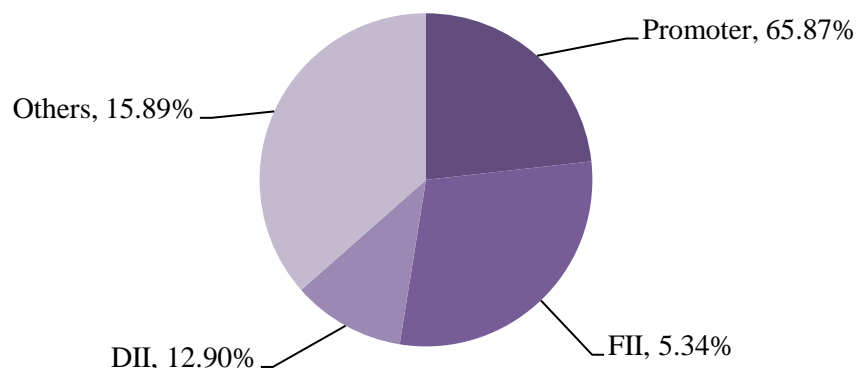




BSE Code	532388
BSE Group / Index	A / BSE200
CMP	Rs. 99.55
Market Capitalization	Rs. 6159 Cr
Face Value	Rs.10
EPS (TTM)	Rs.18.80
Book Value per Share	Rs.123.71
52 Wk High (BSE)	Rs.176.35 (05 Nov,2010)
52 Wk Low (BSE)	Rs.86.30 (04 Oct,2011)

Shareholding Pattern % as of Sep,2011



Public holding more than 1% of the Total No. of Shares (as of Sep, 2011)

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	Life Insurance Corporation of India	45,588,759	7.37
2	LIC of India - Market Plus	9,416,271	1.52
3	HDFC Standard Life Insurance Company Ltd	7,470,627	1.21
4	Birla Sun Life Insurance Company	6,278,940	1.01
	Total	68,754,597	11.11

**Q2 FY12 – Result Highlights**

Particulars (Rs.Cr)	Q2 FY12	Q2 FY11	YoY (%)	Q1 FY12	QoQ (%)	H1 FY12	H1 FY11	YoY (%)
Interest Earned	4395.39	2800.19	56.97%	3992.58	10.09%	8380.27	5467.71	53.27%
Interest Expended	3129.00	1843.89	69.70%	2804.95	11.55%	5926.25	3605.15	64.38%
Net Interest Income	1266.39	956.30	32.43%	1187.63	6.63%	2454.02	1862.56	31.76%
Non-Interest Income	427.17	274.54	55.59%	339.19	25.94%	766.36	489.41	56.59%
Total Income	1693.56	1230.84	37.59%	1526.82	10.92%	3220.38	2351.97	36.92%
Operating Expenses	786.73	615.18	27.89%	724.22	8.63%	1510.94	1272.40	18.75%
Operating Profit	906.83	615.66	47.29%	802.60	12.99%	1709.44	1079.57	58.34%
Provisions & Contingencies	636.41	305.13	108.57%	544.95	16.78%	1181.36	464.14	154.53%
Profit before Tax	270.42	310.53	-12.92%	257.65	4.96%	528.08	615.43	-14.19%
Tax	62.95	104.38	-39.69%	52.08	20.87%	115.03	208.84	-44.92%
Profit after Tax	207.47	206.15	0.64%	205.57	0.92%	413.05	406.59	1.59%
Equity share capital (FV- Rs.10)	618.75	544.80		618.75		618.75	544.80	
EPS (Rs.)	3.35	3.78		3.32		6.68	7.46	



Strong business growth

IOB's business grew 41% YoY in Q2 FY12 to Rs.2,90,744Cr. Deposits and advances grew 38% and 44% to Rs.1,63,579Cr and Rs.1,27,166Cr respectively. The credit deposit ratio increased to 77.74% from 74.55% in Q2 FY11. On the credit book side, the agriculture, retail and SME sectors were the key contributors to growth. On the deposits side, CASA share declined to 27.46% from 33.09% YoY on account of a 50% jump in term deposits. **The management expects business to touch Rs.3,25,000Cr & credit growth of around 23% for FY12.**

Decline in CASA & higher cost of deposits impacts margins

IOB saw a sharp 563 bps YoY decline in CASA to 27.46%. Management attributed this to higher traction in term deposits relative to savings deposits due to elevated interest rate levels and migration from savings to term deposit. The avg cost of deposits increased by 141 bps from 5.76% to 7.17% YoY in Q2 FY12. Consequently margins also declined by 16 bps YoY to 2.86%. **The management expects CASA to improve to 35% on the back of new branch openings & margins to remain steady at current levels for FY12.**

Non-interest income rises 55% YoY

In Q2 FY12, non-interest income grew 55.59% to Rs.427.17Cr, primarily on account of 32.52% YoY growth in fee income, 48.84% YoY jump in recovery of written-off accounts and a 226.67% YoY jump in profit from sale of investment.

Strain on asset quality

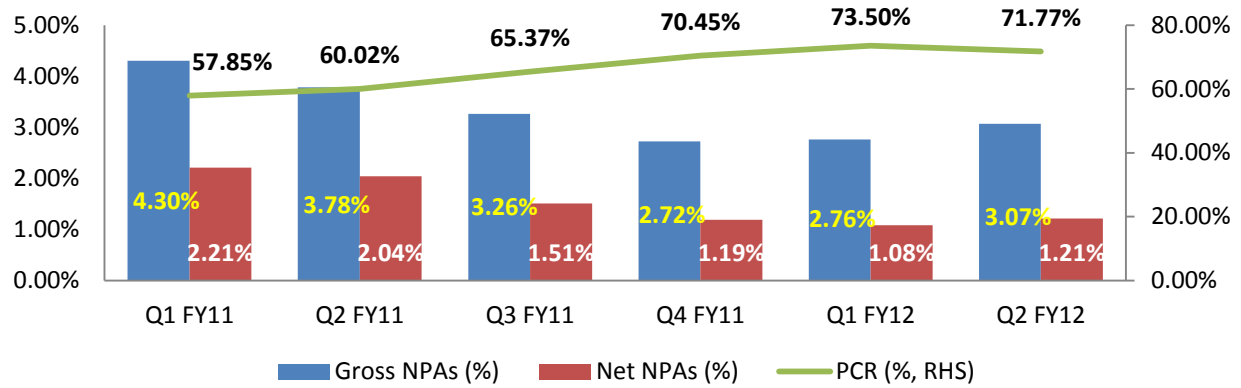
In Q2 FY12, the bank's gross NPAs rose 17% YoY and rose 18% QoQ to Rs.3898Cr. Since Q1 FY12, we have witnessed a sequential increase in the GNPA level mainly due to slippages from the migration of loan book to the CBS platform. In percentage terms, GNPA rose to 3.07% from 2.76% QoQ in Q2 FY12. **The IOB management expects that gross NPAs would remain flat at current levels on the back of higher recoveries in FY12.**

“IOB is expecting a capital infusion of up to Rs 1,450 crore from the Government by February 2012. OB's core tier-I capital stood at 7.02 % as on September 30 and the Government has made it clear earlier that it will ensure a tier-I component of 8% in all banks”

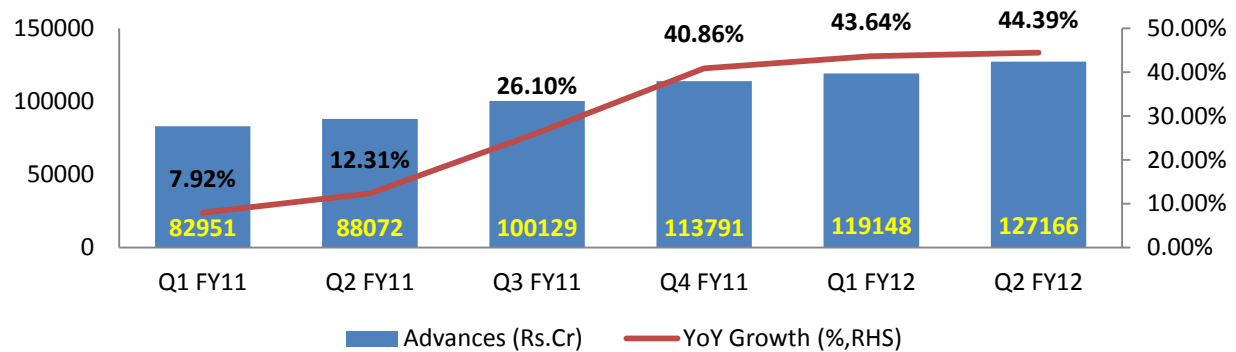


Quarterly Trends

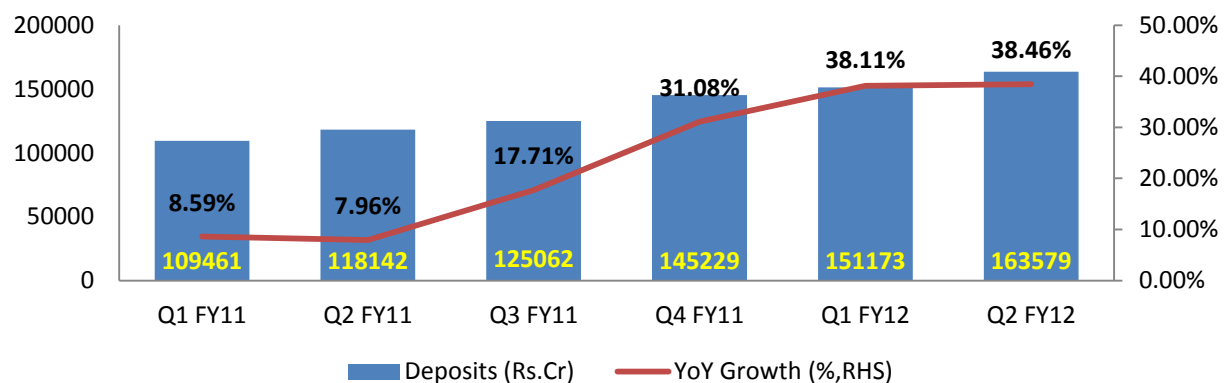
Strain on asset quality



Advances grow at 44% YoY

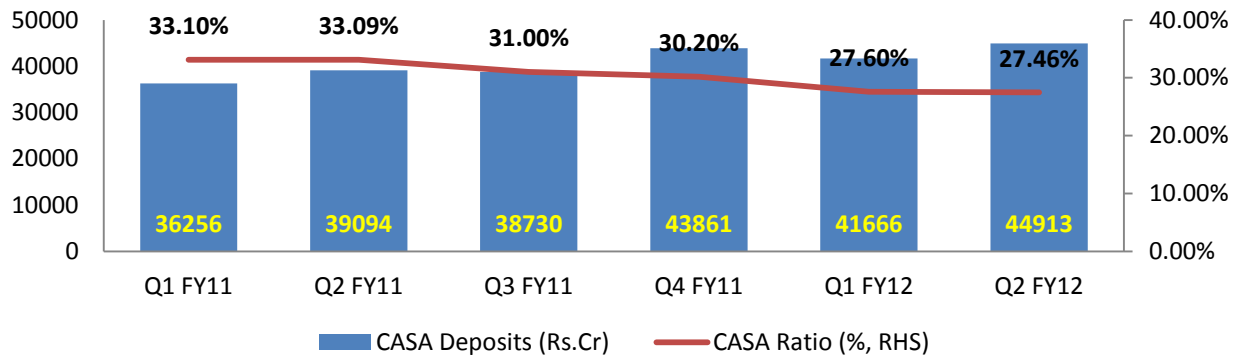


Deposit grow at 38% YoY

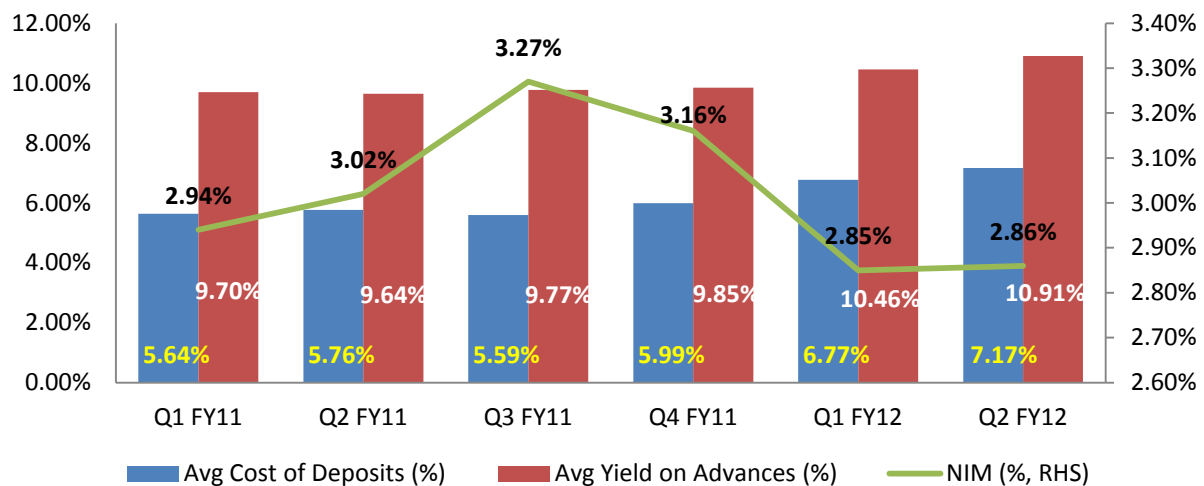




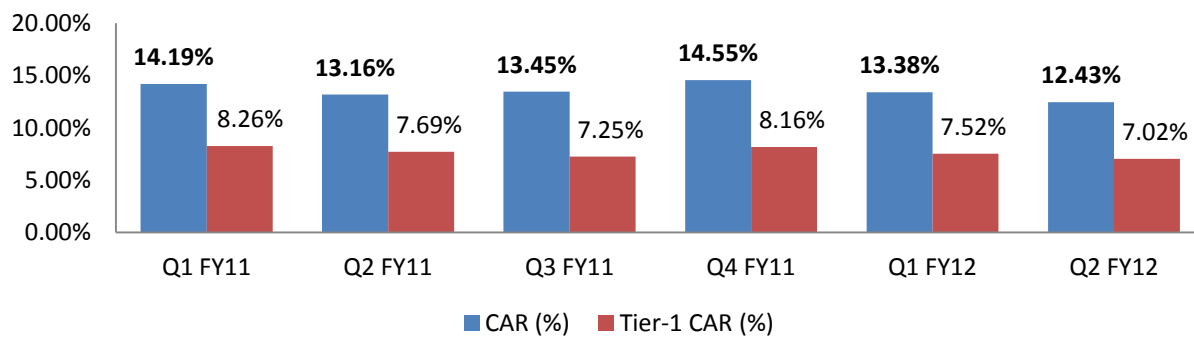
Declining CASA



NIMs under pressure



Weak capital adequacy especially Tier-1



**Disclaimer:**

Analyst Holding: Yes
Recommended to Clients: Yes
Relationship with Management: No

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