इंडियन बैंक
Indian Bank
Your Own Bank

Speech delivered by

T C VENKAT SUBRAMANIAN

Non-Executive Chairman

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,

As the Chairman of this great Institution, I am bestowed with the honour of chairing the Annual General Meeting of the shareholders of the Bank on this day. This association with the Bank, I am sure would be an enriching experience and given me an opportunity to work closely with my co-directors and the senior management team. I take this opportunity to thank you all for making it convenient to attend this meeting.

It gives me immense pleasure to place before you the 10th Annual Report of the Bank for the Financial year 2015-16. The Annual Report, including the Audited Accounts of the Bank for the year ended 31st March 2016 has been in your hands for quite some time and with your approval, I shall take them as read.

At this juncture, it would be pertinent to have a look at the key financials of your Bank, prevailing economic and market situation, some of the highlights of the previous year and of course, the outlook for the year 2016-17.

I am pleased to inform that the abundant confidence reposed in by our beloved customers has helped the Bank to cross the milestone total business level of Rs.3,00,000 crores. Bank has been self sustaining in terms of Capital by the continued plough back of profit. An excellent track of paying dividend to its Shareholders since 2007 is being maintained.

In 2015, global economic activity remained subdued. Growth in emerging market and developing economies, declined for the fifth consecutive year, while they still account for over 70 percent of global growth. Modest recovery continued in advanced economies. Three key transitions continued to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity from investment and manufacturing to consumption and services in China, (2) lower prices for energy and other commodities and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continued to ease monetary policy.

From the global economic perspective, the recovery continues, but at a slow and an increasingly fragile pace. Growth in emerging market and developing economies is projected to increase from 4 per cent in 2015, the lowest since the 2008–09 financial crisis, to 4.3 per cent and 4.7 per cent in 2016 and 2017, respectively.

There are certain recent macro-economic trends which impacted our operations.

Indian economy is yet to witness a broad-based uptick due to sluggishness in exports and industrial production, even though GDP Growth appears healthy. Revival of the economy in FY 2017 would be largely dependent on public expenditure and urban & rural consumption. Continued slowdown in exports, lack of adequate private sector capital investment and weak rural demand will constrain any sharp ramp-up in economic growth, especially in industrial production. Added to this, heightened uncertainty on global growth prospects led by China, interest rate cycle in the United States and capital flows remain the key downside risks that can cause volatility.

Brexit is also expected to have an impact as India has a fair stake here. The country is dependent to a large extent on remittances from United Kingdom on account of increase in Foreign portfolio and direct investments in the past year. Even though Brexit can lead to a higher Indo-UK trade, a weaker pound will have negative impact on Indian exporters.

Amidst this Global scenario, it gives immense happiness to all that India's economy has emerged as a bright spot in the world economy, with the tag of one of the fastest growing economies in the world. Several factors make India an attractive emerging market. As per the revised estimates released by the Central Statistical Organization (CSO) on the last day of May 2016, India's GDP growth has been estimated at 7.6% in fiscal 2016. However, the growth mix changed at the sectoral level. While services sector growth slowed to 8.9% as against the 9.2% estimated earlier, industrial and agricultural growth rose 10 basis points to 7.4% and 1.2%, respectively. The economic growth at 7.9% in the last three months, was at a six-quarter high, bolstered by private final consumption expenditure on the demand side and agriculture on the supply side.

The real GDP growth is expected to move up to 7.9% in fiscal 2017 from 7.6% in fiscal 2016. The high probability of El Niño giving way to La Niña in the second half of 2016 is expected to bring bountiful rains, boosting agricultural output and rural demand. Improved outlook for the rural economy, which has a 51% share in manufacturing and 26% in services, will positively impact these non-agriculture sectors.

Government's various initiatives such as 'Make in India', 'Stand Up India', 'Start Up India' and 'Digital India' and the implementation of the Seventh Pay Commission recommendations are expected to increase the demand in the economy.

Indian banking sector is sufficiently well-regulated and financial and economic conditions are far better than in many other countries of the world. The sector sees better growth prospects in 2016. The optimism stems from factors such as the government's initiatives to revitalise industrial growth in the country and measures from the Reserve Bank of India that would go a long way in helping banks to restructure. In FY 2016, credit growth of all Scheduled Commercial Banks improved to 11.3% as against 9.0% in the previous year while Deposits growth declined from 10.7% in the previous year to 9.9% in FY 2015-16.

Fiscal 2016 has been a tough one for India's banking sector as asset quality continues to be a concern. Exogenous reasons such as the crash in global commodity prices and poor demand abroad mixed with sluggishness in the domestic economy have given banks little room to improve their performance. However, Indian Bank was agile enough to adapt to this tough economic situation, initiate prudent counter measures to sustain and at the same time maintain competitiveness in the market, with an able Management team fully geared to proactively respond to the challenges of the environment.

I am happy to share some of the key performance highlights with you:

- Total Business crossed the milestone level of Rs.3.00 lakh Crores and grew by 4.31% to reach a level of Rs.3,10,918 Crores.
- Deposits grew by Rs.9,061 Crores at 5.35% to reach a level of Rs.1,78,286 Crores.

- Advances registered a growth of Rs.3,800 Crores at 2.95% to reach the level of Rs.1,32,632 Crores.
- Share of CASA deposits (domestic) reached a level of Rs.31.94% from 29.68% by recording a growth of 14.81% YoY and touching Rs.55,153 Crores. In CASA growth, the Bank is ranked 4th among nationalized Banks.
- Operating Profit was Rs.3,032 Crores and Net Profit Rs.711 Crores.
- Other Income registered a growth 30.66%
- Despite a spurt in Non-Performing Asset levels in the recent past in the Banking industry, Indian Bank has been able to maintain the quality of its Balance Sheet with an efficient NPA management system in place. Gross NPA Ratio and Net NPA Ratio were contained at 6.66% and 4.20% respectively as on 31st March 2016.
- Return on Assets at 0.36% stands among the best in the nationalized Banks category.
- Bank's networth increased to Rs.13,478 Crores.
- CRAR under Basel III was at 13.20% as at March 31, 2016.

Considering the Bank's performance, your directors are happy to recommend a dividend of 15%. The confidence of 4.25 crore customers has inspired us to put in consistently better performance year after year.

Bank proposes to leverage its strong presence in south India by positioning itself to concentrate on Retail Banking and Mid-Corporate segment with effective use of our technological platform.

I am sure that with the continued support of our shareholders, customers, well-wishers and the persistent efforts of our employees, together with the support of the Government of India and the Reserve Bank of India, Bank will continue to strive to move ahead in its pursuit for excellence.

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 cooperation and support to the Bank.

I would like to convey my sincere thanks to the Bank's valued customers and shareholders for their valuable contribution to the progress of the Bank and seek their continued support and cooperation in future.

I wish to place on record, the deep appreciation of the valuable contribution of the employees in all cadres, without which the growth achieved, would not have been possible. I look forward to your continued support in faster business development and progress of the Bank.

With best wishes,

T. C. Venkatsubramanian

T C VENKAT SUBRAMANIAN
NON-EXECUTIVE CHAIRMAN