008-09 | 66280 | 540.17 | 1695.90 | 47.56 |

Conscious of the need to promote technical and higher education to promising youths in the country the Bank has focused on educational loans which grew by 47.56% during 2008-09.

PERSONAL BANKING PRODUCT WISE

| Product (Rs. In Crore) | Mar.07 | | Mar.08 | | Mar09 | |
|---------------------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | No. of A/cs | Amount | No. of A/cs | Amount | No. of A/cs | Amount |
| Home Loan | 97147 | 3501 | 100796 | 4107 | 103927 | 5097 |
| Vehicle Loan | 31186 | 145 | 27991 | 192 | 24173 | 220 |
| Educational Loan | 67454 | 692 | 103997 | 1147 | 135472 | 1696 |
| Personal Loan | 218595 | 650 | 190087 | 554 | 149428 | 441 |
| Mortgage Loan | 1562 | 205 | 1461 | 275 | 1314 | 244 |
| Reverse Mortgage | 0 | 0 | 10 | 0 | 69 | 3 |
| Others | 303230 | 1057 | 314687 | 1586 | 399600 | 1963 |
| Total | 719174 | 6251 | 739029 | 7860 | 813983 | 9664 |



LENDING TO SME

- During the year, lending to SME sector grew by 26.04% (Rs.1134 crore) to Rs. 5489 Crore.
- Central Consultancy Cell has been set up at Head Office to study the developments in Industrial and Government initiated projects in different areas of the country and to provide vital feed back to field level functionaries.
- For quick and quality appraisal of SME proposals, Central Processing Units have been set up in 9 Centres.
- 59 branches have been identified for conversion into Specialised SME branches for the focused attention and growth of SME portfolio. Two such branches are already functioning one in Bangalore and another in Coimbatore.
- Micro Enterprises being a thrust area, the Bank has entered into MoU with organisations like Medium Small and Micro Enterprises Development Institute (MSMEDI), Bharat Yavak Shakti Trust (BYST) and MICO BOSCH to increase credit flow to this sector.

INTERNATIONAL OPERATIONS

The Bank has 2 Branches overseas one at Colombo and the other at Singapore

(Rs. in crore)

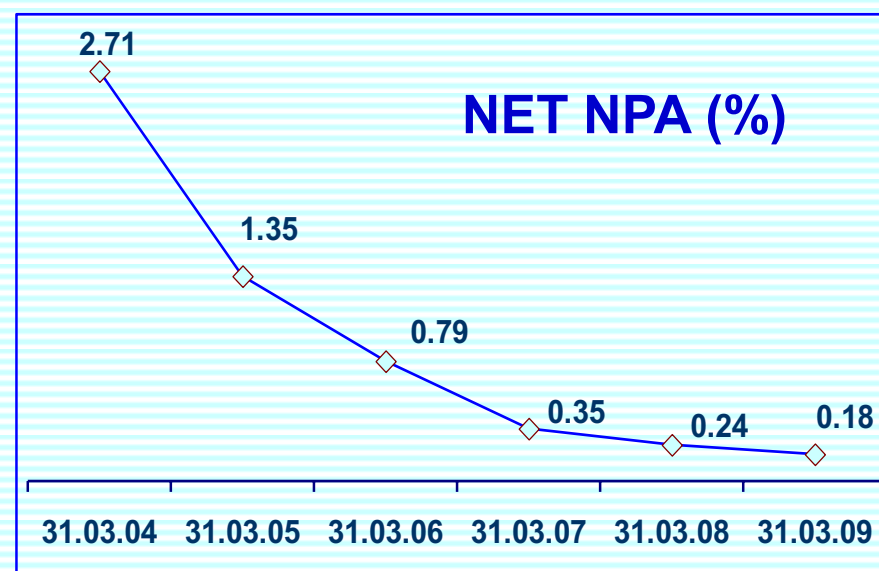
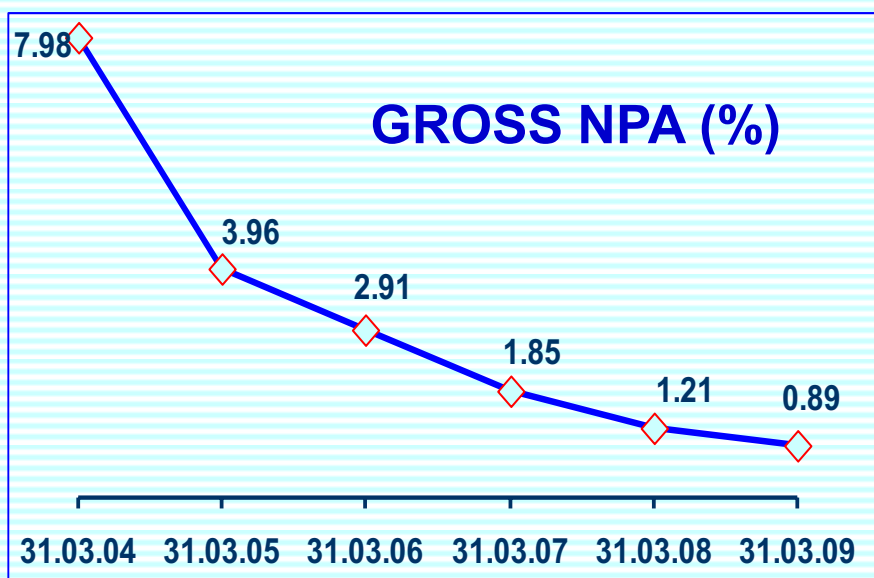
| | 2007-08 | 2008-09 | % growth |
|------------------|---------|---------|----------|
| Total Deposits | 2141 | 2923 | 36.52 |
| Total Credit | 2024 | 2970 | 46.74 |
| Investments | 829 | 921 | 11.10 |
| Operating Profit | 57.72 | 93.27 | 61.59 |

- The Foreign Currency Banking Unit (FCBU), Colombo, is engaged in off-shore banking operations.
- The Bank has correspondent arrangements with 190 banks in 69 countries.

NPA MANAGEMENT

(Rs. In Crore)

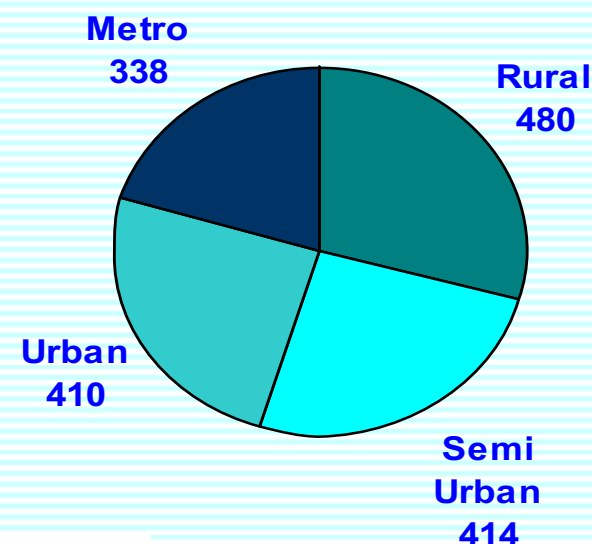
| | Mar.07 | Mar08 | Mar09 |
|----------------|--------|-------|-------|
| Gross NPA | 546 | 487 | 459 |
| Net NPA | 102 | 98 | 94 |
| NPA Recovery | 654 | 572 | 457 |
| Fresh Slippage | 172 | 444 | 229 |
| Gross NPA (%) | 1.85 | 1.21 | 0.89 |
| Net NPA (%) | 0.35 | 0.24 | 0.18 |



DISTRIBUTION CHANNELS

The Bank opened 101 New branches during the year (2008-09)

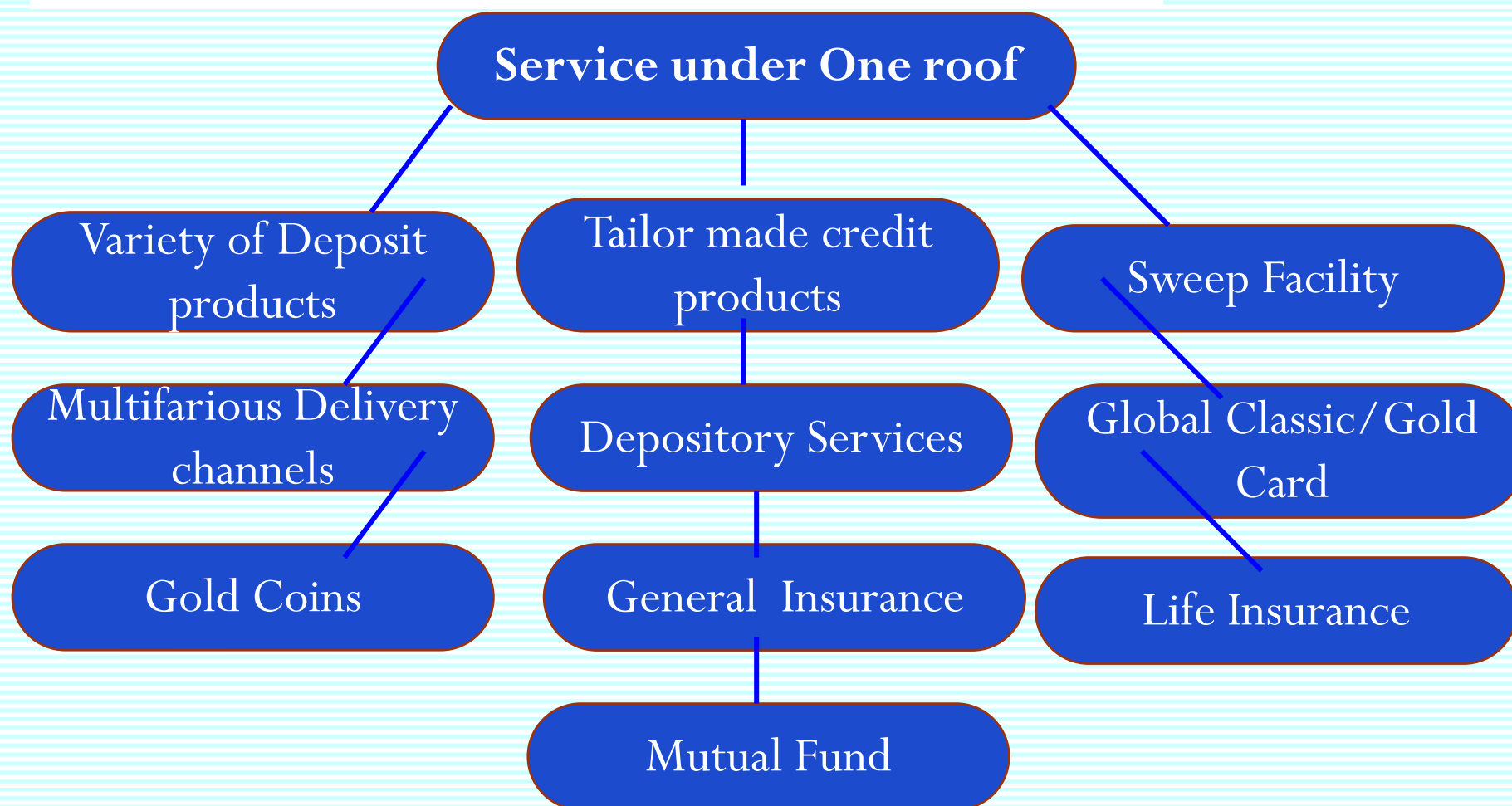
| | 31.3.2007 | 31.3.2008 | 31.3.2009 |
|--|-----------|-----------|-----------|
| 1.Total Domestic Brs. | 1500 | 1541 | 1642 |
| Of which: Microstat Brs. | 1 | 12 | 25 |
| 2.Overseas Branches (Singapore & Colombo) | 2 | 2 | 2 |
| Total Branches | 1502 | 1543 | 1644 |
| 3. Extension Counters | 83 | 72 | 63 |
| 4. Satellite Offices | 37 | 32 | 29 |
| 5. ATMs | 516 | 600 | 755 |
| 6. Banking Service Centre | 0 | 20 | 20 |
| 7. Manpower | 20693 | 20548 | 19993 |



CUSTOMER ACCOUNTS (in lakh)

| | Mar.08 | Mar.09 |
|----------|--------|--------|
| Deposits | 170.53 | 191.64 |
| Advances | 29.85 | 26.57 |
| Total | 200.38 | 218.21 |

SERVICE UNDER ONE ROOF - BANK'S MISSION



INTERNATIONAL RATING OF THE BANK

- Standard & Poor, the International Rating Agency has assigned BBB- Long Term and A-3 Short Term counter party rating to the Bank. The rating assigned to the Bank is the same as sovereign rating. This is the reflection of the performance of the Bank in the areas of Capital Adequacy, Asset Quality and Risk Management.
- “Indian Bank’s capital position is sound. The bank’s profitability, primarily driven by an above-average net interest income margin, is relatively better than its peers. Recovery of bad debt contributes a significant portion (10%) of net revenue. This contribution should decline, however, as the operating environment turns less favorable. For the past four years, Indian Bank’s return on average assets has improved steadily to 1.65% for fiscal year ended March 31, 2008. We believe that the volatility and slowdown in the economy will negatively affect the bank’s profitability by raising credit cost and reducing market sensitive income. Nevertheless, we expect the bank’s profitability to remain higher than the industry average” the agency added.
- The agency further stated that Indian Bank is well positioned to absorb the increase in NPAs due to its prudent reserving.

AWARDS & ACCOLADES

**1st Prize for
SHG linkage
in T.Nadu**

**Top 500
Global
Financial
Brands 09**

**Number 1
South Based
Service
Brand**

**Skoch
Challenger
Award-
2008**

**The Best
nationalised
bank –
NUMBER 1**

- ✓ The Bank has been awarded 1st prize by NABARD for excellence in Performance under SHG Bank linkage for 2007-08.
- ✓ CMD of the Bank has been ranked 45th in the Economic Times India Inc's most powerful CEOs list. He is ranked No.2 among the CEOs of Nationalised Banks and No.6 among the CEOs of Commercial Banks.
- ✓ Bank is one among the 19 Indian Banks/financial institutions which are in the top 500 Global Financial Brands 2009 on a study by Banker magazine.
- ✓ Bank continues to be the Number 1 South Based Service Brand for the 5th year in succession (ORG-MARG)
- ✓ Bank is in the list of Forbes 2000 - 2009 (1659th position)
- ✓ Skoch Challenger Award-2008 conferred for Financial Inclusion
- ✓ Bank has been ranked by "The Financial Express" as the BEST NATIONALISED BANK - NUMBER 1 in the country for 2007-08.