

The background of the slide features a dark, night-time scene with numerous bright, golden-orange sparks from a sparkler. The sparks are scattered across the frame, with some appearing as long, thin streaks and others as bright, starburst-like points of light. The overall effect is one of dynamic energy and celebration.

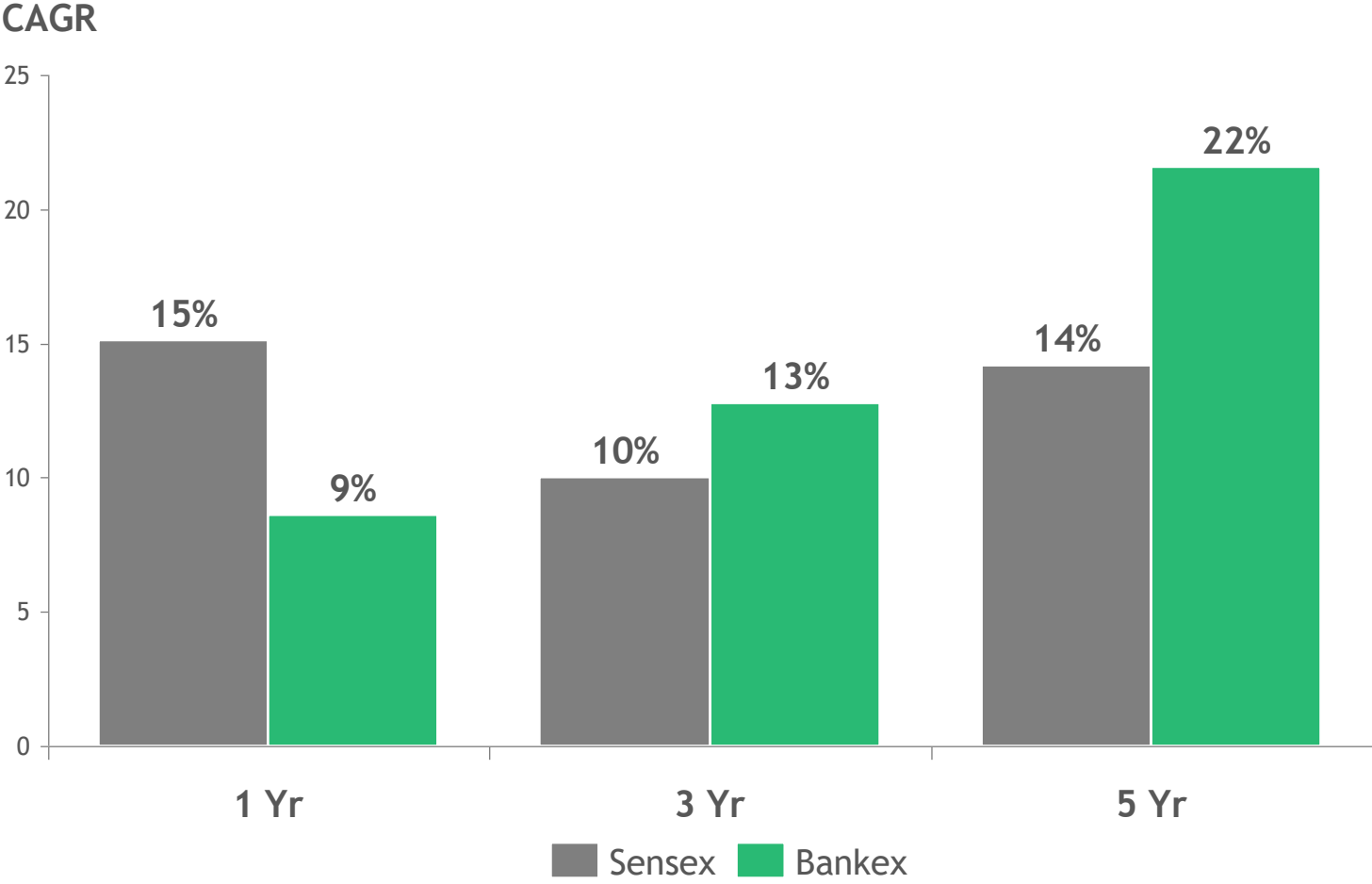
BCG

THE BOSTON CONSULTING GROUP

Transformation: How Can Banks Convert Challenge Into Opportunity

AUGUST 2018

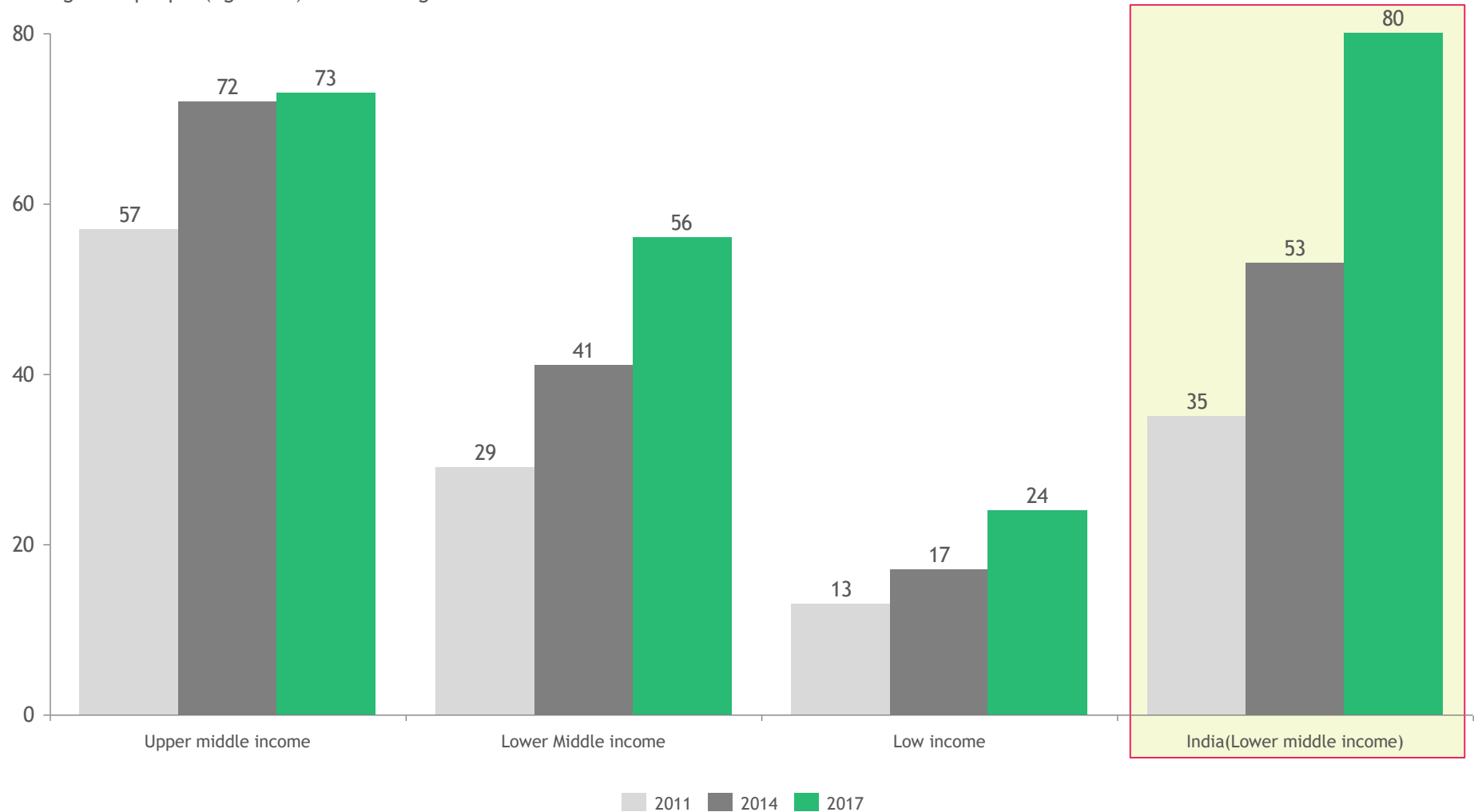
Bankex has grown better than Sensex



1. Returns calculated as at 1st of August 2018.

Step jump in financial inclusion

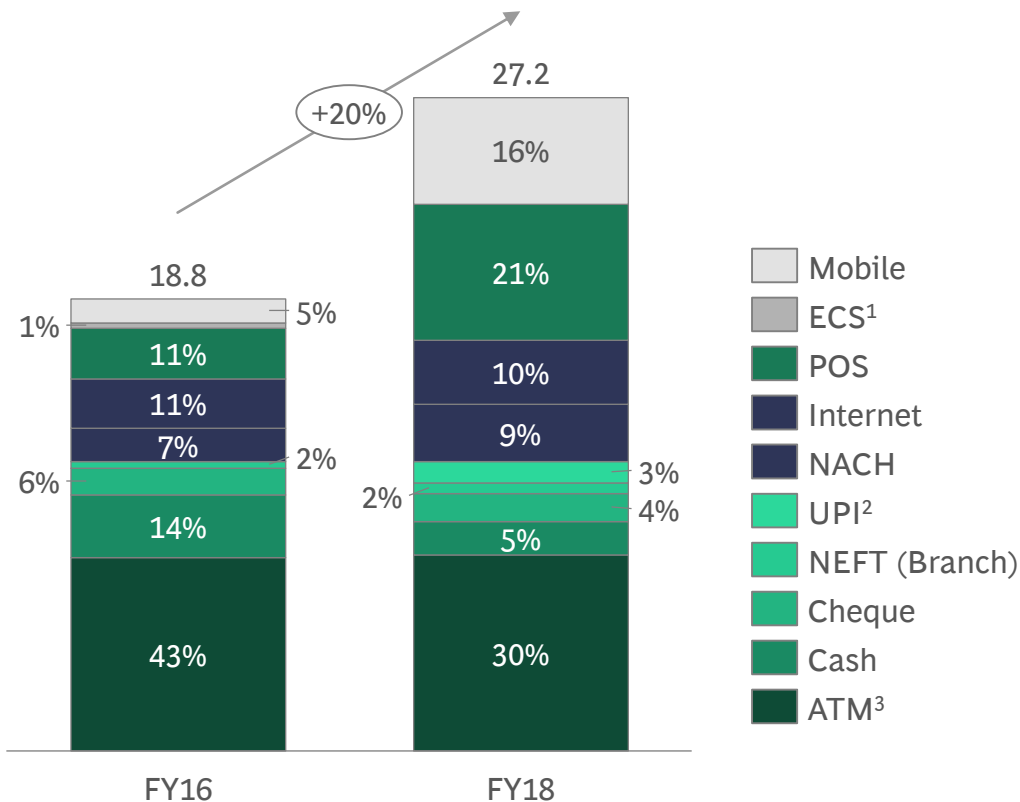
Average % of people (Aged 15+) with banking account



1. High Income - GNI/capita > USD 12,055, Upper middle income - GNI/capita >USD 3895, Lower middle income - GNI/capita >995, low income GNI/capita <USD 995
2. Source: Global Findex Survey, World Bank, BCG Analysis

Massive stride in digital

Number of transactions ('00 crores)



Growth in total transactions (%)

	FY16 over FY15	FY17 over FY16	FY18 over FY17
Digital	67%	94%	48%
Branch ⁴	-4%	-19%	-11%
ATM ³	15%	6%	-5%

1. ECS transactions can be initiated offline or through online channels 2. UPI did not exist in FY16 3. ATM/CDM includes withdrawals transactions at ATM and deposit transactions at CDMs. ATM and Mobile transactions included are financial transactions only 4. Branch based channels include cash and cheque. Cash transactions refer to counter cash transactions within branch

Notes: 1. Data of 5 PSU - Large banks, 8 PSU - Medium banks, 3 Private - New banks and 3 Private - Old banks included for the purpose of cash transactions and NEFT transactions at branch 2. FIBAC data is used for NEFT from branches, Counter cash and E-POS transactions

Source: RBI data, FIBAC Productivity Survey 2016, 2017 and 2018; BCG analysis

Bol: Transforming by gaining momentum



Mission Samaadhan

A non-discriminatory OTS Scheme formulated for quick recovery and resolution of NPAs



RAM Advances

Strategy for re-balancing of portfolio in favour of RAM advances (Retail, Agriculture and MSME)



Star Points

Activation of 907 Growth Centers through Business Correspondents (BCs) called for expanding outreach

PSB Transformation Program

Enhanced Access & Service Excellence

1



Customer
Responsive-
ness

2



Responsible
Banking

3



Credit
off-take

4



UdyamiMitra
for MSME

5



Deepening
Financial
Inclusion and
Digitization

6



Developing
Personnel
for Brand
PSB

Three questions

- 1 How did BOI transform its recovery efforts?
- 2 Which are the most exciting current transformation themes at BOI?
- 3 What does it take to make change irreversible in PSBs?

RBL Bank's Transformation: Scale Without Scale



Enhancing distribution

- 266 own branches, 847 BC branches (including 199 Banking Outlets) serve over 4.9 Mn customers pan-India



Investing in platforms

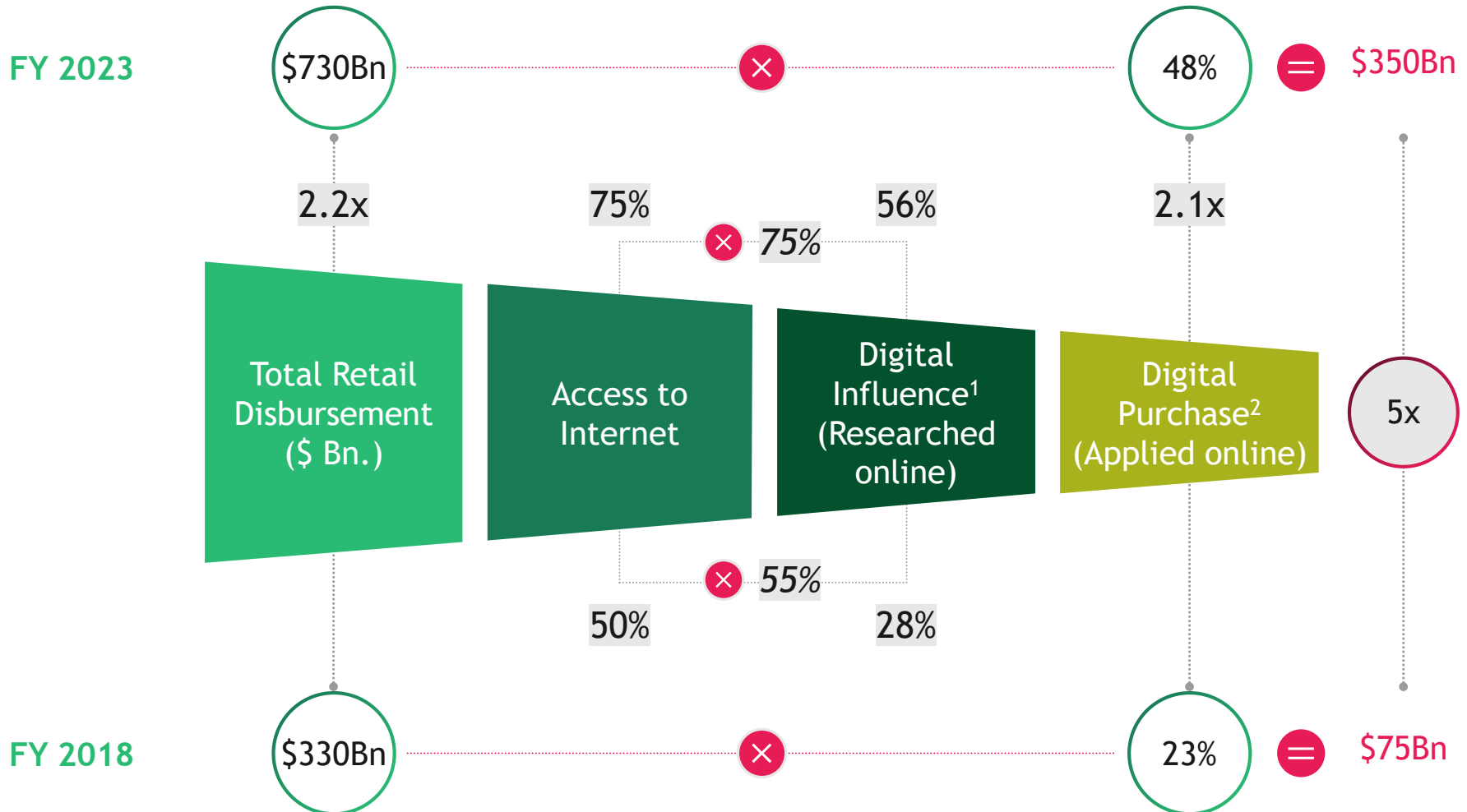
- Leveraging changes in ecosystem driven by Aadhaar, UPI, IndiaStack
- AEPS & UPI based mobile apps to transact through low cost channels



Leveraging analytics cross-sell across all businesses

- Analytics to analyze data to enhance cross sell & customer targeting
- Better availability of data for underwriting

500% growth expected in digital lending



Sources: BCG Google 2018 Digital Lending Survey (N=1882), conducted among users who have purchased a loan in the last 12 months), BCG analysis.

¹Percentage buyers who used internet during purchase process for any product,

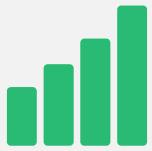
²Percentage buyers who applied online (Survey Question: did you use any online medium for applying or acquiring the loan),

³Conversion Rate: 1 USD = 65 INR

Three questions

- 1 What were your handicaps and how did you convert that in an advantage?
- 2 RBL did great in partnerships and technology. How can these levers continue to be differentiators ?
- 3 Private Sector Banks are being challenged by NBFCs. What agenda have you set for RBL?

Karnataka Bank: Starting Transformation



Grow



Growth with improved sales productivity & designing new products



Optimize



Cost optimization with process automation and digitization



Engage



Shareholder value enhancement through investor engagement communication & corporate branding



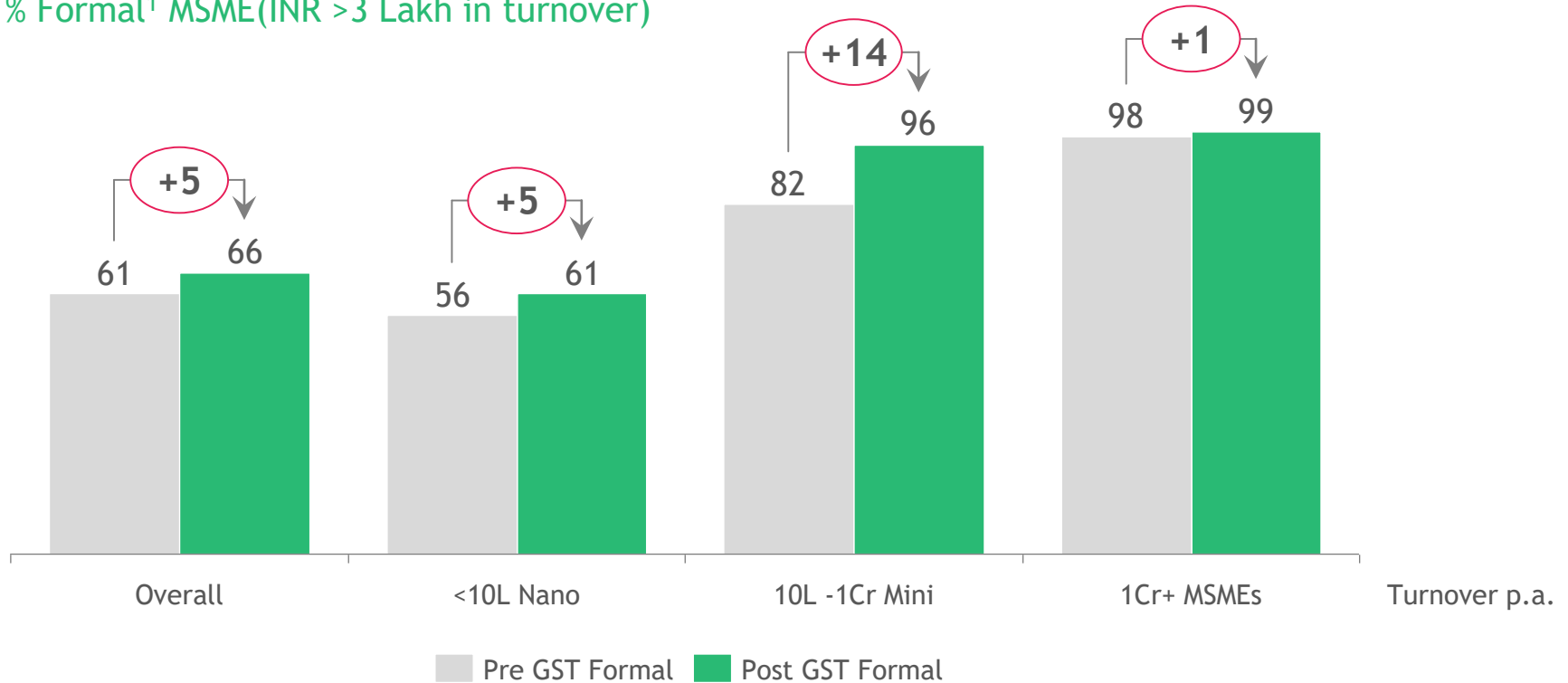
Improvise



Profitability boosters with pricing optimization and focus on fee income

GST leading to additional MSME formalization

% Formal¹ MSME (INR >3 Lakh in turnover)



66% Likely to go up to ~85%

1. Existence of a formal record through registration with any one Government act/authority like GST, EPFO, Factory Act, Municipal/ Local corporation etc. | 2. MSME stands for Micro, Small & Medium enterprises
Source: Quantitative survey analysis (N=1514): Data weighted to be representative of (3L+ turnover) MSME universe w.r.t Turnover x Sector X Geo (U/R), BCG analysis

Two questions

- 1 Transformations are contextual. 3-5 years from now, how will you think of costs and benefits of this transformation program?
- 2 Transformations can be long and difficult. How do you work on change of mindset and take everyone along, in an organisation with long legacy?

ICICI Bank: Continuous Digital Transformation



Acquisitions

- ~ 85% of new savings accounts sourced through tab banking



Operations

- Over 500 robotic systems perform over 1.5 million transactions / day
- Reduced response time for customers by up to 60%



Customer service

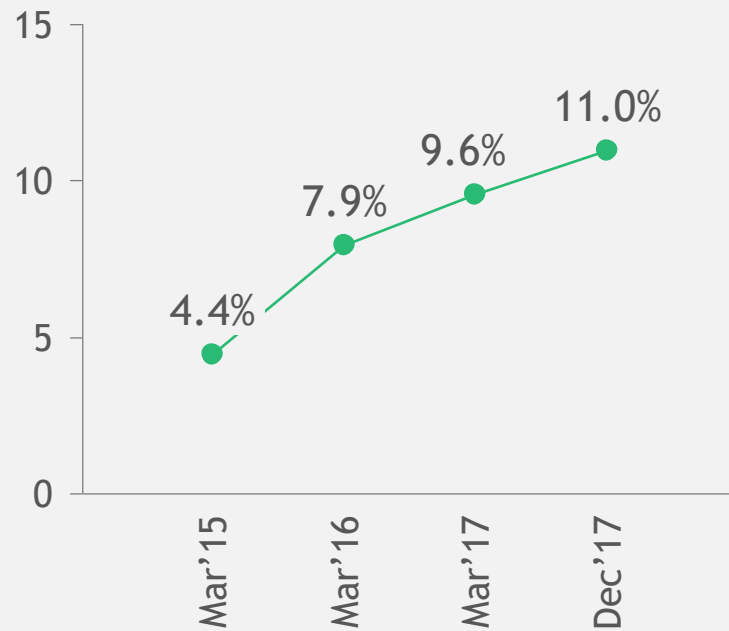
- AI and ML enhancing customer experience
- AI powered chatbot "iPal" handles ~ 1 million queries/ chats monthly with nearly 90% resolution

Three questions

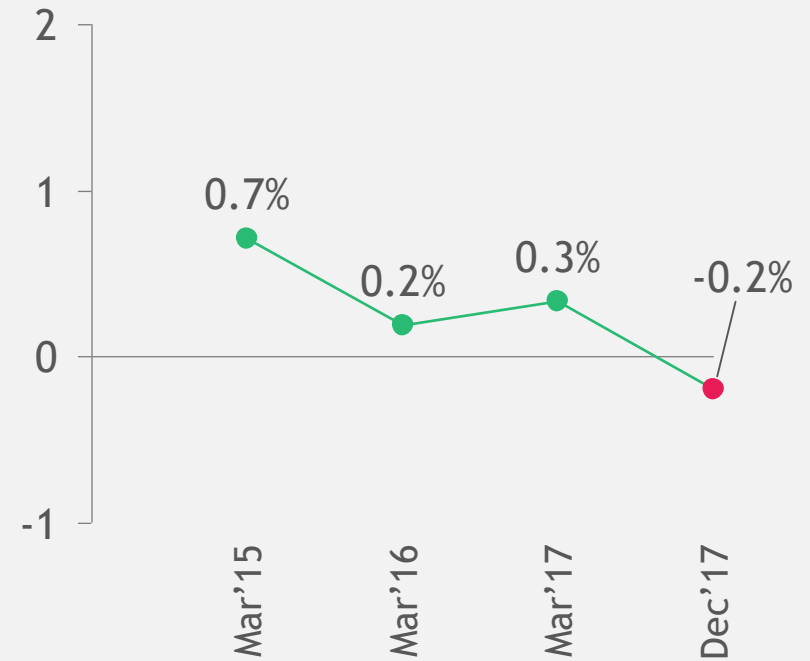
- 1 There has been talks about commoditization of banking with AI technology? Is it real and what does it mean?
- 2 How do you anticipate customer needs and translate that in a product / service?
- 3 In last 10-15 years, which transformative efforts did not provide satisfactory results?

The NPA challenge is real

Rising NPA (GNPA%)



Falling profitability (RoA%)



Three questions

- 1 How do banks reshape their balance sheets, and nurse it back to health?
- 2 Do you see the stressed assets problem that the banks are facing peaking any time soon?
- 3 Are banks ready to embrace the advanced credit decision tools that are disrupting the financial markets like never before?

IBC: Glass Half Full / Half Empty

Account	Admitted	Resolution	Days: admission
Bhushan Steel	July 26, 2017	May 15, 2018	293
Lanco Infratech	August 7, 2017	Pending	310
Essar Steel	August 2, 2017	Pending	315
Bhushan Power and Steel	July 26, 2017	Pending	322
Alok Industries	July 18, 2017	Pending	330
Amtek Auto	July 24, 2017	Pending	324
Monnet Ispat & Energy	July 18, 2017	Pending	330
Electrosteel Steels	July 21, 2017	In NCLAT since 04/18	327
Era Infra Engineering	September 21, 2017	Pending	265
Jaypee Infratech	August 9, 2017	Pending	308
ABG Shipyard	August 1, 2017	Pending	316
Jyoti Structures	July 4, 2017	Pending	344

- Of 12 accounts with combined exposure of Rs. 2.5 trn, resolution has been a challenge
- Of the remaining 10 accounts, all but one have crossed the 180 days + 90 days prescribed

Three questions

- 1 How good is the ARC framework in India? Quality of service providers?
- 2 Can the Banks use eco-system / existing service providers better or optimally?
- 3 How are 'partners-to-banks' like Edelweiss responding to new challenges and changes?

Transformation needs course correction of many facets

Strategy

Operations

Organization

HR / People

IT / Tech

Culture

Rapid Fire 1:
What will be
your starting
point and
sequence?

Rapid Fire 2

Describe in 2-3 words or phrase your mantra to be successful in a transformation journey

Open Questions & Answers