

Speech of MD&CEO



PADMAJA CHUNDURU
MD & CEO

**At the 13th Annual General Meeting,
on June 27, 2019
at IMAGE AUDITORIUM
Raja Annamalaipuram, Chennai - 600 028.**

Dear Shareholders.

Very Good Morning to all of you. At the outset, I would like to extend a warm welcome on behalf of the Board of Directors, the Management and the Employees of the Bank to the 13th Annual General Meeting (AGM) of Indian Bank. It is a special moment for me as I stand before you for the first time to take you through the performance of your Bank during FY 2018-19.

Economic Overview

I would like to briefly touch upon the developments in the macroeconomic environment that have strong implications for the banking sector.

India remains world's fastest growing major economy in the mid-term and in the long - term. IMF projected GDP growth of 7.30% for 2019-20 and 7.50% for 2020-21. It is expected that growth will be more sustainable, propelled by investment and private consumption.

Government of India has initiated and implemented various reforms including Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), PSB Reform agenda - Enhanced Access and Service Excellence (EASE). The return of the same government at the Centre with a greater and stronger mandate reinforces our view that the sectoral reforms aiming at strengthening the system will gather momentum.

The Indian economy, while driven by domestic demand and consumption, is also interlinked with global oil prices, trade flows and geo political developments.

Uncertainties surrounding US stance in Middle East, US-India and US-China trade negotiations, US Monetary Policy can and will impact India. Exports, including of services, are especially subject to emerging risks and challenges. On the other hand, foreign investment flows and revival in the real sector are expected to boost growth.

The Indian Government infused equity of ₹ 1.06 trillion into the PSBs during the year. Indian Bank is the lone exception with the unique distinction of maintaining a high capital ratio, despite the headwinds roiling the sector.

RBI has been taking several measures to address the growth concerns including flexible inflation targeting monetary policy framework and steps for enhancing foreign investment by liberalizing FDI regime and undertaking efforts to provide conducive business climate.

Further, there is progressive reduction in SLR, Repo rate cut, Open Market Operations and the FX-Swap to infuse system liquidity to name a few. RBI has also been supportive of the vulnerable sectors - MSME, by giving special dispensation for restructuring and succour to NBFCs was provided through partial credit enhancement, permitting co-origination with Banks, etc.

Performance Highlights:

I am very happy to report that the Global business touched ₹ 4.30 lakh crore mark, contributed by 15.50% growth in advances and 16.20% growth in deposits with CASA growth of 9.17%. What makes this achievement all the more satisfying is that in a span of just 18 months, your Bank could add ₹ 1.00 lakh crore of business.

RAM drives Credit Growth : Growth in advances was well diversified with share of RAM portfolio increasing to 58.2% of Gross Advances (Domestic) with almost equal contribution from Retail, Agriculture and MSME (RAM) sectors which grew y-o-y by 13.4%, 24.8% and 14.5% respectively.

On the profitability front, driven by y-o-y growth of 12% in both Interest income and Net Interest Income, Bank recorded Operating Profit of ₹4880.62 Cr and Net Profit of ₹321.95 Cr. Your Bank was one among the five PSBs which were able to clock Net Profit during F.Y. 2018-19, which is indicative of the efficient and effective management of resources. Return on Assets (ROA) was at 0.12% & Domestic Net Interest Margin was 3.00%.

During a period when the entire Banking industry was confronted with challenges on the asset quality front, your Bank improved asset quality with Gross NPA Ratio at 7.11% and Net NPA Ratio at 3.75%, an improvement from the previous year position of 7.37% and 3.81% respectively. As a measure of prudence, the Provision Coverage Ratio was increased to 65.72%.

Your Bank remains sound and well capitalized with CRAR of 13.21%. Bank raised Capital of ₹295.48 Cr under Employees Share Purchase Scheme (ESPS) in May 2019 with wholehearted subscription from all sections of employees.

Leading from the front:

It is gratifying to note that our Bank stands in the top 3 positions in respect of key parameters like Business (Deposits & Advances growth), Profitability (Interest/Total income, ROA and Net Profit to business), Asset Quality (Gross/Net NPA ratios) and Productivity (Cost to Income ratio). This commendable achievement has been possible due to the hard work and concerted efforts put in by each and every employee of the Bank and I would like to extend my congratulations for the great teamwork.

Your Bank had achieved all its National Goals i.e. Priority Sector Advances at 41.93% (mandatory 40%) of the Adjusted Net Bank Credit (ANBC), Agriculture lending at 19.91% (18%), lending to weaker sections at 12.23% (10%) and lending to Micro Enterprises at 8.55% (7.50%).

Indian Bank is the front runner in implementing Government Sponsored schemes for upliftment of underprivileged sections of society by providing financial assistance for self-employment.

Bank expanded its footprint by opening 91 new branches during the year, taking the tally of domestic branches to 2872, with international presence in Singapore and Sri Lanka.

The core geographies of the Bank, i.e., 5 Southern States & UT of Puducherry together contributed 56% of Bank's Business, 66% of CASA deposit, 70% of Retail Credit and 79% of Priority Sector lending. The fact that Bank is the privileged banker in the State of Tamil Nadu and UT of Puducherry for Government schemes is a matter of pride for us.

Enlarging Rural Banking space

In recognition of the Bank's inherent strength and core competencies, the Government of India, permitted amalgamation of Pandian Grama Bank-sponsored by IOB with our RRB – Pallavan Grama Bank. The amalgamated new entity Tamil Nadu Grama Bank, with Indian Bank as the sponsor, commenced its operations on 1st April 2019 with 630 branches and business of more than ₹22,500 Cr.

Digital Success:

Bank has always been a forerunner in delivering technology based products and services in a safe and secured manner from the comforts of home and office. Your Bank was the Top performing Bank for multiple scheme payments under Public Financial Management System (PFMS). Being the highest Rupay Platinum card issuer among all banks, your Bank was 2nd highest among PSBs and 5th among all banks in ATM transactions. Banking transactions through mobile recorded a four-fold increase in the FY 2018-19.

CSR Initiatives:

Indian Bank is committed to economic and social wellbeing of society. Bank continues its efforts to serve the society and has undertaken several CSR initiatives, few of them being:

- Donated automatic sanitary napkin dispensing machines and incinerators to Government schools/ Colleges and hostels for women in Tamil Nadu.
- Conducted blood donation camps and free health checkup and medical camps across the country.
- Organized Yoga camps in schools.
- Arranged Training for school teachers.
- Organized several sports events in the state of Tamil Nadu to promote and encourage younger generation towards sports activities.
- Extended relief material to Fani and Gaja cyclone affected communities.
- Extended sponsorship for constructing 1800 ft road from Village Maujain to Government Primary School, Madhao Singhana, Sirsa, Haryana.
- Donated ₹24 lakh for construction of National Academy of RUDSETI (NAR) building at Bengaluru for skill development.

Awards and Accolades:

Your Bank was bestowed with a number of coveted Awards for FY 2018-19, notable among them being:

- Voted 'Trusted Brand' by Reader's Digest
- "Best Bank in SHG Bank linkage Programme" award from Government of Tamil Nadu for 10th consecutive year
- "Best Performance – Financial Literacy 2018-19" award from NABARD
- "Best performing PSB under APY 2017-18" award from PFRDA

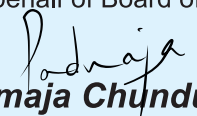
Way Forward:

The business mantra going ahead would be 'Growth with Profitability' with primary focus on increasing CASA deposits, curtailing cost, increasing fee income, arresting slippages and accelerating recovery in impaired assets. The Bank has a well laid out Business Plan with a clear visibility on growth, earnings and asset quality that create significant value for all its stakeholders.

The focus will continue to be on offering efficient and excellent customer service, with deep 'customer connect' and enabling customers on digital banking to give them greater ease. On behalf of the Board of Directors and also on my personal behalf, I would like to thank all our stakeholders for reposing their faith in us, our valued customers, for placing their trust in us and last but not the least, our employees, for continuing to render excellent customer service and support the Bank in our quest towards achieving the corporate goals.

With best wishes,

For and on behalf of Board of Directors,


Padmaja Chunduru
MD & CEO