

The background of the slide is a high-speed photograph of water splashing, creating a dynamic and energetic feel. The water is captured in various stages of motion, with droplets and bubbles visible, set against a dark, almost black background.

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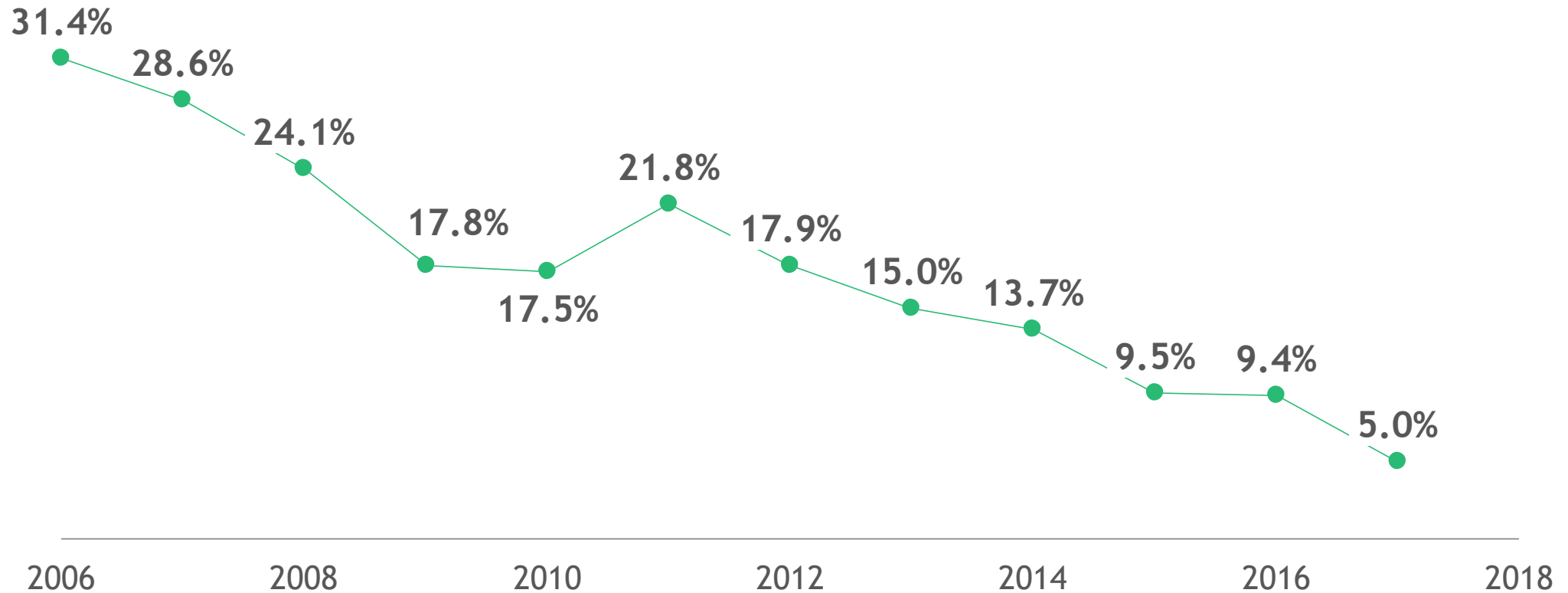
Rapid Transformation and Performance Improvement

FIBAC panel discussion

NOVEMBER 6, 2017

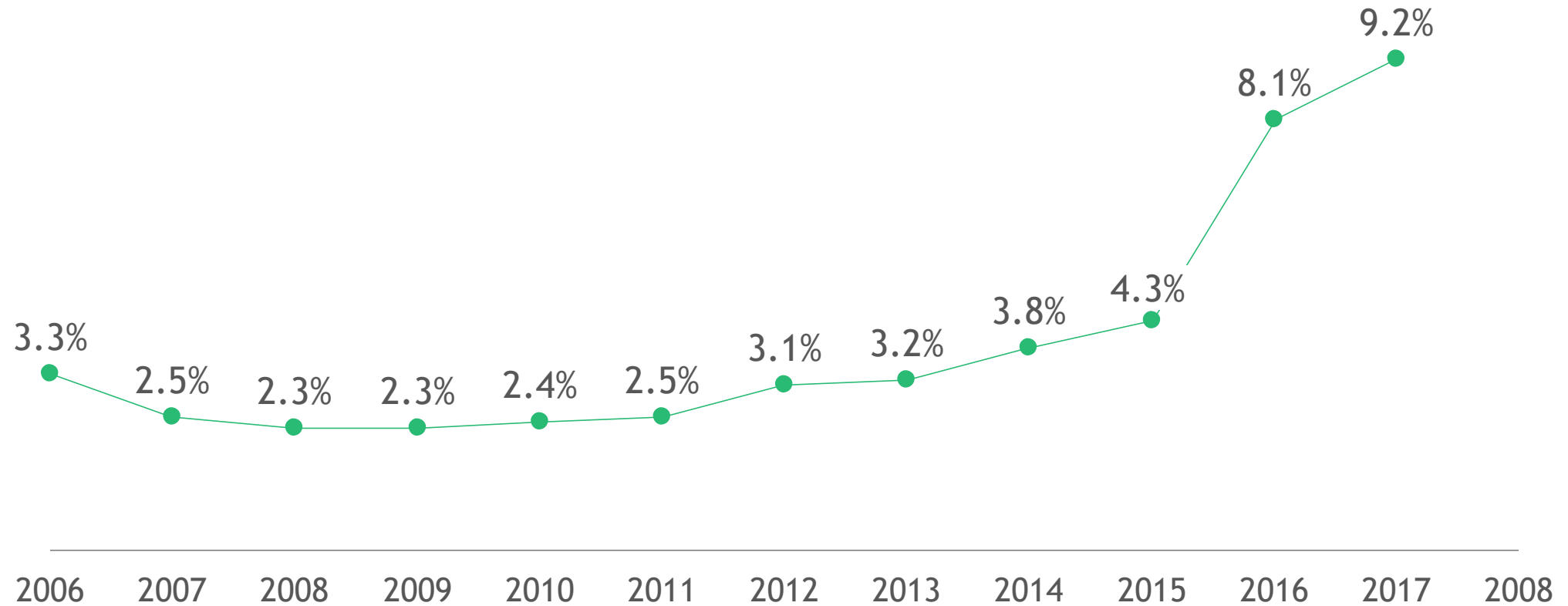
Banking credit growth is at an all time low ...

Banking credit growth (%)



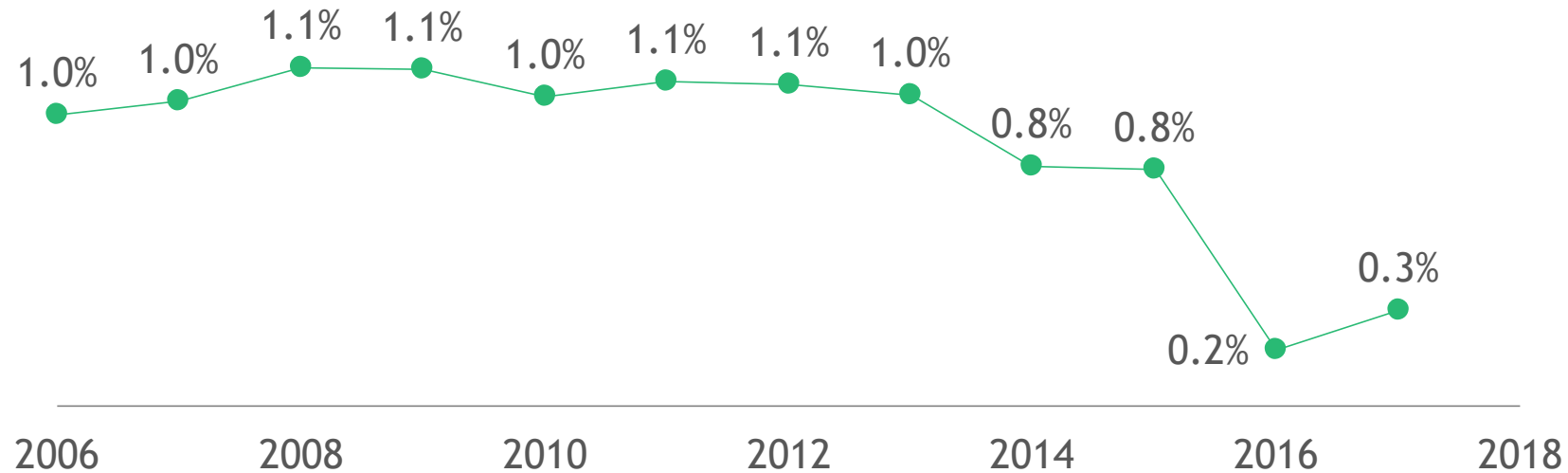
NPAs are rising ...

% Non performing assets



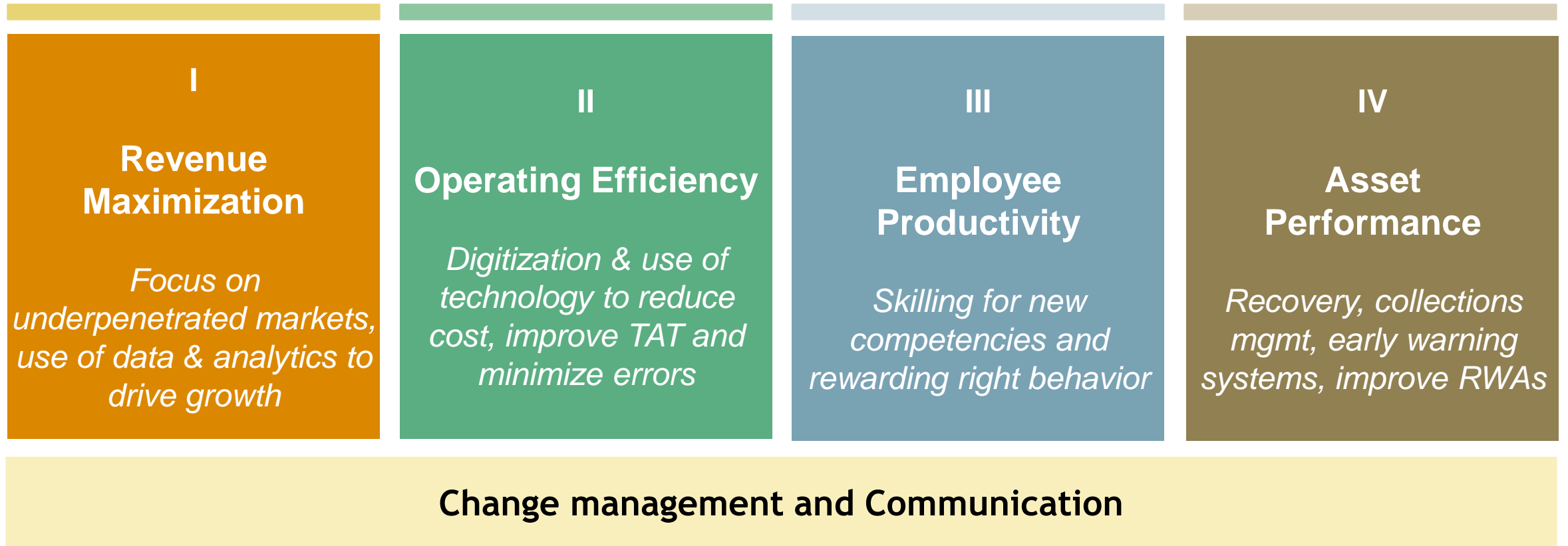
... and returns are falling

Return on assets (%)



Critical need for
a turnaround in
the banking
industry

Holistic turnaround required for Banks



NBFCs emerging as a strong threat

Only 1 NBFC in top 20 financial services companies by assets ...

Company	Asset Size ¹ (INR Crores)	Company	Asset Size ¹ (INR Crores)
St Bk of India	2,711,590	HDFC	436,968
HDFC Bank	863,962	IDBI Bank	362,265
ICICI Bank	775,159	Central Bank	333,983
Punjab Natl. Bank	720,823	Syndicate Bank	299,073
Bank of Baroda	694,875	Oriental Bank	253,461
Bank of India	628,453	Corporation Bank	248,395
Axis Bank	601,559	I O B	247,167
Canara Bank	587,602	Allahabad Bank	237,743
Union Bank	453,680	UCO Bank	231,491
		Andhra Bank	223,123
		Indian Bank	218,233

 NBFC

1. Asset size = total assets in FY17
Source: Capitaline

NBFCs emerging as a strong threat

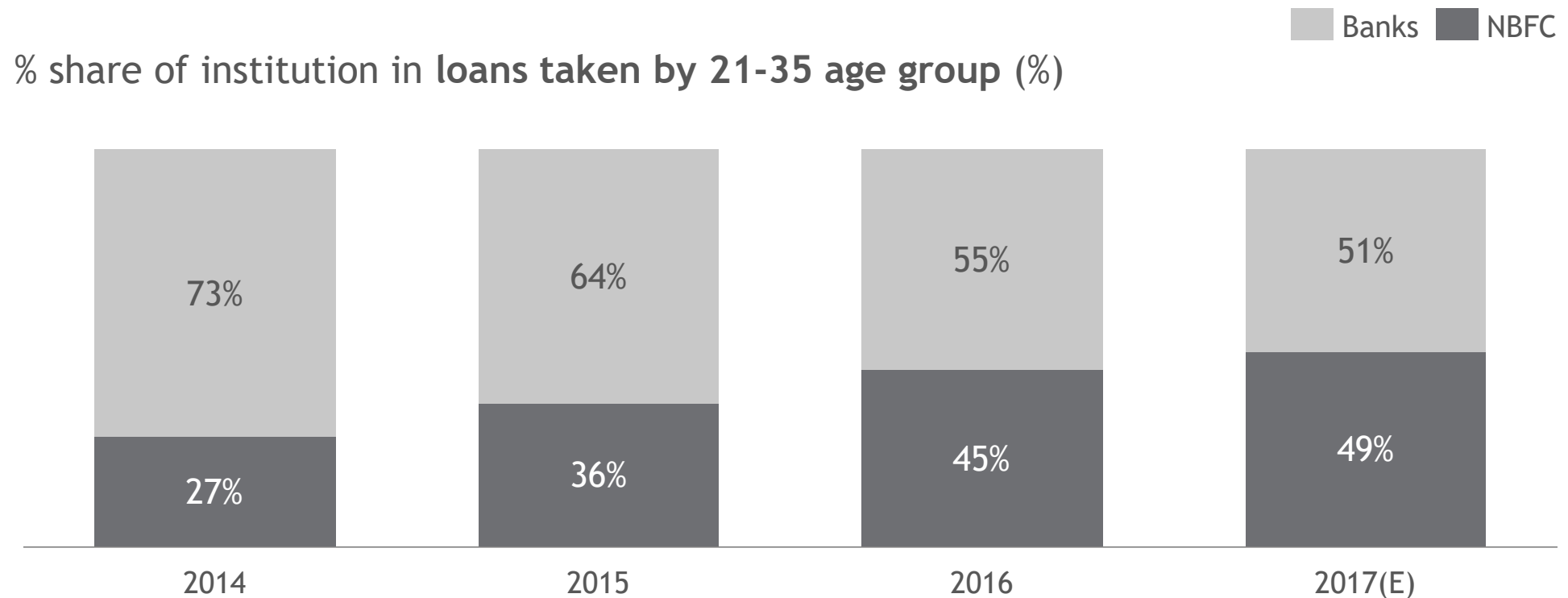
...but 9 feature in the top 20 financial services companies by Market Cap

Company	Market Cap ¹ (INR Crores)	Company	Market Cap ¹ (INR Crores)
HDFC Bank	467,688	Indiabulls Hous.	52,795
HDFC	272,348	Punjab Natl. Bank	41,953
St Bk of India	263,968	Aditya Birla Cap	39,154
Kotak Mah. Bank	195,170	Bank of Baroda	39,148
ICICI Bank	192,579	L&T Fin. Holdings	36,682
Axis Bank	125,441	LIC Housing Fin.	30,213
IndusInd Bank	97,473	Shriram Trans.	26,500
Bajaj Finserv	79,731	M & M Fin. Serv.	24,551
Yes Bank	71,985	Canara Bank	24,226
		Edelweiss. Fin.	24,096
		Federal Bank	23,838

 NBFC

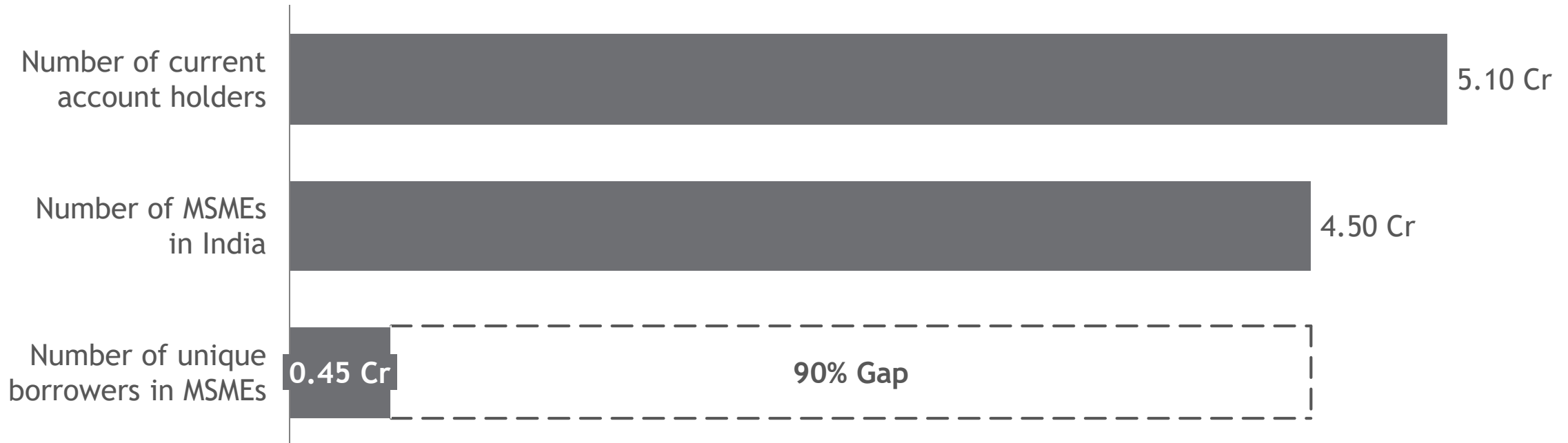
1. Market Capitalization as on Oct 31, 2017S
Source: Capitaline

NBFCs targeting the next set of customers ...



Note: 2017 full year figures estimated based on 2014-16 values, Figures pertain to calendar year, E-Estimated
Source: TransUnion CIBIL data and analysis, BCG analysis

MSME is an underpenetrated market in India

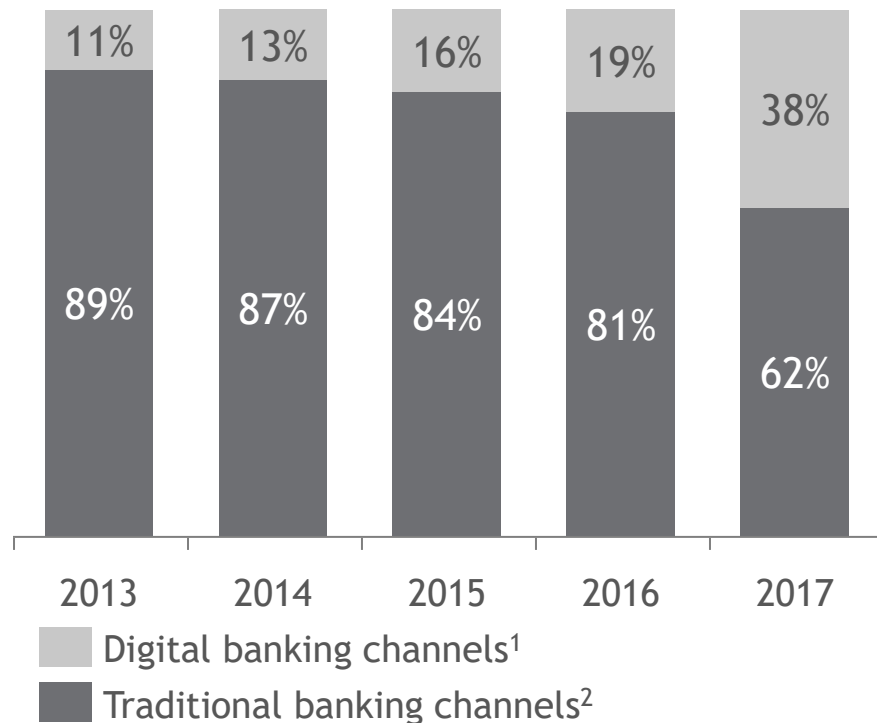


Source: Transunion CIBIL data and analysis, BCG analysis, Total number of MSME entities from MSME Annual Report 2016-17; Number of MSME entities accessing formal credit and average loan size based on TransUnion CIBIL commercial bureau data for entities with <25 crore cumulative exposure

Increasing digitization hasn't resulted in any significant cost advantage

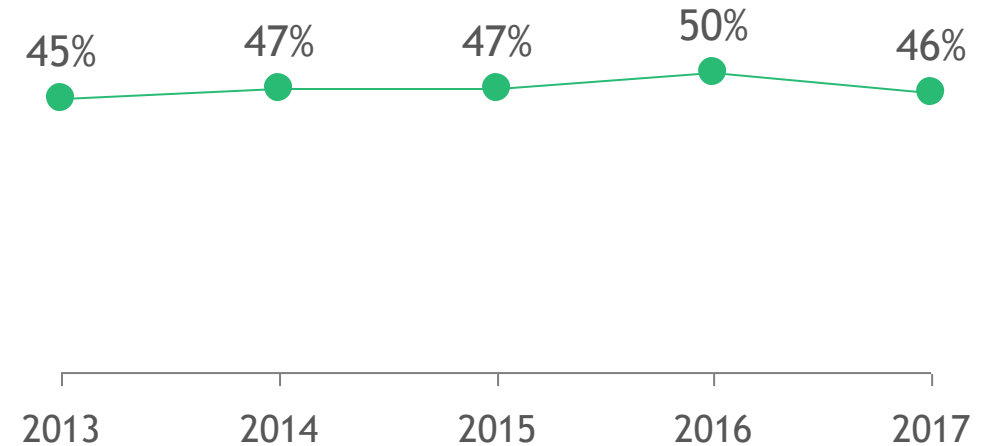
Increasing digital banking penetration ...

% of transaction volume



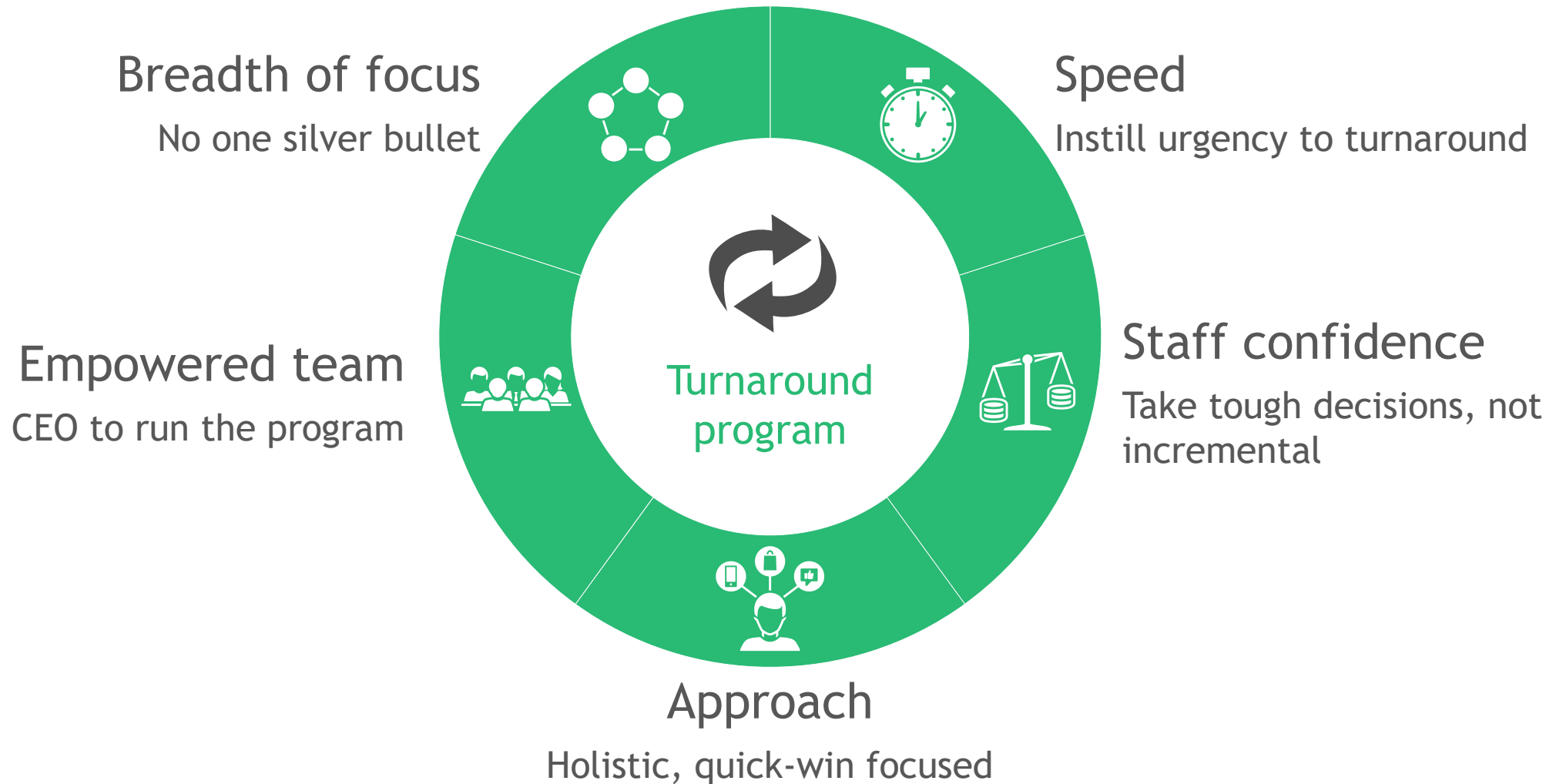
... but no significant cost advantage realized yet

Cost-to-income ratio (%)



1. Digital banking channels include Mobile, ECS and POS 2. Traditional banking channels include cheque, cash transactions, ATM, NEFT (in branches) and internet banking
Source: FIBAC Productivity Survey 2016; RBI data; IBA data; BCG analysis

5 key tenets of a successful turnaround program



To Summarize

Banking industry is in critical need for a turnaround

- NBFCs emerging as a major threat

Need to focus on holistic banking turnaround

- Digital to drive cost and service efficiency
- Under-penetrated markets for expansion and revenue maximization
- Data and analytics for maximizing profitability
- Reskilling employees for the new age banking

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An aerial photograph of the ocean with white-capped waves breaking. The water is a deep blue, and the sky is a pale, hazy blue. The waves are moving from the top right towards the bottom left.

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