

What if your bank  
would do everything  
your friend would do.

# Investor Presentation

June 2015



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# Presentation Outline

**Indian Economy & Banking Sector**

**IDBI Bank—Overview & History**

**Key Investment Highlights**

**The Way Forward**

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# Indian Economy & Banking Sector

# India Macroeconomic Overview

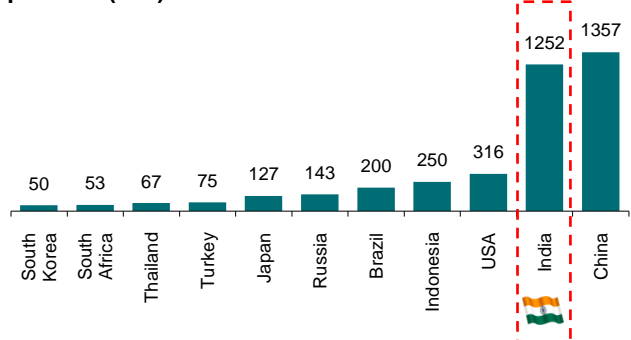
Strong Demographic Tailwinds Supporting Indian Growth Story

## Large and growing population base<sup>1</sup>

2008 – 2013  
Population  
CAGR (%)



2013 Population (Mn.)

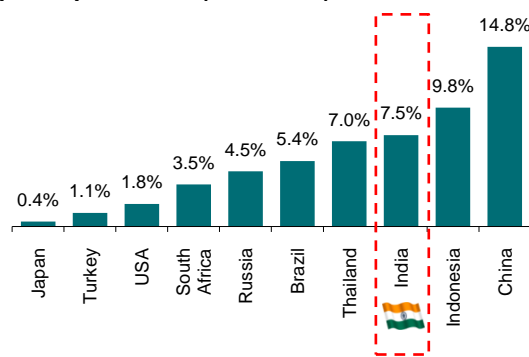


## Rising affluence<sup>1</sup>

2013 GDP  
per Capita  
(current  
US\$ '000)

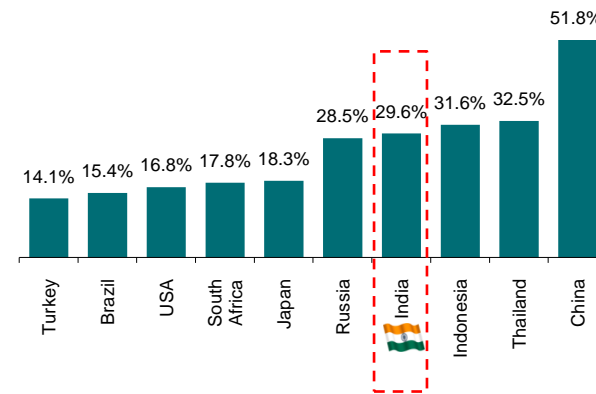


GDP per Capita CAGR (2008-2013)



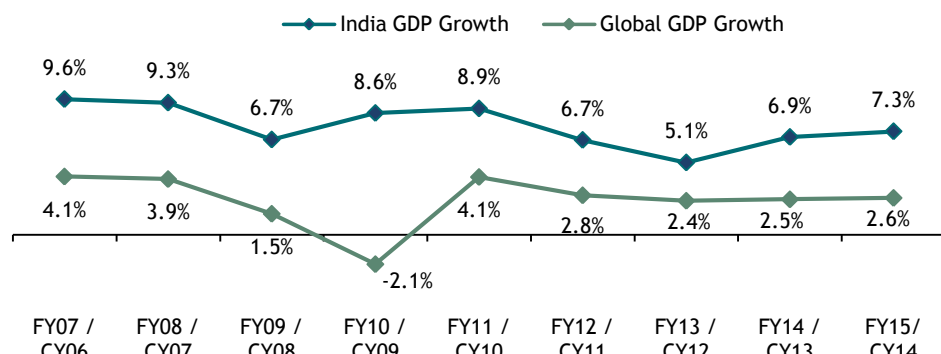
## Strong habit of savings<sup>1</sup>

Gross Domestic Savings / GDP (2013)



## High historical growth rates<sup>1,2,3,4</sup>

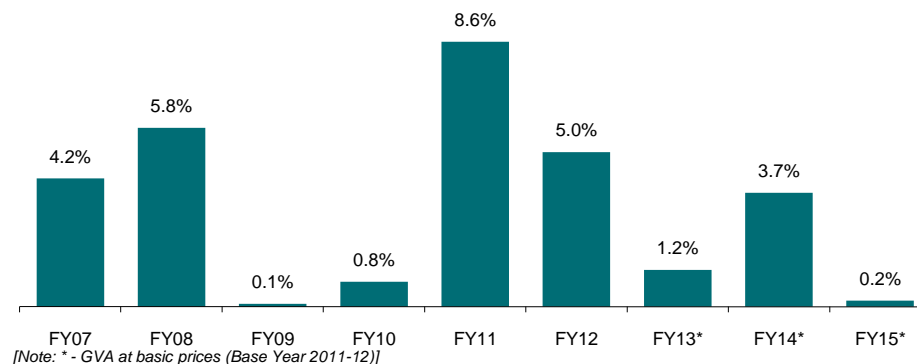
Real GDP growth Y-o-Y (%)



[Note: Fiscal year ending March 31 for India growth corresponds to calendar year ending December 31 for Global growth i.e. FY06 corresponds to CY05; India's GDP from FY13 onwards is as per revised Base Year 2011-12]

## Agriculture sector also reviving<sup>3,4</sup>

Real agricultural GDP growth (%)



[Note: \* - GVA at basic prices (Base Year 2011-12)]

**Rising affluence coupled with saving habit of Indians will support growth for banking sector**

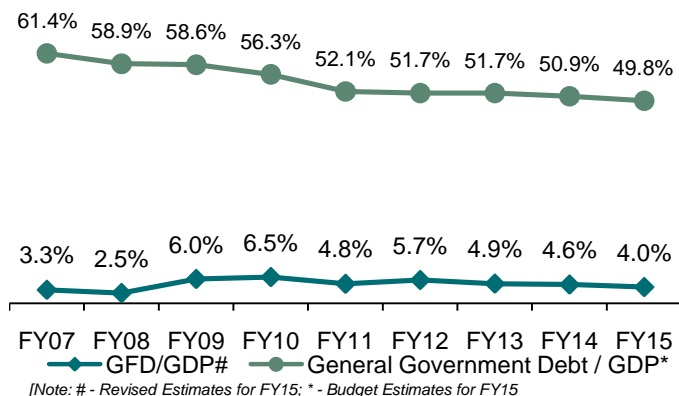
SOURCE:



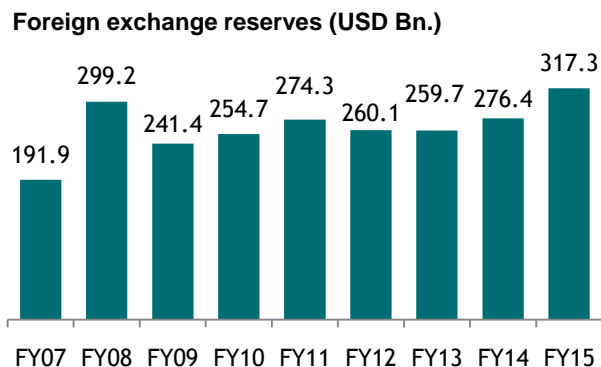
# India Macroeconomic Overview

Improving Debt Profile, Strong FDI Inflows And Healthy Foreign Exchange Reserves

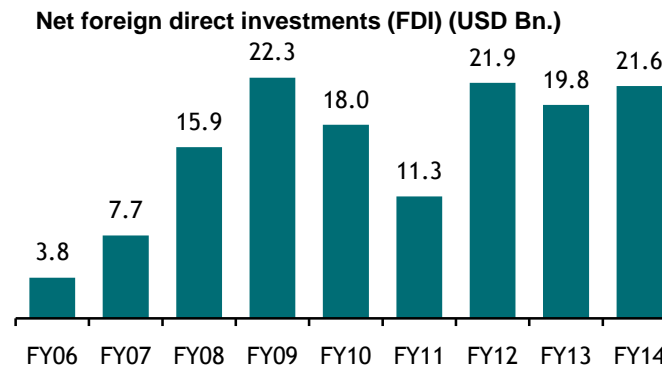
## Tapering fiscal deficit and improving debt profile<sup>1,2</sup>



## Foreign exchange reserves remain at robust levels<sup>3</sup>

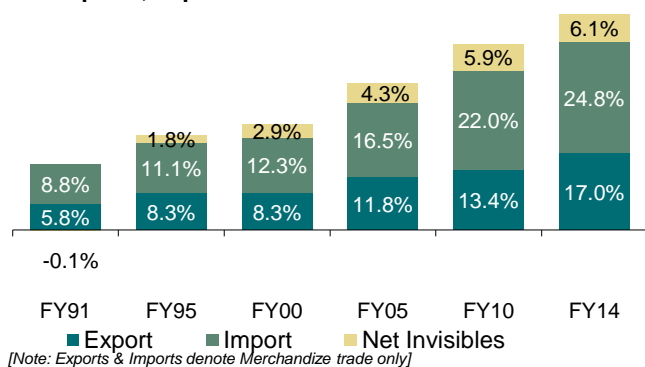


## FDI has posted healthy growth for over a decade<sup>3</sup>

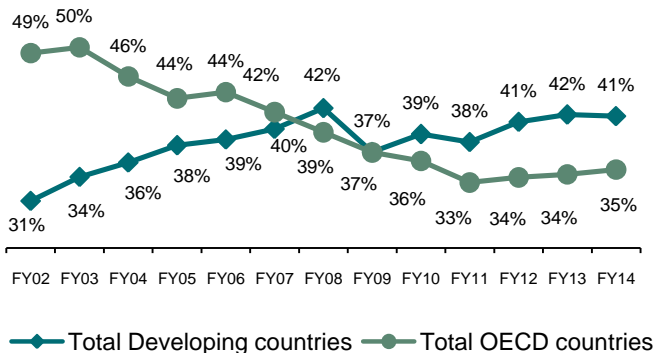


## Increasing integration with global economy<sup>3</sup>

### Exports, Imports & Net Invisibles as % of GDP

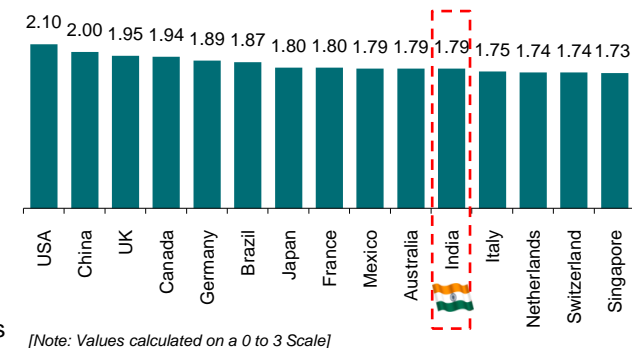


## Diversification of Export Destinations<sup>3</sup>



## India is an attractive destination for FDI<sup>4</sup>

### AT Kearney FDI Confidence Index, 2015



While the fiscal deficit has been high historically, it has been tapering over the last two financial years and was contained at 4.6% of GDP in FY14. Fiscal Deficit has been contained at 4.0% of GDP in FY15.

7<sup>th</sup> highest foreign exchange reserves among countries which underpins India's high liquidity ratio.<sup>5</sup>

SOURCE:

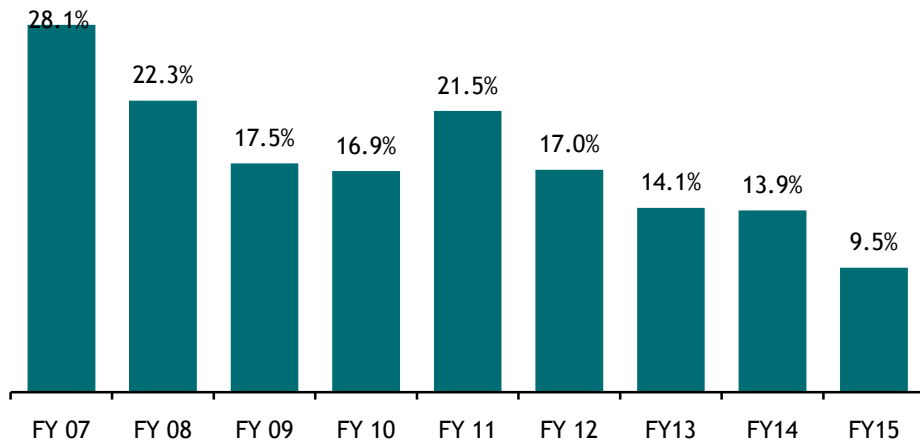
1. Handbook of Statistics on Indian Economy 2013-14, RBI. 2. Controller General of Accounts, MOF, GOI 3. RBI - Database on Indian Economy 4. AT Kearney FDI Confidence Index, 2015, 5. IMF's data on international reserves and foreign currency liquidity of all countries (Updated as on June 04, 2015)



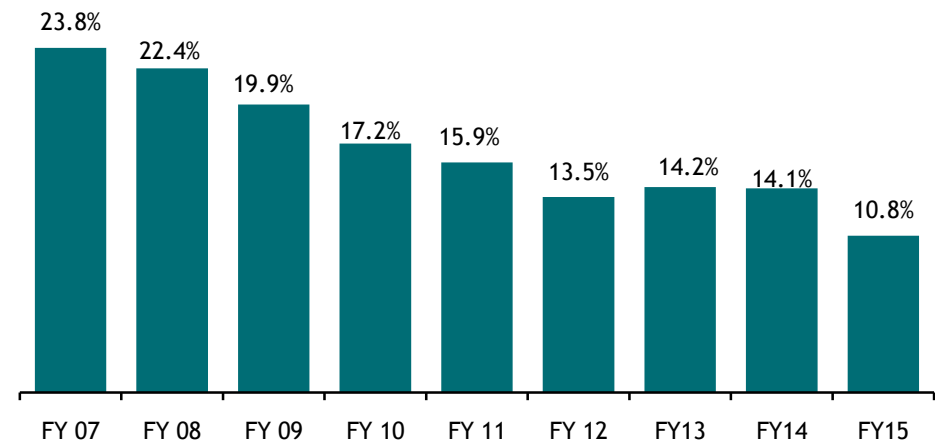
# India Banking Sector Overview

Indian Banking Sector has Remained Relatively Resilient in the Current Global Macroeconomic Environment

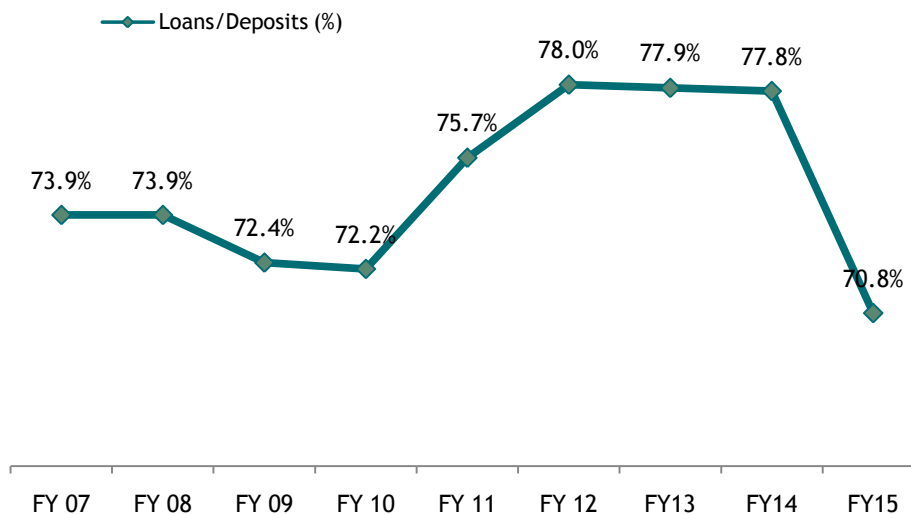
Steady Bank Credit Growth (Y-o-Y)<sup>1,2</sup>



Driven by Growth in Deposits (Y-o-Y)<sup>2,3</sup>

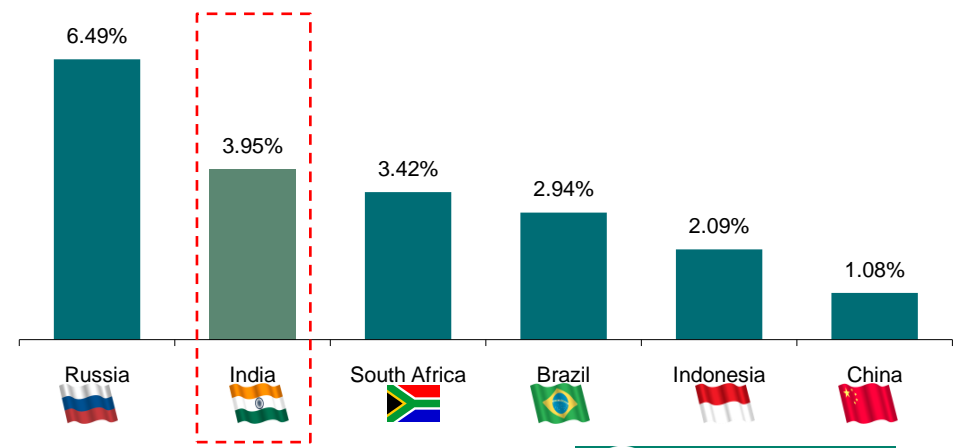


Has Resulted in Comfortable loans / deposits ratio (%)<sup>2,3</sup>



Sustainable NPL Levels (2014)<sup>4</sup>

Bank Non-performing loans to total gross loans (%)



SOURCE:

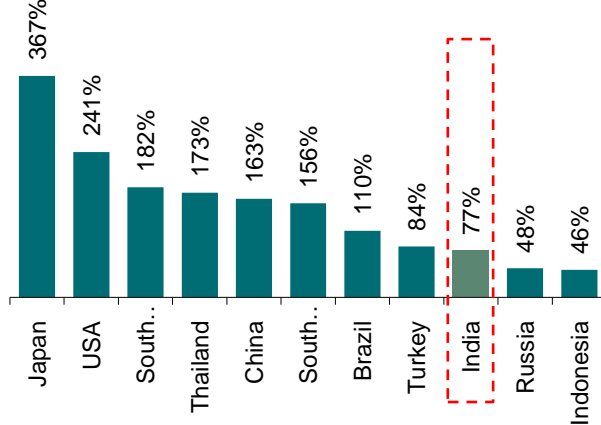
1. RBI - Database on Indian Economy, 2. Economic Outlook, CMIE 3. RBI - Handbook of Statistics on Indian Economy 2013-14 4. The World Bank - World Development Indicators

# India Banking Sector Overview

Structural drivers in place

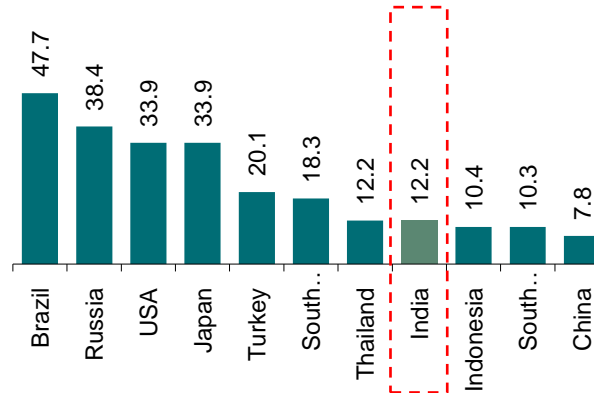
## Low Domestic Credit<sup>1</sup>

Domestic Credit % of GDP (2013)



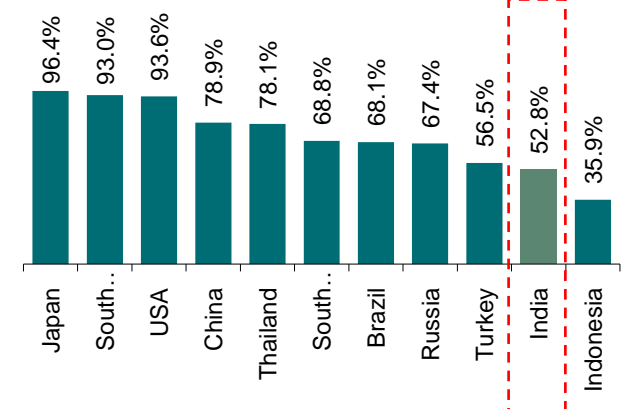
## ...& Under-penetration<sup>1</sup> ...

Branches Per 100K Population (2013)



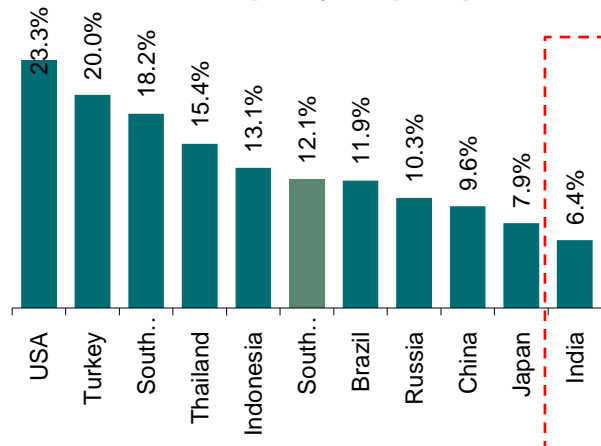
## ...Has Led to Lower Financial Participation<sup>2</sup>

% of age 15+ with account at a formal financial institution (2014)



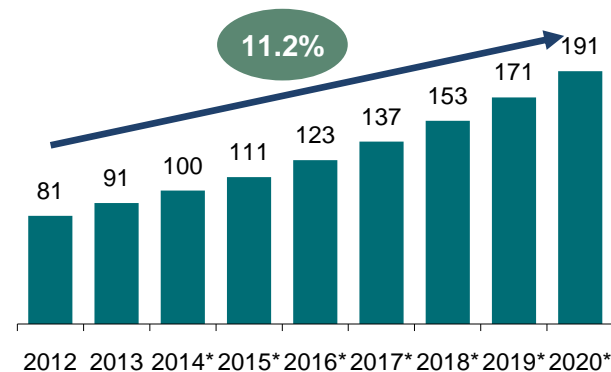
## ... & Under-penetration in Retail Segments<sup>2</sup>

% of age 15+ with loan from a financial institution in the past year (2014)



## Rising Income Levels to Help Drive Growth<sup>3</sup>

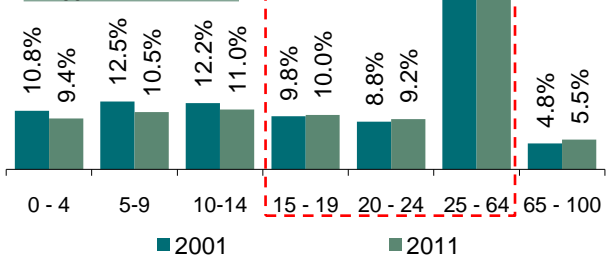
India's Nominal GDP Per Capita (INR '000s)



[Note: \* - IMF staff estimates]

## Supported by Improving Demographic Profile<sup>4</sup>

- Working age population (15-64 years) was 63.6% in 2011 against 59.8% in 2001
- Median age of 26.1 years in 2011 against 27.7 in 2001



Source:

1. The World Bank - World Development Indicators, 2. The World Bank - Global Findex (Global Financial Inclusion Database), 3. International Monetary Fund, World Economic Outlook Database, October 2014, 4. India Census 2011





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# IDBI Bank—Overview & History

# Vision & Mission Statement

***“To be the Most Preferred and Trusted Bank  
Enhancing Value for all Stakeholders”***

## Mission Statement

Delighting customers with our excellent service & comprehensive suite of best-in-class financial solutions

Touching more people’s lives with our expanding retail footprint while maintaining our excellence in corporate and infrastructure financing

Continuing to act in an ethical, transparent and responsible manner, becoming the role model for corporate governance

Deploying world class technology, systems and processes to improve business efficiency and exceed customers' expectations

Encouraging a positive, dynamic and performance-driven work culture to nurture employees, grow them and build a passionate and committed work force

Expanding our global presence

Relentlessly striving to become a "Greener Bank"

# Business Highlights

## India's Apex Development Financial Institution

- IDBI played a critical role in India's industrial and economic progress and in building the financial architecture of the country
  - ▶ Catalyst for investments in industrial and infrastructure space

## Unique Positioning

- Well-established brand name in India (among top 50 brands)
- Fleet-footed bank riding on a state-of-the-art technology platform

## Business Strengths

- Consistently profitable since inception
- Strong long-standing corporate banking relationships
- Leader in project finance and infrastructure lending
- Among the Top 5 India Loans Book Runners & Loan Mandated Arrangers as of June 2015<sup>1</sup>

## High Operational Efficiencies

- High Productivity in terms Business per Employee for FY14-15
- Average Age of Employees - 33 years

## Technology Driven

- Best in class infrastructure and all branches on Core Banking System (CBS)

## Efficient Operations

- Centralized and automated architecture for back office operations, cheque clearing and loan sanctions resulting in low Cost-to-Income ratio

## Ratings

- At par with sovereign by Moody's (Baa3) and Fitch (BBB-)

# History of IDBI Bank

## 1964 – 1993

- **1964** – IDBI Bank's predecessor entity – IDBI, the DFI - set up by an Act of Parliament as a subsidiary of RBI
- IDBI had been a **Policy Bank** in the area of industrial financing and development
- **1976** – Ownership transferred to the Government from the RBI
- **1980 and 1990s** – Played a pioneering role in setting up the financial architecture of the country, besides being a catalyst for investment in industrial and infrastructure sector

## 1994 – 2002

- **1994** – IDBI Act amended to permit private ownership up to 49.0%
- **1995** – Domestic IPO, Government stake reduced to 72.0%
- **Late 1990s – early 2000s** – Changing environment gave commercial banks greater business opportunities

## 2003 –2006

- **2003** – IDBI Repeal Act passed for conversion into a banking company
- **2004** – IDBI moved from its DFI status into a full-service commercial bank- named IDBI Ltd. along with mandate for development financing
- **2005** – Amalgamation of IDBI Bank Ltd. with IDBI Ltd.
- **2006** – Amalgamation of United Western Bank

## 2007 – 2014

- Complete networking (100.0% Core Banking)
- Organization structure redesigned on customer segmentation basis for better customer focus and effective business delivery
- **2008** – Name changed to IDBI Bank Ltd.
- **Jan 2010** – Opened first Overseas Branch at DIFC, Dubai
- **Jan 2011** – Merged its subsidiaries IDBI Home Finance and IDBI Gilts with itself.
- **Oct 2011** – Acquired additional 14.9% stake in IDBI Trusteeship Services; total holding 54.7%
- **2014** – IDBI Bank celebrated its Golden Jubilee on July 1.

# Architect of Indian Financial Sector

- Played a role in providing project finance over four decades—India's No.1 Developmental Financial Institution (DFI)
- Policy bank for the Government of India in the area of industrial and infrastructure development
- Institution builder
  - ▶ Two of the existing DFIs - EXIM Bank and SIDBI - were carved out of IDBI
  - ▶ IDBI Bank is a promoter of the following institutions



Electronic Stock Exchange  
(5.0% stake)



Small Industries Development Bank of India  
Funding Institution for MSMEs  
(19.2% stake)



National Securities Depository Limited  
Securities Depository  
(30.0% stake)



Asset Reconstruction Company (19.2% stake)



Rating Agency  
(6.21% stake)



North Eastern Development Finance Corporation  
For development of North-East Region  
(25% stake)

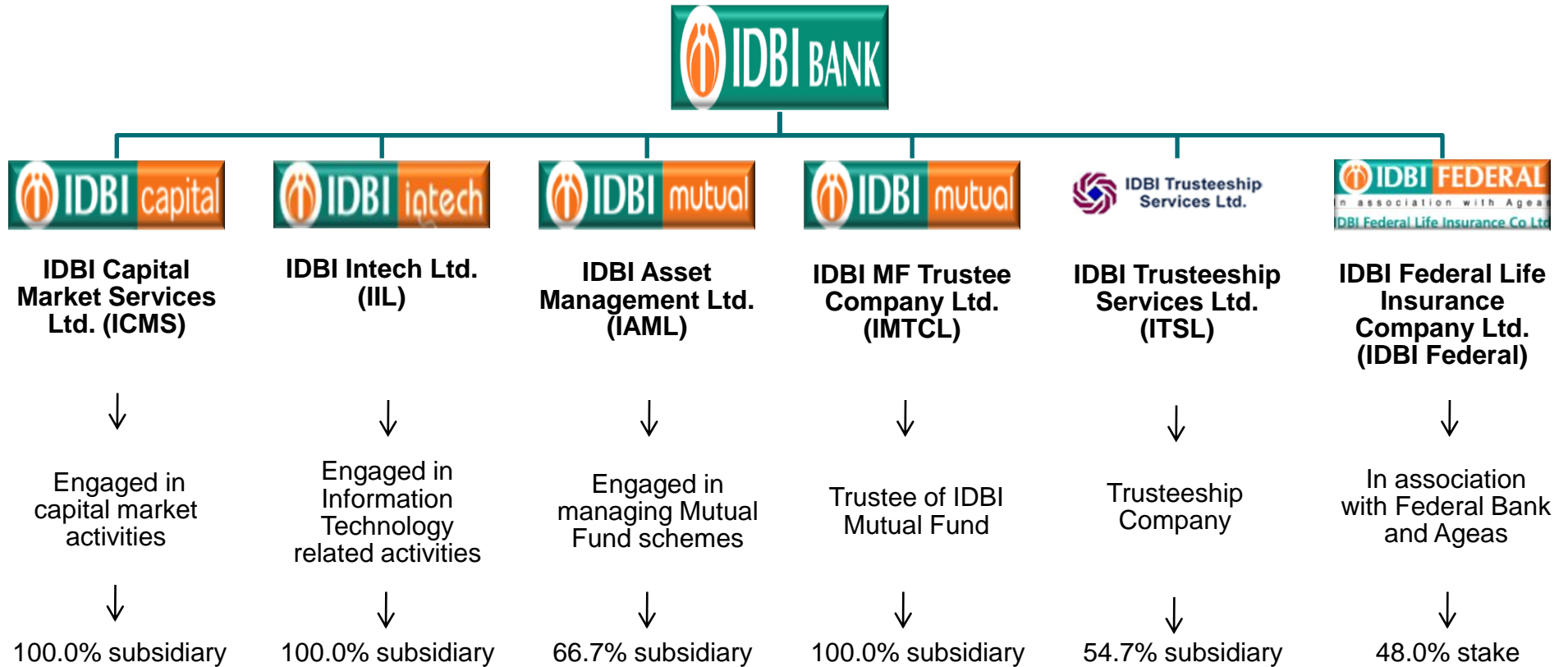


A bank to Finance Export Import (Equity Holding with GOI)



Stock Holding Corporation of India Limited  
Depository Participant, e-stamping etc.

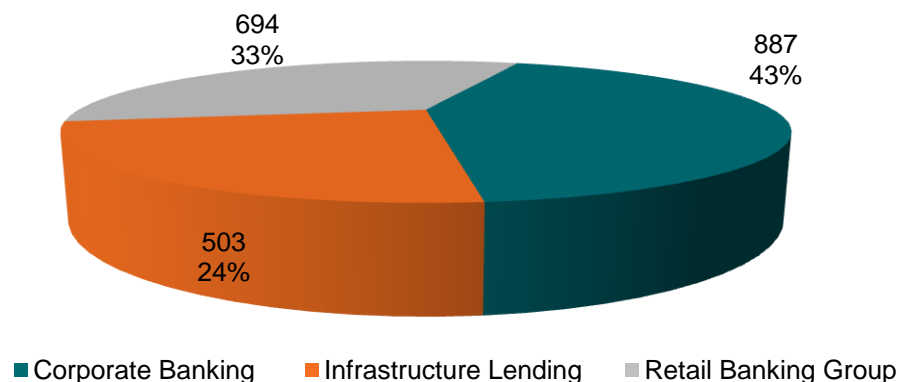
# IDBI Bank Group



# IDBI Bank: A Leading Banking Franchise

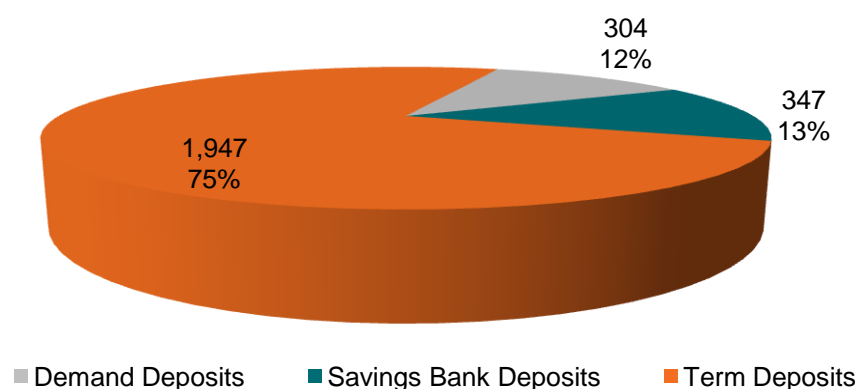
## Advances Mix

[Rs. Billion]



## Deposits Mix

[Rs. Billion]



## Summary Financials

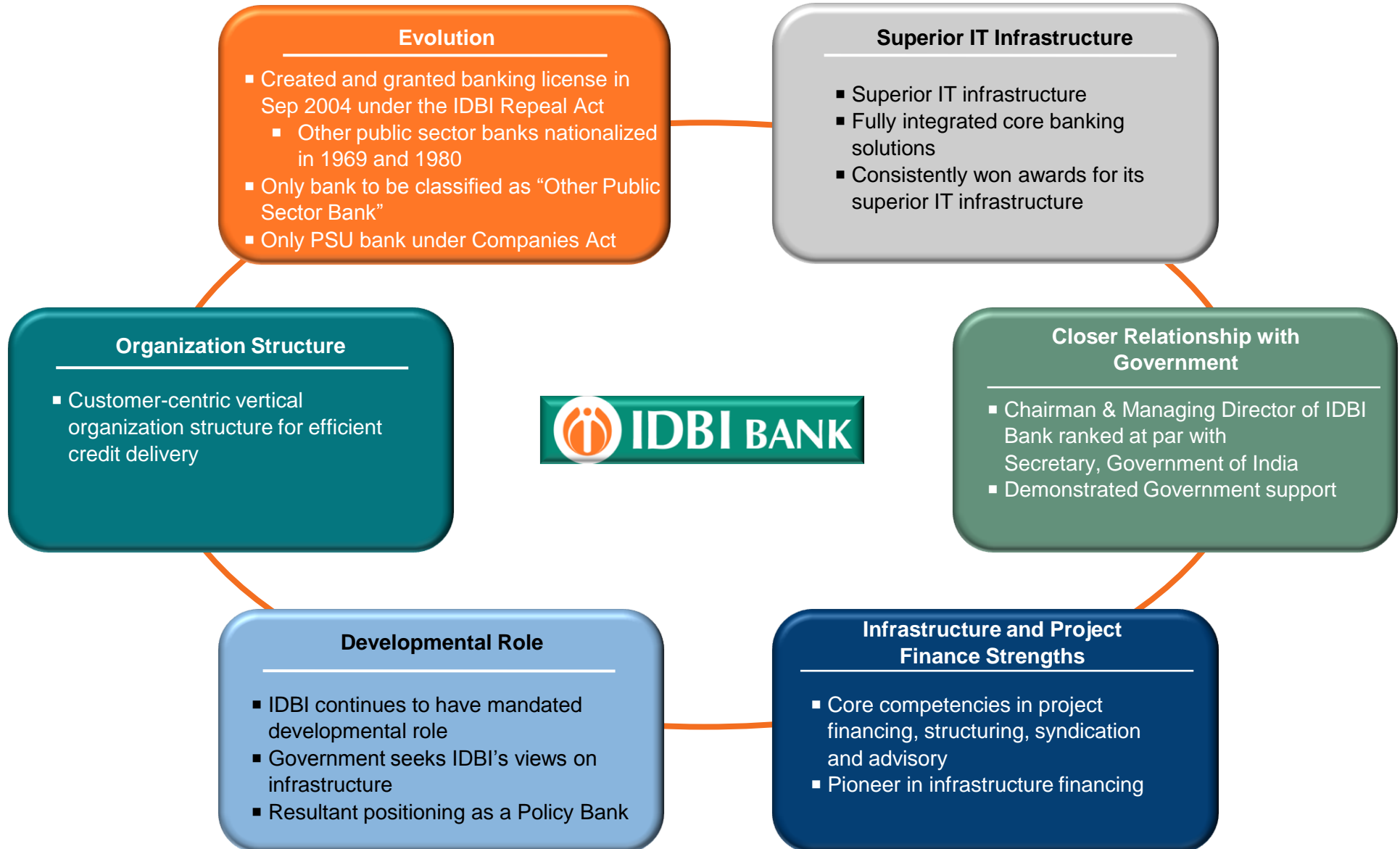
	FY15 (Rs. Billion)
Advances	2,084
Deposits	2,598
Borrowings	618
Total Assets	3,560
Net Profit	8.7
Net Interest Margin	1.9%
Cost to Net Income Ratio	41.3%
CASA Ratio	25.1%
Gross NPA Ratio	5.9%
Net NPA Ratio	2.9%
CRAR - Tier 1 Capital (Basel III)	8.2%
Total CRAR (Basel III)	11.8%

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## **IDBI Bank—Key Investment Highlights**

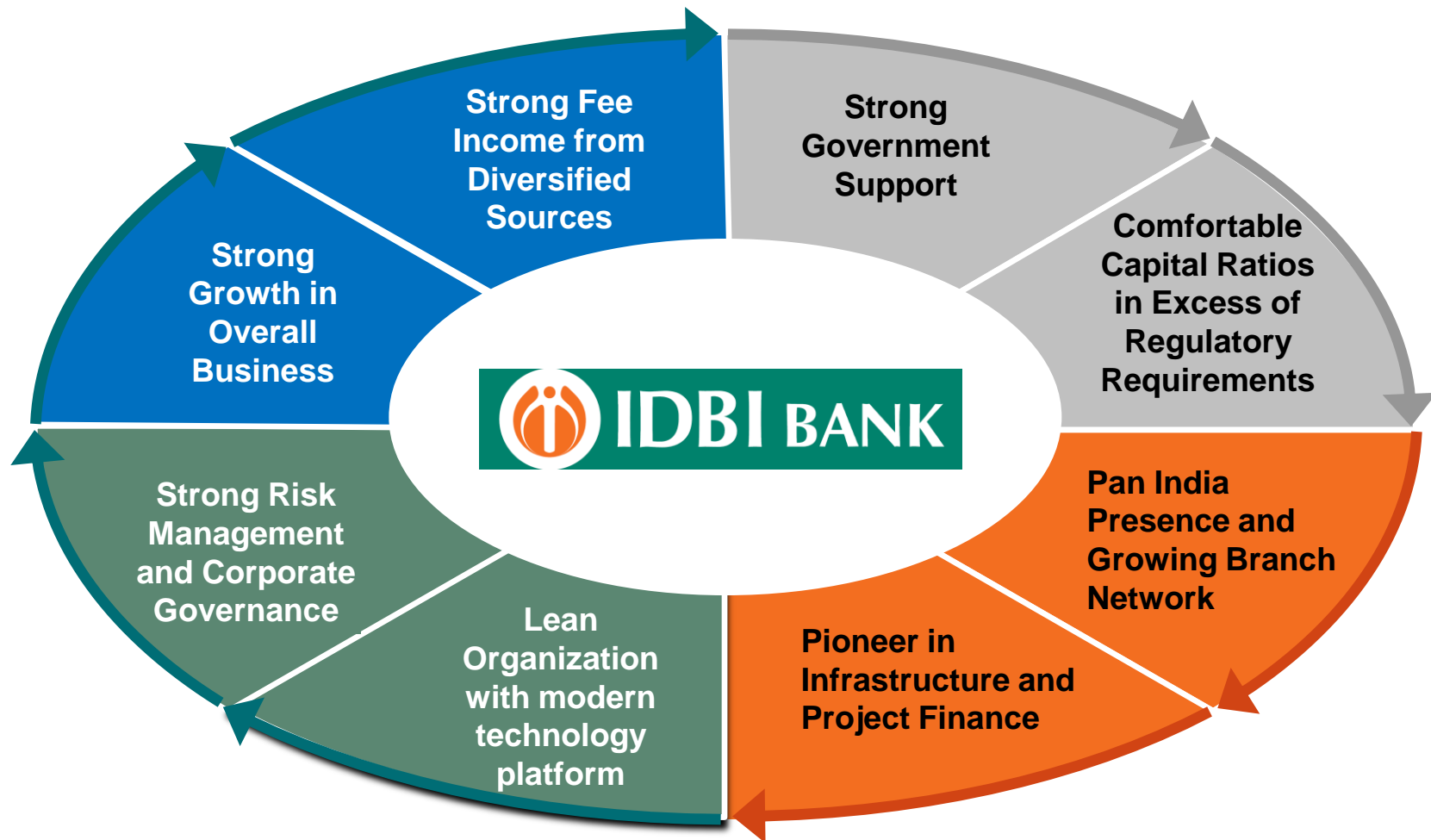


# Unique Characteristics of IDBI Bank



# Key Considerations

IDBI Bank is a Top Tier Bank in India, Driven by its Continued Focus on Profitable Growth



# Strong Government Support

## ■ Majority Government ownership

- ▶ Government of India holding currently at 76.5%
- ▶ Minimum Government shareholding at 51.0% [Memorandum and Articles of Association]

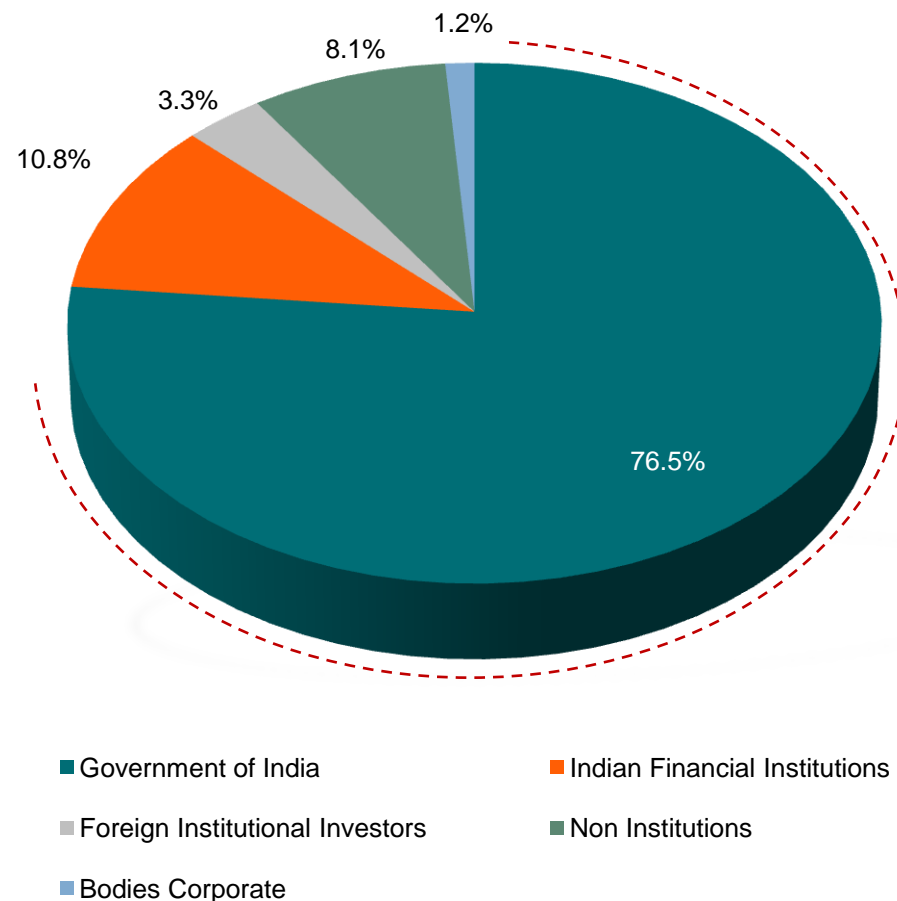
## ■ Demonstrated Government support

- ▶ Govt stake increased from 65.14% in July 2010 to 76.5% in December 2013 by total equity infusion amounting to Rs.53 billion.

## ■ Board of Directors comprises eminent personalities from diverse fields

- ▶ Three full time directors appointed by Gol (Chairman and Managing Director and two Deputy Managing Directors)
- ▶ One key Government official from Finance Ministry and four independent directors

Shareholding as on March 31 , 2015



**Current shareholding pattern provides significant room for dilution and raising funds from market**

# Pan India Network (As at end-March, 2015)

## ■ Reach

- ▶ 1,716 branches & 3,000 ATMs Pan India
- ▶ Presence in 1,260 locations
- ▶ Network of
  - 75 Retail Asset Centres
  - 29 Credit Processing Centres
  - 6 Regional Processing Units
- ▶ 10 Currency chests across the country
- ▶ 11 e-lounges
- ▶ Internet and Mobile banking
- ▶ 9 Regional and 1 central training college

## ■ Large Customer Base

- ▶ Corporate customer base: 3,000+
- ▶ Retail customer base: 6.5 million+

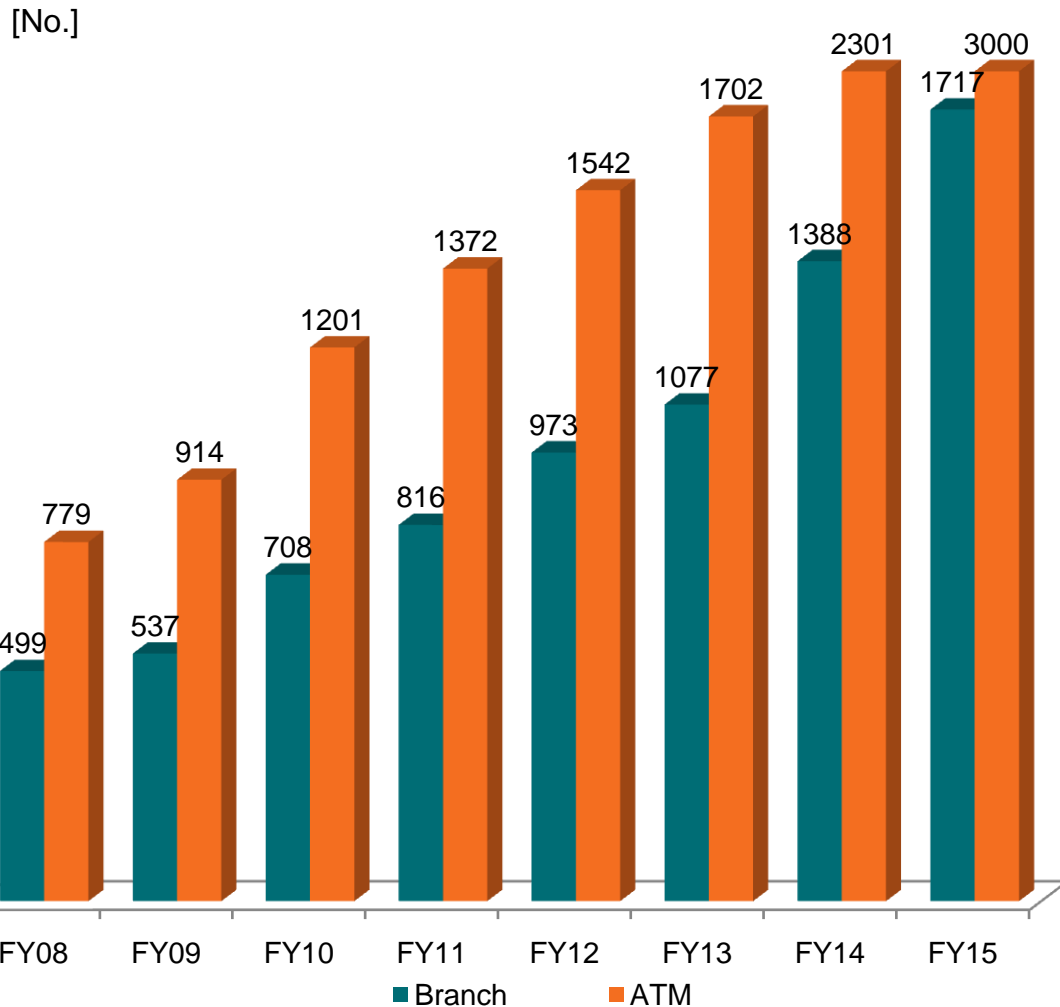
## ■ Global expansion plans

- ▶ One overseas branch at DIFC, Dubai
- ▶ Initiated the process for setting up Branch Office at Singapore and Representative Office at Shanghai



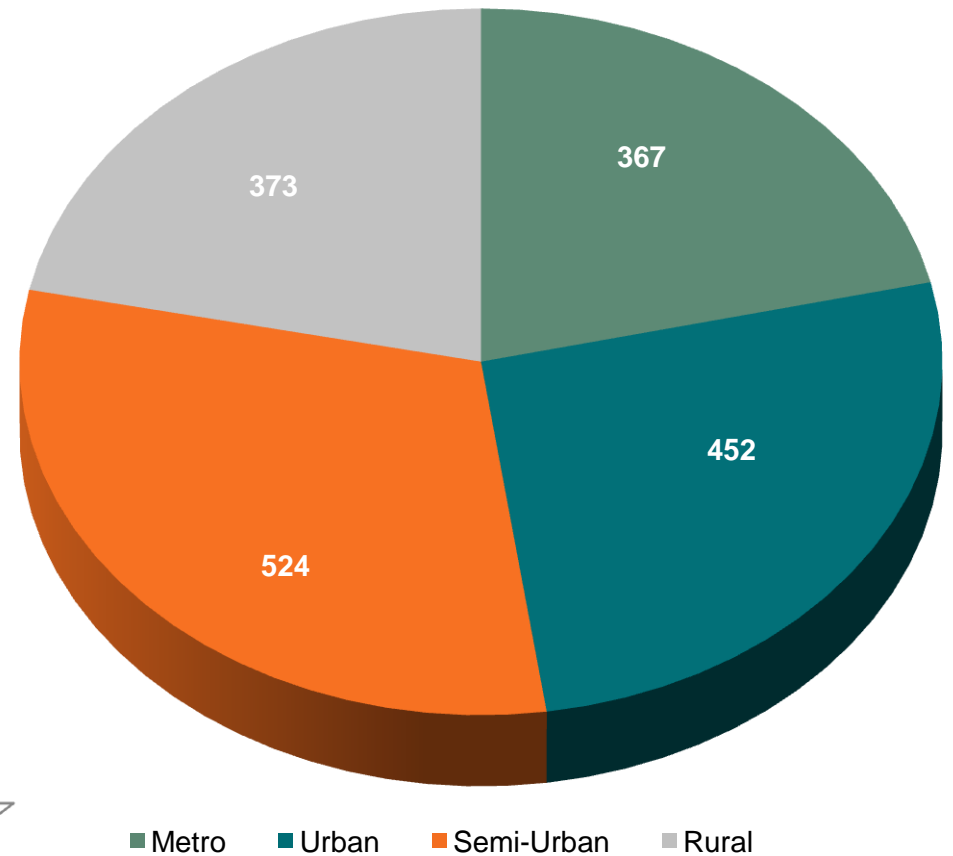
# Continued Focus on expanding the Distribution Network

## Growth in Branch and ATM Network



Branch network includes 1 Overseas Branch (DIFC, Dubai)

## Distribution of Branch Network\*



\* Plus 1 Overseas Branch (DIFC, Dubai)

# Pioneer in Infrastructure & Project Finance

## Strong Core Competencies in Infrastructure, Project Financing and Loan Syndication

- Strong appraisal and loan syndication skills
  - Pioneer in Infrastructure financing
  - Foremost in financing PPP projects in almost every infrastructure sector
- Long standing relationship with all large Indian corporates
  - Assisted over 6,000 industrial units across a broad spectrum of sectors
- Completed debt syndication of about Rs.2,689 billion (~USD 43<sup>1</sup> billion) till end March 31, 2015
- Mandates under execution for debt syndication aggregating Rs. 143.52 billion (~USD 2.3<sup>1</sup> billion) for infrastructure and non infrastructure projects as of March 2015.
- Committed Exposure of over Rs. 4,465.75 billion (~USD 71<sup>1</sup> billion) to infrastructure projects (as on March 31, 2015)
- Member of advisory groups set up by Government of India and industry bodies for infrastructure projects

### Indian Borrower Loans: Mandated Lead Arranger – 2015<sup>2</sup>

No.	Underwriter	Volume [INR Mn.]	Issues	Share [%]
1.	State Bank of India	5,14,715	43	59.73%
2.	Axis Bank Ltd	46,088	8	5.35%
3.	Mizuho Financial	30,246	4	3.51%
<b>4.</b>	<b>IDBI Bank</b>	<b>29,540</b>	<b>3</b>	<b>3.43%</b>
5.	Standard Chartered Bank	28,450	15	3.30%

### Indian Borrower Loans: Bookrunner– 2015<sup>2</sup>

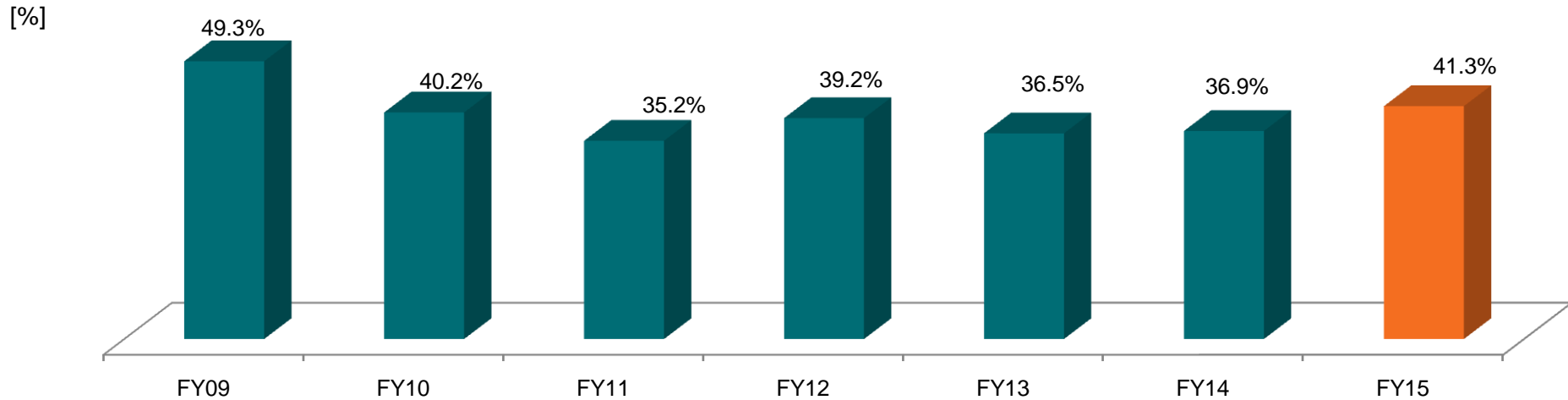
No.	Underwriter	Volume [INR Mn.]	Issues	Share [%]
1.	State Bank of India	3,58,718	24	57.01%
2.	Axis Bank Ltd	53,877	8	8.56%
3.	Bank of India	41,752	5	6.64%
<b>4.</b>	<b>IDBI Bank</b>	<b>29,540</b>	<b>3</b>	<b>4.69%</b>
5.	Standard Chartered Bank	23,993	13	3.81%



1. Exchange Rate of 1 USD = Rs. 63.3315 as on December 31<sup>st</sup> 2014 (RBI Reference Rate)  
 2. Bloomberg's APAC Syndicated Loans – Leagues Table, H1 2015 Preliminary

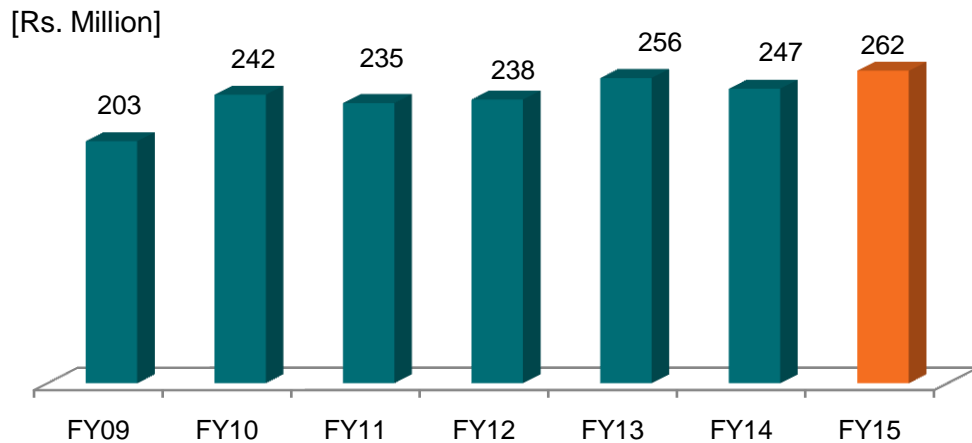
# Lean Organization & High Employee Productivity

## Sustainable Cost-to-Income Ratio

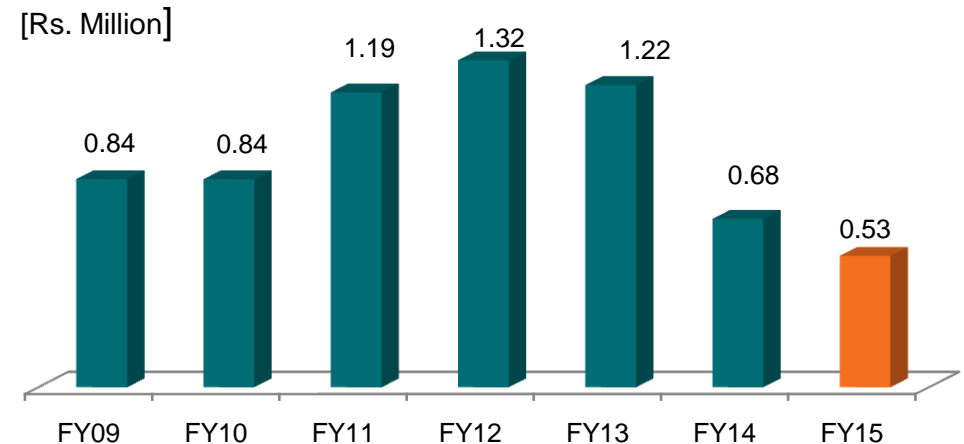


[9M FY15: as on December 31, 2014]

## Business per Employee



## Profit per Employee



# Strong Risk Management & Corporate Governance

## Corporate Governance

- Executive Committee of the Board approves credit over a threshold limit
- Other Board Committees include Audit, Risk, Shareholder Grievances, Customer Service, Fraud Monitoring, Information Technology & Remuneration Committee
- Broad-based decision making process through Internal Committees
  - ▶ Credit Committee, Investment Committee, ALCO & Risk Committee set up as independent committees with appropriate Delegation of Powers
- Compliant with regulations of Reserve Bank of India, Securities & Exchange Board of India & Stock Exchanges

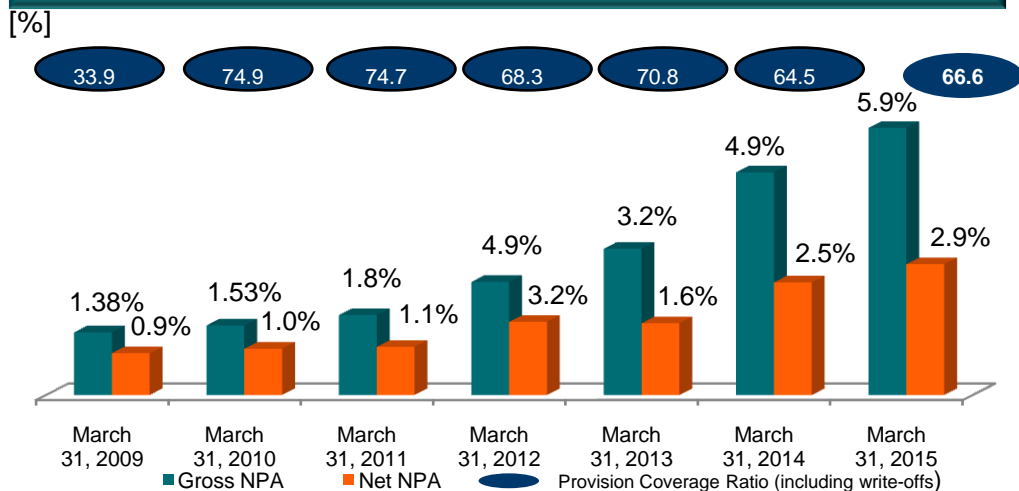
## Risk Management Function

- Risk Management Committee of the Board supervises Board-defined risk philosophy & policies
- Credit risk managed & monitored by
  - ▶ In-house rating models
  - ▶ Committee based loan approvals
  - ▶ Exposure limits
- Asset liability and market risk managed by
  - ▶ Laid down risk philosophy, risk policy & risk tolerance limits in terms of gap positions, based on impact on NII & EVE
  - ▶ Trading risk policies & limits defined & monitored
- Currently developing an integrated enterprise-wide risk management framework



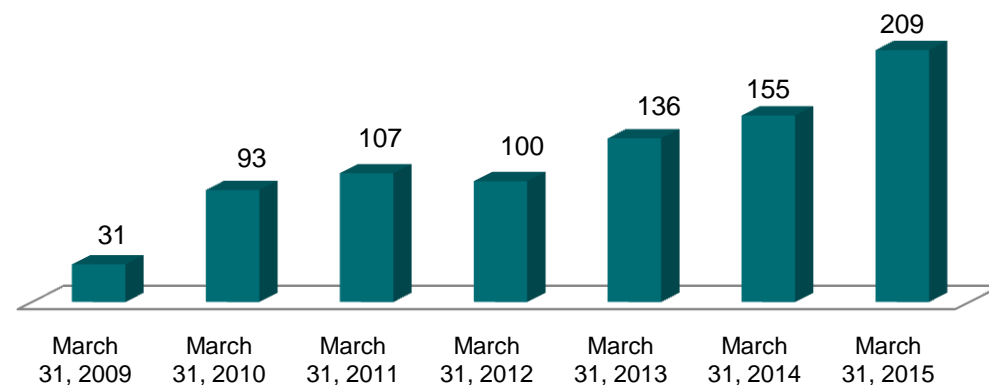
# Asset Quality

## Asset Quality



## Restructured Assets

[Rs. Billion]



## Sector-wise Restructured Assets (Top 10)

[Rs. Million]

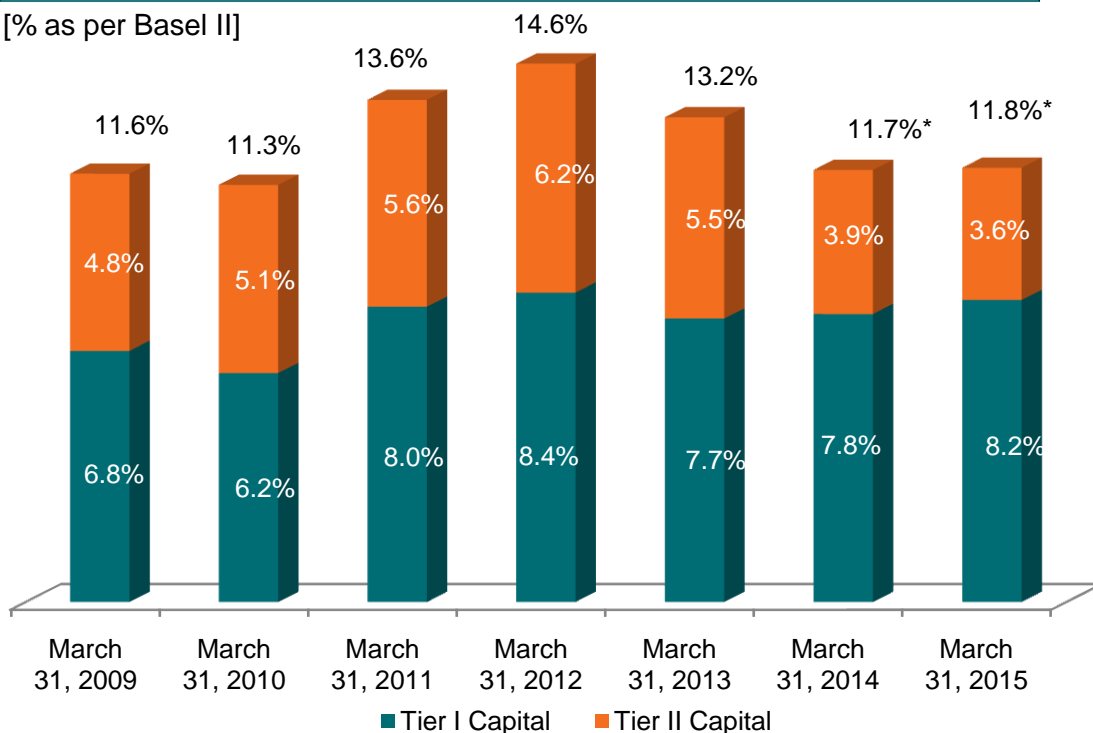
S. No.	Sector	Restructured Assets	S. No.	Sector	Restructured Assets
1	Infrastructure	62,550	7	Sugar	7,380
2	Electricity Generation	29,410	8	Pharmaceuticals	6,880
3	Electrical Machinery	14,830	9	Textiles	6,080
4	Metal Industry	13,350	10	Glass Mfg	5,210
5	Ship Building	12,290		Others	43,580
6	Telecommunications	7,810		Total	2,09,360

As on March 31, 2015

# Capital Ratios well above Regulatory Requirements and ongoing Government support

## Capital Ratios

[% as per Basel II]



\*As per Basel III guidelines

- Minimum Capital Adequacy Ratios required by the Reserve Bank of India: 9.0% Total CRAR and 6.0% Tier I CRAR
- As per Basel III norms, Total CRAR as on March 31, 2015 was 11.8% (Tier I – 8.2% and Tier II – 3.6%)

## Ongoing support from Govt

- FY 2013-14 - Increased stake to 76.5% through infusion of fresh equity to the extent of Rs 18 billion
- FY 2012-13 - Increased stake to 71.72% through infusion of fresh equity capital to the extent of Rs 5,550 million during FY 2012-13
- FY 2011-12 - Increased stake to 70.52% through infusion of fresh equity capital to the extent of Rs. 8,100 million and conversion of Tier I Bonds of Rs. 21,305 million into equity during FY 2011-12
- FY 2010-11 - Increased stake to 65.13% through infusion of fresh equity to the extent of Rs 31,190 million

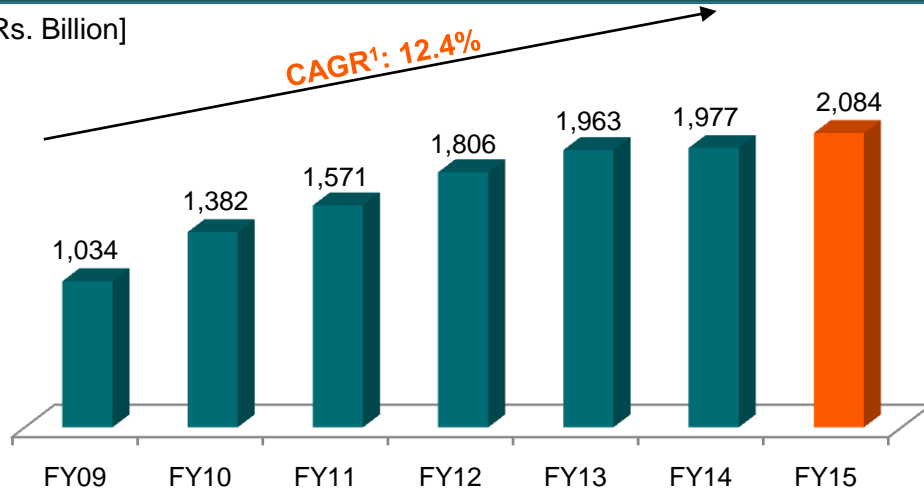
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## IDBI Bank—Key Financial Highlights

# Steady Growth in Overall Business

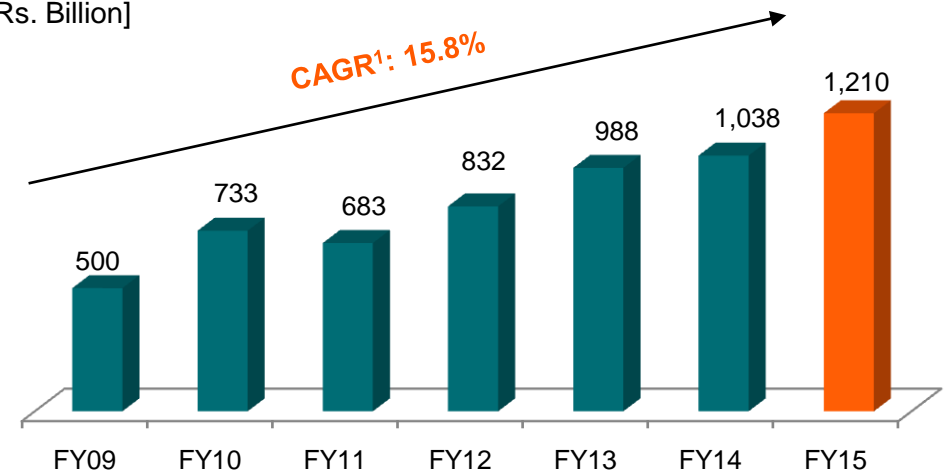
## Growth in Advances...

[Rs. Billion]



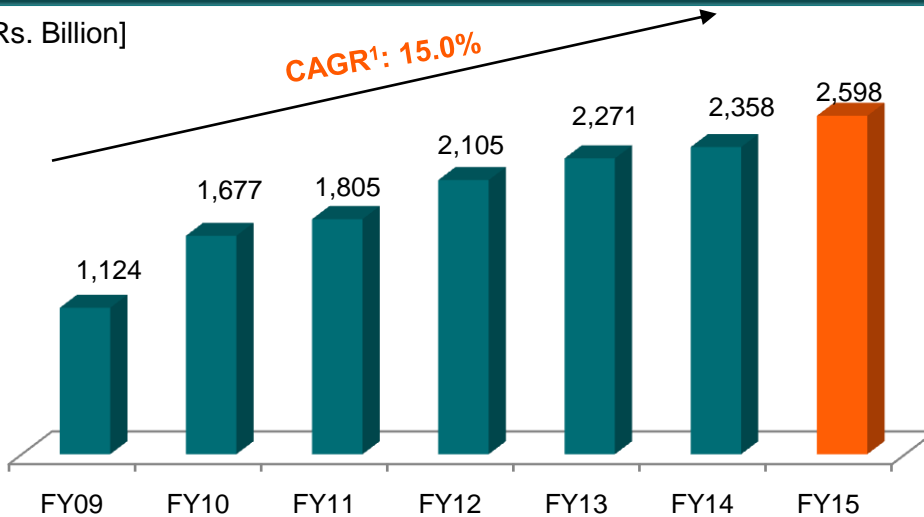
## ...With Rising Levels of Investments

[Rs. Billion]



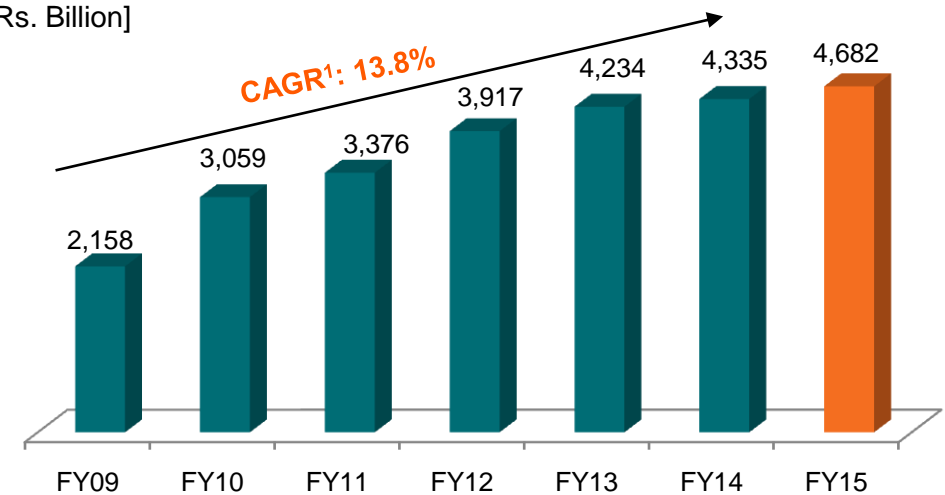
## ...And Increasing Deposits

[Rs. Billion]



## ..Resulting in Growth of Total Business<sup>2</sup>

[Rs. Billion]



1. CAGR = Cumulative Average Growth Rate from FY09 - FY15.

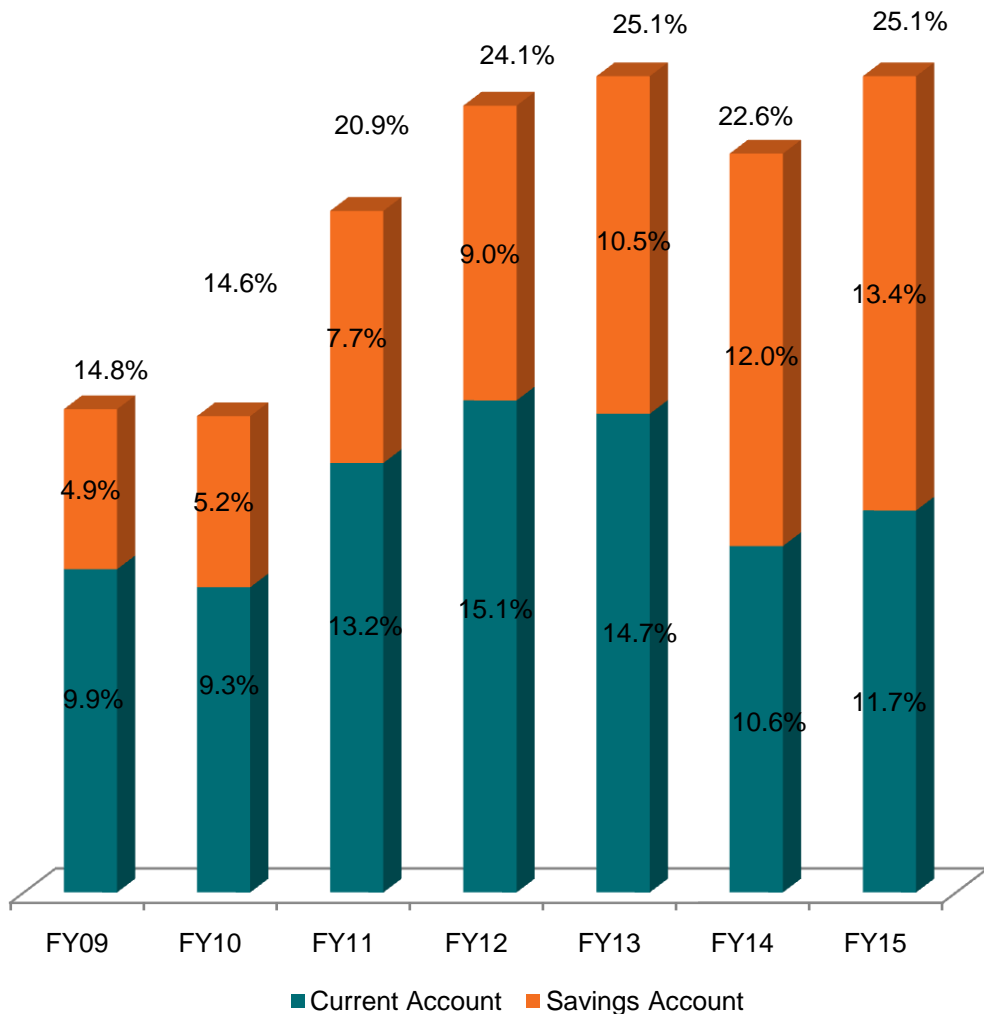
2. Total Business = Total Advances + Total Deposits.

# Steady Growth in Overall Business (contd.)

## Increasing CASA

[%]

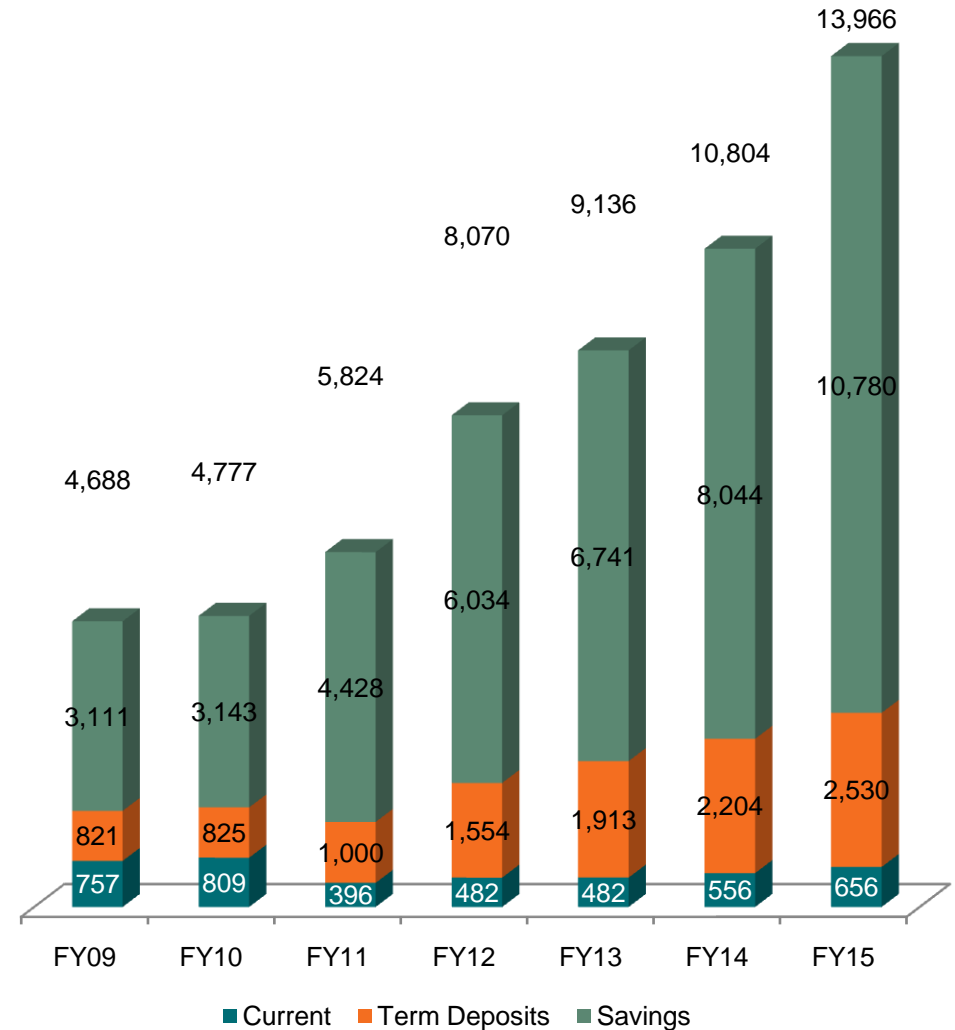
CASA per Branch at over Rs. 350 million



## Growth in Number of Accounts

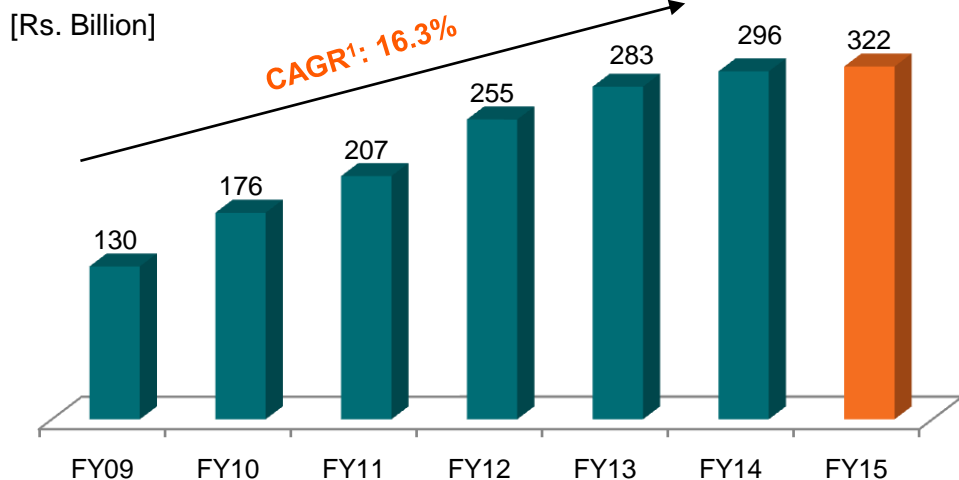
[In '000]

No of Accounts registered growth of 29.3% in FY15 over FY14

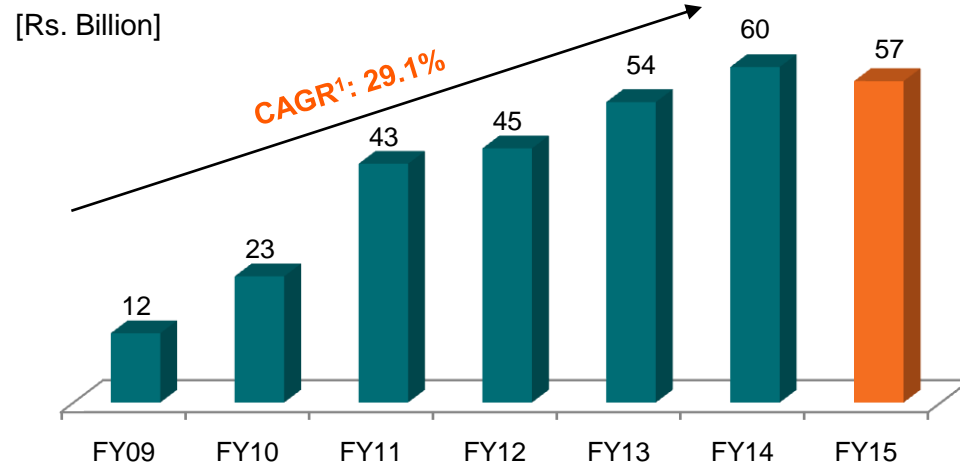


# Other Performance Indicators

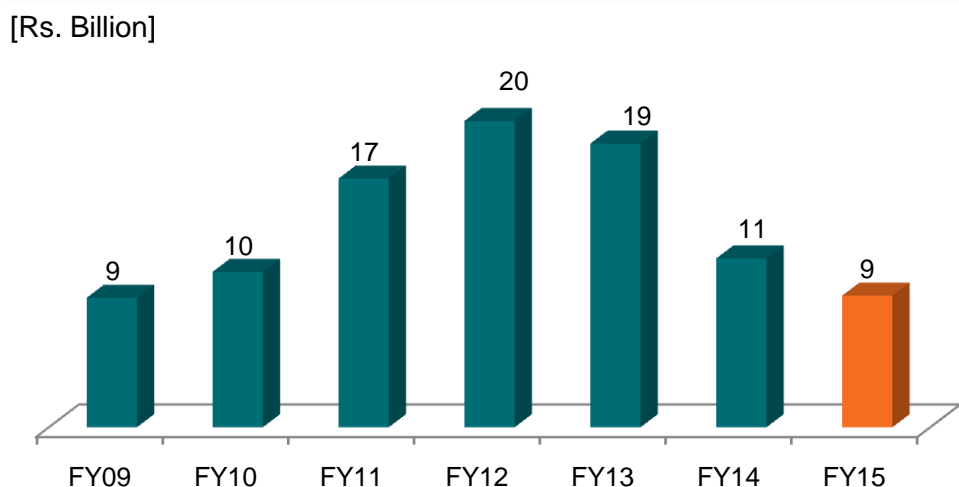
## Growth in Total Income



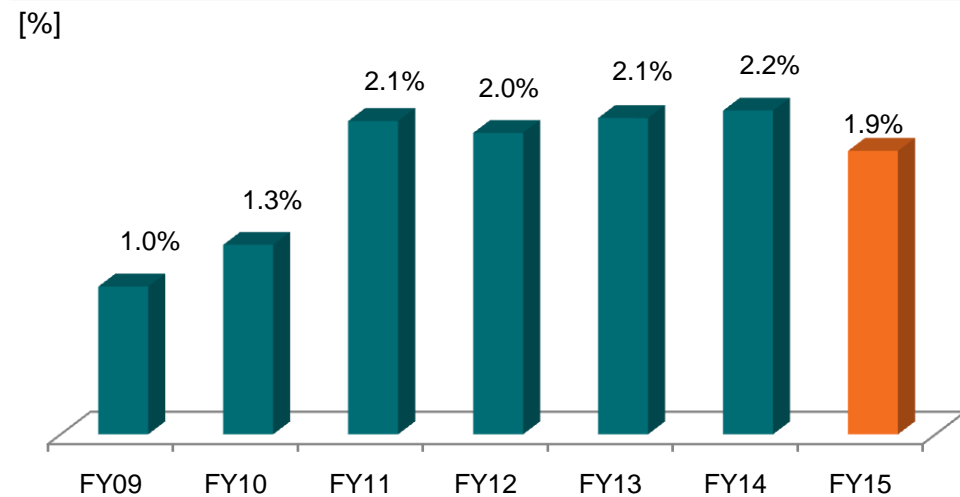
## Growth in Net Interest Income



## ...And Net Profits



## Resulting in Profitability (Net Interest Margin)

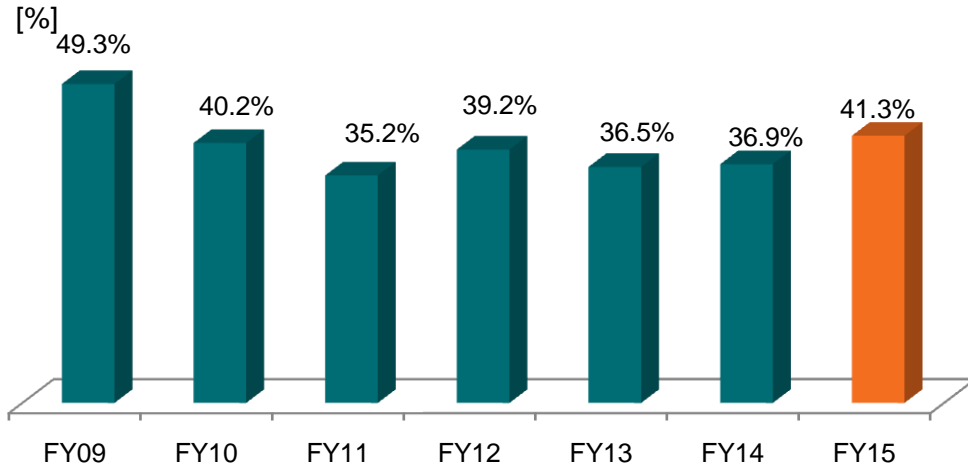


1. CAGR = Cumulative Average Growth Rate from FY09 - FY15.

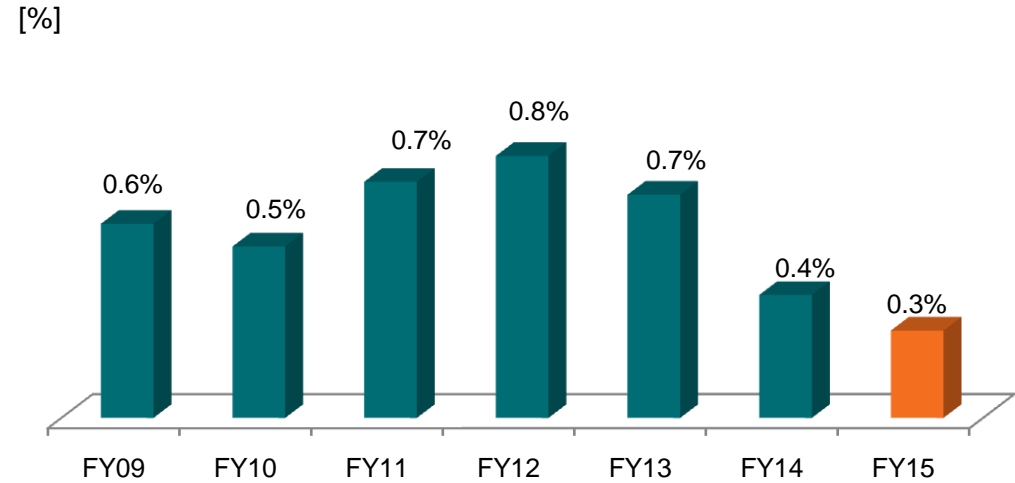
2. Total Income = Interest Income + Other Income

# Other Performance Indicators (contd.)

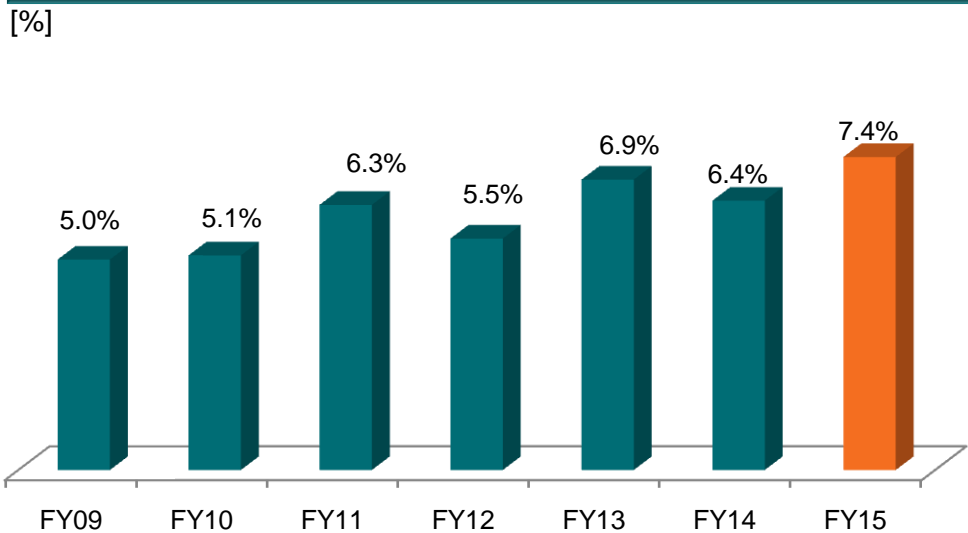
## Cost-to-Income Ratio



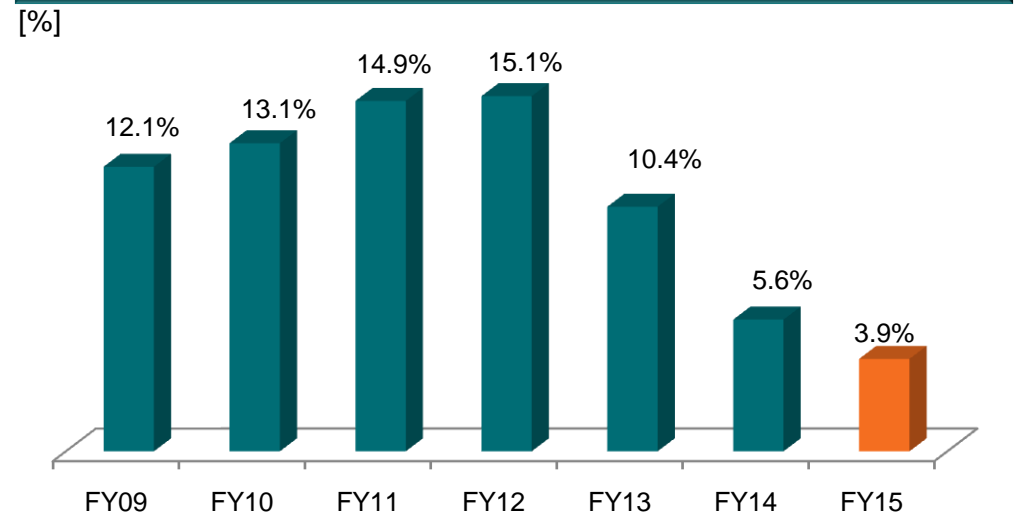
## Return on Assets



## Staff Expenses to Total Expenses

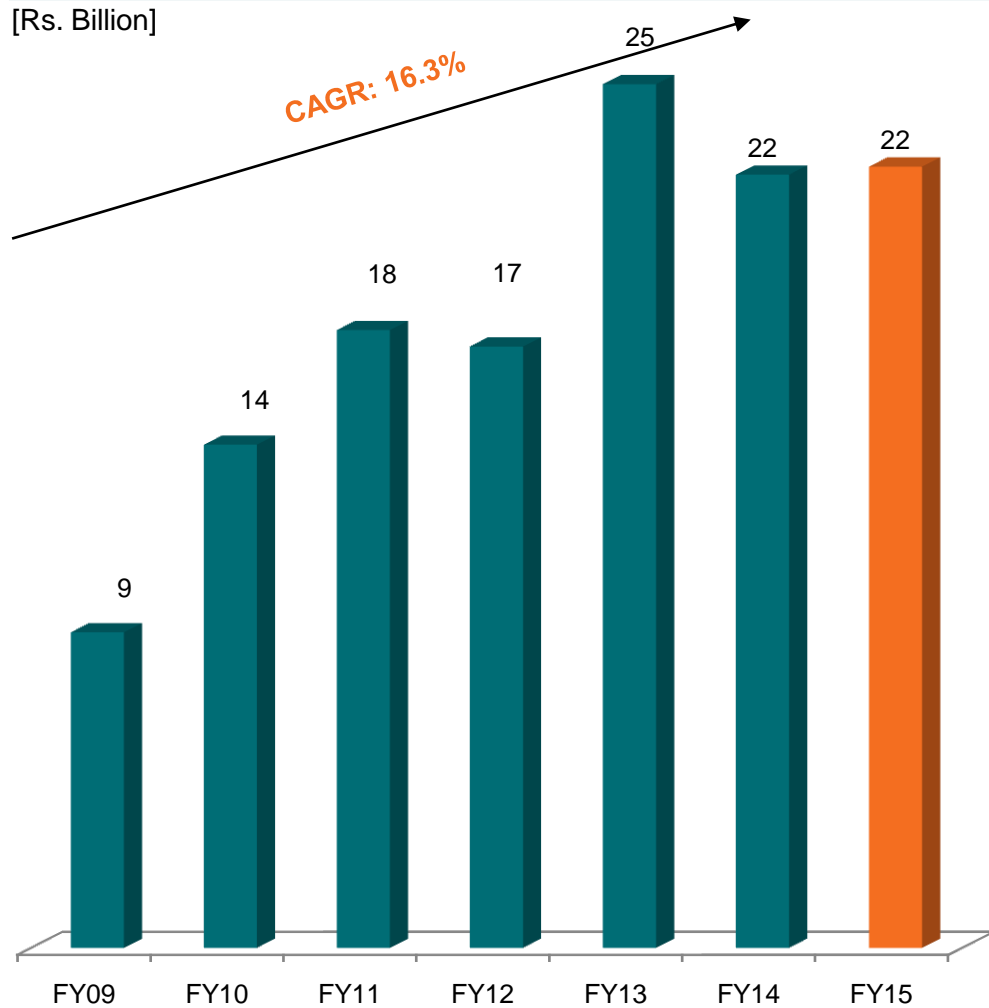


## Return on Equity

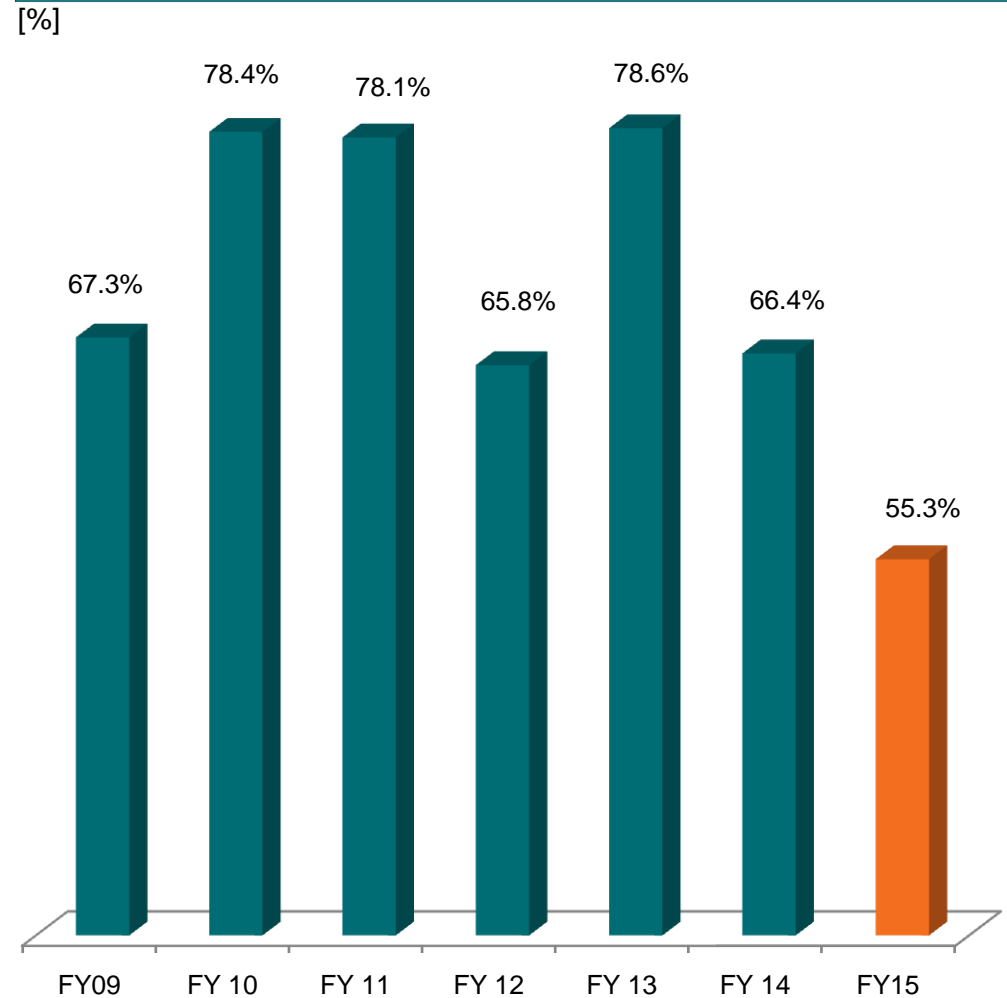


# Fee Income from Diversified Sources

## Trend in Fee Income



## As Proportion to Operating Expenses



1. CAGR=Cumulative Average Growth Rate-FY09-FY15.



# Key Financial Highlights

## Key Financials

[Rs. Billion]	FY09	FY10	FY11	FY12	FY13	FY14	FY15	CAGR
Advances	1,034	1,382	1,571	1,806	1,963	1,977	2,084	12.4%
Deposits	1,124	1,677	1,805	2,105	2,271	2,358	2,598	15.0%
Total Business	2,158	3,059	3,376	3,917	4,234	4,335	4,682	13.8%
Borrowings	444	477	516	535	658	601	618	5.7%
Total Assets	1,724	2,336	2,534	2,903	3,228	3,290	3,560	12.8%
Net Profit	8.6	10.3	16.5	20.3	18.8	11.2	8.7	0.2%

## Key Ratios

[%]	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Net Interest Margin	1.0%	1.3%	2.1%	2.0%	2.1%	2.2%	1.9%
CASA Ratio	14.8%	14.6%	20.9%	24.1%	25.1%	22.6%	25.1%
Cost Income Ratio	49.3%	40.2%	35.2%	39.2%	36.5%	36.9%	41.3%
Staff Expenses to Total Income	4.4%	4.3%	5.1%	4.7%	5.6%	5.2%	6.1%
Staff Expenses to Total Expenses	5.0%	5.1%	6.3%	5.5%	6.9%	6.4%	7.4%
Tier-1 CAR <sup>1</sup>	6.8%	6.2%	8.0%	8.4%	7.7%	7.8% <sup>2</sup>	8.2% <sup>2</sup>
Total CAR <sup>1</sup>	11.6%	11.3%	13.6%	14.6%	13.1%	11.7% <sup>2</sup>	11.8% <sup>2</sup>
Gross NPA Ratio	1.4%	1.5%	1.8%	2.5%	3.2%	4.9%	5.9%
Net NPA Ratio	0.9%	1.0%	1.1%	1.6%	1.6%	2.5%	2.9%
Return on Assets	0.6%	0.5%	0.7%	0.8%	0.7%	0.4%	0.3%
Return on Equity	12.1%	13.1%	14.9%	15.1%	10.4%	5.6%	3.9%

1. As per Basel II 2. As per Basel III

# Recent Recognitions / Accomplishments

- IDBI Bank has garnered several awards and accolades from various quarters in the recent past, of which few are listed below:
  - ▶ Ranked at **37th position** among the **Top 50 brands in the country** across sectors as per recent **Interbrand rankings**
  - ▶ Ranked at **39th position** among the **Top 50 Most Valuable Indian Brands** across different sectors and recognized as the '**Youngest Brand**' amongst the Top 50 Brands in the first ever edition of **WPP's Brandz Report**
  - ▶ **Brand value score** registered a **robust growth of 79% in 2015** from the previous year as per the **Brand Finance Banking 500 report**; global ranking improved from 351st to 255th position and the Indian ranking improved from 11th to 9th position
  - ▶ Ranked **64th position (in terms of trust in the brand) among the top** (up by 21 places from 2014 levels) by **Brand Trust Report (BTR) 2015**.
  - ▶ Won the '**Campaign of the Year (Thematic)**' award in **Gold category** at the Prime Time awards.
  - ▶ Won awards in various categories at the **ABCI Awards, the PRCI Awards** and the **ACEF Awards**.
  - ▶ Conferred the **Star Performance Award 2014 in demat account opening** under PSU-Bank Category by NSDL at its 29<sup>th</sup> DP Conference.
  - ▶ Winner of **Elets Knowledge Exchange Award 2015 under Financial Inclusion Initiatives – PSU category by Elets Technomedia**.
  - ▶ Conferred the **Certificate of Recognition** for distribution of old age pension to senior citizens, a doorstep banking project being implemented by the Bank in Raipur for Raipur Nagar Nigam pensioners.
  - ▶ Received the **Rajbhasha Shield Award** from Governor, RBI for commendable performance in use of Hindi during the year and a **citation from 'Ashirvad'**, a Social, Cultural & Literary group, for excellent contribution in the implementation of the Official Language.

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## The Way Forward

# The Way Forward

***“To be the Most Preferred and Trusted Bank  
Enhancing Value for all Stakeholders”***

## Overall objectives

Product innovation and continued thrust on improving customer service bringing about “Customer Delight”

Expanding presence by opening more branches and other delivery channels

Enlarging depositors base and aggressively raise more CASA deposits

Improving profitability parameters of the Bank including NIMs, ROA & ROE

Focus on increasing short-term working capital financing, retail and MSME Lending

Leverage core competency in infrastructure financing

Generating adequate fee-based income to meet operating expenses

Containing NPAs and focusing on faster recovery from written-off cases

**Thank you**

