



Haseeb A. Drabu

Chairman & CEO

Dear Stakeholders,

It is with great personal pleasure and with a sense of professional privilege that I rise to address the Annual General Body Meeting of J&K Bank.

May I, on behalf of the Board of Directors, the management, officers and employees of the Bank welcome all of you to this AGM.

This is our Bank's 72nd AGM. With every passing year, the Bank grows not just in size but also in strength, stability and stature. Now, it is not just a bank but an iconic institution. An institution that is setting standards of professionalism and work culture in the state. It touches the lives of virtually everyone in the state and has become the lifeline for the people of J&K. This has been accomplished because of the commitment and dedication of our employees.

No wonder then that inspite of a nervous global economy, a national economy caught in the trepidations of uncertainty and a very volatile regional economic environment, the J&K bank has delivered its best results ever.

What you hold in your hand, valued shareholder, is by far the best Annual Report in the 70-year-old history of the Bank. This is so, not just in terms of the financial results but also in terms of compliance to all the regulatory requirements, be it the preparedness for systemic changes like the new Basel regime.

Also, this report is way above all the earlier ones in the level, nature and quality of disclosures. I am very happy to present the March 31st, 2010 Annual Report that is comparable to the best in the world and in the country.

The looking inward business strategy of the J&K Bank that was initiated in 2005 has, as envisaged, reached fruition in 2010. The basic contours of the strategy were to deliver more credit to the J&K economy and create a footprint in the state that cannot be replicated by any other bank or financial institution.

It is no mean achievement that in the last five years credit delivery to the J&K economy has increased ten times. From a paltry credit portfolio of Rs 1,200 crore, we now have lent Rs 12,000 crore in the state. The Credit deposit ratio that used to hover around 20 per cent has reached respectable levels of 50 per cent.



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Adherence to this strategy, even during very trying macroeconomic times, has paid rich dividends, metaphorically and literally .

This small bank, that was started way back in 1938 originating in the back of beyond, today stands among the top three banks in the country. The numbers speak volumes: a return on assets of 1.4 per cent, a return on equity of more than 20 per cent, a cost to income of 36 per cent, impaired asset level of just 0.28 per cent and a coverage ratio of almost 90 per cent. We can now legitimately claim our place among the 'best in breed' of Indian banks.

With our home turf secured and the impending threat of new generation private sector banks entering J&K and giving competition countered, the J&K Bank is now looking outwards. This is the second phase of strategy.

To take the bank to the next level, we have set ourselves an ambitious target. By March 2012, we aspire to do a business volume of Rs 1 lakh crore and earn a profit of Rs 1 thousand crore!

Given this overall environment, the challenge is to maintain the existing level of cost and financial efficiency and deliver greater shareholder value in the phase of high growth and expansion.

Fortuitously, the start of the outbound strategy comes at a time when the national economy is showing signs of a stable recovery. Also, the emerging pace and pattern of growth is conducive to absorb high volumes of debt.

Notwithstanding the spectre of double-dip recession, our understanding of the overall macro-economic situation in India is that by the third quarter of the current year, we shall see recovery take a definite shape. As things stand, there is no denying that the Indian economy has recovered from the lows of the last year; what is not so clear is the shape and size of the recovery.

The recovery is likely to be driven by a very progressive public expenditure policy and a high dose of autonomous investments by the union government in the infrastructure sector. This will



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generate the supply side impulses. The demand side will be driven by the massive financial inclusion program of launched by the RBI and the social welfare spending of the Government of India.

Both of these should engender a broad based recovery that spans capital goods, basic goods, intermediate goods as well as consumer durables and non durables.

For the moment, credit growth continues to be an issue even as capacities are beginning to get fully utilized and constrained. Here is a bit of an anomaly in so far as the commercial credit growth from banks is not in line with either macroeconomic growth or capacity expansion needs of firms. There could be two reasons for this; one is that bank credit is being substituted by quasi credit; companies are raising resources through commercial paper or from other lenders at lower costs. This holds good for tenured loans. For the working capital limits, it has to do with the commodity prices which have not only been high but highly volatile. Nevertheless, we foresee a more robust credit demand in the next few quarters.

Normally this should result in a well balanced growth in the lending portfolio of banks ranging from retail to corporate credit. But in the existing policy regime there will be some challenges and imponderables.



I stand here and assert that the J&K Bank is not just a strong bank and a solid financial institution. It is a great institution which we, in J&K, are very proud of; and legitimately so.



The imponderables relate largely to the second generation reforms in the financial sector on which the government has been dithering. They also relate to monetary reform in the sector; notably the new regime of base rate and the intensive program of financial inclusion.

With the fiscal side being reined in, worries on the interest rate have subsided to a large extent. Not much is expected on the financial side from the government, but the real estate sector action should more than compensate for it.

On the monetary front, financial inclusion will add an allocative dimension to the policy which has so far been directional. This will have a positive impact on credit growth and distribution.

Be that as it may, our simple strategy has been to try, anticipate and understand the changes in the system and environment that we are working in and calibrate our business accordingly.

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The credit for this goes not just to the top management of the bank but to the employees; the officers and the staff. The kind of dedication and sincerity that we have seen, and keep seeing

over time never ceases to amaze me. It is their dedication that makes our bank a great institution. I doff my hat to all my colleagues manning the business and branches, in acknowledgment of a great job done under very difficult circumstances.

In having got this far, the Bank has got invaluable guidance from our Board of Directors. I have personally learnt a lot from each one of them and the Bank has benefited enormously from their wisdom.

I acknowledge the unstinting support from the Reserve Bank of India and express my gratitude to them. The Bank also has got assistance and cooperation from NABARD, SIDBI, IBA, Stock Exchanges, Department of Company Affairs, Registrar of Companies, Comptroller and Auditor General, Central Government and above all the Government of Jammu and Kashmir.

Finally, I invite all of you to be with us in our journey to the one lakh crore landmark! It is an exciting and challenging journey to undertake. I am sure, you will be part of a great success story!

Bon Voyage!

Haseeb A. Drabu