



इंडियन बैंक
Indian Bank
Your Own Bank

Speech delivered by



MAHESH KUMAR JAIN
Managing Director & CEO

**at the Tenth Annual General Meeting
held on June 29, 2016 at 10.30 a.m.**

at IMAGE AUDITORIUM

Raja Annamalaipuram, Chennai - 600 028.

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 for this Annual General Meeting of Indian Bank. Your presence here is a testimony to the interest and involvement you have with the Bank and I sincerely extend my heartfelt thanks for the same.

After the global financial crisis in 2008, the world's economy is still struggling to regain growth momentum. Growth continued to be feeble in the advanced economies, while there is considerable divergence of performance across emerging markets and developing economies.

Global economic growth is expected to grow at 3.2 per cent in 2016 and 3.5 per cent in 2017 supported by growth in the emerging economies where growth is expected to be at 4.1 per cent and 4.6 per cent in 2016 and 2017 respectively. On the other hand, advanced economies are projected to register a growth of 1.9 per cent and 2.0 per cent in these two years.

Growth in India improved to 7.6 percent in FY 2015-16 which was driven largely by domestic demand and aided by the liberalized FDI policy which is being carried forward.

Agriculture sector faced challenges with low productivity in the last two years due to poor rainfall which was 14 per cent of historical average that severely impacted rural consumption. Manufacturing sector's growth though weakened by poor external demand, still posted a relatively higher growth in the final quarter of 2015-16.

It is expected that Indian economy will strengthen from increased public expenditure especially in Infrastructure Sector which will have a multiplier effect on manufacturing, job creation and wider economic growth.

The social reforms rolled out by the Government are expected to push the growth to a higher trajectory in the coming years. The country is expected to witness an improved growth due to the forecast of satisfactory monsoon, higher agricultural sector growth and also the increased Rural & Urban demand and spending consequent upon the expected implementation of the 7th Pay Commission recommendations. All these are likely to have positive impact on the economic growth in our country.

Amidst the economic conditions that prevailed in the country and the challenges faced by the banking sector, Indian Bank remained financially strong. Let me share with you some salient features of performance of the Bank.

During the year, Indian Bank's Total Business crossed the milestone figure of Rs.3 lakh crores. To be precise, it was Rs.3,10,918 crores as at 31st March 2016. CAGR growth improved to 11.4 per cent.

Deposit portfolio of the Bank improved on the back of growth in the low cost deposits. Share of high cost deposits in total deposits was lower at 4.5% as on 31.03.2016 down from 14.5% as on 31.03.2014. The total low cost deposit i.e. CASA (domestic) crossed Rs.55,000 crores mark to touch Rs.55,153 crores. This significant transformation was due to the conscious decision to shed high cost deposits and increase focus on CASA to reduce cost of deposits.

Bank has fulfilled all its regulatory norms with Priority Sector Advances at Rs.50,333.52 crores, i.e., 40.85% of the Adjusted Net Bank Credit (ANBC). Agriculture lending at Rs.23,017.56 crores, was 18.68% of the Adjusted Net Bank Credit (ANBC) as on March 31, 2016. Advances to Micro Small & Medium Enterprises (MSME) sector increased by 12.81% to Rs.21,031.56 crores from Rs.18,642.95 crores.

The Bank posted an Operating profit of Rs.3,032 crores and Net Profit of Rs.711 crores. The Return on Assets at 0.36% continues to be the best among Nationalised Banks with Networth increasing to Rs.13,478 crores. The Earnings per Share (annualized) and Book value per share were at Rs.14.81 and Rs.280.63 respectively. Return on Equity was at 5.46% for FY 2015-16.

As you may be aware, during 2015-16, RBI laid emphasis on cleaning up the Balance Sheets of Banks. Despite the impact of the Asset Quality Review, it gives us immense happiness to note that with efficient NPA management, the Gross NPA was contained at 6.66% and Net NPA at 4.20% as on 31st March 2016.

Bank continues to be well capitalized. With one of the best ROA in the industry, there is cushion against asset side risks. With CRAR at 13.20% under Basel III as at end March 2016, Bank is consistently at the top in the industry in respect of this critical Ratio. Indian Bank was ranked first among Public Sector Banks under Capital Adequacy and Core Capital (%) parameters as per the Financial Express Ranking of India's Best Banks 2015.

To commemorate the completion of its 109th year of operations, Bank expanded its delivery channels by 153 branches pan-India.

In tune with the Bank's strategic focus, delivery channels have been further expanded during the year by the induction of 440 ATMs, total of which now stands at 2,784. At the end of 2015-16, there was totally 5346 delivery points that include 2,562 Brick & Mortar branches and 2,784 ATMs (including 253 Bunch Note Acceptors enabled with cash recycling functionality). Bank continues to have its international presence in Singapore and Colombo & Jaffna in Sri Lanka.

Bank has a plethora of tech-savvy products to suit its diverse age profile of its customers. Mobile App platform 'IndPay' and e-Lounges at 102 locations (with facility to deposit/withdraw cash) ensure availability of basic banking services to customers on 24x7 basis. Pass book Kiosks installed at 216 locations had resulted in enhanced customer convenience and migration of 24% of branch transactions of that nature to self-serving Pass Book Printers.

Bank was bestowed with several awards in FY 2015-16, notable among them being:

- ♦ “Best Performing Public Sector Bank Award” (for highest lending to Self Help Groups during 2012-13 and 2013-14), received from Hon'ble Chief Minister, Tamilnadu, Selvi J Jayalalitha.
- ♦ Assocham Social Banking Excellence Awards viz., Winner Medium Bank Class for Agriculture Banking, Winner Medium Bank Class for Urban Banking and Runner up under Medium Bank Class Rural Banking.
- ♦ 2nd Best Performing bank among Public Sector Banks in mobilization of APY subscribers for the period ended December 2015 and 4th position among all Banks upto March 2016.
- ♦ 4 NPCI (National Payments Corporation of India) Awards from among 920 Participants viz., NACH – Winner Award (APB/NREGA Payments), NFS – Joint Winner Award (ATM Operations) and CTS – Joint Winner Award (Cheque Truncation).

Bank was in the forefront in Flood relief measures during the “Chennai Floods” which inundated Chennai, its suburbs and nearby districts viz., Kancheepuram, Tiruvallur, Cuddalore and Villupuram. Banking services were extended using Micro/Boat ATMs during the crisis period. The effort of the Bank was recognized by NPCI in the form of a special & prestigious award. Fresh loans amounting to Rs.935 crores were extended to 75,518 flood affected victims towards rehabilitation.

CSR initiatives of the Bank extends beyond banking and with a strong team, the Bank is taking up various initiatives for the benefit of the society with the commitment to serve the people of India. Proud of its spontaneous humanitarian services, the Bank has received accolades in recent past for having touched many lives and bring in them positive change.

Continuing the crusade of Swachh Bharat Mission, TEAM Indian Bank joined the mission with great enthusiasm and undertook cleaning up of the Light House area of the Marina Beach. Bank also constructed 108 Toilets in Girls' Schools. Our eyes are already set on the future and I see the Bank charting a new course and carve a niche for itself in India's quest for inclusive growth and development.

As part of green initiative, 1,20,273 tree saplings were planted across the country during 2015-16. As an energy conservation measure, roof top Solar system and LED fixtures were installed at Corporate Office and other offices, resulting in a saving of around 4-5% in energy consumption at Corporate Office alone.

Under Pradhan Mantri Jan-Dhan Yojana (PMJDY), 29.93 lakh Basic Savings Bank Deposit Accounts (BSBD) were opened as on 31 03 2016. Bank has the highest ratio of 98.86% of RuPay Debit card issuance to accounts opened. 100% of PoS (Point of Sales) devices has been enabled for carrying out RuPay Card transactions as against the industry average of 49.89%.

Across the country, Bank had arranged 102 Blood donation camps and solicited 4,346 blood units. Similarly, various healthcare initiatives were undertaken which included 137 Health Camps benefitting 21,157 persons and Eye/Organ Donation Camps wherein 2,433 volunteered for donation.

Way forward

Pain in the country's Corporate sector with causative factors viz., low capacity and high leverage will have a ripple effect on the Indian Banking industry with significant impact on Banks with large exposure to companies facing tough times. Banks are experiencing a hit on their Net Interest Margin (NIM), caused by declining interest rates and weak asset quality.

In this challenging scenario, Indian Bank is in the process of positioning itself to concentrate on Retail Banking, MSME and Mid-Corporate segment. Towards achieving this, separate Verticals have been created in three major business segments, viz., Mortgage loans including Home loans, Mid Segment Enterprises comprising of MSME and Mid Corporate loans and Other Retail Loans which include Agriculture.

Formation of separate Vertical for Mortgage Loan and Other Retail Loans is envisioned to minimize Turn Around Time of loan sanction and delivery, reduce touch points for the customer and empower them by providing facility to track status of loan application. The Verticals would be engrained with aggressive marketing strategies manned by a young and tech-savvy team of Officers. The quality of loan assets will be put through a centralized Portfolio Audit exercise.

Bank is also undertaking Business Process Re-engineering to improve the operational efficiency coupled with far reaching reforms on the Human Resources front so as to increase the productivity. The road ahead is filled with challenges as well as opportunities and Indian Bank is fully equipped to face such challenges and to make best use of the opportunities, with the continued support of our shareholders, customers, well-wishers and through the persistent efforts of our employees, together with the support of the Government of India and guidance of Reserve Bank of India.

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 am also thankful to the Financial Institutions / Banks and Correspondents for their co-operation and support to the Bank.

I wholeheartedly convey my sincere thanks to the Bank's valued customers and shareholders for their unstinting, valuable contribution to the progress of the Bank and would like to seek their continued support and co-operation in future also.

I would also like to acknowledge the commendable efforts and valuable contribution of Indian Bank's employees, in all cadres, who are one of the most important assets of the Bank. Their dedication, hard work and deep sense of values is what differentiates and drives Indian Bank and I am sure, with this, Bank will make greater strides in the years ahead.

My best wishes to all of you.



MAHESH KUMAR JAIN
MANAGING DIRECTOR & CEO