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# Banking Sector Roundup - FY21

JUNE 2021

# Banking Sector Update FY21 - Topics covered

## Macro Indicators



- India GDP growth forecasts
- COVID response by sectors
- Trend in policy rates

## Business: Advances & Deposits



- Total Credit & Deposit growth
- Market share of business
- Advances split
- Corporate debt in India
- Growth in CASA-TD

## Key Performance Indicators



- Banking sector earnings snapshot
- ROA driver tree
- Financial ratios

## NPA & Risk Management



- Trends in asset quality
- Recoveries/sale to ARCs

## Valuation



- Price to book value ratio
- Market capitalization

## Digital in Banking



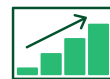
- Performance of select banks
- Growth in digital payments
- UPI payments

## Key Regulatory Measures



- Latest regulatory measures

## Annual Player Performance



- Benchmarking of banks

## Outlook for FY22



- FY22 outlook of banking Industry

# Glossary: Classification of Indian banks used in this document

## PSU (11 banks)

The PSU (11 banks) section displays the following logos:

- SBI
- Indian Bank
- PNB
- Central Bank of India
- Oriental Bank of Commerce
- UCO Bank
- Bank of Baroda
- Canara Bank
- Union Bank of India
- Punjab & Sind Bank
- Bank of India

## Private–New (10 banks)

The Private–New (10 banks) section displays the following logos:

- HDFC BANK
- IDBI BANK
- ICICI Bank
- YES BANK
- AXIS BANK
- IDFC FIRST Bank
- kotak Kotak Mahindra Bank
- Bandhan Bank
- IndusInd Bank
- RBL BANK

## Private–Old (7 banks)

The Private–Old (7 banks) section displays the following logos:

- FEDERAL BANK
- SOUTH INDIAN Bank
- Karnataka Bank Ltd.
- KVB Karur Vysya Bank
- CITY UNION BANK
- DCB BANK
- CSB Bank

# Executive summary (I/II)



## Macro Trends

- India's FY22 GDP forecasted to grow at 9.3% to 12.8% YoY - mixed sentiments observed in Apr-May'21 with upward as well as downward revisions
- Apr'21 trends exhibited marginal recovery for few sectors and a downward trajectory for few others
- Repo and reverse repo rate remained unchanged since May'20; MCLR remained at slight downward trajectory in Mar'21



## Business: Advances and Deposits

- Credit growth dropped to 13-quarter low at 5.3% in FY21 as Covid-19 took a toll
- Decline witnessed in corporate lending as focus shifts towards retail; Corporate leverage at an all-time low of 0.46x of total equity
- Precautionary savings, limited expenditure and government relief measures led to significant rise in CASA deposits in the pandemic year
- Private sector banks have gained ~10% market share across loans & deposits from PSBs in past 5 years



## Key Performance Indicators

- Banking Industry turns profitable in FY21 majorly due to decade low fixed deposit rates and better asset quality management; Overall pre-provision profit pool at 2.2% of Avg assets
- PSU banks turns profitable after 5 consecutive years of losses
- Higher NIMs in FY21 driven by reduction in cost of funds; Private-new banks outperform peers with lowest CIRs
- All banks reported CAR higher than the minimum regulatory requirement

# Executive summary (II/II)



## NPA and Risk Management

- Overall Industry GNPA has curved over the past 5 years- currently at 7.4%; Second wave pose risk to asset quality, bank retains healthy provisioning buffer
- NPAs contained for overall banking industry; however, asset quality still a major concern for many banks
- Higher NPA recoveries to ease pressure on banks; Asset sales to ARCs increasing over time but with high haircuts



## Valuation

- Most PSU banks valued below book value; private banks commanding premium



## Digital in Banking

- COVID 19 has pushed digital banking adoption to the tipping point
  - Fixed Deposits sourced via digital channels is now 70%-90% for private banks (IndusInd: 93%, Axis: 71%)
  - New savings accounts sourced digitally is now 70%-95% for banks (IndusInd: 95%, Axis: 71%, SBI: 68%)
- PhonePe overtook Google Pay to emerge as market leader; together occupy ~80% of market share



## Outlook

- Low interest rate environment to continue, CPI inflation to remain low at ~5.1%, expect RBI to keep the repo rate unchanged in 2021
- Large banks to lead the show with sufficient capital, accelerating market share, stronger deposits, lower cost ratios and clean balance sheet



## Banking sector overview

### > Macro Indicators

Business: Advances & Deposits

Key Performance Indicators

NPA and Risk Management

Valuation

Digital in Banking

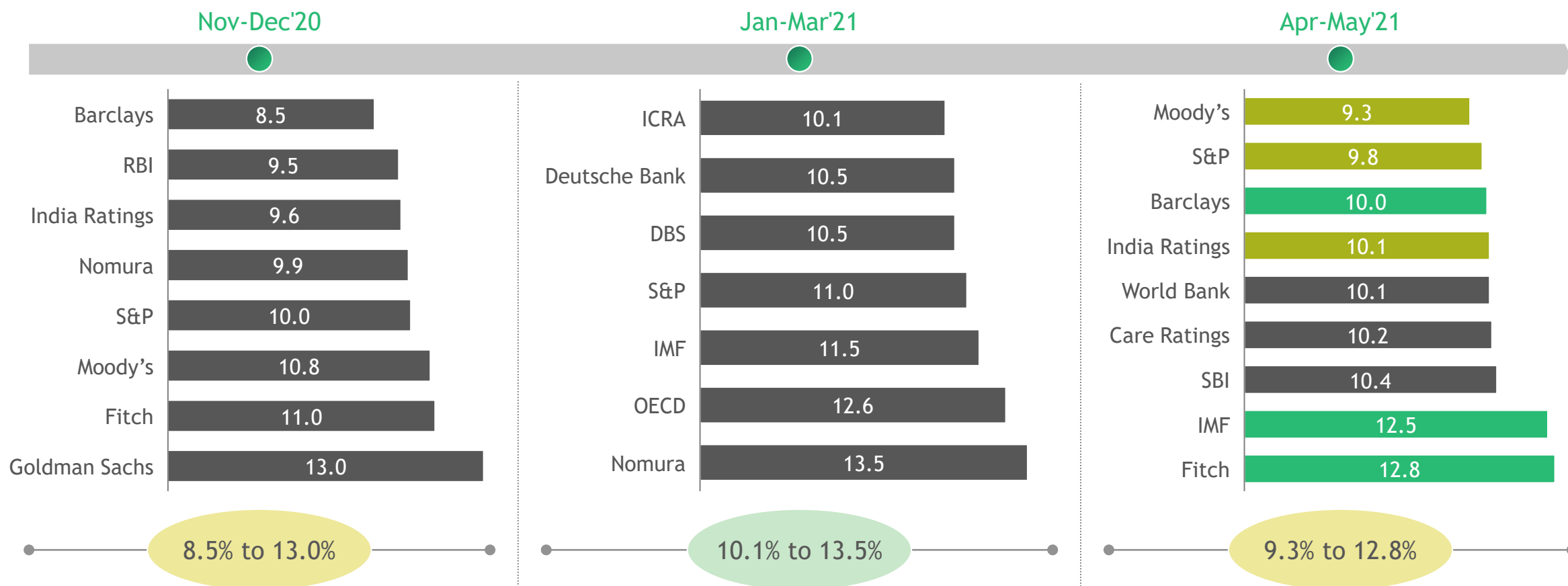
Key Regulatory Measures

Annual Player Performance

Outlook for FY22

# India's FY22 GDP forecasted to grow at 9.3% to 12.8% YoY - mixed sentiments observed in Apr-May'21 with upward as well as downward revisions

## India GDP growth forecast for FY22 (YoY,%)



Source: Analyst reports, BCG analysis

## Apr'21 trends exhibited marginal recovery for few and a downward trajectory for few others

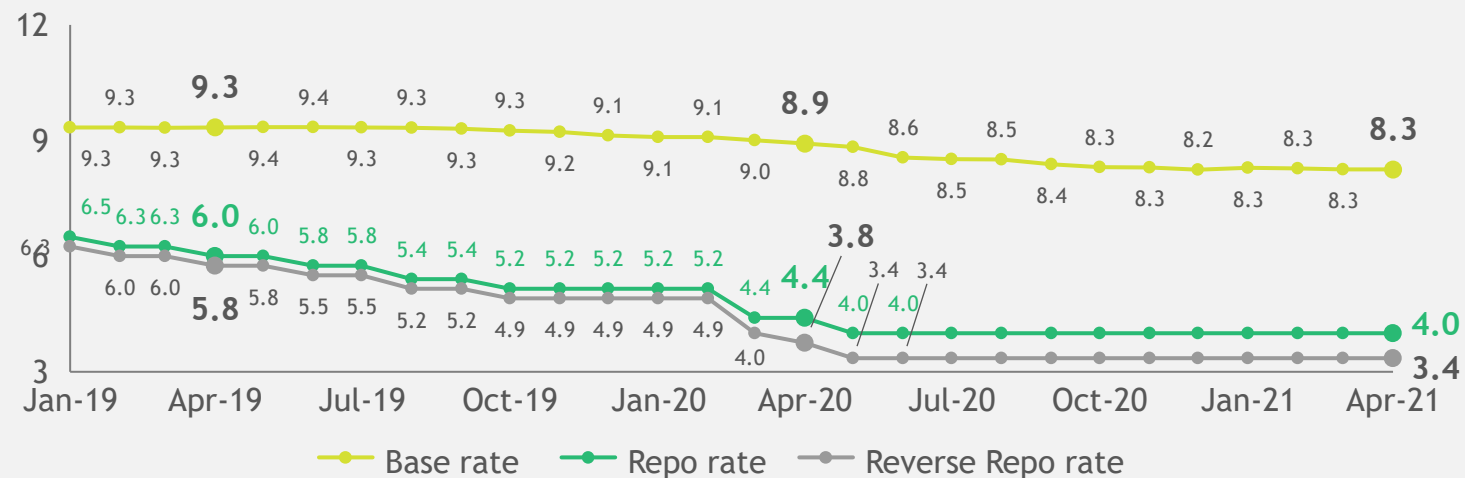
	Indicator	Unit	Jan	Feb	Mar	Apr
<b>1</b>	<b>Industrial Activity</b>					
	Power Consumption	MU	-7%	-10%	-9%	2%
	Petroleum Consumption	MT	-3%	-1%	-5%	-7%
	Index of Industrial Prod.	Index	-1%	-1%	0%	NA
<b>2</b>	<b>Trade</b>					
	Services Export	USD	-4%	6%	14%	NA
	Services Import	USD	-8%	8%	10%	NA
	Merchandise Export	USD	4%	4%	5%	17%
	Merchandise Import	USD	1%	10%	10%	10%
<b>3</b>	<b>Logistics</b>					
	E-Way Bills Generated	Mn	24%	27%	30%	12%
	Railway Freight Originated	MT	12%	12%	9%	10%
	JNPT Container Traffic	TEUs	6%	12%	12%	4%
	Air Freight	kT	-12%	-9%	-8%	-8%
	Air Passenger Traffic	Mn	-46%	-39%	-40%	NA
	Rail Passengers Booked	Mn	-67%	-55%	-56%	-69%
<b>4</b>	<b>Financial Services</b>					
	UPI Transactions	Mn	292%	297%	280%	238%
	Total Bank Credit	INR	14%	14%	12%	NA
	Total Bank Deposits	INR	23%	23%	20%	NA

	Indicator	Unit	Jan	Feb	Mar	Apr
<b>5</b>	<b>Sector-wise Impact</b>					
	Cement Production	MT	-1%	2%	-1%	NA
	Steel Sales	MT	22%	17%	-2%	-2%
	Passenger Vehicle Sales	k	-4%	-2%	-8%	0%
	Tractor Sales	k	19%	42%	65%	16%
	Two-wheeler Sales	k	-2%	-5%	10%	-20%
	Fertilizer Sales	MT	15%	15%	-23%	40%
	Gross Premium (Life)	INR	23%	23%	16%	-2%
	Gross Premium (Non-Life)	INR	15%	22%	9%	9%
	Pharma. Sales	INR	13%	14%	21%	13%
	Chemical Production Index	Index	7%	6%	6%	NA
<b>6</b>	<b>Macroeconomic Indicators</b>					
	Total GST Collection	INR	17%	16%	17%	24%
	MGNREGA Jobs Demand	HHs	-88%	-86%	-87%	21%
	MGNREGA Jobs Provided	HHs	-88%	-87%	-88%	-7%
	No. of Tenders Announced	k	59%	38%	102%	232%
<b>7</b>	<b>Sentiment</b>					
	India VIX	Index	48%	54%	20%	5%
	PMI (Manufacturing)	Index	57.7	57.5	55.4	55.5
	PMI (Services)	Index	52.8	55.3	54.6	54



### Reserve bank's policy rates (%)

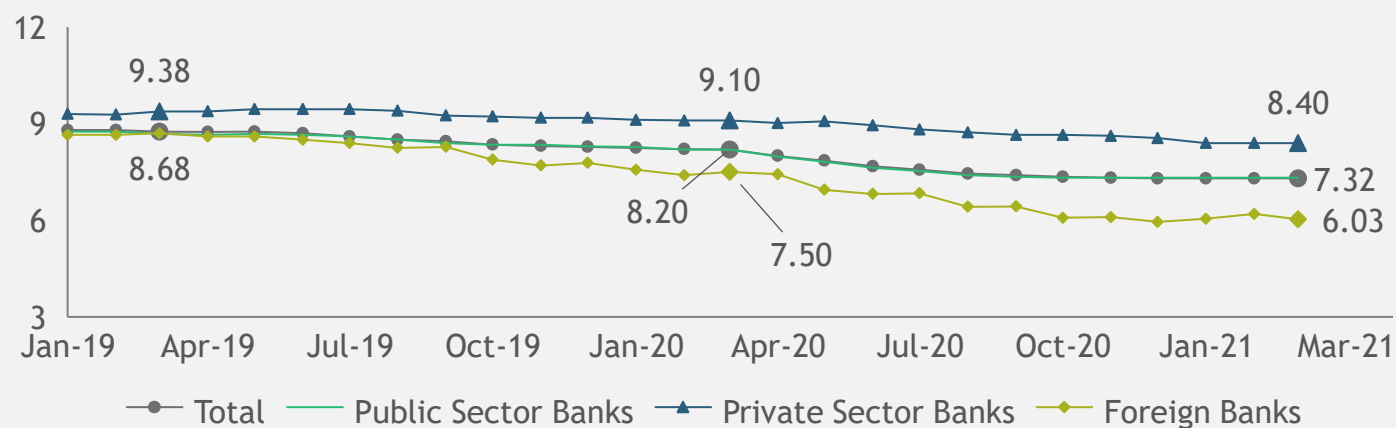
Policy rate %



Apr'21 repo and reverse repo rate remained unchanged since May'20

### MCLR of scheduled commercial banks (Median rate on one-year borrowings, in %)

MCLR (%)



MCLR remained at slight downward trajectory in Mar'21



## Banking sector overview

Macro Indicators

> **Business: Advances & Deposits**

Key Performance Indicators

NPA and Risk Management

Valuation

Digital in Banking

Key Regulatory Measures

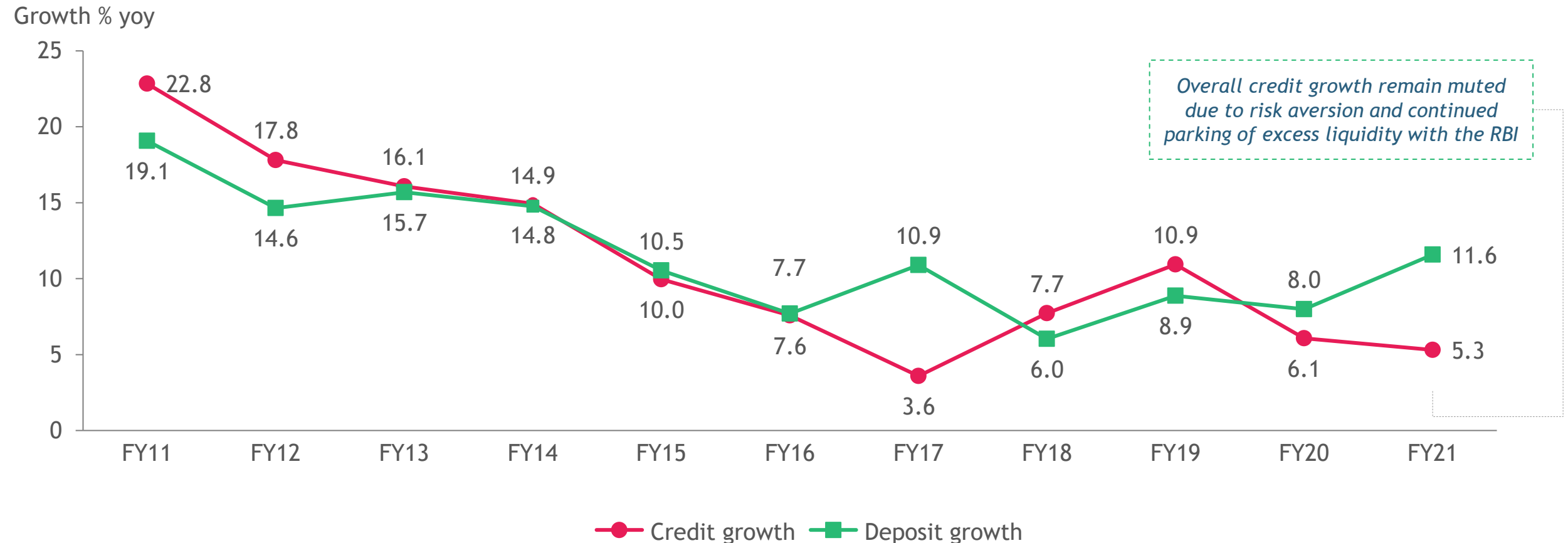
Annual Player Performance

Outlook for FY22

# Credit growth dropped to 13-quarter low at 5.3% in FY21 as Covid-19 took a toll

Despite over a 100-basis point decline in interest rates, bank deposits surged by 11.6%

## Credit and deposit growth rate (%)

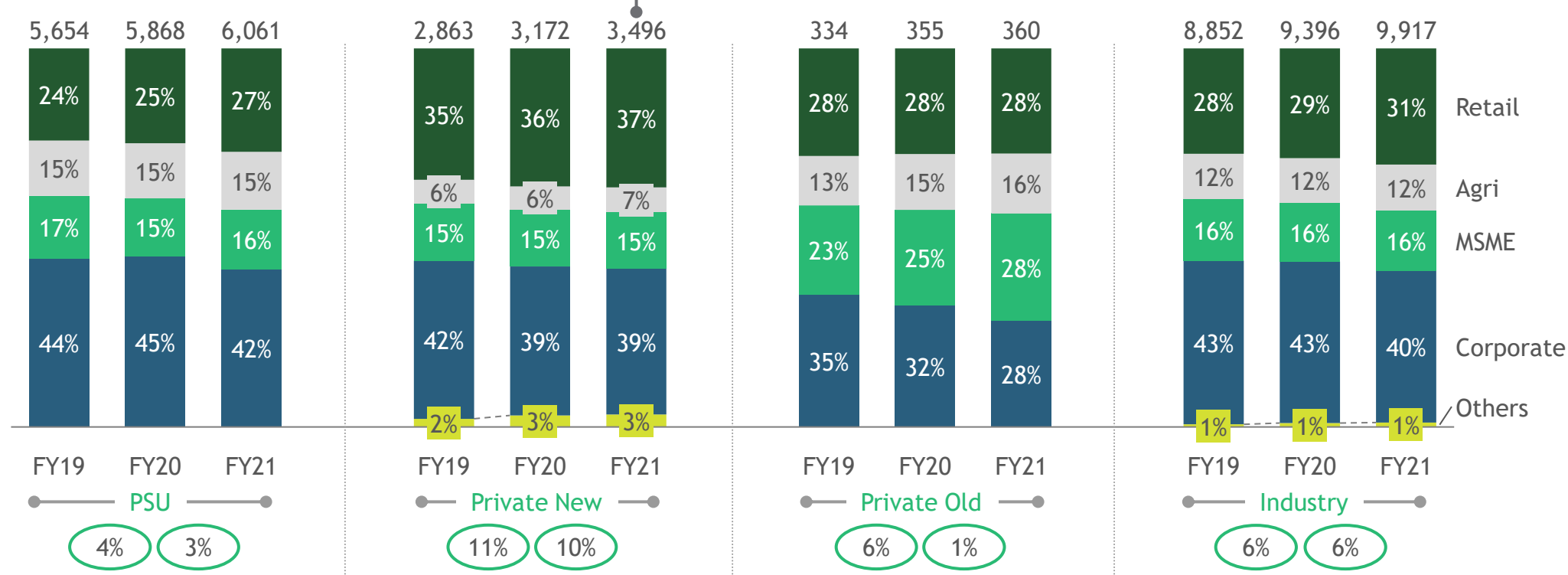


Note: Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks  
Source: RBI; Capitaline; Press releases; BCG analysis

# Decline witnessed in corporate lending as focus shifts towards retail

Split of Domestic Loan Book ('000 Crs) (%)

HDFC Bank has ramped up its share in corporate loans from 47% in FY19 to 53% in FY21 and further aims to grow its MSME segment



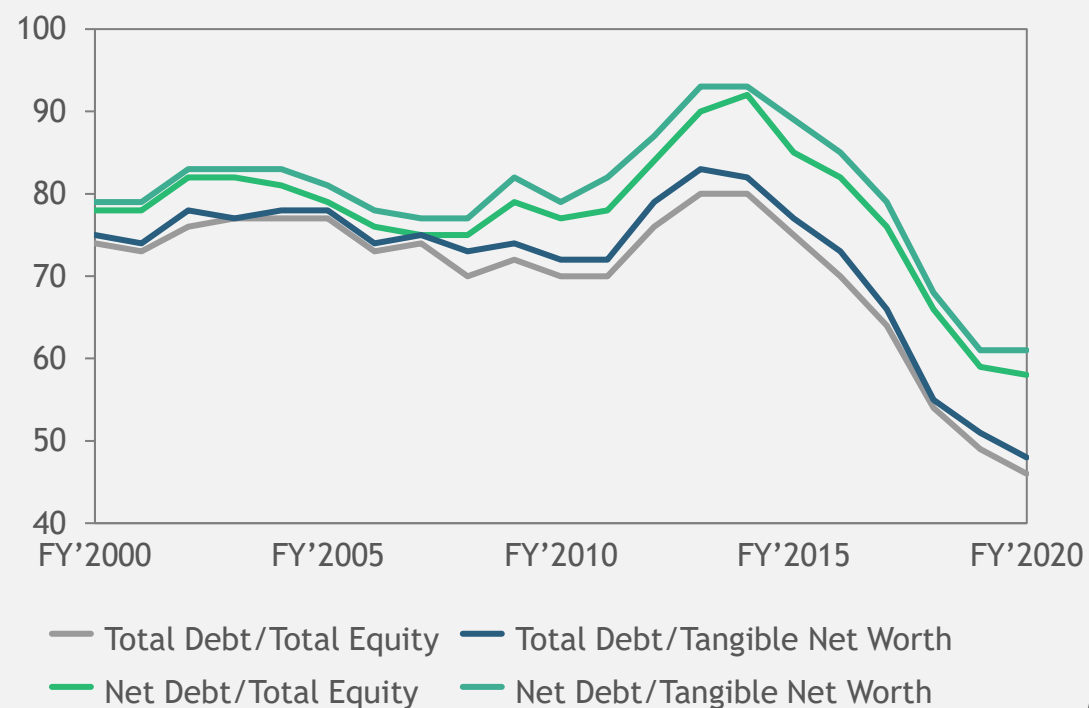
**Total Advances YOY Growth**

- PSU: FY20 (+4%), FY21 (+3%)
- Private New: FY20 (+11%), FY21 (+10%)
- Private Old: FY20 (+6%), FY21 (+1%)
- Industry: FY20 (+6%), FY21 (+6%)

Note: Loan book includes domestic advances only; MSME includes SME, LAP, Business Banking and CV/CE loans; Agri includes Rural Loans, Kisan gold card loans and Tractor Loans; Others include Micro finance, PSL Inorganic + SRs and Loan Converted into Equity and credit substitutes  
 Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks  
 Source: RBI; Capitaline; Press releases; BCG analysis

# Corporate leverage at an all-time low of 0.46x of total equity

Indian companies (excl. financial institutions)

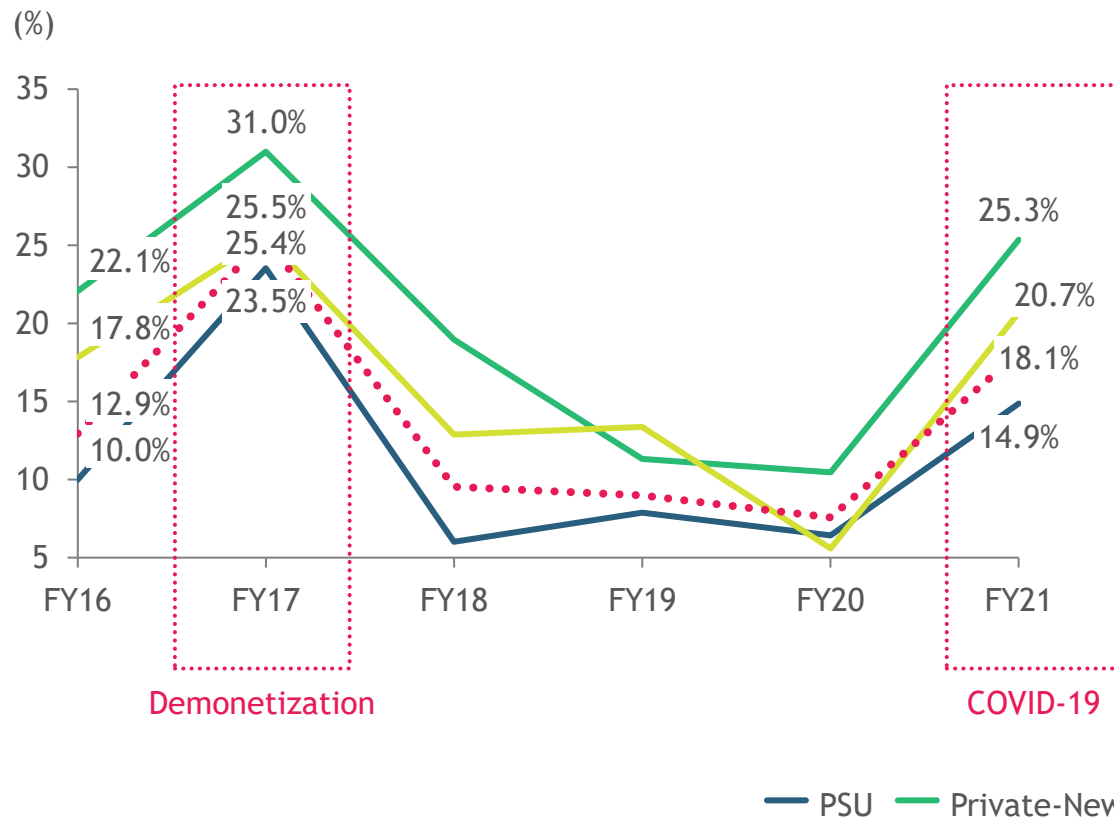


Source: Press Search; BCG Analysis

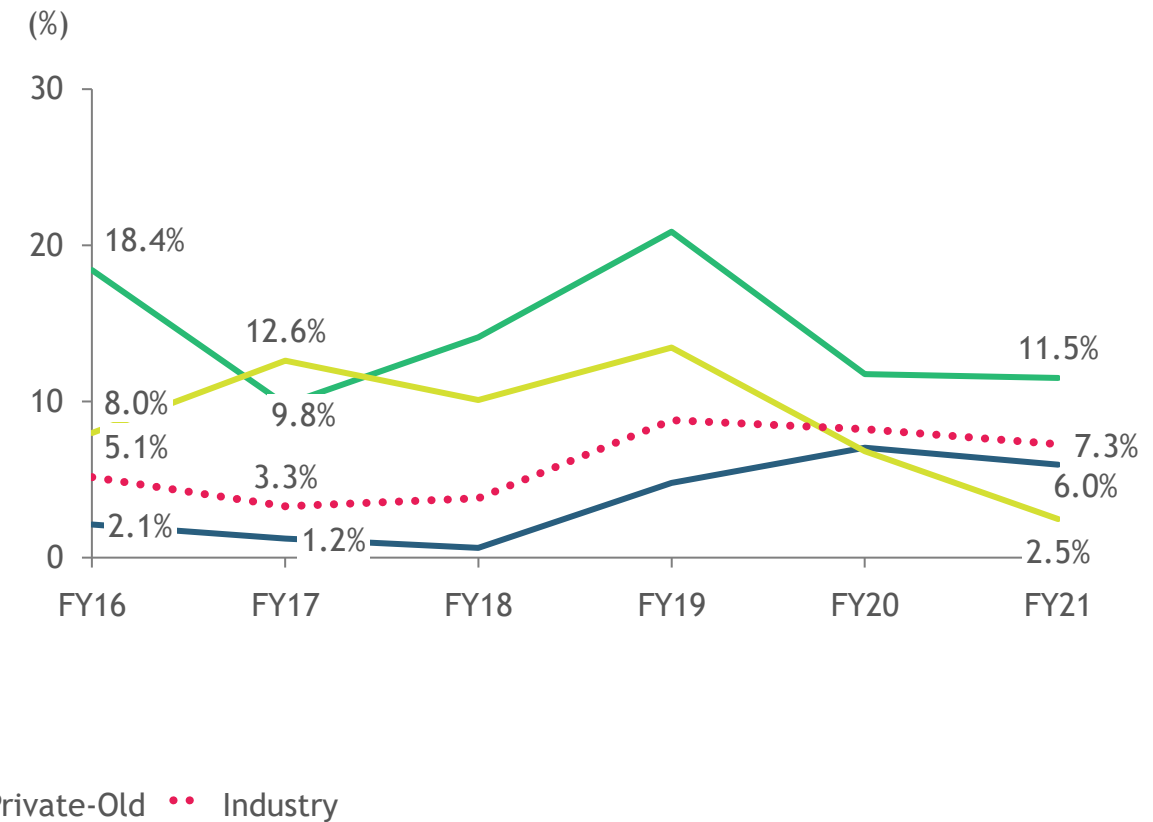
- 1000+ listed entities across top 15 sectors **reduced debt by over Rs. 1.7 L Cr.** in FY21 (SBI research)
- Corporates have reduced their loan liabilities for a lower finance cost that resulted in **9% increase in primary issuance of bonds**
- **Indian Cos. have increased their cash & bank balance by ~35% in FY21 (YoY), suggesting a conservative approach**
- **"This trend is continuing in FY22 also,"** said Soumya Kanti Ghosh, Group Chief Economic Adviser, State Bank of India

# Precautionary savings, limited expenditure and government relief measures led to significant rise in CASA deposits in the pandemic year

### CASA growth YoY by bank category (%)



### Term Deposits growth YoY by bank category (%)

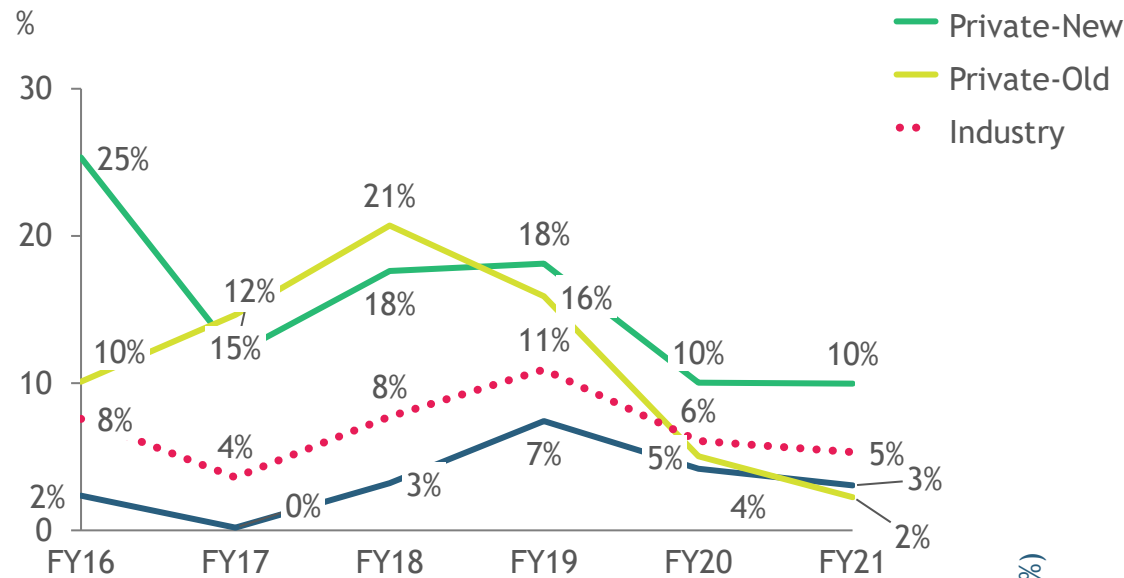


Note: 1. Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks 2. Analysis based on Global CASA for all banks except SBI, Bank of Baroda, Canara Bank, Bank of India and UCO bank  
 Source: RBI; Capitaline; Press releases; BCG analysis

# Private sector banks have gained ~9% market share across loans & deposits from PSBs in past 5 years

## Credit growth by bank category

Growth % yoy

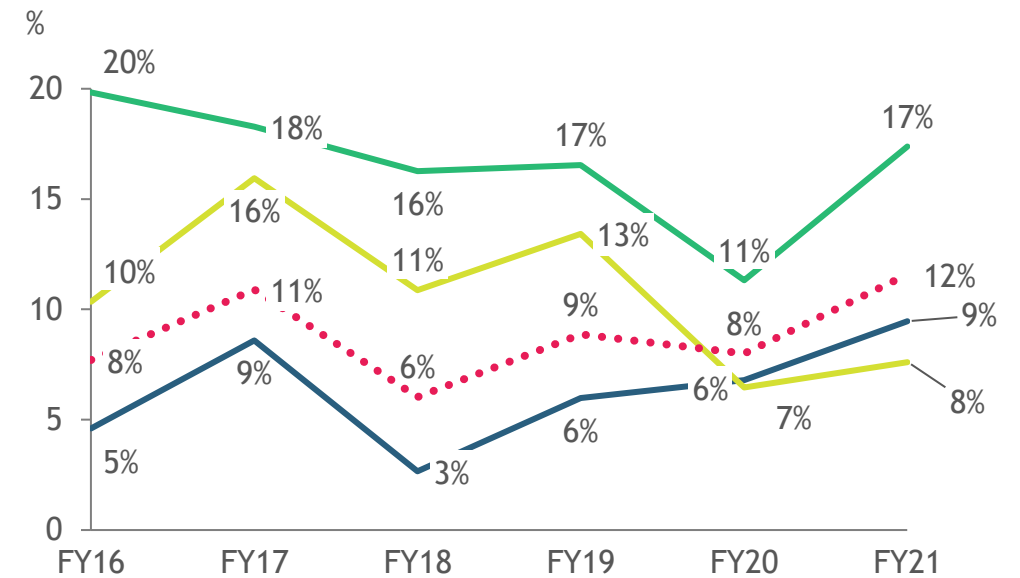


Market share (%)

PSU	72%	69%	66%	64%	63%	62%
Private-N	25%	27%	30%	32%	33%	34%
Private-O	3%	3%	4%	4%	4%	4%

## Deposits growth by bank category

Growth % yoy



Market share (%)

PSU	75%	74%	72%	70%	69%	68%
Private-N	21%	23%	25%	27%	28%	29%
Private-O	3%	3%	3%	4%	4%	3%

Note: Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks  
 Source: RBI; Capitaline; Press releases; BCG analysis



## Banking sector overview

Macro Indicators

Business: Advances & Deposits

> Key Performance Indicators

NPA and Risk Management

Valuation

Digital in Banking

Key Regulatory Measures

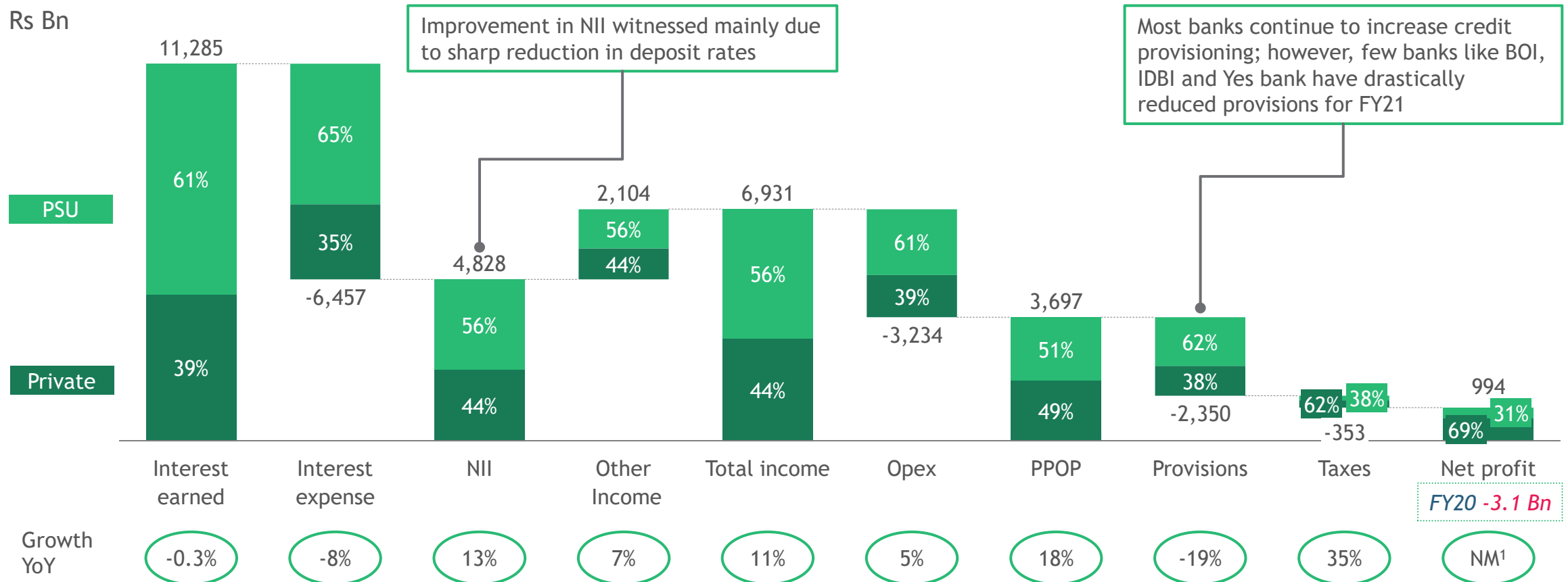
Annual Player Performance

Outlook for FY22



## FY21 banking sector-earnings snapshot

Banking Industry turns profitable in FY21 majorly due to decade low fixed deposit rates and better asset quality management



1. NM= not meaningful; Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks; 2. Extra-ordinary gains/losses not considered  
Source: Capitaline; Press releases; BCG analysis

## RoA driver tree: Overall pre-provision profit pool at 2.2% of Avg assets

Banks are better poised to tap growth opportunities in 2021 as their higher contingency reserves offer better earnings and capital resilience

Particulars <sup>1</sup>	UoM	PSU banks		Private banks		Industry	
		FY21	FY20	FY21	FY20	FY21	FY20
Net interest Margin	(%)	2.5%	2.4%	3.6%	3.4%	2.9%	2.7%
Fee + Other Income	(%)	1.1%	1.1%	1.6%	1.6%	1.2%	1.3%
Operating expenses	(%)	1.8%	1.8%	2.1%	2.3%	1.9%	2.0%
Pre-Provision Profit <sup>2</sup>	(%)	1.7%	1.6%	3.0%	2.8%	2.2%	2.0%
Credit costs	(%)	1.3%	1.7%	1.5%	2.1%	1.4%	1.9%
Tax	(%)	0.1%	0.0%	0.4%	0.4%	0.2%	0.2%
Return on Assets	(%)	0.3%	-0.2%	1.2%	0.3%	0.6%	-0.02%

NIM and Other Income showed marginal growth in FY21

Decline in credit cost due to drastic reduction in provisions by BOI, IDBI and Yes bank

PSUs witnessed positive ROA; overall profitability in Industry aided by lower deposit rates

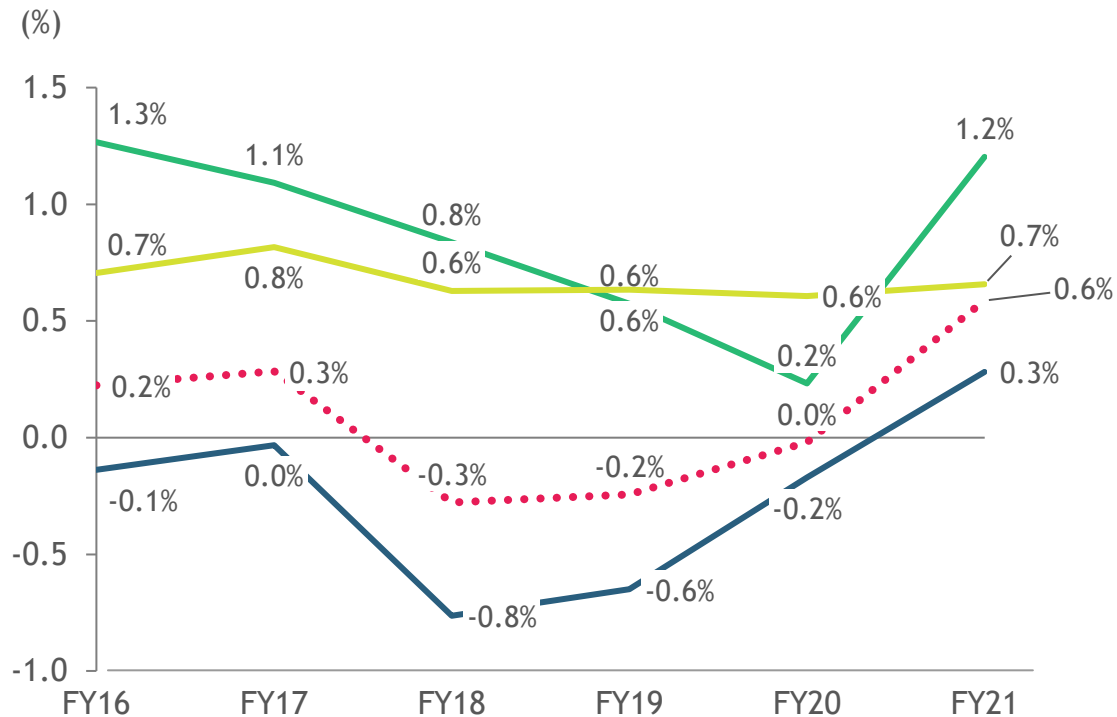
1. All the above #s are as a % of Average Assets, 2. Pre-provision profit may not tally due to rounding off error

Note: Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks

Source: Capitaline; Press releases; BCG analysis

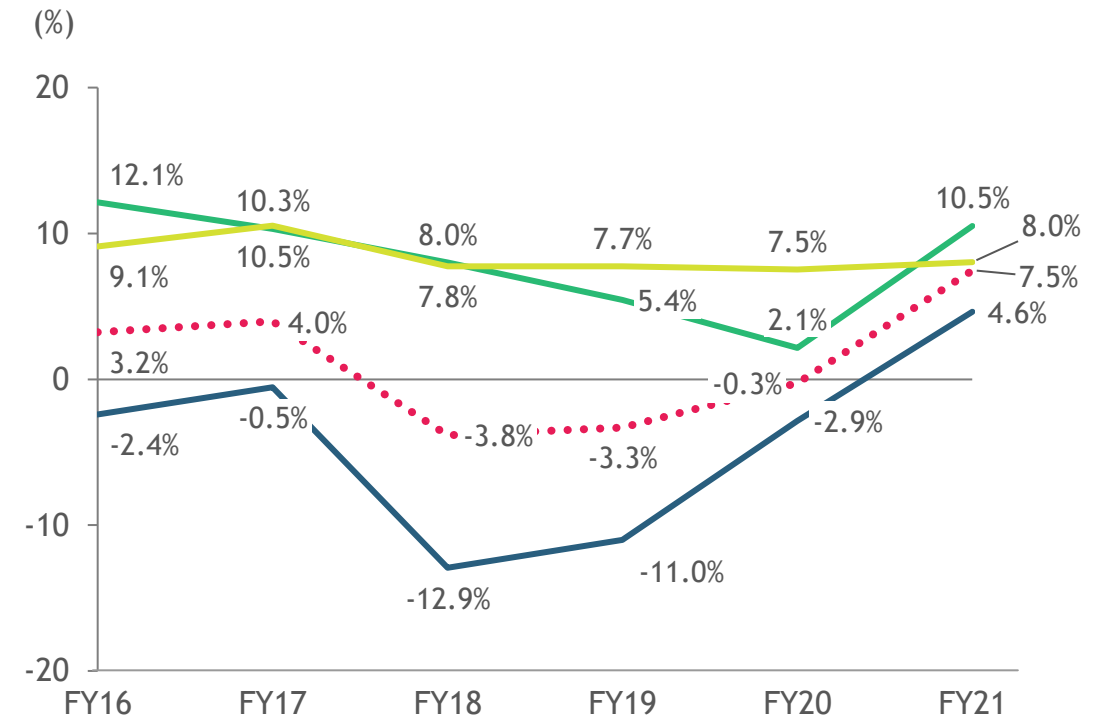
# PSU banks turns profitable after 5 consecutive years of losses; Industry shows resilience to pandemic in FY21

## Return on Assets<sup>1</sup> by bank category



— PSU — Private-New — Private-Old •• Industry

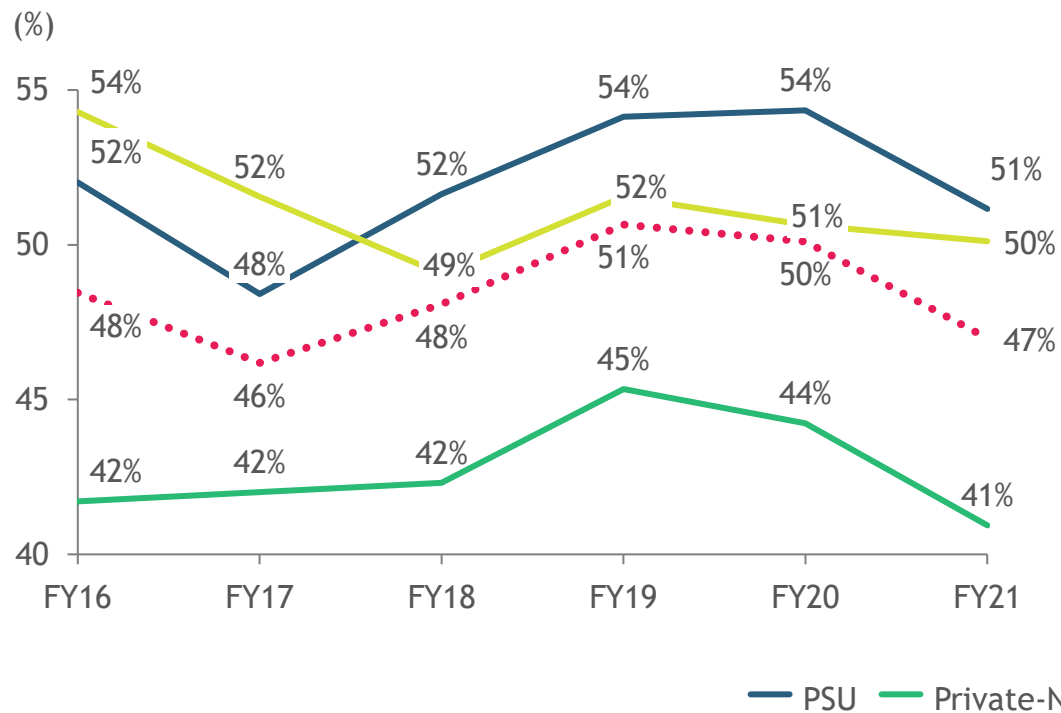
## Return on Equity<sup>2</sup> by bank category



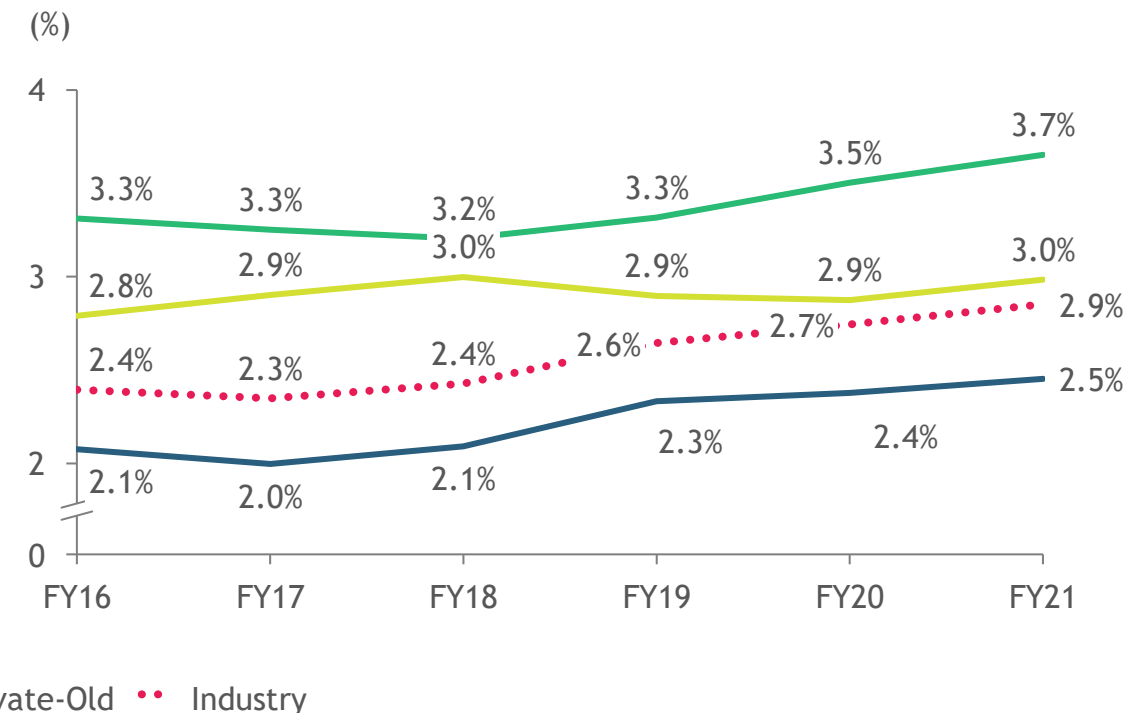
<sup>1</sup>Return on Assets is calculated as net profit/average assets <sup>2</sup>Return on Equity is calculated as net profit/average shareholders' fund  
 Note: Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks  
 Source: RBI; Capitaline; Press releases; BCG analysis

## Higher NIMs in FY21 driven by reduction in cost of funds; Private-new banks outperform peers with lowest CIRs

### Cost to Income Ratio<sup>1</sup> by bank category (%)



### Net Interest Margin<sup>2</sup> by bank category (%)

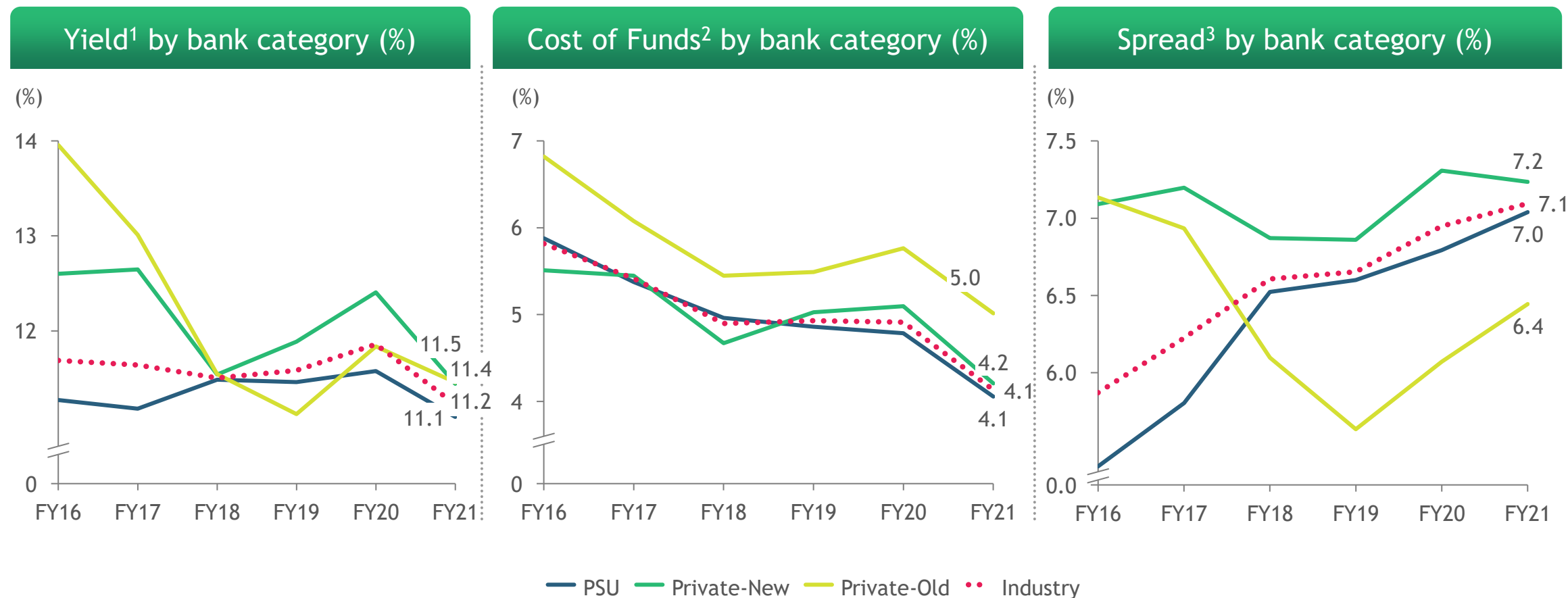


<sup>1</sup>Cost to Income is calculated as Operation expense/(net interest income + other income) <sup>2</sup>NIM is calculated as (Interest Income - Interest Expense)/Average Assets

Note: Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks. One off expenses of CSB, ICICI and SBI like change in depreciation policy and gain on sale of stake in subsidiaries has not been considered for computing cost to income ratio

Source: RBI; Capitaline; Press releases; BCG analysis

## Lower funding costs in FY21 driving banks' profitability; Private-new banks outperform peers with highest spread



<sup>1</sup>Yield is calculated as Interest Earned/Advances <sup>2</sup>CoF is calculated as Interest Expended/(Deposits + Borrowings) <sup>3</sup>Spread is the difference between yield and CoF

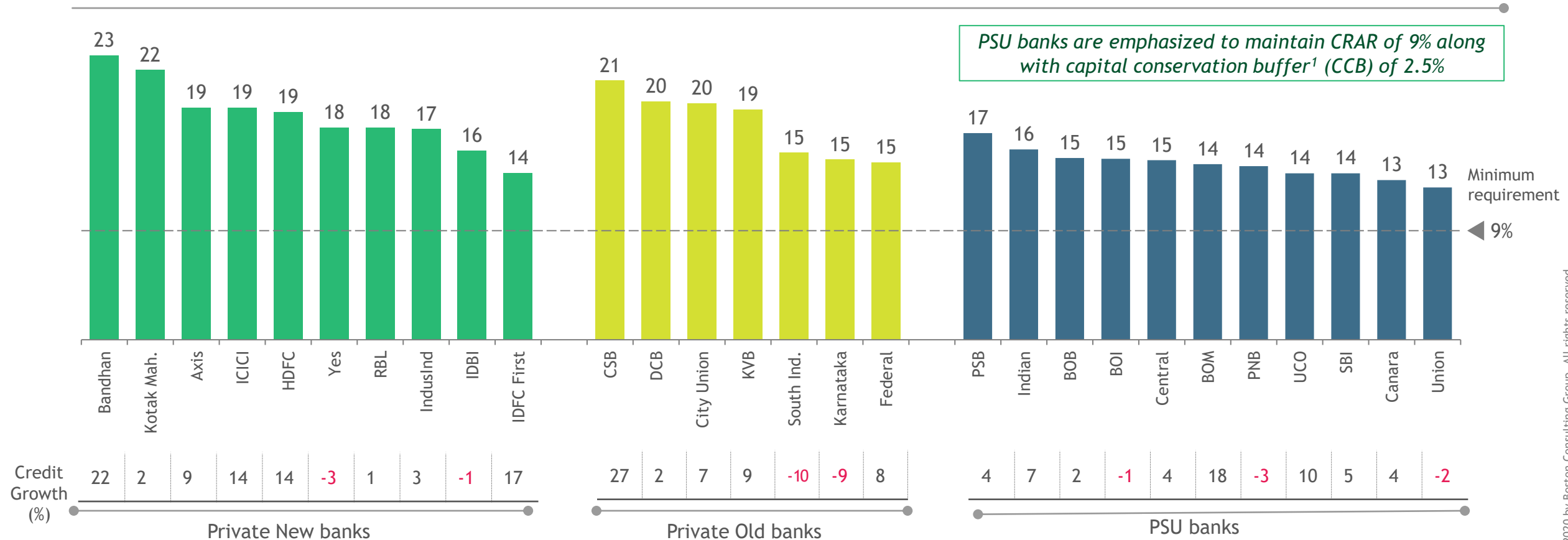
Note: Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks

Source: RBI; Capitaline; Press releases; BCG analysis

## All banks reported CAR higher than the minimum regulatory requirement

Owing to the challenging business environment, banks in FY21 have increased their capital base through public offer, QIB, bonds and private placement

### Capital to Risk-weighted assets ratio (%) (Mar' 21)



1. In view of the continuing stress on account of Covid-19, RBI on September 29, 2020 deferred the implementation of the last tranche of 0.625% of the Capital Conservation Buffer (CCB) from September 30, 2020 to April 1, 2021. Currently, the required CAR stands at 10.875%.

Source: Capitaline, Investor presentation, Press release, RBI, CARE Ratings, BCG Analysis



## Banking sector overview

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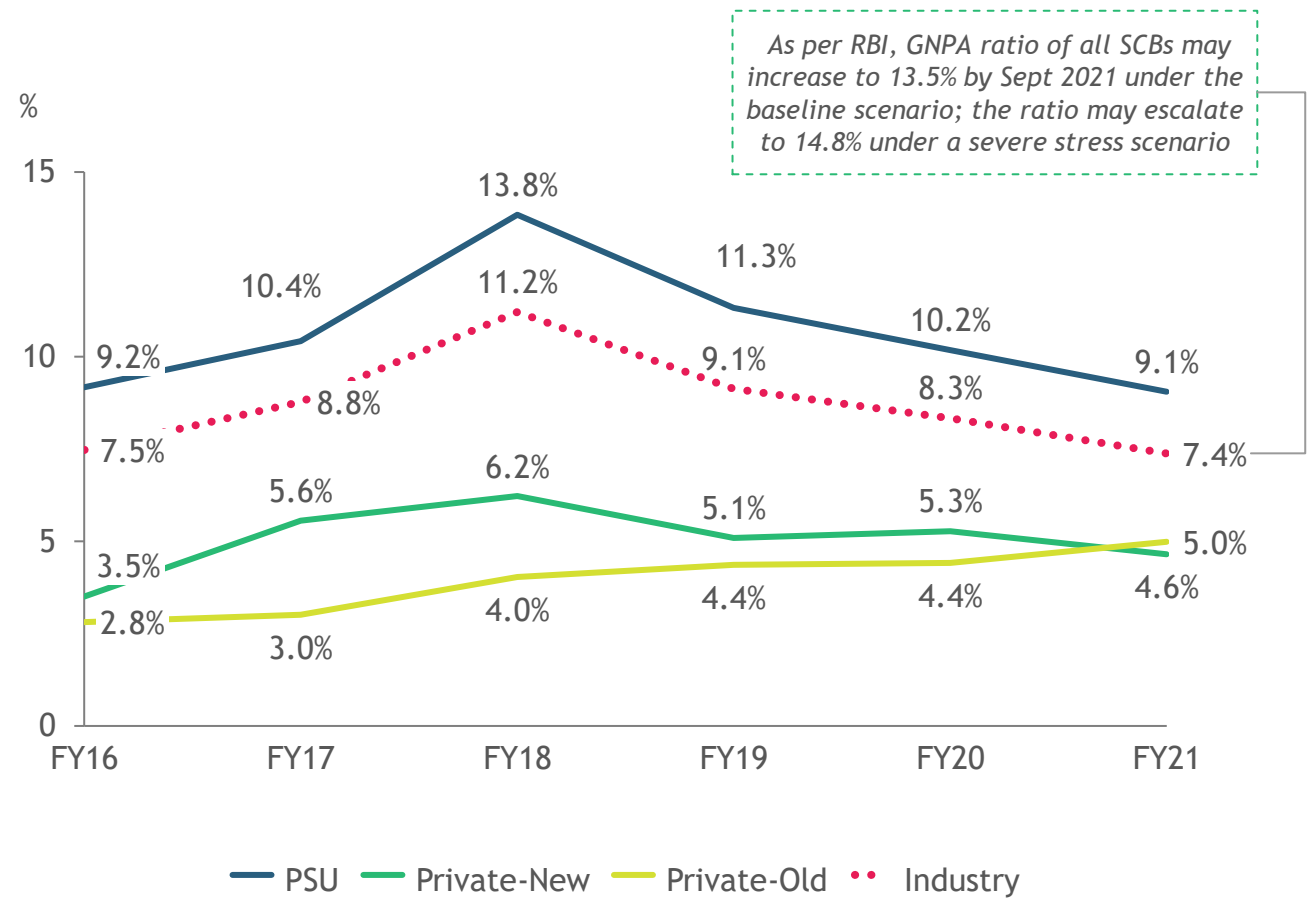
Key Regulatory Measures

Annual Player Performance

Outlook for FY22

## Gross Non-Performing assets (%)

Overall Industry GNPA has curved over the past 5 years- currently at 7.4%



Note: Analysis has been made based on 28 Banks: 11 PSU, 10 Private-New and 7 Private-Old Banks  
 Source: RBI; Capitaline; Press releases; BCG analysis

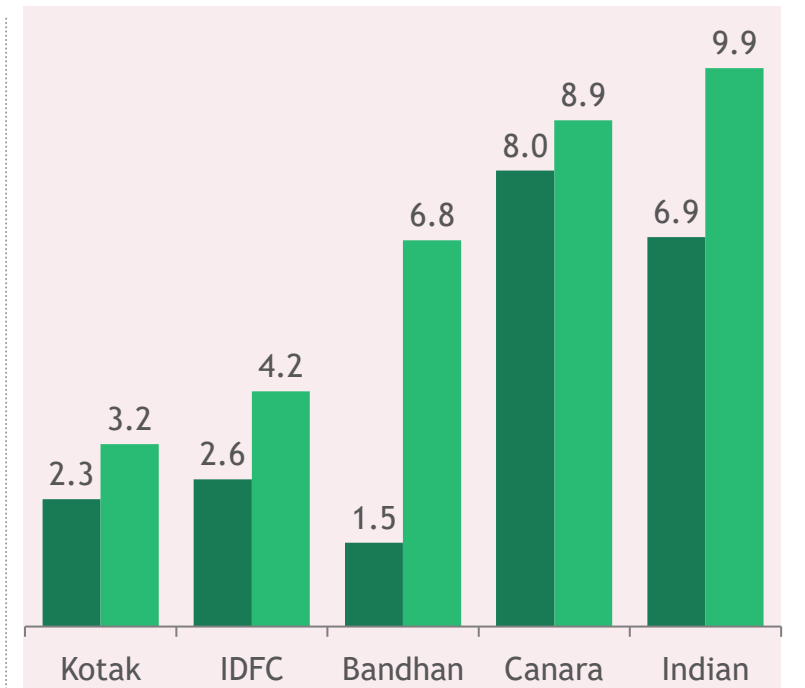
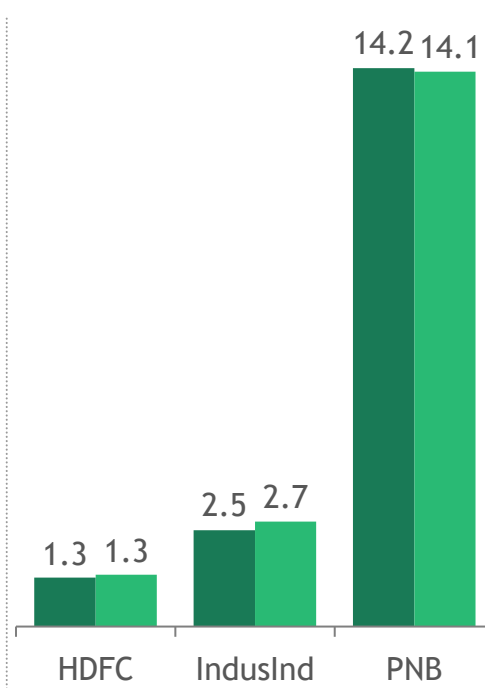
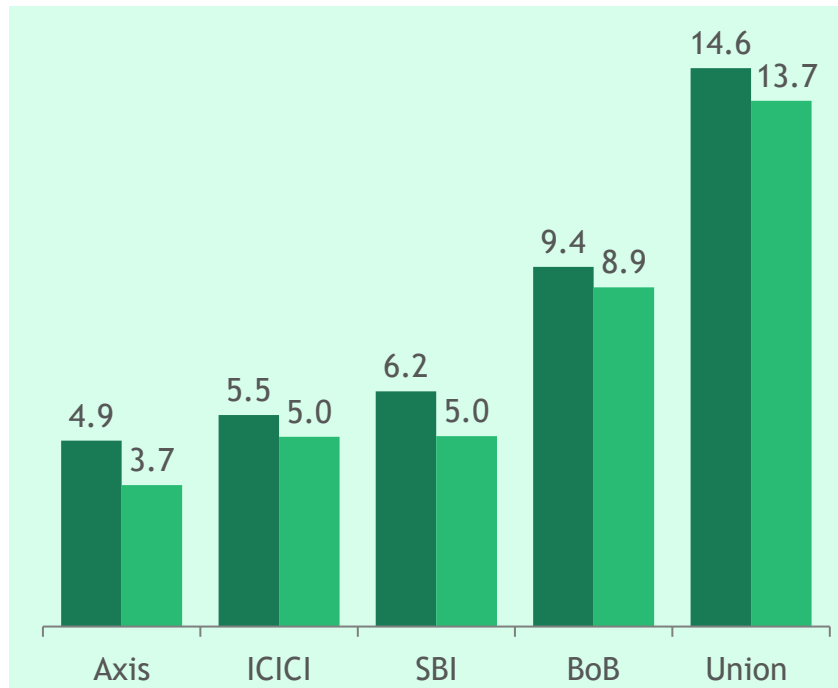


# NPAs contained for overall banking industry; however, asset quality still a major concern for many banks

Select Banks

Gross Non-Performing assets (%)

Improvement in asset quality      Broadly unchanged      Deterioration in asset quality



Provisions Growth (FY21 over FY20)



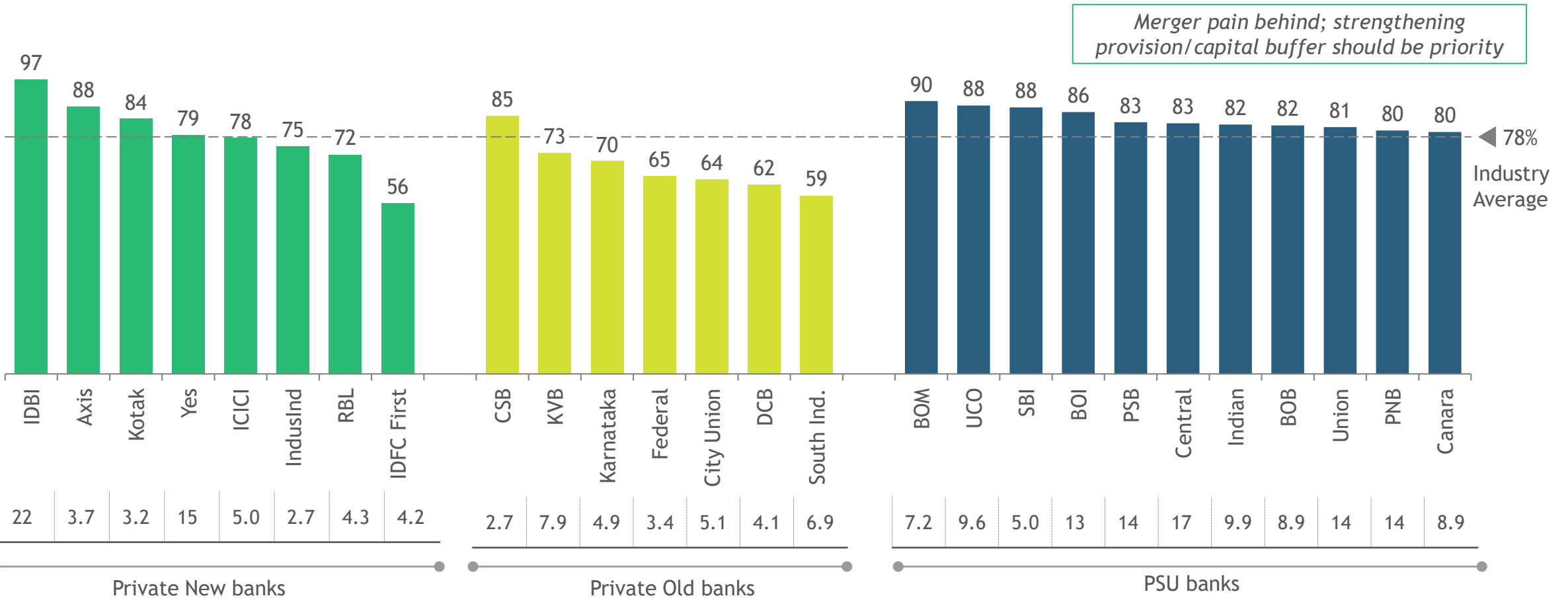
FY20      FY21

Source: Investor Presentation, Analyst Report BCG Analysis

# Second wave pose risk to asset quality, bank retains healthy provisioning buffer

Provision coverage ratio<sup>1</sup> (%) (Mar'21)

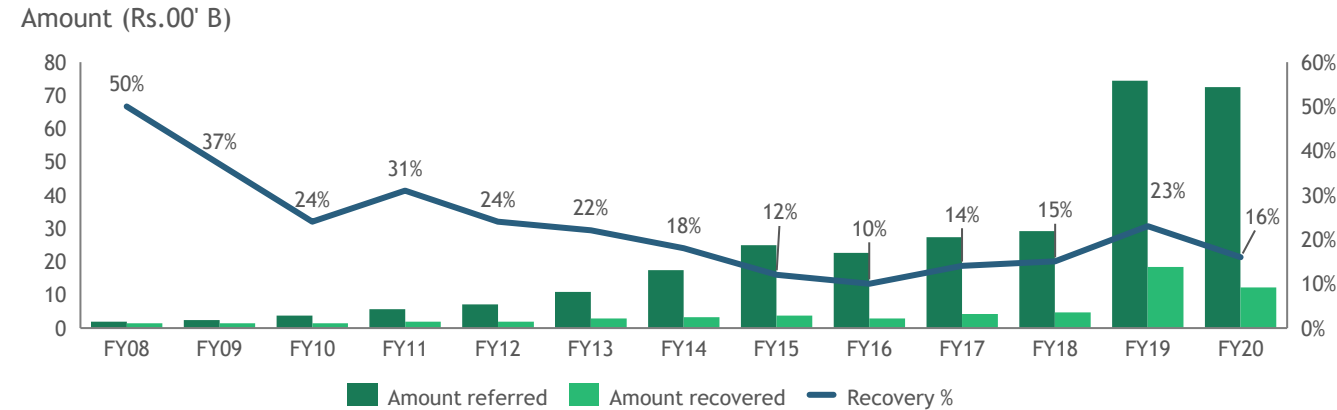
Select Banks



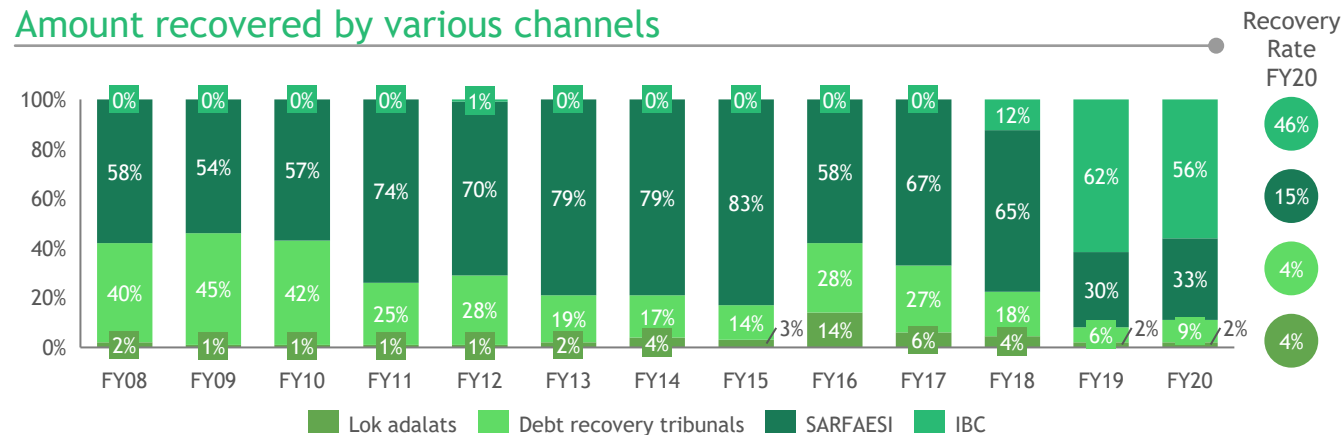
1. All the above PCR% are including Technical write-offs, wherever separately disclosed by banks  
 Source: Capitaline, Investor presentation, Press release, BCG Analysis

# Higher NPA recoveries to ease pressure on banks

## Recoveries through various channels



## Amount recovered by various channels

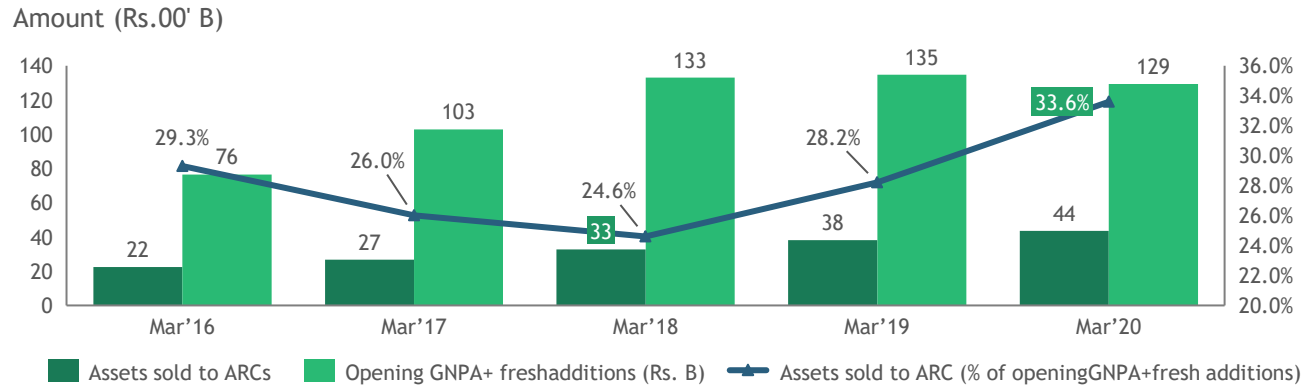


- Recoveries through various channels have **bounced back** from decadal lows of ~10% in FY16 to ~16% in FY20
- IBC channel alone led to >50% of systemic recoveries with a relatively **higher recovery rate of 45-50%** compared to other channels
- It will be interesting to see if the IBC/NCLT infra keeps pace with the increase in number of cases in the future, so they can retain the high proportion (**45-50%**) recoveries through the IBC channel
- As part of covid-19 relief measure, government **suspension of fresh insolvency proceedings**, during the one-year period from 25<sup>th</sup> March 2020, might result in **slowdown of recoveries** in FY21 and FY22 recoveries depends on the lifting of the said restrictions

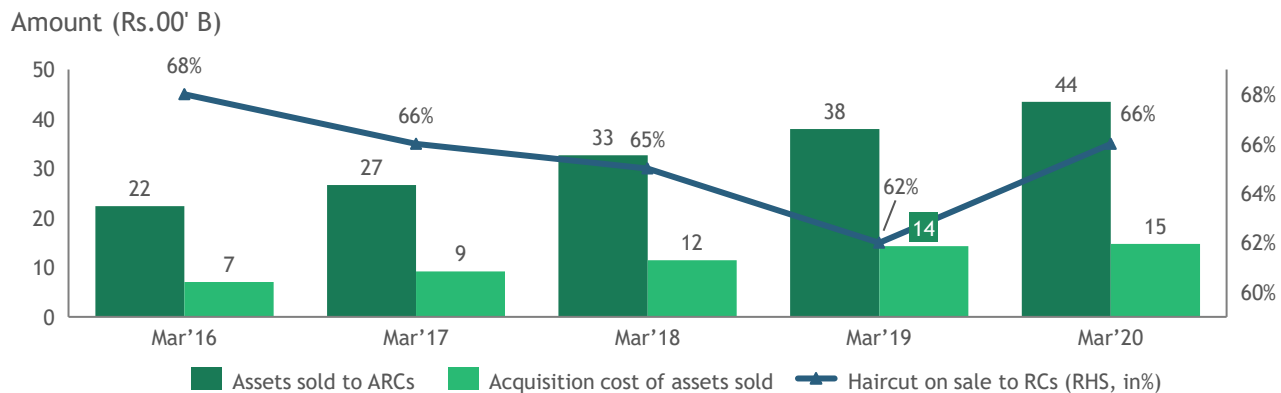
Source: RBI, Broker reports

# Asset sales to ARCs increasing over time; but with high haircuts

## Asset sales to ARCs



## Haircut on sales to ARCs



- Assets sold to ARCs as a proportion of banking system stressed assets increased to ~34% in FY20, up from 25% in FY18
- Haircuts on sales to ARCs have risen to 66% in FY20 compared to 62% in the prior financial period
- The proposed National Asset Reconstruction Company (NARC) which is expected to take over bad loans exposure >Rs 500 crore with the banks, will further result in GNPA reduction of 1.8% - 2.3% of loans



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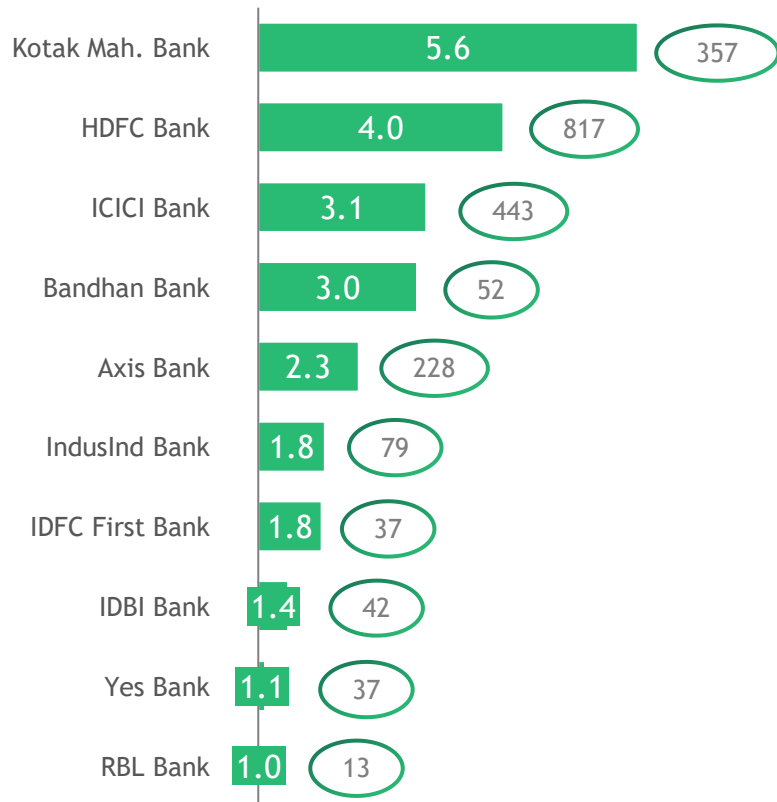
Outlook for FY22

# Most PSU banks valued below book value; private banks commanding premium

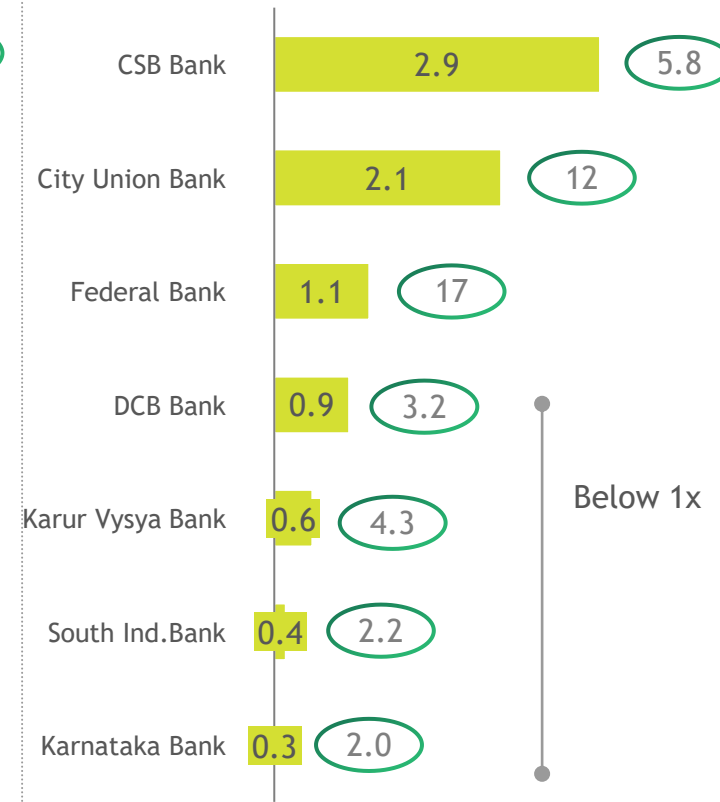
Price to book ratio (As on 10<sup>th</sup> June 2021)

Select Banks

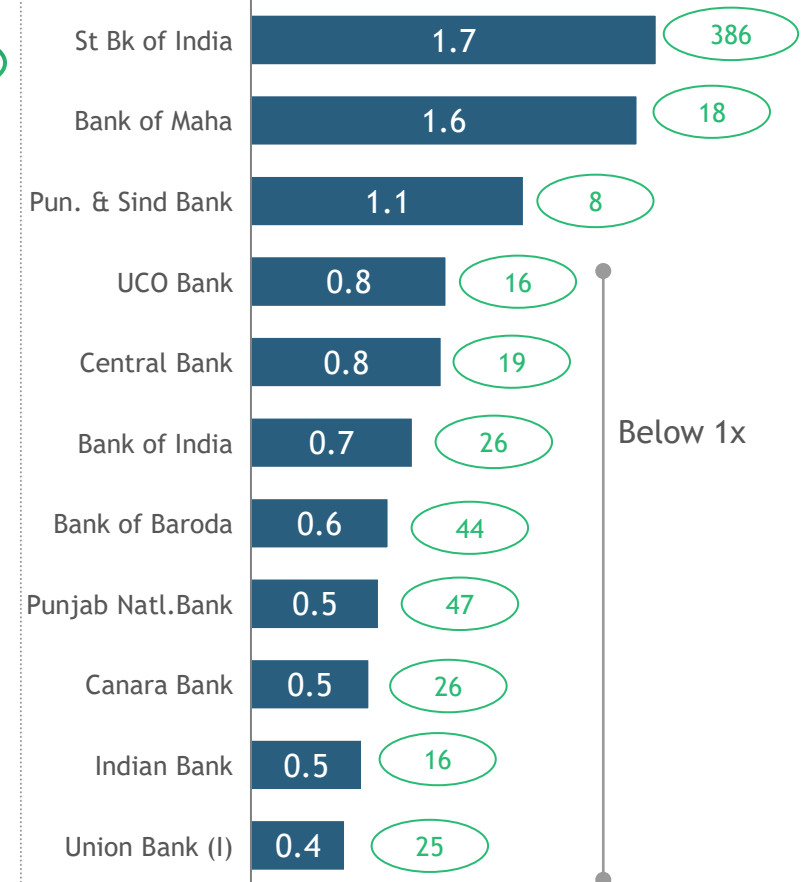
## Private New banks



## Private Old banks



## PSU banks



○ Market Cap (INR in '000 crores)  
(as on 10<sup>th</sup> June 2021)



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Key Regulatory Measures




Annual Player Performance

Outlook for FY22

# COVID 19 has pushed digital banking adoption to the tipping point

Select Banks

As on 31<sup>st</sup> March 2021

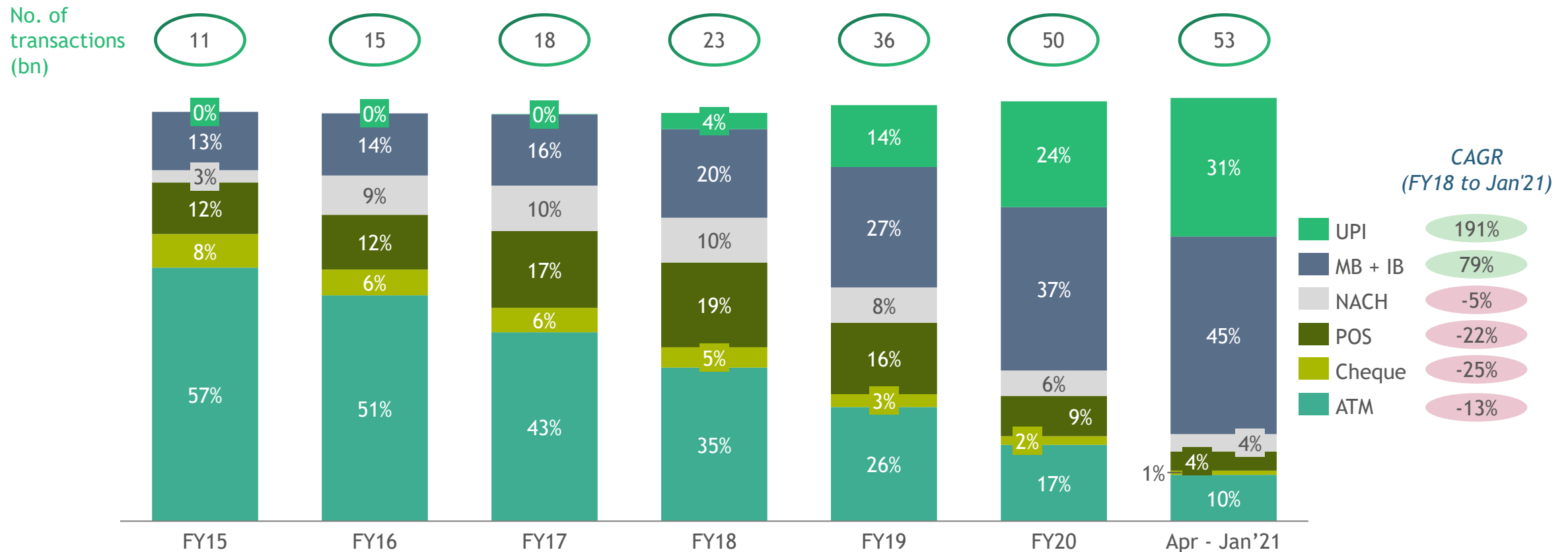
	 ICICI Bank	 AXIS BANK	<i>IndusInd Bank</i>	 SBI
Saving Account sourced digitally	NA	71%	95% <sup>5</sup>	68%
FD sourced digitally	56%	71%	93% <sup>5</sup>	NA
SIPs initiated digitally	64%	57% <sup>5</sup>	NA	NA
Credit Card issued digitally	75% <sup>4</sup>	74% <sup>5</sup>	37% <sup>5</sup>	NA
Personal Loans sourced digitally	90% <sup>4</sup>	57%	39% <sup>5</sup>	13.6L PAPL
YoY growth in Volume of MB Transaction <sup>1</sup>	61% <sup>2</sup>	180% <sup>2</sup>	1.35x times <sup>3</sup>	NA

1. Growth FY21 over FY20 by volume of transaction 2. YoY growth Q4-2021 over Q4-2020 3. Average monthly mobile banking transactions grew 1.35X from Q4-FY20 to Q4-FY21 4. Percentage share based on count of customers. Includes insta and digitally on boarded 5. As on Q4FY21  
Source: NPCI, Investor presentations; Analyst reports; BCG analysis



# 75% of all banking financial transactions are now digital, with UPI mobile and internet banking leading the way

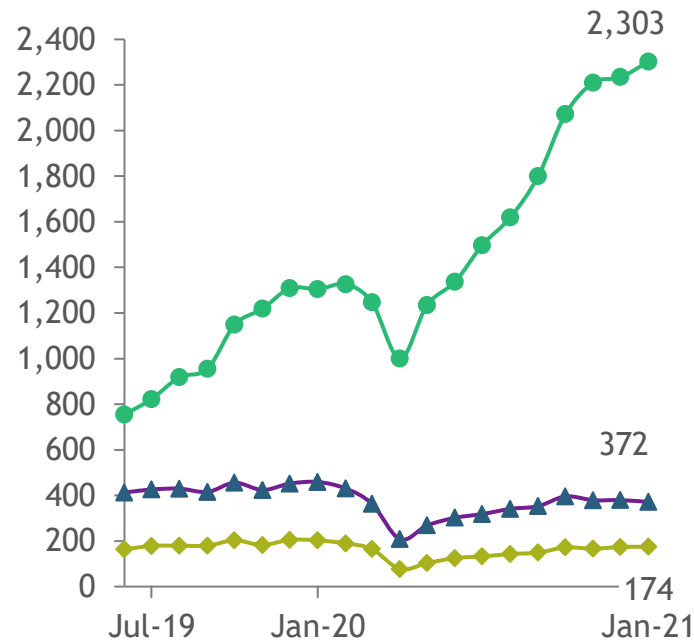
Split of Financial Transactions<sup>2</sup> (%) by volume



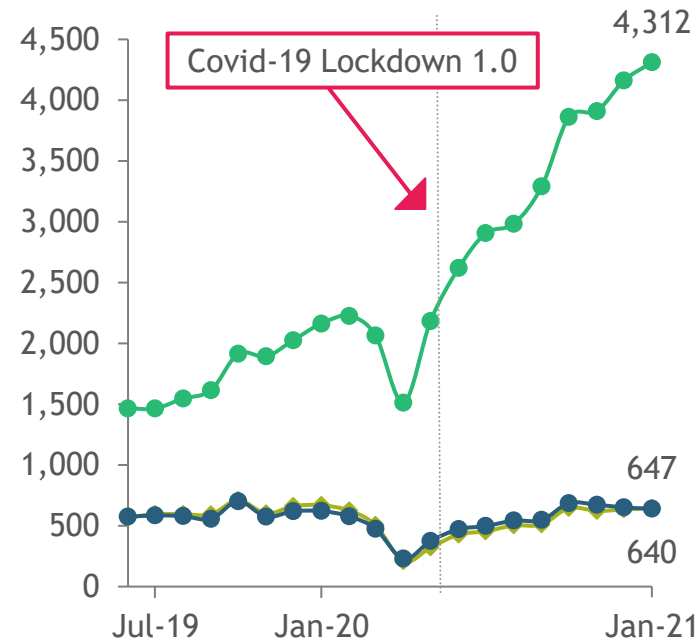
Notes: 1. Financial Transactions do not include cash transactions at branches; 3. Internet transactions include RTGS, ECS, NEFT and IMPS financial transactions · ATM and Mobile transactions included are financial transactions only; 4. CAGR is calculated as Apr - Jan' 21 over FY18 5. Total may not sum to 100 because of differences due to rounding off  
 Source: RBI data; National Payments Corporation of India (NPCI) statistics; BCG analysis

# UPI is the most widely used payment service in India

#Transactions (Mn)



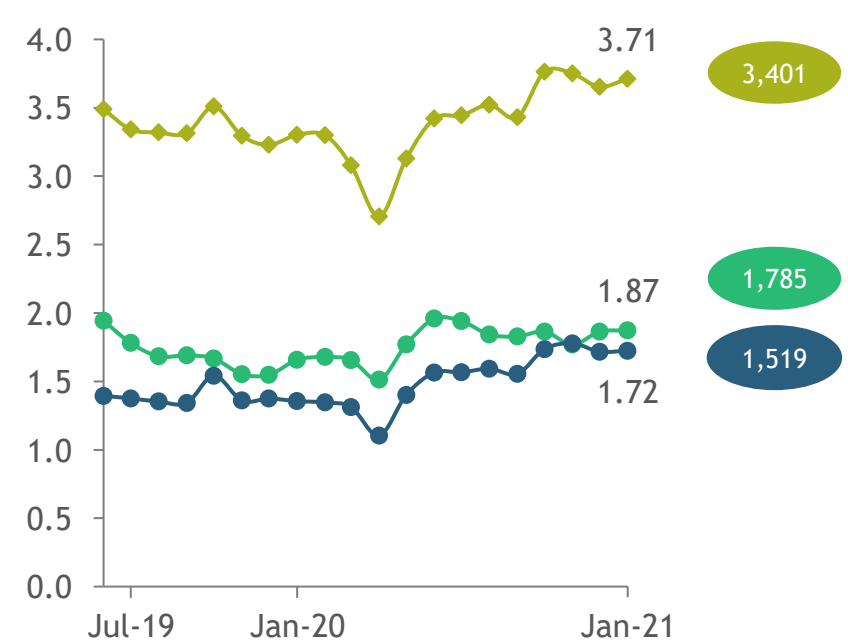
Value of Transactions (INR Bn)



● UPI    ◆ Credit Card    ▲ Debit Card

Average ticket size (INR) (Jan-20 to Jan-21)

Ticket size (INR Thousand)

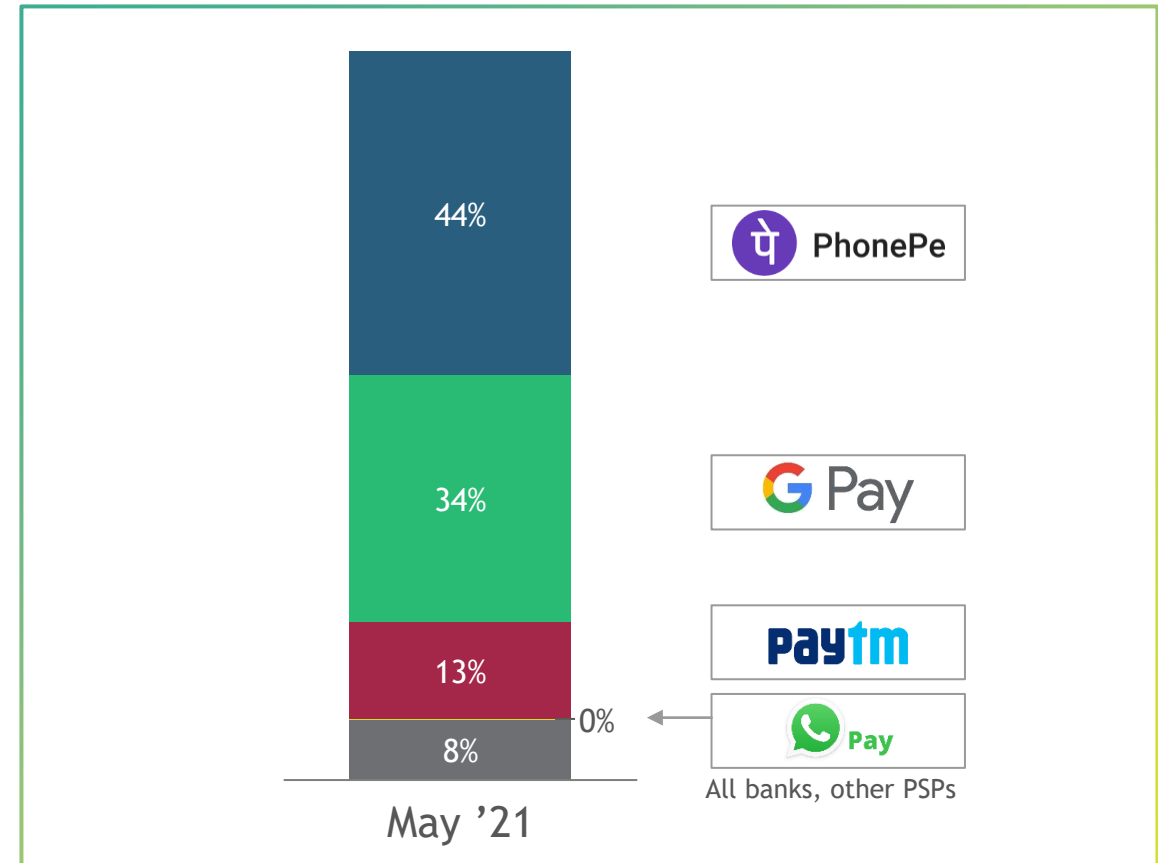
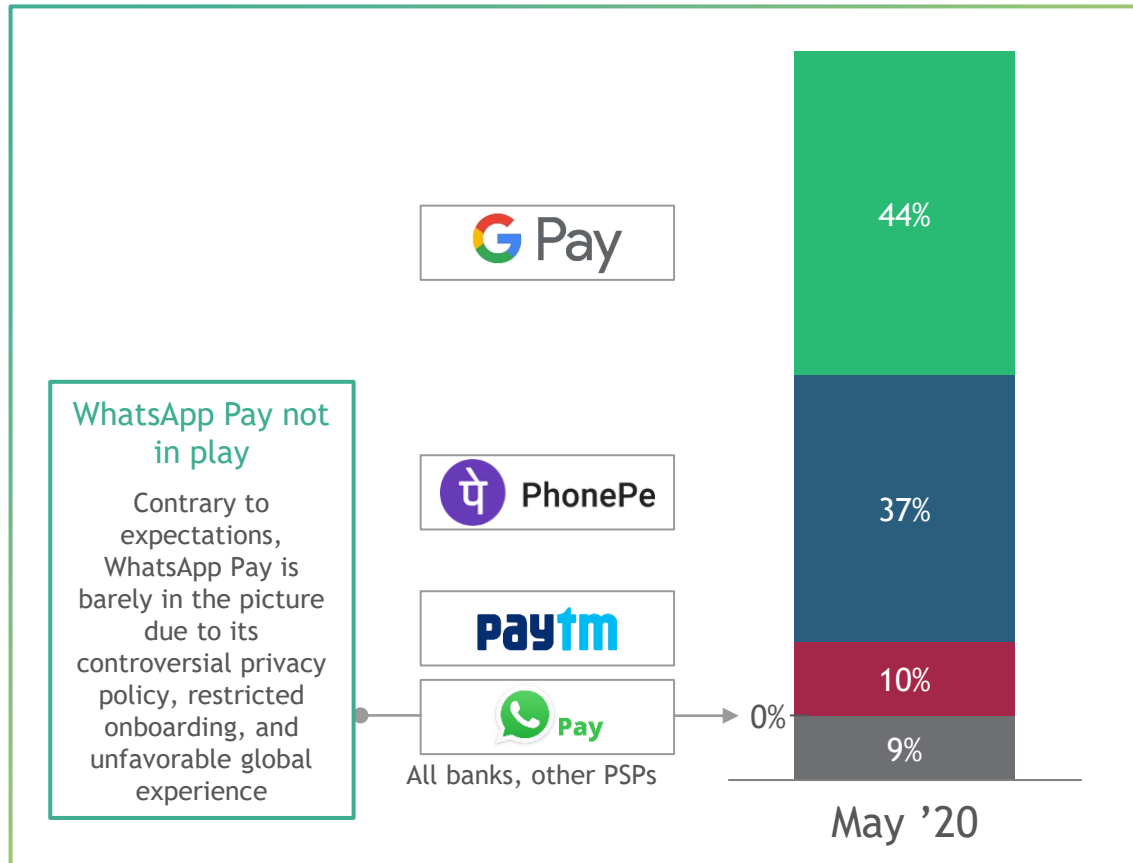


Note: Data is as of June 2020 actual data; Credit and debit card transaction value is as per POS terminal transactions  
 Source: National Payments Corporation of India (NPCI), Press research, BCG Analysis

# UPI: PhonePe overtakes Google Pay to emerge as market leader; together occupy >80% of market share

Share of UPI Transactions (May '20)

Share of UPI Transactions (May '21)



1. Total may not sum to 100 because of differences due to rounding off  
 Source: RBI data, NPCI, Press Releases, BCG Analysis

# Financial Services is becoming the next big battleground for technology players



- New revenue streams in the consumer engagement and financial services such as **loans and working capital for the 15 mn merchants on PhonePe**
- Target of 25 mn merchants by December 2021, of which 9 mn will be in rural areas
- *"PhonePe is planning to have 15,000 agents to go and enable digital payments in 6,000 talukas in India", says founder and CEO Sameer Nigam*



- Gearing up to become a **preferred bank for small merchants**
- Products to launch in the next 12-24 months will be in line with this vision; Plans to raise over Rs 5,000 crore in debt funding in next 2 years to build its lending business
- *"We have set an ambitious target of facilitating disbursements to the tune of \$1 bn to over 10 lakh (one million) merchants by the end of current fiscal (FY22)," said Suhail Sameer, Group President*



- Paytm has introduced **'Instant Personal Loans'** on its platform to facilitate access to credit services to the masses
- Aims to provide instant loans using tech to 1 mn Paytm customers
- Would take just 2 minutes for users to secure loans 24X7, 365 days
- Ticket size of Rs 2 lakh instant loan offered to salaried individuals and small business owners



## Banking sector overview

Macro Indicators

Business: Advances & Deposits

Key Performance Indicators

NPA and Risk Management

Valuation

Digital in Banking

> Key Regulatory Measures

Annual Player Performance

Outlook for FY22



# Key Regulatory Measures



## On Tap TLTRO

Tap TLTRO Scheme further extended by a period of six months i.e., up to September 30, 2021



## SLTRO for SFBs

SLTRO of Rs.10,000 crore at repo rate to be deployed for fresh lending of Rs.10 lakh per borrower; facility open till October 31, 2021



## Term Liquidity Facility

On-tap liquidity window for tenor of 3 years at repo rate for Emergency Health Services of Rs. 50,000 crores



## PSL by SFBs to NBFC-MFIs

SFBs are now being permitted to reckon fresh lending to smaller MFIs for on-lending to individual borrowers as PSL



## Credit to MSME Entrepreneurs

Credit facility to new MSMEs has been extended till December 31, 2021



## Resolution Framework 2.0

RBI has permitted MSMEs, Individuals and Small Businesses to recast their loans, without being downgraded to non-performing category



## Provisions/Counter Cyclical Provisioning Buffer

Banks have been allowed to utilize 100% of floating provisions/ countercyclical provisioning buffer for making specific provisions for NPAs. Such utilization is permitted up to March 31, 2022



## Payment Banks

Limit of maximum balance of PBs has been enhanced at the end of the day from Rs.1 lakh to Rs.2 lakh per individual



## CRR

Restoration of cash reserve ratio (CRR) in two phases to 4%; The CRR will go up from 3% to 3.5% effective from March 27, 2021 and to 4% effective from May 22, 2021



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Digital in Banking

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➤ Annual Player Performance

Outlook for FY22

## Annual player performance | PSU Banks











	Period	Advances Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM <sup>1</sup> (%)	CIR <sup>2</sup> (%)	GNPA (%)	ROA <sup>1</sup> (%)	
PSU banks	 SBI	FY '21	24.5L <span>▲5%</span>	36.8L <span>▲14%</span>	45% <sup>3</sup> <span>▲121 bps</span>	2.6% <span>▲4 bps</span>	55% <sup>4</sup> <span>▼275 bps</span>	5.0% <span>▼117 bps</span>	0.5% <span>▲10 bps</span>
		FY '20	23.3L	32.4L	44%	2.6%	57%	6.2%	0.4%
	 PNB	FY '21	6.7L <span>▼3%</span>	11.1L <span>▲3%</span>	45% <span>▲320 bps</span>	2.4% <span>▲30 bps</span>	47% <span>▼955 bps</span>	14.1% <span>▲33 bps</span>	0.2% <span>▲84 bps</span>
		FY '20	7.0L	10.7L	41%	2.1%	56%	13.8%	-0.7%
	 बैंक ऑफ बड़ौदा Bank of Baroda	FY '21	7.1L <span>▲2%</span>	9.7L <span>▲2%</span>	38% <sup>3</sup> <span>▲466 bps</span>	2.5% <span>▲4 bps</span>	50% <span>▼7 bps</span>	8.9% <span>▼53 bps</span>	0.1% <span>▲2 bps</span>
		FY '20	6.9L	9.5L	33%	2.5%	50%	9.4%	0.05%
	 केनरा बैंक Canara Bank	FY '21	6.4L <span>▲4%</span>	10.1L <span>▲11%</span>	33% <sup>3</sup> <span>▲70 bps</span>	2.2% <span>▲21 bps</span>	49% <span>▼966 bps</span>	8.9% <span>▼46 bps</span>	0.2% <span>▲80 bps</span>
		FY '20	6.2L	9.1L	32%	2.0%	59%	9.4%	-0.6%
	 यूनियन बैंक Union Bank	FY '21	5.9L <span>▼2%</span>	9.2L <span>▲6%</span>	36% <span>▲218 bps</span>	2.4% <span>▼3 bps</span>	47% <span>▼241 bps</span>	13.7% <span>▼86 bps</span>	0.3% <span>▲94 bps</span>
		FY '20	6.0L	8.6L	34%	2.4%	49%	14.6%	-0.7%
	 Bank of India Relationship beyond banking	FY '21	3.7L <span>▼1%</span>	6.3L <span>▲13%</span>	36% <sup>3</sup> <span>▲23 bps</span>	2.1% <span>▼32 bps</span>	50% <span>▲235 bps</span>	13.8% <span>▼101 bps</span>	0.3% <span>▲77 bps</span>
		FY '20	3.7L	5.6L	36%	2.4%	48%	14.8%	-0.5%
	 इंडियन बैंक Indian Bank	FY '21	3.6L <span>▲7%</span>	5.4L <span>▲10%</span>	42% <span>▲149 bps</span>	2.6% <span>▲24 bps</span>	48% <span>▼148 bps</span>	9.9% <span>▼154 bps</span>	0.5% <span>▲135 bps</span>
		FY '20	3.4L	4.9L	41%	2.4%	49%	11.4%	-0.8%
	 सेंट्रल बैंक ऑफ इंडिया Central Bank of India	FY '21	1.6L <span>▲4%</span>	3.3L <span>▲5%</span>	49% <span>▲277 bps</span>	2.3% <span>▲5 bps</span>	59% <span>▼201 bps</span>	16.6% <span>▼237 bps</span>	-0.2% <span>▲8 bps</span>
		FY '20	1.5L	3.1L	46%	2.2%	61%	18.9%	-0.3%
 यूको बैंक UCO BANK	FY '21	1.1L <span>▲10%</span>	2.1L <span>▲7%</span>	39% <sup>3</sup> <span>▼37 bps</span>	2.2% <span>▲6 bps</span>	41% <span>▲180 bps</span>	9.6% <span>▼718 bps</span>	0.1% <span>▲111 bps</span>	
	FY '20	1.0L	1.9L	39%	2.2%	39%	16.8%	-1.0%	
 बैंक ऑफ महाराष्ट्र Bank of Maharashtra	FY '21	1.0L <span>▲18%</span>	1.7L <span>▲16%</span>	54% <span>▲370 bps</span>	2.7% <span>▲11 bps</span>	47% <span>▼458 bps</span>	7.2% <span>▼558 bps</span>	0.3% <span>▲7 bps</span>	
	FY '20	0.9L	1.5L	50%	2.6%	52%	12.8%	0.2%	
 Punjab & Sind Bank	FY '21	0.6L <span>▲4%</span>	1.0L <span>▲7%</span>	33% <span>▲323 bps</span>	2.1% <span>▲18 bps</span>	76% <span>▲1275 bps</span>	13.8% <span>▼42 bps</span>	-2.6% <span>▼164 bps</span>	
	FY '20	0.6L	0.9L	30%	2.0%	63%	14.2%	-0.9%	

xxx Change vs. last year

1. RoA and NIM are calculated as % of average assets 2. CIR is calculated as Opex by Total Income (NII + Other Income) 3. "Domestic" CASA Ratio 4. Excluding one off item o/a of stake sale in SBI Life of Rs.1,540 Crs in Q1FY21 and Rs.3,484 Crs in Q2FY20 & SBI Card of Rs 2,731 Crs in Q4FY20  
Source: RBI; Capitaline; Press releases; BCG analysis










## Annual player performance | Private-New Banks

	Period	Advances		Deposits		CASA		NIM <sup>1</sup> (%)		CIR <sup>2</sup> (%)		GNPA (%)		ROA <sup>1</sup> (%)		
		Rs	Cr	Rs	Cr	Ratio (%)										
Private new banks	 <b>HDFC BANK</b>	FY '21	11.3L	▲14%	13.4L	▲16%	46%	▲388 bps	4.0%	▼9 bps	36%	▼231 bps	1.3%	▲6 bps	1.9%	▲1 bps
		FY '20	9.9L		11.5L		42%		4.0%		39%		1.3%		1.9%	
	 <b>ICICI Bank</b>	FY '21	7.3L	▲14%	9.3L	▲21%	46%	▲117 bps	3.3%	▲12 bps	39% <sup>3</sup>	▼403 bps	5.0%	▼57 bps	1.4%	▲62 bps
		FY '20	6.5L		7.7L		45%		3.2%		43%		5.5%		0.8%	
	 <b>AXIS BANK</b>	FY '21	6.2L	▲9%	7.1L	▲10%	45%	▲373 bps	3.1%	▲12 bps	42%	▼78 bps	3.7%	▼116 bps	0.7%	▲50 bps
		FY '20	5.7L		6.4L		41%		2.9%		42%		4.9%		0.2%	
	 <b>Kotak</b> <small>Kotak Mahindra Bank</small>	FY '21	2.2L	▲2%	2.8L	▲7%	60%	▲428 bps	4.1%	▲11 bps	41%	▼563 bps	3.2%	▲106 bps	1.9%	▲10 bps
		FY '20	2.2L		2.6L		56%		4.0%		47%		2.2%		1.8%	
	 <b>IndusInd Bank</b>	FY '21	2.1L	▲3%	2.6L	▲27%	42%	▲132 bps	4.0%	▼9 bps	42%	▼171 bps	2.7%	▲22 bps	0.8%	▼66 bps
		FY '20	2.1L		2.0L		40%		4.1%		43%		2.5%		1.5%	
	 <b>IDBI BANK</b>	FY '21	1.3L	▼1%	2.3L	▲4%	50%	▲271 bps	2.9%	▲60 bps	46%	▼930 bps	22.4%	▼516 bps	0.5%	▲461 bps
		FY '20	1.3L		2.2L		48%		2.3%		55%		27.5%		-4.2%	
	 <b>YES BANK</b>	FY '21	1.7L	▼3%	1.6L	▲55%	26%	▼50 bps	2.8%	▲66 bps	54%	▼1189 bps	15.4%	▼139 bps	-1.3%	▲581 bps
		FY '20	1.7L		1.1L		27%		2.1%		66%		16.8%		-7.1%	
 <b>IDFC FIRST Bank</b>	FY '21	1.0L	▲17%	0.9L	▲36%	52%	▲2002 bps	4.7%	▲89 bps	74%	▼153 bps	4.2%	▲155 bps	0.3%	▲210 bps	
	FY '20	0.9L		0.7L		32%		3.8%		75%		2.6%		-1.8%		
 <b>Bandhan Bank</b>	FY '21	0.8L	▲22%	0.8L	▲37%	43%	▲655 bps	7.3%	▼122 bps	29%	▼169 bps	6.8%	▲533 bps	2.1%	▼195 bps	
	FY '20	0.7L		0.6L		37%		8.5%		31%		1.5%		4.1%		
 <b>RBL BANK</b>	FY '21	0.6L	▲1%	0.7L	▲26%	32%	▲221 bps	4.0%	▼29 bps	47%	▼388 bps	4.3%	▲72 bps	0.5%	▼6 bps	
	FY '20	0.6L		0.6L		30%		4.3%		51%		3.6%		0.6%		

xxx Change vs. last year

# Annual player performance | Private-Old Banks

	Period	Advances Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM <sup>1</sup> (%)	CIR <sup>2</sup> (%)	GNPA (%)	ROA <sup>1</sup> (%)	
Private old banks	 FEDERAL BANK YOUR PERFECT BANKING PARTNER	FY '21	1.3L ▲8%	1.7L ▲13%	34% ▲ 331 bps	2.9% ▲ 16 bps	49% ▼ 193 bps	3.4% ▲ 57 bps	0.8% ▼ 7 bps
		FY '20	1.2L	1.5L	31%	2.7%	51%	2.8%	0.9%
	 SOUTH INDIAN Bank	FY '21	0.6L ▼10%	0.8L ▼0.4%	30% ▲ 473 bps	2.5% ▲ 8 bps	55% ▲ 389 bps	7.0% ▲ 199 bps	0.1% ▼ 5 bps
		FY '20	0.6L	0.8L	25%	2.4%	51%	5.0%	0.1%
	 Karnataka Bank Your Family Bank. Across India.	FY '21	0.5L ▼9%	0.8L ▲5%	31% ▲ 258 bps	2.6% ▲ 8 bps	46% ▼ 402 bps	4.9% ▲ 9 bps	0.6% ▲ 4 bps
		FY '20	0.6L	0.7L	29%	2.5%	50%	4.8%	0.5%
	 KVB Karur Vysya Bank Smart way to bank	FY '21	0.5L ▲9%	0.6L ▲7%	34% ▲ 267 bps	3.3% ▼ 11 bps	58% ▲ 843 bps	7.9% ▼ 83 bps	0.5% ▲ 16 bps
		FY '20	0.5L	0.6L	31%	3.4%	50%	8.7%	0.3%
	 CITY UNION BANK CUB	FY '21	0.4L ▲7%	0.4L ▲9%	29% ▲ 417 bps	3.6% ▲ 2 bps	41% ▼ 159 bps	5.1% ▲ 102 bps	1.2% ▲ 15 bps
		FY '20	0.3L	0.4L	25%	3.5%	43%	4.1%	1.0%
	 DCB BANK	FY '21	0.3L ▲2%	0.3L ▼2%	23% ▲ 138 bps	3.3% ▼ 11 bps	49% ▼ 601 bps	4.1% ▲ 163 bps	0.9% ▼ 5 bps
		FY '20	0.3L	0.3L	21%	3.4%	55%	2.5%	0.9%
	 CSB Bank Formerly The Catholic Syrian Bank Ltd.	FY '21	0.1L ▲27%	0.2L ▲21%	32% ▲ 302 bps	4.5% ▲ 115 bps	52% <sup>3</sup> ▼ 1397 bps	2.7% ▼ 86 bps	1.0% ▲ 96 bps
		FY '20	0.1L	0.2L	29%	3.3%	66%	3.5%	0.1%

xxx Change vs. last year

1. RoA and NIM are calculated as % of average assets 2. CIR is calculated as Opex by Total Income (NII + Other Income) 3. Excluding One off expenses on Depreciation policy/ AS15 assumption impact

Source: RBI; Capitaline; Press releases; BCG analysis



## Banking sector overview

Macro Indicators

Business: Advances & Deposits

Key Performance Indicators

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Valuation

Digital in Banking

Key Regulatory Measures

Annual Player Performance

> Outlook for FY22

## Stage set for a normalized FY22



**Macro: Low interest rate** environment to continue, CPI inflation to remain low at ~5.1%, expect RBI to keep the repo rate unchanged in 2021; Moody's predict **GDP to grow at only 9.3% in FY22** as 2nd COVID wave raises risks to credit profile



**Credit growth on watch:** Uncertainty in growth in some sectors and need to watch out for credit growth in FY22; deposit growth has revealed periods of alternate expansion and contraction



**Slippages/GNPAs to head lower:** GNPA ratio of all SCBs may increase to 13.5% by Sept 2021 under the baseline scenario: RBI; the proposed ARC/AMC structure provides additional comfort on the lower GNPA trajectory



**Digital:** Digital banking picking up pace amid pandemic; Financial services will become the next big battleground for technology players such as PhonePe, Google, Paytm



**Key Measures:** RBI measures to alleviate financing constraints for individuals, small businesses & MSMEs; allowing the utilization of floating/counter-cyclical provisions should also provide some relief from incremental provisioning standpoint



**Large banks to lead the show** with sufficient capital, accelerating market share, stronger deposits, lower cost ratios and clean balance sheet

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